

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

May 9, 2011 – 7:00 p.m.

BOARD OF DIRECTORS

Ted Costa	President
Pam Tobin	Vice President
Ken Miller	Director
Dave Peterson	Director
Bob Walters	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Keith Durkin	Assistant General Manager
Mary Morris	Finance and Administrative Services Manager
Judy Johnson	Customer Service Manager
Rick Hydrick	Operations Manager
George Machado	Field Services Manager
Bill Sadler	Water Treatment Plant Superintendent
Jason Mayorga	Distribution Operator IV
Mike Spencer	Water Treatment Plant Operator
Teri Hart	Board Secretary/Administrative Assistant
Joshua Horowitz	Counsel

OTHER ATTENDEES

Sandy Harris	Rate Payer
Jeanette Roberts	Rate Payer
Ken Roberts	Rate Payer
Lianne Peterson	Rate Payer
Greg Umphenour	Rate Payer
Dave Hodson	Rate Payer
Robert Fries	Rate Payer

AGENDA ITEMS

- I. Public Forum**
- II. Consent Calendar**
- III. Old Business**
- IV. Committee Reports**
- V. Information and Action Items**
- VI. Upcoming Events**
- VII. Adjourn**

President Costa called the meeting to order at 7:00 p.m.

I. PUBLIC FORUM

Ms. Roberts inquired about the agenda item regarding Vice President Tobin's motion to approve a salary increase. President Costa explained that the motion was an item that was tabled from the last meeting and that the Board will be

discussing the item and the public can comment on the item at that time prior to the Board voting on the item.

II. **CONSENT CALENDAR**

All items under the consent calendar are considered to be routine and are approved by motion. There will be no separate discussion of these items unless a member of the Board, audience, or staff request a specific item removed after the motion to approve the Consent Calendar.

1. **BOARD OF DIRECTOR'S MEETING MINUTES**

Approval of San Juan Water District's Board of Director's meeting minutes as follows:

1. Minutes of the Board of Directors Meeting April 27, 2011

Director Peterson moved to approve the Consent Calendar. Vice President Tobin seconded the motion and it carried with 4 Aye votes and 1 Abstain vote (Walters).

III. **OLD BUSINESS**

1. **Personnel Committee (4/5/11)**

Director Walters reviewed the actions which were taken at previous meetings regarding the Personnel Committee recommendations.

1.1 Policy on PERS Employer Pickup of Member Contributions (EPMC)

This item was tabled at the last meeting until it could be discussed by the full board. At the last meeting, Vice President Tobin made the following motion:

Vice President Tobin moved to increase employee salaries by 4% and to deduct the EPMC from employee salaries by 4%. Director Walters seconded the motion.

Director Peterson requested to make a substitute motion. President Costa acknowledged his request.

Director Peterson moved to substitute 8% in place of 4% in the previous motion. Director Miller seconded the motion and it carried with 3 Aye votes and 2 No votes (Tobin and Costa).

Director Peterson moved to increase employee salaries by 8% and to deduct the EPMC from employee salaries by 8%. Director Miller seconded the motion and it carried with 3 Aye votes and 2 No votes (Tobin and Costa).

Director Peterson moved to authorize staff to work with CalPERS to initiate the change in allocation of the 8% EPMC with the employees

contribution to CalPERS made pre-tax. Director Miller seconded the motion and it carried unanimously.

Discussion of the previous motions:

Director Peterson clarified his motivation on the motion to be full disclosure and a transparency issue. He stated that this will also minimize the risk to the District if PERS increases the employee portion in the future. Director Miller inquired what impact the 8% salary increase would have on the District as it pertains to PERS. Director Peterson explained that it would have no affect on PERS since the 8% was already factored into the retirement amount for assumption purposes. The amount will increase the base salary of employees, which will affect social security, state and federal taxes for both the District and the employees. Ms. Morris explained that the increase in income could be reflected as pre-tax so that it will minimize the impact on employees. Director Peterson mentioned that another motion would be required to direct staff to pursue this action. Mr. Horowitz offered a point of clarification regarding initiation of a motion to accept the CalPERS resolution at a future meeting.

Director Walters commented that this action is basically reversing a Board decision which was made years ago to forego employee salary increases in exchange for the District covering the EPMC. The 8% would increase the employee salary base and therefore if there were any salary increases in the future they would be based on the new salary base.

Ms. Harris commented that staff should not receive an 8% increase when most employees are required to pay their portion without receiving an increase. Director Peterson explained that staff did not take raises for several years and the Personnel Committee recommended that this remain revenue neutral for staff. Mr. Hodson voiced agreement with Ms. Harris.

Mr. Roberts commented that he understands the need to make this transparent; however, giving an 8% raise to offset the potential loss to the employee should not happen, since the employee doesn't lose the 8%, they will get it back when they retire.

Ms. Roberts inquired if the District could drop out of PERS and go to a 401K. President Costa stated that it is very difficult to get out of PERS, once an employee is in PERS they have a contract right until they pass away. However, the Board has looked at changing the tiers and can consider looking at not offering PERS to new hires. Ms. Roberts commented that by raising salaries by 8% then it increases the employee's PERS retirement amount. Director Peterson explained that the 8% is already counted in PERS for employees.

Director Peterson moved to eliminate EPMC for future employees immediately. Director Miller seconded the motion and it carried unanimously.

Mr. Horowitz confirmed that it was legally proper to not offer District-paid EPMC to new employees.

1.2 Policy on Incentive Award Program

This item was tabled at the last meeting until it could be discussed by the full board.

Director Walters moved to re-refer the Incentive Award Program back to the Personnel Committee for purposes of determining a future for the incentive program. Vice President Tobin seconded the motion and it carried with 4 Aye votes and 1 No vote (Miller).

Discussion of the motion:

Director Walters explained that there are many incentive programs in both the public and private sectors that are now in existence - some programs out there are capped, some are set dollar amounts, some are decided by a committee and most are distinguishable from merit increases. He mentioned that incentive programs can encourage employees to achieve beyond just normal performance. He also complimented the District staff for recommending no incentive awards next year, which in turn gives the Board time to review the program.

Director Miller commented that he is in favor of eliminating the current program and is open to referring it back to committee for change.

Director Peterson commented that the number of recipients needs to be reduced so that it's more of an award granted by the Board than something distributed to 75% of the workforce. He mentioned that the rate payers in attendance do not support the program and would like a definitive timeline for action on this topic.

President Costa commented that he agrees with the motion and the committee should take their time researching various programs. Vice President Tobin commented that some of the committee's tasks will be to redefine the program and set parameters for the awards.

Mr. Hodson commented that employees should do their job and not expect to receive incentive awards, especially when rates are going up.

Mr. Fries commented that he believes a well planned incentive or suggestion program saves everyone money. Vice President Tobin commented that the project which changed the chemicals at the WTP saved the District over \$100,000 and over the years other suggestions from employees have saved

the District and rate payer money. She commented that she supports the incentive program.

Ms. Peterson commented that she believes some type of program might be appropriate but not one which gives 75% of the workforce some type of bonus.

President Costa commented that the District provided a COLA increase last year and the year before employees received a zero percent pay increase.

Mr. Roberts commented that typically in good times employees receive bonuses in the form of salary increases then if you add bonuses on top of that, it's double dipping. When employees are hired, they should have the skill set to complete their job at the highest level possible.

Ms. Roberts inquired if Vice President Tobin's request from December for a breakdown of incentive awards to employees was ever given to the Board. Vice President Tobin commented that the Board did receive the spreadsheet.

Director Miller moved to eliminate the current Incentive Award Program. Director Peterson seconded the motion and it failed with 2 Aye votes and 3 No votes (Costa, Tobin and Walters).

Director Peterson commented that the Personnel Committee will still be researching the Incentive Award Program based on the previous motion.

Director Walters informed the Board that the Personnel Committee is still discussing the Policy on Employee Cost Sharing of Other Benefits for health care and the committee will report back at a future meeting. President Costa mentioned that a single payer system in California has been re-introduced and has a good possibility of passing in the legislature.

Vice President Tobin moved to refer back the Policy on Employee Cost Sharing of Other Benefits to the Personnel Committee for further discussion. President Costa seconded the motion. Motion out of order since it was not on the agenda.

Mr. Durkin made a point of clarification that the only two items on the agenda were 1.1 and 1.2 of the Personnel Committee Recommendations. Director Walters commented that it is on the committee agenda for the May 17th meeting.

Director Peterson requested that the items being referred back to the Personnel Committee be placed on the Board agenda on June 22nd or later since he will not be at the next two meetings.

Director Walters informed the Board that two consultants will be scheduled to address the Board at separate meetings on how they would perform a compensation survey and align the positions within the District. The recommended consultants are CPS and Shellie Anderson. Director Peterson would like a third consultant contacted and he will provide the name to staff. He mentioned that he obtained the name from the Boot Camp for Elected Officials that he attended the previous week.

President Costa inquired why the Board was looking at doing a Salary Survey since there would be no intention to raise salaries at this time. Director Walters stated that the recommendation came out of the 2010 Personnel Committee Recommendations.

Director Peterson commented that he provided two of the four sections from the Boot Camp notebook as handouts for the Board members and Board Secretary.

IV. COMMITTEE REPORTS

1. Legal Affairs Committee (4/25/11)

Director Walters reported that the committee met on April 25, 2011 and discussed the following:

- Policy on Employee Cost Sharing of Other Benefits (W/R)
- Fair Oaks 40 Pipeline Project (W/R)
- Other Legal Affairs Matters (W/R)
 - ◆ Next Meeting Date

The committee meeting minutes will be attached to the original board minutes.

Policy on Employee Cost Sharing of Other Benefits

Director Walters informed the Board that legal counsel provided a memorandum regarding restrictions related to payment of premiums as it applies to:

- 1st and 2nd tiers
- Potential contractual right to health premiums as part of the compensation package
- Associated vested rights
- Vested rights in regard to changing plans for retirees

Mr. Horowitz explained that health benefits for any current active employees, who are deemed vested at all, can be changed within the limits of federal and state law. Furthermore, retiree health benefits can be changed with plan

design, like the number of plans offered. He mentioned a case coming out of the Supreme Court in 6-12 months might affect how benefits are determined to be vested or not.

For information only; no action requested.

Fair Oaks 40 Pipeline Project

Director Walters informed the Board that the 150-day notice to Fair Oaks Water District, Orange Vale Water Company and San Juan Retail was reviewed by Legal Counsel and was sent out last week with the Engineering Report. The Engineering Committee had recommended that the Engineering Report, which was prepared in-house, be reviewed by an outside consultant. The consultant finished the review and the 150-day notice was mailed May 5th.

For information only; no action requested.

Other Legal Matters

Next Meeting Date

The next meeting date is May 16, 2011 at 8:30 am.

2. Public Information Committee (4/25/11)

Director Miller reported that the committee met on April 25, 2011 and discussed the following:

- Wholesale Newsletter (W)
- Other Public Information Matters (W/R)
 - ◆ Solar Project
 - ◆ Next Meeting Date

The committee meeting minutes will be attached to the original board minutes.

Wholesale Newsletter

The committee reviewed the draft Wholesale Newsletter and recommended some revisions. A final draft of the newsletter will be reviewed at the next committee meeting.

For information, no action requested.

Other Public Information Matters

Director Miller informed the Board that Ms. Lorance attended a public meeting with Deputy Secretary Hayes in Sacramento on April 25th to discuss Delta issues. She attended a dinner meeting at the State Water Project Contractors office to discuss Folsom Dam Operations and protection of water rights during the Bay-Delta discussions later the same day.

For information, no action requested.

Solar Project

The committee discussed celebration of the Solar Project which is scheduled for completion in June 2011. The committee suggested that the Board of Directors celebrate the project in July.

For information only; no action requested.

Next Meeting Date

The next meeting date is May 26, 2011 at 10:00 am.

3. Finance Committee (5/9/11)

President Costa reported that the committee met on May 9, 2011 and discussed the following:

- Review and Pay Bills (W/R)
- Backhoe Bids (R)
- Asphalt Contract Renewal (R)
- Annual Audit Contract (W/R)
- Credit Card Fees (R)
- Retail Financial Plan (R)
- Wholesale Budget and Rates (W)
- Draft Retail Budget (R)
- Review Reserve Accounts (W/R)
- OPEB Trust Option Review (W/R)
- SCADA Project (W/R)
- SCADA Project (W/R)
- Other Finance Matters(W/R)

The committee meeting minutes will be attached to the original board minutes.

Review and Pay Bills (W/R)

The committee reviewed bills and claims in the amount of \$3,278,871.01 and found them to be in order.

Director Peterson moved to approve Resolution 11-07. Director Walters seconded the motion and it carried unanimously.

Backhoe Bids (R)

Director Peterson informed the Board that two bids were received for Landscape Loaders and only one was determined to be responsive as the other bid excluded an item listed in the bid specifications. The successful bid was in the amount of \$72,458.72, with a trade-in of the existing loader of \$6,200 for a net total of \$66,258.72. The Landscape Loader was included in the budget in the amount of \$70,000, so this item is within budget.

Director Peterson moved to award the Landscape Loader contract to Pape Machinery for the total amount of \$72,458.72 as the lowest responsible, responsive, bidder. Director Walters seconded the motion and it carried unanimously.

Asphalt Contract Renewal (R)

Director Peterson informed the Board that District staff worked with Sierra National Construction on the asphalt contract renewal and negotiated a 7% increase which was reduced from 12% as proposed by the contractor. The stated reasons for the increase were largely due to a 15% increase in materials costs combined with increasing fuel costs. The current Engineering News Record index increased 4%. District staff has been satisfied with the service provided by Sierra National Construction and determined that the cost to administer a bid process would more that outweigh any savings that a new contractor might offer.

Director Peterson moved to award the Asphalt Contract Renewal to Sierra National Construction, for the not to exceed amount of \$61,690 with a contingency of \$6,169 for an authorized total budget of \$67,859. Director Miller seconded the motion and it carried unanimously.

Annual Audit Contract (W/R)

Director Peterson informed the Board that Marcia Fritz & Company has proposed to renew the annual audit contract in the amount of \$21,000 and provided an engagement letter which was included in the board packet. This is a 1% increase over last year's contract which was \$20,800 (plus \$2,100 related to additional work due to change in staff).

Director Peterson moved to award the Annual Audit Contract Renewal to Marcia Fritz & Company in the amount of \$21,000. Vice President Tobin seconded the motion and it carried unanimously.

Credit Card Fees (R)

Director Peterson informed the Board that staff is currently working on options for PCI (Payment Card Industry) Compliance and will bring back information on the District's ability to charge convenience fees to customers for credit card payments.

Ms. Morris informed the Board that staff negotiated the fees from \$33,000 to \$20,000 annually for the District. Director Miller inquired if the District could legally charge the customer for using their credit card. Ms. Morris explained that by utilizing a 3rd party provider to manage the credit card charges it is legal for that company to charge a convenience fee to the credit card user.

Ms. Harris commented that she supports that the actual credit card user pay the convenience fee and that it not be paid by all the rate payers. Mr.

Roberts commented that he has the name of a few vendors and would like to forward that information to Ms. Morris.

For information only; no action requested.

Retail Financial Plan (R)

Director Peterson informed the Board that the Retail Financial Plan will be brought back to the Finance Committee once the Board of Directors determines the changes, if any, to tiers.

The committee suggested that the comments made regarding the plan be addressed and then the plan be finalized after the discussion of the rate structure. Staff was instructed to provide a schedule and program.

For information only; no action requested.

Wholesale Budget and Rates (W)

Director Peterson informed the Board that the Wholesale Budget and Rates document as presented is being provided again to the Board tonight and is anticipated for adoption at the May 25, 2011 Board of Directors meeting.

For information only; no action requested.

Draft Retail Budget (R)

Director Peterson informed the Board that the Retail Budget and Rates document is being provided again to the Board including updates and will be presented at the May 25, 2011 Board of Directors meeting with anticipated adoption scheduled for June 8, 2011.

Director Miller inquired where in the budgets it shows zero increases for COLAs, merit or incentive pay for staff. Director Peterson explained that page 14 shows that information and when the budget is adopted that is the budget for salaries and compensation, unless the Board amends the budget at a later date.

For information only; no action requested.

Review Reserve Accounts (W/R)

Director Peterson informed the Board that the working capital table in both the Wholesale and Retail sections of the budget document represents the reserve accounts. These tables show the deposits and withdrawals projecting three years forward as a planning tool for the District.

For information only; no action requested.

OPEB Trust Option Review (W/R)

Director Peterson informed the Board that this item will be brought back to the committee for discussion in June.

For information only; no action requested.

SCADA Project (W/R)

Director Peterson informed the Board that three cost proposals were received for implementing the SCADA project. All proposals were found to be responsive and in order, and staff recommends award of the contract to the lowest bidder.

Director Peterson moved to award the SCADA contract to MCC Control Systems, Inc., for the not to exceed amount of \$711,512 with a contingency of \$71,200 for an authorized total budget of \$782,712. Vice President Tobin seconded the motion and it carried unanimously.

SCADA Project (W/R)

Director Peterson informed the Board that Westin Engineering provided design engineering services for the SCADA Improvements Project. Staff would like to continue receiving engineering and technical support from Westin during the implementation phase by MCC. The total cost for implementation and engineering support is approximately \$940,000. The SCADA project was included in the budget in the amount of \$900,000. The additional \$40,000 can be covered through capital reserves.

Director Peterson moved to approve consulting engineering agreement with Westin Engineering, Incorporated, for a not to exceed amount of \$129,075 and an authorized total engineering support budget of \$142,000. Vice President Tobin seconded the motion and it carried unanimously.

Other Finance Matters

Director Peterson informed the Board that one of our suppliers for Water Treatment Plant chemical informed us that the cost of alum and polymer may be increasing by 30% to 40% due to increases in the cost of petroleum products used in the manufacture of the chemicals and transportation costs. We will be receiving chemical bids on May 10th.

For information only; no action requested.

Director Peterson mentioned that he will not be at the next meeting on June 7th and requested that the alternate member, Director Miller, be in attendance.

V. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 Report Back Items

There were no items discussed.

1.2 Miscellaneous District Issues and Correspondence

Mr. Durkin reported that a letter from California Natural Resources Agency was received which thanks and acknowledges that they received the District's comment letter regarding BDCP.

Mr. Durkin reported that the California Special Districts Association is trying to form a Gold Country Regional Chapter and will be hosting a meeting on June 22 in El Dorado Hills.

For information, no action requested

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1 Report Back Items

There were no items discussed.

2.2 Miscellaneous District Issues and Correspondence

- Amgen Tour of California - Folsom Segment

Mr. Durkin informed the Board that the District received notice that the Amgen Tour of California will affect traffic on Auburn Folsom Road on May 17th from 10:00am until 11:30am. Mr. Durkin pointed out that the Personnel Committee meets that morning at 8:30am. The members of the committee agreed to keep the meeting as scheduled.

- Tesco Correspondence

Mr. Durkin informed the Board that District staff met on April 28th with Tesco management to discuss the reasons that Tesco was not allowed to bid on the SCADA Project. The meeting went well and the District was able to explain the reasons to Tesco regarding the District's decision.

- PCWA - Bear River Canal Update

Mr. Durkin informed the Board that the District received a press release from PCWA which is calling for conservation measures. The District is assisting PCWA through an inter-tie at the upper Granite Bay pressure zone which is providing approximately 1 MGD to PCWA's Los Lagos service area. In addition, an email from PG&E was received which outlines their plan to repair the broken canal. PG&E anticipates a temporary bypass canal installed by early June and full restoration of the canal by late June.

Director Walters mentioned that he was at a meeting where a PCWA representative mentioned that had there been more upstream storage there would not have been an emergency situation.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Report Back Items

Ms. Morris informed the Board that the Placer County Treasurer/Tax Collector is scheduled for June 22, 2011 to conduct a presentation on pooled-money accounts to the District.

For information only; no action requested.

3.2. Miscellaneous District Issues and Correspondence

There were no items discussed.

4. LEGAL COUNSEL'S REPORT

Mr. Horowitz provided a written legal report which will be attached to the original meeting minutes.

For information only; no action requested.

5. DIRECTORS' REPORTS

5.1 SGA

Vice President Tobin reported that SGA meets on June 9th.

5.2 RWA

Vice President Tobin reported that RWA met on May 5th and she will report at the next meeting.

5.3 Executive Committee

Mr. Durkin reported that the Executive Committee met on April 26th and all agencies were represented. The committee meeting minutes will be attached to the original board minutes.

5.4 ACWA/JPIA

Director Miller reported that the ACWA Spring Conference is this week in Sacramento.

5.5 CVP Water Users Association

President Costa reported that CVPWUA met last month and they are continuing to look at the federal rates for water and how they are billed.

5.6 LAFCO

President Costa reported that the next LAFCo Advisory Committee meeting is at the end of this month. President Costa mentioned that the District's

MSR review was on May 4th and Ms. Lorance attended the meeting and informed President Costa that the review went well and the District books look real good.

5.7 Other Reports and Comments

There were no other items discussed.

VI. UPCOMING EVENTS

1. Metro Chamber Cap to Cap
May 7-11, 2011
Washington DC
2. ACWA Spring Conference
May 11-13, 2011
Sacramento, CA

VII. ADJOURN

The meeting was adjourned at 8:45 p.m.

EDWARD J. "TED" COSTA, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary

Legal Affairs Committee Meeting
April 25, 2011
8:30 a.m.

Attendees: Bob Walters, Chair
Ted Costa, Director
Shauna Lorange, General Manager
Keith Durkin, Assistant General Manager
Teri Hart, Administrative Assistant/Board Secretary
Joshua Horowitz, Counsel

Topics: Policy on Employee Cost Sharing of Other Benefits
Fair Oaks 40 Pipeline Project
Other Legal Affairs Matters
• Next Meeting Date
Other Legal Affairs Matters
Public Comment

1. Policy on Employee Cost Sharing of Other Benefits

Ms. Lorange informed the committee that legal counsel provided a memorandum regarding restrictions related to payment of premiums as it applies to:

- 1st and 2nd tiers
- Potential contractual right to health premiums as part of the compensation package
- Associated vested rights
- Vested rights in regard to changing plans for retirees

A copy of the memorandum will be attached to the meeting minutes.

For information only; no action requested.

2. Fair Oaks 40 Pipeline Project

Mr. Durkin informed the committee that the 150-day notice to Fair Oaks Water District, Orange Vale Water Company and San Juan Retail has been reviewed by Legal Counsel and will be sent next week with the Engineering Report. The Engineering Committee recommended that the Engineering Report, which is being prepared in-house, be reviewed by an outside consultant. The consultant will finish the review about May 4th then the 150-day notice will be mailed.

For information only; no action requested.

3. Other Legal Matters

a. Next Meeting Date

The committee set the next meeting date to May 16, 2011 at 8:30 am.

For information only; no action requested.

4. Public Comment

There was no public comment.

The meeting was adjourned at 9:15 a.m.



Bartkiewicz, Kronick & Shanahan

A Professional Corporation
1011 22nd Street
Sacramento, CA 95816-4907
(916) 446-4254

TO: LEGAL AFFAIRS COMMITTEE, SAN JUAN WATER DISTRICT

CC: SHAUNA LORANCE, GENERAL MANAGER

FROM: JOSHUA M. HOROWITZ

DATE: APRIL 21, 2011

**RE: RESPONSES TO PERSONNEL COMMITTEE'S QUESTIONS
CONCERNING DISTRICT'S AUTHORITY TO ALTER EMPLOYEE
HEALTH BENEFITS**

I. BACKGROUND:

The Personnel Committee is reviewing the four recommendations to change employee benefits made in its 2010 report to the Board. The Personnel Committee has asked the Legal Affairs Committee to review certain legal issues with District legal counsel related to the District's authority to change employee health benefits. This memorandum summarizes our advice on the issues presented by the Personnel Committee.

Note that in the public employee benefits context, vested rights and contractual rights analysis are for all practical purposes the same. A policy, resolution, ordinance or other written document adopted by a public agency's governing body sets the terms of the agreement. As a result, this memorandum treats the Personnel Committee's questions using the terms "contractual" and "vested rights" as synonymous.

II. QUESTIONS PRESENTED:

- A. What, if any, restrictions apply to the Board's authority to change existing policies concerning payment of health benefit premiums for employees in both the first and second tiers?
- B. Do active employees have a vested, contractual right to District payment of health benefit premiums in accordance with existing District compensation policies?
- C. Do District retirees have a vested right to District payment of health benefit premiums in accordance with existing District policies and if so, what is the extent of that right?

III. RESPONSES TO QUESTIONS:

A. What, if any, restrictions apply to the Board's authority to change existing policies concerning payment of health benefit premiums for employees in both the first and second tiers?

- There are no legal restrictions on the Board's authority to change existing policies concerning payment of health benefit premiums for employees in either the first or second tier. Policy No. 4010 in the District's Employee Manual ("Manual") provides the Board with authority to terminate or change employee insurance and other benefits with or without amending the Manual and with or without notice to the employees. It is clear that this obligation creates no vested right in continued benefits that alters general legal principles governing employee health benefits.
- Public employee health benefits are an element of compensation and may be changed at will unless a public agency's governing body contracts for a different arrangement. (*Butterworth v. Boyd* (1938) 12 Cal.2d 140, 150.)
- The Board may change the health benefits plan design for existing and new active employees, including changing health plan providers, the plans offered, and the employee contribution levels for such benefits. This authority includes terminating the District's participation in CalPERS' health care programs and obtaining health care benefits from another provider such as ACWA HBA.
- The only legal limitations on the Board's authority are those in federal and state laws and regulations that deal with generally-applicable issues such as plan design, discrimination in provision of benefits and insurance coverage, and patient confidentiality.

B. Do active employees have a vested, contractual right to District payment of health benefit premiums in accordance with existing District compensation policies?

- See answers to Question A, above. Active employees have no entitlement or expectation of continued health benefits coverage while employed by the District.
- Under current California law, the best answer is that active public employees are vested in any retiree health care benefits that they have already earned unless the agency and employees have agreed to a different arrangement, for example by unionized employees bargaining away such rights. (*Olson v. Cory* (1980) 27 Cal.3d 532, 539-540; *Thorning v. Hollister School District* (1992) 11 Cal.App.4th 1598, 1609.)
- The District has adopted written policies and resolutions (employee manuals, CalPERS resolutions) that promise employees that they will vest in retiree health benefits upon qualifying under the conditions set in those written policies and resolutions.
- Active employees that have vested under the previous five-year vesting plan are vested in fully-paid retiree health care benefits, although under existing law the Board has the right to control costs by limiting the type and number of plans that it will fund for such

employees. The Board also may alter future benefits by changing plan design or by reducing or eliminating such benefits as long as any rights in which employees have vested are protected.

- For active employees who are vesting under the 10/20 plan, the Board may alter the plan for any employee who is not yet vested in any benefits or who is not fully vested. For example, the District could terminate coverage under PEMHCA and secure new coverage from a different provider, stay in PEMHCA and change plan design or reduce benefits, or eliminate retiree health care benefits altogether. (Cal. Gov't Code, § 22938; *Butterworth, supra*, 12 Cal.2d at p. 150; *Olson, supra*, 27 Cal.3d at p. 540.)
- There is pending litigation in the federal Ninth Circuit Court of Appeals that may change or clarify current California law on whether retiree health care benefits can ever vest. Because this issue involves an important question of state law, the Ninth Circuit has asked the California Supreme Court to provide an advisory opinion on whether, “a California County and its employees can form an implied contract that confers vested rights to health benefits on retired county employees.” How the California Supreme Court answers this question might impact existing law that holds at least certain retiree health care benefits are vested and the scope of protection of that vesting.

C. Do District retirees have a vested right to District payment of health benefit premiums in accordance with existing District policies and if so, what is the extent of that right?

- Under existing California law, retirees are vested in the level of health care benefits that they accrued while employed by the District under then-existing policy. (*Olson, supra*, 27 Cal.3d at pp. 539-540; *Thorning, supra*, 11 Cal.App.4th at p. 1609.)
- Existing law provides some authority for the District to alter plan design and to cap premiums for existing retirees' health care benefits. However, CalPERS may have adopted regulations or policies that limit any authority of contracting agencies to alter retiree health plan design or to cap premiums.
- If the Board is interested in trying to reduce retiree health care costs, District staff should research any such limitations with CalPERS health care staff.
- See last bullet point in responses to Question B, above. A question concerning the vested nature of certain retiree health care benefits is being litigated in federal court, with the California Supreme Court agreeing to provide its opinion on the issue. That opinion could clarify the District's health benefits coverage obligations to its retirees.

**Public Information Committee Meeting Minutes
San Juan Water District
April 25, 2011
10:00 a.m.**

Attendees: Ken Miller, Chair
Pam Tobin, Member
Shauna Lorange, General Manager
Judy Johnson, Customer Service Manager
Teri Hart, Administrative Assistant/Board Secretary
Lucy Eidam, LucyCo
Nicole Quinonez, LucyCo

Topics: Wholesale Newsletter (W)
Other Public Information Matters (W/R)

- Next Meeting Date

Public Comment (W/R)

1. Wholesale Newsletter

The committee reviewed the draft Wholesale Newsletter and recommended some revisions. A final draft of the newsletter will be reviewed at the next committee meeting.

For information, no action requested.

2. Other Public Information Matters

Ms. Lorange informed the committee that she will be attending a public meeting with Deputy Secretary Hayes in Sacramento today from 1:00-5:00 pm to discuss Delta issues. This evening, she will attend a dinner meeting at the State Water Project Contractors office to discuss Folsom Dam Operations and protection of water rights during the Bay-Delta discussions.

For information, no action requested.

6.1 Solar Project

The committee discussed celebration of the Solar Project which is scheduled for completion in June 2011. The committee suggested that the Board of Directors celebrate the project in July.

For information only; no action requested.

6.2 Next Meeting Date

The committee set the next meeting date to May 9, 2011 at 9:00 am.

For information only; no action requested.

3. Public Comment

There was no public comment.

The meeting adjourned at 10:46 am.

**Finance Committee Meeting Minutes
San Juan Water District
May 9, 2011
6:00 p.m.**

Committee Members: Ted Costa, President (Chair)
Dave Peterson, Director

District Staff: Keith Durkin, Assistant General Manager
Mary Morris, Finance and Administrative Services Manager
Teri Hart, Administrative Assistant/Board Secretary

Members of the Public:

Topics: Review and Pay Bills (W/R)
Backhoe Bids (R)
Asphalt Contract Renewal (R)
Annual Audit Contract (W/R)
Credit Card Fees (R)
Retail Financial Plan (R)
Wholesale Budget and Rates (W)
Draft Retail Budget (R)
Review Reserve Accounts (W/R)
OPEB Trust Option Review (W/R)
SCADA Project (W/R)
SCADA Project (W/R)
Other Finance Matters(W/R)
Public Comment

1. Review and Pay Bills (W/R)

The committee reviewed the presented bills and claims. In accordance with recommended practices, the committee specifically reviews any credit card charges and reimbursements for the General Manager, Assistant General Manager and Finance and Administrative Services Manager. The reviewed bills and claims were found to be in order. The total amount of bills and claims provided for approval for April payables is \$3,278,871.01.

The Finance Committee recommends approval of Resolution 11-07.

2. Backhoe Bids (R)

Ms. Morris informed the committee that two bids were received for Landscape Loaders and only one was determined to be responsive as the other bid excluded an item listed in the bid specifications. The successful bid was in the amount of \$72,458.72, with a trade-in of the existing loader of \$6,200 for a net total of

\$66,258.72. The Landscape Loader was included in the budget in the amount of \$70,000, so this item is within budget.

The Finance Committee recommends consideration of a motion to award the Landscape Loader contract to Pape Machinery for the total amount of \$72,458.72 as the lowest responsible, responsive, bidder.

3. Asphalt Contract Renewal (R)

Ms. Morris informed the committee that District staff worked with Sierra National Construction on the asphalt contract renewal and negotiated a 7% increase which was reduced from 12% as proposed by the contractor. The stated reasons for the increase were largely due to a 15% increase in materials costs combined with increasing fuel costs. The current Engineering News Record index increased 4%. District staff has been satisfied with the service provided by Sierra National Construction and determined that the cost to administer a bid process would more that outweigh any savings that a new contractor might offer.

The Finance Committee recommends consideration of a motion to award the Asphalt Contract Renewal to Sierra National Construction, for the not to exceed amount of \$61,690 with a contingency of \$6,169 for an authorized total budget of \$67,859.

4. Annual Audit Contract (W/R)

Ms. Morris informed the committee that Marcia Fritz & Company has proposed to renew the annual audit contract in the amount of \$21,000 and provided an engagement letter which was included in the board packet. This is a 1% increase over last year's contract which was \$20,800 (plus \$2,100 related to additional work).

The Finance Committee recommends consideration of a motion to award the Annual Audit Contract Renewal to Marcia Fritz & Company in the amount of \$21,000.

5. Credit Card Fees (R)

Ms. Morris informed the committee that staff is currently working on options for PCI (Payment Card Industry) Compliance and will bring back information on the District's ability to charge convenience fees to customers for credit card payments.

For information only; no action requested.

6. Retail Financial Plan (R)

Ms. Morris informed the committee that the Retail Financial Plan will be brought back to the Finance Committee once the Board of Directors determines the changes, if any, to tiers. The committee suggested that the comments made regarding the plan be addressed and then the plan be finalized after the discussion of the rate structure. Staff was instructed to provide a schedule including the steps involved to finalize the report.

7. Wholesale Budget and Rates(W)

Ms. Morris informed the committee that the Wholesale Budget and Rates document as presented is being provided again to the Board tonight and is anticipated for adoption at the May 25, 2011 Board of Directors meeting.

For information only; no action requested.

8. Draft Retail Budget (R)

Ms. Morris informed the committee that the Retail Budget and Rates document is being provided again to the Board including updates and will be presented at the May 25, 2011 Board of Directors meeting with anticipated adoption scheduled for June 8, 2011.

For information only; no action requested.

9. Review Reserve Accounts (W/R)

Ms. Morris informed the committee that the working capital table in both the Wholesale and Retail sections of the budget document represents the reserve accounts. These tables show the deposits and withdrawals projecting three years forward as a planning tool for the District.

President Costa mentioned that there might be new standards for setting up reserve accounts. Ms. Morris will research the item and report back.

For information only; no action requested.

10. OPEB Trust Option Review (W/R)

Ms. Morris informed the committee that this item will be brought back to the committee for discussion in June.

For information only; no action requested.

11. SCADA Project (W/R)

Mr. Durkin informed the committee that three cost proposals were received for implementing the SCADA project. All proposals were found to be responsive and in order, and staff recommends award of the contract to the lowest bidder.

Director Peterson mentioned that the numbers in the budget for the SCADA project don't match the bid amount. Ms. Morris will adjust the wholesale budget under CIP SCADA to reflect the correct amount.

The Finance Committee recommends consideration of a motion to award the SCADA contract to MCC Control Systems, Inc., for the not to exceed amount of \$711,512 with a contingency of \$71,200 for a total authorized budget of \$782,712.

12. SCADA Project (W/R)

Mr. Durkin informed the committee that Westin Engineering provided design engineering services for the SCADA Improvements Project. Staff would like to continue receiving engineering and technical support from Westin during the implementation phase by MCC. The total cost for implementation and engineering support is approximately \$940,000. The SCADA project was included in the budget in the amount of \$900,000. The additional \$40,000 can be covered through capital reserves.

Director Peterson noted that the cost for engineering support as a percentage of the total cost for this project appears higher than normal. Mr. Durkin responded that the services required from Westin are highly technical and specialized in nature compared to projects that include inspection and construction oversight. The budget estimate is in line with staff's expectation.

The Finance Committee recommends consideration of a motion to approve consulting engineering agreement with Westin Engineering, Incorporated, for a not to exceed amount of \$129,075 and an authorized total engineering support budget of \$142,000.

13. Other Finance Matters (W/R)

Mr. Durkin informed the committee that one of our suppliers for Water Treatment Plant chemicals informed us that the cost of alum and polymer may be increasing by 30% to 40% due to increases in the cost of petroleum products used in the manufacture of the chemicals and transportation costs. We will be receiving chemical bids on May 10th.

Director Peterson mentioned that the alternate committee member will need to attend the next Finance Committee meeting, as he will be unable to attend.

Mr. Durkin mentioned that he and Ms. Lorange will be reviewing the Wholesale Meter Reallocation report with the other agencies on May 17th and will report back at the next meeting.

For information only; no action requested.

14. Public Comment

There was no public comment.

The meeting was adjourned at 6:40 p.m.

San Juan Water District

**RESOLUTION 11-07
PAYMENT OF BILLS AND CLAIMS**

WHEREAS, the Finance Committee of the Board of Directors has reviewed the bills and claims in the amount of \$3,278,871.01; and

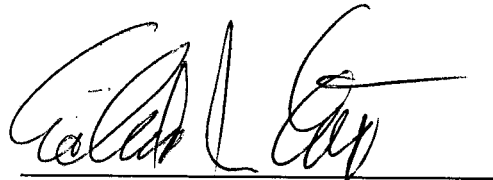
WHEREAS, the Finance Committee of the Board of Directors has found the bills and claims to be in order.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Juan Water District as follows:

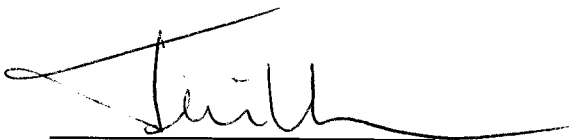
1. The bills and claims attached hereto totaling \$3,278,871.01 are hereby approved.
2. That the depository be and the same is hereby authorized to pay said bills and claims in the total sum of \$3,278,871.01 of the General Fund Account.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 9th day of May 2011, by the following vote:

AYES: DIRECTORS: Costa, Miller, Peterson, Tobin, Walters
NOES: DIRECTORS:
ABSENT: DIRECTORS:



EDWARD J. "TED" COSTA
President, Board of Directors



TERI HART
Secretary, Board of Directors

Date: 5/9/2011
Time: 02:33PM

SAN JUAN WATER DISTRICT

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Aged AP - Summary

Period: 10-11 As of: 5/9/2011

Vendor	Name	Balance
AIRGAS	AIRGAS INC	814.78
ALPHADES	GLENN WALKER	570.39
AT&TWIRELS	CINGULAR WIRELESS - ATLYS	775.40
AUBPLCRDIS	Recology Auburn Placer	611.92
AUTOMATE	PHIL KEELY	12,320.82
BARTKIEWI	BARTKIEWICZ,KRONICK & SHANAHAN	15,893.04
BORGES	BORGES & MAHONEY, COMPANY	13,817.77
BUREAUMPR	Bureau of Reclamation-MPR	-47,212.48
CAL-CARD	US BANK CORPORATE PAYMENT SYS	21,200.48
CALAIR	JOHNSON CONTROLS INC (CALAIR)	169.58
CASURVEY	CALIFORNIA SURVEYING & DRFTNG	0.00
CDDATA	CD-DATA	960.00
CDM	Camp Dresser & McKee, Inc.	2,697.43
CHECKPROC	CHECK PROCESSORS, INC.	866.96
CITYFLSMWR	CITY OF FOLSOM	28.50
CITYNATION	City National Bank--Retain.	68,431.80
CITYOFSAC	CITY OF SACRAMENTO	3,477.25
CITYROSVL	CITY OF ROSEVILLE	3,005.08
COSTA	TED COSTA	931.10
DATAPROSE	CSG SYSTEMS INC	4,059.95
DAWSONOIL	DAWSON OIL CO	10,793.16
DEPTENERGY	DEPARTMENT OF ENERGY	4,273.04
DEPTWTRRES	DEPT OF WATER RESOURCES	2,962.00
DEWEY	DEWEY SERVICES INC	82.00
DIAMONDCRA	Diamond Crane Company	375.00
EL DORADO	El Dorado Roofing, Inc.	875.00
EMERFUND	EMERGENCY FUND	665.75
EMPLOYEEERE	EMPLOYEE RELATIONS	52.50
ESA-ENVSCI	Environmental Science Assoc.	3,968.38
ETHANWADE	INSOMNIAC PRODUCTIONS INC	1,994.83
FERNANDEZ	Fernandez Gov't Solutions, LLC	18,000.00
G3ENG	G3 Enigneering	500.00
GARYWEBB	GARY WEBB TRUCKING	5,157.25
GENERAL	GENTEK INC	33,158.70
GOLDENSTAT	GOLDEN STATE FLOW MEASUREMENTS	4,041.41
GROENIGER	GROENIGER & COMPANY	1,286.02
HANSON	Hanson Bridgett LLP	1,748.00

Date: 5/9/2011
Time: 02:33PM

SAN JUAN WATER DISTRICT

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Aged AP - Summary

Period: 10-11 As of: 5/9/2011

Vendor	Name	Balance
HASLER	Hasler Financial Services	396.20
HDSUPPLY	HD Supply Waterworks	1,031.51
HITACHI	HITACHI MAXCO, LTD	2,706.80
IRRIGRBT 1	SUNATE VONGJESDA	208.51
KENNEDY	KENNEDY/JENKS CONSULTANTS	79,421.25
KOCH	Koch Excavating	37,730.01
LEATHAMBAR	LEATHAM~BARBARA	127.32
LUCYCO	THE ELDAM CORPORATION	8,326.06
MCCLUREG	MCCLURE~GEORGE TOM	39.00
MCI	MCI WORLDCOM	72.84
MILLERKEN	KEN MILLER	645.40
MONTLABS	MONTGOMERY WATSON LABORATORIES	1,326.00
MORRISMARY	MORRIS~MARY	1,120.47
MOTIONIND	MOTION INDUSTRIES, INC.	4,007.79
MTCASCADE	Mountain Cascade	615,886.20
NORTRAXW	Pape Machinery Inc	2,028.30
OFFDEPBUS	OFFICE DEPOT BUS SERV DIV	984.71
ORTHOS	ORTHOS LIQUID SYSTEMS, INC	189.00
PACE	Pace Supply Corp	101.21
PAYROLL	PAYROLL	610,365.28
PETERSON	DAVE PETERSON	625.00
PG&E	P G & E	18,103.57
POLYDYNE	Polydyne Inc	2,883.60
REBATE3	SUNATE VONGJESDA	525.00
REFUND5	RICHARD & OLIVIA SHEILS	84.83
REFUND6	KATHLEEN MULA	122.25
RFI	RFI Enterprises Inc	44.00
SACBEE	SACRAMENTO BEE	864.16
SAMSClub	SAM'S CLUB 6621	0.00
SAMSCRCD	SAM'S CLUB DIRECT CREDIT	130.00
SCHEETZ	SCHEETZ WELDING SERVICE INC	108.75
SIERRACHEM	Sierra Chemical Co	4,949.80
SMUD	S M U D	9,487.12
STWTRPOL	StateWaterPollutionCleanup&Abt	12,000.00
SUNPOWER	SunPower Corporation Systems	1,659,159.90
SUREWEST	SUREWEST	1,893.84
SUTTER	SUTTER MEDICAL FOUNDATION	55.00

Date: 5/9/2011
Time: 02:33PM

SAN JUAN WATER DISTRICT

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Report: 03680S.rpt

Aged AP - Summary

Period: 10-11 As of: 5/9/2011

Vendor	Name	Balance
TOBIN	PAMELA TOBIN	875.00
UPS	UNITED PARCEL SERVICE	92.55
USPOSTAL	US POSTAL SERVICE	96.00
VERIZON	AMERICAN MESSAGING	7.78
VIKING	Viking Shred, LLC	75.00
WALTERS	BOB WALTERS	375.00
WESTPOWER	Western Area Power Admin	6,246.19
Report Total		3,278,871.01



Bartkiewicz, Kronick & Shanahan
A Professional Corporation

MEMORANDUM

TO: SAN JUAN WATER DISTRICT BOARD OF DIRECTORS

FROM: RYAN BEZERRA

DATE: MAY 5, 2011

RE: WATER ISSUES UPDATE

In the last month: (1) the Delta Stewardship Council (Delta Council) released the third draft of the Delta Plan, which could affect upstream water agencies by affecting how the State Water Resources Control Board (State Board) addresses Delta streamflows and by resulting in legislation imposing diversion fees on those agencies; and (2) a number of bills are progressing that could affect the District. This memorandum summarizes the key points in the status of these matters.

1. Delta Council

The package of water legislation that the Legislature enacted in 2009 created the Delta Council and requires it to adopt a Delta Plan by January 1, 2012. The Delta Council released its second draft of the Delta Plan on March 18, 2011. As our April memorandum discussed, that draft, if adopted and implemented, would have extended the Council's regulatory authority so that it would apply to agencies outside of the Delta if they were involved in projects that occur at least in part in the Delta. As also discussed in that memorandum, General Manager Shauna Lorance and our firm worked with a large coalition of water and business interests to present a unified position that the second draft was off-track.

The Delta Council released the third draft on April 18, 2011. It improved upon the second draft somewhat because it reduced the proposed requirements for local agencies' water planning and stated that those requirements would only apply to:

- Actions by agencies that receive water exported from, or transferred through, the Delta if those agencies' need for that water were to exist because they failed to implement the Delta Council's water-planning policies; and
- Actions that involve the use of water "in whole or in part" in the Delta if the need for the water were to exist because the water users failed to implement the Council's water-planning policies.

While these changes to the draft Delta Plan indicate that the Council may be limiting the extent to which it is attempting to regulate the internal operations of agencies upstream of the Delta, two parts of the third draft still could create serious problems for upstream agencies like the District.

First, the third draft would declare that the State Board should adopt new Delta flow requirements by 2014, and new flow requirements for “high priority” rivers in the Delta watershed by 2018. The third draft then goes on to state that the goal of such new requirements should be “creating a more natural flow regime,” with the problem statement that “[a]ltered Delta flow regimes are detrimental to native aquatic species and encourage non-native aquatic species.” To some degree, these statements would be a pre-judgment of streamflow issues that the State Board may decide and therefore may increase the likelihood that the State Board will impose, on upstream water agencies and Delta-export agencies, streamflow requirements that would require reduced diversions, increased releases from reservoir storage or both. Such new requirements could reduce storage levels in Folsom Reservoir in ways that could affect the District’s operations.

Second, the third draft of the Delta Plan would state – as an “Immediate Funding Recommendation” – that the Legislature should grant the Council the authority to charge “stressor” fees to fund the work of the Council, the Delta Conservancy and the Delta Protection Commission. Such fees would cover diversions of water, and wastewater discharges, in the Delta watershed. Accordingly, such fees probably would apply to the District’s diversions of water and to the operations of the wastewater agencies that serve the District’s ratepayers.

Along with Ms. Lorance, we are participating in an ACWA-led group to develop: (A) comments on the Delta Plan’s third draft; and (B) an alternative to the third draft that the ACWA-led group believes would comply with the law and actually work. The ACWA-led group will send comment letters to the Council on May 6, 2011.

2. Legislation

The Legislature continues to work on bills that could affect the District’s interests. We are working on these bills with the Regional Water Authority and the other agencies in the Sacramento Regional Water Alliance.

A. SB 200 (Wolk) – Bay-Delta Conservation Plan

Senator Lois Wolk, who represents much of the Delta and Yolo County, is pursuing SB 200 to state a number of conditions that the Bay-Delta Conservation Plan (BDCP) would have to satisfy. As our previous memoranda have discussed, BDCP is the plan that the agencies that rely on water exported from the Delta are developing in order to obtain 50-year permits for the CVP’s and SWP’s Delta diversions. Upstream agencies like the District have been concerned that BDCP could result in water-supply and financial impacts being redirected to upstream agencies as a result of the measures developed in BDCP. SB 200, if passed, would require that BDCP satisfy conditions that would effectively prohibit such impacts.

It now, however, appears unlikely that SB 200 will pass. The Delta-export agencies are uniformly opposed to SB 200, partly because of how it could affect BDCP's ability to adopt a statement of overriding considerations under CEQA and to obtain state or federal funding. In a split vote in the Legislative Committee, ACWA also decided to fully oppose SB 200. Senator Wolk withdrew SB 200 from its first legislative hearing and it appears unlikely that SB 200 will advance.

B. AB 576 (Dickinson) – Delta Funding

Assemblyman Roger Dickinson, who represents much of the Sacramento region, amended his AB 576 to propose a process for the Delta Council to develop, by January 1, 2013, a plan to finance its implementation of the Delta Plan. That process would involve identifying entities that have negative impacts on the Delta's resources and specifically includes water users that divert water from upstream of the Delta as those who might have such impacts. AB 576 would require that the financing plan include new fees.

Assemblyman Dickinson has designated AB 576 as a two-year bill, which means that he may seek to advance it next year, but will not do so this year.

C. SB 34 (Simitian) – Delta Funding

Senator Joe Simitian, who represents parts of the Santa Clara Valley and Santa Cruz area, amended his SB 34 to propose a comprehensive scheme for not only funding the Delta Council, but also statewide water investments generally. The bill would have involved, among other things, imposing a \$110 per acre-foot assessment on urban water suppliers. The proceeds of the assessments that the bill would impose would be divided 50-50, with 50% going into a fund to support the Delta Council and state water investments and 50% going into a different fund that the Department of Water Resources (DWR) would manage to support projects identified in integrated regional water management plans in each region of the state. DWR also could take a portion of the latter fund to support its operations in managing that fund. Because of Proposition 26, SB 34 would require a two-thirds vote to pass.

SB 34 was advanced by the first state Senate committee to consider it, but Senator Simitian has removed the specific dollar figures and it does not appear that the bill will pass this year. SB 34, however, will probably be a vehicle for discussions about water funding, particularly in 2012, when there probably will be more legislative discussion about the water bond that was delayed from 2010 to 2012.

D. SB 571 (Wolk) – Regional Water Planning

Senator Wolk amended her SB 571 to propose a new structure for evaluating how to make investments in water facilities. As amended, SB 571 would establish new regional water planning agencies that would seek to direct such investments under the supervision of the California Water Commission. Senator Wolk's stated intent in pursuing this bill is to align the state's water investment approach with its transportation investment approach, under which regional planning agencies are very important.

The bill, however, fails to acknowledge that, unlike the transportation sector, the water sector involves local agencies that make decisions about how to invest their ratepayers' money at the local level. With the other Sacramento Regional Water Alliance agencies, we are working to oppose the bill.

E. SB 834 (Wolk) – Reducing Reliance on the Delta

Senator Wolk's original SB 834 was intended to require agencies that rely on water exported from the Delta to show, in their regions' integrated regional water management plans (IRWMPs), how they plan to reduce their reliance on that export water. Senator Wolk, however, amended the bill to require that agencies that rely on water from the Delta watershed to show, in their IRWMPs, how they plan to reduce reliance on that water.

In the context of agencies like the District, the bill seems illogical given that such agencies have no water supply available to them except water diverted from the Delta watershed. With the other Sacramento Regional Water Alliance agencies, we are working to oppose the bill.

**San Juan Water District
Executive Committee Meeting Minutes
April 26, 2011 – 1:00 p.m.**

MEMBER ATTENDEES

Joe Dion	Citrus Heights Water District
Chuck Rose	Citrus Heights Water District
David Kane	Citrus Heights Water District
Bob Churchill	Citrus Heights Water District
Walt Sadler	City of Folsom
Tom Gray	Fair Oaks Water District
Victor Salle	Orange Vale Water Company
David Simpson	Orange Vale Water Company
Sharon Wilcox, Chair	Orange Vale Water Company
Ed Formosa, Vice Chair	Sacramento Suburban Water District
Ted Costa	San Juan Water District
Ken Miller	San Juan Water District
Shauna Lorance	San Juan Water District
Keith Durkin	San Juan Water District
Mary Morris	San Juan Water District

AGENDA ITEMS

- I. Call to Order**
- II. Visitors**
- III. Public Comment**
- IV. Review Agenda**
- V. Review Minutes**
- VI. New Business**
- VII. Old Business**
- VIII. Standing Items**
- IX. Other Items**
- X. Future Meeting Dates**
- XI. Adjournment**

I. Call to Order

Chairperson Sharon Wilcox called the meeting to order at 1:00 p.m.

II. Visitors

There were no visitors.

III. Public Comment

Ms. Lorance thanked the committee members for tolerating the construction around the facility.

IV. Review Agenda

There were no changes to the agenda.

V. Review Executive Committee Minutes

The minutes of the March 22, 2011 meeting were unanimously approved.

VI. New Business

◆ Overview on Various Invoice Allocation Between Wholesale and Retail

Ms. Morris provided an overview of various invoice allocations between wholesale and retail. She explained that each invoice that the District pays is coded for accounting purposes to allocate the correct amount towards wholesale and/or retail. She also informed the committee that the budget document includes a narrative section that explains cost allocation.

◆ Overview on Capital Projects and Building Cost Allocation Between Wholesale and Retail

Ms. Morris provided an overview of capital projects and building cost allocations between wholesale and retail. She explained that the operating, maintenance and capital project costs associated with buildings are allocated in part based upon the employee allocation. The Board is developing a policy for wholesale capital project cost allocations. The budget document includes information on how indirect costs are allocated.

Ms. Morris informed the committee that the Wholesale Budget will be presented to the San Juan Board of Directors on Wednesday, April 27th, with a staff recommended zero percent rate increase, and for adoption at the May 25th Board meeting.

VII. Old Business

◆ Annual Workshop

Ms. Lorance informed the committee that the Joint Board Workshop is scheduled for Wednesday, May 18, 2011 at 1:00pm to 4:00pm at Fair Oaks Water District. The committee discussed the agenda and provided additional items for the agenda. Dorian Fougères, Lead Mediator and Facilitator with Center for Collaborative Policy, will facilitate the meeting.

◆ Updates

Ms. Lorance informed the committee that last night she conducted a dinner meeting at the State Water Project Contractors office to discuss Folsom Dam

Operations and protection of water rights during the Bay-Delta discussions. An additional meeting has been set in May 2011.

Ms. Lorance informed the committee that ACWA created an Ag-Urban group that is working on an alternative plan to that being proposed by the Delta Stewardship Council.

VIII. Standing Items (as needed)

Fair Oaks 40

Mr. Durkin informed the committee that the District received four proposals for the engineering services for the design of the FO40 Pipeline ARC Crossing Replacement Project. The recommendation for the consultant will be reviewed by the District Board on April 27th. The District requested a proposal from Bob Miles for the rehabilitation of the pipeline. The cathodic protection system for the pipeline is being reviewed to determine if it should be completed along with the rehabilitation work or as a separate phase.

Mr. Durkin reported that the Engineering Report on capital cost allocations is being completed and the Engineering Committee recommended that the report be reviewed by an outside consultant. The consultant will finish the review about May 4th then the 150-day notice, along with the report, will be mailed to Fair Oaks Water District, Orange Vale Water Company and San Juan Retail.

Mr. Durkin informed the committee that CDM completed the field investigation regarding the American River Canyon Crossing (ARC Crossing). The final report was received and it confirmed the preliminary opinion that the ARC Crossing is categorically exempt from CEQA requirements.

Bypass Intake Project Update

No report.

Wholesale Meter Cost Allocations

Mr. Churchill reported that the final report was distributed at the last committee meeting and will be reviewed as a group within the next few weeks. The GMs agreed to meet at 2:00 on May 17th at OVWC to review the report.

Groundwater Pumping Update

OVWC – Not pumping.

CHWD – Operating one well every four days, 60-70 af per month as maintenance.

SSWD – There are pumps operating in some south service areas. They should have three holes drilled this year, with the pump stations being completed at a later date.

FOWD – Pumping at baseline target of 10% of supply.

Agency Updates

Each agency provided a brief update on operations and the status of ongoing capital improvements projects.

San Juan Water District:

Mr. Durkin reported that the Bureau shut down the original 84" raw water pipeline to conduct inspections over this week. This can be accomplished now that the parallel pipeline is complete. Tony Barela, SJWD Senior Engineer is participating in the inspections.

Mr. Durkin reported that the WTP production has averaged about 25 MGD the past two months, but the first weekend in April production increased to 48 MGD. This abrupt change is typical when the weather turns warmer and dryer.

Mr. Durkin reported that normally while water production at the plant is low this time of year plant staff can focus on annual maintenance activities. However, significant rainfall events and high releases from Folsom Reservoir for flood control have impacted the raw water quality from Folsom Reservoir to the plant and required WTP operators to carefully monitor and adjust plant processes on a continuous basis to respond to the changing influent water quality. The water temperature has been erratic with swings of several degrees over 24-hour periods and turbidity levels are higher than they have been over the past 8-years because of the increased inflow to Folsom Reservoir. The result of this has been more challenging and labor intensive treatment operations at the plant compared to typical winter operations.

Mr. Durkin informed the committee that the SCADA Project bids will be received on April 27th with recommendations to the Board at the first May Board meeting. Mr. Durkin reported that over the last 10-year financial plan there was about \$52 million of improvements that were identified on the wholesale capital improvement program. Over this period, the District has saved at least \$15 million as a result of lower bids, restructured projects, grant money received, and changes in plant operations such as changes in chemical usage.

Mr. Durkin reported that the Solar Project is under construction with the foundation and footings being constructed at this time. The panels are expected to be installed starting within the next week. The anticipated completion date is in June 2011.

Ms. Lorange reported that she is working with Ms. Vicki Sacksteder to finish the District's UWMP.

Fair Oaks Water District:

Mr. Gray reported that FOWD is working with the Department of Health Services on a beta testing of the annual report electronic filing system. However, they were unable to access the reporting system to input their information - after one month FOWD was able to access the system.

Sacramento Suburban Water District:

Mr. Formosa reported that SSWD received the signed Warren Act agreements so that they can continue to receive water from San Juan. In addition, their UWMP is complete and they awarded Westin Engineering the contract for their SCADA master plan. SSWD is putting in a lot of meters this year and have replaced approximately 6,000 linear feet of pipe as part of their Main Replacement Program.

Folsom:

Mr. Sadler reported that the water budget is balanced and his last day with the city will be June 24th.

Citrus Heights Water District:

Mr. Churchill reported that the CHWD MSR was submitted to LAFCo for review and the UWMP will be completed on May 10th. He reported that bids were opened for the cement mortar lining on 1,100 feet of 16" main on Mariposa Avenue and CHWD awarded the contract to Main Lining Services from New York.

Mr. Churchill informed the committee that Mary Henrici was selected by a panel to be hired as General Manager for Rio Linda Water District.

Orange Vale Water Company:

No report.

IX. Other Items

Mr. Rose mentioned that there was a paid advertisement in the newspaper that stated that California spent \$3.5 billion on the Delta and nothing has been accomplished.

Mr. Gray mentioned that FOWD has monitoring wells to monitor the Aerojet contamination in the groundwater, which is sampled jointly by FOWD and Aerojet.

X. Future Meeting Dates

- Annual Workshop – May 18, 2011
- May 24, 2011 - Cancelled
- June 28, 2011

XI. Adjournment

The Executive Committee was adjourned at 2:35 p.m.