

**SAN JUAN WATER DISTRICT
BOARD MEETING AGENDA
May 9, 2011
7:00 p.m.
9935 Auburn Folsom Road
Granite Bay, CA 95746**

The Board may take action on any item on the agenda, including items listed on the agenda as information items. The Board may add an item to the agenda (1) upon a determination by at least three Board members that an emergency situation exists, or (2) upon a determination by at least four Board members (or by three Board members if there are only three Board members present) that the need to take action became apparent after the agenda was posted.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Public comment on items within the jurisdiction of the Board is welcome, subject to reasonable time limitations for each speaker. Upon request, agenda items may be moved up to accommodate those in attendance wishing to address that item. Please inform the General Manager. Times on the agenda are estimates, and items may be discussed at a different time than listed.

Documents and materials that are related to an open session agenda item that are provided to the District Board less than 72 hours prior to a regular meeting will be made available for public inspection and copying at the District office during normal District business hours.

In compliance with the American's with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Board Secretary at 916-791-0115. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

ESTIMATED TIMES

7:00 p.m.

I. PUBLIC FORUM

During the Public Forum, the Board may briefly respond to statements made or questions posed by the public, or ask District staff for clarification, refer the matter to District staff or ask District staff to report back at a future meeting. The Board will not take action on any matter raised during the Public Forum, unless the Board first makes the determinations to add the matter to the agenda.

7:05 p.m.

II. CONSENT CALENDAR

All items under the Consent Calendar are considered to be routine and will be approved by one 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. Minutes of the Board of Directors Meeting April 27, 2011

7:05 p.m.

III. OLD BUSINESS

1. Personnel Committee (4/5/11)
Tabled Item: 1.1 Policy on PERS Employer Pickup of Member Contributions (EPMC)

Action: 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.

Action: Consider motion or motions concerning deduction of EPMC and/or related employee salary increases

*Tabled Item: 1.2 Policy on Incentive Award Program
Discussion on Incentive Award Program*

Action: Consider motion or motions concerning proposed policy

7:30 p.m.

IV. COMMITTEE REPORTS

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

1.1 Policy on Employee Cost Sharing of Other Benefits

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

1.2 Fair Oaks 40 Pipeline Project

1.3 Other Legal Affairs Matters (W/R)

1.3.1 Next Meeting Date

1.4 Public Comment (W/R)

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

2.1 Wholesale Newsletter (W)

2.2 Other Public Information Matters (W/R)

2.2.1 Solar Project

2.2.2 Next Meeting Date

2.3 Public Comment (W/R)

3. Finance Committee (5/9/11)

3.1 Review and Pay Bills (W/R)

Action: Consider Adoption of Resolution No. 11-07

3.2 Backhoe Bids (R)

3.3 Asphalt Contract Renewal (R)

3.4 Annual Audit Contract (W/R)

3.5 Credit Card Fees (R)

3.6 Retail Financial Plan (R)

3.7 Wholesale Budget and Rates (W)

3.8 Draft Retail Budget (R)

- 3.9 Review Reserve Accounts (W/R)
- 3.10 OPEB Trust Option Review (W/R)
- 3.11 SCADA Project

Action: Consider 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 an authorized total budget of \$782,712.

- 3.12 SCADA Project

Action: Consider 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.

- 3.13 Other Finance Matters (W/R)

- 3.12.1 Next Meeting Date

- 3.14 Public Comment (W/R)

8:00 p.m.

V. INFORMATION AND ACTION ITEMS

1. General Manager's Report

- 1.1 Report Back Items
- 1.2 Miscellaneous District Issues and Correspondence

2. Assistant General Manager's Report

- 2.1 Report Back Items
- 2.2 Miscellaneous District Issues and Correspondence
 - Amgen Tour of California - Folsom Segment
 - Tesco Correspondence

3. Finance and Administrative Services Manager's Report

- 3.1 Report Back Items
 - Placer County Tax Collector Presentation on Pooled-Money Accounts scheduled for June 22, 2011
- 3.2 Miscellaneous District Issues and Correspondence

4. Legal Counsel's Report

- 4.1 Legal Matters

5. Directors' Reports

- 5.1 SGA
- 5.2 RWA
- 5.3 Executive Committee
- 5.4 ACWA/JPIA
- 5.5 CVP Water Users Association
- 5.6 LAFCO

5.7 Other Reports and Comments

8:40 p.m.

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

UPCOMING MEETING DATES

May 18, 2011 (Joint Board Workshop)

May 25, 2011

June 8, 2011

I declare under penalty of perjury that the foregoing agenda for the May 9, 2011 regular meeting of the Board of Directors of San Juan Water District was posted May 5, 2011, on the outdoor bulletin boards at the District Office Building, 9935 Auburn Folsom Road, Granite Bay, California, and was freely accessible to the public.

Teri Hart
Board Secretary

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

April 27, 2011 – 7:00 p.m.

BOARD OF DIRECTORS

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

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Mary Morris	Finance and Administrative Services Manager
Judy Johnson	Customer Service Manager
Bill Sadler	Water Treatment Plant Superintendent
Greg Turner	Chief Operator
Jason Mayorga	Distribution Operator IV
Teri Hart	Board Secretary/Administrative Assistant
Joshua Horowitz	Counsel

OTHER ATTENDEES

Bob Churchill	Citrus Heights Water District
Alex Enneking	Rate Payer
Paul Enneking	Rate Payer
Karen Bosworth	Rate Payer
Jeanette Roberts	Rate Payer
Ken Roberts	Rate Payer
Lianne Peterson	Rate Payer
Greg Umphenour	Rate Payer
Lisa Umphenour	Rate Payer
Dave Hodson	Rate Payer
Mark Vincenzini	Rate Payer
Crystal Vincenzini	Rate Payer
Jenny Lyon	Rate Payer

AGENDA ITEMS

- I. Public Forum**
- II. Public Hearings/Presentations**
- III. Consent Calendar**
- IV. Old Business**
- V. Committee Reports**
- VI. Information and Action Items**
- VII. Upcoming Events**
- VIII. Closed Session**
- IX. Open Session**
- X. Adjourn**

President Costa called the meeting to order at 7:00 p.m. He commented that the agenda was revised and posted on April 22, 2011.

I. PUBLIC FORUM

Ms. Roberts inquired if the District has always paid into Social Security and CalPERS. President Costa responded that he believes in the beginning the District probably wasn't with CalPERS and entered the CalPERS system in the 1970's. Ms. Morris explained that there is a coordination component when an agency is in Social Security, which gives a reduction in the calculation for the retirement benefit.

Ms. Bosworth inquired what the purpose of the Board is, who represents the rate payers, if it was the policy to keep the rates as low as possible and what do bonuses have to do with keeping the rates as low as possible. President Costa responded that the five Board members represent the rate payers and set the policy for the District, and that it is the mission of the District to provide good quality water at the lowest possible cost. Ms. Lorance responded that the Pay for Performance program is an incentive based program that keeps employees operating above expectations especially with only 18 wholesale employees operating the treatment plant when other agencies have significantly more employees. President Costa commented that the Incentive Award Program has been in place for years and in the long run saves the District money, but will not be implemented in the next budget year.

Mr. Roberts requested to address the Board with a 3½ page written comment. President Costa accepted his request to address the Board and a copy of his comments will be attached to the meeting minutes. Since Mr. Robert's comments were in part directed at Vice President Tobin, President Costa inquired if Vice President Tobin wanted to respond to the comments. Vice President Tobin commented that she believed what she said at the last meeting was taken out of context. She does support the incentive pay and the hold on it for this year and possibly next year due to the economic climate. She explained that the District kept staff at a minimum even when the economy was booming and the District is fiscally prudent, delivers water at the lowest possible rate and employee benefits are reasonable. Her opinion is that the employees should not share the "pain" since the District has done due diligence and has kept rates low. She commented that the popular attitude in this economy is that you can take away employee benefits and she doesn't believe that this should be done just because it's the popular thing to do.

President Costa commented that in most public agencies, such as public education or transportation, 85-90% of the budget is allocated to salaries and benefits, while at the District less than 50% is allocated to salaries and benefits. President Costa commented on the projects and programs that are mandated by law that the District is required to complete, and the potential for water rates to more than double over the next ten years as a result of new regulations. President Costa offered to review the budget with Mr. Roberts.

Mr. Roberts commented that the District is a relatively small agency as compared to other public entities and he feels that the pay scales, benefits and raising rates are all “out of whack”. Director Miller thanked Mr. Roberts and requested a copy of his written comments.

Mr. Hodson commented that he’d like to see some detailed salary information. President Costa commented that it’s available and for the past three years it was pretty flat and will be reviewed tonight.

Ms. Peterson commented that there have been rate increases of 5-7% each year over the last several years and there has been no reaction from the Board – then when people started showing up to meetings, there is a zero percent increase. She voiced concern that once rate payers stop coming to the meetings that the bonuses will be put back on the table.

Public comment was made inquiring if the District pays for dependent coverage on the health plan. President Costa responded that the District does pay for dependent coverage.

Mr. Enneking requested clarification on information on the website which states that employees will forgo cost of living increase, step increases and incentive compensation; however, in the meeting agenda there is a motion by Vice President Tobin to increase employee salaries by 4% and to deduct the EPMC from employee salaries by 4%. President Costa explained that about 20 years ago the District decided that in lieu of a pay raise, the District would cover the 8% EPMC for employees. In order to be transparent, the District is looking at changing this policy; therefore, Vice President Tobin’s motion of exchanging the percentages would effectively be reversing the policy by starting at 4% for now. In addition, when comparing the District’s salaries to other agencies 8% is added to the employee salary amount so that the comparison is made on a total compensation basis.

Mr. Vincenzini commented that in a fiscally responsible organization, in a competitive environment, you respond to what’s happening in the market place. Prudent management requires that costs are in line with revenue in a changing environment such as we’ve had. He commented that to continue to increase salaries, benefits or bonuses in a time of declining revenue is actually irresponsible. He also commented that many businesses do not contribute to retirement and a higher percentage is paid by the employee for benefit premiums.

Mr. Hodson voiced concern on the three tiers of water rates being condensed to two tiers and the impact to the rate payer. He commented that if the rate payers are cutting back 15-20% then why isn’t the District cutting back so that the rates don’t have to be raised.

II. PUBLIC HEARINGS/PRESENTATIONS

1. FISCAL YEAR 2011-2012 WHOLESAL BUDGET AND RATES – MARY MORRIS

President Costa opened the Public Hearing at 7:42 p.m.

The Public Hearing was duly posted and published to the five wholesale customers. There were no formal written comments received.

Director Miller requested that an explanation of the difference between wholesale and retail be provided to the audience. President Costa explained that the wholesale customers are Fair Oaks Water District, Orange Vale Water Company, Citrus Heights Water District, the City of Folsom north of the American River, and San Juan Retail. Wholesale customers receive water from the Water Treatment Plant and in turn provide that water to customers. The District provides water to customer through San Juan Retail. The District maintains two separate budgets, one wholesale and one retail.

Ms. Morris reviewed the proposed fiscal year 2011-2012 Wholesale Budget. She explained that the District Mission Statement guides staff in preparing the budget, as the ultimate goal is the *“delivery of a reliable water supply of the highest quality at reasonable and equitable costs.”*

Ms. Morris explained that the assumptions included no increases in staff compensation such as COLA, merit increases or incentive awards. The assumptions also included 3% increases for typical operating costs and 4% for construction related costs in the event it is not possible to more precisely predict those costs.

Staff proposed no rate increase for 2011-12, while maintaining excellent service levels, proceeding with the capital improvement program, and funding reserves prudently to maintain financial resiliency.

Director Miller requested that the printed information that was supplied to the Board members is available to the public at their request.

Director Peterson inquired if the rate stabilization reserve was used to balance the budget and obtain a zero percent rate increase. Ms. Morris stated that rate stabilization reserve was not used and that the revenue from Sacramento Suburban Water District is the main reason for no rate increase, along with some savings in projects. Ms. Morris explained that the cost savings from the Solar Project will come into operating and then be used to offset capital.

Public inquired why solar savings was included as a revenue. Ms. Morris explained that the District budgeted for the energy expense in total, with the energy credit and rebate as an offset which would then be used to pay back the capital fund for the capital cost of the Solar Project.

Mr. Roberts inquired who composes the Finance Committee which Ms. Morris meets with regarding the budget. Ms. Morris stated that there are two Board members, Director Peterson and Director Costa, and staff members besides herself include Ms. Lorance and Mr. Durkin as needed. The committee meeting is a public meeting and can be attended by anyone.

Mr. Churchill, General Manager of Citrus Heights Water District, commended the District for proposing the zero percent rate increase as it will help their district, since they have delayed projects over the years due to annual rate increases.

Ms. Morris stated that there are a few more changes that she needs to make to the budget document prior to it being considered for adoption at the May 25th Board meeting.

President Costa closed the Public Hearing at 8:12 p.m.

III. 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.

2. 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 13, 2011

Director Peterson moved to approve the Consent Calendar. Vice President Tobin seconded the motion and it carried unanimously.

IV. OLD BUSINESS

1. February 15th and 16th, 2001 Board of Directors Workshop

Ms. Lorance informed the Board that the final meeting notes for the February 15-16 Board of Directors Workshop are ready for consideration of approval.

Director Peterson moved to approve the meeting minutes of the February 15-16, 2011 Board of Directors Workshop. Director Miller seconded the motion and it carried unanimously.

2. Finance Committee (3/21/11)

Ms. Lorance informed that Board that the Finance Committee recommended that the Board ratify the issuance of a check to JPIA in the amount of \$41,674 for a bill that became due prior to the April 13th Board meeting. The recommendation was inadvertently missed at the last Board meeting.

Director Peterson moved to ratify the payment to JPIA in the amount of \$41,674. President Costa seconded the motion and it carried unanimously.

3. Personnel Committee (4/5/11)

President Costa tabled the agenda item until the next Board meeting so that all Board members are present.

V. COMMITTEE REPORTS

1. Public Information Committee (4/11/11)

Ms. Lorange reported that the committee met on April 11, 2011 and discussed the following:

- Wholesale Newsletter (W)
- Feedback from Legislative and Other Meetings (W)
- Other Personnel Matters (W/R)
 - ◆ Next Meeting Date
- Public Comment (W/R)

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

Wholesale Newsletter (W)

The committee reviewed the mockup of the Wholesale Newsletter for formatting and content. Some minor revisions were suggested by the committee. A final mockup of the newsletter will be reviewed at the next committee meeting.

For information, no action requested.

Feedback from Legislative and Other Meetings (W)

Ms. Lorange informed the Board that the meetings with legislators were postponed until the week of April 18th due to state budget discussions.

Ms. Lorange met with Roger Patterson and Laura King Moon to discuss involvement by the Sacramento Region in Delta issues. An additional meeting with MET, State Water Users, Kern County, Westlands and local regional water agencies was held on April 25th. The main focus of these meetings was to discuss water supply reliability, constraints placed on area of origin water suppliers, ability for conjunctive use and the proposed 50% conservation requirement in the Delta Plan.

Ms. Lorange informed the Board that she signed a joint coalition letter in opposition of the second draft of the Delta Plan. The third draft has since been completed since the committee meeting and she is signing a letter in opposition of the third draft with recommendations for the 4th draft. The 4th draft of the Delta Plan is anticipated to come out at the beginning of May with

comments being received until May 6th. It has been stated that it will only take one month to complete the environmental impact report, which essentially means that they have already completed the report, since the average is close to 18 months to complete this type of report.

Ms. Lorance mentioned that she will be attending Cap-to-Cap in May and will be voicing the District's concerns regarding the impacts to water supply due to various reasons, such as Delta demands and the introduction of fish above the dam.

Other Public Information Matters

Ms. Lorance informed the Board that she received a request from Sacramento Metro Chamber to submit a letter to the Editor at local newspapers discussing the benefits of the Cap to Cap trip. The committee discussed the draft Letter to the Editor and made some minor revisions.

For information, no action requested.

Next Meeting Date

The next meeting date was April 25, 2011 at 10:00 am and will be reported at the next Board meeting per Board policy.

Director Miller emphasized the impact on rates that some of these Delta issues will have on the District if implemented. Director Peterson mentioned the affect on lifestyle if the 50% conservation requirements are implemented, which would eliminate all outdoor watering by the year 2100.

Ms. Lorance mentioned that the District has a lobbying firm, which represents six agencies in the region, working on opposing many pieces of the proposed Delta legislation.

2. Engineering Committee (4/19/11)

Director Peterson reported that the committee met on April 19, 2011 and discussed the following:

- FO40 Rehabilitation Project - American River Canyon Crossing (W/R)
- FO40 Rehabilitation Project Engineer's Report (W/R)
- Filter Basin Leak Repair Project (W)
- SCADA Project Schedule (W/R)
- Other Engineering Matters (W/R)
- Next Meeting Date
- Public Comment (W/R)

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

FO40 Rehabilitation Project - American River Canyon Crossing (W/R)

Director Peterson informed the Board 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. Mr. Durkin commented that the Notice of Exemption that will be filed with Sacramento County is slightly different than the one that was printed for the Board, reference to the CDM report was made in the notice as requested by the committee.

President Costa moved to approve the CEQA Notice of Categorical Exemption. Vice President Tobin seconded the motion and it carried unanimously.

The committee discussed the four proposals regarding engineering services for the design of the FO40 Pipeline ARC Crossing Replacement Project that were received and the staff recommendation to award the contract to Kennedy/Jenks Consultants, Inc. After discussing the various differences of the proposals, the committee agreed with the staff recommendation.

Vice President Tobin moved to approve the agreement for professional engineering services for design of the FO40 Pipeline ARC Crossing Replacement Project to Kennedy/Jenks Consultants, Inc., in the amount of \$116,950 with a total authorized project budget of \$128,650. President Costa seconded the motion and it carried unanimously.

FO40 Rehabilitation Project Engineer's Report (W/R)

The committee reviewed the draft of the Engineering Report that Mr. Durkin prepared regarding the FO40 Pipeline Rehabilitation Project. The report will be included with the 150-day notice which will be sent to Fair Oaks Water District, Orange Vale Water Company and San Juan Retail regarding the rate increase necessary to cover the cost of this project.

The committee suggested that a consultant review the final draft in order to obtain an outside, independent opinion. Staff will look into the cost of obtaining this opinion and the availability of a consultant. Mr. Durkin expects the final draft to be completed next week.

For information only; no action requested.

Filter Basin Leak Repair Project (W)

Koch Excavating, Inc., completed the work on the Filter Basin Leak Repair Project to the satisfaction of the District. The project was budgeted for \$230,000 and approximately \$233,000 was spent including \$215,000 for construction and \$18,000 in materials and capitalized District labor.

Mr. Durkin informed the committee that the full plant is currently in operation, but it will be necessary to cut back to operating only half the plant in a couple weeks as maintenance and construction at the WTP continue.

Vice President Tobin moved to accept the Filter Basin Leak Repair Project as complete and authorize staff to file the Notice of Completion with Placer County. President Costa seconded the motion and it carried unanimously.

SCADA Project Schedule (W/R)

The SCADA Project is out for bids with the deadline to receive the bids by April 27, 2011. The bid results will be reviewed by the Finance Committee at their May 10th meeting. Mr. Durkin informed the Board that three bids were received. Mr. Durkin informed the committee that he has a meeting with Tesco scheduled for April 28th to discuss the letter they sent to the Board.

For information only; no action requested.

Other Engineering Matters

Mr. Watson gave an update to the committee on the Auburn Folsom Road Project which is being completed in conjunction with Placer County. He informed the committee that Placer County is in negotiations with a few property owners regarding an approximate 60 foot easement just southeast of Eureka Road. The project is expected to go to bid in December with construction in the summer of 2012.

The Solar Project is proceeding as planned with a slight delay due to weather conditions in March. The footings for the panels are in place and security fencing will be constructed soon. In addition, some trenching work is being completed in the parking lot outside the Administrative Building for the power lines coming into the property. The project is on track for completion in June 2011. The committee suggested that the Public Information Committee discuss promotion of the project including a ribbon cutting ceremony.

For information only; no action requested.

Next Meeting Date

The next meeting date is May 16, 2011 at 3:00 pm.

Mr. Churchill requested to review and comment on the FO-40 cost allocation report. Director Peterson stated that there will be a start and end date for the comment period. Ms. Lorange commented that the report will be sent to all wholesale customer agencies.

Mr. Roberts inquired if the Auburn Folsom Road Project received any state or federal funding. Mr. Durkin explained that the District did not receive any

funding but the county did receive funds for the road project; however, the District saved over \$1.5 million on the project by working in conjunction with the county.

Public inquired if there is a buyback of power of the unused energy from the Solar Project. Mr. Durkin explained that the District will receive credit for the unused energy since the Solar Project does not power every District facility - the District will see an offset to the charges incurred that are not covered by the Solar Project.

Mr. Hodson commented that there is a product called Bloom Energy (a solid oxide fuel cell) which could possibly help further reduce the District's energy costs. Director Miller commented that there are several large companies utilizing this product.

VI. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 Report Back Items

Director Peterson inquired on status of the wholesale cost allocation policy. Ms. Lorance stated that the Legal Affairs Committee recommended that all policies discussed at the workshop be looked at together after the budget process.

For information, no action requested

1.2 Miscellaneous District Issues and Correspondence

Ms. Lorance reported that she had a meeting regarding the Delta Plan, Version 3 came out and still has serious issues.

Ms. Lorance reminded the Board that there is no second meeting regularly scheduled in July, as long as the budget is approved in June.

Ms. Lorance reported that the District received an email from a customer today related to the Incentive Award Program. A copy of the email with Ms. Lorance's response was handed out at the meeting and will be attached to the meeting minutes. In addition, there was a customer appreciation email directed toward Mike in the field for his assistance.

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

- Meeting with James Peterson, Legislative Assistant to Senator Dianne Feinstein

Mr. Durkin informed the Board that he met with James Peterson, a new Legislative Assistant to Senator Dianne Feinstein, on April 19th, along with Ken Payne from the City of Folsom and Ed Kriz from the City of Roseville. They used the opportunity as an introductory meeting to educate Mr. Peterson on the region issues and priorities, along with background on the R3 partners. Their discussion touched on the operation of Folsom Dam and Reservoir, concerns regarding implementation of OCAP and the BO, water conservation, and water transfers. In addition, they discussed the re-introduction of Senator Feinstein's bill from last year regarding the process of conducting water transfers.

For information; no action requested

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Report Back Items

Ms. Morris informed the Board that she requested President Costa assist with getting the Placer County Treasurer/Tax Collector to schedule a presentation on pooled-money accounts to the District.

For information only; no action requested.

3.2. Miscellaneous District Issues and Correspondence

Director Peterson complimented Ms. Morris on the wholesale budget process as being vastly improved over previous year's budgets.

For information only; no action requested.

4. LEGAL COUNSEL'S REPORT

Mr. Horowitz informed the Board that the fees for the Delta Plan are still being worked on as SB 34 is still in committee. ACWA is in opposition of the bill. There was a meeting on Monday regarding BDCP, which did not accomplish anything.

Mr. Horowitz commented that there are a lot of governance bills in the legislature this year, including bills that could significantly affect the District regarding cost associated with conducting business. One bill, AB 32, would hinder information coming to the Board less than 72 hours prior to a meeting.

For information only; no action requested.

5. DIRECTORS' REPORTS

5.1 SGA

Vice President Tobin reported that SGA met April 14th.

5.2 RWA

Vice President Tobin reported that RWA meets May 5th.

5.3 Executive Committee

Mr. Durkin reported that the Executive Committee met on April 26th and all agencies were represented. The meeting minutes will be available at the next Board meeting.

5.4 ACWA/JPIA

No report.

5.5 CVP Water Users Association

President Costa reported that CVP Water Users Association met on April 19, 2011. The meeting attendees discussed and reviewed the federal rates. Ms. Lorance commented that Ms. Kathy Kitchell could assist if needed.

5.6 LAFCO

President Costa reported that he attended the LAFCo Advisory Committee meeting and it was announced that the District's review will be held on May 4th. Ms. Lorance commented that she will attend the review.

5.7 Other Reports and Comments

President Costa commented that the Water Forum met, but Roger Niello was not present. Ms. Lorance explained that Mr. Niello informed her that he would not be attending the meeting as there was nothing on the agenda that warranted his attendance.

VII. UPCOMING EVENTS

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

Director Peterson moved to move the May 11, 2011 Board of Directors meeting to May 9, 2011 at 7:00 pm, with the Finance Committee meeting being held on the same date at 6:00 pm. Director Miller seconded the motion and it carried unanimously.

President Costa called for Closed Session at 9:02 pm

VIII. CLOSED SESSION

Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(b); significant exposure to litigation involving construction contract claims of Preston Pipelines, Inc. related to WTP Pipeline Improvements Project.

President Costa returned to Open Session at 9:04 pm

IX. OPEN SESSION

1. Report from Closed Session
President Costa reported the following action:

Director Peterson moved to approve the settlement agreement with Preston Pipelines, Inc. in the amount of \$19,500. President Costa seconded the motion and it carried unanimously.

X. ADJOURN

The meeting was adjourned at 9:05 p.m.

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

ATTEST:

TERI HART, Board Secretary

The meeting minute attachments are located under Meeting Minutes – *Draft* on the webpage.

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

Attendees: Bob Walters, Chair
Ted Costa, Director
Shauna Lorance, 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. Lorance 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.

AGENDA ITEM V-1.2



EDMUND G. BROWN JR., Governor
JOHN LAIRD, Secretary for Natural Resources

Copy
Bd.

April 27, 2011

Northern California Coalition

Dear Friends:

Many thanks for your letter of April 14 regarding BDCP. I certainly agree that the ROD statement: *"Solutions will not solve problems in the Bay Delta system by redirecting significant negative impacts, when viewed in their entirety, within the Bay Delta or to other regions of California"* should remain state policy.

BDCP is completely dedicated to using science to fulfill the coequal goals of water supply and environmental quality established by the Legislature, and achieving those goals will be done in keeping with the ROD statement.

Best regards,

A handwritten signature in cursive script that reads "Gerald H. Meral".

Gerald H. Meral

1416 Ninth Street, Suite 1311, Sacramento, CA 95814 Ph. 916.653.5656 Fax 916.653.8102 <http://resources.ca.gov>

Baldwin Hills Conservancy • California Coastal Commission • California Coastal Conservancy • California Conservation Corps • California Tahoe Conservancy
Coachella Valley Mountains Conservancy • Colorado River Board of California • Delta Protection Commission • Delta Stewardship Council • Department of Boating & Waterways • Department of Conservation
Department of Fish & Game • Department of Forestry & Fire Protection • Department of Parks & Recreation • Department of Resources Recycling and Recovery • Department of Water Resources
Energy Resources, Conservation & Development Commission • Native American Heritage Commission • Sacramento-San Joaquin Delta Conservancy • San Diego River Conservancy
San Francisco Bay Conservation & Development Commission • San Gabriel & Lower Los Angeles Rivers & Mountains Conservancy • San Joaquin River Conservancy
Santa Monica Mountains Conservancy • Sierra Nevada Conservancy • State Lands Commission • Wildlife Conservation Board



AGENDA ITEM V-1.2

Board



April 19, 2011

Ms. Shauna Lorange
San Juan Water District
PO Box 2157
Granite Bay, CA 95746-9686

Dear Ms. Lorange,

The California Special Districts Association (CSDA) invites the special districts of Placer County to attend a meeting in El Dorado Hills on June 22, 2011. The purpose of this meeting is two-fold: one, to bring FREE valuable, relevant training into the region and two, to initiate the discussion of the formation of a new group – the Gold Country Regional Chapter of CSDA.

With the retirement of John Moberly, a key driving force behind the Placer County Chapter of CSDA was lost. John committed much time and effort into bringing special districts together for networking, information sharing, and educational opportunities. Rather than lose the synergy that John worked so hard to achieve, we are proposing that the special districts of Placer County join with those in Amador, Calaveras, El Dorado, Mariposa, Nevada, Sierra and Tuolumne Counties to form a Gold Country Regional Chapter.

Special districts in these rural counties face many of the same challenges – isolation and lack of support being two of the most pervasive. Forming a regional network of districts can result in many more opportunities for sharing ideas and information, collaborative partnerships, educational forums and grassroots advocacy efforts.

We hope you can join us on June 22th for a day of education and dialog. There is no charge for the event but space is limited. To register, simply complete the enclosed form and let us know if you would be interested in participating in a Gold Country Regional Chapter of CSDA.

If you have any questions about membership in CSDA or local chapters, please contact the CSDA Membership Department at 877-924-2732 or cathrinel@csda.net.

Best regards,

Neil McCormick,
CSDA Executive Director

Kahl Muscott,
Placer County
Board Member

Pete Kampa,
CSDA Board Member Chapter

California Special Districts Association

1112 I Street, Suite 200
Sacramento, CA 95814
toll-free: 877.924.CSDA (2732)
t: 916.442.7887
f: 916.442.7889
www.csda.net

A proud California Special Districts Alliance partner

Special District Risk Management Authority
1112 I Street, Suite 300
Sacramento, CA 95814
toll-free: 800.537.7790
f: 916.231.4111

CSDA Finance Corporation
1112 I Street, Suite 200
Sacramento, CA 95814
toll-free: 877.924.CSDA (2732)
f: 916.442.7889

FREE TRAINING

District Managers, Staff and Board Members Welcome!



California Special Districts Association

Districts Stronger Together

FREE LIABILITY/COMPLIANCE TRAINING

Hosted by the California Special Districts Alliance

Wednesday, June 22, 2011

El Dorado Hills Fire Department
1050 Wilson Boulevard
El Dorado Hills, CA 95762

Chapter Formation Discussion

Special invitation for Amador, Calaveras, El Dorado, Mariposa, Nevada, Placer, Sierra, and Tuolumne Counties to discuss the formation of the Gold Country Regional Chapter of the California Special Districts Association.

PROGRAM AGENDA

9:30 – 10:00 am	Registration
10:00 – 11:00 am	Opening Remarks, Chapter Formation Discussion
11:00 – 11:30 am	Legislative Update, CSDA Legislative Department
11:30 am – 12:00 pm	Lunch provided
12:00 – 2:00 pm	Understanding Board Member & District Liability <i>There's No 'I' in Board, Dennis Timoney, Chief Risk Officer, SDRMA</i>
2:00 – 3:00 pm	Compliance: Important Updates for Your District <i>Mike Dean, Meyers Nave</i>
3:00 – 3:30 pm	Next Steps, Action Items

REGISTRATION FORM (NO CHARGE) - DEADLINE FOR REGISTRATION, WEDNESDAY, JUNE 15.

Name: _____

Title: _____

District: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

Mail/fax completed form to:

CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814 • fax: 916.442.7889

Questions? Please contact us toll-free at 877.924.2732.



The California Special Districts Alliance is a collaborative partnership between CSDA, the CSDA Finance Corporation and the Special District Risk Management Authority.

AGENDA ITEM V-2.2

From: [Keith Durkin](#)
To: [Teri Hart](#)
Subject: FW: Meeting last week
Date: Thursday, May 05, 2011 2:55:34 PM

From: Keith Durkin
Sent: Thursday, May 05, 2011 2:55 PM
To: 'Andy Brown'
Cc: lmasterson@tescocontrols.com; kwebb@tescocontrols.com; jhorst@tescocontrols.com; Bill Sadler; Rob Watson; Greg Turner; Rahul Nand; Chris von Collenberg
Subject: RE: Meeting last week

Andy,

Thank you for the follow-up letter. I understand you stated a response wasn't necessary, but I wanted you to know that I am sharing this email and the one you forwarded from Keith Webb with our team and our Board. I think it is important for them to be aware of your comments and actions, and for our staff to consider this information when we move forward with the next project that includes instrumentation and system integration components.

We appreciate your efforts to understand and respond to our customer support concerns.

Keith

Keith Durkin, P.E. | Assistant General Manager
San Juan Water District | sjwd.org
Main: 916-791-0115 | Direct: 916-791-6906

From: Andy Brown [<mailto:abrown@tescocontrols.com>]
Sent: Tuesday, May 03, 2011 10:04 AM
To: Keith Durkin
Cc: lmasterson@tescocontrols.com; kwebb@tescocontrols.com; jhorst@tescocontrols.com
Subject: Meeting last week

Mr. Dirkin,

Thank you and your management team for taking the time to meet with Lyn, Keith and I last week.

Believe it or not, we were not aware of all the past issues that Tesco has experienced interfacing with your management personnel. Considering Tesco's success since the employees purchased the company in 2003, we are still "shell shocked" over many of the comments made during the meeting. We certainly need to "look in the mirror" for improvements within our company, keeping in mind the struggles of not only the system integration business but the construction industry and how it relates to the long time relationships with our "house accounts". Specifically, our management team is reviewing the following:

- Communicating responses to our customer's technical requests that we may think is not in their best interest. Offering options and solutions rather than open ended or non-responsive answers or quotations that lead to distrust.
- Basic employee customer service, treating people the way that you would like to be treated. Doing what you say that you are going to do.
- Final documentation on projects interconnected with other previous projects.
- Overall contact with our house accounts.
- Tesco averages over 6,000 incoming phone calls a month, over 70,000 incoming phone calls a year. We employ 3 full time receptionists to distribute phone calls expediently. We have to develop a better process for distributing incoming phone calls that are of a technical nature and need immediate assistance with options and solutions for customers seeking employees that may or may not be in the office or not available.

Thank you again for your team's feedback, obviously Tesco's goal is to improve that superior customer service that allowed Tesco to double our business from 2003 to 2010. Your candor will help to make our company even stronger going forward.

We will keep you informed as to our progress and hope that SJWD will give us another opportunity in the future to bid on your construction projects and system integration services.

Sincerely,

Andy Brown - CEO

Tesco Controls, Inc.

An Employee-Owned Company

Ph: (916) 395-8800

Fx: (916) 429-2817

abrown@tescocontrols.com

"Excellence in Controls and System Integration, because we own it!"



The information contained in this message is confidential and intended only for use of the designated recipient(s) named above. If the reader of this message is not the intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this message in error, and that any review, dissemination, distribution, copying, or alteration of this message is strictly prohibited. If you have received this communication in error, please notify the originator immediately and remove it from your system.

CPAs with *Personality*



April 26, 2011

Ms. Shauna Lorance
General Manager
San Juan Water District
9935 Auburn-Folsom Road
Granite Bay, California 95746

We are pleased to confirm our understanding of the services we are to provide San Juan Water District (the District) for the year ended June 30, 2011. We will audit the financial statements of the business-type activities of the San Juan Water District as of and for the year ended June 30, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany San Juan Water District's basic financial statements. As part of our engagement, we will apply certain limited procedures to San Juan Water District's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.

Supplementary information other than RSI also accompanies San Juan Water District's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

1. Schedule of Administrative Expenses
2. Schedule of Operations-Budget and Actual

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of San Juan Water District and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that San Juan Water District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the business-type activities of the San Juan Water District and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Juan Water District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Audit Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Board of Directors; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Marcia Fritz & Company and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Marcia Fritz & Company personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

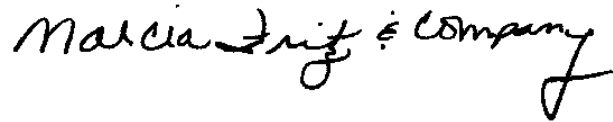
The audit documentation for this engagement will be retained for a minimum of seven years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Marcia Fritz is the engagement partner and is responsible for supervising the engagement and signing the report. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$21,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, you will be billed at our hourly rates.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment. Our 2009 peer review accompanies this letter.

We appreciate the opportunity to be of service to San Juan Water District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

A handwritten signature in black ink that reads "Marcia Fritz & Company". The signature is written in a cursive, flowing style.

Marcia Fritz & Company

RESPONSE:

This letter correctly sets forth the understanding of San Juan Water District.

By:

Title:

Date:

System Review Report

To the Owner
Marcia Fritz & Company
and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Marcia Fritz & Company (the firm) in effect for the year ended March 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Marcia Fritz & Company in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Marcia Fritz & Company has received a peer review rating of *pass*.



CHAVEZ, KIRSTIEN & CO.
Certified Public Accountants

September 18, 2009



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.