

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

June 22, 2011 – 7:00 p.m.

BOARD OF DIRECTORS

Ted Costa	President
Pam Tobin	Vice President
Dave Peterson	Director
Ken Miller	Director
Bob Walters	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
George Machado	Field Services Manager
Greg Turner	Chief Operator
Jason Mayorga	Distribution Operator IV
Mike Spencer	Water Treatment Plant Operator
Teri Hart	Board Secretary/Administrative Assistant
Joshua Horowitz	Counsel

OTHER ATTENDEES

Shellie Anderson	Bryce Consulting
Jenine Windeshausen	Placer County Treasurer/Tax Collector
Mike Martinez	Folsom College
Ken Roberts	Rate Payer
Jeanette Roberts	Rate Payer
Lianne Peterson	Rate Payer
Dave Hodson	Rate Payer
Sandy Harris	Rate Payer
Mark Vincenzini	Rate Payer
Crystal Vincenzini	Rate Payer

AGENDA ITEMS

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

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

I. PUBLIC FORUM

There were no public comments.

II. PRESENTATIONS

1. H.R. LaBounty Safety Award – President Ted Costa

President Costa presented Mike Spencer with the H.R. LaBounty Safety Award. The ACWA JPIA program is designed to promote safe workplace behavior and operations practices; and reward those employees who demonstrate safe behavior, take part in recognizable proactive activities, or participate in risk-reducing actions. As such, the Program gives members another way to foster a safety culture that reduces the potential for workers' compensation, liability, and property losses.

2. Placer County Investment Pool – Jenine Windeshausen, Placer County Treasurer/Tax Collector

Ms. Morris introduced Jenine Windeshausen, Placer County Treasurer/Tax Collector, who conducted a brief presentation on the Placer County Investment Pool. Ms. Windeshausen explained the investment pool and how Special Districts, such as San Juan Water District, can participate in the program. The presentation will be attached to the meeting minutes.

3. General Compensation Study Information – Shellie Anderson, Bryce Consulting

Ms. Lorance introduced Shellie Anderson, Bryce Consulting, who conducted a brief presentation on general Compensation Study procedures. The presentation will be attached to the meeting minutes.

Ms. Lorance explained that the Personnel Committee recommended the presentations to the Board to discuss how a compensation study could be performed; however, at this time the Board hasn't decided whether or not to conduct a study. President Costa requested that the record reflect that he is against conducting a compensation study at this time.

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.

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 June 8, 2011

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

IV. OLD BUSINESS

1. 2010 Urban Water Management Plan

Ms. Lorance informed the Board that the Districts' Final Draft of the Urban Water Management Plan (UWMP) was handed out for review at the meeting. The formatting was updated, and there is only one substantial change in the document compared to the previous draft. The change is to list the agencies the District contacted for information, and to list the agencies that provided information.

Director Peterson requested that the information in the UWMP include acre feet per acre.

Director Walters moved to approve Resolution No. 11-11, adopting the 2010 Urban Water Management Plan. Director Peterson seconded the motion and it carried unanimously.

2. CalPERS Employer Paid Member Contribution (EPMC) Resolution

Ms. Morris explained that this is the resolution needed to submit to CalPERS as a result of the Board's action to have employees pay the employee contribution to CalPERS and eliminate the EPMC.

Director Peterson moved to approve Resolution No. 11-12, altering the Percentage of EPMC from 8% to 0%. Director Walters seconded the motion and it carried with 3 Aye votes and 2 No votes (Costa and Tobin).

3. Personnel Committee (5/17/11)

Ms. Lorance explained that agenda item 2.1.2, Policy on Employee Cost Sharing of Other Benefits, which originated from the May 17, 2011 Personnel Committee meeting, was tabled until the full Board was present. Director Peterson explained that this is for dental benefits only as proposed by the 2010 Personnel Committee. Director Miller explained that the Personnel Committee is still reviewing health benefits.

Vice President Tobin mentioned that the Ad Hoc Committee spent a couple of years reviewing benefits, and when the committee recommended modifications were approved, there was general understanding that the board would wait a few years and then review the actual implications of the changes. Instead, after a short period of time, the 2010 Personnel Committee made recommendations for revisions. The changes implemented in 2009 did not have time to show results. Director Miller requested that General Manager provide the minutes of the Personnel Committee that lists all the recommended changes.

Director Peterson moved to reconsider that the District revise their existing policy to cover 100% of the employee premium and 75% dependent premium for dental benefits. Director Miller seconded the motion and it carried with 3 Aye votes and 2 No votes (Costa and Tobin).

4. Annual Chemical Bid for Alum

Ms. Morris informed the Board that the Water Treatment Plant staff has completed jar testing of the Alum blend provided by Thatcher and has found it to be satisfactory. Therefore, staff recommends proceeding with the Finance Committee's recommendation to award the contract to Thatcher for the Alum blend.

Vice President Tobin moved to place the item on the agenda as this information became available after the posting of the agenda. Director Walters seconded the motion and it carried unanimously.

Director Walters moved to award a contract for Alum blend to Thatcher, the lowest responsive, responsible bidder, based upon a bid of \$250.50 + tax per ton with a total budget amount of \$271,166.25. Vice President Tobin seconded the motion and it carried unanimously.

V. COMMITTEE REPORTS

1. Legal Affairs Committee (6/6/11)

Director Walters reported that the committee met on June 6, 2011 and discussed the following:

- Board Policies from Workshop (W/R)
- Other Legal Affairs Matters (W/R)
 - ◆ Next Meeting Date

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

Board Policies from Workshop

The committee reviewed the Policy Principles that were discussed at the Board Workshop and agreed that the name be changed to Policy Guidelines. The committee made some minor revisions to some of the guidelines and those changes will be made along with any legal counsel revisions then brought back to the committee for review prior to being submitted to the Board for adoption.

For information, no action requested.

Other Legal Affairs Matters

The committee was informed by Ms. Lorance that a meeting with Fair Oaks Water District (FOWD) was scheduled for June 7th. Tom Gray, FOWD's General Manager, and Rob Donlan, FOWD's legal counsel, met with Shauna Lorance and Paul Bartkiewicz. The meeting was called at the request of FOWD to discuss the recent 150-day notice on rate changes that FOWD received for the Fair Oaks 40 Pipeline Rehabilitation Project. Ms. Lorance mentioned that a another letter was sent to FOWD and OVWC which clarifies that written comments are requested 45 days prior to October 3rd and that any discussions would not stop or delay the 150-day notice. The Board discussed the actions which need to be taken at the end of the 150 days, which includes the Board taking an affirmative action under the wholesale water supply agreements to adopt the charges that are stated in the report.

Ms. Lorance mentioned that FOWD had requested field personnel to turn off a valve on the FO40 pipeline that services their customers and just asked for it to be turned back on June 22nd. Ms. Lorance commented that she will be informing the wholesale customer agencies at the Executive Committee meeting that when they have an intention to change operations, they will need to notify her in advance.

Ms. Lorance informed the Board that she attended an ACWA committee meeting regarding SB 834. This bill regards integrated water planning, reduces reliance on the Delta watershed, and has the potential to affect funding for the region. AWCA is working with Wolk's staff and Lobbyist Soyla Fernandez is working with Assemblywomen Wolk to explain the redistricting issues and the effect on the region.

President Costa mentioned that Sacramento Suburban Water District has an investment policy that is obtaining substantially higher interest rates. Ms. Lorance will have Ms. Morris contact them to discuss their policy.

For information, no action requested.

Next Meeting Date

The committee set the next meeting date to July 18, 2011 at 8:30 am.

1. Public Information Committee (6/6/11)

Ms. Lorance reported that the committee met on June 6, 2011 and discussed the following:

- Wholesale Newsletter (W)
- Other Public Information Matters (W/R)
 - ◆ 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. The newsletter was mailed to the wholesale customer region today, with a courtesy copy being emailed to the wholesale customer agency general managers prior to mailing.

For information, no action requested.

Other Public Information Matters

Ms. Lorance informed the committee of the meeting with Fair Oaks Water, which was mentioned under the Legal Affairs Committee report.

Ms. Lorance reported that Crocker & Crocker is setting up local speaking engagements and she spoke at the Granite Bay Mom's Club on June 7th. The committee discussed the topic and suggested that press releases be submitted to the Granite Bay View regarding the speaking engagements.

For information, no action requested.

Next Meeting Date

The committee set the next meeting date to July 19, 2011 at 1:30 pm.

VI. 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

President Costa passed around two thank-you cards which were received from the poster contest winners.

Ms. Lorance informed the Board that two positive customer comment emails were received regarding staff performance and water rates.

Ms. Lorance reported that ACWA prepared a letter to the Delta Stewardship Council which addressed some key questions and offered an alternative solution to the Delta Plan. The letter requested that the alternate solution be included in their environmental document and it was accepted by the Delta Stewardship Council to be included in that document.

Ms. Lorance informed the Board that CSDA is having their annual conference in Monterey, October 10-13, 2011, and RWA is having a 10th

Anniversary celebration at their next meeting on July 14th at the SSWD Antelope Facility. In addition, the District received a thank-you letter from Placer County Water Agency for the District's assistance to provide water during the emergency repair of the Bear River Canal.

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

Mr. Durkin informed the Board that, during a recent outage requirement for the construction on site, the WTP was able to run half the plant at 82 MGD with no issues. Without the recent improvements to the WTP, this would not be possible.

Mr. Durkin reported that the changes in chemicals (Alum blend) are proving to work well as the primary coagulant. The plant is reporting that about half the amount of chemicals is needed, which makes the following possible:

- Time is doubled between filter backwashes
- Filter performance, or efficiency has increased 20%
- Reduction in sludge volume
- Elimination of temporary help during peak periods to process sludge
- Sludge thickeners are settling better resulting in reduced processing time

Mr. Durkin reported that the Solar Project is online and in the one month commissioning period. The panels are producing energy for the facility at this time. The dedication ceremony is scheduled for July 20th and invitations will be sent shortly.

For information, no action requested

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1 Report Back Items

There were no items discussed.

3.2 Miscellaneous District Issues and Correspondence

Ms. Morris informed the Board that CalPERS provided a press release which shows the average increase in health benefit premiums to be 4.1% effective January 1, 2012.

4. LEGAL COUNSEL'S REPORT

Mr. Horowitz provided a written report which will be attached to the original meeting minutes. He mentioned that the federal government is getting involved in California water issues with HR1837 pending in the House of Representatives. The bill raises concerns for the District since it essentially overturns about 100 years of water law, giving the federal government control of California water rights. He will be doing a full analysis of the bill.

For information, no action requested

5. DIRECTORS' REPORTS

5.1 SGA

No report.

5.2 RWA

The Board members took the Blue Thumb Pledge in recognition of water conservation.

5.3 Executive Committee

President Costa reported that the next Executive Committee meeting is scheduled for June 28, 2011.

5.4 ACWA/JPIA

No report.

5.5 CVP Water Users Association

President Costa reported that the next meeting is July 19, 2011.

5.6 LAFCO

President Costa reported that the next meeting is August 30, 2011.

5.7 Other Reports and Comments

President Costa reported that he was invited to attend an event at UC Davis which addressed water conservation.

VII. UPCOMING EVENTS

1. National Water Resources Association – Western Water Seminar
July 25-27, 2011
Colorado Springs, CO
2. ACWA Continuing Legal Education for Water Professionals
September 22-23, 2011
San Diego, CA

VIII. ADJOURN

The meeting was adjourned at 9:20 p.m.

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

ATTEST:

TERI HART, Board Secretary

San Juan Water District

Board Meeting

June 22, 2011

Jenine Windeshausen
Placer County
Treasurer-Tax Collector

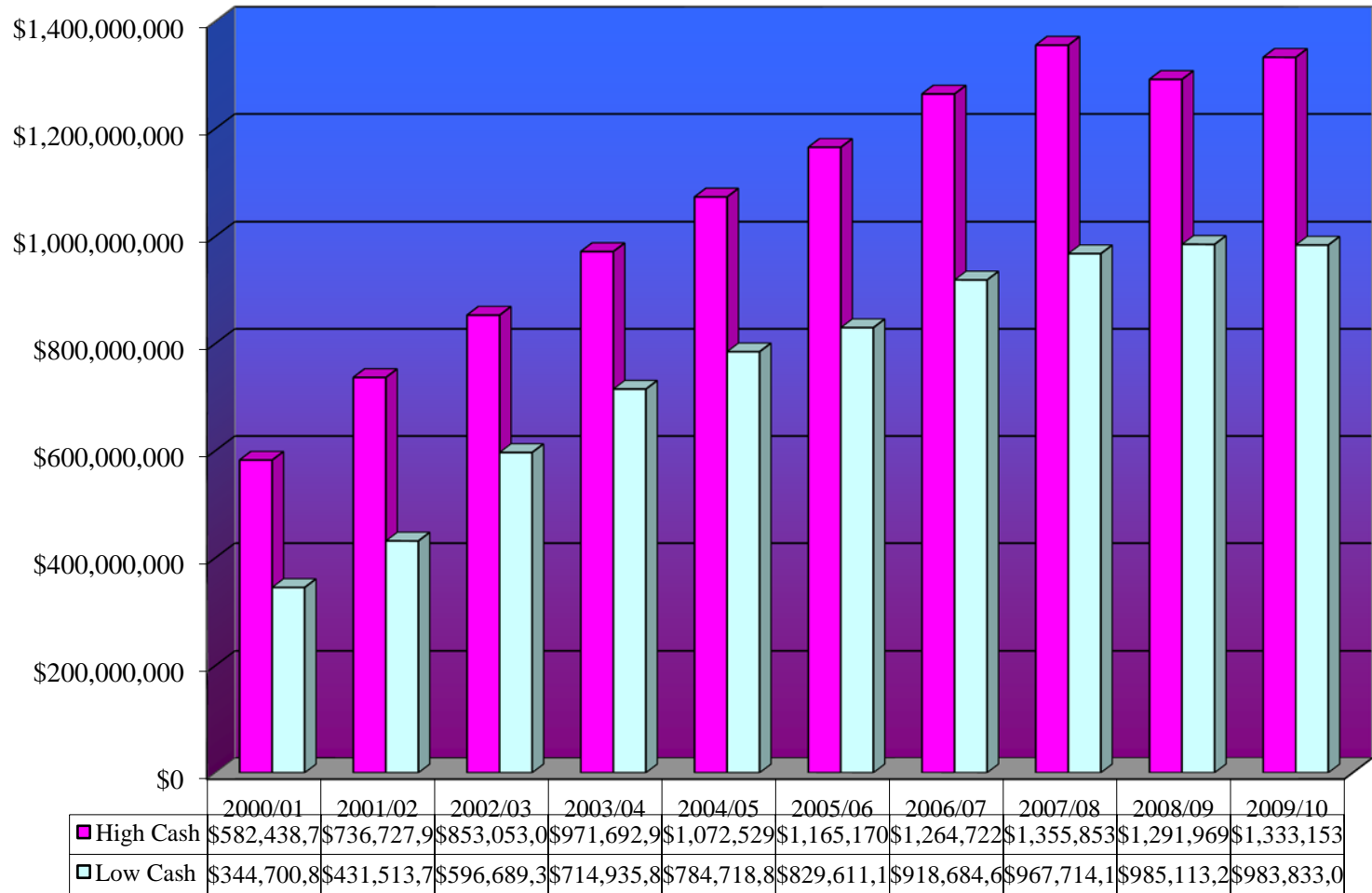
- Placer County Treasury
 - Characteristics
 - Depositors
 - Balances
- Treasury Financing Projects
 - Middle Fork Hydroelectric Project
 - mPOWER Placer
 - Others
 - Colfax, schools
 - Dry Period Financing

Depositors

38 Total Agencies

- School Districts (18)
- Placer County
- Special Districts
 - Fire Districts (4)
 - Cemetery Districts (5)
 - Other Special Districts and local agencies (12)
- Special Districts

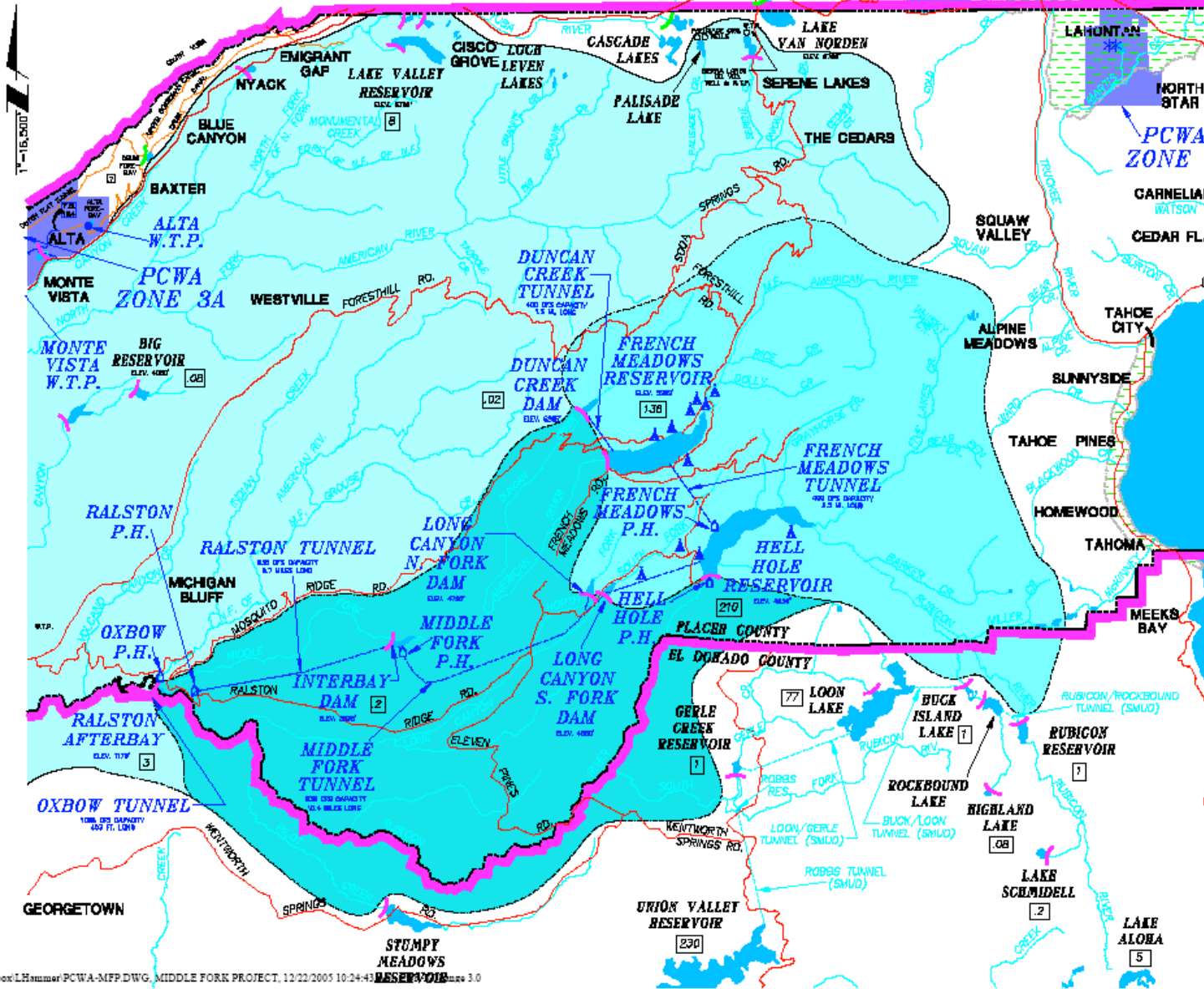
High/Low Cash Balance





**Financing the Costs of
Relicensing the
Middle Fork American River
Hydroelectric Project**

MAP OF PLACER COUNTY WATER AGENCY



Project Features

- 2 Reservoirs: Hell Hole and French Meadows
- 7 Dams
- 2 Storage Afterbays: Interbay and Ralston
- 3 Diversion Tunnels: Duncan Creek, North and South Forks of Long Canyon
- 5 Tunnels: French Meadows, Hell Hole, Middle Fork, Ralston, Oxbow (varying in size from 9' to 13.5' in diameter)
- 5 Powerhouses: French Meadows, Hell Hole, Middle Fork, Ralston, & Oxbow
- 224 megawatt total
- Averages 1 million megawatt hours annually

The project was the 1st of its kind in the state and is currently the 8th largest public power project in the state.

Z:\inbox\LH\hammer\PCWA-MFP.DWG, MIDDLE FORK PROJECT, 12/22/2005 10:24:43, size 3.0



Agency/Project History

- **1957** “Placer County Water Agency Act” created PCWA through an act of the State legislature. The Agency was established under the control of the Board of Supervisors.
- **1961** The Board of Supervisors placed a bond measure on the ballot to finance construction of the MFP through the issuance of \$140 million in revenue bonds. The voters approved the measure by a 25 to 1 margin.
- **1963** Construction began on MFP, under the direction of the Board of Supervisors acting in their capacity as the PCWA Board.
- **1967** MFP was completed and placed into operation
- **1974** The “Agency Act” was amended to allow for its own independently elected Board. The amendment retained a long-term role in the MFP by the Board of Supervisors by requiring the approval of the Board of Supervisors for all power sale contracts and for the expenditure of power revenues after 2013.



1974 Amendment to the Placer County Water Agency Act

Section 81-7.3 Electrical energy; contracts for sale; expenditures; public hearings

“No contract for the sale of electrical energy shall be executed, nor shall any revenues received pursuant to any contract for the sale of electrical energy entered into after January 1, 1975, be spent, unless previously approved by the board of supervisors of the county. The board of supervisors may, in connection with any of the foregoing conduct public hearings. Such hearings shall be declared by a resolution specifying the purpose and the day, hour, and place where all interested persons may appear and be heard. Such resolution shall be published in the agency pursuant to Section 6063 of the Government Code in a newspaper of general circulation in the agency. The hearing may be adjourned from time to time at the discretion of the board of supervisors, and at its conclusion the board of supervisors shall declare its decision.”



Recent Actions

January 10, 2006:

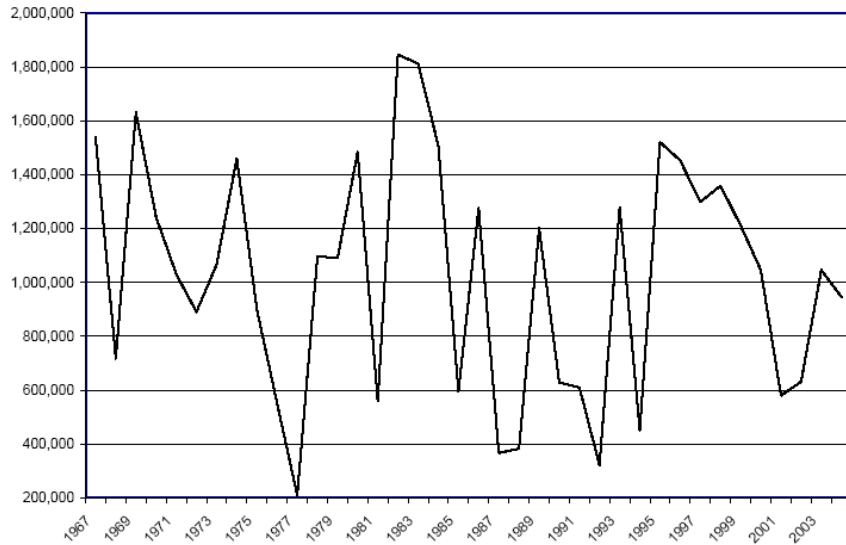
The JPA agreement creating the Middle Fork Project Finance Authority was unanimously approved at a joint meeting of the Placer County Board of Supervisors and the Placer County Water Agency Board of Directors

February 28, 2006:

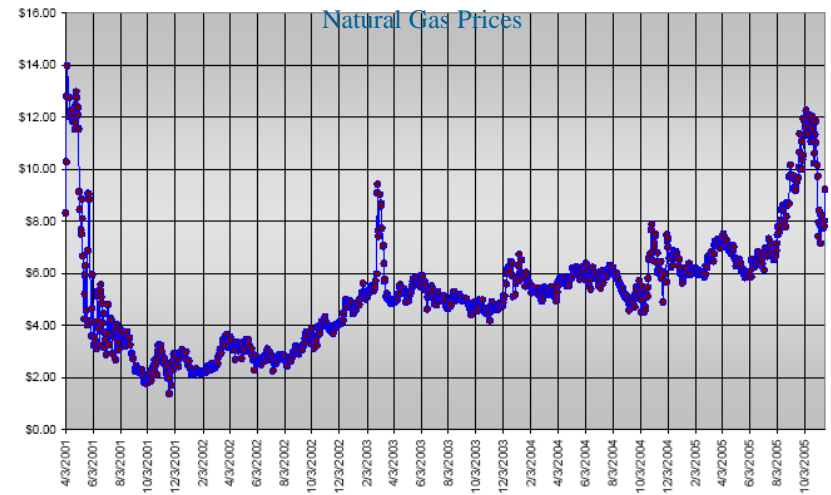
The Board of the Middle Fork Project Finance Authority unanimously agreed to the terms of bond financing and directed that legal documents be returned to the Board for action and execution on March 27, 2006

Power Revenues are Highly Volatile

PCWA Net Generation (MWH)



PG&E Citigate
Average Day-Ahead





Financing Issues

- No revenues are available from MFP operations until at least March 2013, due to PG&E contract.
- Revenues are dependant upon a number of volatile variables: weather, power prices.
- Impacts from PM&E on generation, operating costs and capital expenditures.
- Operational reserves and capital funds will need to be established to financially respond to system failures or outages in a timely manner, and for possible additions, improvements and betterments deemed appropriate or regulatorily required.
- Volatile revenues create opportunities for debt pre-payment.
- Maintain maximum flexibility to optimally negotiate future energy contracts.



Analysis of Financing Alternatives

- Pay as you go (cost prohibitive)
- Municipal debt market (expensive and inflexible)
- Forward Power Purchase Contract (expensive & constrains future revenues)
- Debt issued by Middle Fork Project Finance Authority (County and Agency JPA) and purchased by County Treasurer (flexible terms, cost effective)



Guiding Vision

- The importance of the MFP as a resource of the people of Placer County
- Collaborative working relationship between the County Treasurer, the County and PCWA for the ultimate benefit of the common jurisdiction and constituency
- Utilize the financial resources of the County Treasury to accommodate the special cash flow needs of the MFP relicensing financing while protecting the interests of Treasury depositors



Middle Fork Project Finance Authority Joint Powers Authority

- Needed due to the PCWA Act amendment requiring BOS approval of contracts and expenditures. No lender will lend to PCWA or County independently based on MFP power revenues as long as the two entities can encumber the revenues.
- Board Composition Authority
 - 2 members of the County Board of Supervisors
 - 2 members of the PCWA Board of Directors



Financing Terms

- Total authorization \$100 million
- Initial amount \$60 million
- Single Draw Down Bond “Equity line of credit” from 2006 – 2015
- Variable interest rate,
 - Based on yield of Treasury maturing 2/15/2036 plus 1% (5.72% as of March 13th)
- On April 1, 2015
 - Principal balance is amortized for 21 years (to 2036)
 - Semiannual debt service payments (principal and interest) begin on October 1, 2015
 - Interest rate is fixed at yield of Treasury maturing on 2/15/2036 plus 1%
- Security and Sources of Payment of Debt
 - Revenues of the project after 2013 and other funds of the JPA
 - Proceeds from sale or other disposition of the project

PACE: Simple, Effective Tool

City or county creates type of land-secured financing district or similar legal mechanism



Property owners voluntarily sign-up for financing and install energy projects



Proceeds from PACE bond or other financing provided to property owner to pay for energy project



Property owner repays through property tax bill (up to 20 years standard practice)

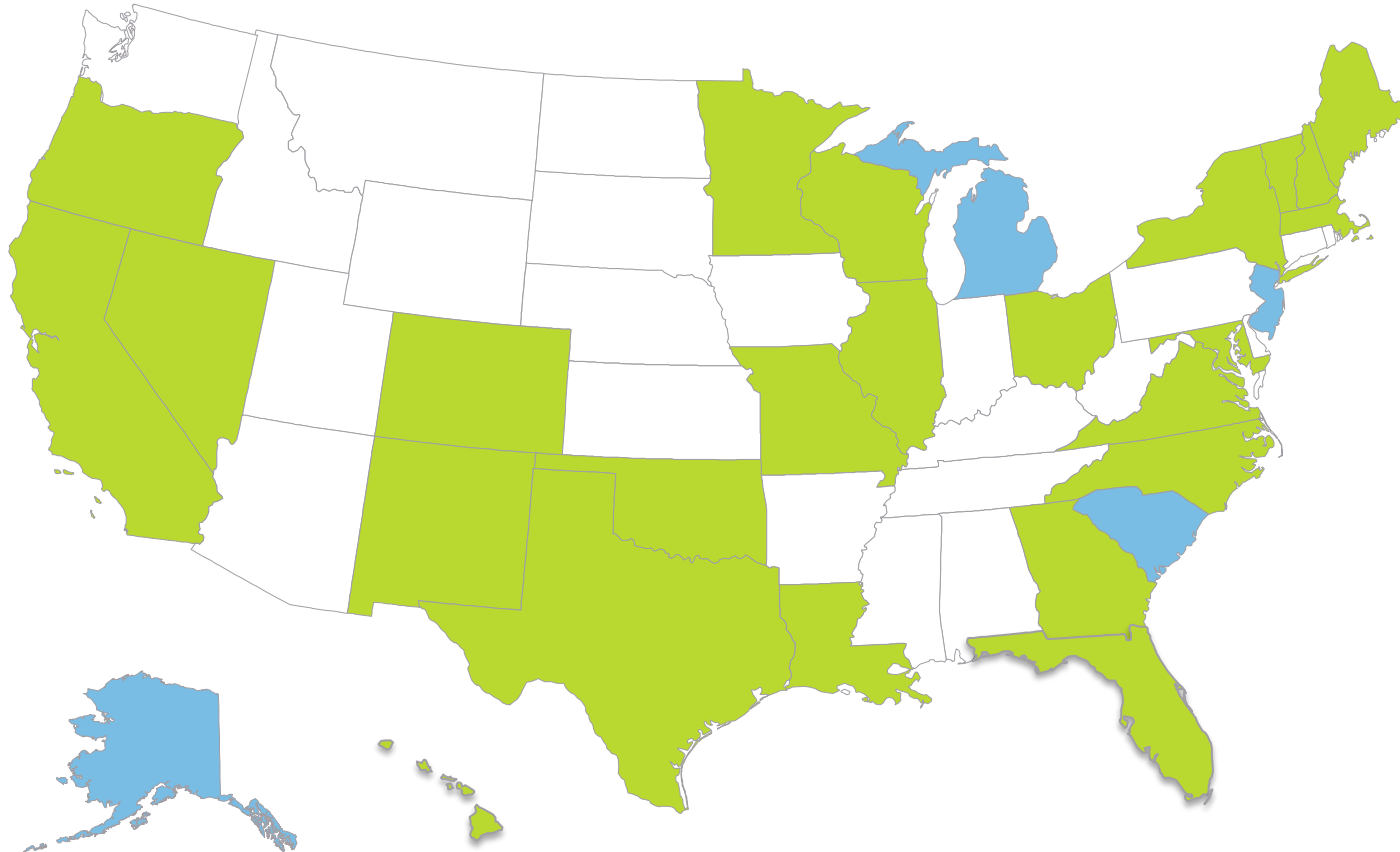


100 year old tool that provides low-cost alternative financing for home owners

National PACE Policy

24 States - PACE Authority

4 States - PACE Legislation Pending



PACE Legislation

- California PACE Statutes
 - AB 811 (July 2008) - Amended 1911 Improvement Act, Streets and Highways Code to allow non-contiguous, property-owner consensual lien participation in assessment district financing, which ultimately enables PACE.
 - AB 474 (January 2010) - Allows water measures

Current Status of PACE

- Actions of FHFA (Federal Housing Finance Agency) and OCC (Office of the Comptroller of the Currency) and other federal regulatory agencies
- Active residential PACE programs on hold around the country with exception of Sonoma County, Palm Desert, and Babylon, NY,
- Active commercial PACE programs on hold with exception of Sonoma, Placer and Boulder Counties, and Babylon, NY
- Handful of commercial programs underdevelopment in City of LA and City of San Francisco

Sonoma Stats

❁ Program Updates

- Operating for 27 months. Began operations on March 25,2009
- \$37 Million growing \$2-3 M per month
- 377 new jobs created
- 1075 residential and 22 commercial properties improved
- Program paying for itself and repaying upfront funding
- Recognized nationally – Congressional recognition
- Created a technology tool library and industry workmanship standards
- Working closely with property owners, leaders and media to resolve conflict
- Huge support from the community, media and businesses
- Resolving individual property refinance and sale problems

Placer Stats

❖ Program Updates

- Program launch, March 22,2010
- Received 20 -25 applications per week
- Disbursed over \$600,000 residential
- Residential operationally suspended late May, formally suspended July 13th pending resolution of FHFA issues.
- Commercial program temporarily suspended for two weeks in July
- Since July 13th, Commercial applications received over \$1 Million and growing
- Commercial applications are fewer, but larger requests for financing, averages over \$100,000 per application

PACE: Practices and Reality

- ***PACE utilizes proven municipal financing that has been in use for over 100 years. Properly implemented, PACE is a safe and sound financing mechanism for energy retrofitting our existing building stock. It is the most promising economic tool for non-exportable job creation, while effectively moving the United States toward energy independence.***
- Properly implemented PACE programs are smart, efficient and cost effective financing options that can provide unique financing advantages for property owners.
- It is unfortunate that the federal housing agencies have acted in a less than thoughtful and autocratic manner which is harmful to our economy especially in terms of job creation and energy independence. FHFA, FannieMae and FreddieMac have gone to little or no effort and done little or no due diligence in making their decision to obstruct the progress of PACE nationwide.
- Actual program experience provide meaningful data and information that proves that FHFA, FannieMae and FreddieMac are mistaken in their handling of PACE.

PACE Path Forward

- **Negotiations**

- From October 2009 to current, negotiations with FHFA led by White House and Congress

- **Litigation**

- California Files Suit : *People of the State of California vs. Federal Housing Finance Agency* (Filed July 14, 2010)
- Additional lawsuits filed by, Sonoma and Placer Counties, City of Palm Desert, Babylon NY, Sierra Club, L

- **Legislation**

- PACE Assessment Protection Act

Other Treasury Financings

- City of Colfax
- Rocklin USD

Questions/Comments

Placer County Treasurer Tax Collector's Office
2976 Richardson Drive
Auburn, CA 95603

530/889-4140

Legal Affairs Committee Meeting
June 6, 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
Paul Bartkiewicz, Counsel

Topics: Board Policies from Workshop (W/R)
Other Legal Affairs Matters

- Next Meeting Date

Public Comment

1. Board Policies from Workshop

The committee reviewed the Policy Principles that were discussed at the Board Workshop and agreed that the name be changed to Policy Guidelines. The committee made some minor revisions to some of the guidelines and those changes will be made along with any legal counsel revisions then brought back to the committee for review prior to being submitted to the Board for adoption.

For information only; no action requested.

2. Other Legal Matters

Ms. Lorance informed the committee that a meeting with Fair Oaks Water District (FOWD) is scheduled for June 7th. Tom Gray, FOWD's General Manager, and Rob Donlan, FOWD's legal counsel, will meet with Shauna Lorance and Paul Bartkiewicz. The meeting was called at the request of FOWD to discuss the recent 150-day notice on rate changes that FOWD received for the Fair Oaks 40 Pipeline Rehabilitation Project. Ms. Lorance mentioned that FOWD requested field personnel to turn off a valve on the FO40 pipeline that services their customers. The committee discussed the topic and voiced concern on any extended use of groundwater wells due to the potential for the contamination plume to be pulled into the region.

Ms. Lorance informed the committee that she attended an ACWA committee meeting regarding SB 834. This bill regards integrated water planning, reduces reliance on the Delta watershed, and has the potential to affect funding for the region. During the ACWA committee meeting, Ms. Lorance was able to have Mr. Ryan Bezerra call in to give the committee detailed information on the bill and the suggested changes for the bill.

Ms. Lorance informed the committee that ACWA is preparing a letter to the Delta Stewardship Council which addresses some key questions and offers an alternative solution to the Delta Plan.

President Costa mentioned that Sacramento Suburban Water District has an investment policy that is obtaining substantially higher interest rates. Ms. Lorance will have Ms. Morris contact them to discuss their policy.

For information only; no action requested.

2.1 Next Meeting Date

The next meeting date is scheduled for July 18, 2011 at 8:30 am. [The meeting date was set after the meeting adjourned.]

For information only; no action requested.

3. Public Comment

There was no public comment.

The meeting was adjourned at 9:35 a.m.

Public Information Committee Meeting Minutes
San Juan Water District
June 6, 2011
1:30 p.m.

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

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. The newsletter will be delivered to the wholesale customer region the week of June 20th, with a courtesy copy being emailed to the wholesale customer agency general managers prior to mailing. Crocker Crocker will use some of the flyer text periodically in the District's email alerts, webpage and other media notifications.

For information, no action requested.

2. Other Public Information Matters

Ms. Lorance informed the committee that a meeting with Fair Oaks Water District (FOWD) is scheduled for June 7th. Tom Gray, FOWD's General Manager, and Rob Donlan, FOWD's legal counsel, will meet with Shauna Lorance and Paul Bartkiewicz. The meeting was called at the request of FOWD to discuss the recent 150-day notice on rate changes that FOWD received for the Fair Oaks 40 Pipeline Rehabilitation Project. The committee discussed the topic and suggested that Crocker Crocker provide some media protocol for the District with some standing talking points on the District's statement of facts on the project.

Ms. Lorance reported that Crocker Crocker is setting up local speaking engagements and she will be speaking at the Granite Bay Mom's Club on June 7th. The committee discussed the topic and suggested that press releases be submitted to the Granite Bay View regarding the speaking engagements.

Director Miller inquired if the District has seen an increase in backflow device thefts. Ms. Johnson commented that the devices are not District owned, but she has heard about some thefts within the District.

For information, no action requested.

2.1 Next Meeting Date

The next committee meeting date is July 19, 2011 at 1:30 pm. [The meeting date was set after the meeting adjourned.]

For information only; no action requested.

3. Public Comment

There was no public comment.

The meeting adjourned at 2:10 pm.



Bartkiewicz, Kronick & Shanahan
A Professional Corporation

MEMORANDUM

TO: SAN JUAN WATER DISTRICT BOARD OF DIRECTORS

FROM: RYAN BEZERRA

DATE: JUNE 15, 2011

RE: UPDATE ON DELTA MATTERS

We have been monitoring, and participating in, matters related to the Sacramento-San Joaquin Delta for the District, as well as for several other water agencies that our firm represents. These matters could have substantial impacts on the District by, among other things: (1) reducing the amount of surface water that the District can use; and (2) increasing the District's costs by requiring the District to pay fees to one or more state agencies in order to support state programs to restore the Delta's environmental resources. Since 2000, populations of fish that reside in, and migrate through, the Delta have declined significantly, causing federal and state resource agencies to apply new regulatory requirements in the Delta and to propose new requirements that would apply upstream of the Delta. The Delta's problems also caused the Legislature to enact a package of comprehensive water legislation in 2009. That legislation included Senate Bill 7, which requires the District to reduce its per capita water use 20% by 2020.

Recently, there have been significant developments in two proceedings that followed from the 2009 legislation. First, on June 10, 2011, a coalition of water agencies led by the Association of California Water Agencies (ACWA), and including the Regional Water Authority (RWA), submitted an Alternate Delta Plan to the Delta Stewardship Council (Delta Council). The Alternate Delta Plan's primary purpose is to attempt to redirect the Delta Council's development of the Delta Plan so that it focuses more on coordinating state agencies' activities and less on regulating those of local agencies. Second, the State Water Resources Control Board (State Board) held a workshop concerning the development of San Joaquin River streamflow requirements that would require water users forgo the use of a designated percentage of unimpaired runoff so that water would flow into the Delta. If similar requirements were imposed on the Sacramento River and its tributaries, they could substantially reduce the amount of surface water available to the District.

1. Delta Stewardship Council and Alternate Delta Plan

The 2009 water legislation created the Delta Council as a new state agency whose primary purpose is to better coordinate the activities of state, federal and local agencies that concern the Delta. The Council's main tools are: (A) its development and adoption

of a Delta Plan; and (B) its review of appeals of state and local actions that occur at least in part in the Delta to determine whether they are consistent with the Delta Plan. The Delta Plan would be similar to a city's or a county's general plan, but would cover the whole Delta. The Council is required to adopt a Delta Plan by January 1, 2012.

A. Delta Council's Development of The Delta Plan

The Delta Council has been working on drafts of the Delta Plan for several months. The Council's drafts have focused largely on seeking: (A) to compel local agencies to take actions to reduce their use of water that flows, or would flow, through the Delta; and (B) encouraging the State Board to adopt new streamflow requirements that would "create a more natural hydrograph," which generally means requirements that mandate that some increased percentage of unimpaired runoff flow through the Delta. The Council's April 22, 2011 third draft of the Delta Plan also proposed that:

- "Retail water suppliers that deliver water diverted . . . from the . . . Delta watershed shall, by December 31, 2020, develop and implement a rate structure that sustainably encourages and supports water conservation which may include the adoption of a water budget based rate structure;" and
- The state consider "stressor fees" on "[h]uman activity that causes negative operational or environmental impacts" with those fees being "volumetrically based for water diversions and for the discharge of contaminants."

The Delta Council must prepare a programmatic – i.e., concept-level – environmental impact report (EIR) for the Delta Plan before adopting it. The Delta Council plans to decide what version of the Delta Plan to consider in its draft EIR at the Council's June 23-24, 2011 meeting. Any proposals that are not analyzed in that draft EIR are highly unlikely to be included in the final Delta Plan. It therefore is important that alternatives to the proposals reflected in the Delta Council's drafts of the Delta Plan be included in that draft EIR.

B. ACWA-Led Alternate Delta Plan

Because the draft Delta Plans have focused on regulating local agencies' actions and encouraging new streamflow requirements as a primary state regulatory tool, ACWA and numerous water agencies across the state wanted to develop an alternate to those drafts that focused more on coordinating state agencies' Delta-related actions. Because such an alternate would need to be considered in the Delta Council's draft EIR, the ACWA-led group worked to develop an alternate to send to the Council by June 10, 2011.

Along with many other water-agency representatives, I participated in the ACWA-led group to develop what is now called the "Alternate Delta Plan." I

participated to ensure that the Alternate Delta Plan protected and advanced the interests of our firm's water-agency clients located upstream of the Delta like the District. It took several weeks to develop that Alternate Delta Plan because it took that time to reconcile the variety of positions and interests held by ACWA's members. Ultimately, the water agencies involved – including agencies in the Sacramento and San Joaquin River basins, Delta-export agencies and agencies located in the Delta – were able to agree on the terms of an Alternate Delta Plan.

ACWA sent the Alternate Delta Plan to the Delta Council on June 10. That alternate includes, among other terms, the following:

- A proposal that Delta streamflows be considered as part of an ecosystem plan that considers all factors that impact the Delta based on targeted research by the Delta Science Program – which the Delta Council controls – concerning the life cycles of the key fish species;
- A proposal that state agencies actually coordinate all of the many types of information about water that they already receive from local agencies to develop a unified picture of the state's water resources;
- A recommendation that the State Board “consider setting uniform guidance for regional water quality control boards relating to Aquifer Storage and Recovery programs and injection of water into groundwater basins serving potable uses,” which has been an objective of water agencies in the Sacramento region for several years;
- A proposal that the State Board and the Department of Water Resources prioritize grant funding for water conservation projects that “are not locally cost effective without additional financial incentives,” which, if adopted, could assist the District in obtaining grant funds for its conservation programs;
- A statement that the Bay-Delta Conservation Program – which is the Delta-exporters' proposal to obtain coverage for a canal around, or tunnel under, the Delta under the state and federal Endangered Species Acts – “if successful, will protect the rights of non-participants;” and
- A proposal that the Delta Council develop financing plans for specific water-supply and ecosystem programs, as opposed to generalized diversion fees.

ACWA specifically requested that the Delta Council include the Alternate Delta Plan as a project alternative in the Council's draft EIR so that the Council can consider that alternate's proposals in preparing the final Delta Plan later this year.

2. State Board Workshop on San Joaquin River Streamflows

On June 6, the State Board held an environmental-review workshop to accept comments on its proposed requirements for the streamflows from the San Joaquin River to the Delta. After the State Board completes its work on San Joaquin River streamflow requirements, it may seek to adopt similar requirements for the Sacramento River. Such requirements could constrain the surface-water diversions on which the District relies to conjunctively manage its groundwater resources.

The State Board's staff is currently proposing that the water agencies in the San Joaquin River basin be subject to a requirement that streamflows from that river into the Delta be:

[S]ufficient to support and maintain the natural production of viable native . . . watershed fish populations migrating through the Delta. Specifically, flow conditions shall be maintained . . . sufficient to support a doubling of natural production of Chinook salmon from the average production of 1967-1991 . . . Flow conditions that reasonably contribute toward maintaining viable native migratory . . . fish populations include, but may not be limited to, flows that mimic the natural hydrographic conditions to which native fish species are adapted, including the relative magnitude, duration, timing and spatial extent of flows as they would naturally occur.

At the June 6 workshop, State Board Chairman Charlie Hoppin stated that such a requirement could "turn the San Joaquin basin upside down."

At the workshop, the San Joaquin water agencies' attorney Tim O'Laughlin stated that he believed that the proposed streamflow requirements, and the State Board's proposed implementation measures, would be illegal for a number of reasons. For example, Mr. O'Laughlin stated that the state and federal resource agencies do not have sufficient data to identify what the native salmon populations were between 1967 and 1991 and therefore have no basis for the proposed doubling goal.

Also at the workshop, John Shelton, the representative from the state Department of Fish and Game, stated that DFG's position is that: (1) increased streamflows reduce the effect of all stressors on salmon, including ocean harvests, predation by non-native fish, ocean conditions, pollution and exports of water from the Delta; and (2) all water "Diverters have the Burden of Proof to show fish do not need water that they once had." Mr. Shelton's presentation at the June 6 State Board workshop is on-line at www.waterboards.ca.gov/waterrights/water_issues/programs/bay_delta/bay_delta_plan/water_quality_control_planning/docs/060611wrkshp/dfg.pdf.

DFG presumably would assert similar positions in relation to streamflows in the Sacramento River basin, if circumstances do not change before the State Board considers new requirements for this basin's streamflows.