

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

July 14, 2010 – 7:00 p.m.

BOARD OF DIRECTORS

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

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Marcia Schnapp	Finance and Administrative Services Manager
Rick Hydrick	Operations Manager
Judy Johnson	Customer Services Manager
Rob Watson	Engineering Services Manager
George Machado	Field Services Manager
Bill Sadler	Water Treatment Plant Superintendent
Tony Barela	Senior Engineer
Greg Turner	Chief Operator
Teri Hart	Board Secretary/Administrative Assistant
Ryan Bezerra	Counsel

OTHER ATTENDEES

Michael Johnson	Westin
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AGENDA ITEMS

- I. Consent Calendar**
- II. Information and Action Items**
- III. Public Forum**
- IV. Upcoming Events**
- V. Adjourn**

President Peterson called the meeting to order at 7:02 pm

I. 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 23, 2010

Ms. Lorance stated that there was a red-line correction page to the minutes handed out for pages 15-16. Director Walters requested that page 15 paragraph 6 be revised to replace “shouldn’t” with “should” in order to omit a double negative. President Peterson requested that page 6, paragraph 8, and page 7, paragraph 1, be revised to remove “Board” and replace with “Engineering Committee”.

Director Walters moved to approve the June 23, 2010 Board of Director’s Meeting Minutes, as amended. Vice President Costa seconded the motion and it passed unanimously.

II. PRESENTATION

1. UPDATE ON DELTA ISSUES – RYAN BEZERRA, BKS

Mr. Bezerra conducted a presentation on the Delta. The presentation will be attached to the original meeting minutes. Mr. Bezerra commented that the RWA had a workshop on this issue today and had a good turnout. They discussed how the region can work together on this issue. Ms. Lorance commended the excellent work that Mr. Bezerra has provided to the District and the region representing our interests on the Delta issues.

III. COMMITTEE REPORTS

1. Personnel Committee (7/7/10)

President Peterson reported that the committee met on July 7th and discussed the following as recorded in the meeting minutes:

1.1 Process for Evaluation of the General Manager and General Counsel

President Peterson stated that it had been suggested that the Board have a third party facilitator perform the annual review of the General Manager this year, as well as conduct an evaluation of the District’s Legal Counsel. The intent would be to have the facilitator interview each Board member to obtain their views instead of adopting the General Manager’s self evaluation as is currently done.

Director Miller inquired how would that differ or improve the process. President Peterson stated that a couple years ago the Board members did a written evaluation of the GM; however, it was more work than the Board wanted to do, so the last two years the Board has been adopting the GM’s self evaluation and they have not been evaluating Legal Counsel at all. By hiring an outside firm to perform the evaluations, the consultant will interview the Board members, summarize the information from the interviews and include in written report.

Director Miller inquired how the GM or Legal Counsel would respond to the written evaluation, for instance any negative comments or areas that needed

improvement. President Peterson stated that they should be able to respond to the written report.

Director Miller inquired how much this would cost. President Peterson stated that he didn't think it would cost more than \$25,000 to complete both the General Manager and Legal Counsel reviews, if both are done in the same interview with each Board member.

Director Miller stated that the evaluation process does need to be improved including the timing of the evaluation and exchange of information. Director Miller doesn't recall ever doing an evaluation of Legal Counsel. President Peterson confirmed that none has been done since he has been on the Board.

Director Miller commented that this could be better for the GM since the Board members feel comfortable commenting freely and not just go along with what the other Board members are saying. Therefore, if there is an issue that a Board member has with the GM, then they will be able to give input on the evaluation regarding that issue.

Director Miller stated that the two evaluations should be kept separate, even if the interview is done at the same time.

President Peterson stated that this process also removes the bias of the author, for instance if the evaluation is normally written up by the Personnel Committee then it would take away the committee's bias.

President Peterson stated that the committee will recommend an independent third party conduct interviews with the Board members for the General Manager and Legal Counsel's evaluations.

President Peterson stated that the committee should solicit names from the Board, if they know of any, and if not then the committee needs to find firms that do this type of service. In addition, get a proposal from the firm and make sure that the timing is set in order to get it done in time.

Director Miller commented that the \$25,000 would cost too much and if the firm could conduct five interviews concerning both positions at the same time then maybe the cost would be closer to \$5,000. President Peterson stated that it should be less than \$25,000, maybe between \$5,000 and \$10,000. Mr. Durkin stated that it will probably be closer to \$10,000 since the firm would need to meet with the committee, conduct the interviews, provide a written report, provide a presentation to the Board in closed session, and bill for expenses.

Ms. Schnapp commented that an additional cost would also be to structure the evaluation form template. President Peterson commented that there

should most likely be something already available. Mr. Durkin commented that a good firm would want to customize the evaluation to fit what the Board needs and not just use a standard template.

In response to a question on the timing, Ms. Lorance explained that the evaluation occurs in January and the process for last year was to have a preliminary meeting of the committee in December, the annual report was presented to the Board in December, the committee reviews the GM performance and fills out a draft evaluation form prior to the January Board meeting, the Board discusses the evaluation and then shares the information with the GM in closed session at the January meeting and any action is reported in open session at the January meeting.

President Peterson commented that the firm should be in place by October. He suggests that since there is a conflict of interest for everyone involved that maybe one of the family agencies could help with the selection of an outside firm. Ms. Lorance suggested that the committee draft a scope of work and then staff can submit the proposals to the committee for review.

The committee recommends an independent third party conduct interviews with the Board members for the General Manager and Legal Counsel's evaluations. The committee also requests the Board to provide any names of firms that perform this type of service.

Provided the Board approves this recommendation, then staff will develop a draft RFP and recipient list (check ACWA for preferred providers) and bring back to the committee for review. Once the committee approves the scope of work, then staff will solicit written proposals.

Director Miller commented that the Purposes of the Evaluation does not change; however, the Evaluation Procedure and timing will change. Ms. Lorance stated that staff will develop a draft procedure for the General Manager and another one for Legal Counsel.

Director Miller inquired if the existing evaluation form would be used. President Peterson stated that it can be given to the outside firm for their use if needed.

President Peterson inquired if the contract for Legal Counsel has an end date. Ms. Lorance stated that it is an ongoing contract.

The committee recommended consideration of a motion to have the Board of Directors solicit an independent third party to conduct interviews with the Board members for the General Manager and Legal Counsel's evaluations. In addition, the committee requests Board Members to provide any names of firms that perform this type of service. President Peterson did not request a motion at this time.

Director Walters suggested that they look into UC Davis or other schools of management and have them provide the qualities that the Board should look for in recommending a person or firm to perform this task.

Vice President Costa suggested that the evaluations for the General Manager and Legal Council be completed separately. Director Tobin suggested that the Legal Council evaluation be taken to the Legal Affairs Committee for their determination on the process.

Director Walters commented that the facilitator should have expertise in special districts or water districts and not just cities or other types of governments. President Peterson suggested that they contact ACWA, HR groups, special districts, and CSDA to request information on how to draft the scope of work and request providers.

President Peterson requested that Ms. Lorance provide a list of facilitators at the next Personnel Committee meeting.

1.2 PERS Policy

President Peterson inquired what it would take to re-establish the employee paid portion of PERS. He stated that the legal opinion was received from Josh, but he would like to recommend that the District obtain a second opinion, since President Peterson heard differently from an attorney at a presentation at the ACWA conference.

President Peterson stated that the first recommendation that he would like the committee to review is for the Board to solicit a second legal opinion on whether the employer pick-up of the employee portion of PERS is considered a vested benefit that has to be compensated for if converted back to being paid by the employee.

Director Miller inquired what the first legal opinion stated. President Peterson stated that Josh's opinion stated that it was a vested benefit that cannot be taken away. Ms. Lorance clarified that you may be able to transition to the employees paying a portion of the cost of PERS if the cost is offset, such as through a salary increase. Ms. Schnapp commented that the question is whether the employer paying the employee portion of PERS becomes a form of compensation and if interpreted as such then was it done in lieu of paying the employee.

President Peterson inquired what is reported to PERS when calculating employee compensation. Ms. Lorance referred the committee to Board Policy 13010, which she provided a handout, and noted that reportable compensation is: the employee's basic pay rate, "Incentive Award Program" compensation, the "pick-up" of required employee contributions to the Retirement Plan and employee uniform allowance.

President Peterson inquired if the 8% of the employee portion is added as compensation before or after reporting compensation to PERS and whether or not it is taxable income. Ms. Schnapp will research and provide an answer at the next meeting.

President Peterson inquired if the \$133.33 deducted for Social Security changes from lower to higher paid employees and does payment to Social Security include the 8% employee portion of PERS. Ms. Schnapp will research and provide an answer at the next meeting.

President Peterson inquired if the uniform allowance is subject to Social Security and Medicare payroll taxes for both the employee and the District. Ms. Schnapp will research and provide an answer at the next meeting.

President Peterson stated that the second legal opinion should let the Board know if they are obligated to restore employee compensation in full such that if the 8% portion that the District currently pays equates to a 8½% salary increase if the District changes its policy to have the employee portion of PERS paid by the employee so that the change to the employee equals zero. In addition, if the Board approves the recommendation for a second opinion then the committee would like to solicit the Board for recommended attorneys.

Director Miller inquired what the basis was for a second opinion. President Peterson explained that he received conflicting information from an ACWA attorney's presentation. Director Miller inquired if the District's Legal Counsel was questioned with regard to this conflicting information. President Peterson stated that they were asked about it and they are sticking with their opinion.

Director Miller inquired what the thrust was in continuing on the PERS Policy changes – a specific item or alternative or contributions. President Peterson stated that the Board already reviewed the second tier on retirement and the employer pick-up issue was deferred, so he'd like to bring it back with the information needed to review once again. Director Miller commented that moving forward would be predicated by the second opinion. President Peterson stated that absent the second opinion, Josh's opinion stands; therefore, it would be a vested benefit that would need to be compensated in order to convert to employee paid. However, one concern was that there were hidden costs to the District and employee.

Director Miller commented that if the employee portion is vested then what would the advantage be to the District. President Peterson explained that it would daylight the salary and he suspects that PERS will increase the employee portion in the future and this way that increase will be absorbed by the employee not the District.

President Peterson stated that his recommendation would be to seek the second opinion and continue gathering data on the cost ramifications.

Director Miller inquired how this might be perceived by Legal Counsel. President Peterson stated that many professions seek a second opinion. Director Miller voiced concern on the cost of a second opinion. President Peterson inquired how much Josh's opinion cost. Ms. Lorance stated that she'd have to look and see what charges were paid for the opinion. It is likely that a new firm will require more time to become familiar with the District policies. President Peterson requested if that information could be available at the next Board meeting.

The committee recommended that the Board solicit a second legal opinion on whether the employer pick-up of the employee portion of PERS is considered a vested benefit that has to be compensated for if converted back to being paid by the employee. President Peterson did not request a motion at this time.

Vice President Costa stated that there is a legal case making its way through the legal system and he suggests that the Board wait until the Supreme Court publishes its opinion before the Board acts on anything related to this item. In addition, he suggests that this item be kept on the Personnel Committee agenda as a standing item until such time as the Supreme Court decision is published.

Director Tobin suggested that a list of questions regarding the conflicts be given to legal counsel in order to let them address those issues before seeking a second opinion. Mr. Bezerra informed the Board that legal counsel would be happy to attend a Personnel Committee meeting to discuss this issue. Ms. Lorance suggested that legal counsel contact the attorney who spoke at the ACWA convention to clarify what he presented at the convention, including the background on his information.

Director Walters commented that the right question needs to be asked in order to obtain a correct opinion. In addition, he stated that if the District wants to obtain a definitive opinion then maybe the District should have someone ask the Attorney General for an opinion, which would not cost anything but would have to be submitted by a legislator or governmental body.

Vice President Costa commented that there seems to be no benefit to either the employee or the District in moving this to an employee paid item, as it would increase the amount of taxes both the employee and the District pay. He commented that if the Board gets other opinions then when the Supreme Court decision is published, that decision will be the one that supersedes all other opinions. In addition, he mentioned that the Ad Hoc Committee on

retirement reviewed this issue and recommended that they table the topic until after the court decision was made.

Director Miller commented that he agrees that legal counsel should attend a Personnel Committee meeting to discuss this topic. President Peterson agreed and requests that this topic be added to the next committee agenda. Ms. Lorance will confirm that Josh Horowitz is available and if not then another meeting will be scheduled. In addition, she will verify whether or not the agenda item should be in closed session.

1.3 Policy on Pay for Performance (or Incentive Pay)

President Peterson commented that he has heard that this is a policy of the Board and would like to confirm that statement. Ms. Lorance stated that it is Board Policy 3090 in the Employee Manual and provided a handout of the policy. President Peterson inquired if merit increases were done prior to calculating incentive awards. Ms. Lorance explained that incentive awards are calculated as of the June 30th salary, at the end of the fiscal year. President Peterson requested a timeline of when salary adjustments are made. Ms. Lorance explained that FY2010-11 starts July 1, 2010 and the 1% COLA that was just approved will be reflected in payroll as of July 1, 2010. Incentive awards for FY2010-11 will be based on the salary as of June 30, 2011 with accrual as of June 30, 2011, even if payment distribution is in July 2011. In addition, merit and promotion increases are completed in August 2010 and February 2011, so if an employee qualifies for either of these, then those increases will be part of their June 30, 2011 salary.

Ms. Lorance explained that merit increases are the increases an employee can receive up to a range maximum and are not to exceed 10% a year. An employee must be performing extremely well to receive 10% in one year. An employee can receive a promotion after they have received the proper testing certification, which will increase their salary range but may or may not increase their current salary. Merit increases and promotions may occur in August and February at the employee evaluation. Ms. Schnapp commented that this year's budget reflects all possible promotions, merit increases and incentive awards.

Director Miller inquired if an employee reaches the top of their pay range, do they get additional increases. Mr. Durkin explained that they are topped out, except for COLA increases and incentive awards. Ms. Schnapp commented that many employees are at the top of their salary range since the District has a relatively low staff turnover rate.

President Peterson commented that the policy states there is an Incentive Award Program, subject to budgetary appropriations prescribed by the Board of Directors, and there is no implied guarantee that employees would receive this. He stated that this would probably not be a vested benefit so the Board could remove this program.

Ms. Lorance explained that the program is for recognition to employees who exceed expectations, as outlined in the handout she provided. She further explained that not everyone receives this award. Mr. Durkin explained that the recommendations for incentive awards get reviewed by the immediate supervisor, the Department Manager, the Assistant General Manager and finally the General Manager. Ms. Lorance commented that this program really gets the supervisor to think about each employee, how they are doing and what the expectations are and is an arduous process.

President Peterson commented that the budget is for 5% across the board, when most everybody should get zero. Ms. Lorance explained that a lot of employees receive zero and the range for deserving employees is usually from 2-7% with the District wide average less than 5% of total salary cost. President Peterson inquired if there were any stats on the last ten years showing what percent of the staff received an award and what percent of the salary pool was spent. Ms. Lorance stated that the stats could certainly be pulled for the last few years. President Peterson suggested the data for the last 5 years, showing the percent of employees who received an award greater than zero, and the amount of the award as percent of salary. Ms. Lorance will pull the data that she has and will provide the information.

Director Miller inquired if at some point do some employees that have received an award in the past not receive an award in a future year, or vice versa. Ms. Lorance answered yes, though some employees are in the award category more often than others. Mr. Durkin explained that sometimes it's just the opportunity that presents itself; for instance, there is an employee who works very well but might not always get an award and this year there is work being done that he has helped with, above and beyond what his job duties are, so he might very well qualify for an award.

Ms. Lorance commented that this program is also incentive for employees at the top of their pay range.

Director Walters asked for clarification on the distinction between merit pay and the pay for performance program. Ms. Lorance explained that the merit pay increases are the steps within the compensation range and pay for performance is an incentive program. She commented that the program names and definitions need to be reviewed to help clarify the difference.

President Peterson mentioned that the agenda is quite long and can be continued to another meeting and inquired if Director Miller wanted to cover anything. Director Miller stated that the committee should keep working through the agenda in future meetings. The committee continued discussions and President Peterson commented that the rest of the items should be tabled until the next meeting.

President Peterson requested that Agenda Item 4 be researched on whether there are any restrictions on employee cost sharing of benefits.

The next meeting is set for July 28th at 3:00pm.

President Peterson commented that Agenda Item 5 is intended to correct errors on the budget regarding cell phones and double counting on COLA.

1.4 Policy on Employee Cost Sharing of Other Benefits (Health, Dental, Vision)

This item was tabled to the next meeting.

1.5 Amendment of Personnel Aspects of FY2010-11 Budget

This item was tabled to the next meeting.

1.6 Policy on Personnel Aspects of Annual Budgeting

This item was tabled to the next meeting.

1.7 Salary Survey

This item was tabled to the next meeting.

1.8 Other Personnel Matters

This item was tabled to the next meeting.

1.9 Public Comment

There was no public comment.

The meeting was adjourned at 5:45 pm.

2. Finance Committee (7/13/10)

Vice President Costa reported that the committee met on July 13th and discussed the following as recorded in the meeting minutes:

2.1 Review and Pay Bills

The committee reviewed the presented bills and claims. In accordance with recommended practices, the committee specifically reviews any credit card charges and reimbursements for the General Manager and Assistant General Manager. The reviewed bills and claims were found to be in order.

Staff update: the total amount of bills and claims provided for approval for June payables is \$3,507,564.10.

Vice President Costa moved to approve Resolution 10-16. Director Tobin seconded the motion and it carried unanimously.

2.2 Audit Update

Ms. Schnapp informed the committee that she met with the auditors and they will begin the audit after the July Board meeting. They provided her with a list of items that they will need to perform the audit and staff is gathering the information for them.

For information only—no action is requested at this time.

President Peterson commented that in the past the District has been audited as one entity and he would like to know if it would be possible to audit wholesale and retail separately. Ms. Schnapp explained that the District is looked at as one agency with two operations and, from a legal audit standpoint, the auditors are auditing one agency. Mr. Bezerra commented that he assumes the accounts could be audited separately depending on how things are set up provided that the District wants to spend more funds on this.

Ms. Schnapp explained that the District's operating revenues and expenses are separated between wholesale and retail and that there are some items, such as property taxes that are co-mingled due to the way they are received. Ms. Lorange suggested that staff research the cost of providing a wholesale and retail audit with the auditing firm.

President Peterson requested that the Finance Committee research this and bring forward a recommendation regarding the audit. He would like to see an independent audit for wholesale and one for retail and in addition would like each reserve fund audited. Vice President Costa requested that this be placed on the next committee agenda. Ms. Lorange stated that staff will contact the auditing firm prior to the committee meeting to get the information requested.

2.3 SCADA Improvements and Integration Project

Mr. Durkin informed the committee that SJWD currently has three distinct supervisory control and data acquisition (SCADA) systems. They are not integrated; therefore they have separate control and alarming and they do not share a common historical database. The SCADA system at the WTP is in critical need of replacement because its hardware and software are outdated and are no longer supported. The new Chlorine System SCADA equipment is not fully alarmed at the WTP Control Room because of compatibility issues with the older WTP system. And the new Wholesale Metering SCADA system is essential complete; however, it does not communicate with the WTP SCADA. The lack of integration is problematic for system monitoring and control, reporting requirements, and data retrieval and analysis.

Status

Implementation of SCADA improvements and integration is included in the District's CIP and current budget (carried over from the previous fiscal year). Engineering staff prepared a request for proposals for design of the planned SCADA integration project. Proposals were received for the project on June 3, 2010, and were reviewed by a joint WTP/Engineering staff committee. Proposals were evaluated by the review committee based on nine (9) weighted criteria. Cost (value) was one of the criteria, but not the over-riding consideration. Westin Engineering, Inc. ranked significantly higher than the

other four firms and had a better overall project approach and a better understanding of how to address our SCADA system security needs.

Budget Impact

This project is included in our wholesale CIP and FY 2010-2011 wholesale budget. The costs for engineering services in the five proposals we received ranged from approximately \$137,000 to \$170,000. This cost is within our budgeted amount for design. Westin Engineering's proposed budget is approximately \$150,000.

Staff Recommendation

Staff recommends a motion to approve a consulting services agreement with Westin Engineering, Incorporated for the SCADA Improvements and Integration Project for the not to exceed amount of \$149,877.00 with an authorized budget of \$165,000.

Vice President Costa commented that the contract for the actual system needs language that includes rights to renew and availability of parts for the life of the system.

Director Tobin moved to approve a consulting services agreement with Westin Engineering, Incorporated for the SCADA Improvements and Integration Project for the not to exceed amount of \$149,877.00 with an authorized budget of \$165,000. Vice President Costa seconded the motion and it carried unanimously.

President Peterson inquired what triggers review through the Engineering Committee on projects. Mr. Durkin informed the Board that this project was taken to the Engineering Committee last year and was delayed due to other projects taking priority. Mr. Durkin explained that staff will be revisiting the Capital Improvements Program with regard to providing succinct project descriptions, budget numbers, and implementation schedules on every project. This will be brought to the Engineering Committee for review once it's completed.

President Peterson requested that an Engineering Committee meeting be scheduled to review proposed projects for the year and evaluate whether projects can utilize reserve funds.

Director Miller inquired if this project was reviewed by the Engineering Committee. Director Tobin stated that it did go through the committee.

Vice President Costa called for the question.

2.4 Outstanding Solar Power Project at Baldwin Reservoir

Mr. Durkin discussed the status of the project with the committee. He informed the committee that the proposed project has been discussed at the Engineering Committee, previous Finance Committee, Board of Directors

Meetings and Executive Committee meetings. The Finance Committee discussed the steps that staff has taken to this point, including suggestions for funding, design, legal counsel opinion on sole source acquisition, site preparation and environmental work.

Director Miller commented that he agreed that this project was the best use of the land at Baldwin Reservoir, however, he still has several questions and he believes other directors may also.

The committee discussed the project at length but did not recommend an action item at this time. The committee instead would like staff to conduct an updated presentation to the Board.

For information only—no action is requested at this time

Mr. Durkin explained that the action items that were listed on the board agenda regarding this project were removed after discussions at the Finance Committee meeting yesterday as it became apparent that there were still several questions regarding this project. Therefore, Mr. Durkin provided the Board with a slide presentation which will be attached to the original meeting minutes.

Director Miller stated that although this project has been brought to the Board on several occasions, he has yet to see a product, and wanted to know if he missed something along the way. President Peterson mentioned that the Engineering Committee did receive a presentation and a booklet that stated all the economics, described the product, and described the company. The Engineering Committee also conducted a visit to the Baldwin Reservoir property to review the project site. Mr. Durkin stated that he conducted a presentation to the Board, similar to the one he did at an Executive Committee meeting, which provided the site plan, the components, the cost, and the benefits.

Vice President Costa commented that this project does not supply water to customers and as Ms. Lorange stated this project is not mission critical; however, this is a great project and potential money maker for the District, and should be looked at as an investment. He stated that he would want this to be a unanimous decision of the Board and not a 3-2 or 4-1 vote.

Director Walters inquired where this project fits into the five-year plan. Mr. Durkin stated that it was not put into the five-year plan, as it is a discretionary project. Mr. Durkin stated that the District could make it fit into the five-year plan without an unanticipated increase in rates and without impact to projects that were planned. Mr. Durkin explained that with cash flow management and the rebates and decrease in power costs, the project could be implemented as stated. Mr. Durkin explained that in order to finish the project and obtain the rebates, the project needs to start within the next

couple of months. If the project start date is extended beyond that, then the project might not be completed and operational in time to meet certain deadlines for the PG&E rebates. The first deadline is in December to show that a contract and some procurement language are in place.

Director Walters inquired why the District would sole source instead of going out to bid. Mr. Durkin explained that it was determined that the District needed to make sure that the company selected could meet the power needs and the size of the project, and in addition, the qualifications and history of the company, including financial stability and proven performance record, need to be taken into consideration. Mr. Durkin explained that the District needs a little over one megawatt of power and there is only one manufacturer that makes a system that provides the level of service that the District requires and that is SunPower. SunPower's panels and tracking system are 30-50% more efficient than any other provider currently on the market. In addition, they are a preferred-provider with ACWA which provides some price guarantees. Mr. Durkin informed the Board that staff thoroughly researched the project requirements and system needs and discussed this with legal counsel and was informed that the project does qualify for sole sourcing.

Director Walters commented that customers are requesting that fees are not increased and would like to know how the District should respond to questions regarding doing a project that is not mission critical at this time. Mr. Durkin responded that the project was presented to the wholesale customers at an Executive Committee meeting. At that meeting, all the general managers and a board representative were present, and the project received unanimous support.

Ms. Schnapp commented that this is the only project that will bring money back to the District. President Peterson commented that there are funds in reserves that can be better invested by placing those funds into this project and the District will get a better return on the investment.

Director Tobin commented that this project does give customers consideration, since future rate increases might be reduced by the savings seen through less energy expenses.

Ms. Lorange commented that the Board has been given the technical and policy recommendations and the District can financially cover this project. Mr. Durkin commented that staff has negotiated the pricing down with SunPower and is satisfied with the negotiated figures.

President Peterson inquired about the CEQA documents and if the Board or a committee will review the findings. Mr. Durkin explained that the findings were brought to the Finance Committee; however, the direction of the meeting turned away from seeking an action item, so the committee did not

review the documents. District staff did evaluate the documents. President Peterson inquired what legal counsel would recommend regarding review of the CEQA documents. Mr. Bezerra commented that it is the decision of the District on whether or not to approve the document; however, it should be available for the Board members to review. President Peterson requested that CEQA documents be reviewed by a committee prior to being submitted to the Board for approval. The CEQA documents will be submitted to the Engineering Committee for review at their next meeting.

Director Miller inquired if any projects in the CIP will be delayed or rescheduled and who would determine this and when. Mr. Durkin explained that the CIP will be reviewed by the Engineering Committee at their next meeting. Director Miller commented that he would like to see what projects would be considered and the level of importance prioritized.

Director Miller inquired on the risk of the system deteriorating faster than forecasted. Mr. Durkin explained that the system is covered under the warranty to guarantee that the system generates the amount of power that the District is specified to receive under the contract.

Director Miller mentioned concern regarding the risk of better technology being developed in the future and the District being locked into something that is not adaptable to upgrading. In addition, he was informed that the panels are produced in China. Mr. Durkin commented that he received information back from SunPower that over 70% of the materials and components in their systems are manufactured in the United States.

Director Miller commented that he was not ready to move on the project at this time.

President Peterson commented that most of the CIPs are coming in under budget; therefore, there are reserve funds that are only generating about 0.4% interest in the bank and this is a great investment.

Director Tobin commented that with everything that the District does, it costs money and there is no return on the investment. She commented that this is one project that the District can put money into and, besides seeing a savings, the District will make money. Therefore, in the future the District can address things like not taking benefits away from employees and not doing rate increases for wholesale and retail. Ms. Lorance stated that this is a wholesale project. Director Tobin commented that even though it's a wholesale project, it will have a rippling effect on the retail agencies. Therefore, she whole-heartedly supports this project.

President Peterson pointed out that the agenda had an action item listed; however, the Finance Committee did not recommend an action. Ms. Lorance noted that the agenda had to be posted prior to the committee

meeting. Vice President Costa mentioned that the committee was concerned that there may be more questions with regard to this project and wanted the approval of the full board and not just a majority vote. Vice President Costa recommends that the topic be tabled until the next meeting and if the Engineering Committee wants to review the project then they can do so at their next meeting. President Peterson agreed and the project will be taken to the Engineering Committee for review.

2.5 Other Finance Matters

Mr. Durkin reported that Ms. Lorance requested that he bring an item forward regarding returning to two Board meetings per month. Two board meetings a month would allow better communication and more thorough discussion on District issues.

Vice President Costa commented that from a management stand point it makes sense to have one meeting per month. Two meetings per month takes a significant amount of time and work to develop agendas, prepare reports, minutes, etc. However, if the goal is to have better communication then he would suggest keeping the one meeting per month and adding a workshop as needed in lieu of a second Board meeting.

Mr. Durkin commented that staff is neutral on this matter but would like the Board to discuss and consider whether it would be helpful.

Director Miller stated that going to two meeting could be a positive step; however, with the caveat that anytime during the year it could be returned to one meeting.

The committee would like the Board to discuss this topic.

The Board discussed this topic and the consensus was to implement two meetings per month on the 2nd and 4th Wednesday starting in August.

2.6 Public Comment

There was no public comment.

The meeting was adjourned at 5:15 p.m.

IV. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 ACWA Water Transfer Initiative

Ms. Lorance referred the Board to her staff report which stated the following:

Background

In the 2010-2011 ACWA Strategic Plan, the ACWA Board directed staff to conduct a water transfers initiative to identify the strengths and weaknesses of California's existing system for voluntary water transfers and make recommendations regarding how that system can be improved.

Over the next decade, regulatory restrictions are expected to seriously affect water deliveries to California water agencies.

Current Status

ACWA is working to produce a white paper that identifies the strengths and weaknesses of the existing water transfer system and recommend specific improvements from a practitioners' perspective. It is anticipated that a final white paper will be available by the end of September.

The white paper would serve as the basis for briefing officials in the state and federal administrations, the Congress, and the California Legislature regarding the advantages and disadvantages of possible changes in the water transfer system in California.

The invited list of attendees is attached to this staff report. The General Manager is participating in this effort.

1.2 American River Flow Standard

Ms. Lorance informed the Board that the Water Caucus was figuring out their position on how to move the standard forward as part of the Water Forum Agreement. Currently, the best approach might be to provide up the flow standard as a standard for the high priority streams to the SWRCB. They are gathering more information and will discuss in August.

1.3 Pilot Water Transfer

Ms. Lorance stated that San Diego intends to release a draft environmental document today – it's a mitigated negative declaration. There is a meeting tomorrow at 1:00 pm with Mike Finnegan, USBR. She mentioned that the intent is to transfer in August and September with groundwater pumping to replace water in reservoir.

1.4 CSDA 2010 Board Elections

Ms. Lorance presented the ballot for the CSDA Board of Directors. She recommended Valerie Lord from PCWA.

Vice President Costa moved to place the SJWD vote for Valerie Lord for the 2010 CSDA Region 2, Seat B position. Director Walters seconded the motion and it carried unanimously.

1.5 CSDA Proposed Bylaws Amendments

Ms. Lorance informed the Board that they need to vote for the 2010 Proposed CSDA Bylaws Amendments which she has reviewed and recommends adoption thereof.

Director Walters moved for the adoption of 2010 Proposed CSDA Bylaws Amendments. Director Tobin seconded the motion and it carried unanimously.

1.6 Report Back Items

Ms. Lorance reported that the District has reached settlement of the Division 5-15 claim in regards to the construction of the chlorination facility. There was an unconditional release, all lawsuits were released and the total released amount was \$225,000, which is the amount offered in meeting with Director Walters, minus the cost of Murphy Austin Adams Schoenfeld, LLP.

1.7 Miscellaneous District Issues and Correspondence

There were no items to discuss.

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1. Report Back Items

There were no items to discuss.

2.2. Miscellaneous District Issues and Correspondence

Mr. Durkin informed the Board that District staff conducted a workshop on July 13th with Fair Oaks and Orange Vale to discuss the Fair Oaks 40 Pipeline Project Phase 1 preliminary engineering report. He stated that the pipe looks to be in better shape than anticipated; however, there still needs to be some rehabilitation work completed in order to extend the life of the pipeline another 50 years.

Mr. Durkin informed the Board that the cost of the project will be close to \$4 million. He stated that the approximate usage breakdown is as follows: Fair Oaks 80-85%; San Juan 12-13%; and Orange Vale 2%. The cost allocations for the project will be based on usage by each agency. The agencies agreed that the engineering recommendations were sound. The project would be completed in phases, as there is still some design work that needs to be completed.

It became clear during discussions that Fair Oaks may prefer to do the No Project Alternative, which would include cathodic protection for the external corrosion control and support at the American River Canyon crossing, but no rehabilitation or repair of the inside of the pipe. Fair Oaks recognizes that their portion would be 80% of the \$4 million cost and they would prefer to not have a project done at this time that cost that much.

Mr. Durkin stated that the project will continue with some refinements to the draft report and that it will be reviewed at an Engineering Committee meeting.

Vice President Costa stated that if the project is delayed or cancelled due to Fair Oaks then they should sign a liability agreement that they are responsible for any damages that may be caused by the pipeline.

Mr. Durkin mentioned that Fair Oaks commented that the cost allocation should include consideration of the level of risk regarding loss of supply for each agency. Therefore, the level of risk is greater for San Juan, since Fair Oaks and Orange Vale have backup supplies through the CTP and/or groundwater wells and San Juan does not. However, based on usage, Fair Oaks has utilized approximately the same amount of water from the FO-40 as they do from the CTP.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Report Back Items

Ms. Schnapp informed the Board that staff is working on the year-end audit, financial plan, action items from the Personnel Committee meeting, printed budget, initial year-end reserves, and financial system upgrade.

3.2. Miscellaneous District Issues and Correspondence

There were no items to discuss.

4. DIRECTORS' REPORTS

4.1. SGA

Director Tobin reported that SGA met on June 10th and she reported the following:

WATER ACCOUNTING FRAMEWORK UPDATE

Staff met with the committee on May 10, 2010 to resolve the following issues, and provided a draft final document for committee members to review toward developing the Framework Phase III document:

- 1) whether groundwater conserved by agencies should be considered as potentially transferable from the region under a banking and exchange program; and
- 2) identifying the appropriate level of review for purposes of complying with the California Environmental Quality Act (CEQA). The Board directed staff to meet with the Framework Oversight Committee to resolve the remaining issues.

LEGISLATION UPDATE

In 2009, the Legislature passed SBX7 6, which required monitoring of groundwater levels in every basin in the state. The DWR will seek local

agencies to voluntarily take on the monitoring responsibilities. However, lacking a commitment from a monitoring entity the responsibility will fall to the state, and water providers in the basin will be ineligible for grant funds for groundwater projects. Sacramento Groundwater Authority is eligible to volunteer to take on monitoring. Agencies must submit their requests to be the recognized monitoring entity to DWR by January 1, 2011, and must begin reporting by January 1, 2012. The state is in the process of developing the requirements for monitoring. SGA staff is seeking guidance from the Board on whether to pursue a proposal to be the monitoring entity for the North Area Basin.

Several bills are active in the Legislature that may impact SGA. These include:

- SB 1173 (Wolk), which defines “raw water” in the water code, and requires the use of recycled water in place of raw or potable water under specified conditions.
- AB 1955 (De La Torre), which would identify service in certain public offices to be incompatible.
- AB 2304 (Huffman), which would require agencies dependent on groundwater to identify the recharge areas for their groundwater sources.

FISCAL YEAR 2010-2011 SGA BUDGET

The Proposed FY 2010-2011 budget and fees were reviewed. The FY11 budget proposal was developed with no increase in the rate setting formula. No increase for FY 2010-2011 will maintain the operating reserves at approximately 5 months. The budget presented is very lean and defers some expenses to future years.

Regional Contamination Issues Committee (RCIC) Update – The RCIC met on April 22, 2010. Dana Booth from Sacramento County briefed the committee on the County’s interest in removing the well prohibition zone on the west side of McClellan. The County would hold workshops associated with the proposed changes to receive public comment. SGA briefed the committee on SGA’s AB303 grant-funded study of the threats to groundwater sustainability. The committee will meet again on July 22, 2010.

Grant Funding Update – SGA has received its first reimbursement check (\$18,944.55) from DWR for expenses on our AB 303 grant to study the potential future impacts of contaminants on our groundwater supplies. SGA has received an extension of the project deadline to May 15, 2011 to account for the suspension of grant funds in 2009 due to the ongoing state budget crisis. DWR has announced that the next opportunity to apply for AB 303 grant funds has been tentatively scheduled for late in the calendar year.

SGA Board Appointments – The term of office for agencies appointed by the Sacramento County Board of Supervisors will expire on August 11, 2010

(see attached list). According to the SGA JPA, the term of office of each member of the governing board of the Authority shall be for a period of four (4) years. We still need letters from the Fair Oaks Water District and the agricultural representatives. Please send a written request on your agency's letterhead to the SGA office as soon as possible so this item can be placed on the Board of Supervisor's agenda for action.

Next SGA Board of Director's Meeting – August 12, 2010

4.2. RWA

Director Tobin reported that RWA met on July 8th and she reported the following:

RWA Regional Water Efficiency Update – RWA and its members are active on a number of fronts related to water efficiency. The Blue Thumb public outreach program is well underway and includes a media campaign and a pilot study of community outreach. Group 1 members of the California Urban Water Conservation Council (CUWCC) from our region are actively pursuing changes to the structure of the CUWCC to provide for better representation of our regional interests. RWA staff and members are actively involved in the Urban Stakeholder Committee convened by Department of Water Resources to provide input on the implementation of the SBX7 7 water conservation legislation.

Government Affairs Update –The Legislature is adjourned until August 2, 2010. The number of bills staff is tracking has been reduced, but some of those moving forward are of significant interest.

In some cases, RWA, SGA, and member agencies have been effective at working toward needed amendments. SB 1173 (Wolk) was amended to ensure that it does not inadvertently undermine our efforts to put remediated groundwater to beneficial uses. SB 1955 (De La Torre), which could have undermined the board structure of SGA, failed to pass out of committee. We are continuing to work with staff and sponsors on amendments to SB 2304 (Huffman), which requires mapping of groundwater recharge areas. AB 1929 (Hall), supported by RWA and sponsored by ACWA, will indemnify local agencies from civil or criminal penalties for the spread of quagga mussels. It has moved to the Senate floor.

A couple of bills continue to represent significant concerns. AB 2092 (Huffman) would require the Delta Stewardship Council to develop a finance plan for their programs, including specifying fees on those who benefit from a Delta solution and those who impact the Delta. SB 565 (Pavley) would add broad new authorities to the State Water Resources Control Board, including requiring potentially costly technical studies and monitoring be conducted by water rights holders; assessing fees on holders of pre-1914 water rights, over which the SWRCB does not have jurisdiction; and assessing substantial new penalties for violations of permit conditions, even for technical or

inadvertent violations that do not have water resources impacts. The bill passed policy committee and moves to Assembly Appropriations.

Integrated Regional Water Management Update – Work on the IRWM Update is ongoing. Staff developed and sent a survey to more than 100 potential stakeholders in the region to get information on priority water management issues in the region. The survey results will be used to develop workshops to get input on water management objectives and establishing quantifiable goals for water planning in the region. Staff prepared an application seeking \$134,183 through the USBR System Optimization Review Grant Program. Because RWA was not an eligible applicant, San Juan Water District submitted the application. If successful, the grant will help fund establishing objectives, goals, and identifying and prioritizing projects in the region. These are all required elements of an IRWMP. The IRWM Management Committee is scheduled to meet next on July 14, 2010.

Grant Funding Update – Ongoing grants include: Prop 50 Implementation Grant (\$25 million); Prop 50 Drought Grant (\$1.97 million); Prop 50 Toilet Rebate Grant (\$1.12 million); USBR Meter Grant (\$5 million); USBR ET Controller Grant (\$294,000).

RWA Outreach Activities – Mr. Woodling was a speaker on a panel at the California Water Association Conference and the California Urban Water Conservation Council (CUWCC) Plenary meeting. Mr. Woodling and Derrick Whitehead are both serving on the Water and Nature Committee of the Greenwise Sacramento initiative led by Sacramento Mayor Kevin Johnson.

RWA and the Water Forum are planning an educational tour to highlight the water management and environmental restoration accomplishments of the region. The event is tentatively planned for early October.

RWA Financial Report – The investments report for the period ending May 31, 2010 was reviewed.

CalPERS CERBT Quarterly Statement – On March 12, 2009 the RWA Board voted to approve RWA early implementation and adopt GASB No. 45 and to use the CERBT Trust, which is managed by CalPERS, as the Trust Administrator. The CERBT Quarterly Statement ending March 31, 2010 was presented.

RWA Workshop – Status of Delta Actions – Wednesday, July 14 from 12-3pm at Carmichael Water District.

Next RWA Board of Directors' Meeting – Thursday, September 9, 2010

4.3. Executive Committee
No report.

4.4. ACWA/JPIA

No report.

4.5. CVP Water Users Association

No report.

4.6. LAFCO

Vice President Costa reported that LAFCO will meet on June 29th. He stated that LAFCO has been asked to look into Rio Linda Water District due to the Grand Jury report and put it up to a vote of the people on whether they should reorganize the district.

4.7. Other Reports

There were no items to discuss.

5. LEGAL COUNSEL'S REPORT

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

III. PUBLIC FORUM

There was no public comment.

IV. UPCOMING EVENTS

1. NWRA Western Water Seminar
July 28-30, 2010
Jackson Hole, WY
2. ACWA Continuing Legal Education Workshop
September 30 – October 1, 2010
San Francisco, CA
3. AWWA California Nevada Fall Conference
October 5-8, 2010
Sacramento, CA
4. NWRA Annual Conference
November 10-12, 2010
San Diego, CA

V. ADJOURN

The meeting was adjourned at 10:35 p.m.

DAVE PETERSON, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary