

**SAN JUAN WATER DISTRICT
BOARD MEETING AGENDA
July 14, 2010
7:00 p.m.
9935 Auburn Folsom Road
Granite Bay, CA 95746**

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

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

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

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

ESTIMATED TIMES

7:00 p.m.

I. CONSENT CALENDAR: All items under the Consent Calendar are considered to be routine and will be approved by one motion. There will be no separate discussion of these items unless a member of the Board, Audience, or Staff request a specific item removed after the motion to approve the Consent Calendar.

1. Minutes of the Board of Directors Meeting June 23, 2010

7:05 p.m.

II. PRESENTATION

1. Update on Delta Issues – Ryan Bezerra, BKS

7:20 p.m.

III. COMMITTEE REPORTS

1. Personnel Committee (7/7/10)

1.1 Process for Evaluation of the General Manager and General Counsel

1.2 PERS Policy

1.3 Policy on Pay for Performance (or Incentive Pay)

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

1.5 Amendment of Personnel Aspects of FY2010-11 Budget

1.6 Policy on Personnel Aspects of Annual Budgeting

1.7 Salary Survey

1.8 Other Personnel Matters

1.9 Public Comment

2. Finance Committee (7/13/10)

2.1 Review and Pay Bills

Action: Consider Adoption of Resolution No. 10-16

2.2 Audit Update

2.3 SCADA Improvements and Integration Project

Action: Consider approval of a motion to approve engineering services agreement with Westin Engineering, Inc for \$149,877 and an authorized design budget of \$164,865

2.4 Solar Power Project at Baldwin Reservoir

Action: Consider approval of a motion to approve:

Staff's recommended plan to pay for the project;

Adoption of Resolution 10-17 certifying a CEQA mitigated negative declaration for and authorizing construction of the solar power project;

Direction to the General Manager to execute a contract for the final design and construction of the Project by SunPower Corporation as authorized by Resolution 10-17.

2.5 Other Finance Matters

2.6 Public Comment

7:40 p.m.

IV. INFORMATION AND ACTION ITEMS

1. General Manager's Report

1.1 ACWA Water Transfer Initiative

Inaugural Meeting

No action requested, for information

1.2 American River Flow Standard

Verbal Report on Coordinated Water Caucus Position

No action requested, for information

1.3 Pilot Water Transfer

Verbal Update on Status

No action requested, for information

1.4 CSDA 2010 Board Elections

Vote for CSDA Board of Directors, Region 2, Seat B

Action: Board vote for candidate

1.5 CSDA Proposed Bylaws Amendments

Vote for 2010 Proposed CSDA Bylaws Amendments

Action: Board vote for adoption of 2010 Proposed CSDA Bylaws Amendments

- 1.6 Report Back Items
 - Settlement of Division 5-15 Claim
- 1.7 Miscellaneous District Issues and Correspondence

2. Assistant General Manager's Report

- 2.1 Report Back Items
- 2.2 Miscellaneous District Issues and Correspondence

3. Finance and Administrative Services Manager's Report

- 3.1 Report Back Items
- 3.2 Miscellaneous District Issues and Correspondence

4. Directors' Reports

- 4.1 SGA
- 4.2 RWA
- 4.3 Executive Committee
- 4.4 ACWA/JPIA
- 4.5 CVP Water Users Association
- 4.6 LAFCO
- 4.7 Other Reports

5. Legal Counsel's Report

- 5.1 Legal Matters

8:15 p.m.

V. PUBLIC FORUM

1. Public comment

VI. 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

VII. ADJOURN

UPCOMING MEETING DATES

August 11, 2010
September 8, 2010

I declare under penalty of perjury that the foregoing agenda for the July 14, 2010 regular meeting of the Board of Directors of San Juan Water District was posted July 9, 2010, on the outdoor bulletin boards at the District Office Building, 9935 Auburn Folsom Road, Granite Bay, California, and was freely accessible to the public.

Teri Hart
Board Secretary

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

June 23, 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
Judy Johnson	Customer Services Manager
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

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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 7:00 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 9, 2010

Director Miller moved to approve the June 9, 2010 Board of Director's Meeting Minutes. Vice President Costa seconded the motion.

President Peterson requested that page 12 be revised to reflect changes as shown in the attached page. Vice President Costa inquired if there needed to be a motion to remove this item from the Consent Calendar in order to discuss. Mr. Bartkiewicz explained that since there is only one item on the Consent Calendar, there is really no need to remove the item to discuss. However, a substitute motion can be offered that can be acted upon prior to the original motion.

President Peterson offered a substitute motion to approve the June 9, 2010 minutes as amended. Director Walters seconded the motion and it carried unanimously.

II. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 2010-2011 Fiscal Year Retail Budget

Ms. Lorance stated that she would be providing an overview of the budget to date. The budget will be discussed in more detail under the Finance and Administrative Services Manager report.

Director Walters suggested that these items be discussed at the same time. Ms. Lorance suggested that her report on the budget be moved to the Finance and Administrative Services Manager report just prior to Ms. Schnapp's report. President Peterson agreed and moved this topic on the agenda as suggested.

1.2 ACWA Health Benefits Authority

Ms. Lorance reported that the ACWA Health Benefits requested ratification of the JPA Agreement and Bylaws, designation of representatives and nominations to their Board of Directors. As the ACWA HBA representative, President Peterson was in agreement with the proposed JPA Agreement and Bylaws.

President Peterson moved to approve ratification of the JPA Agreement and Bylaws. Vice President Costa seconded the motion and it passed unanimously.

Director Miller inquired if legal counsel needed to review the Agreement and Bylaws. Mr. Bartkiewicz commented that he reviewed it as part of the Board agenda material.

Ms. Lorance informed the Board that a representative and alternate representative needed to be assigned. She explained that other agencies routinely recommend the General Manager as the representative. The Employee Assistance Program is the only benefit that the District receives

from ACWA HBA. Ms. Lorance suggested that the General Manager and Assistant General Manager be assigned as representatives.

Vice President Costa moved that the Board President designate the representatives. President Peterson recommended that the General Manager and Finance & Administrative Services Manager be the representatives. Vice President Costa withdrew his motion.

Vice President Costa moved to designate the General Manager and the Finance and Administrative Services Manager as the ACWA HBA Representative and Alternate Representative, respectively. President Peterson seconded the motion and it passed unanimously.

Ms. Lorance explained that the District is not eligible to be on the ACWA HBA Board of Directors since the District does not receive health benefits from the organization; however, the District can vote as a concurring agency provided that the District received a request to do so. Ms. Lorance reported that the District has not received a request for concurrence so she is recommending no action on this agenda item.

Vice President Costa inquired if the District does not receive any health insurance from this organization then why would the District send a representative to attend the meetings. Ms. Lorance explained that the District probably will not attend very often; however, the District needs a legal representative delegated in order to continue with the EAP. Vice President Costa suggested that the Personnel Committee review this organization every six months. Ms. Lorance stated that staff will keep on top of this.

1.3 Report Back Items

There were no items to discuss.

1.4 Miscellaneous District Issues and Correspondence

Ms. Lorance informed the Board that the Sacramento City Regional SWAT team will be performing a training exercise on June 29th at the District office. She informed the Board of this so that the Board members are aware of the situation in case they get any inquiries. If the Board has any issues with proceeding, the training can be canceled.

Director Miller commented that there may be some concern from the public if they see the SWAT vehicles and personnel and inquired if there is any preparation being done to elevate potential problems with customers and the District neighbors. Mr. Durkin explained that customers will be intercepted prior to accessing the training area. Ms. Johnson commented that the SWAT team will coordinate with the local fire and police departments so that they are aware that it is a training exercise.

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1. WTP Sedimentation Basin Improvements Project

Mr. Durkin reported that Kaweah Construction Company, Inc. (KCC) has completed construction of the Water Treatment Plant Sedimentation Basin Improvements Project. All work has been satisfactorily completed and all requirements of the contract have been met.

Staff has provided periodic status reports to the Board on this project. The previous reports included information that:

- KCC's bid was approximately \$700,000 lower than the next lowest bid, and approximately \$900,000 below the engineer's estimate.
- There were a number of change orders on the project due to the discovery of more extensive rehabilitation requirements, discrepancies between field conditions and as-built drawings, additional coordination requirements with the Corps of Engineer's material and equipment providers, and conflicts or omissions in the plans and specifications.
- Additional staff and consultant time was necessary to monitor construction and fairly address change orders and unforeseen conditions.

On April 6th KCC delivered a claim to the District stating they were entitled to additional compensation for the cumulative impacts of all the change orders on the project. KCC alleged that their work efficiency had been impeded and this greatly increased their labor costs. They also stated that significant project management time was necessary to deal with all the changes. They cited corresponding cost increases for equipment and extended overhead. Two binders of data were provided to the District to back up their claim.

KCC's initial claim was for approximately \$460,000 but they offered to discount their management time and overhead and settle for approximately \$300,000 if the claim could be resolved quickly. Staff determined that while the claim had merit, the amount claimed appeared to be excessive.

Between April 6th and June 7th staff conducted a thorough analysis of certified payroll reports, planned and executed construction schedules, actual material delivery dates, subcontractor work records, inspection reports, construction photographs and other project documentation. Staff conducted several negotiation meetings with KCC to try to resolve the claim. We provided our analysis and evaluations at these meetings. Our determination of the value of the claim placed it between approximately \$65,000 and \$107,000.

During the course of our negotiations, KCC dropped their claim amount to \$206,000. During a final meeting on June 14th, KCC agreed to settle the claim for approximately \$132,000 if the deal was finalized that day and the project accepted as complete at our next board meeting. This action triggers the process for making final payment.

Staff has executed a final change order for \$132,000 to settle all claims on the project. The board approved \$1,875,130 for construction costs on the project. With the final change order the contract amount with Kaweah is \$1,966,605 which is approximately \$90,000 over the approved amount. However, the board previously stated to staff that some latitude should be used to efficiently and effectively deal with ongoing construction issues. Executing this final change order saved the District tens of thousands of dollars in claim costs, and potential attorney and consultant fees.

Overall this project was completed significantly under budget. Savings were realized in design (reused portions of hydraulic improvements design), lower construction cost, and staff time contributions.

Engineering design cost	\$ 75,000
Kaweah Construction contract amount	1,966,605
Material cost (cost share with Corps)	426,295
Inspection cost	<u>505,288</u>
Subtotal	\$ 2,973,188
Project Budget	<u>\$ 4,410,000</u>
Budget savings	\$ 1,436,812

Staff Recommendation

Staff recommends a motion accepting the project as complete and authorizing staff to file the Notice of Completion with Placer County.

Director Tobin moved to accept the project as complete and authorize staff to file the Notice of Completion with Placer County. Director Walters seconded the motion and it passed unanimously.

Director Miller inquired if the change order amount or final contract amount needed to be approved.

Director Tobin moved to confirm that the Board of Directors understands and approves the total project amount to Kaweah Construction Company, Inc., in the amount of \$1,966,605. Vice President Costa seconded the motion.

Director Miller would prefer the motion to include wording that includes all change orders to date.

Director Tobin revised the motion to confirm that the Board of Directors understands and approves the original contract amount plus all change orders to date totaling \$1,966,605 to Kaweah Construction Company, Inc. Vice President Costa seconded the motion and it passed unanimously.

2.2. Hinkle Reservoir Leak Investigation

Mr. Durkin reported that staff previously reported to the Board that observations of rising groundwater levels in the piezometer wells on the west side of Hinkle Reservoir indicate there is a potential leak in the reservoir liner. Excavations in the vicinity of the piping leaving the reservoir also found elevated levels of flowing groundwater. Staff hired GEI Consultants to investigate the source of the rising water levels and determine if there are any concerns with the stability of the reservoir embankment. Staff also initiated an internal inspection of the reservoir liner using professional divers, followed up by observations from the firm hired to clean the sediment from the reservoir.

Status

Preliminary investigations have been completed. These investigations reveal that:

- The rising groundwater levels may be from three or four sources; a leak in the reservoir liner, mounding groundwater created by the continuous discharge of water to Baldwin Reservoir via the ditch running through the District's site, minor leakage from structures or piping at the WTP, localized groundwater from Folsom Lake.
- The leak within the reservoir is from an approximate 1-inch tear near a seam that has also separated over a length of approximately 18-inches.
- The stability analysis indicates that the embankment has adequate stability under current and possible worse case conditions.

Staff is moving forward to get a quote from a qualified diver/contractor to perform the underwater liner repair. The District's engineering staff will evaluate options to line the ditch to Baldwin Reservoir and provide a recommendation and cost estimate to the Board for consideration at a future meeting. Staff has been, and will continue to repair localized leakage within the filter basins and other facilities at the WTP.

Budget Impact

Repairing the liner leak will cost approximately \$1,500. Staff will try to absorb this expense within the existing wholesale operations budget. The

cost of lining the ditch is unknown at this time and not included in the FY2010-11 wholesale budget. The cost and budget impact will be provided to the Board at a future meeting. Filter leak repairs are included in the FY2010-11 budget.

No action requested; for information only.

Vice President Costa inquired if staff can line the ditch to Baldwin Reservoir or if it needs to be contracted to an outside source. Mr. Durkin informed the Board that staff will do the prep work to clean the ditch and prepare it, and then depending on the Engineer's recommendation will either contract the work or do it in-house. Mr. Durkin stated that there are legal requirements regarding public works contracting, so depending on the cost, the District might have to outsource.

Director Miller inquired how much water is discharged into the ditch from the treatment plant. Mr. Durkin informed the Board that one acre foot (300,000 gallons) per day is discharged into the ditch that leads to the Baldwin Reservoir.

2.3. Report Back Items

There were no items to discuss.

2.4. Miscellaneous District Issues and Correspondence

There were no items to discuss.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. 2010-2011 Fiscal Year Retail Budget

Ms. Lorance reported that historically, San Juan Water District (District) purposely has a very long process for adoption of the budget. The intent is to provide the opportunity for the Board of Directors (Board) to provide input, direction, revisions, and ultimately adoption of the retail budget.

The historical schedule for budget discussions and adoption is as follows:

February

- Begin internal set up of budget workshops

March

- Provide Board with proposed budget schedule
- Develop worksheets for input by managers
- Collect completed worksheets and input into consolidated worksheets
- Review financial plan for proposed expenditures and significant revisions in draft budget from plan

April

- Begin discussions of budget at Board Finance Committee, including assumptions on salary colas, recommended rate increases in financial plan, etc.
- Report to entire board discussions at Finance Committee meeting
- Develop proposition 218 proposed rate increase post card to mail to all retail customers 45 days prior to retail budget public hearing
- Remind wholesale agencies of proposed wholesale rate increases in financial plan
- Identify projects for capital portion of the budget
- Review overall draft budget with staff
- Identify necessary rate increases

May – 1st Board meeting

- Provide copy of draft budget in Board packet for Board meeting
- Review draft wholesale and retail budgets with Finance Committee
- Provide overview of draft wholesale and retail budgets to Board
- Receive comments or revisions from Board to incorporate in the draft budget

May – 2nd Board meeting

- Conduct public hearing on draft wholesale budget and rates

June – 1st meeting

- Conduct public hearing on draft retail budget and rates
- Board to consider adoption of wholesale budget and rates

June – 2nd meeting

- Board to consider adoption of retail budget and rates

This year, the schedule was significantly compressed, due to the Finance and Administrative Services Manager starting work at the District at the end of March. The schedule for the 2010-2011 budget was as follows:

January

- Staff reported to the Finance Committee that staff was working to hire a Finance and Administrative Services manager, and was hoping to complete the selection process by the end of February. The absolutely necessary tasks would be processed by Kathy Kitchell, a retired annuitant from the City of Roseville that would work limited hours at the District. The remaining tasks would be delayed until the position was filled.

March

- Staff provided the Board with advance notice of compressed budget schedule.
- Staff began working on budget numbers in preparation for budget development in April.

- Finance and Administrative Manager position filled, and Marcia Schnapp began on March 29.

April

- Marcia Schnapp begins process of understanding accounting and finance systems at the District for the first couple of weeks.
- Develop worksheets for input by managers
- Begin internal set up of budget workshops
- Collect completed workshops and input into consolidated worksheets
- Review financial plan for proposed expenditures and significant revisions in draft budget from plan
- Begin discussions of budget at Board Finance Committee, including assumptions on salary colas, recommended rate increases in financial plan, etc.
- Report to entire Board discussions at Finance Committee meeting
- Develop proposition 218 proposed rate increase post card to mail to all retail customers 45 days prior to retail budget and rates public hearing
- Remind wholesale agencies of proposed wholesale rate increases in financial plan
- Identify projects for capital portion of the budget
- Review overall draft budget with staff
- Identify necessary rate increases

May – May 12, 1st Board meeting in May

- With three weeks, and not a day to spare, the draft budget is completed the day of Finance Committee meeting, the day before the 1st Board meeting in May.
- Finance Committee reviewed draft retail and wholesale budgets as presented by Marcia Schnapp.
- Provide overview of draft wholesale and retail budgets to Board, along with draft budget documents.
- Board provides general direction on draft budgets.

May- May 26, 2nd Board meeting in May

- The draft wholesale budget, substantially the same as the May 12 Board meeting, is presented with more background information and written material
- Conduct public hearing on draft wholesale budget and rates

June – June 9th, 1st meeting in June

- Review draft retail budget with Finance Committee
- The draft retail budget, substantially the same as the May 12 Board meeting, is presented with more background information and written material

- Conduct public hearing on draft retail budget and rates
- Board adopts wholesale budget and rates

June – June 23, 2nd meeting in June

- Board to consider adoption of retail budget and rates

Current Status

The Board has been provided a copy of the proposed retail budget for 2010-2011 fiscal year. In addition, the Board has been provided separate documentation responding to requests for information from the June 9th Board Meeting.

Staff Recommendation

Staff recommends adoption of the 2010-2011 fiscal year retail budget and retail water rate, with the caveat that the budget can be reevaluated after the completion of the retail financial plan if revisions to the retail rate increase are recommended.

Ms. Lorance reported that the debt service increase is approximately 1.5% of the forecasted revenues; the wholesale water supply cost increase is approximately 3.2% of the forecasted revenues. The proposed retail budget has a 5% increase in the forecasted revenues – with 2.5% being proposed increase in water usage. In addition, 2.5% is due to the proposed 5% rate increase, which would be effective in January 2011, covering only 6 months of the fiscal year.

Ms. Lorance's presentation included two alternative options for the Retail Budget – one with a 5% rate increase and another with a 2% rate increase, both with a 3% inflation factor. A copy of the presentation will be attached to the original meeting minutes.

Ms. Schnapp reviewed the proposed retail budget in detail showing the current rates as compared to a 2% and 5% rate increase, which would increase the monthly rate on a typical residential customer from \$60.10 to \$61.30 or \$63.11, respectively. After the meeting on June 21st with President Peterson and Director Miller, two alternative budgets were drafted with a 2% and 5% rate increase, and a 3% non-payroll related inflation rate on expenses.

Ms. Schnapp mentioned that there was an error on the previous draft budget of \$50,000 – the amount missing from the Connection Fee Reserve. In order to correct that item, a \$50,000 decrease was made to Energy Expense.

Ms. Schnapp explained that the original draft budget showed a \$14,876 net surplus, Alternative 1 with a 5% rate increase and 3% inflation rate showed a \$89,961 net deficit, and Alternative 2 with a 2% rate increase and 3% inflation rate showed a \$14,206 net surplus.

Ms. Schnapp reported that the Preliminary Retail Budget for Fiscal Year 2010-2011 Non-Operating Activities, Operations and Capital Improvement Program has been prepared with the budget worksheets attached to the staff report.

Important items to note:

- The budgets for all activities are balanced.
- The Retail rate increase included in the budget is 5%, which is the Retail Financial Plan recommended increase to cover increases in operations and maintenance, cost of water supply and the CIP.
- The Capital Improvement Program is in accordance with the plan that was approved through the Engineering Committee and the Board of Directors last year with updated cost estimates as necessary.

Changes from prior year or factors that have been considered in preparation of this proposed budget are:

1. Water Sales are expected to increase \$428 thousand over FY2009-10 projected actual, but decrease \$1.121 million over FY2009-10 budget. This is due to the wet year that has occurred in FY2009-10, as well as the economic recession and general increases in conservation. The expectation is that FY2010-11 will return to a more "normal" year in terms of weather patterns.
2. Supply cost is estimated to increase about \$244 thousand over FY2009-10 projected actual, but decrease \$545 thousand over FY2009-10 budget. The same reasons for the differences are as in those stated for revenues in #1 above.
3. Excluding Pay-for-Performance of \$88,742, wages and benefits are due to increase \$111,058. Of this amount, the benefits increase is \$38,938, PERS Pension increase is \$28,461, Promotion/Merit increase is \$26,253, and the 1% CPI/COLA increase is \$17,385. The total of all wage and benefits items is \$199,800.
4. The 1% cost of living increase ("COLA") is based upon the Federal Government BLS' Urban Consumer Price Index (CPI) for Western Region Size "A" (not the CPI-W, which is the CPI Wage index). Since there was no COLA last year, the period of April 2010 vs. April 2008 is being used.
5. Expenses for those other than Water Supply and Salaries & Benefits, are estimated to increase approximately \$315 thousand. Of this amount, approximately \$155 thousand is due to outside services costs for engineering projects and activities. The remainder is due to expected utility, commodity and insurance expense increases.

6. Lastly, debt service has increased by \$108 thousand due to the 2009 COP issue.

President Peterson inquired about the \$95,000 Telemetry Expenses/Energy line item and why it was carried forward if it wasn't needed in 2009-10 budget. Mr. Durkin explained that the amount was in the budget as an energy expense for pumping based on the amount of water pumped in the previous year; however, since there was significantly less energy used on pumping this year, the amount was lowered but not eliminated.

Vice President Costa inquired about the interest earned on the Reserves and where that revenue is placed in the budget. Ms. Lorance explained that the interest earned is allocated to each reserve at the end of the year. Ms. Schnapp explained that interest income is seen in non-operating income. Vice President Costa inquired if the interest is seen in each reserve as deposits or are they in a separate account for non-operating revenue. Ms. Schnapp will research this and report back on it.

Ms. Schnapp explained that Alternative 2, with the 2% rate increase, reduced Engineering outside services from \$150,000 to \$50,000; however, the \$100,000 for outside services is expected to be seen in the following year's budget. In addition, the Emergency Reserve funding of \$214,167 has been removed. Ms. Lorance explained that the reserve, which is funded through 2% of the rate increase in previous years, was established to fund future projects such as an inter-tie with other agencies for the retail area water supply in case the water treatment plant ever goes out of service.

Director Miller inquired what the 3% inflation accounts for. Ms. Schnapp explained that it includes the Operating Expenses except for Water Supply and Salaries & Benefits. Ms. Schnapp explained that where there were items with credits, such as Insurance-Liability & Property, that the 3% inflation was applied to. Each item was then forecasted individually, so eliminating the credits along with the adjusted forecasted amounts made it an \$85,000 change in the budget, even though the budget only shows \$75,000 for FY2010-11.

Ms. Schnapp reported that there is approximately \$150,000 missing from this year's projected actual since there was staff missing from both Administration and Conservation, and a payroll credit for June's payroll that is paid in July.

Director Miller inquired what Alternatives 1 and 2 include for Salaries & Benefits. Ms. Schnapp explained that it includes the 1% COLA increase, reinstated the pay-for-performance program, promotion and merit increases and insurance benefits.

Director Tobin mentioned that her name needs to replace Director Alessandri on the budget worksheets. Ms. Schnapp will make the correction.

Director Walters inquired how the \$100,000 in engineering was omitted. Ms. Schnapp explained that it is for outside contracted services which can be delayed into the following year. It was further explained that if a project needs additional funding, then staff would bring the item for Board approval to adjust the budget to allocate funds from a reserve to operating expenses to cover the project.

Director Miller moved to approve Resolution No. 10-15 approving FY 2010-2011 Retail Budgets, Rates and Fees with a 0% rate increase. President Peterson seconded the motion.

President Peterson stated that he reviewed the budget and created a list of options to accomplish a 0% rate increase. He passed out a spreadsheet, which will be attached to the original meeting minutes. He explained that he only had the staff portion of the budget in detail and had not received the expense portion of the budget in detail when he compiled the information. He explained that the deductions total approximately \$360,000 which is the proposed 5% rate increase revenue.

President Peterson reviewed the spreadsheet in detail, explained the deductions and also mentioned that all of the engineering costs are in the operating budget even though they are working on projects in the capital improvements program. Therefore, he would suggest that the engineering budget be adjusted so that costs associated with the CIP projects are allocated to the CIP budget. He suggested approximately 40% be moved to the CIP budget which would charge these items against the reserve account and not impose a rate increase to the customers.

Vice President Costa had concern for bringing this recommendation forward at this point in the budget process. He stated that if the Board wants to review salaries and benefits, then that should be done in the Personnel Committee so that a rational decision by the Board could be reached based on the committee's recommendations. He stated that policy changes should not be made during the budget review but could be looked at during committee meetings and brought back to the Board.

President Peterson stated that he re-read the meeting minutes from last year's budget discussions and the minutes reflected that during the Board meeting the Board directed staff to remove merit increases and pay-for-performance allocations. Vice President Costa stated that pay-for-performance is a long-standing policy of the District and is used as an incentive for employees, and with the hardship last year the program was stopped for a year and is resumed in this budget as per policy. President Peterson commented that these are points for discussion.

President Peterson asked for further discussion.

Vice President Costa moved to table the motion. Director Tobin seconded the motion.

Director Walters asked to hold the motion until he asks more questions of the first motion. Vice President Costa withdrew his motion.

Director Walters questioned Director Miller about his motion for 0% rate increase and what his reasoning was behind the motion. Director Miller stated that he felt there was more that could be done in the budget to reduce the bottom line. In addition, he could not justify a 5% rate increase due to the current economy and at the same time give merit increases, COLA increases and pay-for-performance. He stated that he will not vote for a budget this year that include those items.

Vice President Costa mentioned that the District went for years without rate increases and then the rate survey showed to increase by double digits, but the Board chose not to adopt such a large increase and instead decided to spread the increase over a few years. He mentioned that the capital improvements need to be completed and in order carry out the CIP program, the District needs to follow the recommended rate increase that is outlined in the Financial Plan.

Director Tobin stated that she couldn't vote for something that was thrown together arbitrarily.

President Peterson called for the vote. The motion failed with two Aye votes (Miller and Peterson) and three No votes (Costa, Tobin and Walters).

Vice President Costa moved to approve Resolution No. 10-15 approving FY 2010-2011 Retail Budgets, Rates and Fees, as presented. Director Tobin seconded the motion.

Director Miller inquired if they were voting on the 5% increase. Vice President Costa confirmed that they were. Director Miller commented that he finds it hard to vote on a budget that generates salary increases during a time of layoffs and workforce reductions countrywide. In addition, he believes that there are other items that could be reduced to a large degree. Vice President Costa commented that when the Personnel Committee meets they should discuss these items in detail and make their recommendation to the Board, same with the Engineering Committee. He commented that the committees could review and make recommendations for budget and rate changes prior to January's rate increase, if they so choose.

Director Walters commented that he has concerns with reducing employee benefits and payroll when there are people in the country getting increases and not being laid off. In addition, during his time on the Board he has seen some employees more than pull their weight and they did not receive increases last year and this year's proposed 1% increase is very minimal.

Director Walters presented a substitute motion to approve Resolution No. 10-15 approving FY 2010-2011 Retail Budgets, Rates and Fees, with Alternative 2 as presented.

Vice President Costa stated it's been moved with no second and called for the question on the first motion.

President Peterson called for the vote on the main motion. The motion failed with two Aye votes (Costa and Tobin) and three No votes (Miller, Peterson and Walters).

Director Walters presented a motion to approve Resolution No. 10-15 approving FY 2010-2011 Retail Budgets, Rates and Fees, with Alternative 2 as presented. Vice President Costa seconded the motion.

President Peterson commented that Alternative 2 still incorporates the salary increases. Director Walters commented that he prefaced his motion by stating that he didn't feel that employee salaries and benefits shouldn't be cut just because some people are being laid off. He commented that there are also others getting increases.

In addition, he mentioned that staff voluntarily delayed the pay-for-performance in past years. President Peterson commented that the Board removed the pay-for-performance. Ms. Lorance explained that the pay-for-performance was removed by the Board for the FY2009-10 budget, but the Board approved the FY2008-09 pay-for-performance, which could have distributed but was voluntarily delayed by staff. Director Walters commented that the pay-for-performance program has been in existence for about 16 years and has worked very well over the years.

Vice President Costa inquired if a budget was absolutely needed to be passed tonight or can they pass a 30-day budget with no increase and have the Personnel Committee meet and make recommendations. Mr. Bartkiewicz stated the budget is the General Manager's authority to operate the District. If the budget wasn't passed, then there would be a gap on what the General Manager's authority is to spend money.

Vice President Costa inquired if the Personnel Committee had 30 days, could they present their recommendations to the Board for the budget reductions. Director Miller stated that he presented a major portion tonight and inquired what Vice President Costa didn't understand. He commented

that the Board working with the General Manager, at her suggestion, became a benevolent dictatorship, and at the time they thought it was a good idea to put the pay-for-performance program in place. Over the last 15 years, employees have been fortunate enough to be the benefactors of the program every year except for one and he feels that it is necessary to halt the program for this budget year due to the economic climate. He stated he does not believe that it is time to remove the entire program, just to temporarily halt the program.

Director Tobin called for the question.

President Peterson called for the vote and it passed with 3 Aye votes (Costa, Tobin and Walters) and 2 No votes (Miller and Peterson).

Director Walters commented that the issues brought forward should be put through the process – that the committee might want to look at the pay-for-performance program and bring it back to the Board. Director Miller stated that times have changed and it's not business as usual, and items need to be looked at more closely. Vice President Costa suggested that the Personnel Committee review this and bring back to the Board showing the savings to the District.

President Peterson would like to hold a Personnel Committee meeting within the next two weeks. Ms. Lorance stated that the Board Secretary will set that up when she returns next week.

3.2. Report Back Items

Ms. Schnapp reported that she met with Bob Reed and they are in the process of finalizing the specific items that he needs. In addition, they are starting the initial process of identifying the software program for the Finance Department.

Ms. Lorance mentioned that the Division 5-15 contract claim has been settled and she will give a full report at the next meeting.

3.3. Miscellaneous District Issues and Correspondence

There were no items to discuss.

4. DIRECTORS' REPORTS

4.1. SGA

No report.

4.2. RWA

No report.

4.3. Executive Committee

Ms. Lorance stated that the Executive Committee met on June 22nd. She provided the Board with the May 25th meeting minutes which will be attached to the original Board meeting minutes. Ms. Lorance reported that Bob Reed was present at the meeting and provided his proposed work plan regarding the Wholesale Financial Plan.

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.

4.7. Other Reports

Director Walters reported that he attended a meeting on the continuing issue of fluoride. He was asked what the District wanted in order to proceed with installation of fluoridation at the water treatment plant. Director Walters stated that he was told that if San Juan Wholesale has 10,000 customers and are offered the funds to pay for the project then the District has to proceed with the project. Director Walters informed the Board that the group has not given up on this issue and is trying to spend the funds prior to their fiscal year.

5. LEGAL COUNSEL'S REPORT

No report.

III. PUBLIC FORUM

There was no public comment.

IV. UPCOMING EVENTS

Ms. Lorance informed the Board that RWA will be holding a workshop on the Status of Delta Actions on Wednesday, July 14th – times to be determined, but it will be for a couple hours. The Board will be sent more information when it is received.

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 9:40 p.m.

DAVE PETERSON, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary

**Personnel Committee Meeting
San Juan Water District
July 7, 2010
4:00 p.m.**

Attendees: Dave Peterson, Chair
Ken Miller, Director
Shauna Lorance, General Manager
Keith Durkin, Assistant General Manager
Marcia Schnapp, Finance and Administrative Services Manager
Teri Hart, Administrative Assistant/Board Secretary

Topics: Process for Evaluation of the General Manager and General Counsel
PERS Policy
Policy on Pay for Performance (or Incentive Pay)
Policy on Employee Cost Sharing of Other Benefits (Health, Dental, Vision)
Amendment of Personnel Aspects of FY2010-11 Budget
Policy on Personnel Aspects of Annual Budgeting
Salary Survey
Other Personnel Matters
Public Comment

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.

Action: The Personnel Committee recommends 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.

Action: The committee requests Board Members to provide any names of firms that perform this type of service.

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. Lorange 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.

Action: The Personnel Committee recommends 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

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 turn over 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.

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.

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

This item was tabled to the next meeting.

5. Amendment of Personnel Aspects of FY2010-11 Budget

This item was tabled to the next meeting.

6. Policy on Personnel Aspects of Annual Budgeting

This item was tabled to the next meeting.

7. Salary Survey

This item was tabled to the next meeting.

8. Other Personnel Matters

This item was tabled to the next meeting.

9. Public Comment

There was no public comment.

The meeting was adjourned at 5:45 pm.

**Finance Committee Meeting Minutes
San Juan Water District
July 13, 2010
4:00 p.m.**

Attendees: Ted Costa, Director (Chair)
Ken Miller, Director
Keith Durkin, Assistant General Manager
Marcia Schnapp, Finance & Administrative Services Manager
Teri Hart, Administrative Assistant/Board Secretary

Topics: Review and Pay Bills
Audit Update
SCADA Improvements and Integration Project
Solar Power Project at Baldwin Reservoir
Other Finance Matters
Public Comment

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.

The Finance Committee recommends approval of Resolution 10-16.

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.

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 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.

The Finance Committee recommends consideration of 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.

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 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, 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

5. Other Finance Matters

Mr. Durkin reported that Ms. Lorance requested that he bring an item forward regarding going back 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.

6. Public Comment

There was no public comment.

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

San Juan Water District

**RESOLUTION 10-16
PAYMENT OF BILLS AND CLAIMS**

WHEREAS, the Finance Committee of the Board of Directors has reviewed the bills and claims in the amount of \$3,167,705.54; and

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

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

1. The bills and claims attached hereto totaling \$3,167,705.54 are hereby approved.
2. That the depository be and the same is hereby authorized to pay said bills and claims in the total sum of \$3,167,705.54 of the General Fund Account.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 14th day of July 2010, by the following vote:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSENT:	DIRECTORS:

DAVE PETERSON
President, Board of Directors

TERI HART
Secretary, Board of Directors

STAFF REPORT

To: Finance Committee

From: Keith Durkin
Assistant General Manager

Date: July 14, 2010

Subject: SCADA Improvements and Integration Project

Background

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 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.

NOTICE OF DETERMINATION

To: _____ Office of Planning and Research
1400 10th Street, Room 121
Sacramento CA 95814

From: San Juan Water District
P.O. Box 2157
9935 Auburn-Folsom Road
Granite Bay, CA 95746

X County Clerk
County of Placer
2954 Richardson Drive
Auburn, CA 95603

Subject: Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

State Clearinghouse Number: 2010062024
(if submitted to Clearinghouse)

Project Title: Baldwin Reservoir Solar Power Project

Project Location (include County): The project site is located west of Folsom Lake in the unincorporated community of Granite Bay in southwestern Placer County. Specifically, the project site is located just west of Auburn Folsom Road and east of Baldwin Reservoir near the Placer County line on a single parcel owned by SJWD (APN: 050-080-022-000).

Project Description: The applicant, San Juan Water District (SJWD), proposed to install a 1.141 megawatt solar array on a SJWD-owned 5-acre site located across Auburn-Folsom Road from the SJWD plant site. The solar array will be used to power the SJWD water treatment plant and associated facilities. The project site is located within the community of Granite Bay in southeastern Placer County. Adjacent land uses to the project site include open space (Baldwin Reservoir), residential, and light industrial.

This is to advise that the San Juan Water District has approved the above described project on July 14, 2010 and has made the following determinations regarding the above described project:

1. The project ___ will X will not have a significant effect on the environment.
2. ___ An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
 X A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation Measures X were ___ were not made a condition of the approval of the project.
4. A mitigation reporting or monitoring plan X was ___ was not adopted for this project.
5. A Statement of Overriding Considerations ___ was X was not adopted for this project.
6. Findings X were ___ were not made pursuant to the provisions of CEQA.

This is to certify that the Negative Declaration with comments and responses and record of project approval is available to the General Public at: San Juan Water District, 9935 Auburn-Folsom Road, Granite Bay, CA 95746.

Signature (San Juan Water District)

Date

Title

FINDINGS

- A. The proposed project will not result in significant adverse impacts to the environment.
- B. The Negative Declaration was prepared in accordance with the California Environmental Quality Act (CEQA) and State and County Guidelines for implementation of CEQA.
- C. The Negative Declaration reflects the independent judgment of the San Juan Water District.
- D. Comments were received by two entities (see attached). It was determined that no significant issues were raised and no further analysis was conducted.
- E. Pursuant to Section 21081.6(a)(1) of the Public Resources Code, a reporting and/or mitigation monitoring plan has been prepared, as incorporated into the conditions of the project approval, in order to avoid significant effects to the environment.
- F. Pursuant to Section 21081.6(a)(2) of the Public Resources Code, the custodian and location of the documents and materials which constitute the record of proceedings upon which this decision to adopt the Negative Declaration had been made are as follows:

San Juan Water District, 9935 Auburn-Folsom Road, Granite Bay, California.

Signature (San Juan Water District)

Date

Title

RESOLUTION NO. 10-17

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SAN JUAN WATER DISTRICT
MAKING FINDINGS ON AND CERTIFYING A CEQA MITIGATED NEGATIVE
DECLARATION FOR AND AUTHORIZING CONSTRUCTION OF A SOLAR POWER
PROJECT ON THE ABANDONED SLUDGE DRYING LAGOON SITE**

WHEREAS, it is the policy of both the state and federal governments to encourage public and private entities and citizens to invest in and utilize the widest possible variety of clean, renewable energy sources to promote energy independence and reduce the potential impacts of climate change;

WHEREAS, consistent with state and federal clean energy policies, it is the policy of the Board of Directors of the San Juan Water District to promote energy efficiency and sustainability in all areas of the District's operations to minimize the long-term impacts on ratepayers from rising energy costs and the effects of climate change;

WHEREAS, over several years, District staff has investigated clean energy projects that would promote the Board's clean energy and sustainability policies and provide maximum value to the District's ratepayers;

WHEREAS, the District owns an approximately 45-acre site adjacent to its main physical plant, which contains the former Baldwin Reservoir and a five acre area which contains a former water treatment sludge processing facility that was removed from service in 2005 and dismantled in 2009;

WHEREAS, the Board has directed staff to find the most productive use possible of the five-acre site of the abandoned sludge processing facility adjacent to the Baldwin Reservoir (the "Site") and District staff has determined that the most beneficial use of the Site would be as a location for a solar power project;

WHEREAS, the amount of electric power required to operate the District's entire physical plant at 9935 Auburn-Folsom Road, including the Peterson Water Treatment Plant, shop building, and pump stations is approximately 1.5 million kilowatt hours per year;

WHEREAS, District staff, in consultation with energy consultant Dr. Lon House, has conducted an investigation of potential solar power equipment suppliers, received proposals from large-scale integrated solar power vendors, and determined that SunPower Corporation's ("SunPower") patented solar tracking and panel technology is the superior existing solar technology because it is at least 30% more efficient than any other commercially available industrial solar technology;

WHEREAS, SunPower: (a) is both a manufacturer of photo-voltaic arrays and a design/build commercial-scale; (b) is the largest utility solar provider and utility-scale power plant contractor in the United States with over 5,000 employees and \$1.4 billion in revenues; (c) has installed approximately 550 commercial solar projects to date representing 450 MW of capacity; and (d) is the ACWA Preferred Provider for solar power installations and equipment, with over 20 projects (representing more than 20 MW) completed to date for ACWA members;

WHEREAS, SunPower has proposed to install solar arrays and related generation and distribution equipment on the Site sufficient to generate all of the electric power requirements of the District's physical plant (the "Project"), and it is projected that the Project would provide the following benefits: (a) produce approximately 1.502 million kilowatt hours in the first year of operation, which will meet all of the District physical plant's annual power requirements (declining in year 25 to 1.33 kWh, which is still 89% of the District's power needs); (b) cut the District's greenhouse gas production by approximately 789 tons annually or 23,658 tons over the Project's expected 30-year lifetime; (c) save ratepayers, at a conservative retail electricity inflation rate of 3 percent \$6.36 million dollars over conventional power costs over 25 years (and at a still conservative 6% inflation rate would save District ratepayers an estimated \$12.6 million over 25 years); and (d) enable the Peterson Water Treatment Plant and adjacent pump stations to operate off the grid and supply drinking water to the District's retail and wholesale customers during both short-term and extended emergencies affecting the grid;

WHEREAS, the California Solar Initiative Program would provide an incentive rebate of approximately \$1.933 million to defray the Project's estimated total costs of \$5.8 million, which rebate would permit the District to recoup its net \$3.616 million investment in the Project in approximately 11 years;

WHEREAS, one of the conditions of eligibility for a California Solar Initiative incentive rebate is that the property where the solar arrays will be located must be on the site of use or on a parcel contiguous to it, and the Site is contiguous to the District's main physical plant where the power generated from the Project will be used;

WHEREAS, the District has prepared an Initial Study for the Project pursuant to the California Environmental Quality Act and CEQA Guidelines (collectively "CEQA");

WHEREAS, the Initial Study concluded that the Project will not have a significant effect on the environment with incorporation of measures to mitigate aesthetic impacts caused to an adjacent homeowner's view by construction and operation of the Project, and that the Project will in fact provide environmental benefits by significantly reducing emissions of greenhouse gases caused by the District's use of power produced by fossil fuels during the 30-year expected life of the Project;

WHEREAS, based on the Initial Study's conclusion that the Project will not cause any significant effects on the environment, the District has proposed to adopt a CEQA

Mitigated Negative Declaration for the Project, and the District circulated a Notice of Intent to Adopt a Mitigated Negative Declaration for public review and comment in accordance with CEQA requirements from June 7, 2010 to July 7, 2010;

WHEREAS, the District has received, considered and prepared responses to comments on the Notice of Intent to Adopt a CEQA Mitigated Negative Declaration circulated for the Project;

WHEREAS, in response to comments, the District has made certain revisions to the proposed Mitigated Negative Declaration, including the addition of certain mitigation measures and clarification of certain issues commented on;

WHEREAS, District staff has recommended that the Board of Directors adopt the proposed Mitigated Negative Declaration, approve the Project, and authorize the filing of a Notice of Determination with the Placer County Clerk as provided under CEQA.

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

1. Recitals. The foregoing recitals are true and are incorporated into this Resolution by this reference.

2. CEQA Negative Declaration. The Board of Directors hereby approves and adopts the Mitigated Negative Declaration for the Project pursuant to CEQA:

a. Name of Project. San Juan Water District Solar Power Generation Project.

b. Project Proponent and Lead Agency. San Juan Water District, 9935 Auburn-Folsom Road, Granite Bay, California 95746, (916) 791-0115. Contact person: Rick Hydrick, Operations Manager.

c. Project Description. For more information concerning the Project, see the proposed Mitigated Negative Declaration, which is available for review and copying during regular business hours at District's administrative office at the above address and available on line at: www.sjwd.org.

d. Project Location. The Project is located on the abandoned sludge processing facility site on the west side of Auburn-Folsom Road and adjacent to the parcel containing the District's main physical plant. The Project site has no street address on file with the county, but is in Granite Bay, Placer County, California 95746, and is designated as Assessor's Parcel Number 050-080-022-000.

e. Findings. The Board has reviewed the proposed Project, proposed Mitigated Negative Declaration, the comments received on the Notice of Intent to Adopt CEQA Mitigated Negative Declaration, the responses to comments prepared by District staff and consultants, and other documents and information from District staff. On the basis of this information and the whole record before the District, the Board hereby finds and

determines as follows:

- i) The Mitigated Negative Declaration for the Project reflects the District's independent judgment and analysis;
- ii) There is no substantial evidence, in light of the entire record before the District, with the incorporation of the proposed mitigation measures, that the Project may have a significant effect on the environment.
- iii) The response to comments and revisions made to the proposed Mitigated Negative Declaration, including addition of certain additional mitigation measures and clarifications to address avoidable significant effects of the Project already identified in the PMND, do not constitute a substantial revision or addition of significant new information requiring recirculation of the PMND under CEQA Guidelines section 15073.5.

f. Mitigation and Monitoring Plan. The Board hereby (a) approves the mitigation measures as described in the proposed Mitigated Negative Declaration; and (b) directs staff to implement the mitigation measures in the design, construction and operation of the Project.

g. Location and Custodian of Documents. The proposed Mitigated Negative Declaration, documents referred to in the proposed Mitigated Negative Declaration, Notice of Intent to Adopt CEQA Mitigated Negative Declaration, comments on the proposed Mitigated Negative Declaration, notice of intent, response to comments, and other documents concerning the Project, are on file and available for public review at the District's administrative office at the above address. The District's Operations Manager at the above address is the custodian of the documents that constitute the record of proceedings upon which the decision in this matter is based.

h. Notice of Determination. The Board hereby authorizes and directs the General Manager or her designee to prepare, sign and file a CEQA Notice of Determination for the Project with the County Clerk of Placer County within five days from the date of the adoption of this Resolution, and to pay the applicable California Department of Fish and Game CEQA review fee and posting fee to the County Clerk.

3. Findings Concerning Project. The Board also has reviewed the proposed Project for its impacts on the District and its ratepayers and finds and determines as follows:

a. The Project promotes the District's and state and federal energy conservation and sustainability policies and over its expected life will significantly reduce the District's consumption of fossil fuels and emissions of harmful greenhouse gases.

b. The Project is beneficial to the District and its ratepayers because based on the Project's estimated payback period and expected useful life, the District will obtain estimated net savings on energy costs during the Project's life of \$6 million or more,

which funds can be used to minimize rates and to construct capital projects such as water main replacements and water treatment plant upgrades necessary for the District's sound operation.

c. The use of the Site for the Project is the most beneficial use of that property considering its location, size and characteristics.

d. Considering all criteria such as experience, financial responsibility, design and installation capabilities, and successful installation and operation of existing large-scale solar power generation facilities, SunPower is overall the most experienced and qualified of the large-scale integrated solar power facilities vendors from which the District received information and quotations;

e. After careful review and consideration of the Project's benefits, SunPower's specific qualifications and legal counsel's advice that the District may enter into a sole-source contract upon satisfying certain legal requirements, the Board concurs with staff's determination that the Project's benefits will be realized only if the District contracts with and uses SunPower's proprietary technology and that as a result, it is in the District's and its ratepayers' best interests to contract with SunPower to construct and place the Project into service.

4. Project Approval. The Board hereby approves the Project as described in proposed Mitigated Negative Declaration and authorizes the District staff to proceed with Project implementation, subject to applicable contracts, laws and regulations. The Board hereby authorizes construction of both phases of the Project totaling approximately 1.15 megawatts of generation capacity, with the first phase authorized to begin in the current fiscal year upon execution of appropriate contract documents between the District and SunPower for construction and commissioning of the first phase of the Project. The Board also authorizes the General Manager to execute contract documents for and for staff to carry out the second phase of the Project as described in this Resolution, subject to the Board's approval of the projected cost of constructing and commissioning the second phase of the Project in the budget for the fiscal year in which such phase of the Project would be carried out.

5. Authorization to Let Sole Source Contract. The General Manager is hereby authorized and directed to contract for the final design and construction of the Project as proposed by SunPower Corporation in compliance with the requirements of the Energy Conservation Contracts Act (Government Code sections 4217.10 – 4217.18), the Infrastructure Financing Act (Government Code sections 5956 – 5956.10), or such other sole source contracting method that may be permitted by law and that is approved by District legal counsel.

6. General Authority for Project-Related Activities. The General Manager and staff are directed to take all other actions necessary to implement this Resolution and to carry out the Project.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 14 day of July 2010, by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:

DAVE PETERSON
President, Board of Directors

TERI HART
Secretary, Board of Directors

STAFF REPORT

To: Board of Directors
From: Shauna Lorance, General Manager
Date: July 8, 2010
Subject: ACWA Water Transfer Initiative

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.

Staff Recommendation

No action is requested, for information only.

Tim Quinn, Convener and Co-Chair
Mark Weston, Co-Chair (Chair ACWA Water Management Committee)
Dave Bolland, Administrator
Ron Davis, Director of State Legislative Affairs
Mark Rentz, Director of Regulatory Affairs
Whitnie Henderson, Legal Counsel

Sacramento Valley

Curt Aikens, Yuba County Water Agency
Lewis Bair, Reclamation District #108
Thad Bettner, Glenn-Colusa Irrigation District
Shauna Lorange, San Juan Water District
Brad Mattson, Richvale Irrigation District
Lynn Phillips, Sutter Extension Water District
Ted Trimble, Western Canal Water District

San Joaquin Valley

Will Boschman, Semitropic Water Storage District
Kimberly Brown, Water Bank Authority
Steve Chedester, San Joaquin River Exchange Contractors Authority
Steve Collup, Arvin-Edison Water Storage District
Curtis Creel and Larry Rodriguez (alt.), Kern County Water Agency
Greg Dias, Modesto Irrigation District
Chris Kapheim, Alta Irrigation District
Ron Jacobsma and Dick Moss (Alt.), Friant Water Authority
Martin McIntyre, San Luis Water District
Chris White, Central California Irrigation District
David Widell and John Beam (Alt.), Grasslands WD

Bay Area

Jill Duerig, Zone 7 Water Agency
Beau Goldie, Santa Clara Valley Water District

Southern California

Brian Brady, Imperial Irrigation District
Kirby Brill, Mojave Water Agency
Dennis Cushman, San Diego County WA
Steve Hirsch and James Roberts (alt.), Metropolitan Water District of Southern California

Paul Jones, Irvine Ranch Water District
Dan Masnada and Dirk Marks (Alt.), Castaic Lake Water District
John Rossi, Western Municipal Water District

Attorneys

David Aladjem, Downey Brand
Paul Bartkiewicz, Bartkiewicz Kronick & Shanahan
Dustin Cooper, Minasian Law Firm
Ken Robbins, Mason Robbins
Cliff Schulz, Kronick Moskowitz Tiedemann & Girard
Stuart Somach and Daniel Kelly (alt.), Somach Simons & Dunn
Ed Tiedemann and Jan Goldsmith (alt.), Kronick Moskowitz Tiedemann & Girard

NGOs/Universities/Others

Ellen Hanak, Public Policy Institute of California
Laura Harnish, Environmental Defense Fund
Dick Howitt, UC Davis
Harold Lea, Water Auctions
Jay Lund, UC Davis
Steve Macaulay, West Yost Associates
Felecia Marcus (actual rep. TBD), Natural Resources Defense Council
Spreck Rosekrans, Environmental Defense Fund
David Sunding, UC Berkeley
Greg Thomas, Natural Heritage Institute
Buzz Thompson, Stanford University

Government Agencies

Mark Cowin and Dale Hoffman-Floerke (alt.), Department of Water Resources
Rosalie B del Rosario, National Marine Fisheries Service
Stuart Drown, Little Hoover Commission
Don Glaser and Tracy Slavin (alt.), U.S. Bureau of Reclamation
Ren Lohofener, U.S. Fish and Wildlife Service
John McCamman, Carl Wilcox (alt.) and Paul Fosberg, Department of Fish and Game
Andy Sawyer and Dale Heinrich (alt.), State Water Resources Control Board



CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

2010 BOARD ELECTIONS

MAIL BALLOT INFORMATION

Dear Member:

A mail ballot has been enclosed for your district's use in voting to elect a representative to the CSDA Board of Directors in Region 2, Seat B. Each of CSDA's six (6) regional divisions has three seats on the Board. Each of the candidates is either a board member or management-level employee of a member district located in your geographic region. Each Regular Member (district) in good standing shall be entitled to vote for one (1) director to represent its region.

We have enclosed the candidate statements for each candidate who submitted one. Please vote for **only one** candidate to represent your region in Seat B and be sure to sign, date and fill in your member district information (*in some regions, there may only be one candidate*). If any part of the ballot is not complete, the ballot will not be valid and will not be counted.

Please utilize the enclosed return envelope to return the completed ballot. Ballots must be received at the CSDA office at 1112 I Street, Suite 200, Sacramento, CA 95814 by **5:00pm on Friday, August 6, 2010**.

If you do not use the enclosed envelope, please mail in your ballot to:

California Special Districts Association

Attn: 2010 Board Elections

1112 I Street, Suite 200

Sacramento, CA 95814

Please contact Diana Zavala toll-free at 877.924.CSDA or dianaz@csla.net with any questions.



CSDA Regions



Board of Directors by Region

Region 1

Mark Bryant, *Garberville Sanitary District*
 Phil Schoefer, *Western Shasta RCD*
 Alan Schoenstein, *McCloud CSD*

Region 2

Noelle Mattock, *El Dorado Hills CSD*
 Singer Root, *Tuxedo Country Club FPD*
 Pete Kampa, *Tuolumne Utilities District*

Region 3

Stanley Caldwell, *Mt. View Sanitary District*
 James Kohnen, *Alameda County Mosquito AD*
 Sherry Sterrett, *Pleasant Hill RPD*

Region 4

Adrienne (Ann) Mathews, *Kern County Water Agency*
 Tim Unruh, *Kern County Cemetery District No. 1*
 Vacant

Region 5

Jim Acosta, *Saticoy Sanitary District*
 Jack Curtis, *Ojai Valley Sanitary District*
 John Fox, *Goleta Sanitary District*

Region 6

Dewey Ausmus, *North County Cemetery District*
 Jo MacKenzie, *Vista Irrigation District*
 Arlene Schafer, *Costa Mesa Sanitary District*

GINGER ROOT
CLERK OF THE BOARD OF DIRECTORS
AND GENERAL MANAGER, EXECUTIVE OFFICER
CANDIDATE FOR REGION 2 - SEAT B CSDA BOARD OF DIRECTORS
COUNTRY CLUB SANITARY DISTRICT
EASTSIDE RURAL FIRE DISTRICT
LINCOLN RURAL FIRE DISTRICT
TRACY RURAL FIRE DISTRICT
TUXEDO COUNTRY CLUB RURAL FIRE DISTRICT
4330 NORTH PERSHING AVENUE, SUITE B-1
STOCKTON, CALIFORNIA 95207-6965
(209) 956-3516

.....
For the last two years, members of the CSDA Board of Directors have appointed me to your Board. I am currently on the CSDA Fiscal Committee and the Audit Committee. I want to continue to serve you as a Director.

I bring fiscal, budget, and financial knowledge to the Board. I am detail oriented and research oriented. In these times of financial struggles, four of the five Districts I work with are in stable financial positions. I have worked with these four Boards for many years and they remain fiscally sound.

Four of my five Districts are members of California Special Districts Association. Those Boards of Directors nominated me for the position of Director of CSDA. I have been working with Special Districts for twenty-one years as an independent contractor, and prior to that, I was a staff accountant for a CPA firm with Special Districts as my specialty.

I represent three fire districts as CEO at the San Joaquin County Fire Chiefs' Association and I am treasurer of that Association.

I attend and support CSDA functions as a representative of my Boards of Directors. In addition, I will represent you.

I have a strong commitment to community service. On a personal note, I am also currently the Board President of my Homeowners Association.

If you have any questions, please call me at the above telephone number.

I would appreciate your vote.

Thank you,



Ginger Root

Candidate Statement

Laurel Kienny, Jr. for 2010 CSDA Board of Directors, Region 2, Seat B

Every election that comes all the candidates say what a good job they will do for you. You vote and then nothing. Tired of this happening? I am Laurel Kienny, Jr. I have chaired the Esparto Community Services District for ten years. So I am no stranger to the game. What makes me different is that I will contact your District with updates and seek input and ideas from you. I believe your participation is more important than any board member because that board is supposed to speak for you not at you. As a District chair I have never been contacted to be updated or even asked how it was going. If you want a new approach we need new people to work on the problems facing special districts and unite the Districts as a voice that is heard. My vitals so you will know are as follows. I was Davis City Employees President for 3 terms and vice-president for two. I am a State certified Treatment grade 1 and Distribution Operator grade 3. I have worked for the City of Davis for over 25 years. I am active in Esparto Little League as Umpire in Chief. That means I play fair, by the rules and call them as I see them. I would appreciate your vote and wish you all well.

Sincerely

Laurel Kienny Jr.

Robert Harrison

Director; Fulton-El Camino Recreation and Park District

Occupation: Stay at-home Dad/ Community Advocate

Age: 42

It is old news that our state's Special Districts face enormous challenges and an uncertain future. Whether it is the realities of assessed valuation and a battered economy depleting revenues, the Governor's creative strategies to steal money from local governments or constant attempts by the Legislature to marginalize Special Districts, our Boards are under severe pressure to serve adequately our residents.

As an advocate, the CSDA is expected to fight the battles that our individual Districts can not do alone. However, we have not seen the sense of urgency required of an advocate in difficult times. When hundreds of millions in 'Obama Bucks' were falling from the sky, the CSDA should have been lobbying our state's members of Congress to ensure our eligibility. Instead, mere pennies were available for California's Special Districts. As PG&E spent \$47 million to break service districts like SMUD, the CSDA should have spared no effort in publicly standing up for these Districts. Instead, our electricity Districts were left to fight against monopolies alone.

The fact is that the environment we operate in has fundamentally changed and the CSDA must change to fulfill its role as our advocate. My goals are simple; 1) Utilize the ability of the CSDA to lobby forcefully, at every level, on behalf of all our Districts, 2) Ensure that small Districts facing reorganization from predatory annexations are visibly supported by all Special Districts through the CSDA, 3) Actively highlight responsible local government as demonstrated by our Special Districts, throughout the state.

I thank all of you for your time and consideration, and hope to serve you earnestly as our region's representative to the CSDA Board.

Rob Harrison
Fulton-El Camino Recreation and Park District.

Candidate Statement for Michelle Orrock

I am an elected board member of the Cosumnes Community Services District (CSD) in Elk Grove. Our District provides services for 84 parks in the City of Elk Grove and fire service to Elk Grove and the City of Galt. We employ more than 300 full and part time individuals, including firefighters and park staff. Like many special districts we are facing challenging financial times and are looking for ways to provide our residents with the services they need while maintaining a balanced budget.

I would be able to make a significant contribution to the California Special Districts Association Board of Directors for several reasons. First, my experience working for both local and state government has provided me with a diversified range of experience to draw from. In addition to being on the CSD board, I chaired the Charter Reform and Exploratory Committee for the City of Elk Grove. I have also served on the Community Planning Advisory Council in Orangevale. Serving on boards in both a city and unincorporated area gives me a broad perspective when making decisions.

Second, my role as the statewide communications director for a national small business group provides me with the opportunity to build relationships with key decision makers in the capitol. With these relationships I am able to bring the concerns of our members to legislators who make decisions that impact special districts every day.

Finally, I am ready and able to jump in with both feet and protect special districts during this economic crisis in California. On a daily basis, legislation is being proposed that will either harm our districts or affect the way we provide service to our constituents. I would be honored to represent you and ensure that we are not forgotten in the midst of the State's financial crisis.

Candidate's Statement
CSDA Board of Directors, Region 2, Seat B
VALERIE C. LORD

My name is Valerie C. Lord and I am seeking your vote to represent Region 2 on the CSDA Board of Directors. I am the Assistant General Manager and Director of Administrative Services for the Placer County Water Agency, headquartered in Auburn. My experience includes 20 years in the private sector and currently 12 years in the public sector. At PCWA I oversee the management of human resources, information technology and risk and safety, as well as act as internal operations manager in my capacity as the Assistant General Manager. My scope of work at the Agency, along with 12 years of local governance experiences provides me with a broad understanding of all areas important to special districts.

In 2008, I served on the CSDA Planning Committee and Special Task Force Committee. For the last two years I have served on the CSDA Education Committee and Legislative Committee. This has afforded me the opportunity to learn more about the CSDA organizational and governance structure.

I am an active Rotarian in my community and a lifelong resident of Placer County. Additionally, my husband and I are small business owners in Auburn. We have two daughters, one married, living in Rocklin and preparing to enter Sacramento State University in the Fall, and a 13 year old daughter about to embark on the 8th grade.

I am anxious to apply my years of experience and leadership to influence the direction of CSDA and to serve in a manner that will benefit my community, my employer and Region 2. The Placer County Water Agency understands the commitment required of me and unanimously supports my running for a seat on the CSDA Board of Directors.



AGENDA ITEM IV-1.5

MEMORANDUM

DATE: June 9, 2010

TO: California Special Districts Association (CSDA) Voting Members

FROM: Mark Bryant, CSDA Board President
Neil McCormick, CSDA Executive Director

SUBJECT: Proposed CSDA Bylaws Amendments

The CSDA Elections and Bylaws Committee and the CSDA Board of Directors have approved changes to the CSDA Bylaws (last amended October 2009). The main reason for the proposed change to the bylaws is to redefine CSDA voting members and non-voting associate members. A few other changes have been made as well and are indicated on the attached "Major Amendments Summary."

The current CSDA Bylaws require a majority vote of a quorum of Regular CSDA members. All documents have been placed online for easy access and viewing. The current CSDA bylaws (October 2009), the proposed 2010 Bylaws in mark-up form and an electronic version of the enclosed "Major Amendments Summary."

Once your district has reviewed the proposed updated bylaws, please use the official ballot with prepaid postage to cast your vote via mail. **Completed ballots need to be received before Friday, July 30, 2010 at 5:00 pm.** An official ballot with return postage is enclosed for your convenience. The results of the Bylaws ballot will be announced in the CSDA E-News and on the CSDA website -- www.csda.net. If approved, the updated bylaws will take effect on August 1, 2010.

If you have any questions or require hard copies of any of any of these documents, you can contact Diana Zavala, Executive Assistant at dianaz@csda.net or 916.442.7887. Thank you for your participation and continued support of CSDA.

California Special Districts Association

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

A proud California Special Districts Alliance partner

Special District Risk Management Authority
1112 I Street, Suite 300
Sacramento, CA 95814
toll-free: 800.537.7700
t: 916.231.4111

CSDA Financial Foundation
1112 I Street, Suite 200
Sacramento, CA 95814
toll-free: 877.924.CSDA (2732)
t: 916.442.7882



Proposed 2010 CSDA Bylaws Updates Major Amendments Summary

PROPOSED AMENDMENT #1:

Independent Special District (ISD) is changed to “Regular Voting Member” throughout the bylaws.

PROPOSED AMENDMENT #2:

Article II. Membership

CSDA Regular Voting Member and Associate Member definitions were updated. This section was updated in order to clarify that air quality management districts, air pollution control districts, county water agencies or authorities, transit or rapid transit districts, metropolitan water districts, flood control districts and sanitation agencies are voting CSDA members. Associate Member definition was updated to specifically include LAFCOs and Joint Powers Authorities (JPAs).

OLD LANGUAGE:

A. Regular Voting Members:

Shall be those ISDs given authority to perform, under California law, governmental or proprietary functions within limited boundaries. ISDs do not include the state, city, county, school districts or any entity not defined as an ISD under state law. ISD members have voting privileges and may hold seats on the Board of Directors.

B. Associate Non-Voting Members:

Shall be those organizations such as dependent districts, joint power authorities, cities, mutual water companies, improvement associations, and those entities who are not defined as ISDs under California law. Associate members have no voting privileges and may not hold a seat on the Board of Directors.

NEW LANGUAGE:

A. Regular Voting Members:

Regular voting members shall be any public agency formed pursuant to either general law or special act for the local performance of governmental and/or proprietary functions within limited boundaries, and which meets any one of the following criteria:

1. Meets the definition of "independent special district" set forth in Government Code Section 56044 by having a legislative body all of whose members are elected, or which members are appointed to fixed terms; or
2. A public agency whose legislative body is composed of representatives of two or more other public agencies. Such representatives may be either members of the legislative body or designated employees of such other public agencies. Public agencies which qualify as regular members pursuant to these criteria include, but are not limited to the following public agencies: (a) air quality management districts; (b) air pollution control districts; (c) county water agencies or authorities; (d) transit or rapid transit districts, or transportation authorities; (e) metropolitan water districts; (f) flood control and/or water conservation districts; (g) sanitation agencies.

Regular voting members do not include the state, cities, counties, school districts, community college districts, dependent districts, or joint powers authorities. Dependent districts are defined as those special districts whose legislative body is composed exclusively of members of a Board of Supervisors of a single county or city council of a single city, LAFCOs, joint powers authorities or the appointees of such legislative bodies with no fixed terms.

Regular voting members have voting privileges and may hold seats on the Board of Directors.

B. Associate Non-Voting Members:

Shall be those organizations such as dependent districts, cities, mutual water companies, and those public agencies that do not satisfy the criteria for regular voting membership specified in Section A above.

Associate members have no voting privileges and may not hold a seat on the Board of Directors.

PROPOSED AMENDMENT #3:

Article II. Section 4, A: Voting Designee

This section was updated to state that voting members must be "in good standing."

OLD LANGUAGE:

A. Voting Designee:

In accordance with these Bylaws, only ISD members who hold regular member status may have voting privileges. The governing body of each ISD shall designate by resolution, one representative from their respective district who shall have the authority to exercise the right of the ISD to vote. Such voting designee shall be a Board member or managerial employee of the member ISD. Each member ISD shall file such resolution with CSDA.

NEW LANGUAGE:

A. Voting Designee:

In accordance with these Bylaws, only regular voting members in good standing shall have voting privileges. The governing body of each regular voting member shall designate by resolution, one representative from their respective district who shall have the authority to exercise the right of the regular voting member to vote. Such voting designee shall be a Board member or managerial employee of the member regular voting member. Each regular voting member shall file such resolution with CSDA.

PROPOSED AMENDMENT #4:

Article III, Section 2: Term of Office:

This section updates the date that newly elected CSDA Directors take office. Currently, the new Directors take their seat at the CSDA Annual Conference in September. This update would have new directors as “directors-elect” until January 1 and they would take their seat at that time. New Board Officers are currently selected at the Annual Conference and take office immediately. This also updates them to “officers-elect” until January 1 of the following year. These updates bring all of CSDA to a calendar year – committees, budget, officers, directors, etc.

OLD LANGUAGE:

Section 2 Term of Office:

Directors elected from each of the six (6) regions shall hold staggered three (3) year terms. After the annual election of directors, a meeting of the Board shall be held. The term of office of the newly elected persons shall commence upon being ratified and seated by the Board of Directors, and shall terminate in three (3) years when their successors take office or are appointed and qualified.

NEW LANGUAGE:

Section 2 Term of Office:

Directors elected from each of the six (6) regions shall hold staggered three (3) year terms. After the annual election of directors, a meeting of the Board shall be held to ratify the election results. The term of office of the newly elected persons shall commence on the following January 1 and shall terminate in three (3) years.

PROPOSED AMENDMENT #5

Article III, Section 4: Balloting and Election:

This adds “Staff will execute a proof of service certifying the date upon which all regular voting members of each region were mailed a ballot.” It also consolidates Section A and B into one.

OLD LANGUAGE:

B. Balloting:

After the nomination period for directors is closed, a mailed ballot specifying the certified nominees in each region shall be distributed to each ISD regular member in good standing by first class mail. Each such regular member in each region shall be entitled to vote for each of that region’s open seats on the Board.

The ballot shall contain all nominations accepted and approved by CSDA. A certified affidavit from the Elections & Bylaws Committee will be included, stating all current ISD members in each region were sent a mail ballot.

C. Election:

ISD members will be entitled to cast one vote for each of the open seats of directors in their region for which nominations have been accepted and approved by CSDA.

Ballots shall be returned by mail to the principal business address of CSDA prior to the close of business (5 pm) on the designated election date, which shall be at least forty-five (45) days prior to the annual business meeting of the members held at the Annual Conference. Ballots received after the specified date shall not be counted.

All ballots shall remain sealed until opened in the presence of the Election and Bylaws Committee chairperson or his/her designee.

NEW LANGUAGE:

B. Balloting and Election:

After the nomination period for directors is closed, a mailed ballot specifying the certified nominees in each region shall be distributed to each regular voting member in good standing by first class mail. Each such regular member in each region shall be entitled to cast one vote for each of that region’s open seats on the Board.

The ballot for each region shall contain all eligible nominees. Staff will execute a Proof of Service certifying the date upon which all regular voting members of each region were mailed a mail ballot.

Ballots shall be returned by mail to the principal business address of CSDA prior to the close of business (5 pm) on the designated election date, which shall be at least forty-five (45) days prior to the annual business meeting of the members held at the Annual Conference. Ballots received after the specified date shall not be counted.

All ballots shall remain sealed until opened in the presence of the Election and Bylaws Committee chairperson or his/her designee.

PROPOSED AMENDMENT #6:

Article III, Section 7: Director Disqualification:

Adds the following paragraph: "Any officer or director may resign at any time by giving written notice to the President or Executive Director. Any such resignation shall take effect at the date of the receipt of such notice or at any time specified therein."

OLD LANGUAGE:

Section 7. Director Disqualification:

A director shall become disqualified from further service upon the occurrence of the following:

A director's ISD is no longer a member of the CSDA; a director is no longer a Board member or an employee of a member ISD; and/or a director shall resign.

- A. The position of a director may be declared vacant by a majority vote of the CSDA Board of Directors when a director shall fail to attend three (3) consecutive meetings of the Board, without prior notice to the Board President.

NEW LANGUAGE:

Section 7. Director Disqualification:

A director shall become disqualified from further service upon the occurrence of the Following:

A director's voting member district is no longer a member of the CSDA; a director is no longer a Board member or an employee of a regular voting member; and/or a director shall resign.

Any officer or director may resign at any time by giving written notice to the President or Executive Director. Any such resignation shall take effect at the date of the receipt of such notice or at any time specified therein.

- A. The position of a director may be declared vacant by a majority vote of the CSDA Board of Directors when a director shall fail to attend three (3) consecutive meetings of the Board, without prior notice to the Board President.

PROPOSED AMENDMENT #7:

Article VI, Section 4: Standing Committees:

The Audit Committee is a standing committee of CSDA and was inadvertently left off of the last bylaws update. Therefore, the Audit committee is added including language defining the committee's responsibilities.

NEW LANGUAGE:

I. Audit Committee:

The Audit Committee is responsible for maintaining and updating internal controls. The Committee selects the Auditor for Board approval and provides guidance to the auditors on possible audit and fraud risks. The Committee reviews the audit and management letter and makes recommendation to the Board for action.

All other changes shown in the proposed 2010 Bylaws are grammatical and/or changes making the Bylaws reflect CSDA's current policy (i.e. Past President is an officer, Legislative Committee serves the Legislative Department (we now have three advocates), etc.

You can access the full 2009 bylaws; the 2010 proposed bylaws revisions; this "Major Amendments Summary" page and a sample resolution at bylaws.csdanet.net.

Contact:

*Diana Zavala, Executive Assistant
California Special Districts Association
1112 I Street, Suite 200
Sacramento, CA 95814
(916) 442-7887
dianaz@csda.net*

AGENDA ITEM IV-1.7

Greetings Manager or person in charge:

The League of Placer County Taxpayers is circulating an initiative petition POWER FOR PEOPLE (PFP) that will provide benefits to any public agency in Placer County that processes, treats or conveys water, including waste, treatment and distribution, septic and fire suppression.

Future financial needs of organizations such as yours can be met with revenues from County electrical sales provided by POWER FOR PEOPLE, negating your need to levy fees or taxes on residents or property in your district.

Your agency can help implement this benefit by circulating PFP petitions in your area in order to qualify for voters ballot. Anyone may circulate a PFP petition. SIGNERS MUST BE PLACER COUNTY REGISTERED VOTERS. To obtain petitions download @ www.placertaxpayers.org or request copies via telephone 530/978-2484 or 530/885-5074. Petitions must be completed by end of August 2010.

Wally Reemelin, President

POWER FOR PEOPLE (PFP) INITIATIVE

Promoted by the League of Placer County Taxpayers, the Power for People (PFP) Initiative is being circulated for placement on the ballot for voters to enact into law. PFP will benefit all Placer County residents for 20 to 50 years by helping fund needs and State mandated provisions for fire protection, water quality and treatment, waste water, septic and power infrastructure projects in Placer County and prevent State seizure of the funds for other uses. PFP funds are generated from the sale of water-generated electricity in Placer County and vary annually with the amount of rain and snowfall. Only a vote of the people could permit the money transfer to the County General Fund.

NO NEW FEES or TAXES

**TO PAY FOR WATER & WASTE WATER TREATMENT (SEWER & SEPTIC).
POWER FOR PEOPLE (PFP) INITIATIVE WILL FUND COUNTY PROJECTS
FROM ELECTRIC POWER SALES - \$20-100 MILLION ANUALLY.**

The Measure:

The revenues from any contract for sale of water generated electric power produced by a public agency in which the County has an interest shall only be used for the benefit and capital needs of water-related agencies and districts in the County and including the County, such as fire suppression, water infrastructure, water quality, treatment and conveyance including waste water and septic, and power infrastructure projects for the benefit of the citizens of Placer County after February 2013.

Should any board or political agency propose a change of the use of such revenues for any other purpose the issue shall be presented to the board of supervisors for review, and if approved, the proposal shall be placed before the voters for approval or rejection at a regular County election.

AGENDA ITEM IV-4.1 & 2

Director Tobin's Report ~ SGA & RWA

SGA Meeting June 10, 2010

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

RWA Meeting July 8, 2010

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



Bartkiewicz, Kronick & Shanahan
A Professional Corporation

MEMORANDUM

TO: SAN JUAN WATER DISTRICT BOARD OF DIRECTORS

FROM: BARTKIEWICZ, KRONICK & SHANAHAN

DATE: JULY 7, 2010

RE: STATUS OF LEGAL MATTERS

This memorandum summarizes the status of legal matters on which our firm is advising the District.

1. Water Legislation

The Legislature is considering a number of water-related bills in relation to which we are advising the District. Some of these bills follow on last year's package of water legislation and some are new bills.

A. SB 565 (Pavley) – Water-Right Penalties

SB 565 is the latest version of a bill that would significantly increase penalties for violations of water-right permits and for water-right reporting violations. It also would give the State Water Resources Control Board (the SWRCB) the power to order water users to conduct technical studies. SB 565 is a follow-up to last year's water package. A somewhat broader version of the bill was defeated in the Legislature at the very end of last year's legislative process. (The Legislature instead enacted a more limited bill that requires water-right reporting by holders of pre-1914 and riparian water rights and increased some penalties.) The District is a member of the Sacramento Regional Water Alliance that is opposing SB 565. ACWA and many water-user interests are opposing SB 565. Environmental groups are the bill's primary supporters.

Senator Steinberg from Sacramento is a co-author of SB 565 with Senator Pavley, the bill's original author. The bill recently passed the Assembly Water, Parks & Wildlife Committee on a 7-6 vote. Ryan Bezerra in our office was one of the two primary witnesses opposing SB 565 in that committee. The bill will now be considered by the Assembly Appropriations Committee.

B. AB 2092 (Huffman) – Delta Financing Plan

AB 2092 would require the Delta Stewardship Council (Delta Council) – which last year's water legislation established to bring more coordination to the Delta-related activities of state, federal and local agencies – to prepare a plan to finance its Delta

program by January 1, 2013. AB 2092 identifies water users upstream of the Delta as one of several types of interests that the Delta Council would have to consider as possible fee-payers to fund a Delta program. AB 2092 would not authorize the Delta Council to assess fees without further legislation. The bill would authorize the Delta Council to begin accepting contributions that could be credited against future fees.

As part of the Sacramento Regional Water Alliance, the District is opposing AB 2092. Northern California Water Association also is opposed to the bill. ACWA is neutral because some ACWA members support AB 2092. AB 2092 has passed the Assembly and recently passed the Senate Natural Resources and Water Committee. It now will be considered in the Senate Appropriations Committee.

C. *SB 1478 – Urban Water Management Plan Extension for Wholesalers*

SB 1478 would extend, to July 1, 2011, the deadline for wholesalers of water to prepare their 2010 urban water management plans. Last year’s conservation legislation – SB 7 – already granted retail water suppliers this extension. SB 1478 is not controversial and is expected to pass. It has passed the Senate and is currently waiting for a vote on the Assembly floor.

2. *State Water Resources Control Board Delta Flow Proceeding*

Last year’s water legislation requires the SWRCB to complete, by August 2010, “new flow criteria for the Delta ecosystem necessary to protect public trust resources.” These criteria’s primary purpose will be to inform decisions about the Bay-Delta Conservation Plan (BDCP – discussed below in section 3), but they could suggest that Delta inflows from upstream water sources should be increased. The legislation states that the new criteria “shall not be considered predecisional” – i.e., they will be non-binding – but they could affect future hearings in which the SWRCB may consider binding Delta flow standards that could affect upstream water users.

The SWRCB held an informational proceeding in March 2010, during which many interests presented testimony relevant to the issue of what Delta flows – particularly outflows to San Francisco Bay – should be. Represented by our firm, the District participated as part of a coalition that presented hydrological modeling testimony about the adverse effects that new high Delta flow criteria could have upstream reservoirs’ storage and therefore conditions for salmon and steelhead in upstream rivers like the lower American River. The SWRCB has not yet released a draft of its Delta flow criteria. The SWRCB has indicated that it expects to adopt the final Delta flow criteria at its August 3, 2010 meeting, so we expect to see draft criteria in the very near future. Our firm will work with other firms that represent Sacramento Valley water users to prepare any necessary comments.

3. *Bay-Delta Conservation Plan*

The BDCP is the process by which the water agencies that rely on exports from the Delta are seeking to obtain long-term permits for Delta-export pumping under the federal Endangered Species Act and the California Endangered Species Act. In effect, BDCP would be the Delta-export agencies' way to obtain permits for a new tunnel under, or canal around, the Delta. In order to obtain those permits, the Delta-export agencies, along with the Department of Water Resources and the Bureau of Reclamation, must prepare a habitat conservation and restoration plan approved by the U.S. Fish and Wildlife Service, the National Marine Fisheries Service and the state Department of Fish and Game. Many environmental groups are very interested in the BDCP process. There is a BDCP Steering Committee that consists of many interests that meets about every two weeks to work on a BDCP habitat plan. We are monitoring the BDCP Steering Committee meeting for several clients, including the District. Upstream water users' primary concern with the BDCP process is that it potentially could affect their water supplies by indicating that they should reduce their diversions, or release more water from reservoir storage, to increase Delta streamflows.

The BDCP Steering Committee currently is preparing the various chapters of the draft BDCP document, which is expected to be released at the end of 2010. The BDCP Steering Committee's consultant currently is analyzing the projected effects of implementing BDCP conservation measures and conveyance projects on threatened and endangered fish and terrestrial species. The results of this analysis are expected to be available in late July or early August and will be presented to the BDCP Steering Committee at that time. The consultant also is preparing the EIR/EIS that would review the environmental impacts of implementing the draft BDCP document. The consultant currently is analyzing BDCP project alternatives that were considered and rejected by the Steering Committee. The draft EIR/EIS is expected to be released with the draft BDCP document at the end of 2010, which will trigger a comment period during which interested parties may submit comments on the draft EIR/EIS and the draft BDCP. After addressing public comments on the draft EIR/IS and the draft BDCP, a final EIR/EIS and a final BDCP will be prepared. Along with other upstream water agencies, the District probably will need to review, and possibly comment on, the draft BDCP and its draft EIR/EIS.

4. *Delta Stewardship Council's Delta Plan*

Last year's water legislation requires the Delta Council to prepare an interim and a long-term Delta Plan. The long-term plan is due by January 1, 2012. While there is no legal deadline for the interim plan, the Delta Council clearly must adopt it before adopting the long-term plan. The Delta Council has adopted a schedule under which it would: (A) adopt an interim plan by the end of August 2010; (B) prepare a draft long-term Plan by the end of November 2010; (C) prepare and circulate an EIR on the draft long-term plan; and (D) adopt the final long-term plan by January 1, 2012. In order to meet this schedule, the Delta Council is preparing drafts of the interim plan, with the idea

that it will be a framework for the long-term plan. We are monitoring, and commenting on, the Delta Council's work on the Delta Plan for several clients, including the District.

The most significant issues presented by the Delta Council's Delta Plan work for upstream water users concern: (A) the extent, if any, to which a Delta Plan may seek to increase Delta flows by reducing upstream diversions or requiring higher releases from upstream storage; and (B) what, if any, contributions toward funding an overall Delta program the Delta Council will seek from upstream water users. The Delta Council probably does not have the authority to require upstream water users to comply with any Delta-flow criteria it might adopt, but the Council's decisions could affect the decisions of other agencies with more legal authority. The initial draft of the interim Delta Plan prepared by the Delta Council's staff included a section for a proposed "Delta Water Flow Plan" that appeared to contemplate that the Delta Council would incorporate the SWRCB's Delta flow criteria (see section 4 above) into the interim plan. Along with others, we commented on that proposal and three members of the Delta Council stated at the Council's July meeting that they believed it would be a mistake to incorporate the SWRCB's Delta flow criteria into the interim Delta Plan. We expect the Delta Council's staff and consultants to release a new draft interim Delta Plan on about Friday, July 16.

5. *Water Conservation – DWR's Development of Option 4*

Last year's water conservation bill – SB 7 – adopted complex new rules that require water agencies to adopt, in their 2010 urban water management plans, conservation targets that, collectively statewide, move the state toward the goal of reducing per capita urban water use 20% by 2020. The bill established three methods that an agency can use to calculate its 2020 conservation target and authorized the Department of Water Resources (DWR) to develop a fourth method that would consider, among other things, regional variations in climate and land use densities. Of the three established methods, the District probably would need to use the first method, which would be a flat 20% reduction in baseline water use. The District therefore has been very interested in DWR's development of the fourth method. With the District's general manager, we have been very active in ACWA's development of proposed fourth method.

We are currently monitoring DWR's consideration of ACWA's proposal and its development of the fourth conservation method, primarily by coordinating with the Regional Water Authority (RWA). RWA's Executive Director John Woodling is a member of the stakeholder group that DWR has assembled to discuss the fourth conservation option, among other issues. DWR plans to adopt a fourth conservation method by December 31, 2010.

6. *Bureau M&I Water Shortage Policy Development*

The Bureau of Reclamation (the Bureau) has reinitiated its process for developing a policy for allocating water to municipal and industrial (M&I) suppliers with CVP contracts when there is a shortage of CVP water. We are representing the District and other local water agencies with CVP M&I contracts in the Bureau's process, including in

the in-person workshops that the Bureau is conducting. With the District's general manager, we also are participating in a working group that includes essentially all of the CVP's M&I contractors. That working group is seeking to convince the Bureau to accept certain points in developing and implementing a CVP M&I water shortage policy. For example, the working group is seeking to modify how the Bureau considers water agencies' use of non-CVP supplies – such as water diverted under the District's Placer County Water Agency contract – when it allocates CVP water in dry years.

The Bureau's next workshop will be on July 20, 2010. The last workshop that the Bureau currently is planning will be held on August 19, 2010. After that last workshop, the Bureau may prepare a new draft of an M&I shortage policy and a related environmental review document. The District will need to review any such documents and probably will need to comment on them as well.

7. *Water Forum Lower American River Flow Management Standard*

We are advising the District and other local water suppliers concerning the implementation of the Water Forum Agreement's lower American River flow management standard. This activity involves meeting with members of the Water Forum's Water Caucus, among other activities.

8. *Integrated Federal Biological Opinions*

In light of the very significant controversy and litigation in the past several years concerning the biological opinions that have been issued under the federal Endangered Species Act (ESA) to govern the operations of the CVP and the State Water Project, the key federal agencies have adopted an action plan under which the two relevant biological opinions would be integrated into one coordinated opinion. To date, there have been two such opinions because the U.S. Fish and Wildlife Service has ESA jurisdiction over species that do not migrate to the ocean (e.g., Delta smelt), while the National Marine Fisheries Service has such jurisdiction over ocean-going species (e.g., salmon and steelhead). In order to make ESA regulation over California's water resources more effective, the federal agencies plan to develop one overall biological opinion in the next several months to a year. Along with the District's general manager, we are monitoring this activity, which could affect the Bureau's operation of Folsom Reservoir and therefore the District's water supplies.