

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

August 11, 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

Keith Durkin	Assistant General Manager
Marcia Schnapp	Finance and Administrative Services Manager
Rick Hydrick	Operations Manager
George Machado	Field Services Manager
Teri Hart	Board Secretary/Administrative Assistant
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

Madelaine Kiliany	Customer
Andy Sells	ACWA JPIA
John Hoff	ACWA JPIA
Debbie Kyburz	ACWA JPIA
Kelly McMahon	Pacific Power Management
Ken Platt	Pacific Power Management
Misha Sarkovich	Fair Oaks Water District
Dan Gilliam	Fair Oaks Water District
Tom Gray	Fair Oaks Water District

AGENDA ITEMS

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

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

I. CONSENT CALENDAR

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

1. BOARD OF DIRECTOR'S MEETING MINUTES

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

1. Minutes of the Board of Directors Meeting July 14, 2010

Director Tobin moved to approve the July 14, 2010 Board of Director's Meeting Minutes. Vice President Costa seconded the motion and it carried unanimously.

II. PRESENTATION

1. ACWA JPIA PRESENTATION –

Andy Sells, Chief Financial & Operations Officer

Mr. Durkin introduced Andy Sells, Chief Financial & Operations Officer. Mr. Sells conducted a brief presentation regarding ACWA JPIA's programs and services. The presentation will be attached to the meeting minutes.

III. COMMITTEE REPORTS

1. Public Information Committee (7/26/10)

Director Walters reported that the committee met on July 26th and discussed the following as recorded in the meeting minutes:

1.1 Review Water Gram

The committee reviewed the Water Gram and recommended a few revisions.

For information, no action requested.

1.2 Other Public Information Matters

Ms. Eidam informed the committee that the CIP newsletter is pending information regarding the solar project. She also informed the committee that the new San Juan website will be launched July 27th.

Ms. Eidam informed the committee that customers will soon be able to sign up for email alerts regarding District activity. Customers will be able to opt in or opt out of this service online without the assistance of staff. Ms. Johnson has been keeping a list of customers requesting email alerts, and now she will be able to direct them to the website. The email software costs approximately \$200 every six months. The LucyCo cost is already incorporated into the budget for this year. The email alerts will be graphic-free and will only contain short messages that are quick and easy to read.

Director Miller inquired if the Board and committee minutes are online. Ms. Lorance stated that the Board agenda and minutes are already on the website and the Board Secretary posts the minutes after they are approved by the Board. The committee agenda and minutes are in the process of being added to the website. Since the committee minutes are approved as part of the Board minutes, the committee minutes will be posted after the Board minutes are approved.

Ms. Eidam informed the committee that another addition to the website will be short video clips regarding various items, such as repairing an irrigation system and how to read your meter. LucyCo has a staff person who will be producing the short videos. Director Miller suggested that they video some projects during construction to show customers how their dollars are spent.

1.3 Public Comment

There was no public comment.

The meeting adjourned at 9:30 am.

For information only; no action requested.

2. Legal Affairs Committee (7/27/10)

Director Walters reported that the committee met on July 27th and discussed the following as recorded in the meeting minutes:

2.1 OUTSTANDING BILLS (Wholesale)

Ms. Lorance informed the committee that Fair Oaks Water District is delinquent in paying their invoices to the District. The total amount owing to the District is \$1.6 million, of which \$1 million is over 60 days past due. The invoice status is shown on the attached Aged AR report. The most recent invoice was sent in June, which should have been approved by the FOWD Board of Directors at their July meeting with payment being sent shortly thereafter. However, payment for the June invoice has not been received to date and therefore is past due as well.

The committee discussed several possible options for collection of the delinquent account. The committee recommends that this topic be brought to the Executive Committee for their input on assessing penalties and interest to the wholesale agencies. Penalties and interest charges are permitted as appropriate in the existing water supply contracts.

The committee recommends modifying the wholesale rates and charges to include:

- 10% penalty
- 12% interest per year, or 1% per month

These penalties and interest charges would be imposed on all outstanding balances if not paid within 45 days.

In addition, the committee recommends developing a surcharge through the financial plan process to recover all the costs associated with recovery of the FOWD delinquent account. The surcharge should include, but not be limited to, legal costs, staff costs, interest and other benefits lost to wholesale since invoice became overdue. The remaining wholesale agencies should not have to cover the additional costs associated with collections of the overdue

billings from FOWD. It is anticipated that the financial plan will assume up to a six month payback period for the costs in the form of a water rate surcharge.

The committee recommends that legal counsel develop policies and bring to the Board at the August 11 meeting for consideration of adoption.

Our water supply contract with FOWD requires 150 day notice of increases in rates and charges, so the same notice should be provided for instituting penalty and interest rates for outstanding invoices.

In addition, the committee recommends that a breach of contract letter be sent to FOWD.

At the Board meeting, Director Walters requested that Mr. Durkin report on this item. Mr. Durkin reported that he met with Tom Gray today and they had a productive, nearly three-hour discussion on FOWD's non-payment of 2010 wholesale water purchase invoices. Mr. Gray informed Mr. Durkin that the FOWD Board of Directors had directed Mr. Gray to withhold payment until several questions and billing practices were addressed, as outlined in his staff report to the FOWD Board on August 9th. A copy of Mr. Gray's staff report is attached for information.

While they agreed to disagree on several points regarding past communications and understandings, at the end of conversation Mr. Gray and Mr. Durkin did agree to commit to work together to address FOWD's concerns and improve our working relationship for the benefit of both agencies. The key points agreed on include:

- SJWD will place a greater sense of urgency on finalizing cost allocations and developing an agreement for cost sharing for the Wholesale Meter Project. This will be the top priority task between the family agencies.
- SJWD will prepare a draft cost sharing agreement and begin the review process for the Fair Oaks 40-Inch Transmission Main Rehabilitation Project. The goal is to have a preliminary draft developed by the end of August. This work will dovetail with completion of the preliminary evaluation determination of a recommended repair, replacement, and/or rehabilitation project.
- FOWD will pay the outstanding invoices immediately.
- Mr. Gray invited Mr. Durkin, and he agreed, to attend an upcoming FOWD Technical Committee Meeting covering the FO40 project.
- Mr. Gray and Mr. Durkin, and other agency staff will commit to working together to address the other concerns of FOWD. When they cannot resolve issues at the staff level, which should only be on rare occasions, they will elevate the issue to the Board level. This may include joint workshops with both Boards.

- Each agency's staff will provide accurate facts and information to each Board and avoid sensationalizing issues or making remarks that could be perceived as inflammatory or derogatory. Staff will work to promote cooperation, not distract from it.

In summary, Mr. Gray and Mr. Durkin made a personal commitment to each other and their respective Districts to work through the current issues and concerns and improve the approach to resolving future issues at the staff level.

Mr. Durkin inquired if Mr. Gray wanted to add anything to Mr. Durkin's Board report. Mr. Gray commented that his notes reflect almost exactly what Mr. Durkin's report stated and Mr. Gray passed out his notes from the meeting and those notes will be attached to the meeting minutes.

Mr. Gray stated that he talked to his board on Monday regarding the invoices. Mr. Sarkovich stated that the board passed a resolution authorizing the General Manager to pay the bills provided he reaches a resolution with San Juan Water District.

In addition, Mr. Sarkovich thanked Mr. Durkin and Mr. Gray for meeting and resolving the issue and would like FOWD to be more involved in the rate study and ad hoc committee budget discussions. Mr. Sarkovich stated that he understands that SJWD Retail received a 2% rate increase and he would like the wholesale agencies to receive the same consideration for the wholesale rate.

Mr. Durkin commented that Bob Reed will be conducting a presentation at the August 24th Executive Committee meeting and will have a preliminary wholesale financial plan to review. In addition, Mr. Reed will be conducting a presentation at the August 25th Board meeting.

Vice President Costa mentioned that during the Legal Affairs Committee meeting, the committee recommended that the District's policy on delinquent accounts be revised. He would like the topic discussed at an Executive Committee meeting. Mr. Durkin commented that this topic was discussed at the July 27th Executive Committee meeting and at the General Manager's meeting, and the agencies agreed that the District should update their policy.

President Peterson commented that Mr. Durkin is currently acting as General Manager and the staff report reflects Mr. Durkin's personal commitment, so he inquired if this commitment will shift to Ms. Lorance when she returns. Mr. Durkin responded that he will coordinate with Ms. Lorance and feels very confident that Ms. Lorance will be in agreement with his commitment. Mr. Durkin explained that on technical matters, such as the Fair Oaks 40, he is responsible for managing the project and will participate in the matter. Mr. Gray wanted to clarify that this was in no way meant to be a work-around the

General Manager and he believes that all three of them will be working together regarding the concerns that were brought up. In addition, he believes that some of the work started when Vice President Costa attended the Fair Oaks board meeting on Monday.

President Peterson requested that Ms. Lorance acknowledge Mr. Durkin's personal commitment and agreement at the next Board meeting.

Mr. Bartkiewicz stated that the 150 days notice still needed to be given for any proposed policy change which would affect rates. He stated that to move forward the Board would need to set the wording of the policy and take action that 150 days notice be given to the wholesale agencies. Mr. Bartkiewicz suggested that the penalty and interest policy be identified and noticed but not the surcharge policy as it's not an issue any longer.

Director Walters stated that the policy was on the agenda to review, but there wasn't an action item listed at this time. Director Walters mentioned that the policy was stated as a draft and not in final form. Mr. Durkin commented that the District needs to proceed in order to give the wholesale agencies 150 days notice. Mr. Bartkiewicz confirmed that the District needs to give the notice for comment and input, then bring it back to the Board for formal adoption, after considering any comments from the wholesale agencies.

Mr. Durkin commented that Mr. Gray was in agreement with the policy change for both the penalty and interest, and the surcharge policies. Director Tobin commented that the Board should give notice to the agencies so that if this ever happens again then the District could act accordingly.

Director Miller commented that he still doesn't understand why FOWD didn't pay the invoices in the first place. He commented that it was a bill for water; however, FOWD refers to the meter project and the Fair Oaks 40 project but those are separate issues completely.

Director Walters moved to provide 150-day notice to the wholesale agencies regarding District Policy V.5.4.1 – Penalties and Interest for Delinquent Water Charges under San Juan Water District's Wholesale Water Supply Agreements. Director Tobin seconded the motion and it carried unanimously.

During discussions, Director Tobin stated that if any of the other agencies did this then it would put a burden on the District, including staff time and incurring legal opinion expenses. Mr. Bartkiewicz confirmed that the motion was for the 10% penalty and 1% per month interest.

2.2 STATE BOARD PROCEEDINGS

Mr. Bartkiewicz informed the committee of the release of the draft SWRCB delta flow criteria. Comments from Ryan Bezerra are attached to these minutes.

2.3 PUBLIC COMMENT

There was no public comment.

2.4 OTHER LEGAL MATTERS

Keith Durkin provided a draft resolution to allow the board to obtain CREBs financing for the solar project, if the project is approved. The interest rate for the CREBs financing is around 2.5%. The resolution will allow the District to utilize CREBs or other debt financing after construction has begun or been completed, within a 2-year timeframe. This resolution does not commit the agency to utilize the funding, but it is a necessary step to maintain the option for the funding. The Board of Directors would have to approve any decision for CREBs or other debt financing for the solar project. The solar project will be discussed in detail at the Engineering Committee in August. The committee found the form of the resolution to be acceptable.

The committee briefly discussed the legal counsel opinion on employee payment of the employee share of PERS. The committee was informed that this subject will be discussed with Josh Horowitz and the Personnel Committee in August. Mr. Horowitz has talked with the ACWA attorney, and will provide the Personnel Committee information on his opinion.

The meeting was adjourned at 1:00 p.m.

President Peterson inquired if the meeting minutes were considered final if they didn't have Draft stamped on them. Ms. Hart explained that the committee meeting minutes are not final until the Board meeting minutes are approved, since they are not reviewed by the committee. In the future, Ms. Hart will make sure that all committee minutes are marked Draft.

3. Personnel Committee (7/28/10)

President Peterson reported that the committee met on July 28th and discussed the following as recorded in the meeting minutes:

Ms. Lorance commented that she provided the committee with a staff report regarding status updates on the agenda items from the July 14th meeting and a copy will be attached to the original meeting minutes.

3.1 Process for Evaluation of the General Manager and General Counsel

Ms. Lorance reported that she found 4 firms that facilitate these types of evaluations. She is working on the draft RFP and the list and will bring them to the August 16th meeting.

3.2 PERS Policy

President Peterson referred to the handout which will be attached to the original meeting minutes regarding the specific questions to PERS. He requested clarification on the analysis on the calculation. Ms. Schnapp explained each section of the calculation which concluded that an additional payroll tax cost to the District would be .81% and to the employee 1.25%.

The committee discussed the specific questions and answers to PERS in the above referenced handout.

Director Miller inquired if the employee portion has always been 8%. Ms. Lorance explained that it used to be 7% and when the District changed to the 3% @ 60 plan it was increased to 8%. Director Miller inquired if prior to that change was it always 7%. Ms. Lorance stated that it was 7% for as long as she has been here; however, she does recall that the Board agreed to pick up the 7% in exchange for eliminating annual comp time that could be applied to PERS as well as removing the ability to accrue sick and vacation unlimitedly. Those accruals went to 480 and 240 hours, respectively, and reduced the District's liability. If sick time exceeds 480 hours, then it is paid out at 50%. Director Peterson requested that "Vacation and Sick Leave Policy Review" be added to the next committee agenda.

Director Miller inquired if PERS was to make a change to the amount of the employee's portion how that would affect the District. Ms. Lorance commented that if a change was considered, it would take a long period of time to implement, and how it would impact the District would be identified during the discussions at the state legislature. Since the total contribution PERS requires (employee amount plus employer amount) is determined by the actuary, if the employee amount increased, the employer amount would decrease by an equal amount. Since the District currently picks up the employee share, there would be no change in the total cost to the District.

President Peterson inquired what increase percentage would the employees need to receive in order to neutralize any impact to the employee. Ms. Schnapp stated that her estimate at this time is approximately 9.45% based on the calculations.

At the Board meeting, Director Walter inquired if the 9.45% amount was looked at for years going out assuming other factors might come into play. Ms. Schnapp explained that it was static.

President Peterson reported that no action was taken on this topic and will be discussed at a future meeting.

3.3 Policy on Pay for Performance (or Incentive Pay)

Ms. Lorance referred the committee to her staff report which will be attached to the original meeting minutes. President Peterson requested that the GM information be provided on a separate data sheet.

Director Miller inquired what it meant in the policy that the employee could file a grievance in regard to this policy. Ms. Lorance explained that there is a grievance process for employees to use for any issue and this language was part of the employee manual.

President Peterson inquired what the process is for determining who receives incentive pay and the percentage that they receive. Ms. Lorance explained that the immediate supervisor evaluates the employee and based on that evaluation, submits a list to the department manager, who in turn reviews the list and submits the list to the general manager. The general manager reviews all lists and can then determine if the recommendations need to be modified.

President Peterson commented that the policy is very narrowly written and stated that the policy and the practice might not always align. Ms. Lorance mentioned that the District implementation of the program is leaning toward a more stringent distribution of awards, as compared to when initially implemented. Ms. Lorance mentioned that one of the initial intents of the program was to provide incentive to those employees at the top of their salary range to encourage performance at a higher level than just average. Mr. Durkin noted that the total amount of the incentive awards was \$139,000, which is comparable to hiring an additional employee. Ms. Schnapp commented that the District incentivized 35 people instead of hiring one extra person.

President Peterson stated that the committee needs to look at this further, but no action taken at this time.

At the Board meeting, Director Walters commented that merit and incentive pay seems to be the same thing. President Peterson stated that the committee will be reviewing the policies to better define and name the two programs. Director Tobin inquired if there was a legal implication if the programs were changed since when hiring an employee they are informed of the two programs. Mr. Bartkiewicz stated that merit and incentive pay are considered compensation and not benefits; therefore, they can be changed at anytime and believes that there is no issue.

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

Ms. Lorance stated that legal counsel will bring information to the next meeting for committee review on the health benefits. She stated that for dental, the plan was previously changed to a different carrier (Ameritas) with less coverage and lower cost to the District. She stated that for vision coverage the District is self-funded. Employees are reimbursed up to \$200 in a two-year period for vision services.

President Peterson inquired if OPEB recipients receive these benefits. Ms. Lorance informed the committee that they only receive health benefits.

President Peterson inquired if the District had looked at other options for health benefits. Ms. Lorance informed the committee that the Ad Hoc committee reviewed various health benefits. The ACWA benefits tended to trend with the PERS benefit costs over time. The committee was unable to obtain quotes from providers that are in the PERS health care system while the District is still in PERS. In addition, once you leave PERS the District would have to wait five years before they could re-contract with PERS. President Peterson requested that staff check with ACWA regarding health and dental benefit options.

At the Board meeting, Vice President Costa commented that the ad hoc committee was given legal opinion on this and it should be in the file. President Peterson stated that it wasn't brought to the Personnel Committee. President Peterson informed the Board that this topic will be reviewed with legal counsel at the next committee meeting.

3.5 Amendment of Personnel Aspects of FY2010-11 Budget

President Peterson commented that there was some clean-up work that needed to be completed in reference to personnel items on the budget. Ms. Schnapp stated that she already made the corrections and provided the corrected version to the committee.

3.6 Policy on Personnel Aspects of Annual Budgeting

No discussion occurred on this agenda item and the item was tabled to a later meeting.

3.7 Salary Survey

Ms. Lorance informed the committee that the last salary survey was completed in 2005-2006. President Peterson stated that it might be time for a new survey. Ms. Lorance explained that in the past, the District has utilized Shellie Anderson to complete the Salary Surveys. President Peterson inquired if it was possible to do a study with the family agencies as a joint effort. The committee discussed performing a joint salary survey and President Peterson requested that the topic be taken to the Executive Committee for discussion. Ms. Lorance stated that she will discuss this item at the August Executive Committee meeting.

President Peterson explained that periodically the District needs to gauge itself against the industry and other business sectors in order to make sure that the District is in line with expectations.

At the Board meeting, Vice President Costa stated that every time a salary survey is done it costs the District more money, not just for the survey, but for the increases to employee salaries.

Vice President Costa commented that the problem is the risk pool that the District is in and not employee benefits and the District should look into getting out of the PERS risk pool. Ms. Schnapp commented that there are

safety and non-safety pools and if there were enough agencies to form a non-safety pool, then it might be worth looking into.

Director Tobin inquired what the survey will cost. Vice President Costa stated approximately \$22,000. Director Miller commented that contacting the other agencies shouldn't take but a few phone calls. Vice President Costa stated he is against using data from the other agencies since they are classified differently and they cannot be compared to the District. President Peterson stated that some positions match. Vice President Costa stated that most of the positions do not compare, as indicated in the last salary survey that was done.

Director Tobin stated that she would not support a salary survey if it's going to cost the District \$30,000 – since that's 1/5 of the pay for performance, she would prefer giving that amount to the employees.

Ms. Kiliany commented that she felt that now was not the time to do a salary survey. President Peterson commented that the wholesale agencies have commented on the amount that employees are paid and that it is more than like positions are paid within their agencies and it therefore affects the wholesale rate. Director Tobin asked which agencies made that comment. President Peterson responded that Fair Oaks Water District, Citrus Heights and Sacramento Suburban Water District have all made comments to him.

President Peterson commented that since we are a wholesale agency, we should compare the District to comparable agencies and not to the larger agencies. President Peterson suggested that the Executive Committee discuss a joint in-house salary survey or hire an outside firm funded by all the agencies.

3.8 Other Personnel Matters

Ms. Schnapp mentioned that the website was recently updated and has a nice clean look.

The next committee meeting is August 23, 2010 at 4:00 PM.

3.9 Public Comment

There was no public comment.

The meeting was adjourned at 5:00 pm.

At the Board meeting, Director Walters commented that, based on the charts, the number of employees who receive pay for performance seems to reflect that the same employees receive awards annually. He inquired if the program was ever looked at to see if the same employees are receiving awards each year. Ms. Schnapp will research this request.

Vice President Costa commented regarding the salary survey and that modified accrual is allowed for agencies; therefore, if the salaries are obtained from agencies, then total compensation should be looked at to provide a more accurate picture.

4. Engineering Committee (8/4/10)

Mr. Durkin reported that the committee met on August 4th and discussed the following as recorded in the meeting minutes:

4.1 Solar Power Project at Baldwin Reservoir

Mr. Durkin informed the committee that the project is still envisioned as discussed in previous meetings, as follows:

- Provide 1.1+ megawatts of power to the facility
- Sole source design, construction, and O&M with SunPower

The Board would like the committee to review and discuss the following items:

- Longevity of SunPower
- Warranty vs. Bond
- Technology Obsolescence
- Risk of Obtaining Rebate
- Sole Sourcing
- Title Search on Property
- CEQA Review
- Project Funding

Longevity of SunPower: SunPower has been in business since 1985 and is one of the largest solar system providers in the business today. In addition, 78% of the components of their systems are made in the United States. Mr. Durkin provided the committee with an article on SunPower installing 200 megawatts of solar energy generating capacity for Southern California Edison, which will be attached to the meeting minutes. The committee discussed and acknowledges the risk of a company going out of business; however, they are in agreement that if the company goes out of business after the project is completed, the District could maintain the system.

Warranty vs. Bond: SunPower includes a 10-year warranty on the system and a 25-year warranty on the solar panels. As part of the cost, SunPower will maintain the system for 10 years. Mr. Durkin commented that based on the warranties in place, the track record and stability of the company, and researching systems that SunPower has installed and their performance, he would not recommend allocating another 2-3% of the construction cost for a bond. The committee discussed this item and agreed that the warranties in place are sufficient for the project.

Technology Obsolescence: The committee discussed the possibility of technology advancements in solar power and agreed that the solar panels that SunPower manufactures are the most advanced panels at this time. Mr. Durkin mentioned that El Dorado Irrigation District completed a comparable, approximately 1 mW solar project in May of 2006 using a competitor's solar panel technology. An email that covers a comparison of the District's proposed system versus EID's system is attached to the meeting minutes. The comparison illustrates that SunPower's proprietary technology uses approximately half the area for solar panels and still produces 27% more solar power. The committee agreed that technology will likely incrementally improve over time, but the current opportunity for the District justifies the District moving forward with the project at this time.

Risk of Obtaining Rebate: Mr. Durkin explained that the CSI funding is a mandated state program that is funded by electric utilities including PG&E. The state is requiring 20% of power to be generated from clean renewable energy sources; therefore, PG&E is promoting this rebate program to encourage solar projects in their service area. In researching the program, staff discovered that funds are set aside by PG&E for this program. If the rebate was not received, then the breakeven point would be pushed out to approximately 16 years. If certain milestones are not met, then the CSI rebate would be at jeopardy. The committee discussed this item and agreed that the rebate funding is provided by PG&E and there is a negligible risk that the District would not receive the rebate after committing to construction of the project.

Sole Sourcing: Mr. Durkin explained that the need to sole source was based on the power production that the SunPower solar panels provide, which is at least 30% more than other providers. The EID project is an example of the efficiency of the solar panels. Using SunPower technology will maximize the benefit the District can obtain through implementing solar power at the Baldwin site and is in our customer's best interest. The committee agreed that the project should be sole sourced.

Title Search on Property: Mr. Durkin informed the committee that staff received the title report and the District has a clean title on the Baldwin Reservoir property. The committee reviewed the title report and concurred.

CEQA Review: The committee reviewed the initial study and proposed mitigated negative declaration prepared by ESA Consultants. Mr. Durkin informed the committee that the environmental review indicated there is the potential for a few environmental impacts, but these can be easily mitigated by the District. Examples are providing some minimal landscaping to address aesthetic concerns of the adjacent property owners and conducting surveys prior to construction to confirm no endangered species such as the red-legged frog or western area pond turtle are present since Baldwin Reservoir is suitable habitat. The committee reviewed the CEQA report and the

mitigation monitoring and reporting plan and agreed that the report is in order and the District can meet the mitigation requirements.

President Peterson inquired if there were any comments received on the project. Mr. Durkin informed the committee that CalTrans made a comment related to limiting traffic deliveries on Highway 50 so as not to impact traffic, and a couple of additional agency comments were received that are already addressed in the contract. There were no public comments.

Project Funding: Mr. Durkin reviewed staff's recommended plan for paying for the project. The plan is to use existing available capital reserves and "borrow" funds from other dedicated capital reserves such as the Hinkle Reservoir Cover Replacement Fund in order to pay for the project. Reserve funds will be replenished from the CIS rebate and energy savings. No planned capital projects will be postponed or eliminated. In working with Bob Reed on the financial plan, it will be determined whether the funds can come strictly from capital reserves or if they need to be borrowed from other reserves. In addition, the District has two years to consider outside borrowing via CREBs financing. Mr. Durkin explained that District would need to adopt Resolution 10-18, which would reserve the Board's right to initiate future debt obligations. Mr. Durkin commented that the Legal Affairs Committee reviewed Resolution 10-18 and approved it as to form.

The committee discussed this item and agreed funding the project as specified above, with the understanding that funding of the project will be reviewed by the Finance Committee after the financial plan is completed.

At the Board meeting, Mr. Durkin stated that based on questions received at the Engineering Committee and Finance Committee meetings, Ms. Schnapp created a document regarding funding the project. The document will be attached to the original meeting minutes.

Staff Recommendations: Mr. Durkin stated that staff recommends that the committee propose a motion to the Board that a) Includes the Solar Project on the Wholesale CIP; b) Approves staff's recommended plan to pay for the project ; c) Recommends adoption of Resolution 10-17 certifying a CEQA mitigated negative declaration for and authorizing construction of the solar power project including direction to the General Manager to execute a contract for the final design and construction of the Project by SunPower Corporation; and d) Recommends adoption of Resolution 10-18 declaring intent to reimburse expenditures from proceeds of debt obligations.

The committee reviewed the resolutions and suggested a minor change, which will be reflected in the board's copy of Resolution 10-17.

Director Tobin moved to approve inclusion of the solar project on the wholesale CIP. President Peterson seconded the motion and it carried with 4 Aye votes and 1 No vote (Miller).

Director Tobin moved to approve staff's recommended plan to pay for the project. President Peterson seconded the motion and it carried with 4 Aye votes and 1 No vote (Miller).

Director Tobin moved to approve adoption of Resolution 10-17 certifying a CEQA mitigated negative declaration for and authorizing construction of the solar power project including direction to the General Manager to execute a contract for the final design and construction of the Project by SunPower Corporation. President Peterson seconded the motion and it carried with 4 Aye votes and 1 No vote (Miller).

Director Tobin moved to approve adoption of Resolution 10-18 declaring intent to reimburse expenditures from proceeds of debt obligations. President Peterson seconded the motion and it carried with 4 Aye votes and 1 No vote (Miller).

During discussions, Director Walters commented Resolution 10-18, that was approved as to form at the Legal Affairs Committee meeting, has been modified and would like to know if it still is approved as to form since it was changed. Mr. Durkin stated that a change was made to the resolution to make it more generic to cover a broader range of debt financing alternatives, instead of being tied into borrowing only via CREBs. Mr. Bartkiewicz stated that the changes in the resolution only make for broader opportunities for bonding which was discussed with the committee and that the changes are fine.

Director Walters commented that his question as stated previously is how does the District respond to a request made by one of the family agencies to not increase rates by 8% then proceed with this \$5 million project at the same time. Ms. Schnapp explained that the graph demonstrates 100% of the rebates and any benefits from the project going back into the CIP fund. However, the operational savings do not have to go into the CIP they can stay in operations and act as a savings to the wholesale agencies. It will be the Board's decision to allocate the rebates and operational savings.

Director Walters commented that Resolution 10-18 was also changed with regard to the amount which originally limited the debt obligation. Director Miller inquired if Resolution 10-18 was a safeguard to cover unexpected overages on the project. Mr. Durkin stated that the resolution is needed to be in place prior to the start of the project so that the District could seek funding if the Board determines it would be beneficial to the District. It is not necessary for unexpected overages.

Director Miller inquired what the second phase of the project is and how much will it cost. Mr. Durkin stated that the second phase covers would provide power associated with moving the Granite Bay pump station to the property, if the Board approves that project at a later date. The solar power phase would be to install addition panels to power that pump station facility, and cost has not been determined. By including it in the resolution and CEQA document, the District will not have to perform additional work required to prepare the environmental documentation.

Vice President Costa mentioned that the Finance Committee reviewed the project in length and he feels that even if rates weren't raised, the project could still be completed. Director Tobin commented that staff used very conservative numbers for the projections. President Peterson stated that the Hinkle Reserve and the Hydraulic Raw Water Pipeline Reserve could cover the borrowing and the District would not have to use the CREBs financing.

Kelly McMahon, Pacific Power Management (PPM), addressed the Board and introduced himself and his associate, Ken Platt, and gave an overview of his company, which is located in Auburn, California. He mentioned that his company learned about the project from reviewing the California Solar Initiative rebate program website. He stated that PPM could provide the same product at about \$800,000 less than what he believes is SunPower's proposal. Mr. Platt passed out a proposal and requested that the Board consider his company for the project.

Vice President Costa commented that they are coming in at the 11th hour and would have preferred that they would have contacted us when they first learned of the project. Director Miller inquired what the rationale was to initially sole source the project. Mr. Durkin responded that the decision to sole source was based on a number of reasons including time to implement the project and space constraints at the site, and the efficiency of the SunPower panels. Mr. Durkin pointed out that the PPM proposal calls for 3,900 panels, while the SunPower proposal shows 2,400 panels. In addition, the drawing in the PPM proposal shows the panels infringing on designated habitat areas. The SunPower proposal also includes planning and design services and a comprehensive 10-year operations and maintenance plan.

Mr. Durkin commented that PPM should have contacted the District when they received the notice from the CSI rebate program. Mr. Hydrick stated that he was contacted months ago by PPM and he informed them of the District's plans, so they could have proposed something then instead of coming in at the last minute. Director Tobin inquired when the CSI application was submitted. Mr. Durkin responded that the application was submitted in March. Mr. McMahon commented that it was March 15th.

President Peterson inquired what the risk is to not receiving the high efficiency panels from SunPower as they originally proposed. Mr. Durkin

stated that they are now making a panel more efficient than what was initially proposed and they are providing the new panel for this project. In addition, regardless of what panel is provided, SunPower will install panels which will provide the power that is stated in the contract.

Mr. Durkin inquired if the vote can be interpreted as 4-1 on each of the action items within the motion. Mr. Bartkiewicz responded that the motion should be interpreted as such.

Director Walters commented that the District should still give the wholesale agencies consideration of their request to not increase the rates by 8%.

Director Miller commented, and President Peterson agreed, that the District should be ready to respond to any inquiries regarding the PPM proposal. Mr. Durkin stated that, just in quickly reviewing the proposal, the PPM proposal offers slightly less power production and uses all available space on the site, which doesn't allow for the project's second phase.

4.2 FY10-11 through FY19-20 Wholesale Capital Improvement Program

Mr. Durkin informed the committee that staff is in the process of reviewing and updating the wholesale CIP through FY2019-20 and creating a Capital Improvement Program manual. The committee reviewed the Wholesale CIP Summary Table, which is attached to the meeting minutes. Mr. Durkin explained that Bob Reed will utilize the information provided in the Wholesale CIP when he updates the financial plan. Mr. Durkin provided the committee with a draft Capital Improvement Program document, which outlines each project in detail. The detail includes Project Description, Project Justification, Estimated Project Cost, Planned Schedule, Revenue Source, and a Planning Level Cost Estimate.

President Peterson inquired on the \$150,000 that was removed from the FY10-11 operating budget under engineering. Mr. Watson stated that it was for outside consulting services for miscellaneous projects when needed. Mr. Durkin mentioned that some of those projected budget expenses were moved to the capital improvement projects budget.

For information only; no action requested.

4.3 FY10-11 Wholesale CIP Status Update

Mr. Durkin explained that the FY2010-11 Wholesale CIP calls for \$15 million worth of projects being worked on this fiscal year. The committee reviewed the list of wholesale projects that will be worked on this year. Mr. Durkin explained that the Retail CIP is being updated and will be brought back to the committee at a later date.

Mr. Durkin informed the committee that the CIP covers all the projects that the District anticipates. President Peterson commented that he would like staff to review the District's expenses associated with each project, such as

engineering and staff labor, and each project's revenue sources to be certain that the projects are utilizing capital reserves when possible.

For information only; no action requested.

4.4 Hinkle Reservoir Leak Assessment Project

Mr. Durkin informed the committee that GEI investigated the rising groundwater levels in the observation wells around Hinkle Reservoir. He stated that they performed a stability analysis of the embankment on the backside of the reservoir. It was determined that the embankment is stable well within acceptable factors of safety even under the most conservatively estimated saturated conditions. GEI identified possible sources causing the elevated groundwater beneath the reservoir, such as leaks within the water treatment plant, underflow from Folsom Dam, perched groundwater, and the ditch feeding Baldwin Reservoir. The GEI report will be attached to the meeting minutes for review.

Mr. Durkin informed the committee that during a recent cleaning, it was discovered that there was an 18-inch split in a seam in the Hinkle Reservoir liner. Therefore, approximately 2 weeks ago, the seam was repaired and staff has been monitoring the groundwater levels. The level is not going down very significantly. In addition, there are leaks in the filter basin concrete which are being repaired. Staff will continue to monitor the observation wells to determine if the liner and basin leak repairs have any effect on groundwater levels.

The GEI report recommends installing additional monitoring wells to help identify the exact location of the water source. However, Mr. Durkin stated that there are no regulatory requirements or stability issues at this time that would require immediate attention. The elevated groundwater level would be a concern if it was necessary to drain Hinkle Reservoir, so eventually identifying and mitigating the source of groundwater will become necessary. In the meantime, the leak in the reservoir was repaired and the filter basin repairs are in progress. Therefore, staff recommends installing the monitoring wells in the next fiscal year at an estimated project cost of \$50,000. Mr. Durkin informed the committee that this will be brought back in February for inclusion in the FY11-12 budget and, in the meantime, the existing wells will continue to be monitored.

The committee discussed the issue and agreed with staff recommendations.

For information only; no action requested.

4.5 FO 40 Pipeline Rehabilitation Project - Phase 1 Evaluation

Mr. Durkin informed the committee that the project consultant, Bob Miles, prepared a draft report on the Fair Oaks 40 Pipeline Rehabilitation Project. A workshop was conducted on July 13th with Fair Oaks and Orange Vale to discuss the Fair Oaks 40 Pipeline Project Phase 1 preliminary engineering

report and receive their comments and questions. A copy of the workshop minutes will be attached to the meeting minutes. Mr. Durkin stated that the pipe looks to be in better shape than anticipated; however, there still needs to be some rehabilitation work completed in order to address corrosion concerns, leak issues, the American River Canyon (ARC) crossing and extend the life of the pipeline another 50 years.

Mr. Durkin provided the presentation to the committee that was given at the July 13th workshop. The presentation will be attached to the meeting minutes. The presentation included the consultant's recommendation that cathodic protection should be added to the exterior of the pipe to control corrosion, the crossing at the ARC should be replaced or adequately supported to address the overstressed condition, and the interior pipe joints should be welded to eliminate increasing leaks. Other repairs and modifications are also recommended.

Mr. Durkin explained that the proposed project would be completed in phases, and construction would be completed during low peak seasons. The first phase is the design phase, the second is the northern pipeline section rehabilitation including the ARC crossing and the final phase would be the southern pipeline section rehabilitation. The project cost is approximately \$4 million. The preliminary cost allocation for the work based on an evaluation of current pipeline usage by each agency is approximately 78% to 90% for FOWD, 8% to 18% for SJWD, and 2% to 5% for OVWC. The consultant's report and the District's meter data to support the cost allocations were provided to each agency for review and comment at the workshop.

Director Tobin inquired if Fair Oaks is going to approve this project. Mr. Durkin stated that Fair Oaks may prefer to do a variation of the No Project Alternative, which would include cathodic protection for the external corrosion control and support at the American River Canyon crossing, but no rehabilitation or repair of the inside of the pipe.

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

Mr. Durkin informed the committee that once the final report is received from the consultant, then a meeting will be held with Fair Oaks and Orange Vale to review the project and begin work on a written cost sharing agreement.

The committee discussed the project issues and potential non-participation from Fair Oaks and determined that at this time the next step would be the meeting with the agencies.

For information only; no action requested.

At the Board meeting, President Peterson inquired, if after talking with Mr. Gray, are there still concerns with cost allocations. Mr. Durkin responded that FOWD wants to take a close look at the project and come to an agreement on what is being done and the cost allocation. Mr. Durkin explained that there was an agreement prior to the initiation of the project that the cost allocations would be based on water usage; however, until meters were installed, the District could not determine the exact water usage from the pipeline for each agency. It was agreed that the project move forward with the preliminary investigation while the meters were installed so that the District could gather the necessary meter data. Mr. Durkin explained that after approximately a year, enough data could be reviewed to determine the cost allocation and discuss the preliminary report with FOWD and OVWC. The cost allocation would also include the \$300K that the District has spent for the preliminary phase. The agreement was that the initial study costs could not be allocated until after the meter data was obtained.

4.6 WTP TW and CTB Pipeline Improvement Project

Mr. Durkin informed the committee that WTP Treated Water (TW) and Cooperative Transmission Bypass (CTB) Pipeline Improvement Project consists of installing a second pipeline between the filters and Hinkle Reservoir and re-routing the CTB pipeline connection to the outlet side of Hinkle Reservoir.

The Treated Water Pipeline would provide a second pipeline and improve the hydraulic flow of water to Hinkle Reservoir from the plant and provide reliability and redundancy if either pipeline is taken out of service. The CTB pipeline would add a connection from the outlet of Hinkle Reservoir to the CTP to allow treatment credit for disinfection of the water in the reservoir. In addition, the original CTB pipeline would remain in-tact and provide backup if Hinkle Reservoir or portions of the treated water pipelines needed to be taken out of service.

Mr. Durkin explained that the project is categorically exempt from CEQA requirements and therefore the District needs to file the required notice of exemption with Placer County.

Mr. Durkin explained that the project needs to be completed in the winter to accommodate outages. The design consultant informed staff that the delivery time on the valves is approximately 18 weeks; however, since the project will not be awarded until the September timeframe, the contractor will not be able to purchase the valves in time for the project to be completed during the period that the District requires. Therefore, staff solicited bids for

valves and obtained one bid from Henry Pratt Company which meets delivery requirements of January 3, 2011. There was concern that only one bid was received; however, it came in lower than the engineer's estimate and was within the price range that another vendor provided prior to bid date. Two other vendors who were initially interested in bidding both indicated they could not meet the delivery requirements.

Mr. Durkin explained that the construction contract will cover coordination issues, off-loading the valves and inspection of the valves.

Director Tobin moved to approve the CEQA Notice of Categorical Exemption and to authorize staff to pre-purchase the valves from Henry Pratt Company in the amount of \$382,568.40. President Peterson seconded the motion and it carried unanimously.

4.7 Process for Review and Approval of Environmental Documents Ongoing Construction Projects

Mr. Durkin requested that this item be held over to the next meeting.

4.8 Other Engineering Matters

Mr. Durkin informed the committee that Hometown Construction, Inc., is finished with construction of the Water Treatment Plant HVAC Replacement Project. All work has been satisfactorily completed and all requirements of the contract have been met.

Director Tobin moved to accept the Water Treatment Plant HVAC Replacement Project as complete and authorize staff to file the Notice of Completion with Placer County. Director Walters seconded the motion and it carried unanimously.

Mr. Durkin suggested that the committee meet on a regular schedule once per month prior to the second Board meeting of the month. The committee agreed that a once per month meeting is warranted. In lieu of a standing meeting date, the Board Secretary will arrange the meeting on a monthly basis.

President Peterson requested that a map of the District water system be placed in the Boardroom. Mr. Watson stated that there is a security concern with posting this information. President Peterson suggested placing the maps on a retractable system that can only be accessed by staff. Mr. Durkin stated that staff will research the item and report back.

4.9 Public Comment

There was no public comment.

The meeting was adjourned at 5:35 p.m.

5. Finance Committee (8/10/10)

Vice President Costa reported that the committee met on August 10th and discussed the following as recorded in the meeting minutes:

Vice President Costa requested that Funding of the Proposed Solar Project be added to the agenda.

5.1 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 July payables is \$1,585,193.43.

Director Walters moved to approve Resolution 10-19. Director Tobin seconded the motion and it carried unanimously.

5.2 Wholesale and Retail Audit

Ms. Schnapp informed the committee that at the July 14, 2010 Board of Directors meeting, President Peterson asked what it might cost to have separate wholesale and retail financials prepared and audited by the auditors.

The San Juan Water District is one District that has two distinct operations: wholesale and retail. However, the District is considered one District for purposes of financial reporting and for issuance of District debt.

Research

Staff has spoken with the District's auditor, Marcia Fritz & Co. One of their suggestions was for District staff to create an additional supplemental section that divides the operating activities into wholesale and retail reports. In addition, a separate reserves and debt schedule could also be divided and included. While these reports would not be audited per se, they would be reviewed by the auditors, since the separate reports would have to total and tie to the audited statement. There would be no additional charge from the auditors for this format, but additional staff time would be required to prepare the supplemental section and schedules.

What would not be done at this juncture would be to create a separate balance sheet. A separate balance sheet would need to include dividing the fixed assets. All the assets belong to the San Juan Water District, not to either wholesale or retail. To divide the assets would require a decision as to which entity holds "title". There are many ways to accomplish this. One solution would be to have one entity hold title to whichever assets the District decides applies, while the other "rents" space. This would require a detailed

analysis of each of the assets carried on the books, and then the creation and administration of policies, agreements or contracts.

Current Status

The auditors arrive for the field portion of the audit August 24-26, 2010. Staff has not completed enough research to determine the time requirements to prepare the supplemental section and schedules in time to be included in the FY2009-10 audit.

It is certainly possible to complete the above request in time to meet the FY2010-11 audit. Prior to the year-end audited statements, staff would produce internal quarterly reporting this fiscal year in a separate and combined format.

Staff Recommendation

For information, further discussion and direction.

The committee discussed this topic and would like President Peterson to determine if the information provided above addresses his request.

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

At the Board meeting, President Peterson inquired if there was an estimate on the cost. Vice President Costa stated that it might be approximately \$30,000, not including staff time.

President Peterson inquired if the committee was recommending no changes or action. Vice President Costa responded that there were a couple things that could be done, such as a page at the back of the report that informs the public to request more information if needed or have Ms. Schnapp prepare a report that is placed at the back of the report.

President Peterson requested that a summary document be provided so that the ad hoc committee on the budget can review. Vice President Costa inquired about the mention of no additional cost for them to review a document prepared by staff.

Ms. Schnapp explained that staff generates 100% of the financial report and then the auditing firm audits the report. The auditing firm suggested that staff prepare a breakdown of wholesale and retail and place at the back of the audit statement. The auditing firm would then review the two schedules for accuracy as compared to the District's information as a whole.

Ms. Schnapp commented that she could prepare a document as requested for use with 2009-10; however, due to time constraints it most likely would not be ready in time for when the auditors are at the office in five days. President Peterson stated that his goal is to keep the books separate in

order to show the wholesale customers that they are only being charged for wholesale items. He would like the auditor to check the calculations on the financial report and the reserve funds. Ms. Schnapp stated that she could prepare the 2009-10 schedules as a presentation to the Board and will try to have it prepared in time for the CAFR.

President Peterson requested that Ms. Schnapp prepare a memorandum to the Board clarifying the wholesale and retail audit.

5.3 Service Vehicle Replacement

Mr. Durkin informed the committee that the District needs to replace service vehicle #14 and the cost is included in the Fiscal Year 2010-2011 Retail Budget for a replacement vehicle. Vehicle #14 has been having repeated mechanical problems and needs to be replaced.

Staff has reviewed the State of California Contract Vehicle List from which the District purchases vehicle replacements. The appropriate replacement vehicle is a Ford F150 supercab pickup with a total vehicle cost of \$25,590.39, including all applicable fees, before a cash-discount of \$500 (if paid within 15 days of invoice).

Staff recommends approval to purchase a replacement for Service Vehicle #14 for the not-to-exceed amount of \$25,590.39.

Vice President Costa moved to approve the purchase of a replacement vehicle in the amount of \$25,590.39. Director Tobin seconded the motion and it carried unanimously.

During discussions, Director Tobin inquired what happens to the replaced vehicle. Mr. Durkin responded that it gets sent to auction through the state.

5.4 WTP Treated Water and Cooperative Transmission Bypass Pipeline Project

Mr. Durkin informed the committee that design of the WTP Treated Water and Cooperative Transmission Bypass Pipeline Improvement Project is nearing completion and the project will be advertised for bidding within the next few weeks. Bids will be brought back to the Finance Committee for review and approval. Mr. Durkin gave an overview of the project which was also reviewed at the Engineering Committee meeting on August 4th. The project includes installing a second pipeline between the filters and Hinkle Reservoir and re-routing the CTB pipeline connection from the outlet side of Hinkle Reservoir. The project also includes installation of eleven large butterfly valves ranging in size from 30-inches to 78-inches.

Mr. Durkin informed the Finance Committee that the pre-purchase of the valves was discussed at the Engineering Committee meeting and a request for an action item will be taken to the Board meeting for approval. The

valves have a lead time of 18-weeks for delivery and are needed on site by January 3, 2011.

The Finance Committee discussed the item and agreed that the pre-purchase of the valves is recommended.

For information only—no action is requested at this time

5.5 Report on June 30, 2010, Investment and Cash Balances

Ms. Schnapp informed the committee that the District is on track with projections and provided the committee with a spreadsheet regarding cash and investment account balances, which will be attached to the meeting minutes.

5.6 Other Finance Matters

Funding of the Proposed Solar Project - Vice President Costa inquired if funding of the proposed Solar Project has been determined. Mr. Durkin explained that the Engineering Committee discussed the proposed funding plan for the project and is recommending that the project be paid for utilizing existing reserves. Mr. Durkin explained that this would not affect any scheduled project and that additional external borrowing could be considered if an urgent issue arises, or if the Board determines it beneficial to the District.

Ms. Schnapp commented that all assumptions are being made without the use of the \$2.2MM in CREBS financing. The \$2.2MM in CREBS financing would be available to draw upon, up to June 30, 2012, only if the Board deemed it was advantageous to the District to do so.

Mr. Durkin explained that the graph that was presented at the last Board meeting, which showed the reserve balances, was only showing construction reserves and not the total reserves available. Mr. Durkin explained that the CIP reserve may be depleted for a couple of years but there are still adequate funds in other reserves to cover any deficit in the CIP reserve until the project repays the reserve fund.

Vice President Costa suggested that staff provide the Board with a brief funding plan which shows where the money is coming from and how it will affect total District reserves, in addition to just the CIP reserves.

District Wholesale Financial Plan - Director Miller inquired on the Financial Plan with Bob Reed. Ms. Schnapp informed the committee that Mr. Reed is working on the plan and a presentation will be made at the next Executive Committee meeting and Board meeting.

At the Board meeting, President Peterson mentioned that the ad hoc committee is going to review the budget after the financial plan was complete and he would like to know the timeline for completion. He requested that the

timetable be presented at the next meeting concurrent with Bob Reed's presentation, and would like it to include the next meeting with the ad hoc committee.

2010 Elections - Ms. Hart informed the committee that the three incumbents up for re-election filed by the deadline and all seats are uncontested. She contacted Placer County and the county will void each candidate check for the candidate statement and return to them within the next couple of weeks. She also contacted Sacramento County and they will send a list of uncontested seats to the District; in the meantime, refund checks for the candidate statements will be issued.

5.7 Public Comment

There was no public comment.

The meeting was adjourned at 5:40 p.m.

IV. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 Report Back Items

There were no items to discuss.

1.2 Miscellaneous District Issues and Correspondence

There were no items to discuss.

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1. Water Treatment Plant Production

Mr. Durkin reported that Sacramento Suburban Water District is taking about 32mgd as compared to past years of approximately 18mgd. He stated that the improvements at the plant have allowed the District to put more water through the plant from a hydraulic standpoint, but there are increased challenges from a process standpoint. He stated that a more detailed report will be taken to the Engineering Committee.

Mr. Durkin stated that the plant is running below historical demands at approximately 80mgd without the SSWD demands.

2.2. USBR M&I Shortage Policy

Mr. Durkin reported that the Bureau of Reclamation (Reclamation) reinitiated its process to finalize the September 11, 2001 draft of the Municipal and Industrial (M&I) Water Shortage Policy (WSP) beginning with a series of three workshops in June and July. The District, in conjunction with the M&I stakeholder group, attended the workshops and collaborated on identifying the key issues and proposed solutions in an effort to work with Reclamation

on finalizing the policy and implementation procedures. Ryan Bezerra with BKS represented the District and several other water agencies in this effort.

Status

The stakeholder group's efforts resulted in a letter to Don Glaser, Mid-Pacific Regional Director of Reclamation, outlining recommendations to finalize the M&I WSP and develop implementing procedures. This letter is provided in the agenda packet. The recommendations include:

- Adopt a WSP based on the 2001 principles. Several years and significant time and energy was spent developing the 2001 policy and reaching consensus with M&I and irrigation contractors.
- Adopt implementation procedures. The 2001 WSP lacked the details to allow the policy to be applied consistently and predictably. The implementation procedures should include allocations based on historical use; adjustments to historical use based on use of non-CVP water, recycled water, population growth, and conservation; and establishing public health and safety levels.
- Develop additional environmental compliance documentation to minimize the risk of litigation.
- Maintain communication with the stakeholder group.
- Circulate the final draft WSP and implementation procedures for comment before they are adopted.

On behalf of the stakeholder group, Shauna Lorange will be scheduling a meeting with Don Glaser to further discuss the M&I WSP.

Reclamation's final WSP workshop is tentatively scheduled for Thursday, August 19, however, Reclamation has indicated this workshop may occur as scheduled, be postponed, or be cancelled. Reclamation will be providing information on the next steps concerning the M&I WSP later this week.

Staff Recommendation

No action requested; for information only.

2.3. Report Back Items

There were no items to discuss.

2.4. Miscellaneous District Issues and Correspondence

Mr. Durkin stated that there was a bill signed by the Governor to delay the water bond to November 2012.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Report Back Items

There were no items to discuss.

3.2. Miscellaneous District Issues and Correspondence

Ms. Schnapp provided the Board with the Director Reimbursement information for FY2009-10.

Ms. Schnapp informed the Board that staff is moving ahead with the conversion project for the financing system, which includes remapping the general ledger. In November, there will be interviews with different vendors which are within the District's price range.

4. DIRECTORS' REPORTS

4.1. SGA

No report.

4.2. RWA

No report.

4.3. Executive Committee

No report.

4.4. ACWA/JPIA

No report.

4.5. CVP Water Users Association

Vice President Costa reported that the last meeting was July 27th.

4.6. LAFCO

No report.

4.7. Other Reports

There were no items to discuss.

5. LEGAL COUNSEL'S REPORT

Mr. Bartkiewicz provided a written legal report which will be attached to the original meeting minutes. He mentioned that in light of the City of Bell's recent publicity there will most likely be bills introduced to increase the transparency and limit public officials' compensation.

Mr. Durkin commented that Mr. Bartkiewicz compiled an excellent report on the activities that his firm provides on the District's behalf and he will continue to provide this written report on a monthly basis. The report also indicates the number of legislative issues at the level of effort that is necessary to deal with these on a daily basis. President Peterson requested that Legal Counsel's Report be moved before Directors' Reports on the agenda for future meetings.

President Peterson inquired what affect the delay in the water bond might have. Mr. Bartkiewicz stated that AB 2092 is a funding plan bill that will

direct the Delta Stewardship Council 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. He stated that there is a lot of pressure to fund the Delta issues. He stated that ACWA is very strong against this and any legislation that is not beneficial to the payor.

III. PUBLIC FORUM

There was no public comment.

IV. UPCOMING EVENTS

1. ACWA Continuing Legal Education Workshop
September 30 – October 1, 2010
San Francisco, CA
2. AWWA California Nevada Fall Conference
October 5-8, 2010
Sacramento, CA
3. NWRA Annual Conference
November 10-12, 2010
San Diego, CA
4. ACWA Fall Conference
November 30 – December 3, 2010
Indian Wells, CA

V. ADJOURN

The meeting was adjourned at 10:40 p.m.

DAVE PETERSON, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary