

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

November 10, 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
Mary Morris	Finance and Administrative Services Manager
Judy Johnson	Customer Service Manager
Teri Hart	Board Secretary/Administrative Assistant
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

Kim Silvers	Silvers HR, LLC
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AGENDA ITEMS

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

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

Ms. Lorance requested that Agenda Item IV-3, Personnel Committee, be moved up on the agenda so that it is after the Consent Agenda. President Peterson addressed her request and moved the item as requested. The minutes will reflect the original order.

I. PUBLIC FORUM

There was no public comment.

II. 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 October 13, 2010

Director Tobin moved to approve the October 13, 2010 Board of Director's Meeting minutes. Director Walters seconded the motion and it carried unanimously.

III. PRESENTATIONS

1. Quarterly Financial Report

Ms. Morris conducted a presentation on the Quarterly Financial Report. A copy of the presentation will be attached to the meeting minutes.

Director Miller inquired on the engineer expense activities and Ms. Morris will research the item and report back.

2. Quarterly Investment Report

Ms. Morris conducted a presentation on the Quarterly Investment Report. A copy of the presentation will be attached to the meeting minutes.

3. Finance & Administrative Services Strategic Plan

Ms. Morris conducted a presentation on the Finance & Administrative Services Strategic Plan. A copy of the presentation will be attached to the meeting minutes.

Ms. Morris informed the Board that there are several challenges in developing the District budget utilizing Excel, reporting detailed activities in the funds, and other issues related to the use of the current financial software. Therefore, she will be looking into financial software that will potentially replace the existing software. President Peterson suggested that the Executive Committee be consulted so that they can provide input regarding the software system so that it can provide the wholesale customer agencies with the information that they request.

IV. COMMITTEE REPORTS

1. Engineering Committee (10/19/10)

Mr. Durkin reported that the committee met on October 19, 2010 and discussed the following:

- FO 40 Pipeline Rehabilitation Project - Phase 1 Evaluation
- WTP Filter Leak Repairs
- Raw Water Bypass Pipeline Project

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

FO 40 Pipeline Rehabilitation Project - Phase 1 Evaluation

Mr. Durkin informed the Board that the final report and draft agreement was sent to Fair Oaks Water District and Orange Vale Water Company and the agencies met the 1st week of November to receive and review comments, and agree on principles.

Mr. Durkin informed the Board that the committee discussed the project and would like to see the entire project designed and bid, and then deduct the phases, if any, not wanted to be completed at that time. This will allow the agencies to take advantage of potentially lower than expected construction bids, or phase the work as appropriate.

For information only; no action requested.

WTP Filter Leak Repairs

Mr. Durkin informed the Board that there have been several repairs completed to fix leaks in the concrete at the Water Treatment Plant and associated pipelines and facilities. At this time, the 12 outlet pipes with 24 seals in each filter are in need of repair. The estimate for these repairs is approximately \$265,000. This project is included in this year's budget.

Mr. Durkin stated that the committee discussed the project and agreed that the project should be advertised for bids. Bid results will be taken to the Finance Committee for approval at the December Board meeting.

For information only; no action requested.

Raw Water Bypass Pipeline Project

Mr. Durkin reported that construction work on the project is complete; however, there is still some other work that needs to be completed with the Bureau, such as obtaining the easement and land use authorization for the Bypass Pipeline, developing a standard operations manual, and planning for the required maintenance of the existing pipeline. There are some temporary plans in place currently and over the next several months the District will be working with the Bureau toward permanent plans and permits.

For information only; no action requested.

2. Legal Affairs Committee (10/20/10)

Director Walters reported that the committee met on October 20, 2010 and discussed the following:

- ACWA Water Transfer Initiative
- Start Periodic Review of Board Policies and Rules
- EDWPA EIR
- Delta Issues

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

ACWA Water Transfer Initiative

Ms. Lorance informed the Board that she is on the steering committee for the ACWA Water Transfer Initiative which will help identify how to make water transfers in California work better. She will continue to keep the Board updated on this issue.

For information only; no action requested.

Start Periodic Review of Board Policies and Rules

Ms. Lorance informed the Board that the Board Policies and Rules are usually reviewed by the committee every three years or so. The committee would like to schedule the review of the Board Policies and Rules for next year to allow staff to focus on the issues facing the District at this time.

For information only; no action requested.

EDWPA EIR

Ms. Lorance informed the committee that the El Dorado Water & Power Authority (EDWPA) has applied to the State Board to take 40,000 AF of water from the American River and Folsom Lake. The EDWPA filed the application and the District has filed a protest. The EDWPA has completed the draft EIR, and comments are being submitted. The District's comments focused around the analysis being flawed and requesting that a new analysis be completed.

The District does not protest the right to area of origin filings that hold higher water rights priority than exporters in the CVP; however, the District does feel that impacts should be shown, and then mitigation can be determined.

For information only; no action requested.

Delta Issues

Ms. Lorance informed the Board that they continue to monitor the Delta legislation. There are no bills implementing fees out yet pertaining to the Delta legislation from last year, but it is anticipated that there will be.

Ms. Lorance commented that in reviewing Metropolitan Water District rates, she discovered that they have a \$69 per acre foot charge to their wholesale customers solely for Delta issues, as compared to the District's entire volumetric wholesale rate of \$90.

For information only; no action requested.

Ms. Lorance informed the Board that if the Wholesale Financial Plan is adopted then the water contracts with the wholesale customer agencies will have to be revised to reflect billing in arrears instead of in advance.

Director Walters informed the Board that the committee discussed the December workshop and would like any issues regarding policy to be referred to the Legal Affairs Committee for review prior to the Board making a decision.

3. Personnel Committee (11/2/10)

Ms. Lorance reported that the committee met on November 2, 2010 and discussed the Selection of a Firm for GM and Legal Counsel Review Facilitation. There were five proposals received ranging in cost from \$4,590 to \$17,095. The committee minutes will be attached to the Board meeting minutes.

President Peterson moved to approve a contract with Silvers HR, LLC for \$17,095 for facilitation of the General Manager and Legal Counsel Reviews. Director Miller seconded the motion.

The Board discussed the RFP, the Legal Counsel review and employee vs. contractor issues. It was determined that the Legal Counsel review cannot be completed in closed session.

President Peterson called for the question. The motion passed with 4 Ayes and 1 No (Director Tobin).

Ms. Lorance introduced Ms. Silvers and informed the Board that Ms. Silvers would give the Board a brief presentation on her plans to proceed with the reviews. Ms. Silvers handed out a Project Plan which stated the Project Goal and listed the major tasks and their targeted completion dates. A copy of the Project Plan will be attached to the Board meeting minutes. Ms. Silvers stated that she needed a Project Sponsor – as Personnel Committee Chair, President Peterson volunteered to hold this position.

Ms. Lorance mentioned that the next Personnel Committee meeting will be held on November 12th at 3:30pm at the District office.

4. Finance Committee (11/9/10)

Vice President Costa reported that the committee met on November 9, 2010 and discussed the following:

- Review and Pay Bills
- Solar Project at Baldwin Reservoir – Project Financing
- WTP Filter Gallery Butterfly Valves
- Update on Audit Status
- Property Tax Allocations
- Fair Oaks 40-inch Pipeline
- OPEB Trust

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

Review and Pay Bills

Vice President Costa reported that the committee reviewed the presented bills and claims for October payables in the amount of \$1,144,908.64. The reviewed bills and claims were found to be in order.

Vice President Costa moved to approve Resolution 10-25. Director Tobin seconded the motion and it carried unanimously.

Solar Project at Baldwin Reservoir – Project Financing

Vice President Costa reported that the solar project will cost \$5.4 million and the project will be paid using the Wholesale Capital Reserve Fund. He referred the Board members to the spreadsheet which is attached to the committee minutes.

For information only; no action requested.

WTP Filter Gallery Butterfly Valves

Vice President Costa informed the Board that bids were received for the WTP Filter Gallery Butterfly Valves and were opened on October 27th. The engineer's estimate for the purchase of the valves was \$40,000 the lowest bid came in at \$33,931. The budget included a \$40,000 estimate for the cost of installation, but WTP staff have identified that they can complete the installation internally, saving the District approximately \$40,000. The committee discussed the topic and recommends awarding the direct purchase bid to the lowest, responsible bidder, Ferguson Waterworks.

Vice President Costa moved to award the contract for the WTP Filter Gallery Butterfly Valves to Ferguson Waterworks in the amount of \$33,931. Director Tobin seconded the motion and it carried unanimously.

Update on Audit Status

Vice President Costa informed the Board that the auditors will be prepared to make a presentation of the audit at the December 8th Board meeting.

For information only; no action requested.

Property Tax Allocations

Vice President Costa reported that Mr. Churchill and Mr. Rose attended the committee meeting and Mr. Churchill discussed the memorandum that he submitted to the CHWD Board and Ms. Lorance. The memo references the potential for a 14% rate increase if the property tax currently allocated to general wholesale capital projects is allocated to the Hinkle Reserve and the funding for general wholesale capital projects needs to be replaced through wholesale water rates.

Ms. Lorance informed the Board that she prepared a response letter to Citrus Height Water District regarding their written questions and revised it to be addressed to Mr. Rose instead of Mr. Churchill at their request. The committee reviewed the letter and recommends that the Board approve the written response to CHWD.

Director Walters moved to approve the letter in response to the Citrus Heights Water District questions. Vice President Costa seconded the motion and it carried unanimously.

Fair Oaks 40-inch Pipeline

Mr. Durkin reported that following the Engineering Committee meeting, he met with Fair Oaks Water District and Orange Vale Water Company and a consensus was reached for a phased approach to the project. The plan will be to replace the American River Canyon crossing pipeline and install a cathodic protection system for external pipeline corrosion control, then on a phased approach complete the interior rehabilitation work. The phased approach reduces the initial capital cost for the project from approximately \$3.8 million to approximately \$2.7 million, but ongoing O&M costs will be higher by an unidentified amount, and may increase into the future until complete pipeline rehabilitation is accomplished.

Mr. Durkin stated that the agencies are still working on the cost allocation agreement for capital and ongoing O&M costs. The draft agreement is based on the CTP agreement which allocates cost based on capacity for each agency. FOWD has stated they would like to consider an alternative capacity allocation and cost sharing approach. At the last meeting, FOWD agreed to submit their proposal for cost allocations by November 16th.

Mr. Durkin informed the committee that work on the ARC crossing needs to be completed during the winter of 2011-12. In order to accomplish this, environmental work and permit acquisition for CEQA compliance needs to be

completed in advance. This work could take 10 to 12 months. The District is considering entering into a Memorandum of Understanding with FOWD and OVWC prior to final approval of the cost sharing agreement in order for the initial work to begin on the environmental documents.

President Peterson inquired if the Fair Oaks 40 failed could the District provide water to the customers who would be affected by the failure. Mr. Durkin informed the Board that the District could provide a reduced service level similar to winter time demands. However, responding to this type of situation would be in an emergency response mode and there would be no time to prepare to take pipes out of service or re-route lines.

For information only; no action requested.

OPEB Trust

Vice President Costa informed the Board that Ms. Morris is looking into options for the OPEB Trust and she plans to bring back more information at the December Finance Committee meeting.

For information only; no action requested.

V. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 ACWA Health Benefits Authority Board of Directors Election

Ms. Lorance reported that the District needs to vote for the ACWA Health Benefits Authority Board of Directors. The Board discussed the topic and agreed that Ms. Lorance should research the candidates and cast the ballot according to her determination of the best candidates.

Vice President Costa moved to have the General Manager cast the ballot for the six candidates for the ACWA Health Benefits Authority Board of Directors. Director Tobin seconded the motion and it carried unanimously.

1.2 Benefits Workshop

Ms. Lorance referred the Board to her staff report which outlines the Board of Directors' Workshop schedule.

No action requested, for information

1.3 General Manager and Legal Counsel Evaluation

Ms. Lorance commented that the Board was provided updated information at the meeting and should not reference her written staff report.

No action requested, for information

1.4 CTP Annual Meeting

Ms. Lorance reported that the District is required as part of the CTP agreement to hold an annual meeting. The meeting was held on November 1st. Ms. Lorance commented that the general managers had no issues with the CTP cost allocations.

No action requested, for information

1.5 Board Meeting Schedule

Ms. Lorance reported that the regularly scheduled Board meeting for the fourth Wednesday in November falls on November 24, the day before the Thanksgiving holiday.

The regularly scheduled Board meeting for the fourth Wednesday in December falls on December 22, a few days prior to the Christmas holiday.

The Board should consider whether to maintain or cancel these meetings.

Vice President Costa moved to cancel the November 24, 2010 Board of Directors meeting. Director Tobin seconded the motion and it carried unanimously.

Vice President Costa moved to cancel the December 22, 2010 Board of Directors meeting. Director Walters seconded the motion and it carried unanimously.

1.6 Report Back Items

1.6.1 Report Back on Debt Service Ratio Requirements

Ms. Lorance informed the Board that she talked to Bond Counsel regarding the consequences if the District did not meet the Debt Service Ratio Requirements. She was informed that if the ratio was not met and it was unintentional then the District would need a plan to fix it and there would likely be no consequences. If the District intentionally creates a ratio that is not within the Debt Service requirements, then all debt can be called in immediately.

1.6.2 Safety Program Recognition

Ms. Lorance reported that in October the District reached its 4th consecutive year without any loss day work accidents.

1.7 Miscellaneous District Issues and Correspondence

Ms. Lorance informed the Board that Rose Strohmaier, who answers the majority of the District calls, received a hand written thank you note from a customer. Ms. Lorance commented that she will include compliments and complaints at future board meetings. President Peterson requested that Ms. Lorance thank Rose from the board.

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1 Administrative and Treatment Plant Roof Replacement Project

Mr. Durkin reported that the Administrative and Treatment Plant Roof Replacement Project is complete, with all work performed satisfactory.

Director Walters moved to accept the Administrative and Treatment Plant Roof Replacement Project as complete and authorize staff to file the Notice of Completion with Placer County. Vice President Costa seconded the motion and it carried unanimously.

2.2 FO 40 Pipeline Rehabilitation Project – Phase 1 Evaluation

Mr. Durkin stated that this topic was covered under the Finance Committee report.

No action requested, for information

2.3 Report Back Items

There were no items discussed.

2.4 Miscellaneous District Issues and Correspondence

There were no items discussed.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Report Back Items

There were no items discussed.

3.2. Miscellaneous District Issues and Correspondence

Ms. Morris reported that there was a press release from CalPERS on the 2009-10 investment return for the retirement fund which was 13.3%.

4. LEGAL COUNSEL'S REPORT

Mr. Bartkiewicz provided a written legal report on Delta issues which will be attached to the original meeting minutes.

5. DIRECTORS' REPORTS

5.1 SGA

Director Tobin reported that the SGA met on October 14th and her report was included in the meeting packet.

5.2 RWA

No report.

5.3 Executive Committee

No report.

5.4 ACWA/JPIA

No report.

5.5 CVP Water Users Association

Vice President Costa reported that they will be meeting on Monday, November 15th.

5.6 LAFCO

No report.

5.7 Other Reports and Comments

III. UPCOMING EVENTS

1. NWRA Annual Conference
November 10-12, 2010
San Diego, CA
2. ACWA Fall Conference
November 30 – December 3, 2010
Indian Wells, CA
3. RWA Annual Holiday Social
December 9, 2010
Sacramento, CA
4. 2011 ACWA DC Conference
March 1-3, 2011
Washington, DC

President Peterson to call for Closed Session at 9:08 pm

I. CLOSED SESSION

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

II. OPEN SESSION

1. Report from Closed Session
There was no report from the closed session.

IV. ADJOURN

The meeting was adjourned at 9:50 p.m.

DAVE PETERSON, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary