

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

June 11, 2008 – 7:00 p.m.

BOARD OF DIRECTORS

Ken Miller	President
Bob Walters	Vice President
Dave Peterson	Director
Pam Tobin	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Shauna Lorance	General Manager
Mary Morris	Finance & Administrative Services Manager
Sue Makimoto	Board Secretary
Rick Hydrick	Retail Operations Manager
Judy Gagnier	Customer Services Manager
Rob Watson	Engineering Services Manager
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

Madelaine Kiliany	Customer
Dave Hodson	Customer
David Saykally	Customer
Pamela Yuers	Customer
Rose Marie Petkovich	Customer
Francis Petkovich	Customer

AGENDA ITEMS

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

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**
M/S/C to accept the San Juan Water District's Board of Director's meeting minutes of May 28, 2008 with no corrections. 4 Aye votes.

II. PUBLIC HEARING/PRESENTATIONS

The Budget and Code of Ordinances was duly posted and published with no written or oral comments received prior to the public hearing.

1. SJWD 2008-2009 Fiscal Year Budget

Shauna Lorance reminded the Board that the Budget process was initiated by the Wholesale Master Plan, Phases I & II, and a Retail Master Plan in which both Master Plans were completed by outside consultants. The information from the master plans was utilized by a financial consultant to create the 5-year Financial Plans for both the wholesale and retail operations. After significant work by the field operations department, some CIP projects were able to be eliminated, reducing the retail rate increase last year from the initial estimate. This year, the Wholesale CIP included in the five year financial plan has increased in costs. Federal funding has been reduced and the wholesale meters project has significantly increased in cost. The increase in project costs resulted in an increase in the proposed wholesale rate increase from 16% to 19%. Staff reviewed the upcoming projects to evaluate if any projects could be delayed by increasing operation and maintenance activities. At the previous board meeting, Keith Durkin provided a presentation on the current conditions of facilities at the treatment plant. With a significant amount of O&M costs/activity, some of these projects can be put off. The District is now down to the "have to" and "must do" projects.

The board requested more information on extended rate impacts and projections of the proposed schedule and the modified schedule. Staff has identified what the proposed wholesale rate increase would be with each schedule. The District has delayed in borrowing of funds so that we can do more "pay as you go", which has resulted in a decrease in the proposed wholesale rate increases.

Mary Morris presented an overview of the proposed Fiscal Year 2008-2009 Budget. (Attachment A)

President Miller opened the Public Hearing at 7:28 p.m.

Ms. Lorance stated that 11,000 postcards were sent out to the retail service area notifying the customers of the public hearing on the proposed retail rate increase of up to 9%. No formal comments were received on the postcards. One phone call was received and that person is in the audience tonight.

Discussions took place regarding the proposed rate increases.

Mr. Petkovich asked if the District sells water to others.

Ms. Lorance responded that the San Juan Water District sells wholesale treated water to the retail water agencies that include Citrus Heights Water District, Orange Vale Water Company, Fair Oaks Water District, San Juan Water District Retail Service Area and the City of Folsom north of the American River. The SJWD is a special district, which is required to be non-profit.

Discussions took place on the proposed wholesale vs. retail rate increases.

Wholesale is the raw water coming into SJWD for treatment then disbursement to the retail customers and transfers to CHWD, FOWD, OVWC, San Juan Retail and Folsom.

Ms. Yuers compared CHWD and OVWC (FOWD would not provide the information requested) agencies base rates to SJWD and asked why SJWD are so much higher.

Ms. Lorance explained that the higher rates in SJWD retail are due to 1) the water is pumped which increases energy costs and 2) the population density is much greater in the other areas than SJWD retail area. Example: Citrus Heights on average has smaller parcels than SJWD retail service area, and as such, has more people per acre of land.

Ms. Morris provided a summary memo which included the updated wholesale recommended rate increases.

Mr. Saykally asked if the District was planning to finance the upcoming projects. Ms. Lorance explained that some of the projects will be financed and some will be on a pay-as-you-go basis depending on the upfront costs. Due to the delayed financing which allowed for more pay-as-you-go funding, the recommended wholesale rate increase went from a 25% to a 19%. The recommended retail rate increase is at 7%.

Discussions took place on upcoming wholesale capital improvement projects. The Wholesale Financial Plan Update (Attachment B) was discussed.

Mr. Petkovich asked what is being done on a daily operation basis that is reducing his water rate. Ms. Morris replied that the District has taken many measures to reduce energy costs, including looking into solar projects. The District has maintained staffing and has held it to 44 employees with increased work demands vs. 50 employees in the 1980's.

Director Walters discussed the difference between the wholesale vs. retail rate increases.

The retail rate increase is proposed to be 7%, including both the variable and base service charge.

President Miller stated that the portion of the retail rate increase related to the wholesale capital improvement projects within the retail area is 4% of the 7% projected rate increase. The remaining 3% is due to operations and maintenance.

Director Peterson clarified the two separate operations within the District. The Wholesale increase needs to be identified before the retail rate increase can be set.

Ms. Yuers stated that she has lived in the area for years. She lives alone and uses very little water including not watering her property. How could she reduce her usage any lower?

Ms. Lorance assured Ms. Yuers that she is working against proposed legislation that requires an across the board 20% reduction in water use.

Mr. Saykally stated his confusion on the wholesale and retail capital improvement projects. He did not understand why we were discussing wholesale capital improvement projects when he is a retail customer. Ms. Lorance explained the connection between wholesale water rates and retail water rates.

Mr. Hodson discussed his water pressure levels. Director Peterson explained how and why the water pressures are different due to differing elevations at different locations.

Ms. Yuers asked if the Board would consider a lower water rate for low income people. Paul Bartkiewicz stated that the District has state laws to comply with, one being Proposition 218 approved by the voters several years ago. Proposition 218 requires that water rates of public agencies be at a cost-of-service rate and prohibits rates that do not reflect the cost of service. If one rate is discounted, another rate has to pick up the difference. This applies to public agencies and property related services (i.e. PG&E, the Telephone Company are not public agencies).

Ms. Yuers asked about the service cost for the new housing in the area. Ms. Lorance explained that the amount of capital facilities fees paid by new connections to the District retail service area depend upon the size of meter necessary.

President Miller suggested that she start using more water (i.e. more or longer showers to increase her water usage before the 20% reductions takes affect). Ms. Yuers stated that there are people in the District that don't care about others that have been here a long time and left the meeting. Director Tobin stated that she believes that Ms. Yuers misunderstood President Miller's comment on her using more water before the possible water reduction is in effect.

Mr. Saykally stated that SJWD is an efficient and frugal district but he would like to see other avenues considered before a rate increase is put into effect. Ms. Lorance voiced her appreciation for the District's efforts in obtaining grant funds, and the District will continue to apply for federal and grant funding.

President Miller closed the Public Hearing at 8:45 p.m.

2. Code of Ordinances

President Miller opened the Public Hearing at 8:47 p.m.

President Miller closed the Public Hearing at 8:48 p.m.

M/S/C to waive the reading of the Ordinances. 4 Aye votes.

The San Juan Water District Code of Ordinances is reviewed by the Board of Directors at least every three years, or as necessary. Between the Board reviews, staff reviews and recommends clarification or modification as necessary. Staff reviewed the Code and has recommended modifications.

Staff has reviewed the San Juan Water District Code of Ordinances and made a few modifications for consideration by the Board of Directors. The majority of the modifications are minor in nature. The modifications that are substantive are summarized below:

1. Move rates and fees out of the Code of Ordinances and reference a Board of Directors Resolution as approved by the board from time to time.
2. Schedule of Rates, Fees, Charges and Deposits, as modified to reflect planned increases in Capital Facilities Fees, rates, and other charges and fees. Rates will be revised after the public hearing. Charges and Fees will be available for review at the June 11 Board Meeting.
3. Section 1000.02: revised definition for Temporary Water to limit time to 120 days.
4. Section 9000.05 page 9-2: further define area around meter box to be 2 feet for greater.
5. Section 13000.01: clarified that the size of meter for a parcel or service will be determined by the District
6. Section 17000.03: Clarified that if a service is interrupted for five continuous years or more, or connection has never been established, then customer shall pay all current applicable fees and charges.
7. Section 18000.04.1: master meters- clarifies process for individual served by a master meter to assume responsibility for master meter water account after shut off due to delinquent payment.
8. Section 20000.03 D: increase the General Manager's authority to authorize removable encroachments into a District easement from \$2500 to \$15,000.

Under the Community Services District law, the District is required to hold a first reading at a regularly scheduled board meeting at least 5 days prior to the intended adoption date. The June 11 Board meeting is scheduled for the first reading of the Code of Ordinances, with adoption scheduled for the June 25 Board meeting.

Director Peterson commented about the revisions to Sections 14000 and 17000. Director Peterson voiced concern about the requirement for customers to pay all capital facility fees again if the water service was interrupted for more than five years. Director Peterson did not see the nexus, as the fees were already paid previously for facilities. The Board discussed the requirement to continue to maintain the facilities.

Staff was directed to review these sections and provide a recommendation at the June 25 Board meeting.

III. COMMITTEE REPORTS

1. Finance Committee 6/10/08

1.1 Review and Pay Bills and Claims

Bills and claims in the amount of \$1,239,606.35 were reviewed by the committee and found to be in order. Mary Morris noted that the payroll account reimbursement was larger this month due to three pay dates in the month of May. In accordance with recommended practices, the committee specifically reviews any credit card charges and reimbursements for the General Manager, Assistant General Manager and Finance & Administrative Services Manager. Other randomly selected bills were discussed by the committee. All were found to be in order.

M/S/C to approve Resolution 08-15. 4 Aye votes.

1.2 Alum Chemical Bids

Last month, the Board approved renewal of three water treatment chemical contracts in accordance with the contract renewal provisions. The alum vendor was unable to renew within the inflationary index, citing increased fuel costs and cost of alumina and sulfuric acid used in production of alum.

The District issued bids for alum and received one bid from the current vendor, General Chemical, in the amount of \$417.33 per ton, with an estimated total of 1,000 tons or \$417,330. Other vendors declined to bid based upon transportation costs and another purchases their alum from General.

M/S/C to award a contract to General Chemical based upon a bid of \$417.33 per ton with a total budget amount of \$417,330. 4 Aye votes.

1.3 Vehicle Replacement Purchase

The District has included replacement of utility Vehicle #12, F450 1.5 ton, in the Fiscal Year 2008-2009 budget. This vehicle was purchased in 1999, is at the end of useful life and has begun requiring considerable maintenance. Staff would like to order this vehicle prior to the fiscal year as June 30, 2008 is the last day to order from the State Contract Vehicle List and the vehicle will not be delivered until approximately August 31, 2008.

M/S/C to approve purchase replacement of vehicle #12 in the amount of \$46,712.72. 4 Aye votes.

1.4 Wholesale Metering Project

Previously, the Board authorized going out to solicit quotes for the wholesale metering project. Staff has completed review of the two quotes received and as of the finance committee meeting was in the final stages of ensuring the low quote Manufacturer/Supplier can meet the terms and conditions as outlined in the Request for Quotes (RFQ). The favorable Manufacturer/Supplier had noted several exceptions and staff was waiting for a response that this would not affect their ability to meet the terms. Staff received this confirmation on June 11, 2008 and is prepared to proceed with the project. The Quotes received were:

Company	Bid Amount
Endress and Hauser	\$331,784.64
ABB	\$492,887.13

M/S/C to approve award of contract to Endress and Hauser based upon a bid of \$331,785 with a total authorized budget amount of \$365,000. 4 Aye votes.

1.5 Time and Material Contract for Miscellaneous Construction Projects

In February, the Board awarded a one-year time and material contract for miscellaneous construction projects in the amount of \$75,000 to Petersen Construction. The District has begun using the contractor and is satisfied with their performance.

The District had several projects that were required to be completed ahead of schedule due to coordination with Placer County projects. These projects used about \$42,000 and the District has additional projects that need to be completed. The contract not-to-exceed amount needs to be increased and will still follow the project bidding schedule from the original contract.

M/S/C to approve increasing existing not-to-exceed amount from \$75,000 to \$150,000. 4 Aye votes.

1.6 Other Finance Matters

There were no other finance matters.

IV. INFORMATION AND ACTION ITEMS

1. General Manager's Report

1.1 New Provision for Board Rules

A recent Brown Act modification requires an update to the District Board of Directors Board Rules. Any non-confidential agenda materials that are made available less than 72 hours before a regular board meeting must be available for public inspection and copying. The following paragraph has been added to the

BOARD RULES UNDER RULE 13 – REQUESTS FOR COPIES OF AGENDAS AND AGENDA MATERIALS:

Documents and materials that are related to an open session agenda item that are provided to the District Board less than seventy-two hours prior to a regular meeting will be made available for public inspection and copying at the District office during normal District business hours. These documents will also be made available on the District's web site. (See Government Code section 54957.5.)

The following revisions have also been included in the Board Rules:

RULE 3 - TIME AND PLACE FOR REGULAR MEETINGS

The regular monthly meeting of the Board of Directors will be held at the District office on the second Wednesdays of each month, *with additional meetings the fourth Wednesday of May and June*, commencing at 7:00 p.m. The location, day and time for holding regular meetings may be changed by the Board of Directors from time to time by resolution. If a regular meeting falls on a holiday (as listed in Government Code section 6700), the meeting will be held on the day designated by the Board. (See Government Code section 54954(a).)

RULE 9 - PROTECTION OF RIGHTS OF DIRECTORS

One of the primary purposes for these rules of procedure is to protect the rights of all Directors. The President will allow each Director a reasonable opportunity to discuss a motion, after it has been made and seconded, and before it has been voted on. The President can set reasonable time limits for discussion of a motion. A Director can object to a procedural ruling by the President by stating: "Mr./Madam President, I rise to a point of order." The President must then ask the Director to state the point of order. The President will then rule on the point of order. The President's ruling on a point of order may be appealed by a motion made and seconded to appeal the decision, which is then voted on by the Board.

In order to assure that the Board's discussions and deliberations during a public meeting can be heard by the public, Directors are requested to refrain from engaging in other than oral communications on District matters during a Board or committee meeting (e.g., refrain from using written, electronic or telephonic communications that are not made available to the other Board members and to the public).

Due to the minimal requests for copies of Board Packets, any potential impact to the District budget will be minimal.

M/S/C to approve the updates to the Board Rules. 4 Aye votes.

1.2 Reclamation Updates the CVP Water Supply Allocation

Every year, the United States Bureau of Reclamation declares the water supply allocation for all Central Valley Project (CVP) contractors. During normal hydrological years, the allocation is 100% for Municipal and Industrial contractors.

The most recent CVP water supply allocation for SJWD is 70% of the average of the historical five years of usage. SJWD historical usage is shown in the following table:

SJWD Wholesale Water Usage

Calendar Year	Water Rights	PCWA	CVP	Total
2003	31953	13148	3548	48649
2004	33000	13988	8690	55678
2005	33000	12511	4558	50069
2006	33000	11370	10464	54834
2007	33000	12463	8002	53465
Average			7052.4	

SJWD will need to limit CVP water usage to 70% of 7052, or 4937 acre feet of CVP water. It is anticipated the reduction of 2115 acre-feet from the average usage can be accomplished through conservation, and if necessary, the usage of groundwater.

1.3 Water Forum Conservation Report

San Juan Water District signed the Water Forum Agreement in 2000, along with over 20 water agencies, many public agencies, environmental groups, and business groups. The purpose of the Water Forum Agreement is: *to provide a reliable water supply for planned development to the year 2030, and to preserve the Sacramento region's environmental crown jewel, the lower American River.*

One of the seven elements agreed to in the Water Forum Agreement is a conservation element. The Water Forum summarizes the status of each agency's water conservation activities in meeting the agreed upon level of action.

The Water Forum staff has released the 2005 and 2006 Water Forum Conservation report. San Juan retail service area has completed all the requirements, except for the commercial ultra low flow toilet replacements.

**M/S/C of appreciation for the excellent work done by the Conservation staff.
4 Aye votes.**

1.4 Groundwater Investigation Project

Agreements with the land owners to utilize property for test wells with option to purchase has been completed.

M/S/C to approve license agreements with property owners for test well drilling and possible property purchase. 4 Aye votes.

1.5 Groundwater Investigation Project

The groundwater investigation project is moving into the next phase; drilling test wells in areas within our service area that have the potential to produce sufficient groundwater for a municipal supply well.

Staff has determined that the test well drilling and subsurface exploration is exempt from CEQA (Categorical Exemption, California Public Resources Code Division 13 Section 21084; Title 14 California Code of Regulations, Article 19, Section 15306 – Class 6 Exemption for Information Collection). The test well drilling consists of basic data collection and resource evaluation which will not result in a serious or major disturbance to an environmental resource. The test wells are strictly for information gathering purposes as part of a study which may lead to an action that the San Juan Water District has not yet approved, adopted, or funded.

M/S/C to approve filing a CEQA Notice of Exemption for the project. 4 Aye votes.

1.6. Report Back Items

No report.

1.7 Correspondence

1.7.1 Congressional Briefing on Potential Water Rationing

1.7.2 Delta Vision Task Force

2. Assistant General Manager's Report

2.1 Report Back Items

No report.

2.2 Correspondence

No report.

3. Finance and Administrative Services Manager's Report

3.1 Report Back Items

No report.

3.3 Correspondence

No report.

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 ACWA Region IV

No report.

4.6 CVP Water Users Association

No report.

4.7 LAFCo

No report.

4.8 Other Reports

No report.

5. Legal Counsel's Report

5.1 Legal Matters

No report.

5.2 Other items

No report.

IV. PUBLIC FORUM

No comment.

V. UPCOMING EVENTS

1. State Advocacy Day
State Capitol
June 18, 2008
2. 2008 ACWA Fall Conference
Long Beach
December 2-5, 2008
3. Mike O'Bleness Retirement
July 12, 2008

CLOSED SESSION WAS NOT HELD.

VII. CLOSED SESSION

Conference with real property negotiator involving 8900 Golden Gate, Ramona Conner; 8861 Creek Oak Lane, Ralph Gonzales; 9551 S. Canyon Ct., Ivan Silchuk and 9550 S. Canyon Ct., James Wheeler. Instructions to the negotiator may include price, terms of payment, or both. (See Government Code sections 54954.5(b) and 54596.9)

VIII ADJOURN

The meeting was adjourned at 9:25 p.m.

Future Meeting Dates:

- June 25, 2008
- July 9, 2008

KENNETH H. MILLER, President
Board of Directors
San Juan Water District

ATTEST:

Sue Makimoto, Board Secretary