

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

June 25, 2008 – 7:00 p.m.

BOARD OF DIRECTORS

Ken Miller	President
Bob Walters	Vice President
Ted Costa	Director
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
George Machado	Field Services Manager
Judy Gagnier	Customer Services Manager
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

Madelaine Kiliany	Customer
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AGENDA ITEMS

- I. Consent Calendar**
- II. Committee Reports**
- III. Information and Action Items**
- IV. Public Forum**
- V. 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**
Approval of San Juan Water District's Board of Director's meeting minutes of June 11, 2008 was held over. No objections.

II. COMMITTEE REPORTS

1. **Legal Committee 6/16/08**
 - 1.1 **State Legislative Outreach Plan**

The general manager presented a draft State Legislative Outreach Plan to the committee. (Attachment A) The committee reviewed the plan and discussed the issues most important to San Juan Water District. The desired outcome of discussions with legislators is to become their resource on water issues.

1.2 Water Conservation Legislation/Regulations

The various water conservation bills currently working their way through the state legislature were discussed. Laird's AB 2175 and Wolk's AB 2882, as well as the CUWCC BMP's were discussed. The need to comply with BMP 11, requiring 70% of revenue to be from the volumetric portion of water rates, was also discussed. Staff will contact USBR to discuss ways to meet BMP until the water rates are adjusted.

1.3 Auburn Dam Water Rights

As requested by the Board of Directors, Paul Bartkiewicz developed a draft policy statement for the District to provide to the SWRCB public hearing on the proposed revocation of the Auburn Dam water right permits. The committee felt the document provided the right direction and was well written. The committee requested a summary statement with bullets that briefly summarizes the District's concerns with the intent to revoke the water right permits. The committee would like a board member to present the Policy Statement at the Hearing in July.

M/S/C to approve the Policy Statement. 5 Aye votes.

The Board weighed the benefits of submitting the statement in person versus mailing in the policy statement. The Board concurred with submitting the policy statement by mail.

The General Manager will submit the Policy Statement to the SWRCB.

1.4 Other Legal Matters

None.

III. INFORMATION AND ACTION ITEMS

1. General Manager's Report

1.1 District Code of Ordinances

Staff reviewed the San Juan Water District Code of Ordinance, and brought forward recommended revisions to the legal affairs committee. The committee discussed and commented on the suggested revisions.

The recommended revisions to the San Juan Water District Code of Ordinance were discussed at the Board of Directors meeting on June 11, 2008. The substantive revisions recommended by staff 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 11000: clarified that general manager has authority to rescind or suspend proposed discontinuance of service.*
6. Section 13000.01: clarified that the size of meter for a parcel or service will be determined by the District.
7. *Sections 14000 and 17000: revised from last version such that a connection that has a meter installed has paid all capital facilities fees. If there is not a meter installed, any capital facilities paid previously will be credited against the current fees.*
8. 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.
9. Section 20000.03 D: increase the General Manager's authority to authorize removable encroachments into a District easement from \$2500 to \$15,000.

Related to item number 7 above, staff had initially recommended a grace period of five years before a disconnected service is considered a new connection. After much review and discussion, staff has revised the recommendation as described above. Sections 14000 and 17000 are attached, with revisions shown in green.

Director Peterson requested clarification on the revisions to the Sections related to the capital facilities fees.

M/S/C to adopt proposed revisions to the San Juan Water District Code of Ordinances. 5 Aye votes.

1.2 2008-2009 Fiscal Year Budget, Rates and Fees

San Juan Water District utilizes a thorough process in developing the annual budget, rates and fees. The following tasks were scheduled by staff in the development of the initial budget:

Task	Responsibility	Due Date
Prepare personnel budget; budget vs. actual reports.	Finance/HR	2/29/2008
Distribute personnel budget, budget reports and forms.	Mary Morris	3/06/2008
Staff to return budget worksheets to Mary Morris.	Managers	3/28/2008
Incorporate department budget into draft budget.	Sue Amentler	4/04/2008
Provide preliminary budget to Finance Committee.	Mary Morris	4/08/2008
Discuss rate increase policy.	Board of Directors	4/09/2008
Review budget; determine capital program budget.	Managers	4/16/2008
Complete preliminary budget.	Mary Morris	4/30/2008
Present FY 2008-2009 Budget to Finance Committee.	Mary Morris	5/14/2008

	Incorporate budget changes from Finance Committee.	Mary Morris	5/16/2008
	Mail Budget Document to Board of Directors.	Mary Morris	5/16/2008
	Present Proposed Budget to Board of Directors.	Mary Morris	5/28/2008
	Open Public Hearing for Fiscal Year 2008-2009 Budget.	Board of Directors	6/11/2008
	Adopt Fiscal Year 2008-2009 Budget.	Board of Directors	6/25/2008

In addition to the above tasks, the Board took extra steps to provide public notification of the proposed rate increases.

A postcard was mailed to all retail customers in April notifying customers the Board of Directors was considering a retail rate increase of "up to 9%". The post card also provided a schedule for the public hearing and adoption of the final budget, fees and charges.

The wholesale agencies were notified of the potential rate increase, as well as the schedule for adoption of the wholesale budget, rates and fees, through discussions with the general managers, as well as discussions at the executive committee. Each wholesale agency also receives the Board of Directors Board Meeting agendas.

The board conducted a public hearing at the June 11, 2008 Board Meeting. Six retail customers attended the public hearing and asked questions of the board and staff related to the capital improvement costs, as well as the relationship between the wholesale water rates and the retail water rates.

After consideration, the Board of Directors directed staff to provide a revised budget that included the reduced wholesale increase from 25% to 19%, and a corresponding retail rate increase of 7% for consideration at the June 25 Board Meeting.

Shauna Lorance provided an overview on the 2008-2009 Fiscal Year Budget, Rates and Fees. (Attachment B) Based on the confusion that was generated at the June 11 public hearing, Ms. Lorance recommended revisions to the process used to adopt the wholesale and retail rate increases, as well as the Fiscal Budget. The following schedule of events was recommended for next years budget process:

April

Finance Committee: review general overall budget items and wholesale portion of the budget and any potential wholesale rate increase

Board Meeting: first discussion of general overall budget items and wholesale portion of the budget and any potential wholesale rate increase

May

Finance Committee: review any revisions to the wholesale portion of the budget

1st May Board Meeting: Public hearing on wholesale rates and wholesale portion of budget

2nd May Board Meeting: Consider Adoption of wholesale rates, discuss retail portion of budget and any potential retail rate increase

June

Finance Committee: review any revisions to the retail portion of the budget

1st June Board Meeting: Public Hearing on retail rates and budget

2nd June Board Meeting: Consider adoption of retail rates and budget

For clarity, the Wholesale Rate Increase, Retail Rate Increase and the 2008-2009 FY Budget will be considered as separate resolutions.

M/S/C to approve Resolution No. 08-16 adopting the Wholesale Rate Increase of 19%. 5 Aye votes.

Director Walters suggested that next year, Bob Reed be present at the Budget hearing to be available for questions.

The Directors discussed the option of a 9% retail rate increase with 2% being put into a reserve fund for future emergency issues. \$150,000 was put into this fund last year. The need to continue to add to this reserve fund is crucial as the capital projects for emergency water supply are projected to be significant. Director Costa would like to see the project paid for on a pay-as-you-go basis if possible.

Director Peterson discussed the Third Tier (landscape efficiency) rate and questioned the lower rate. Considering the recent article in the newspaper which stated that SJWD has the highest per capita water user in the area, possibly the state, the Third Tier rate does not promote conservation. Ms. Lorance stated that years ago, a Customer Rate Resource Committee recommended to the Board the design for the meter rate structure (based on conservation stages) and the Board took action to agree with the committee. Discussions took place on CVP water. Director Peterson believes Tier three rates need to be adjusted.

The proposed 7% retail rate increase covers the District's proposed budget and completion of the capital projects as scheduled. If the Board chooses to increase the retail rates by 9%, approximately \$150,000 would be put into a reserve fund for facilities to provide emergency water supply to the retail service area. The actual costs for these facilities has not yet been identified, but are estimated to be in the millions of dollars range.

Discussions took place regarding the Laird bill and how that may affect the District's rates and budget.

Director Peterson voiced his opposition to the Third Tiered Rate Schedule.

Director Peterson is comfortable with the overall budget but would like the Tiered Rate Schedule reviewed.

The Directors discussed the process of reviewing the Tiered Rates, including background, cost of service, who is affected, etc.

M/S/C to approve Resolution No. 08-17 to adopt the Retail Rate Increase of 9% with 2% (\$150,000) going into a reserve fund. 4 Aye votes. 1 Noe vote (Peterson).

M/S/C for staff to research the Third Tier Rate Schedule and present findings to the Finance Committee for review and consideration. 5 Aye votes.

M/S/C to approve Resolution No. 08-18 to adopt the 2008-2009 Fiscal Year Budget with correction of \$150,000 added to the retail revenue and reserve fund line items. 5 Aye votes.

No objection to changing the annual budget process as noted in Ms. Lorange's presentation.

1.3 Sacramento First 5 Grant Funds

AB 733 became law in 1995, and required the Department of Health Services to adopt regulations that require the fluoridation of the water of any public water system that has at least 10,000 service connections according to a prescribed schedule based upon the lowest capital cost per connection. This bill provides that a public water system scheduled to fluoridate pursuant to the bill is not required to comply until funds sufficient to pay capital and associated costs for the system have become available from any source other than ratepayers, shareholders, local taxpayers, or bondholders of the public water system. This bill would also exempt a public water system from complying with this fluoridation requirement and the related regulations adopted by the department in any fiscal year that funds are not appropriated, or made available from sources other than ratepayers, shareholders, local taxpayers, or bondholders of the public water system, for new capital operation and maintenance costs.

Sacramento First 5 Commission has funds available to fund fluoridation feasibility studies. At the May 28 board meeting, the general manager was authorized to apply for these funds. The general manager met with the Sacramento First Five staff on June 12, 2008. A letter has been sent to the Commission requesting up to \$75,000 in funding (the maximum allowed). The Commission is scheduled to approve the request at their July meeting. Once approved, staff will issue a request for proposals for an engineering firm to complete the feasibility study.

1.4 Metro Chamber State Advocacy Day

Shauna Lorange and Keith Durkin participated in this event. Issues and positions of the Sacramento Metro Chamber were discussed with multiple legislators and staff.

1.5 Water Treatment Plant Raw Water Pipeline Project

Bids were received for construction of the 54-inch raw water pipeline project at the water treatment plant (the “Hydraulics Improvements Project”) through the Corps of Engineers in March of this year. The bids were rejected because the cost for the project was higher than expected in large part because of the contract requirements and bidding procedure the Corps used to obtain bids. The Board directed staff to re-bid the project using the District’ standard construction requirements and approach to bidding.

The construction documents were revised and the project was advertised for bidding in May. Bid documents including bonds, contractor license status, etc. were reviewed for completeness and acceptability. The engineer’s estimate for construction is between \$2.5 million and \$3 million. The project has been included as a carry over project in the FY 08-09 budget.

Eight construction bids were received on June 19th. They are summarized as follows:

Contractor Name	Bid Amount
Preston Pipelines, Inc.	\$1,949,500
Mountain Cascade, Inc.	2,020,000
Teichert Construction	2,059,525
T&S Construction Company	2,357,857
<i>Engineer’s Estimate</i>	<i>2,500,000</i>
McGuire Hester	2,576,000
JJM	2,776,591
Syblon Reid	2,783,300
Navajo Pipelines, Inc.	2,951,250

Bid documents for the lowest three bidders were reviewed for completeness and acceptability:

1. Bid documents and forms are complete with all blanks filled in, and signed by an officer with apparent authority.
2. The bid schedule figures are complete and clear.

3. Bid bonds were provided and are adequate in form and amount and signed by an attorney in fact with authority.
4. The bond sureties are admitted surety insurers in California.
5. The contractors are properly licensed by the Contractors' State License Board.
6. The contractors are eligible to bid, work on, or be awarded, a public works project.

For the record, Shauna Lorance disclosed that her husband works as an operator for Preston Pipeline. He is not an owner, so there is not a legal conflict of interest, but Ms. Lorance wanted to provide full disclosure to the public.

Keith Durkin has reviewed all bids and will be the contact person on this project. Should any issues arise, the General Manager will inform the Board President.

M/S/C to award the construction contract for the Water Treatment Plant Raw Water Pipeline Project to Preston Pipeline, Inc. for the amount of \$1,949,500 with a total authorize construction budget of \$2,144,450. 5 Aye votes.

1.6 Retail Service Area Groundwater Investigation Study

Exploration drilling is currently out for to bid. The District will begin the CEQA process to be ready should the exploration drilling identify a potential for a production well.

1.7 Report Back Items

No report.

1.8 Correspondence

1.8.1 Water Use per Acre Information (Attachment C)

The recent newspaper article showed SJWD as the highest per capita water user in the region. Staff reviewed the water use per acre of land for the District retail service area as compared to the other wholesale agencies, and the District retail service area has a lower per acre water use than any of the other agencies. The District retail service area has larger lots, resulting in a lower per capita per acre. The per capita water use figure is misleading when compared to the per acre number.

1.8.2 The Bypass Pipeline proposals are due in July. Depending on the selection process required, a special board meeting may be called towards the end of July to award the contract.

President Miller informed the Board that he sent Ms. Pamela Yuers a letter of apology in response to her letter sent to the Board regarding the June 11th meeting. Director Tobin stated that unfortunately Ms. Yuers took President Miller's comments out of context.

Director Peterson stated that the Corp letter dated 6/19/08 on the Section 219 Hydraulic Improvements Project was a counter punch. Shauna Lorance assured the Board that Keith Durkin has all the background correspondence regarding this issue and he has responded to all of their requests in a timely manner. Ms. Lorance will be setting a meeting with the Colonel to discuss this issue. She will inform the President of the meeting time/date so that a Director may accompany her.

Director Peterson asked if the District is going to respond to the water conservation articles. This issue can be brought before the Public Information Committee or the Conservation Committee for discussion on whether the District should respond and if so, how. The Directors discussed the pros and cons of responding. Director Peterson believes this article destroyed the District's credibility. Ms. Lorance had done damage control and spoke with several media contacts emphasizing the District's water use per acre. A press release or letter to the editor can be issued or inform our customers of the correct information. Ms. Lorance reported that in the past, the Board has not responded and instead chose to let the issue go away on its own. Director Peterson is concerned about the impact on the District's water supply. Paul Bartkiewicz stated that the facts are basically correct so a retraction would likely not be printed. He suggested informing our customers about the per acre water use, and to request efficient water usage. With the Governor declaring a drought emergency, there is significant concern for next year and the lack of water for health and safety purposes. It would be beneficial to develop data in a more accurate reflection of the District's regional water use and provide it in a positive way to the customers. Director Walters stated that the District should offer the three local newspapers an opportunity to come and see what the District is doing.

The General Manager summarized the discussion for clarity: the District has adequate data available to respond to any requests for information. The District will not respond to the articles in the press.

Director Costa stated that the General Manager did a good job and handled this issue the way it should have been handled. President Miller emphasized the apple-to-apple comparison concept related to per capita and per acre water use.

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

3.3.1 The IRS has increased the mileage rate reimbursement from 50.5 to 58.5 cents per mile effective for miles driven July 1, 2008 through December 31, 2008. Director Reimbursement Forms have been updated.

4. Directors' Reports

4.1 SGA

Director Tobin provided a report. (Attachment D)

4.2 RWA

Director Tobin provided a report. (Attachment D)

4.3 Executive Committee

Director Peterson stated the Executive Committee reviewed ongoing issues on 6/24/08.

4.4 ACWA/JPIA

No report.

4.5 ACWA Region IV

Director Peterson reported on the 6/19 Delta Issues Forum to develop a Region IV Policy on the Delta. Representatives from the five counties: Yolo, Solano, San Joaquin, Stanislaus and Sacramento attended and gave their views. Keith Durkin represented Sacramento. The meeting was well received with good input. A Region Membership meeting will be held on 7/15/08 at SSWD and the Region Board is meeting prior to discuss the policy.

4.6 CVP Water Users Association

Director Costa reported that research is being conducted on the Sacramento Regional Waste Water Treatment Plant release of ammonia into the Sacramento River. There is concern that the ammonia may be a factor in the decline of the Delta Smelt.

4.7 LAFCo

No report.

4.8 Other Reports

No report.

5. Legal Counsel's Report

5.1 Legal Matters

Paul Bartkiewicz reported on:

- AB 2882 – water allocation pricing. Recent amendments that are not in print as yet will address some concerns of the District. Report update next board meeting.
- AB 2175 – Laird conservation. Pending amendments that are going in favor of the District. Report update next board meeting.

- Delta Issues: 1) State Board issued a draft Strategic Plan on the Delta that has water rights implications upstream. 2) Delta Vision Blue Ribbon Task Force issued a draft Strategic Work Plan which is a staff developed document and not from the Task Members. The Work Plan does not appear to be as bad as feared. 3) Water Bond has been resurrected again. New polling will be done to determine the attitude of the public due to the state of the economy.

IV. PUBLIC FORUM

No comment.

V. UPCOMING EVENTS

1. Mike O'Bleness Retirement Dinner
Lake Natoma Inn
July 12, 2008
2. 2008 ACWA Fall Conference
Long Beach
December 2-5, 2008

VI. ADJOURN

The meeting was adjourned at 9:03 p.m.

Future Meeting Dates:

- July 9, 2008
- August 13, 2008

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

ATTEST:

Sue Makimoto, Board Secretary