

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

April 8, 2009 – 7:00 p.m.

BOARD OF DIRECTORS

Bob Walters	President
Ted Costa	Director
Kenneth Miller	Director
Pam Tobin	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Judy Gagnier	Customer Service Manager
George Machado	Field Services Manager
Rick Hydrick	Retail Operations Manager
Paul Bartkiewicz	Legal Counsel

OTHER ATTENDEES

Madeline Kiliany	Public Member
Mike	Student
Theresa	Student

AGENDA ITEMS

- I. Consent Calendar**
- II. Presentation**
- III. Committee Reports**
- IV. Information and Action Items**
- V. Public Forum**
- VI. Upcoming Events**
- VII. 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 March 11, 2009.

M/S/C to approve Board of Director's Meeting Minutes for March 11, 2009. 4 Aye votes.

II. PRESENTATION

There was no presentation.

III. COMMITTEE REPORTS

1. Personnel Committee (3/20/09)

1.1 WTP Reorganization

A Human Resources Master Plan was completed in 2005, and included the addition of a Wholesale conservation position (water resource analyst) and a CIP engineer.

Staff reviewed the Master Plan, and recommended to the committee that a few revisions be made.

- The WTP manager be included under the Operations Manager as a temporary revision to allow training (previously approved by the Board of Directors)
- The Engineering Department be moved to report directly to the Assistant General manager (previously approved by the Board of Directors)
- Delete the Wholesale Operations Manager position. This is a big step in eliminating one of the positions that was recommended in the Human Resources Master Plan. The District operates on a very slim staffing level, but thinks it is possible to remove this position. If additional requirements in the future required the reinstatement of this position, staff will discuss with the Board of Directors in the future.
- Create Chief Operator and Maintenance Chief positions. The WTP Manager currently has 8 direct reports. Staff recommended designating one of the treatment operators as Chief Operator, and the Instrument Technician as Maintenance Chief. This will allow the WTP Manager to have two direct reports in addition to overseeing the entire WTP operations.
- Place the CIP engineer in the engineering department under the Engineering Manager.

The total increase in salary costs as compared to current salary costs, including benefits, is approximately \$7500 per year. The relatively small increase in costs is due to the offset in costs through the elimination of the Wholesale Operations Manager, combined with increased costs are from the creation of the Senior Engineer (CIP Engineer), and the upgrading of the Chief Operator and Maintenance Chief positions.

The Personnel Committee requested staff develop updated organizational charts showing revisions since the Human Resources Master Plan, as well as the proposed changes included above. There are four figures attached to these minutes:

1. Existing District Wide Organizational Chart
2. Proposed District Wide Organizational Chart
3. Existing Wholesale Operations Organizational Chart
4. Proposed Wholesale Operations Organizational Chart

Director Costa would like a line drawn between GM and AGM on the Organizational Chart. He would also like a box added for Legal Counsel and a dashed line from the BOD to Executive Assistant.

M/S/C to approve adoption of revised organizational chart. 4 Aye votes.

1.2 Merit Increase Processes

Staff reported that in January, 11 staff members received merit increases that ranged between 2.1% and 5%, with an average of 3.3%. The total % increase in payroll costs is approximately 0.86%. The committee discussed the need to draft a written policy for merit increases that includes the comparisons to PERS assumptions. Staff will draft a policy for review by the personnel committee.

Director Costa asked to consider changing the date of merit increases to the end of Sept as done by other agencies. Ms. Lorance pointed out those agencies are on a calendar year. Doing her review in January with April increases for staff works with our fiscal year. She will develop a draft policy for review by the personnel committee.

1.3 General Manager's Employment Contract

The committee discussed the need to revise the General Manager's employment contract to include a new date for a cost of living comparison, such as the November CPI, with the annual evaluation remaining in January. The committee requested staff to bring back recommendations for revisions at the next personnel committee meeting

1.4 Other Personnel Matters

None.

2. Public Information Committee (03/24/09)

2.1 Review Water Gram

Before reviewing the May/June Water Gram, Shauna Lorance informed the Committee that the draft article on the drought is likely to change pending the outcome of the Executive Committee meeting this afternoon. USBR announced a 55% allocation to CVP contractors last week based on March 1 snowpack and lake levels. Due to March storms, the snowpack is likely to be at 100% and lake levels between 60-70% of average when the April 1 measurement is conducted. Ms Lorance said she would like to revert to the Stage 2 Water Alert because there is a difference between a 20% reduction as a drought response and the long-term 20% reduction by 2020 declared by the Governor; the wholesale agency managers, however, would like to retain the Stage 3 requirement. The Executive Committee meets today and will come to a resolution on the appropriate conservation stage. The

committee reviewed the remaining articles for the May/June Water Gram and recommended a few revisions.

Director Miller asked Ms. Lorange to report on this because, at the time of the PIC meeting, the Conservation Stage declaration was pending the outcome of the Executive Committee meeting. Ms. Lorange reported that she was out-voted at the Executive Committee; all other managers wanted to remain at Stage 3 with a 20% voluntary reduction. Director Miller said he is opposed to this; Ms. Lorange recommended we wait for the April 20 allocation assessment to make a decision.

2.2 Review postcard to announce public hearing on proposed rate Increase

The Committee reviewed the 2008 postcard and approved the same format for the 2009 postcard. The postcard will be mailed 45 days prior to the June 10 public hearing. Director Miller requested a handout be available at the public hearing to summarize how the FY08-09 increase was spent and how the recommended FY09-10 rate increase will be used.

President Walters asked how funds set aside for pay-as-you-go reserves are protected. Legal Council said if the funds are not legally committed, legislature could take the funds. Ms. Lorange will work with Ms. Morris to allocate reserves to specific funds.

2.3 Update on Educational Information for Customers

Shauna Lorange announced that ACWA would like to partner with National Geographic to educate the public on state water supply challenges. The first issue is going to focus on water use efficiency. National Geographic wants a purchase commitment from water agencies for the semi-annual 20-page publication before continuing discussions. Cost to SJWD Retail customers would be approximately \$15,000 annually; \$100,000 for Wholesale customers (excluding postage). Director Miller stated he would rather we educate our customers about local issues with concentration on water conservation. The Committee agreed that an education program is necessary and will discuss further at the next meeting.

2.4 Other Public Information Matters

There were no other public information matters to discuss.

3. Legal Affairs Committee (3/24/09)

3.1 Chlorination System Improvements Project

Keith Durkin provided the committee background on the ongoing construction work being completed by Division 5-15, Inc. (D5-15). D5-15 continues to fall farther behind on the work; their most recent schedule now shows a projected completion date of July 7th. The contract date of

completion is May 8th based on the original required date of completion of February 25th plus additional days allowed for changes to the work.

Staff has had several meetings with D5-15 to review their proposed work sequence, assess the factors that have affected the schedule, and identify efforts that D5-15 can make to recover time such as working overtime and using additional workers. The District has provided “generous” time extensions for change order work, additional time extensions to accommodate D5-15’s scheduling problems even though there was no benefit to the District, and time extensions to account for extra days the District needed to review submittals and shop drawings. Staff feels the District has been more than fair in granting time extensions to D5-15, and that D5-15 has not reciprocated with additional efforts to control or accelerate their work and recover the schedule. They have in fact resisted any efforts, such as overtime or weekend work that could affect their profit.

The project delay will result in significant cost impacts to the District. The costs are associated with additional construction management and inspection, additional maintenance on the existing chlorination system, and additional District administration. There are also daily operational impacts due to the ongoing construction at the site.

The committee thoroughly discussed options for addressing D5-15’s failure to meet the required construction schedule and the impacts to the District. The options include:

- Terminate D5-15 for default in accordance with provisions of the contract. The committee agreed this is not a preferred approach since the project still needs to be completed and there would be additional time and expense to complete the project with another contractor.
- Enforce the contract time of completion, which is currently May 8th, and assess liquidated and actual damages to recover any extra costs to the District if D5-15 fails to complete the project on time.
- Obtain a “best case” schedule from D5-15 that includes means and methods to accelerate the schedule, and then enforce this best case projected time of completion. This approach would provide additional time to D5-15, but could still result in damages being assessed if they failed to meet the new schedule. This approach might also avoid potential claims and litigation.

M/S/C to approve Board support of the General Manager’s enforcement of the project time of completion in accordance with the construction contract, including assessing actual and liquidation damages as appropriate for Division 5-15 Inc.’s failure to complete the project on time. 4 Aye votes.

3.2 Other Legal Affairs Matters

None.

4. Finance Committee (04/07/09)

4.1 Review and Pay Bills

Bills and claims in the amount of \$2,734,635.37 were reviewed by the committee and found to be in order. 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.

Director Costa asked how difficult it would be to list payments to Directors and employees together at the end of the list of bills and claims rather than alphabetically as it is currently done. This would simplify review of these items. Staff will research and report back.

M/S/C to approve Resolution No. 09-08. 4 Aye votes.

4.2 Water Treatment Plant Valve Actuators

The water treatment plant operators need to replace the motorized valve actuators on 18 of the 24 filter effluent valves. The valves and actuators are original equipment from the plant construction. For compatibility with the existing valves and instrumentation system, and to facilitate maintaining spare parts and service, staff would like to purchase EIM valve actuators. There is a single distributor in northern California so this would require a sole brand, sole vendor purchase.

\$125,000 has been budgeted for the actuators. Staff received a quote of \$99,888 plus freight from the vendor. After some negotiation, staff received a revised quote of \$79,173 including shipping for the actuators.

Director Costa requested we add 10% to the contract amount.

M/S/C to approve the sole brand, sole vendor purchase of Valve Actuators for a contract amount of \$79,173 with a total project authorization of \$87,000. 4 Aye votes.

4.3 Annual Paving Restoration Contract Renewal

The annual paving contract is up for renewal on April 15th. Staff has been satisfied with the performance of Central Valley Engineering and Asphalt, the contractor that was awarded the paving contract for this past year. The paving contract allows for a one-year renewal at the discretion of the District and provides for prices to be increased according to the ENR construction cost index. Although this index would allow a price increase,

Central Valley Engineering and Asphalt has agreed to hold their current pricing for an additional year.

M/S/C to approve contract renewal for annual paving restoration with Central Valley Paving and Engineering for a not-to-exceed amount of \$130,000. 4 Aye votes.

4.4 Overview of Wholesale Rates and Budget

The committee briefly reviewed the budget information provided in the staff report from Mary Morris, copy attached. This information will be discussed under the General Managers report at the April 8th Board Meeting. Director Miller requested that the retail rate increase impact on the District's customers be provided on a dollar basis, not just a percent basis. Staff will research and report back.

4.5 Debt Financing Process Update

The committee reviewed the debt financing process information provided in the staff report from Mary Morris, copy attached. Staff has discussed the debt financing process with the Board at several meetings. The majority of the Board did not state any concerns with the debt issuance, so staff is proceeding with the process.

Staff has worked with the financial advisor and legal counsel to prepare and execute the financial advisory services agreement. The fees for the financial advisory services are contingent upon issuance of the debt and are collected at the time of closing. Staff originally estimated the fees to be \$40,000; however, the fees will be \$45,000 for the financial advisor and \$17,500 for the credit rating process, for a total not-to-exceed amount of \$62,500. The credit rating process will be done in lieu of bond insurance (\$128,000 for the \$27M issuance in 2003) which will result in a net savings of \$110,500 to the District.

An updated schedule is provided in the attached staff report for further detail on the expected sequence of events.

4.6 Other Finance Matters

There were no other finance matters to discuss.

IV. INFORMATION AND ACTION ITEMS

1. General Manager's Report

1.1 2009-2010 Fiscal Year Budget

This item was reported on under the finance committee report.

1.2 Recruitment Status

The General Manger reported on the status of the current recruitment efforts. Over 150 applications were received for the administrative assistant position, and interviews are scheduled for the end of April. A relatively small number of applications were received for the senior engineer position. Interviews are also scheduled for the end of April. The applications for the water resources analyst position were quite varied, and more difficult to evaluate. Interviews will be held in early May.

1.3 State Legislature

The General Manager and John Woodling, RWA Executive Director, met with Alf Brandt, staff for the Assembly Committee on Water, Parks and Wildlife to discuss the conservation requirements in AB 49. Staff sent a letter to Mr. Brandt detailing the items of discussions.

1.4 Report Back Items

1.4.1 Water Supply Status and Conservation Stage Discussions

This item was discussed under the Public Information Committee report above.

1.5 Miscellaneous District Issues and Correspondence

No report.

2. Assistant General Manager's Report

2.1 USBR Bypass Pipeline Project

The Assistant General Manager reported on the status of the project. The District, City of Roseville, and USBR agreed to proceed with the design and construction of the bypass pipeline. The District is taking the lead on the design and construction of the main pipeline section, including completing the necessary CEQA/NEPA compliance. USBR is completing the design and construction of the tie-ins to the existing pipeline and pumping plant.

USBR has completed the design for their portion of the project. USBR is in the process of hiring a contractor for construction.

The District received the 70-percent design submittal for the main pipeline work on March 27th. Based on the current schedule, design documents should be complete and ready for bidding by the end of May. The project is on schedule and budget.

The administrative draft of the Environmental Assessment and Initial Study (EA/IS) has been reviewed by the District and City of Roseville and is now under review by USBR. The EA (NEPA) proposes a finding of no significant environmental impact (FONSI) and the IS (CEQA) proposes a Mitigated Negative Declaration. After USBR review is complete, the EA/IS will be

made available for a 30-day public review and comment period. After the comment period, the Mitigated Negative Declaration will be brought to the Board for approval.

USBR, as the Federal agency on the project, is the lead agency for NEPA, and they will approve the FONSI.

2.2 Wholesale Capital Improvement Projects

The Assistant General Manager provided a slide presentation showing photographs of the ongoing construction for the Raw Water Pipeline Improvements Project, the Chlorination System Improvements Project, and the Wholesale Metering Project.

2.3 Report Back Items

There were no report back items.

2.4 Miscellaneous District Issues and Correspondence

No Report.

3. Finance and Administrative Services Manager's Report

3.1 Report Back Items

There were no report back items.

3.2 Miscellaneous District Issues and Correspondence

3.2.1 CalPERS Facts at a Glance: Investment

4. Directors' Reports

4.1 SGA -no report

4.2 RWA -no report

4.3 Executive Committee- minutes for March 24, 2009 were attached

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

4.7 Other Reports

Director Tobin requested that we purchase USA-made pens in the future.

5. Legal Counsel's Report

5.1 Legal Matters

Mr. Bartkiewicz reiterated that water conservation is a hot topic in government. 20% by 2020 **IS** coming. ACWA supports the Governor's goals. We **WILL** have some level of mandatory conservation. There has been discussion of fees assessed to move water (taxes on consumption, etc.)

V. PUBLIC FORUM

1. Public Comment

There was no public comment.

VI. UPCOMING EVENTS

1. ACWA Spring Conference & Exhibition 2009

May 19-22, 2009

Sacramento

2. District Picnic

June 13, 2009

Newcastle, CA

VII. ADJOURN

The meeting was adjourned at 8:18 pm.

Future Meeting Dates:

- May 13, 2009
- May 27, 2009
- June 10, 2009
- June 24, 2009

Bob Walters, President
Board of Directors
San Juan Water District

ATTEST:

Shauna Lorance, Board Secretary