

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

May 13, 2009 – 7:00 p.m.

BOARD OF DIRECTORS

Bob Walters	President
Dave Peterson	Vice-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
Mary Morris	Finance and Administrative Services Manager
Judy Gagnier	Customer Service Manager
Rick Hydrick	Operations Manager
Paul Bartkiewicz	Legal Counsel
Rob Watson	Engineering Services Manager

OTHER ATTENDEES

John Woodling	RWA
Bob Reed	The Reed Group
Bob Churchill	CHWD
Tom Gray	FOWD
Marty Johnson	Public Member
Randy Marx	FOWD Board of Director
Dan Gilliam	FOWD Board of Director
Dave Beauchamp	Public Member
Mike Nisenboym	FOWD
Mark Salmon	RW Beck
Vicki Sacksteder	Public Member
Sandy Harris	Public Member

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 April 8, 2009.**

M/S/C to approve Board of Director's Meeting Minutes for April 8, 2009. 4 Aye votes, 1 abstention. Director Peterson abstained from voting as he was not in attendance at the April 8, 2009 meeting.

II. PUBLIC HEARING/PRESENTATIONS

- 1. Sacramento Region Conservation Activities—John Woodling, RWA**
- 2. Quarterly Investment Presentation**
- 3. Quarterly Financial Presentation**
- 4. Proposed Fiscal Year 2009-2010 Non-Operating, Wholesale and Capital Budget**

There was general discussion between board members and staff regarding the budget. Director Peterson commented that with the current state of the economy, we need to be very deliberate in the amounts of funds spent this year. He also noted that FOWD had approached him with concerns that Wholesale was subsidizing San Juan Retail, and that the SJWD Board was spending frivolously. He requested further discussion on the following items:

1. The wholesale budget provided to the board had retail components interwoven, and it was impossible to check on FOWD's concern about wholesale subsidizing retail.
2. In the CIP, Admin Building repairs and improvements were allocated nearly 100% to wholesale. Director Peterson said the Admin Bldg is used by both Wholesale and Retail, so staff should revisit the allocation.
3. Throughout the budget, comparison is shown between proposed 2009-10 budget and 2008-9 budget, rather than between the 2009-10 budget and 2008-9 projected actual expenditures. New budgets should be compared to actual expenditures, because they reflect the actual cost of doing business.
4. In the staff report, labor cost increases were summarized to be about \$144,000, yet in the budget tables, the labor cost increase compared to projected actual 2008-9 expenditures was \$988,081, as a result of four positions being vacant for a large portion of the year. This represents a 21.7% increase from the amount spent last year, but a decrease from the budgeted labor costs from last year. Also, the

\$62,500 merit increase identified in the staff report is over 2 times the actual 2008-9 merit increase (approximately \$27,000 combined retail/wholesale merit increase). The projected increases in labor costs need to be discussed further, including both staffing levels and salary/benefit increases.

5. Debt Service transfers in on the wholesale worksheet could not be matched up with the numbers on the Debt Service worksheet
6. The assumptions for projected revenue from retail and wholesale connections should be revisited.
7. The numbers in the "WS Increase" sheet cannot be tied back to any other sheet. Need to clarify.

President Walters referred these issues to the finance committee for further discussion.

Randy Marx asked for a copy of our proposed capital projects.

III. COMMITTEE REPORTS

1. Legal Affairs Committee (05/06/09)

1.1 Customer Capital Improvement Fees

Shauna Lorance provided the committee background on a customer who has an acreage agreement with the district and restricted water use. This customer exceeded his annual water budget in 2007 and felt he could stay within his water budget after making modifications to his irrigation system. The customer exceeded his annual water budget again in 2008 and Judy Gagnier advised him that additional fees are due at the current rate. He asked for approval to pay 2008 fees instead of the 2009 fees now due. The Committee discussed and agreed that the General Manager is correct in adhering to existing policy and not negotiating different deals with different customers without justification. The General Manager will issue an invoice for payment of the 2009 fees. A payment plan is available should the customer choose that option.

1.2 Other Legal Affairs Matters

The General Manager discussed an article in the Capitol Blog regarding the potential for Proposition 1A to be implemented to meet the state budget deficit if the May special election propositions do not pass.

The General Manager discussed AB49, which mandates a 20% statewide reduction in water use by 2020. The bill references an implementation plan that is to be developed by the Administration. This plan is already in process, and the final draft has been released. The final draft focuses on a gallons per day per capita approach, with a requirement of 176 gallons per capital per day by 2020. The District currently has a per capita use of over 450 gallons per day. SJWD retail customers would be required to reduce water consumption by 60%. Comments are due by May 22, 2009.

The Chlorination System Improvement Project has passed the extended project completion deadline. The next invoice will include withholding for liquidated damages.

2. Conservation Committee (05/08/09)

2.1 Current Legislation

The committee reviewed discussion from the night before at the Board Workshop on AB 49 and the DWR implementation plan for 20% at 2020. The General Manager informed the committee that John Woodling from RWA would be attending the May 13, 2009 board meeting to give a presentation on conservation in the region.

The committee also discussed SB 681 (Pavley) that is introduced to provide the State Water Resources Control Board additional authorizations to initiate stream adjudications, as well as interim orders without sunset clauses.

The recent SWRCB public hearing on the Sonoma County Water Agency's request to reduce flows in the Russian River was summarized by the General Manager and Legal Counsel for the committee.

2.2 RWA Conservation Policy

The Regional Water Authority has developed a draft conservation policy. The procedure for adopting a formal policy for RWA requires an affirmative vote from each of the members. RWA is in the process of soliciting an affirmative vote from each of the agencies. SJWD has supported the Conservation Policy. The committee also discussed that it would be very helpful to have the RWA assist in getting the information out on the potential impacts of the proposed conservation requirements in the DWR 20 by 2020 implementation plan.

2.3 Other Conservation Matters

The Sacramento Water Forum is in the process of updating the conservation element of the Memorandum of Understanding signed by all WF participants. The original Water Forum conservation element had a static set of Best Management Practices (BMPs) developed in 2000. With the CUWCC BMPs being modified, agencies were having to develop two sets of data to track progress on two sets of BMPs; the Water Forum set and the CUWCC set. The water agencies favored revising the WF BMPs to match the CUWCC BMPs. After much discussion (four years) it was tentatively agreed to match the CUWCC BMPs, with one additional requirement. Any agency requesting a waiver from a BMP would have to have an independent study completed showing how the agency was complying with the requirements to receive the waiver.

The committee supported staff's recommendation to support the revision of the Water Forum Conservation Element as discussed. When the final documents are completed, they will be brought to the Board for approval.

3. Finance Committee (05/12/09)

3.1 Review and Pay Bills

Bills and claims in the amount of \$1,959,687.40 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.

M/S/C to approve Resolution 09-09. 5 Aye votes.

3.2 Chemical Bids

The District received the following annual chemical bids and recommends awarding to the lowest responsive, responsible bidder for each chemical:

Chemical	Company	Unit Price		Bid Total
Liquid Alum	General Chemical	\$397.33		\$397,330.00
	Rhodia	\$435.00		\$435,000.00
	Thatcher Chemical	\$416.00		\$416,000.00
Granular Quicklime	Graymont Western	\$180.00		\$135,000.00
	Chemical Lime	\$256.52		\$192,390.00
Liquid Chlorine	Sierra Chemical	\$430.84		\$86,168.00
	Olin	\$514.90		\$102,980.00
Emulsion Polymer	Polydyne Sterling	<u>Nonionic</u>	<u>Anionic</u>	\$28,039.50
		\$0.801	\$0.855	
		\$1.58	\$1.58	
				\$54,510.00

3.3 Overview of Wholesale Rates and Budget

Ms. Morris briefly reviewed the information for non-operating and capital budgets and wholesale budget/rates that was provided in the Board packet. She stated that she would be making the full presentation at the Board meeting on May 13, 2009. Ms. Lorange reminded the committee that the financial plans were updated last year, including the wholesale rate structure. The District was able to postpone the borrowing and complete more pay-as-you-go capital in the meantime. The committee discussed impacts to wholesale agencies.

Ms. Morris stated that the budgets are in line with the financial plan and staff confirmed with Bob Reed, Rate Consultant, that even with shifts in water use patterns it is recommended that the District remain with the established plan/rates.

3.4 Debt Financing Process Update

Ms. Morris updated the committee on the debt financing process. Today, the packages will be distributed to the rating agencies in preparation of the meetings to be held on May 27th. There will be a meeting with Fitch in the morning at the District and a conference call with Standard & Poors for purposes of establishing the District's credit rating. The attendees will be Shauna Lorange, Bob Walters, Mary Morris and several members of the financing team.

The proposed debt issuance is still on schedule for closing June 30th. The SJWD Board and Financing Corporation Board are scheduled to adopt resolutions and approve forms on June 10th. The committee discussed whether the Board may prefer to schedule the meeting earlier than normal to accommodate these items since the Retail Budget Public Hearing will also be held that evening.

The Board set the following dates as available for a Finance Corp. meeting:
June 9, 5:00 p.m.
June 11, 5:00 p.m. (alternate)

Staff will coordinate with the Financing Team to set the next Finance Corporation meeting.

3.5 U.S. Bureau of Reclamation Challenge Grant (Stimulus Funding) Program

Keith Durkin reported that this item is being pulled from the agenda and will be brought back to the committee at a later time. Staff is in process of preparing the application. The committee discussed the nature of the financial and legal obligations and staff explained that they demonstrate good faith stating that the District will spend the money on the projects specified and will contribute its share

Resolutions Nos. 09-10, 09-11 and 09-12 were pulled.

3.6 Other Finance Matters

Office Remodel

Ms. Lorance explained that the District has evaluated workspace and completed an architectural design for office space to accommodate the new Engineer and Water Resource Analyst. Mr. Durkin reported that the existing workspace can be remodeled in the Administration building and Shop at a cost of approximately \$76,000 to allow enclosed offices for them and to avoid more significant expansion costs. Staff will bring back bids at a future meeting.

Report Back-Bills and Claims

Ms. Morris reported that the report of bills and claims comes directly from the financial information system. In order to address the committee's request to sort employee and director reimbursements to print first on the report, the system would require custom programming, so staff has highlighted those items. The committee was fine with this solution.

IV. INFORMATION AND ACTION ITEMS

1. General Manager's Report

1.1 Fair Oaks Water District Board of Directors' Meeting

Ms. Lorance reported that she and President Walters attended the Fair Oaks Water District Board of Directors' meeting on Monday night. Ms. Lorance provided an overview of the District and a discussion on the wholesale budget. President Walters believes the meeting was valuable and is starting a process for increased communication with FOWD Board of Directors.

1.2 State Legislature

Ms. Lorance provided an overview of meetings with the State Legislature and staff. The focus of the meetings was an educational process to inform legislatures of the extreme impact that will be felt in the Sacramento Region if AB 49 becomes law and the DWR Implementation Plan is enforced.

1.3 Proposed California Special Districts Association (CSDA) Bylaws Amendments

The CSDA is proposing the attached amendments to their Bylaws. In summary, most of the proposed revisions to the Bylaws is the re-arrangement of the wording, and paragraphs describing the responsibilities of each standing committee.

Staff recommends adopting a motion to accept the proposed amendments to the CSDA Bylaws.

M/S/C to accept proposed amendments to CSDA. 5 Aye votes.

1.4 Report Back Items

- 1.4.1** Water Supply Status and Conservation Stage Discussions:
The Board decided to hold their decision on stage declaration until the May 27 meeting (Executive Committee meets on May 26)

1.5 Miscellaneous District Issues and Correspondence

No report.

2. Assistant General Manager's Report

2.1 Auburn Folsom Road Water Transmission Main Project

Placer County is planning on constructing the middle phase of the Auburn-Folsom Road Widening Project this summer. The corresponding portion of the District's new 24-inch water transmission main to serve the upper and lower Granite Bay pressure zones is included in this project. Staff is completing a project cooperation agreement with Placer County based on the agreement developed for the Auburn-Folsom Road Widening South Phase Project. The legal provisions of the agreement are identical; the cost sharing provisions will be based on the actual cost of this portion of the project and will include the District paying for the pipeline portion of the project and a prorated share of the construction management costs. The estimated construction cost of the pipeline portion of the middle phase of the project is estimated at \$850,000.

Staff has determined that construction of the pipeline is exempt from CEQA (Categorical Exemption, California Public Resources Code Division 13 Section 21084; Title 14 CCR Section 15301 – Class 1 Exemption for a utility

system project involving negligible or no expansion in water distribution system capacity where it can be seen with certainty that this Project will not have a significant effect on the environment).

Staff recommends a motion to approve entering into a project cooperation agreement with Placer County and authorizing the General Manager to execute the agreement.

Staff recommends a motion to approve filing a CEQA Notice of Exemption for the project.

M/S/C to approve entering into a project cooperation agreement with Placer County and authorizing the General Manager to execute the agreement. 5 Aye votes.

M/S/C to approve filing a CEQA Notice of Exemption. 5 Aye votes.

2.2 Central Avenue and Oak & Santa Juanita Avenues Main Replacement Project

Mr. Durkin provided an overview of the Central Avenue and Oak & Santa Juanita Avenues main replacement project.

M/S/C to accept project as complete and authorize filing the Notice of Completion. 5 Aye votes.

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 Recruitment Status

Ms. Morris provided an update on the status of recruitment for the Administrative Assistant/Board Secretary, Senior Engineer, and Water Resources Analyst. The Administrative Assistant and Senior Engineer are in the final stages of completion, and interviews are scheduled for May 15 for the Water Resources Analyst position.

3.2 Report Back Items

There were no report back items.

3.3 Miscellaneous District Issues and Correspondence

3.3.1 Letter from CalPERS responding to written comments

3.3.2 CalPERS Press Release—Health Premium Holiday (PPOs)

3.3.3 CalPERS Press Release—Pilot Program/Lower Cost Health Option

3.3.4 Suspension of Prop 1A Proposed to Governor

4. Directors' Reports

4.1 SGA -no report

4.2 RWA –Director Tobin reported that RWA is scheduled to meet tomorrow morning.

4.3 Executive Committee- The Board was provided a copy of the draft Executive Committee minutes in the packet.

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

5. Legal Counsel's Report

5.1 Legal Matters – no report

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. AWWA—The World's Water Event
June 14-18, 2009
San Diego, CA
3. NWRA Western Water Seminar
July 29-31, 2009
Santa Ana Pueblo, NM
4. NWRA Annual Conference
November 18-20, 2009
San Antonio, TX

VII. ADJOURN

The meeting was adjourned at 8:18 pm.

Future Meeting Dates:

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

Bob Walters, President
Board of Directors
San Juan Water District

ATTEST:

Shauna Lorange, Board Secretary