

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

June 24, 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
George Machado	Field Services Manager
Rob Watson	Engineering Services Manager
Tony Barelo	Senior Engineer
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

Madelaine Kiliany	Customer
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AGENDA ITEMS

- I. Consent Calendar**
- II. Information and Action Items**
- III. Public Forum**
- IV. Upcoming Events**
- V. 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 May 27, 2009.

M/S/C to approve the May 27, 2009 Board of Director's Meeting Minutes. 5 Aye votes.

II. INFORMATION AND ACTION ITEMS

President Walters added the Conservation Committee report to the agenda under this section.

Conservation Committee Report

The committee met on June 23, 2009. The following was reported to the board.

Legislative Status

Ms. Lorange presented to the committee a summary of the progress that has been made over the past year related to conservation legislation. Last year, AB 2170 (Laird) would have required all agencies in this region to hit a target per capital water use of 170 gallons per capita per day (GPCPD). This legislation passed both houses, but was vetoed by the governor. AB 49 (Fuer) was introduced this year, requiring the GPCPD requirement similar to 2170. AB 49 was later modified to require the GPCPD in the DWR implementation report, which had a target of 179 for this region. This would have required a 40-60% reduction in water use. After much work, it was modified to provide three options, with a 20% reduction requirement for all agencies statewide, unless they already met the target. AB 49 is a top down, regulatory based conservation requirement. To counter this bill, ACWA is working with SAWPA to introduce SB 261. This bill has to have enough substance to compete with AB 49, but is focused on a ground up conservation requirement.

The General Manager provided the current status of both AB 49 and SB 261. There was an attachment that showed a summary of the legislative bills. Both bills have cleared their original houses, and are in the second house. Both bills call for conservation of 20% by 2020; however, Ms. Lorange suggested that, with some revisions, SB 261 would be preferred to SB 49. Some of the suggested revisions include:

- Defining *Conserve Water*
- Defining *Net High Efficiency*
- Retaining Watershed Credit (the June 19 language needs some work because it is not clear what sort of credit an agency would get for accelerating its metering program ahead of state law)

It was also suggested to support 261 if modifications are made, and to oppose AB 49 but still modify it - create bulleted list with modifications suggested (white paper). AB 49 does not cover water rights (right of ownership for water that is conserved) and exemption for court legislation.

San Juan Water District has been instrumental in getting changes made to SB 261. Ms. Lorange has worked hard to modify the language to meet the District's needs. SJWD (also representing the cities of Folsom and

Roseville) and SSWD have been the only districts north of the Delta at the bargaining table and working to change this bill.

Mr. Bartkiewicz mentioned that it's important to keep the baselines as flexible as possible to make sure district gets credit for conservation, to have a cap on what's required (the 20%) and preserve the language on water rights protection.

Director Walters mentioned that it might be worthy to inform the public via the SJWD newsletter regarding legislative bills and request support from the public. Ms. Lorance responded that staff intends to work further with the PI Committee regarding this, and as soon as the bill changes slow down, a direct mailer or some kind of communication vehicle will be discussed with the committee.

Director Costa discussed other factors other than just the 20% conservation issue such as control of water rights and water supply issues. There may be potential for a merger of the bills.

Ms. Lorance would like to move forward with support of SB 261 provided changes are made to the bill. Director Miller requested clarification on how SJWD would be able to push forward any amendments to the bills with the opposition being so huge. Ms. Lorance responded that with AB 49 she does not believe many of the District's changes would be accepted since that bill is co-sponsored by Metropolitan Water District of Southern California and Natural Resources Defense Council; however, with SB 261 SJWD is working with SAWPA and ACWA and feels there is possibility for revisions to the existing language.

The consensus of the board is to allow Ms. Lorance to continue revision negotiations of these bills and report back to the board with updates.

1. General Manager's Report

1.1 Legislative Update

This agenda item was covered under the Conservation Committee report.

1.2 NMFS OCAP Biological Opinion

Ms. Lorance reported on the National Marine Fisheries Service Operating Criteria and Plan Biological Opinion.

Ms. Lorance informed the board that the BO was released on June 4, 2009 and potentially requires higher flows than the Water Forum FMS due to temperature requirements, set temperatures that could potentially require more water to be released, evaluation of structural improvements for cold water pull, and in very dry years it directs USBR and State Water Project to prefer flows from Folsom and Oroville to retain cold water in Shasta for winter-run Chinook. In addition, beginning January 2012-2015, it requires

the development of a pilot program to begin trucking fish. In the long term, by 2015 it requires the development of a fish passage which may be in the form of a fish ladder or permanent trap and haul program.

There has been a lawsuit filed in federal district court by San Luis & Delta-Mendota Water Authority and Western Water District. The lawsuit is based in part on the premise that an environmental review was not performed. SJWD will be meeting with Roseville, Folsom, Sacramento Suburban water districts to look at the potential impacts of this BO and together discuss this with Ryan to address concerns and explore the possibility of joining the lawsuit.

The concerns are the flows on the American river related to keeping the temperature at a certain degree, if done for the Steelhead will there be adequate cold water for the fall-run Chinook and the effect could cause another issue at that time; costs associated with construction of pipelines/pumps to pull cold water directly from the lake; and O&M costs associated with the fish passage, which could result in a very long fish ladder or some type of collection method to trap and haul the fish. Impacts of the BO could be significant.

Mr. Bartkiewicz mentioned that this has potential to be both a water supply impact and financial impact.

1.3 Report Back Items

No report.

1.4 Miscellaneous District Issues and Correspondence

Ms. Lorance informed the Board that the managers had decided months ago not to accept incentive awards for the current year, and after much discussion, have agreed it is the right thing to do to remove the item from the FY 2009-2010 budget for all staff. Discussions with staff have begun, but are not complete.

Ms. Lorance referred the Board to her handout regarding Dry Year Water Supply for the Retail Service Area Reserve Fund.

Ms. Lorance informed the Board that the CSDA Board of Directors has a call for nominations with a July 15 deadline. Director Tobin announced that she would like to run for the position. Ms. Lorance will place this as an agenda item for the July 8th meeting. In addition, Director Tobin will submit her bio for distribution to CSDA member agencies.

2. Assistant General Manager's Report

2.1 Report Back Items

No report.

2.2 Miscellaneous District Issues and Correspondence

No report.

3. Finance and Administrative Services Manager's Report

3.1 2009-2010 Fiscal Year Wholesale Budget

Ms. Morris reported on the 2009-2010 Fiscal Year Wholesale Budget. She provided a brief overview of the process to date and is presenting the budget for consideration of adoption.

At the June 10, 2009 Board of Directors' Meeting, the Board requested some revisions to the Proposed Fiscal Year 2009-2010 Budget for Wholesale Non-Operating Activities, Operations and Capital Improvement Program.

The budget worksheets were included in the board packet for review and reference. Staff has updated the projected actual information based upon a new method of estimating year-end costs that now includes May 2009 actual information. The following revisions have been incorporated into the budget:

- Property Lease has been reduced by \$3,900;
- Sewer and Disposal has been increased by \$2,000;
- Conservation Programs have been reduced by \$100,000;
- Merit increases and incentive awards have been removed \$116,442;
- Potential promotions have been included to account for certification exams \$9,918;
- Benefit updates have been made to reflect updated insurance and CalPERS rates \$15,502 (making the prepayment this year would not be advisable since it would be calculated on a higher amount due to no COLA, removal of merits and incentive awards, therefore the discount rate has been removed);
- Pumping/telemetry energy cost has been reduced by \$30,000 and materials have been decreased by \$10,000;
- Actual debt service payment has been updated with final numbers and increased by \$543,847 (payment is higher this year and lower for the next 3 years); and
- Capital costs have been appropriately allocated between wholesale and retail.

In comparison to the Financial Plan, Operations and Maintenance costs have been reduced \$244,000, water supply costs are slightly lower, salaries have been frozen and other changes have been made. The debt service was \$106,000 higher this year, however, it is approximately \$300,000 lower over the next 3 fiscal years. The small debt issuance that was in the Financial Plan won't be needed based on the way the Financial Advisor was

able to structure the payment. This means that SJWD will be able to manage the Capital Program without borrowing additional funds.

With balanced budgets, the District will be able to accomplish its goals and objectives for the coming year. The District will continue to monitor information on Property Taxes and any potential Prop 1A borrowing and incorporate changes into the financial plan.

This item is being provided to the Board of Directors for consideration of adopting Resolution No. 09-10 for the FY 2009-2010 Wholesale Rates and Non-Operating, Operating and Capital Budgets.

M/S to approve Resolution No. 09-10 approving FY 2009-2010 Wholesale Budget, Rates and Fees.

Director Miller requested clarification on the numbers not matching the presentation with regard to the merit and incentive awards and also questioned the promotion allocation. Ms. Morris explained that the merit and incentive awards were broken out separately in the presentation and that the promotion allocation is budgeted to cover when an employee transfers from one level to another level due to receiving anticipated certification during the fiscal year.

Director Miller wanted to know what the final decision was regarding whether Ms. Lorance could fill a position vacancy if one occurs in FY 2009-2010. The Board discussed this issue and is in the understanding that the positions are budgeted for all year and if a position becomes vacant, then it can be filled; however, the board could discuss this as a separate agenda topic at any time.

Director Peterson noted that there was no mention of the 8% wholesale rate increase in the staff report and would like that to be included in the notes.

Director Peterson requested that the \$334,848 Undistributed Net Income be allocated to Wholesale Reserves and that his motion be amended to reflect this.

M/S/C to revise the budget to reflect the \$334,848 Undistributed Net Income be allocated to Wholesale Reserves and approve Resolution No. 09-10 approving FY 2009-2010 Wholesale Budget, Rates and Fees. 5 Aye votes.

3.2 2009-2010 Fiscal Year Retail Budget

Ms. Morris reported on the 2009-2010 Fiscal Year Retail Budget. She provided a brief overview of the process to date and is presenting the budget for consideration of adoption.

At the June 10, 2009 Board of Directors' Meeting, the Board requested some revisions to the Proposed Fiscal Year 2009-2010 Budget for Retail Non-Operating Activities, Operations and Capital Improvement Program.

The budget worksheets were included in the board packet for review and reference. Staff has updated the projected actual information based upon a new method of estimating year-end costs that now includes May 2009 actual information. The following revisions have been incorporated into the budget:

- Merit increases and incentive awards have been removed \$119,835;
- Potential promotions have been included to account for certification exams \$3,041;
- Benefit updates have been made to reflect updated insurance and CalPERS rates \$18,308 (making the prepayment this year would not be advisable since it would be calculated on a higher amount due to no COLA, removal of merits and incentive awards, therefore the discount rate has been removed);
- Engineering services have been reduced by \$37,226;
- Actual debt service payment has been updated with final numbers and increased by \$342,188 (payment is higher this year and lower for the next 3 years); and
- Capital costs have been appropriately allocated between wholesale and retail.

In comparison to the Financial Plan, Operations and Maintenance costs have been reduced \$162,000, water supply costs are slightly higher, salaries have been frozen and other changes have been made.

A 7% and 9% increase package have been included for discussion. The 9% rate increase would generate \$8.8 million in revenue and has an Emergency CIP separate designation of \$882,000. The 7% increase would bring in \$8.6 million in revenue and Emergency CIP of \$214,000.

With balanced budgets, the District will be able to accomplish its goals and objectives for the coming year. The District will continue to monitor information on Property Taxes and any potential Prop 1A borrowing and incorporate changes into the financial plan.

This item is being provided to the Board of Directors for consideration of adopting Resolution No. 09-16 for the FY 2009-2010 Retail Rates and Non-Operating, Operating and Capital Budgets.

Director Costa discussed the Emergency CIP Reserve and the overall rate increase and the percentages going into the reserve. He would like the Finance Committee to review this reserve. President Walters suggested this be discussed at a Finance Committee meeting with clarification on 2%

vs. flat amount, develop a policy for the use of the 2% allocation, accounting (audit) of 2% dollars and total amount, and clarification regarding pay-as-you-go and then bring back to the board.

M/S/C to approve, showing the 7% rate increase, Resolution No. 09-16 approving FY 2009-2010 Retail Budgets, Rates and Fees. 4 Aye votes, 1 No vote (Director Tobin).

Director Costa asked to be excused from the meeting, as he was not feeling well. President Walters acknowledged his request.

3.3 Report Back Items

No report.

3.4 Miscellaneous District Issues and Correspondence

No report.

4. Directors' Reports

4.1 SGA

No report, met on June 11, 2009.

4.2 RWA

No report, will meet on July 9, 2009.

4.3 Executive Committee

The committee met on June 23, 2009. The Fair Oaks Water District reported that the FOWD board would like SJWD directors meet with FOWD directors on 2-by-2 meetings, with the general managers in attendance. FOWD will follow up with a formal request.

4.4 ACWA/JPIA

No report.

4.5 ACWA Region IV

Nominations are open for the Region IV Board of Directors.

4.6 CVP Water Users Association

No report.

4.7 LAFCo

No report.

4.8 Other Reports

No report.

5. Legal Counsel's Report

No report.

III. PUBLIC FORUM

Ms. Madelaine Kiliany commented that she feels if we reduced the projects by 15% next year that could be a way to reduce the rate increase while still maintaining the system. In addition, she commented that she'd like to see a legislative bill that says if something is mandated then whoever mandated it needs to fund that mandate.

IV. UPCOMING EVENTS

Urban Water Institute Annual Conference
August 20-21, 2009
San Diego, CA

ACWA Continuing Legal Education Workshop
September 17-18, 2009
Costa Mesa, CA

AWWA California Nevada Fall Conference
October 5-8, 2009
Las Vegas, Nevada

Water Education Foundation Northern California Water Tour
October 7-9, 2009

V. ADJOURN

The meeting was adjourned at 8:30 p.m.

BOB WALTERS, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary