

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

October 14, 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
George Machado	Field Services Manager
Tony Barela	Senior Engineer
Teri Hart	Administrative Assistant/Board Secretary

OTHER ATTENDEES

Bob Churchill	Citrus Heights Water District
Roger Kohne	Psomas/Customer
Madelaine Kiliany	Customer
Bob Miles	Consulting Civil Engineer
Marcia Fritz	Marcia Fritz & Company
Jason Russell	Marcia Fritz & Company

AGENDA ITEMS

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

President Walters called the meeting to order at 7:02 pm

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 as follows:

1. Minutes of the Board of Directors Meeting September 9, 2009

President Walters requested the minutes be amended to correct an error on Page 5, Section 2.8, second paragraph to remove the words "committee that."

M/S/C to approve the September 9, 2009 Board of Director's Meeting Minutes as amended. 5 Aye votes.

II. PRESENTATIONS

1. FISCAL YEAR 2008-2009 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Ms. Morris introduced the auditing firm of Marcia Fritz & Company. Jason Russell and Marcia Fritz of Marcia Fritz & Company presented brief summaries of the Fiscal Year 2008-2009 Comprehensive Annual Financial Report (CAFR) to the Board.

The San Juan Water District (District) entered into contract with Marcia Fritz & Company in 2007 to perform the annual audit of the District's financial reports and records. The audit for the Fiscal-Year 2008-2009 is complete and the Comprehensive Annual Financial Report was included in the Board packet.

Current Status

Marcia Fritz & Company has prepared a management letter that is included with the CAFR. In accordance with Statement on Auditing Standards (SAS) No. 112 *Communicating Internal Control Related Matters Identified in an Audit* and SAS No. 114, *The Auditor's Communication With Those Charged With Governance*, they have provided the letter with the following comments listed with staff action:

2009-01 Fixed Assets

Our review of fixed assets revealed that the system for monitoring these assets is not integrated within the District's financial accounting software in an efficient method. As a result reconciliation differences exist between the fixed asset listing and the general ledger.

Management has informed our office that the District is currently seeking a new accounting software system. We recommend this system include a fully integrated fixed asset component.

Management's Response

Staff is in progress on this item and hopes to implement a new system during this fiscal year.

2009-02 Accounts Payable

In our review of accounts payable we noted a few items which had been recorded in the wrong period. Though these items were not material for our audit purposes, the improper recording of these items reveals a weakness in controls.

We recommend the accounts payable clerk review all payables when entered into the system to ensure they are recorded in the correct periods.

Management's Response

The accountant has accrued the payable and prepared an updated list of year-end checklist items to ensure payroll payables are appropriately accrued.

2009-03 Retentions Payable

In our audit procedures we are required to contact the District's legal counsel regarding pending or threatened litigation, claims and assessments concerning the District. This process revealed a claim from one of the District's vendors. Further investigation of this issue brought to our attention that the proper accounting entries related to this project have not been recorded. As such, liabilities of the District were understated by a material amount.

We recommend management establish a year end close procedures to monitor these unusual transactions and ensure they are recorded.

Management's Response

The accountant has now properly accrued the retention and incorporated a reconciliation to prevent this oversight in the future.

Budget Impact

As the audit was completed within the budgeted cost, there is no budget impact for this item.

Staff Recommendation

Consider acceptance of the Fiscal-Year 2008-2009 Comprehensive Annual Financial Report and audit.

The committee discussed the audit and the contract expiration date of the auditing firm. Ms. Lorance requested that the Finance Committee ask the auditors if they specifically reviewed the executive staff reimbursements.

Director Costa questioned the confidentiality of the Retentions Payable discussion, as it pertains to information that has been discussed in closed session. Mr. Russell explained that the accounting portion needed to be included in the financial records and he spoke with SJWD legal counsel regarding the matter.

Director Peterson inquired about the separation between wholesale and retail and whether the audit was performed with this in mind. Ms. Morris stated that the operating results are listed separately; however, they were combined for the most part for this report and for the next year they will be separated. Mr. Russell said they could be separated in the audit report or the management report and most water districts that they have worked with have it separated on the management report and the audit is an accumulation of those figures. Ms. Fritz stated they could be included in the MD&A.

Director Costa inquired if they checked all payments made to management and Board members. Mr. Russell stated that they randomly sample payments and this year Ms. Morris was selected. The audit procedure was to review approximately 30 payments and all 30 were in order.

M/S/C to accept the Fiscal Year 2008-2009 Comprehensive Annual Financial Report. 5 Aye votes.

III. COMMITTEE REPORTS

1. PUBLIC INFORMATION COMMITTEE (9/22/09)

Director Miller reported that the committee met on September 22, 2009 and discussed the following:

1.1. Review Water Gram

Before reviewing the November/December Water Gram, Shauna Lorance informed the Committee that the draft article on the California Peripheral Canal Project would be changing completely. Ms. Lorance will send the Committee the revised article via email. The Committee reviewed the remaining articles in Draft 2 of the November/December Water Gram and made a few revisions.

The Committee made a few suggestions regarding keeping the format consistent, educating customers about current issues, moving the "rate increase" information to page 1 and referencing the reservoir status by adding a link to the SJWD webpage where this information is kept current.

For information, no action requested.

1.2. Notice to Customers on Water Legislation

Director Miller informed the Board that Ms. Lorance plans to send out a mailer regarding the current legislation on water, as soon as the legislature acts on the water bills – as there might be an agreement on the water bills in the next couple of days, or they may be held over for special session or delayed until the January session.

Ms. Lorance informed the Committee that an Upstream Coalition letter is being drafted and water agencies are being asked to sign the letter. The letter is expected to be sent on September 23rd to Darrell Steinberg - Senate President Pro Tempore, Karen Bass - Speaker of the Assembly, Dennis Hollingsworth - Senate Minority Leader, and Sam Blakeslee - Assembly Minority Leader.

For information, no action requested.

1.3. Other Public Information Matters

Ms. Lorance informed the Committee that the legislation education presentation was well received. Congressman Lungren's office requested the presentation be done quarterly and Congressman McClintock's staff was very interested and asked for more information to better understand these issues.

For information, no action requested.

2. ENGINEERING COMMITTEE (10/13/09)

Mr. Durkin reported that the committee met on October 13, 2009 and discussed the following:

2.1. Solar Power at Baldwin Reservoir

Mr. Durkin provided a brief review of the status of the solar power project at Baldwin Reservoir. Previously, staff had explored the possibility of utilizing a power purchase agreement (PPA) to implement a solar power project at Baldwin. In this approach a solar power provider would construct, own, and operate a solar power facility on District property. The District would receive power at a guaranteed rate that would provide significant savings over PG&E rates. After evaluating this alternative, the Board directed staff to not pursue this option and if the opportunity presented itself to look at an alternative that included District ownership of solar facilities.

Mr. Durkin informed the committee that staff has lately been looking at options for a District owned facility, including financial incentives such as rebates through PG&E and low interest financing through Clean Renewable Energy Bonds (CREBs). Mr. Durkin then introduce Mr. Steve Nielsen of MuniBond Solar who has been assisting staff with comparing solar project options, evaluating the costs and benefits, and preparing applications for

CREBs financing. Mr. Nielsen provided a presentation to the committee on Solar Generation at Baldwin Reservoir. (A copy of the presentation is attached to the original copy of the minutes.)

The committee discussed the presentation and the preliminary feasibility of solar project at Baldwin Reservoir. The preliminary analysis shows the District could save a total of \$1.3 million in the first five years of the project and that the total cost of the project would be paid off in less than 15 years with a positive cash flow in each year.

Staff recommends, and the committee agreed that more information and cost data should be obtained through request for proposals to solar providers. This information will be brought back to the committee for review and consideration.

Director Walters asked if anyone checked on the availability of federal stimulus funds. Mr. Durkin reported that the CREBs funding is part of the federal stimulus program; the state funding component is through rebates with PG&E.

Director Peterson stated that financially this project is great and in addition the extra benefits need to be highlighted such as completely satisfying SJWD's electrical power needs, including not being subject to power outages. Ms. Lorance stated that in addition it will cover the clean power for public agencies requirement that may be put into effect by upcoming legislation.

Director Costa stated that the panel life will weaken in approximately 15-20 years and will need to be replaced, so the 11-year payback period will not make this a big money maker for the district. Mr. Durkin stated that the panels will get less efficient over time by approximately 2% each year; however, in 25 years the panels will still be generating enough power to meet most of the needs of the district and make the project economically viable.

Director Miller inquired how much area is being considered for use for the solar project. Mr. Durkin informed the Board that approximately 7-8 acres are available within the Baldwin Reservoir area and approximately 5 acres are usable space.

For information only; no action requested.

2.2. Sierra and Gravity Pressure Zones - discussion of potential seasonal operations

Mr. Durkin discussed the operation of the Sierra and Gravity Pressure Zones. The Gravity Zone does not require pumping; the Sierra Pressure Zone obtains supply through the Sierra Pump Station located within the

Bacon Pump Station. Staff would like to expand the Gravity Zone by incorporating some or all of the Sierra Zone during the fall, winter and spring seasons when demands are low. This would be done by gradually reducing the pressure within the Sierra Zone and shifting areas to the Gravity Zone.

Mr. Hydrick further explained to the committee that staff recommends expanding the Gravity Pressure Zone to include the Sierra Pressure Zone in order to reduce the pumping and operating costs similar to what we did in the Bacon Pressure Zone. There would be a slight decrease in system pressure; however, the reduction would be tapered over time so that it is less noticeable to the customer. In addition, if any complaints from customers arise, then those complaints would be addressed and resolved to the customer's satisfaction. There is no way to know exactly which areas would be adversely affected by the drop in pressure. It is anticipated that the Sierra Pressure Zone could be served completely by gravity during the winter months.

The committee discussed the topic and voiced some concern regarding any conservation that may result from the lower service pressures. Staff needs to ensure this is credited to the District as helping to meet the requirements of the 20 by 20 plan that may be imposed by state legislation. In addition, the committee wanted to be sure that customer needs are met and to monitor customer complaints and inquiries.

For information only; no action requested.

2.3. Fair Oaks 40 Pipeline Rehabilitation Project

Mr. Durkin informed the committee that 9 proposals were received from engineering firms for consulting services for the project. Three firms were selected for an interview as part of the selection process. The selection committee included Tony Barela, Keith Durkin, George Machado, Rob Watson, and Michael Nisenboym, the Fair Oaks Water District operations manager.

The selection committee recommends awarding an agreement to Robert W. Miles Consulting Engineers for the Fair Oaks 40 Pipeline Rehabilitation Project. The Engineering Committee discussed the recommendation and agreed with the recommendation.

Director Costa inquired why only three firms were interviewed. Mr. Durkin informed the Board that the selection committee reviewed all the proposals and felt that the three selected represented the best approach, the best project team and the best value to the district. The selection committee also recognized it takes a lot of time and effort on the part of the consultant teams to put together presentations, and in the interest of time and fairness to consultants, it was decided to only interview three of the nine firms.

Director Miller inquired if any of the three interviewed were lowest bidder and wants to be sure there is no legal issue for not interviewing all nine firms. Mr. Durkin informed the Board that since the RFP was for professional services, proposals were received not bids, such as with construction project bids. In addition, the RFP covered project planning and design, and some proposals were for less effort than what we felt is required, and therefore, their proposed budget was less; while others proposed more effort than necessary and their proposed budget reflected the higher costs. The three firms that were interviewed were very similar in recommended scope of work and cost. Ms. Lorance stated that the process was done correctly and SJWD is within their legal rights to follow this process. It was also mentioned that professional services cannot legally be "bid" since the level of service and qualifications differ between consultants.

Director Costa asked if FOWD was agreeable with the selection process and the recommendation. Mr. Durkin informed the Board that FOWD agreed with the recommendation and appreciated the opportunity to participate in the selection process.

M/S/C to award a consulting engineering agreement to Robert W. Miles Consulting Engineers for the Fair Oaks 40 Rehabilitation Project in the not to exceed amount of \$351,300 with a total authorized budget of \$386,500. 5 Aye votes.

Mr. Durkin informed the committee that during the planning for this project staff discovered that there are some access ways that do not lead to pipe openings; when the manway is opened, there is no access to open the pipe. A few additional manways will also be necessary for the internal pipe inspections. Since there is no time to prepare plans and solicit bids for construction of new manways as a project, staff completed engineering drawings and is purchasing the necessary materials and contractor support such as welding and excavating separately to construct the necessary access ways into the pipe. Staff has determined the total cost to accomplish this work is approximately \$35,000 to \$40,000 with no individual piece of the work exceeding \$15,000.

The committee discussed this issue and recommended obtaining Board approval of these project expenses.

M/S/C to approve the expenditure of \$40,000 to cover the cost of constructing access ways on the FO 40 pipeline.

2.4. WTP Sedimentation Basin Improvements and Raw Water Pipeline Rehabilitation Projects

Mr. Durkin informed the committee that five bids for the Sedimentation Basin Improvements were received on October 8th. In addition at the September Board meeting, J. Fletcher Creamer was awarded the bid for the Raw Water

Pipeline Rehabilitation Project. Kennedy/Jenks Consultants provided design services for both of these projects. The construction management (CM) portion of the projects is now under consideration. Staff feels full-time inspection and construction management is warranted to ensure that the plans and specifications are strictly followed and that quality control is maintained on the projects considering the low bids that the District received. District staff does not have the capacity to manage construction at this time based on current workloads. The rehabilitation work also requires special inspection capabilities beyond those of staff.

Staff is recommending that the CM for both projects be combined under one contract to take advantage of potential savings. Staff is also recommending that Kennedy/Jenks Consultants provide the CM for both projects as follow-on services to their design work.

The committee discussed the CM requirements for the projects.

M/S/C to award Construction Management Services for the WTP Sedimentation Basin Improvements Project and Raw Water Pipeline Rehabilitation Project to Kennedy/Jenks Consultants in the amount of \$358,500 with a total authorized budget of \$394,350. 5 Aye votes.

2.5. Wholesale Metering Project

Mr. Durkin informed the committee that the new wholesale meters are exceeding expectations. The accuracy and improved acquisition of metering data has reduced the amount of staff time necessary to process the data.

This project has been considered a wholesale project with costs allocated similarly to other capital projects that benefit the wholesale agency. FOWD and CHWD are concerned with the method used to allocate cost to the wholesale agencies and would like to look at the cost details. FOWD and CHWD have proposed re-evaluating the cost allocations and potentially recommending a different approach. Almost all District information is always available to the public, including wholesale customers. CHWD volunteered to review the data and provide options for discussion on other cost allocation formulas, with SJWD reserving final judgment on the final cost allocations.

Director Peterson stated that re-evaluating the cost allocations should be completed under the control of the District, not FOWD or CHWD. He recommended that the District, through staff or consultants, do an analysis of the cost allocation and include future replacement/repairs which would be done using the same allocation method. Director Peterson suggested this be discussed at the Board Meeting.

Director Peterson stated that the issue was whether the meters should be considered separately and not as a wholesale cost. He said that SJWD should hear their concern and respond to it by doing some cost allocations.

Director Costa stated that the General Managers should be discussing this. Ms. Lorance reported that this topic was just information only and that the GMs are discussing the matter. Mr. Durkin informed the Board that SJWD staff will be looking into it and needs to determine if this is a wholesale agency or retail agency responsibility. Director Costa stated that staff should look at the existing policy regarding items like this. Ms. Lorance stated that this is currently a wholesale expenditure within our capital program; however, staff will review and if necessary will bring back to the Board.

Director Tobin inquired if input was solicited at the beginning of the project. Ms. Lorance stated that the wholesale agencies were informed; however, she believes that they may not have realized the impact of the project.

Ms. Lorance stated that after reviewing the costs and doing the analysis, she should be able to determine if a re-allocation is needed or not. Director Tobin asked whether or not staff had the time to perform the analysis. Ms. Lorance informed the Board that she currently has the information on her desk and has been reviewing the data; however, if this becomes something that exceeds her available time, then she will bring it to the Board for consideration of an outside consultant.

Director Miller asked if it was the process or the dollar amounts that the wholesale agencies are dissatisfied with. Ms. Lorance informed the Board that the agencies did not receive a separate bill for this project and the cost was incorporated into the wholesale rates. She believes that they feel the portion was higher than the benefit that they received. Director Miller suggested that the wholesale agencies show staff what they consider to be incorrect.

President Walters stated that this didn't seem to be a major issue. Director Costa concurred and was wondering why it was brought to the Engineering Committee and not something that was discussed between the GMs. Ms. Lorance stated that this was discussed in the committee meeting for information only as a way to keep the Board informed and she will work with staff and the wholesale agencies to resolve it.

For information only; no action requested.

2.6. Rehabilitation and Use of the Old Shop Building

The District budget and project work plan includes re-construction the old shop building to make it suitable for shop activities and District storage. Mr. Durkin informed the committee that due to the weather, the site visit to the old shop building would have to be postponed. Mr. Barela passed out a draft plan which staff is recommending for use of the building. The 40-year old plus building leaks, is in deteriorated condition, and is pest infested. Staff recommends the building be leveled to the foundation and then replaced with

a new steel building. The building facade would be designed to be compatible with the area.

The committee discussed the use of the building, which would include storage for the existing building inventory and document storage in a climate controlled area. Director Peterson was concerned that there should be a facilities master plan prior to any construction. Mr. Durkin stated that the District had completed a facility master plan in the past. The plan called for a new Administration Building near the site entrance which would have accommodated staff, storage and building needs, but due to cost and rate concerns those plans were postponed. Staff has been remodeling and/or reusing existing facilities to meet the District's needs. Director Peterson suggested updating the site master plan for facility/site improvements so that there is a year 2030 plan for the site.

Staff will bring this item back to the committee for further discussion.

Director Costa stated that there was already a master plan for the district and he would not agree with building a new administrative building. Ms. Lorance assured him that staff is not requesting a new facility and that the request by Director Peterson for updating the facility master plan was to have a proper master plan in place.

Director Miller asked what the budgeted amount was for this project. Mr. Durkin informed the Board that it was \$400,000 to do a complete tear-down and rebuild.

Director Peterson wanted to clarify his concern with the master plan. With all the changes happening at the facility, we are no longer following the current master plan; therefore, an update to the master plan is warranted, especially since a new admin building is no longer going to be built as specified in the current master plan.

For information only; no action requested.

2.7. Other Engineering Matters

No other Engineering matters were discussed.

3. FINANCE COMMITTEE (10/13/09)

Director Costa reported that the committee met on October 13, 2009 and discussed the following:

3.1. Review and Pay Bills

Bills and claims in the amount of \$1,365,256.55 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.

Director Miller questioned the Huppe Landscaping monthly payment and whether it is reduced during the winter months. He also asked when the last time it was bid and the timeframe for bidding again. Ms. Morris will check into it and report back.

Ms. Morris reported that there would be more additions to the list than normal due to staff jury duty and illness. All bills were found to be in order.

Director Miller informed the Board that the manager's reimbursements are reviewed at every Finance Committee meeting.

M/S/C to approve Resolution 09-22. 5 Aye votes.

3.2. Anthracite Project

Ms. Morris informed the committee that nine bids for the Anthracite Project were received and the lowest bid was from Carbonite Filter Corp for \$24,372.90.

M/S/C to award the Anthracite Project to the lowest responsive, responsible bidder Carbonite Filter Corp for \$24,372.90. 5 Aye votes.

3.3. Sedimentation Basin Improvement Project

Mr. Durkin informed the committee that five bids for the Sedimentation Basin Improvements Project were received on October 8th as follows:

Company	Bid Total
GSE Construction	\$2,374,840
Kaweah Construction Co.	\$1,568,300
Pacific Mechanical Corp.	\$2,551,750
Syblon and Reid	\$2,352,070
Valentine Corp.	\$2,266,369

The engineer's estimate was \$2.5 million and the lowest bid came in at \$1,568,300 from Kaweah Construction Company. The committee discussed the bids and agreed with the staff recommendation to award the contract to Kaweah Construction.

Director Tobin inquired what happens to the excess funds when the projects come in below budget. Ms. Morris informed the Board that the funds remain

in the Capital Reserves Fund for future projects. Each quarter the Board should receive a summary of the projects detailing this information.

M/S/C to award the Sedimentation Basin Improvements Project construction contract to the lowest responsive, responsible bidder Kaweah Construction Company for the amount of \$1,568,300 with an authorized construction budget of \$1,725,130. 5 Aye votes.

3.4. Fiscal Year 2008-2009 Audit

Ms. Morris reported that the Fiscal Year 2008-2009 Annual Audit of the District's financial reports and records is complete and a presentation will be made to the Board of Directors at the October Board meeting.

3.5. Prop 1A Securitization

Ms. Lorance informed the Board that the 2009-2010 California State Budget contained a Prop 1A Suspension which in essence states that cities, counties, and special districts have to lend property tax revenues to the State, with the promise of repayment in three years. Also included was a securitization financing offered by California Communities that provides the opportunity for local governments to receive borrowed funds up front through a joint powers authority which is sponsored by the League of California Cities and California State Association of Counties. California Communities will issue bonds securitizing the future payments by the State and remit bond proceeds to the local governments who opt to participate. The State will then repay the bondholders, to pay off the outstanding bonds including interest costs.

Major points of this program are:

- Purchase price paid to local agencies will equal 100% of the property tax reduction.
- There are no costs of issuance to participating local agencies. Internal costs will be personnel time (expected to be minor) and attorney services (estimated at \$1,000). All interest and bond issuance costs will be paid by the state.
- Participating agencies have no obligation on the bonds and no credit exposure to the State.
- Each interested agency may enroll now to receive the required legal documents. In the essence of time, the District has completed this step; however, enrollment does not commit the District to the program.
- All executed documents must be returned to the California Communities' Bond Counsel on or prior to November 6, 2009.
- Subject to the enactment of SB 67, proceeds will be mailed or wired on January 15th, 2010 (50% of proceeds) and May 3rd 2010 (50% of proceeds).

Budget Impact

The securitization will provide the District with the \$146,000 in State borrowed funds. Legal costs of \$1,000 would be paid from legal services fiscal year operating budget.

Staff Recommendation

Consider participating in the Prop 1A Securitization Program and authorize staff to proceed with the legal document process for final approval at the November 4, 2009 Board of Directors Meeting.

The committee discussed the program and agreed it is within the General Manager's existing authorization. Staff will proceed with the securitization process.

Director Peterson was concerned that SJWD would be borrowing more money. Ms. Morris explained that SJWD would not be borrowing more money and that California Communities would be buying local government receivables and there would be no outstanding obligation and no outstanding receivable from the state.

For information only, no action is required.

3.6. Reserve Fund Accounting

Ms. Morris informed the committee that the Reserve Fund Accounting was completed after the audit was finished and was included in the Board packet.

For information only, no action is required.

3.7. Solar Power at Baldwin Reservoir

Mr. Durkin informed the Finance Committee that the Engineering Committee discussed installing solar power at Baldwin Reservoir and agreed it appears to be the best use of the site. The Engineering Committee agreed that staff should continue moving forward with this project. Phase I of the project includes completing a preliminary economic assessment of the Project; preparing and administering a request for proposals to qualified solar contractors; and evaluating proposals including conducting an independent assessment of proposed energy savings associated with the proposals. Staff would like to utilize the consulting services of Steve Neilsen of MuniBond Solar for assistance with Phase I. The cost for his services is estimated to be less than \$30,000 which is within the authorization of the General Manager. Phase II will include construction and potentially financial advisory services. Contracts and agreements for construction and consulting services will be brought back to the Finance Committee for discussion and, if approved, will be taken to the Board for approval.

The Finance Committee discussed delaying the project; however, Mr. Durkin informed the committee that there are substantial rebates that could be

received from PG&E and these rebates and other financial incentives could run out by the end of the year.

Director Miller suggested evaluating if including the one megawatt of transmission capacity owned by SJWD in the negotiation provides a benefit.

For information only, no action is required.

3.8. Other Finance Matters

Ms. Morris informed the committee that US Bank needs the signature card signed by the Board of Directors, as they have revised their process and want the signatures on one document for all accounts.

Director Miller asked if SJWD will be reimbursed for the costs associated with rebuilding the chlorination feed system that was required due to the delay by the contractor. Mr. Durkin informed the committee that those costs have been charged back to the contractor and ultimately the contractor will cover those costs.

The meeting was adjourned at 4:45 p.m.

Director Peterson mentioned that item 3.7 on the agenda had an action item listed that was not addressed. Mr. Durkin informed the Board that the action item was not needed at this time.

III. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1. Legislative Update

Ms. Lorange reported that the legislature is focused on the water bond and delta legislation and the budget will soon be a primary focus since it is approximately \$1.3 billion less revenues than anticipated. The 5 pre-print bills were combined into one bill, SB 68, and the language reverted back to the original language.

Senator Steinberg seems to not be concerned with any water rights issues. Ms. Lorange stated we will still have our water rights on paper; however, we will be unable to take from the lake.

A coalition was formed with NCWA, San Francisco PUC, East Bay MUD, RWA, various water agencies, and the cities of Sacramento, Roseville and Folsom. Letters that were sent out were included in the Board packet. The coalition is actively involved in trying to get the attention of Senator Steinberg and Assemblywoman Bass to make changes.

A hearing is scheduled for the week of October 19th and it is possible that the bill(s) will be voted on at that time. Letters have gone out requesting that

they allow time for the public to review the bill(s) prior to voting and to allow public comment via a hearing with time allowed for revisions to be made to the bills. There is discussion that some groups are trying to pull the bond out of the bill so that there is no funding which in turn would lead to a majority vote. At this point, the best scenario would be that they do not come to agreement and the bills do not pass.

PCWA sent out a press release that stated the agencies supporting the conservation bill are the ones being required to only conserve 5% while the agencies with local supplies are being required to conserve 20%.

Director Peterson inquired if there was any effort to look at separating Kern County and MET in any of the coalition efforts. Ms. Lorange stated that the coalition has not considered that approach.

No action requested, for information

Director Miller had to leave at 8:35 p.m.

1.2. Department of Public Health

Ms. Lorange reported that the first day of inspections from the Department of Public Health went well today and the second day of inspection will occur next week.

No action requested, for information

1.3. District Strategic Plan

Ms. Lorange reported the following:

- **Potential Agency Consolidation**

SJWD is open to discussions initiated by other agencies about potential consolidation. Since no agencies have initiated discussions, there is nothing to report.

- **Customer/Public Education, Both Proactive and After Decisions Have Been Made**

The WaterGram has been revised to be a more direct piece of communication to customers. Water conservation, the Peripheral Canal and Capital Improvement Plans have been topics in the WaterGram.

- **Achieve a Stronger Voice in All Governmental Branches – Legislative, Administrative, Courts/Legal (and Lobbyists)**

The prioritization of issues that are being tackled has been relatively easy to manage. A stronger voice in the administrative branch of the government allowed SJWD to meet with DWR and find out that they support the requirement to conserve at the same rate as in LA and San Francisco.

Therefore, focus was diverted to the state legislative process. There was a lot of work done behind the scenes to change the language of the conservation bills which helped to get the conservation percentage from 40-60% down to 20%. Numerous letters have been drafted, coalitions formed and communication with state legislators over the past year.

An educational seminar was held at the state capitol for the legislative staff regarding water and was well received.

The Delta water supply solution has now been complicated with Congress getting involved. Two bills have been introduced to address California's water supply issues.

The judicial branch of the government has not been utilized at this point. However, may be considered due to potential impacts.

- **Maintain Our Water Rights**

SJWD is maintaining water rights and continue to explore water transfers. SJWD continues to work with San Diego Groundwater Substitution Transfer and remains open to any other opportunities that may arise.

No action requested, for information.

1.4. Report Back Items

There were no report back items.

1.5. Miscellaneous District Issues and Correspondence

1.5.1 NWRA California Caucus Ballot for the 2010-2011 Term

Ms. Lorance reported that there are 12 candidates on the ballot. SJWD does not have any representatives on the ballot or currently serving.

Director Peterson recommended using only four of the five votes. Ms. Lorance will verify that SJWD can cast four votes and not five.

The Board reviewed the list of candidates and selected the following candidates to vote David A. Breninger (PCWA), Bill George (EID), E.G. "Jerry" Gladbach (CLWA), and Lawrence M. Libeu (RCWD).

M/S/C to vote for four candidates for the NWRA California Caucus Ballot for the 2010-2011 Term - David A. Breninger (PCWA), Bill George (EID), E.G. "Jerry" Gladbach (CLWA), and Lawrence M. Libeu (RCWD). 4 Aye votes. (Director Miller absent)

1.5.2 Other Miscellaneous District Issues and Correspondence

Ms. Lorance reported that the Closed Session on the agenda was to discuss the OCAP Biological Opinion and anticipated litigation. Ms. Lorance informed the Board that the group will not be pursuing any litigation since there is not sufficient information on the potential impacts associated with the BO and at this point cannot determine if the cost is beneficial. The group will work together on drafting a letter to cover all the issues of concern. The letter will be sent to the Bureau and NMFS so when they come out with an operating plan, the letter will be on record. Ms. Lorance informed the Board that this can either be discussed in Closed or Open Session. The will of the Board was that the Closed Session was not needed at this time.

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1. Water Treatment Plant Raw Water Pipeline Project

Mr. Durkin reported that Preston Pipeline, Inc. is finished with construction of the Water Treatment Plant Raw Water Pipeline Project. All work has been satisfactorily completed and all requirements of the contract have been met.

Staff recommends a motion accepting the Raw Water Pipeline Project as complete and authorizing staff to file the Notice of Completion with Placer County.

M/S/C to accept the Raw Water Pipeline Project as complete and authorizing staff to file the Notice of Completion with Placer County. 4 Aye votes. (Director Miller absent)

2.2. Report Back Items

Mr. Durkin will report back on the WTP Raw Water Pipeline Project accounting at the next Board meeting. Director Peterson requested that the Finance Committee bring the information to the Board showing the accumulation of all the projects that have come in under budget. Director Costa informed the Board that the Finance Committee is in the process of producing quarterly reports which will include this information.

2.3. Miscellaneous District Issues and Correspondence

Director Peterson requested that Mr. Durkin arrange a tour of the facilities for the Board members to see the new improvements which have recently been completed. Mr. Durkin will arrange the tour as soon as possible considering the existing construction schedule.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Identity Theft Prevention Program Update

Ms. Morris reported that the Identity Theft Prevention Program has been updated to comply with the Fair and Accurate Credit Transaction (FACT) Act of 2003 and the final rules and guidelines for the FACT Act issued by the

Federal Trade Commission and federal bank regulatory agencies in November 2007. The District must have an Identity Theft Prevention Program in place by November 1, 2009 (this deadline was extended from 2008). The FACT Act requires that financial institutions and creditors implement written programs which provide for identification, detection, and response to patterns, practices or specific activities (“red flags”) that could indicate identity theft.

The District must comply because it is defined as a “creditor” that defers payment until after the service is provided. The District’s current Identity Theft Prevention Program was adopted by Resolution 08-26 on October 8, 2008.

Current Status

Staff has updated the Identity Theft Prevention Program with changes as recommended by Josh Horowitz, legal counsel.

Staff Recommendation

Consider adoption of Resolution No. 09-23 to accept the updated Identity Theft Prevention Program.

M/S/C to adopt Resolution No. 09-23 to accept the updated Identity Theft Prevention Program. 4 Aye votes. (Director Miller absent)

3.2. Report Back Items

There were no report back items.

3.3. Miscellaneous District Issues and Correspondence

Ms. Morris informed the Board that the district employees passed the 3-year with no lost time accidents on October 12th and will receive 3 Safety Days in recognition of their efforts to promote a safe work environment. The JPIA has commended the District in the past for this program as it helps lower workers’ compensation insurance premiums.

4. DIRECTORS’ REPORTS

4.1. SGA

Director Tobin reported that SGA met October 8th. Director Tobin attended the October 6-7 Groundwater Conference and handed out the booklet on “Water Crisis and Uncertainty: Shaping Groundwater’s Future.”

4.2. RWA

Director Tobin reported that RWA met September 10th. Director Tobin informed the Board that the legislative topics that Ms. Lorange covered are in the forefront with RWA topics.

4.3. Executive Committee

Mr. Durkin reported that the committee met on September 22nd and the minutes were included in the Board packet. A lot of the topics covered at the committee meeting were addressed at tonight's Board meeting. Ms. Lorance stated that the minutes include reports of each districts' activities.

President Walters noticed that the meeting on Fluoridation with First Five was cancelled. Ms. Lorance informed the Board that she explained to the dentists what the Board position was on this issue and that a meeting was probably not necessary, however, they were welcome to meet with her. They decided not to meet and Ms. Lorance feels that they will be approaching neighboring districts on an individual basis to seek their support for SJWD to fluoridate.

4.4. ACWA/JPIA

There was no report.

4.5. ACWA Region IV

Director Peterson reported that they had a board meeting and tour of the LA Aqueduct system and Mono Lake basin on September 23-25. The most significant issue at the board meeting was a heated discussion on the budget which contained a dues increase. Ms. Lorance stated that this was not the time to cut back on supporting ACWA as they provide lobbying efforts that are important to SJWD and the rest of ACWA members.

4.6. CVP Water Users Association

Director Costa stated that there has been no meeting, as they only meet 4 times per year.

4.7. LAFCO

Director Costa reported that LAFCO met and is requesting nominations for the Special District Advisory Committee. Director Costa believes his term is for another year. The Board Secretary will confirm Director Costa's term end date.

4.8. Other Reports

There were no other reports.

5. LEGAL COUNSEL'S REPORT

There was no report.

IV. PUBLIC FORUM

There was no public comment.

V. CLOSED SESSION

Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(c); consideration of initiation of litigation involving one matter.

President Walters did not call for Closed Session as the Board decided during the General Manager's report that the session was not needed at this time.

VI. OPEN SESSION

1. Report from Closed Session
There was no report from Closed Session.

VII. UPCOMING EVENTS

California Water Law Conference
November 5-6, 2009
Palm Springs, California

ACWA 2009 Fall Convention & Exposition
December 1-4, 2009
San Diego, California

VIII. ADJOURN

The meeting was adjourned at 9:09 p.m.

BOB WALTERS, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary