

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

November 4, 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 Johnson	Customer Service Manager
George Machado	Field Services Manager
Teri Hart	Administrative Assistant/Board Secretary
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

Tom Gray	Fair Oaks Water District
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AGENDA ITEMS

- I. Consent Calendar**
- II. Presentations**
- III. Committee Reports**
- IV. Information and Action Items**
- V. Public Forum**
- VI. Upcoming Events**
- VII. 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 October 14, 2009

Ms. Lorance requested the minutes be amended on Page 6, Section 2.1, second paragraph to change the words from “these minutes” to “the original copy of the minutes.”

Director Peterson moved to approve the October 14, 2009 Board of Director’s Meeting Minutes as amended. Director Tobin seconded the motion and it carried unanimously.

II. PRESENTATIONS

1. INVESTMENTS FOR QUARTER ENDED SEPTEMBER 30, 2009

Ms. Morris reviewed the investments for the quarter ending September 30, 2009. The presentation material will be attached to the original meeting minutes. The following staff report was included in the board packet:

Background

In compliance with the State of California Government Code and the District’s Investment Policy, the San Juan Water District Investment Report for the quarter ended September 30, 2009 is submitted for your review.

The attached Portfolio Summary Report provides a summary of the District’s investments by type including: par value, market value, book value, percentage of portfolio, term, days to maturity and yields. The Portfolio Details Report provides information on the individual investments contained within each type. The market value of the securities is provided by US Bank Trust and Custody, the District’s third party custodian for safekeeping of the investments.

Current Status

The investment portfolio is in compliance with the Government Code and District’s Investment Policy and demonstrates the District’s ability to meet its cash flow requirements based upon the cash on deposit with US Bank and LAIF, which can be withdrawn during any period within the next 180 days.

The principal cost (book value) and market value of the cash and investment portfolio was \$52,175,490 and \$52,282,730, respectively. Increased market interest rates after the purchase of an investment decrease the value, while declining market interest rates have the opposite effect. Holding investments until the maturity date eliminates the market risk. Market values have remained stable this quarter reflecting market conditions.

Budget Impact

Investment earnings for the fiscal year are currently estimated to be approximately \$744,413.

For information only, no action is required.

2. FINANCIAL PERFORMANCE FOR QUARTER ENDED SEPTEMBER 30, 2009

Ms. Morris reviewed the financial performance for the quarter ending September 30, 2009. The presentation material will be attached to the original meeting minutes.

Director Peterson inquired whether or not the District spent anything from the Retail CIP Fund during the first quarter. Ms. Morris will confirm the numbers that are shown in the presentation and will report back at the next meeting.

President Walters called for any questions regarding the presentations. There were no further questions.

III. COMMITTEE REPORTS

1. AD HOC RETIREMENT COMMITTEE MEETING (10/20/09)

Director Costa reported that the committee met on October 20, 2009 and discussed the following:

1.1. PERS Merit Increase Assumptions

Ms. Lorance explained that the District has been well below CalPERS assumptions for merit increases over the last four years, with one year exceeding. She reminded the committee that this is one area of the assumptions as there are many others that are not within control of the District: age of entry to the system, disability, mortality, etc. The salary assumptions are factors used in CalPERS Actuarial calculations in order to estimate salary increases throughout employees' careers. They are based on experience studies and are not expected to be exact for each individual each and every year of their career. In fact, Ms. Lorance pointed out that strictly following these assumptions for merit increases might be viewed as age discrimination since they are based upon age at entry and years of service, decreasing over time. She prefers to recognize individuals with merit increases based upon achievement rather than a "step" system.

The committee reviewed historical merit increases as a whole in comparison to the "assumed" increases. There was discussion on the best approach to defining a policy that would limit increases to remain within assumptions, especially in the case of a future board and general manager. It was determined that a policy could not be established that would restrict a future board. The committee recommended that revisions to the merit increases policy include remaining within CalPERS average assumptions. Director Costa stated that he is confident that over time the pension system will be sustainable if this is followed, but expressed concern over mortality rates. Ms. Morris explained that these are reviewed in each five-year experience study conducted by CalPERS.

Information only—no action requested

1.2. Other Ad Hoc Retirement Matters

There were no other retirement matters.

2. FINANCE COMMITTEE (11/3/09)

Director Costa reported that the committee met on November 3, 2009 and discussed the following:

2.1. Review and Pay Bills

Bills and claims in the amount of \$1,143,888.57 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, Finance & Administrative Services Manager and Board of Directors. Other randomly selected bills were discussed by the committee.

Director Tobin moved to approve Resolution 09-24. Director Miller seconded the motion and it carried unanimously.

2.2. Filter Basins Concrete Repair Project

Mr. Durkin reported that during the course of the raw water piping construction near the filter basins, it was discovered that there are leaks in the concrete collection channels that need to be repaired. The work requires injection of a special sealant in the cracks and joints of the channels that will expand when activated by water. The product meets regulation requirements for potable water.

Staff solicited bids from several concrete repair contractors, but was able to locate only one company qualified to provide this specialized service. In order to expedite the work and have it completed in conjunction with the current construction projects at the WTP, staff recommends that the project be awarded to Sholl Construction Company, Inc., and the funds be transferred out of reserves to fully fund as a pay-as-you-go project.

The committee discussed the project and agreed with SJWD staff recommendations.

Director Miller moved to approve a contract with Sholl Construction Company, Inc., for the Filter Basins Concrete Repair Project in the amount of \$48,800, with an authorized project amount of \$60,000 and to fund this project through the Capital Improvement Program Budget. Director Costa seconded the motion and it carried unanimously.

2.3. Treatment Plant HVAC Replacement Bids

Mr. Durkin informed the committee that there are three existing HVAC units at the Water Treatment Plant that need to be replaced. The units are mounted on the roof and in order to replace the HVAC units, the supports, flashing and curbs, and ductwork penetrations need to be modified. Staff recommends the units be replaced in conjunction with the planned re-roofing project. Staff obtained bids for the project through a public bidding process. The full staff report is attached to these meeting minutes for reference.

The committee discussed the project and agreed with SJWD staff recommendations.

Director Peterson inquired if there was any consideration for using a water cooling system for the HVAC system utilizing the water resources that are available to the District. Ms. Lorance informed the Board that the District will look into and report back at a later date. In the meantime, the project needs to be completed within the 15-day proposed timeline in order to be completed in conjunction with the roof replacement project being completed before winter.

President Walters confirmed with staff that the funds being used to fund this project and the others are pay-as-you-go. Ms. Lorance reported that this project and the Filter Basins Concrete Repair Project were not in the budget and will be funded utilizing reserve funds which were not used for other projects which came in under budget. It was confirmed that these projects will not be added to the 2010-2011 budget, as they will be completely funded using existing funds from the reserves.

Director Tobin moved to transfer funds from reserves and award the HVAC Replacement Project construction contract to Hometown Construction for the amount of \$27,979 with a total authorized construction budget of \$30,800 which includes a construction contingency of ten percent and to fund this project through the Capital Improvement Program Budget. Director Miller seconded the motion and it carried unanimously.

2.4. Administration Building & Treatment Plant Roof Replacement Bids

Mr. Durkin gave an update on the public bidding process for replacing the WTP Control Building and Administration Building roofs. The full staff report is attached to these meeting minutes for reference.

The committee discussed the project, including past roofing projects and the need to start and complete this project in a timely manner. Mr. Durkin informed the committee that the contract would include a 15-day start date. The committee agreed with SJWD staff recommendations for this project.

Director Costa moved to award the WTP Control Building and Administration Building Roofing Project construction contract to King's Roofing for the amount of \$86,362.98 with a total authorized construction budget of \$95,000 which includes a construction contingency of ten percent. Director Peterson seconded the motion and it carried unanimously.

2.5. Proposition 1A Securitization

Ms. Morris informed the committee that the securitization will provide the District with the \$146,000 in State borrowed funds. Legal costs of approximately \$1,000 will be paid from legal services fiscal year operating budget. The full staff report is attached to these meeting minutes for reference.

Staff recommends consideration of the adoption of Resolution No. 09-25 Approving the Form of and Authorizing the Execution and Delivery of a Purchase and Sale Agreement and Related Documents with Respect to the Sale of the Seller's Proposition 1A Receivable from the State; and Directing and Authorizing Certain Other Actions in Connection Therewith.

Ms. Morris informed the committee that she spoke with the auditors and they agreed that SJWD should pursue this instead of waiting for repayment from the state. Although previously approved by the Board, the committee understands that this is an administrative action that is needed to obtain the adopted resolution in order to complete the application process and therefore the committee agreed with SJWD staff recommendations.

Director Miller moved to adopt Resolution No. 09-25 Approving the Form of and Authorizing the Execution and Delivery of a Purchase and Sale Agreement and Related Documents with Respect to the Sale of the Seller's Proposition 1A Receivable from the State; and Directing and Authorizing Certain Other Actions in Connection Therewith. Director Tobin seconded the motion and it carried 4-1 with Director Peterson abstaining.

2.6. Solar Power at Baldwin Reservoir

Mr. Durkin informed the committee that staff is busy working on the project but will not have any requested action for the committee until the next meeting.

2.7. Auburn Folsom Road Widening Middle-Phase Project and 24-inch AFR Water Transmission Pipeline

Mr. Durkin informed the committee that Placer County received bids for the road widening project. The project includes construction of a 24-inch diameter water transmission main in conjunction with the road construction. The cost of the pipeline portion of the work bid by the apparent low bidder is \$720,200. This is well below the engineer's estimate of \$1.1 million; the

amount previously approved by the Board for the pipeline and used in the project cooperation agreement with the County.

Director Miller inquired as to whether SJWD would benefit from any portion of the federal stimulus funding that the County received for the project. Mr. Durkin informed the committee that federal stimulus funding is not available for our portion of the construction. However, coordinating construction of the pipeline with Placer County's road widening project has provided significant savings to the District. Staff recommends proceeding with the project in accordance with the terms of the Utility Construction Cooperative Agreement with Placer County.

The committee discussed the project and agreed with SJWD staff recommendations.

Mr. Durkin informed the Board that the project goes up to Linda Creek and that Western Construction was awarded the contract with the county. The county saved money on this project with the lowest bidder coming in at \$4.3 million, approximately \$3.6 million below budget, so hopefully the county will move forward with the last phase of the road widening.

Director Peterson suggested that this project should be highlighted in the Water Gram showing the savings by working with Placer County in conjunction with the road widening project. Mr. Durkin mentioned that the engineering group is active getting projects completed during this economic downturn which is saving the District money and also generating work to help stimulate the economy.

President Walters inquired about the federal stimulus funds. Mr. Durkin explained that the stimulus funds were for transportation and we did not qualify for the funds.

Director Tobin moved to proceed with construction of the middle phase segment of the 24-inch AFR Transmission Pipeline in accordance with the terms of the Utility Construction Cooperative Agreement with Placer County. President Walters seconded the motion and it carried unanimously.

2.8. PERS Merit Increase Assumption Policy

Ms. Lorance informed the committee that the Ad Hoc Retirement Committee met at the request of the Finance Committee. The Ad Hoc Retirement Committee supports the Finance Committee recommending approval of the PERS Merit Increase Assumption Policy by the Board.

Director Costa moved to approve the revisions to the existing Merit Increase Policy to incorporate the PERS Merit Increase Assumption Policy. Director Miller seconded the motion and it carried unanimously.

2.9. Other Finance Matters

There were no other finance matters discussed.

III. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1. Legislative Update

Ms. Lorance reported that the bill package that was linked together has now unlinked one bill from the package in order to get the rest of the bills passed.

The bills cover delta governance, water bond, ground water monitoring, water conservation and a new water rights legislative bill that authorizes an additional 25 water rights enforcement staff at the SWRCB to be paid for from the water rights fee fund. The District's water rights fees will probably increase significantly. There will be increased fines and penalties related to reporting of diversions, and repeal of exemption for in-delta diversions.

One success to the District was the failure of the bill that contained the water rights issues. That failure produced a newer version which was relatively better for the District. The bills are expected to be signed by the Governor. The bills include a 20% reduction requirement for SJWD wholesale and the retail agencies with 10% reduction required by 2015. The big concern is that it's not just related to grant funds anymore and there is a statement that says the target is no longer the only way to identify water waste until 2021. In other words, if the 20% reduction is not met by 2020 then there may be a water rights challenge to the District.

Ms. Lorance reported that she is working on the next step which will be water conservation implementation and figuring out a plan for the District as the bill analysis start coming in. Some bills are not even posted in their most updated version.

Ms. Lorance reported that there was a last minute ACWA board conference call on Sunday at 7pm which was held to discuss supporting or not supporting the legislative bills. Mr. Bartkiewicz attended the meeting and brought up the issue that ACWA has a position to not define their position when their members are split on a topic. However, the ACWA Board President, Glenn Peterson, called the question, received an 18-11 vote to support the bills, declared support of the bills and terminated the conference call, with no discussion on the issue.

President Walters inquired if there were any areas exempt from the conservation requirements. Ms. Lorance explained that one option is to meet the targets that are in the DWR report - places such as Los Angeles area and San Francisco are at the targets which have a 5% reduction requirement due to population density.

Currently, the District would have to meet the 20% reduction. The state as a whole is not required at this time to meet the 20% due to the variance between percentages across the state; however, the DWR has been instructed to figure out how the whole state will meet the 20%. There is also an ETO calculation formula option; however, nobody seems to be able to figure the calculation out.

The District will have to meet a 10% reduction in water use within 10 years. The reduction will be calculated on a base year and then by 2020 the complete 20% reduction will need to be reached. Ms. Lorance informed the Board that a workshop with the wholesale agencies will be set up to review this and work out a plan to reach this goal.

Ms. Lorance informed the Board that there is a meeting set-up to discuss the actions, if any, to take in response to ACWA's decision to support the bills when the board was split on it's decision to support. The options that will be discussed are pulling membership, delay payment of dues, boycott ACWA conference, write a letter of concern, or do nothing.

Director Miller suggested that the main concern now should be committee involvement going forward. Ms. Lorance stated that RWA is setting up a meeting to figure out how to limit the negative impact to the area. Director Costa suggested that a slate of representative from Northern California should be submitted for running for ACWA positions. Director Miller would like to see an analysis of the bills.

Mr. Bartkiewicz informed the Board that the bills are now out and their firm is working on an analysis. He suggests communicating with customers regarding possibly rate increases and decreased water reliability due to these bills. He believes there will be water rights, water supply reliability and flow issues. He believes the bills are better than they were prior to the work that was completed to amend the bills, however, there will still be negative impacts to the region.

Director Peterson pointed out that the bills are passing and there's nothing more that we can do; however, the bond will still need voter approval and this is where the region's focus should be. President Walters mentioned that the general public recognizes the word "conservation" as saving them money. Ms. Lorance informed the Board that the District is trying to get away from using that word.

President Walter acknowledged Mr. Tom Gray for public comment on the agenda item. Mr. Gray suggested that a "surcharge" be added to the customer's billing so that the customer knows that the increase in rates is due to the water legislation. President Walters commented that the agencies

should not argue about the costs and instead be galvanized going forward with this issue.

Mr. Bartkiewicz commented on the ACWA situation and his role in ACWA over the past 30 years. He referenced a policy that ACWA has in force regarding ACWA support. The policy states, in so many words, that ACWA will not take a position when there is division amongst its members and that ACWA will stay neutral. ACWA went against its own policy with their support of the water legislation bills.

No action requested, for information

1.2. Report Back Items

There were no items to discuss.

1.3. Miscellaneous District Issues and Correspondence

1.3.1 Local Agency Formation Commission

Ms. Lorance reported that the Board needed to vote on the Special District Commissioner and the Alternate Special District Commissioner for the Sacramento LAFCo by December 7th. The choices for Commissioner are Robert Harrison, Gay Jones and Michelle Orrock, and for the Alternate are Jerry Fox and Michael Seaman. The Board discussed the candidates and decided to only vote for the Commissioner position and not the Alternate position.

Director Tobin moved to vote for Gay Jones for the LAFCO Special District Commissioner. Director Costa seconded the motion and it carried unanimously.

Ms. Lorance reported that the Board needs to delegate a representative to vote on behalf of the District at the ACWA Fall Conference and she recommends Dave Peterson, provided the District attends the conference.

Director Tobin moved to delegate Director Dave Peterson as the delegate for the District at the ACWA Fall Conference. Director Costa seconded the motion and it carried unanimously.

Ms. Lorance reported that the USBR will be requesting that the agencies submit their conservation plans to SJWD for approval first instead of directly to the Bureau as they have been doing. The Bureau will contact the agencies to inform them of this and at this point it has not been determined if they will be requesting this change for the current year or for the next round of submissions. The Bureau will be holding a meeting for the agencies to attend where this will be discussed. It's not sure what will happen if the District approves the plan and then the Bureau doesn't; however, this might be the Bureau's attempt to be able to do anything if a plan is submitted that they do not approve, since their jurisdiction is only over the District and not the agencies.

President Walter acknowledged Mr. Tom Gray for public comment on the agenda item. Mr. Gray commented that the Bureau is changing this right at the due date and Fair Oaks Water District already submitted and paid for their plan. Mr. Gray would like the District to push back on this since they already submitted their plan. Ms. Lorange stated that the District will try to push back.

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1. Report Back Items

2.1.1 WTP Raw Water Pipeline Project Report on Final Project Costs

Mr. Durkin reported that the Water Treatment Plant Raw Water Pipeline Improvements Project is complete. The San Juan Water District Board of Directors has requested a final summary of project costs compared to budget for capital improvements projects.

Status

The project budget and project costs are summarized as follows:

CIP Budget Amount	\$ 3,000,000
Design and Construction Bidding*	(31,400)
Construction	(2,030,657)
Construction Inspection	(134,600)
Misc. District Expenses	(3,732)
Unexpended Budget	<hr/> \$ 799,611

*The majority of the design effort on the project was performed as part of the Hydraulic Improvements Project utilizing federal money appropriated through the Corps of Engineers.

Budget Impact

Barring Board direction to the contrary, the budget savings from this CIP project will remain in the capital reserves to be used on other projects on a pay-as-you-go basis.

Staff Recommendation

No action requested; for information only.

Director Peterson inquired if there would be a downside to placing the savings into the Rate Stabilization Reserve. Ms. Morris informed

the Board that if the savings were placed in that reserve then those funds would not be currently available for capital projects; however, the funds could be moved by the Board at a future meeting.

Director Peterson moved to transfer \$800,000 from the CIP Reserve to the Rate Stabilization Reserve Fund.

Director Miller suggested that if this is done for this project, shouldn't it be done for all other projects that come in below budget. Ms. Lorange informed the Board that each project will be brought back to the Board after the project is complete. Director Costa suggested more thought go into this; Director Miller suggested it be referred to the Finance Committee.

Director Peterson withdrew his motion. President Walters referred the item to the Finance Committee.

2.2.1 Tour of WTP for Board of Directors

Mr. Durkin reported that there are several projects starting and the tour will need to be scheduled during the day. The board agreed that a daytime hour and a half tour will work and Mr. Durkin will send out an email to arrange the date.

2.2. Miscellaneous District Issues and Correspondence

There were no items to discuss.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Report Back Items

Ms. Morris had no items to report back on.

3.2. Miscellaneous District Issues and Correspondence

There were no items to discuss.

4. DIRECTORS' REPORTS

4.1. SGA

There was no report.

4.2. RWA

Director Tobin reported that RWA will meet on November 12th and she will be unable to attend.

4.3. Executive Committee

Ms. Lorange reported that the October Executive Committee meeting was rescheduled for November 18, 2009.

4.4. ACWA/JPIA

There was no report.

4.5. ACWA Region IV

Director Peterson reported that ACWA had an emergency meeting that was called on a Saturday for a conference call on Sunday, November 1, except a Region 1 representative did not show. On November 3, the Finance Committee met and selected the same auditing firm as the previous year. The next board meeting will be November 20th. The ACWA Conference will be December 1-4.

4.6. CVP Water Users Association

Director Costa reported that they have not met.

4.7. LAFCO

There was no report.

4.8. Other Reports

There were no other reports.

5. LEGAL COUNSEL'S REPORT

There was no report.

IV. PUBLIC FORUM

Tom Gray, Fair Oaks Water District General Manager, informed the Board that he attended the meeting at the request of the FOWD Financial Committee.

V. UPCOMING EVENTS

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

VI. ADJOURN

The meeting was adjourned at 8:50 p.m.

ATTEST:

BOB WALTERS, President
Board of Directors
San Juan Water District

TERI HART, Board Secretary