

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

January 13, 2016 – 7:00 p.m.

BOARD OF DIRECTORS

Pam Tobin	President
Ken Miller	Vice President
Ted Costa	Director
Dan Rich	Director
Bob Walters	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Donna Silva	Director of Finance
Teri Grant	Board Secretary/Administrative Assistant
Joshua Horowitz	Legal Counsel

OTHER ATTENDEES

Mitch Dion	Self
Marty Hanneman	Self
Lynn Scherrer	Self
Paul R. Stanbrough	Self
Yung-Hsin Sun	MWH
Tony Barela	SJWD
Jason Mayorga	SJWD
Neil Schild	SSWD

AGENDA ITEMS

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

President Tobin called the meeting to order at 7:00 p.m.

I. PUBLIC FORUM

There were no public comments.

II. CONSENT CALENDAR

All items under the consent calendar are considered to be routine and are approved by one 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. Minutes of the Board of Directors Meetings

Approval of San Juan Water District's Board of Director's meeting minutes as follows:

1. Minutes of the Board of Directors Meeting, December 9, 2015

Director Costa requested Item 1 be removed from the Consent Calendar for discussion. Director Costa commented that he had concerns regarding page 2 and 3 of the minutes under the *Assistant General Manager Employment Contract*. He commented that the Board was not informed of all the items that the contract with the AGM would include such as incentive awards and no ending date. In addition, he believed that the contract should have been negotiated in Closed Session with the Board. Ms. Lorance commented that the topic was openly discussed in several meetings including that the contract would include an additional week of admin leave and the opportunity for incentive award.

In response to Director Walters' question, Mr. Horowitz explained that the Community District Act does not prohibit or expressly allow employment by contract versus employment by some other system, and it is not uncommon for public agencies to have employment contracts with executive level management employees. Mr. Horowitz commented that this topic is not on the agenda for discussion and should instead be discussed at a later meeting. He commented that Ms. Lorance has the authority to enter into contracts with employees as long as severance packages are not included in a contract. At the request of Directors Costa and Walters, President Tobin referred discussion of the AGM contract to the Personnel Committee under Closed Session.

Director Walters moved to approve the minutes of the Board of Directors meeting from December 9, 2015. Director Rich seconded the motion and it carried unanimously.

ACTION AND INFORMATIONAL ITEMS

III. COMMITTEE REPORTS

1. Public Information Committee (11/16/15)

Ms. Lorance reported that the committee met on November 16, 2015, and the agenda items were discussed at a previous Board meeting:

- Public Information Plan (W & R)
- Other Public Information Matters
- Public Comment

The committee meeting minutes will be attached to the original board minutes.

Public Information Plan (W & R)

President Tobin reported that the committee was presented with a list of questions and answers from the previous board meeting and discussed the various information that should be provided on the transparency hub and the best way to structure the included information.

For information, no action requested

2. Water Supply & Reliability Committee (12/14/15)

Director Walters reported that the committee met on December 14, 2015, and discussed the following:

- Selection of Consultant for a Water Management and Reliability Study Update (W)
- Planning for Various Year Types for 2016 (R)
- Other Matters
- Public Comment

The committee meeting minutes will be attached to the original board minutes.

Selection of Consultant for a Water Management and Reliability Study Update (W)

Mr. Durkin informed the Board that the committee released a Request for Proposal (RFP) for a Water Management and Reliability Study. The study will look at options for the District to put its water rights and contract entitlements to beneficial use and manage water better in the wholesale service area. Mr. Durkin explained that 13 different options were in the RFP and it is expected that the consultant will suggest other options as well.

Mr. Durkin explained that, once the list is narrowed down, the consultant will do a comprehensive review of the different options. In addition, he reviewed the scope of work and project schedule which indicates that the study should be completed by the first part of October 2016. Ms. Lorance explained that, after this initial study is completed, a detailed feasibility analysis is expected to take another six months then design of a proposed project could take another year or more, depending on what is recommended from the study.

Director Walters moved to enter into a contract with MWH for completion of the Water Management and Reliability Study for \$199,651 and approve staff authorization up to \$220,000 for the project, which includes a 10% contingency. Director Costa seconded the motion and it carried unanimously.

Planning for Various Year Types for 2016 (R)

Ms. Lorance reported that the Water Supply & Reliability Committee referred discussion of the need to develop a plan for three possible alternatives; a wet

year, a continuation of existing conditions, or a worsening of the drought to the Volunteer Drought Committee.

For information only; no action requested.

3. Volunteer Drought Committee (12/15/15)

Ms. Lorance reported that the committee met on December 15, 2015, and discussed the following:

- Overview of Water Supply Forecast (W)
- 2016 Water Conservation Stages (R)
- Other Engineering Matters
- Public Comment

The committee meeting minutes will be attached to the original board minutes.

Overview of Water Supply Forecast

For Overview of Water Supply Forecast, please see the committee minutes.

2016 Water Conservation Stages

Ms. Lorance reported that one of the biggest issues that the Customer Service Department is hearing about is the inequality between customers conserving and not conserving water. She explained that the committee discussed the need to conserve between 32% and 36% through October of 2016, which will not be known until after the State Water Resources Control Board (SWRCB) meets February 2nd. Ms. Lorance reported that the committee discussed water conservation targets based per connection or per lot size, with the consensus of the committee being to look into water targets based on lot size. Director Miller requested the date of the next committee meeting since he will be in direct opposition to targets based on lot size. Ms. Lorance explained that the committee will be looking into this in order to provide the Board with a recommendation only.

Ms. Lorance commented that the next meeting of the committee was not yet set and needs to be determined by the Board. The Board discussed the next meeting and requested that the meeting be set after the February 2nd SWRCB meeting and after the February 10th Board meeting. President Tobin commented that she attended and testified at the last SWRCB meeting instead of attending the Drought Committee meeting. President Tobin reported that she testified before the SWRCB to let them know that the region has met impressive conservation targets and that while the conservation targets were met, the water level at Folsom Reservoir had not improved. The SWRCB decided that Folsom Reservoir would have carry-over storage of 200,000 acre feet.

Director Walters and President Tobin commented that Kevin Knauss has a blog and has minutes that were kept of the prior drought committee meetings and

suggested that he be contacted to obtain a copy of those minutes and to get authorization to place a link to his blog on the District's webpage.

Director Rich voiced concern that the District is not collecting enough data each month from meter reads to make significant changes to enforce conservation. He suggested that the District read meters once per month, even if billing only occurs bi-monthly. Ms. Lorance commented that she will investigate the potential implications of reading the meters monthly and will provide the information at the February meeting. Mr. Horowitz commented that going to a monthly meter reading is actually a good idea since the SWRCB has been requiring more data from agencies.

For information only; no action requested.

4. Finance Committee (1/12/16)

Director Costa reported that the committee met on January 12, 2016, and discussed the following:

- Review and Pay Bills (W & R)
- Letter from FOWD on FO-40 pipeline (W)
- Investment Policy Revisions (W/R)
- Upcoming Mid-Year Budget Review – Potential Impacts (W/R)
- February Finance Workshop (W/R)
- Ordinance 14000: Connection Fees for Water Service (R)
- Other Finance Matters
 - Legal Services Fees for 2016 (W/R)
- Public Comment

The committee meeting minutes will be attached to the original board minutes.

Review and Pay Bills (W & R)

President Costa reported that the committee reviewed bills and claims in the amount of \$3,209,637.05 and found them to be in order.

Director Costa moved to approve Resolution 16-01. Director Rich seconded the motion and it carried unanimously.

Letter from FOWD on FO-40 Pipeline (W)

Director Costa reported that the Board received a letter from FOWD requesting to pay for Phase II of the FO-40 pipeline project as costs are actually incurred.

Director Costa moved to accept FOWD's request to direct fund Phase II of the FO-40 pipeline project under the following conditions:

- ***A signed agreement to pay the projected costs is signed by both agencies***
- ***The agreement includes paying the estimated upcoming quarter costs in advance***

- ***The capital facilities fees will remain in effect until an agreement is signed by both agencies***

Director Walters seconded the motion and it carried unanimously.

In response to Director Walters' question, Ms. Lorance responded that staff will work with Legal Counsel to make sure that the agreement does not abrogate the previous agreement with FOWD. In addition, she commented that the agreement is for a direct payment schedule, and not a discussion of responsibilities. She explained that FOWD will be billed quarterly for capital facilities fees for Phase II of the FO-40 project until a signed agreement is in effect, in accordance with the fee schedule previously approved by the Board. She informed the Board that Mr. Underwood would like to have the FOWD board review the proposed direct payment schedule once the SJWD Board approves the request.

Investment Policy Revisions (W/R)

Director Costa reported that Ms. Silva informed the committee that there have been some recommended changes to the SJWD Investment Policy.

Ms. Silva commented that she plans to bring the Investment Policy before the Board on an annual basis to ensure that the District's policy remains in line with the government code.

Director Costa moved to approve the updated Investment Policy. Director Rich seconded the motion and it carried unanimously.

Upcoming Mid-Year Budget Review – Potential Impacts (W/R)

Ms. Silva informed the Board that she will be conducting a mid-year review of the budget with management staff. There are two items that have already been identified as out of line with the budget – overtime and continuation of conservation requirements. Once the mid-year review is completed, she will report back to the Finance Committee.

For information only; no action requested.

February Finance Workshop (W/R)

Director Costa reported that a workshop conducted by Ms. Silva will be scheduled for February regarding government finance.

For information only; no action requested.

Ordinance 14000: Connection Fees for Water Service (R)

Director Costa reported that during the economic downturn, the Board was requested by developers to consider allowing connection fees to be paid at the time they initiated water service to facilitate cash flow issues. Unfortunately, there are some developers that are not paying the connection fees, and when a new homeowner comes in to start water service they are surprised with a large connection fee that is due.

Mr. Durkin reported that he is working with the customer service and engineering departments, as well as Legal Counsel, to make suggested revisions to the ordinance which will require connection fees to be collected at the time of final plan approval. He explained that this is customary practice for most cities and agencies. He will bring this topic back to the next Finance Committee meeting.

Director Walters suggested that the revised ordinance be sent to the various counties, along with sending it to the Builders' Exchange. Mr. Horowitz commented that there have been some counties that have cooperated with water agencies to incorporate the connection fee payment requirements into the map approval requirements. Mr. Durkin will look into this with Placer and Sacramento counties.

In response to President Tobin's question, Ms. Lorance responded that under Stage 5 conservation requirements, the District will not issue Will Serve letters; however, the Board has requested that this be coordinated with the cities of Roseville and Folsom since the same water source is used.

For information only; no action requested.

Other Finance Matters (W or R)

- Legal Services Fees for 2016 (W/R)
Director Costa reported that a letter was received from Bartkiewicz, Kronick & Shanahan (BKS) informing the District of an increase in attorney fees effective January 1, 2016. Director Costa commented that he wanted the Legal Affairs Committee to review the process used to notify the District of any rate increase but the minutes reflected review of the contract. Ms. Lorance commented that she reviewed the contract and BKS is following the process to provide a letter of notification prior to any rate increase. Director Costa requested that the Legal Affairs Committee review the Legal Counsel contract at their next meeting.
- Director Costa reported that a new 5-year financial plan, that will include the impacts of the past drought as well as future capital improvements, will be conducted by The Reed Group.
- Director Costa reported that Director Miller's question regarding Social Security COLA was addressed.

IV. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 Water Supply Update

Ms. Lorance reported that Folsom Reservoir is at approximately 270,000 acre feet and there is a little over 100% of average snow. She commented that El Niño has peaked and now storms will come through.

For information, no action requested

1.2 Groundwater Reimbursement (W/R)

Ms. Lorance provided the Board with a staff report which will be attached to the meeting minutes. She informed the Board that 2014 was, at that time, considered the driest year and SWRCB had requested 20% water conservation. Therefore, SJWD-W requested groundwater pumping by CHWD and FOWD for 2014. The wholesale customer agencies (WCAs) had approved a shortage policy that included maintenance and readiness to serve, as well as reimbursement for pumping. Ms. Lorance reported that all WCAs agreed that reimbursement for groundwater pumped in 2014 is appropriate.

Ms. Lorance informed the Board that there is disagreement on payment for maintenance costs between 2009 and 2013, based on annual invoices not being received, as required by the contract, and the amount of pumping those years being appropriate for reimbursement (maybe more than necessary for readiness to serve). Ms. Lorance recommends that the Board discuss the option of paying for the actual groundwater pumped during 2014 by CHWD and FOWD from SJWD wholesale reserves. Further discussion would continue on the costs incurred during 2009-2013 maintenance pumping. The total costs for 2014 for CHWD and FOWD, minus the \$93.32 per AF cost for surface water that was an avoided cost, came to \$396,023. The intent would be for this amount to be budgeted in the 2016/2017 wholesale budget and paid in July 2016.

The Board discussed the groundwater reimbursement issue. In response to Director Rich's question, Ms. Lorance explained that the Board accepted the groundwater reimbursement report that was performed by Mr. Mitch Dion; however, it was contingent on the other WCAs agreeing to the reimbursement allocations. She commented that the WCAs have concerns regarding the maintenance pumping from 2009-2013 since invoices were not received and therefore the WCAs were not given the opportunity to end the agreement. There are two options that came out of the discussions:

Option A – SJWD-W pays for water supply then allocates costs via the water rate process for all WCAs. This would be for the \$396,023 portion. Then further discussion would continue on the costs incurred during 2009-2013 for maintenance pumping/readiness to serve in the amount of approximately \$1.6 million.

Option B – SJWD-W pays for everything over a five year period then increase wholesale rates accordingly to cover the cost of the benefit to all five agencies.

Director Costa commented that he prefers Option B which, over the long term, is the best policy to initiate.

In response to Director Miller's comment, Ms. Lorance informed the Board that her staff report contains specific information on the Shortage Policy which was the basis for the maintenance pumping. In addition, there is concern from the WCAs that the policy does not apply since water usage was below 54,000 AF between 2009-2013.

Director Walters suggested that the WCAs are informed of what is happening at this time so that they have an opportunity to comment. Ms. Lorance will send an email which will inform the WCAs of the options being considered.

For information, no action requested

1.3 Regional Federal Lobbying (W)

Ms. Lorance reported that the cities of Roseville and Folsom along with the District jointly hired the Ferguson Group for federal lobbying on issues related to surface water and Folsom Reservoir. She provided the Board with a staff report which covers the legislative platform for this year. This year, the draft Federal platform has been divided into three sections: Operations, Upcoming Issues and Awareness of the Agencies. A copy of the staff report will be attached to the meeting minutes.

Ms. Lorance informed the Board that she and President Tobin will be attending the ACWA DC2016 conference. Ms. Lorance and President Tobin will be attending the R3 meeting (staff and elected officials) which will coincide with the conference and President Tobin will also be attending the ACWA Federal Affairs Committee meeting.

Ms. Lorance informed the Board that the City of Roseville is requiring that a RFP is posted for the federal lobbying contract since the contract with the Ferguson Group dates back to 1999.

For information, no action requested

1.4 Water Transfer Opportunities (W)

Ms. Lorance reported that two possible water transfer opportunities are being looked into – conserved water and/or groundwater substitution. She explained that a conserved water transfer has never been done in California and was attempted last year. However, there is no whitepaper providing the basic instructions on how to accomplish the transfer.

Ms. Lorance reported that she will be meeting with the United States Bureau of Reclamation (USBR) to discuss the approach to use for implementing a conserved water transfer. She commented that there is a draft approach which is already being updated with new ideas and it is understood that more data is being required instead of assumptions.

She informed the Board that another attempt to transfer conserved water to Santa Clara Valley Water District will be made, which will take a considerable amount of staff time. The Board discussed the possibility of a conserved water transfer. Ms. Lorance suggested that the Water Supply & Reliability Committee and/or the Legal Affairs Committee discuss the transfer and develop an action plan.

Ms. Lorance informed the Board that the other opportunity is to initiate a groundwater substitution transfer this year. She explained that the intent would be to work with CHWD and FOWD under an agreement. She will be meeting with FOWD and CHWD to discuss the possibility of the transfer. In addition, she has discussed with the WCAs the possibility of using the CTP for a groundwater substitution transfer with SSWD.

Director Walters voiced concern regarding attempting both transfers at the same time as it might give reason for the conserved water transfer to be rejected since a groundwater substitution transfer could be completed in its place. Ms. Lorance will bring the discussion of water transfers to the committees.

For information, no action requested

1.5 United States Bureau of Reclamation (W)

Ms. Lorance reported that she attended the USBR meeting on January 8th. She commented that USBR has transitioned to a reactionary agency dealing with situations as they arise, rather than planning for increasing water supply to mitigate the reductions to contractors as a result of environmental requirements. USBR used to be the model of planning and constructing water facilities. They also used to be the Contractors' advocate to minimize impacts to water contractors. They now have to defer to the fishery agencies and react to decisions by others constantly.

Ms. Lorance reported that the USBR discussed identifying a "Liaison" that could be in the regional office. The sole purpose for this position would be to identify the impacts to water supply as decisions are made, and to keep the contractors informed. This position could either be from the USBR staff or the contractors could fund a new position at the CVPWUA (Central Valley Project Water Users Association) who would be housed in the regional office of USBR. A decision on the best approach has not been made.

For information, no action requested

1.6 Conservation Status (R)

Ms. Lorance reported that the District is currently at a 36.1% cumulative reduction. She commented that it will be difficult to stay above 36% in January and February. In addition, she expects the conservation requirement to likely be 32% through October 2016.

For information, no action requested

1.7 Report Back Item

Ms. Lorance reported that two workshops have been scheduled in February. The first workshop is scheduled for Wednesday, February 17th to cover succession planning, staffing and policy. The second workshop is scheduled for Thursday, February 18th to cover government finance.

For information, no action requested

1.8 Miscellaneous District Issues and Correspondence

- Ms. Lorance reported that she received an email from David Murillo on Friday stating that there may be some federal drought funding that he can request for projects that will have immediate or long term benefit. Mr. Murillo needed a description of the project, benefit and estimate cost by end of Monday; therefore, Ms. Lorance submitted information on the water reliability study. She will report back on this topic once she receives any notification on the funding.
- Ms. Lorance reported that USBR completed their Raising Shasta Dam study. More information is available online and Ms. Lorance can provide the link to anyone interested.
- Ms. Lorance reported that she was requested to review the work of the ACWA Storage Workgroup. She commented that the purpose of the ACWA Water Storage Integration Work Group effort is to inform and influence decision making related to water storage investments by defining and quantifying the benefits of integration in terms of statewide water supply needs and priorities. The intent is to hire MBK to conduct a study, which will be funded by agencies' contributions. The budget for this will be \$150,000.

Ms. Lorance commented that the water storage integration process is complex and can have several elements depending on how it is defined. Some of the major elements of an integrated water storage system are:

- Supply development (surface and groundwater storages)
- Demand management (existing and future)
- Infrastructure development/modification
- System re-operations
- Policy/regulatory changes

- Coordination and cooperation at local, regional, and statewide levels
- Prioritization and benefits evaluation
- Optimization and uncertainty analysis
- Climate change adaptability

Ms. Lorange commented that some projects to consider are:

- Centennial Reservoir
- Sites Reservoir
- Temperance Flat Reservoir
- Los Vaqueros Reservoir
- Montgomery Reservoir
- American River Conjunctive Management
- San Luis Reservoir Enlargement
- Groundwater banks and conjunctive use
- Water Fix
- Others

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1 SWRCB Emergency Regulations (W)

Mr. Durkin provided the Board with a written staff report regarding the State Water Resources Control Board's (SWRCB) Emergency Regulation. A copy will be attached to the meeting minutes. The staff report and attachments include detailed information regarding the Emergency Regulation.

Mr. Durkin reported that more comments will be submitted after the draft Emergency Regulation is released. The SWRCB meets in early February to review comments and consider the Emergency Regulation.

For information, no action requested

2.2 Residential Fire Sprinkler Systems

Mr. Durkin provided the Board with a written staff report. A copy will be attached to the meeting minutes. The staff report provides details on how the District has worked to ensure the continued performance of residential fire sprinkler systems, as well as commercial systems. Mr. Durkin informed the Board that District staff will continue to lead and support a joint water/fire program with the other regional participants to successfully achieve our mutual goals, improve services for our customers, and reduce impacts on District staff resources and expenses.

For information, no action requested

2.3 Report Back Items

There were no items discussed.

2.4 Miscellaneous District Issues and Correspondence

There were no items discussed.

3. DIRECTOR OF FINANCE'S REPORT

3.1. Quarterly Treasurer's Report

Ms. Silva provided the Board with the quarterly Treasurer's Report, which she will provide to the Board on a quarterly basis in the future. A copy of her staff report will be attached to the meeting minutes. She commented that she is recommending that the quarterly reports be placed on the consent calendar as information only.

For information, no action requested

3.2. Report Back Items

Ms. Silva reported that the year-end audit field work was done in December but there were two areas identified that are not yet complete; reconciliation of the payroll bank account and the accounting for fixed assets. She explained that there are about a year's worth of transactions which are being corrected since they were posted incorrectly by the several temporary workers that the District hired over the past year.

She informed the Board that the accounting for fixed assets is also being corrected, as there were projects entered in the books that were left as construction in progress, so depreciation was not started on these items. She explained that the Tyler System contains a fixed asset module which staff is entering in the information to correct the error. She commented that her goal is to have the audited financial statements completed by the end of January/early February.

3.3. Miscellaneous District Issues and Correspondence

There were no items discussed.

4. LEGAL COUNSEL'S REPORT

4.1 Legal Matters

Mr. Horowitz reported that legislature is back in session, no action yet just working on some bills carried over from last year. He commented that has been discussion of the public goods charge and there most likely will be legislation concerning water this year.

Mr. Horowitz informed the Board that the Central Valley Project Water Users Association's budget for this year is expected to be about \$15,000 for the State Board litigation that the District participates in regarding the water rights fees.

Mr. Horowitz reported that BKS is working diligently on representing the District and region on the CalWater Fix. A protest and notice of intent to participate in the hearings were filed on behalf of the District and other clients.

Mr. Horowitz reported that there is no need for a Closed Session.

5. DIRECTORS' REPORTS

5.1 SGA

President Tobin reported that SGA met on December 17, 2015. SGA elected a new Chair and Vice Chair for 2016. In addition, they discussed the ongoing process to setup the groundwater sustainability plan.

5.2 RWA

President Tobin reported that RWA meets on January 14, 2016 and there will be an election of officers.

5.3 ACWA

5.3.1 Local/Federal Government/Region 4 - Pam Tobin

President Tobin reported that she was appointed to the Local Government and Federal Affairs committees for 2016. In addition, she will be attending the ACWA DC2016 conference in February.

5.3.2 Energy Committee - Ted Costa

Director Costa reported that he was appointed to the Energy Committee for 2016. He commented that at the ACWA Fall Conference he was able to discuss renewable energy and suggested that the District look into opportunities for joint ventures with other agencies on renewable energy.

5.3.3 JPIA - Bob Walters

No report.

5.4 CVP Water Users Association

President Costa reported that the CVP Water Users Association meets January 19, 2016.

5.5 Other Reports and Comments

President Tobin announced that she appointed the 2016 Director Committee assignments. A copy of the committee list will be attached to the meeting minutes.

V. UPCOMING EVENTS

1. 2016 ACWA DC Conference
February 23-25, 2016
Washington, DC
2. 2016 ACWA Legislative Symposium
March 9, 2016
Sacramento, CA
3. 2016 Water Education Foundation – Executive Briefing
March 17, 2016
Sacramento, CA
4. 2016 Cap To Cap – Metro Chamber
April 9-13, 2016
Washington DC

President Tobin reported that there would be no Closed Session

VI. CLOSED SESSION

1. Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(b); significant exposure to litigation involving state and federal administrative proceedings and programs affecting District water rights

VII. OPEN SESSION

There was no Closed Session.

VIII. ADJOURN

The meeting was adjourned at 9:45 p.m.

ATTEST:

PAMELA TOBIN, President
Board of Directors
San Juan Water District

TERI GRANT, Board Secretary

AGENDA ITEM III-1 DRAFT

Public Information Committee Meeting Minutes San Juan Water District November 16, 2015 9:00 a.m.

Committee Members: Ken Miller (Chair)
Pam Tobin, Member

District Staff & Consultants: Shauna Lorance, General Manager
Judy Johnson, Customer Service Manager
Lisa Brown, Customer Service Manager
Christine Braziel, Crocker and Crocker

Topics: Public Information Plan (W & R)
Other Public Information Matters
Public Comment

1. Public Information Plan (W & R)

The committee was presented with a list of questions and answers from the previous board meeting. The committee discussed the various information that should be provided on the transparency hub and the best way to structure the included information.

For information, no action requested.

2. Other Public Information Matters

2.1 Next Meeting Date

The next committee meeting will be scheduled as needed.

3. Public Comment

There was no public comment.

The meeting adjourned at 10:00 am.

AGENDA ITEM III-2 DRAFT

Water Supply & Reliability Committee Meeting Minutes San Juan Water District December 14, 2015 4:00 p.m.

Committee Members: Bob Walters, Chair
Dan Rich, Director

District Staff: Shauna Lorance, General Manager
Keith Durkin, Assistant General Manager
Teri Grant, Board Secretary/Administrative Assistant

Members of the Public: Michael Schaefer, Orange Vale Water Company

Topics: Selection of Consultant for Water Management and Reliability Study Update (W)
Planning for Various Year Types for 2016 (R)
Other Matters
Public Comment

1. Selection of Consultant for Water Management and Reliability Study Update (W)

Ms. Lorance informed the committee that staff received and reviewed four proposals for the Water Management and Reliability Study. The proposals came from Forsgren Associates, HDR, MWH, and West Yost Associates. She explained that the proposal from MWH included subcontracting with GEI for the groundwater evaluation portion of the work, which made MWH's proposal slightly stronger than the rest.

Ms. Lorance informed the committee that all of the proposals were responsive to the District's request for numerous meetings to make sure the study process is transparent. Staff is recommending further discussions with MWH to confirm the right people will be working on the project and their ability to provide work products in a style of writing that can be easily understood by the public. Ms. Lorance commented that staff's expectation is for the consultant to narrow down the list of alternatives to allow the next phase of the study to be at the feasibility level.

Ms. Lorance informed the committee that staff's recommendation is MWH with GEI as a subcontractor, assuming the discussion with MWH goes as anticipated. The committee discussed the proposals and staff's recommendation. Mr. Durkin informed the committee that the consultant will be the project manager and will be expected to keep the project on time and on budget, while meeting invoice deadlines, providing progress notes and goals for the next month.

In response to Director Walters' question, Ms. Lorance explained that this portion of the study could take 6-8 months, and then a more detailed analysis could take 9-12 months, which would be followed by a recommendation of options to complete. It is anticipated any construction or agreements would likely not start until at least 1½-2 years from now. In addition, there would need to be a legal review at some point.

Mr. Durkin explained that the consultants were provided with information from BKS regarding the District's water rights and supplies, so it is anticipated that this phase will require very limited legal review.

Mr. Durkin informed the committee that the consultant will be communicating with the wholesale customer agencies (WCAs) and they will be informed when the consultant will be at committee meetings or Board meetings. In addition, the WCAs will be invited to attend workshops to be informed, provide input, and review information.

The Water Supply and Reliability Committee recommends consideration of a motion to enter into a contract with MWH for completion of the Water Management and Reliability Study for \$199,651 and approve staff authorization up to \$220,000 for the project, which includes a 10% contingency.

2. Planning for Various Year Types for 2016 (R)

Ms. Lorance reported that the volunteer Drought Committee is meeting December 15th at the request of the Water Supply & Reliability Committee. She explained that the State Board has a meeting scheduled at the same time and therefore Director Tobin will not be attending the committee meeting.

Ms. Lorance explained that the Drought Committee will be discussing the need to develop a plan for three possible alternatives; a wet year, a continuation of existing conditions, or a worsening of the drought. She expects to receive valuable insight into planning for these scenarios. She explained that the Drought Committee will be discussing water conservation targets based per connection or per lot size.

For information only; no action requested.

3. Other Matters

3.1 Next Meeting Date

The next committee meeting will be scheduled as needed.

4. Public Comment

There were no public comments.

The meeting adjourned at 5:01 pm.

AGENDA ITEM III-3 DRAFT

Volunteer Drought Ad Hoc Committee Meeting Minutes San Juan Water District December 15, 2015 3:30 p.m.

Committee Members: Bob Walters, Chair
Pam Tobin (absent)

District Staff: Shauna Lorance, General Manager
Lisa Brown, Customer Service Manager
Ken Kirkland, Conservation Lead
Teri Grant, Board Secretary/Administrative Assistant

Members of the Public: George Babcock
Matt Dillion, Granite Bay Golf Course
Joe Duran, Orange Vale Water Company
Keith Harbeck
Sandy Harris, Customer
Kevin Knecht
Chris Ralston, San Juan Unified School District

Topics: Overview of Water Supply Forecast
2016 Water Conservation Stages
Other Matters
Public Comment

1. Overview of Water Supply Forecast

Ms. Lorance informed the committee that the District is under the 36% state-mandated conservation requirement through February 2016. She reported that a new order was issued which calls for the restrictions to remain in place through October 2016 if conditions are still dry in January. Director Pam Tobin was not able to attend the committee meeting since she is at the State Water Board meeting where they are discussing storage at Folsom Reservoir. Ms. Lorance reported that the District has reached a cumulative conservation target of 36-40% through November.

Ms. Lorance reported that Folsom is currently at 143,000 AF of water storage. She commented that it is still too early to tell if the El Niño will help the region.

For information only; no action requested.

2. 2016 Water Conservation Stages

Ms. Lorance informed the committee that one of the biggest issues that the Customer Service Department is hearing about is the inequality between customers conserving and not conserving water. She commented that with the current every other month meter reading schedule it is difficult to inform customers of their water

use in a timely manner. She stated that reading meters every month or going to an automated meter reading system is very costly. In addition, she mentioned that changing to a water budget billing type system would be even more costly.

The committee discussed water conservation targets based per connection or per lot size. In addition, there was discussion regarding unique situations, lack of fines which would encourage customers to conserve, and enforcement issues. The consensus of the committee is to look into water targets based on lot size.

For information only; no action requested.

3. Other Matters

3.1 Next Meeting Date

The next committee meeting will be scheduled as needed.

4. Public Comment

There were no public comments.

The meeting adjourned at 4:45 pm.

Finance Committee Meeting Minutes
San Juan Water District
January 12, 2016
4:00 p.m.

Committee Members: Ted Costa, Director (Chair)
Ken Miller, Director

District Staff: Shauna Lorance, General Manager
Keith Durkin, Assistant General Manager
Donna Silva, Director of Finance
Teri Hart, Board Secretary/Administrative Assistant

Member of the Public: Dave Underwood, Fair Oaks Water District

Topics: Review and Pay Bills (W & R)
Letter from FOWD on FO-40 pipeline (W)
Investment Policy Revisions (W/R)
Upcoming Mid-Year Budget Review – Potential Impacts: (W/R)

- Overtime
- Continuation of Conservation Requirements

February Finance Workshop (W/R)
Ordinance 14000: Connection Fees for Water Service (R)
Other Finance Matters

- Legal Services Fees for 2016 (W/R)

Public Comment

1. Review and Pay Bills (W & R)

The committee reviewed the presented bills and claims. The committee specifically reviewed and authorized credit card charges and reimbursements for the General Manager. The reviewed bills and claims were found to be in order.

Staff update: the total amount of bills and claims provided for approval for December payables is \$3,209,637.05.

The Finance Committee recommends approval of Resolution 16-01.

2. Letter from FOWD on FO-40 Pipeline (W)

Ms. Lorance informed the committee that the Board received a letter from FOWD requesting to pay for Phase II of the FO-40 pipeline project as costs are actually incurred. She provided the committee with a staff report which will be attached to the meeting minutes along with a copy of the letter from FOWD.

Ms. Lorance explained that staff prepared a proposed direct payment schedule which would provide the same amount of funding for project reimbursement as the Capital Facility Fees. The direct payment would delay the first part of the funds

received by SJWD, but would also provide the remaining funding earlier. The requested funding approach by FOWD will not negatively impact SJWD cash flow.

The committee discussed the project funding and request from FOWD. Ms. Lorance explained that the agreement to pay the projected costs would be reviewed by Legal Counsel and the language regarding the payment amounts would be defined to reflect actual costs with the last payment being trued up to actuals.

The Finance Committee recommends a motion to accept FOWD's request to direct fund Phase II of the FO-40 pipeline project under the following conditions:

- *A signed agreement to pay the projected costs is signed by both agencies*
- *The agreement includes paying the estimated upcoming quarter costs in advance*
- *The capital facilities fees will remain in effect until an agreement is signed by both agencies*

Mr. Underwood would like to have the FOWD board review the proposed direct payment schedule once the SJWD Board approves the request.

Ms. Lorance informed the committee that the FOWD letter also requested an agreement for the operation and use of the FO-40 pipeline similar to the CTP. Ms. Lorance explained that the CTP agreement was needed because there were parties involved in the agreement that were outside the wholesale service area, unlike the FO-40 project. The committee discussed this request and agreed with Ms. Lorance that SJWD should not enter into an agreement for each wholesale pipeline and facility.

Director Costa directed a comment to Mr. Underwood that the efforts of the 2x2 discussions between FOWD and SJWD board members to improve relations between the two agencies might be a little one sided. It has come to his attention that the FOWD General Manager is soliciting candidates to run against the SJWD Board in the 2016 elections. Although this is perfectly legal, it goes against the efforts to improve the relationship between the two agencies.

3. Investment Policy Revisions (W/R)

Ms. Silva informed the committee that there have been some recommended changes to the SJWD Investment Policy. She provided the committee with a staff report and red-line version of the policy. A copy of the staff report and policy will be attached to the meeting minutes.

The committee reviewed the policy and made no changes to the recommended revisions. Director Costa questioned the Finance Director's title on the cover page and suggested it should be Investment Officer. The committee discussed this and decided to leave as is. *[After the meeting, staff discussed the reference to Investment Officer throughout the policy and is suggesting that the policy be revised to change Investment Officer to Treasurer in the body of the document.]*

Ms. Silva pointed out that the changes will put the District's policy in line with the state government code which will provide broader investment opportunities. In addition, she explained that the District's investment portfolio is diverse between long-term and short-term investments. She explained that the investment portfolio is managed by PFM and she receives trade receipts and monthly statements from PFM along with trustee statements from US Bank.

Ms. Silva informed the committee that she will be providing the Board with the quarterly report at Wednesday's Board meeting since she was unable to attend the December Board meeting due to a family emergency.

The Finance Committee recommends consideration of a motion to approve the updated Investment Policy

4. Upcoming Mid-Year Budget Review – Potential Impacts (W/R)

Ms. Silva informed the committee that she will be conducting a mid-year review of the budget with management staff. There are two items that have already been identified as out of line with the budget – overtime and continuation of conservation requirements. Once the mid-year review is completed, Ms. Silva will report back to the Finance Committee.

For information only; no action requested.

5. February Finance Workshop (W/R)

Ms. Lorance reported that a workshop conducted by Ms. Silva will be scheduled for February regarding government finance. Ms. Silva commented that the workshop is needed so that there is a shared understanding of government accounting so she can make the changes necessary to deliver meaningful financial information to the Board. In addition, she will be sharing her six month assessment of the Finance Department's operations and making recommendations for ordinance and policy changes that will allow the Finance Department, and therefore the District, to operate more efficiently and effectively.

For information only; no action requested.

6. Ordinance 14000: Connection Fees for Water Service (R)

Mr. Durkin informed the committee that the District used to collect connection fees prior to development of the property. During the economic downturn, the Board was requested by developers to consider allowing connection fees to be paid at the time they initiated water service to facilitate cash flow issues. The Board agreed to this revision and revised the ordinance. Unfortunately, there are some developers that are not paying the connection fees, and when a new homeowner comes in to start water service, they are surprised with a \$15,000 connection fee that is due. This has obviously created some strife for homeowners, which was not anticipated. An additional consequence to this policy is the inability to anticipate incoming connection fees for each annual budget.

The committee discussed the issue and Mr. Durkin explained that he is working with the customer service and engineering departments to make suggested

revisions to the ordinance which will require connection fees to be collected at the time of final plan approval. He explained that this is customary practice for most cities and agencies. He will bring this topic back to the next Finance Committee meeting.

For information only; no action requested.

7. Other Finance Matters (W or R)

- Legal Services Fees for 2016 (W/R)
Ms. Lorance informed the committee that a letter was received from Bartkiewicz, Kronick & Shanahan informing the District of an increase in attorney fees effective January 1, 2016. She commented that the increase is less than 2%. Director Costa requested that the Legal Affairs Committee review the contract with BKS.
- The Board of Directors has requested staff to initiate a new 5-year financial plan that will include the impacts of the past drought as well as future capital improvements. Ms. Lorance provided the committee with a copy of the scope of work for the Wholesale and Retail Financial Plans from The Reed Group. She explained that the contract is for under \$50,000, which is in the general manager's authorization; however, this is an important project so she would like to know if there is any concern from the Finance Committee with proceeding with the contract. The committee did not have any concerns.
- In response to Director Miller's question, Ms. Lorance explained that Social Security COLA is calculated based on the data from a different time period than is used by the District. Social Security calculated a 1.7% COLA increase in August 2014 effective January 2015 while the District calculated a 1% COLA increase effective July 2015. In addition, in August 2015, Social Security calculated a zero percent increase for calendar year 2016, while the District has yet to determine any increase for fiscal year 2016-2017, which would be included in the next budget process. Social Security uses data based on cost of living nationwide, while SJWD uses data based on the western cities.

For information only; no action requested.

8. Public Comment

There were no public comments.

The meeting was adjourned at 5:24 p.m.

San Juan Water District

**RESOLUTION 16-01
PAYMENT OF BILLS AND CLAIMS**

WHEREAS, the Finance Committee of the Board of Directors has reviewed the bills and claims in the amount of \$3,209,637.05; and

WHEREAS, the Finance Committee of the Board of Directors has found the bills and claims to be in order.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Juan Water District as follows:

1. The bills and claims attached hereto totaling \$3,209,637.05 are hereby approved.
2. That the depository be and the same is hereby authorized to pay said bills and claims in the total sum of \$3,209,637.05 of the General Fund Account.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 13th day of January 2016, by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:

PAMELA TOBIN
President, Board of Directors
San Juan Water District

TERI GRANT
Secretary, Board of Directors

January 2016 Payment Register

Approved Paid in Advance:

<u>Check Date:</u>	<u>Vendor:</u>			<u>Amount:</u>
12/31/2015	Payroll			618,057.28
1/5/2016	Western Area Power Admin - CVP O&M Program Funding	EFT	404381	2,135.77
12/19/2015	Aflac - Payroll	CK	49502	1,135.70
12/15/2015	Galic Disbursing Company - Payroll	CK	49498	400.00
12/19/2015	Galic Disbursing Company - Payroll	CK	49505	400.00
12/15/2015	Johnson, Judy - 25yr Retirement	CK	49501	350.00
12/15/2015	Johnson, Judy - Employee Awards	CK	49500	225.00
12/19/2015	CalPERS - Long Term Care	CK	49503	167.39
12/19/2015	CalPERS - Long Term Care	CK	49504	167.39
12/15/2015	Darr, Toni - Employee Awards	CK	49497	125.00
12/15/2015	Griego, Daniel - Employee Awards	CK	49499	125.00
12/19/2015	JPIA / ACWA - Employee Assistance Program	CK	49506	105.75
1/5/2016	PG&E - Electric Services	CK	49508	34.91
1/5/2016	Irvine, Paul - Expense Reimbursement	CK	49507	12.00
Total Approved Paid in Advance				623,441.19

Approved Checks:

** Checks cut from approved Open Payable List and Approved Pending Payables. - See Attached Check Register

Total Check Register	610,992.76
-----------------------------	-------------------

Approved Pending Payables:

<u>Invoice No.:</u>	<u>Vendor - Description:</u>	<u>Invoice Amount</u>	<u>Vendor Total</u>
December Invoice	Union Bank 2009A - Principal and Interest Payment	1,265,996.28	1,265,996.28
January Invoice	Union Bank 2012A&B - Principal and Interest Payment	708,706.82	708,706.82
18973	Galic Disbursing Company - Payroll	400.00	400.00
December Invoice	MCI - Long Distance - Estimate	100.00	100.00
Total Approved Pending Payables			1,975,203.10

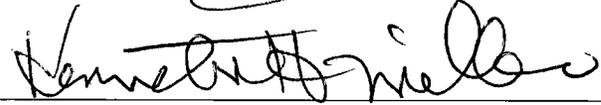
REPORTED TO FINANCE COMMITTEE AS PAID AND PAYABLE	3,209,637.05
--	---------------------

Adjustments:

TOTAL PAID AND PAYABLE	3,209,637.05
-------------------------------	---------------------

Regular Checks	452,878.43
EFT's	158,114.33
TOTAL PAID	610,992.76

Signature 

Signature 



Check Register

By Check Number

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Bank Code: APBNK-APBNK						
03091	Ace Hardware - Auburn Folsom Acth	01/13/2016	Regular	0.00	6.76	49509
01026	Ace Hardware - Greenback	01/13/2016	Regular	0.00	82.51	49510
01055	ALAN DIVERS, PLS	01/13/2016	Regular	0.00	4,000.00	49511
01068	ALPHA DES - Glenn Walker	01/13/2016	Regular	0.00	968.00	49512
01073	Amarjeet Singh Garcha	01/13/2016	Regular	0.00	1,500.00	49513
02463	AnswerNet	01/13/2016	Regular	0.00	216.85	49514
01138	AT&T	01/13/2016	Regular	0.00	61.51	49515
01164	BACKFLOW DISTRIBUTORS INC	01/13/2016	Regular	0.00	430.66	49516
01182	Bartkiewicz, Kronick & Shanahan	01/13/2016	Regular	0.00	12,778.08	49517
03316	Brown, Lisa	01/13/2016	Regular	0.00	48.14	49518
01234	Bryce Consulting, Inc.	01/13/2016	Regular	0.00	300.00	49519
03149	BURLINGAME ENGINEERS INC	01/13/2016	Regular	0.00	2,648.38	49520
01250	C & D Contractors, Inc.	01/13/2016	Regular	0.00	174,041.42	49521
01282	CALIFORNIA ISO	01/13/2016	Regular	0.00	347.20	49522
01298	CaPERS Long Term Care	01/13/2016	Regular	0.00	167.39	49523
01310	Capital Rubber Co., Ltd	01/13/2016	Regular	0.00	160.41	49524
03226	Capitol Sand and Gravel Co.	01/13/2016	Regular	0.00	4,186.22	49525
01352	Chemco Systems, LP	01/13/2016	Regular	0.00	1,657.33	49526
03312	Citibank	01/13/2016	Regular	0.00	37.12	49527
01372	CITY OF FOLSOM	01/13/2016	Regular	0.00	2,446.12	49528
01411	Consolidated Communications	01/13/2016	Regular	0.00	1,600.90	49529
02556	Costa, Ted	01/13/2016	Regular	0.00	234.42	49530
01423	COUNTY OF SACRAMENTO	01/13/2016	Regular	0.00	132.60	49531
03063	D&T Fiberglass Inc	01/13/2016	Regular	0.00	4,575.00	49532
01472	DAWSON OIL CO	01/13/2016	Regular	0.00	4,135.24	49533
01478	DELL MARKETING LP	01/13/2016	Regular	0.00	204.26	49534
03276	Dennis Burnham, Realtor	01/13/2016	Regular	0.00	12.02	49535
02410	Desjardin, Scott	01/13/2016	Regular	0.00	211.78	49536
01494	Dewey Services Inc	01/13/2016	Regular	0.00	82.00	49537
01498	Diamond Crane Company Inc.	01/13/2016	Regular	0.00	800.00	49538
03313	Eddie Alazraki DDS	01/13/2016	Regular	0.00	294.36	49539
02516	Ehnat, Stephen	01/13/2016	Regular	0.00	80.00	49540
03097	Energy Systems -ES West Coast LLC	01/13/2016	Regular	0.00	1,439.61	49541
01603	FARWEST CORROSION CONTROL CC	01/13/2016	Regular	0.00	2,002.35	49542
01634	FOLSOM LAKE FORD	01/13/2016	Regular	0.00	254.18	49543
03307	Foster, Michael Cramblit	01/13/2016	Regular	0.00	201.30	49544
03089	Fulton, Jonathan	01/13/2016	Regular	0.00	250.00	49545
03237	GM Construction & Developers, Inc	01/13/2016	Regular	0.00	694.40	49546
01681	Golden State Flow Measurements	01/13/2016	Regular	0.00	886.88	49547
01687	Grainger, Inc.	01/13/2016	Regular	0.00	581.81	49548
01706	Graymont Western US, Inc	01/13/2016	Regular	0.00	5,931.52	49549
01454	Griego, Daniel	01/13/2016	Regular	0.00	184.42	49550
01733	Harris Welding Inc	01/13/2016	Regular	0.00	90.63	49551
01741	HDR Engineering, Inc	01/13/2016	Regular	0.00	16,332.89	49552
01778	IDEXX DISTRIBUTION INC	01/13/2016	Regular	0.00	506.60	49553
01959	LES SCHWAB TIRE CENTERS	01/13/2016	Regular	0.00	2,546.65	49554
01837	Mayorga, Jason	01/13/2016	Regular	0.00	131.73	49555
02027	MCMASTER-CARR SUPPLY COMPAN	01/13/2016	Regular	0.00	1,146.08	49556
03300	Meyers Fozi, LLP	01/13/2016	Regular	0.00	1,152.12	49557
03057	Munger, Curt	01/13/2016	Regular	0.00	125.00	49558
02094	Neff Rental LLC	01/13/2016	Regular	0.00	398.10	49559
02131	Office Depot Business Serv Div	01/13/2016	Regular	0.00	1,777.23	49560
	Void	01/13/2016	Regular	0.00	0.00	49561
	Void	01/13/2016	Regular	0.00	0.00	49562

Check Register

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
02150	Pace Supply Corp	01/13/2016	Regular	0.00	8,859.55	49563
	Void	01/13/2016	Regular	0.00	0.00	49564
02154	Pacific EcoRisk, Inc	01/13/2016	Regular	0.00	559.28	49565
03026	PFM Asset Management	01/13/2016	Regular	0.00	872.93	49566
02146	PG&E	01/13/2016	Regular	0.00	308.74	49567
02219	PLACER COUNTY TAX COLLECTOR	01/13/2016	Regular	0.00	34.66	49568
03278	Quincy Compressor	01/13/2016	Regular	0.00	571.94	49569
02275	RAMOS ENVIRONMENTAL SERVICE	01/13/2016	Regular	0.00	841.48	49570
02281	RAY MORGAN COMPANY	01/13/2016	Regular	0.00	932.72	49571
02283	Recology Auburn Placer--DB	01/13/2016	Regular	0.00	1,281.40	49572
02286	Regional Water Authority	01/13/2016	Regular	0.00	13,000.00	49573
02293	RFI Enterprises, Inc	01/13/2016	Regular	0.00	48.40	49574
03092	Rich, Dan	01/13/2016	Regular	0.00	198.38	49575
02314	Robert Half International, Inc	01/13/2016	Regular	0.00	6,983.14	49576
03314	Robnett, Robert or Belainesh	01/13/2016	Regular	0.00	257.06	49577
02328	ROCKLIN WINDUSTRIAL CO	01/13/2016	Regular	0.00	689.29	49578
03315	Roman, Sharon	01/13/2016	Regular	0.00	2.16	49579
02367	SACRAMENTO BEE	01/13/2016	Regular	0.00	69.63	49580
02369	SACRAMENTO COUNTY TAX	01/13/2016	Regular	0.00	7.11	49581
02379	Sacramento Metro Chamber	01/13/2016	Regular	0.00	1,340.00	49582
02407	SCHEETZ WELDING SERVICE INC	01/13/2016	Regular	0.00	464.80	49583
03086	SIERRA SAW POWER EQUIPMENT	01/13/2016	Regular	0.00	78.58	49584
02357	SMUD	01/13/2016	Regular	0.00	7,777.50	49585
02497	SQUEAKY CLEAN WINDOW CLEANER	01/13/2016	Regular	0.00	252.00	49586
02540	Sutter Medical Foundation	01/13/2016	Regular	0.00	324.00	49587
02544	SYBLON REID	01/13/2016	Regular	0.00	107,330.95	49588
02553	TDJE INCORPORATED	01/13/2016	Regular	0.00	2,717.96	49589
02564	Telstar Instruments Inc.	01/13/2016	Regular	0.00	9,882.70	49590
02580	The Eidam Corporation	01/13/2016	Regular	0.00	11,459.91	49591
02651	United Parcel Service - UPS	01/13/2016	Regular	0.00	352.33	49592
02664	Urn Consulting, Inc.	01/13/2016	Regular	0.00	3,750.00	49593
02667	US Bank Corporate Payments Sys (C	01/13/2016	Regular	0.00	13,513.50	49594
	Void	01/13/2016	Regular	0.00	0.00	49595
	Void	01/13/2016	Regular	0.00	0.00	49596
	Void	01/13/2016	Regular	0.00	0.00	49597
	Void	01/13/2016	Regular	0.00	0.00	49598
	Void	01/13/2016	Regular	0.00	0.00	49599
	Void	01/13/2016	Regular	0.00	0.00	49600
02690	Verizon Wireless	01/13/2016	Regular	0.00	304.82	49601
02700	Viking Shred, LLC	01/13/2016	Regular	0.00	75.00	49602
03069	Vogel, John or Nancy	01/13/2016	Regular	0.00	125.00	49603
01215	Walters, Bob	01/13/2016	Regular	0.00	92.33	49604
02719	Water Information Sharing and Anal	01/13/2016	Regular	0.00	1,999.00	49605
02766	Youngdahl Consulting Group Inc	01/13/2016	Regular	0.00	440.00	49606
01048	Airgas Inc	01/13/2016	EFT	0.00	284.14	404382
01081	American Messaging	01/13/2016	EFT	0.00	14.06	404383
01152	Automated Valve Services, Inc.	01/13/2016	EFT	0.00	1,459.84	404384
01330	CDW Government LLC	01/13/2016	EFT	0.00	1,388.80	404385
03221	Chemtrade Chemicals Corporation	01/13/2016	EFT	0.00	12,631.12	404386
01486	Department of Energy	01/13/2016	EFT	0.00	4,919.39	404387
01521	DP2 BILLING SOLUTIONS LLC	01/13/2016	EFT	0.00	5,082.85	404388
01589	Eurofins Eaton Analytical, Inc	01/13/2016	EFT	0.00	1,804.00	404389
01611	Ferguson Enterprises, Inc	01/13/2016	EFT	0.00	62.81	404390
01721	HACH COMPANY	01/13/2016	EFT	0.00	3,451.22	404391
01790	Industrial Safety Supply Corp of Calif	01/13/2016	EFT	0.00	307.38	404392
01917	KENNEDY/JENKS CONSULTANTS	01/13/2016	EFT	0.00	120,574.01	404393
02075	Municipal Consulting Group	01/13/2016	EFT	0.00	2,800.00	404394
03188	Pacific Material Handling Systems	01/13/2016	EFT	0.00	158.81	404395
02406	Savage Enterprises	01/13/2016	EFT	0.00	2,725.00	404396
02162	Tobin, Pamela	01/13/2016	EFT	0.00	402.90	404397

Check Register

Vendor Number	Vendor Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
02710	Wageworks, Inc	01/13/2016	EFT	0.00	48.00	404398

Bank Code APBNK Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	170	89	0.00	452,878.43
Manual Checks	0	0	0.00	0.00
Voided Checks	0	9	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	34	17	0.00	158,114.33
	204	115	0.00	610,992.76

Fund Summary

Fund	Name	Period	Amount
999	INTERCOMPANY	1/2016	610,992.76
			610,992.76

STAFF REPORT

To: Finance Committee
From: Shauna Lorange, General Manager
Date: January 5, 2016
Subject: FO-40 Pipeline Phase II

RECOMMENDED ACTION

Staff recommends a motion to accept FOWD request to direct fund the Phase II of the FO-40 pipeline project under the following conditions:

- ***A signed agreement to pay the projected costs is signed by both agencies***
- ***The agreement includes paying the estimated upcoming quarter costs in advance***
- ***The capital facilities fees will remain until an agreement is signed by both agencies***

BACKGROUND

Constructed in 1955, the Fair Oaks 40-inch diameter transmission pipeline (FO-40) is owned and operated by San Juan Water District (District) to convey treated water to Fair Oaks Water District (FOWD), Orange Vale Water Company (OVWC), and a portion of the San Juan Water District Retail (SJWD-R) system. Due to the age of the pipeline, documented history of leaks, visible external corrosion, and reliability concerns, Robert W. Miles Consulting Engineers (Miles) were hired in 2009 to complete an updated condition assessment of the pipeline and develop alternatives for replacing or rehabilitating the pipeline.

Phase I of the project was completed in June 2013. The Phase II project will consist primarily of re-lining the interior sections of the FO-40 that have mortar lining classified as Type B or F, a total of approximately 8,500 lineal feet. The work includes removing the failed or deteriorating sections of mortar, cleaning and prepping the bare steel pipeline wall, and using mechanical re-lining equipment to apply new mortar lining.

CURRENT STATUS

A technical memorandum was developed for the Phase II of the FO-40 project. The costs were estimated using an escalation factor assuming a midpoint of construction occurring in December 2017, the middle of FY17-18.

Estimation of Probable Project Costs

Item	Estimated Budget
Construction (FY17-18)	\$1,509,000
25% Contingency & Unforeseen Improvements	\$377,000
Sub Total:	\$1,886,000
Design PS&E	\$132,000
Bid Process	\$24,000
Construction Management & Inspection	\$143,000
Total Proposed Budget:	\$2,185,000

Phase II Project Cost Allocations

Agency	Cost Allocation (%)	Cost Allocation (\$)
Fair Oaks Water District	91.0	\$1,988,350
San Juan Water District -R	6.4	\$139,840
Orange Vale Water Company	2.6	\$56,810
Total	100.0	\$2,185,000

The schedule is estimated to take approximately 12 months, with design beginning in June of 2017 and construction being completed in May 2018.

The current water rates include the following capital facilities fees to recover costs for this project based on the benefits received:

Phase II Project Cost Allocations

Calendar Year	FOWD	SJWD-R	OVWC	Total Project Cost Recovery
2016	\$397,670	\$27,968	\$11,362	\$437,000
2017	\$397,670	\$27,968	\$11,362	\$437,000
2018	\$397,670	\$27,968	\$11,362	\$437,000
2019	\$397,670	\$27,968	\$11,362	\$437,000
2020	\$397,670	\$27,968	\$11,362	\$437,000
Totals	\$1,988,350	\$139,840	\$56,810	\$2,185,000

FOWD sent the attached letter requesting an exception from the Capital Facility Fees, and requested that they be allowed to pay for the project as costs actually occur. The direct payment schedule is projected to be as follows:



December 15, 2015

Ms. Shauna Lorance, General Manager
San Juan Water District
P.O. Box 2157
Granite Bay, CA 95746

**Re: FO-40 Pipeline Phase II Project
FOWD Comments for Consideration**

Dear Ms. Lorance:

San Juan Water District (SJWD) recently approved a 2016 Wholesale Budget that includes a Capital Program Sub-Charge. The Fair Oaks Water District Board of Directors has directed me to request that the FO-40 Phase II Project be provided an exception from Capital Program Sub-Charge. Due to other capital investments that the Fair Oaks Water District (FOWD) must complete in the near-term, our District is requesting that we pay for this project as costs actually occur.

Please consider entering into a written agreement for the future payments and, ultimately, the operation and use of the FO-40 pipeline that addresses the needs of SJWD, OVWC and FOWD.

Sincerely,

Tom R. Gray
General Manager
Fair Oaks Water District

Comparison of Capital Facility Fees to Direct Payment by FOWD

Calendar Year	FOWD Cap Fac Charge	Cap Fac Fee Cumulative	FOWD Direct Payments	Direct Payment Cumulative
2016	\$397,670	\$397,670		
2017	\$397,670	\$795,340	\$1,397,810	\$1,397,810
2018	\$397,670	\$1,193,010	\$590,540	\$1,988,350
2019	\$397,670	\$1,590,680		
2020	\$397,670	\$1,988,350		
	\$1,988,350		\$1,988,350	

BUDGET IMPACT

The same amount of funding would be available for project reimbursement in either approach. The direct payment would delay the first part of the funds received by SJWD, but would also provide the remaining funding earlier. The requested funding approach by FOWD will not negatively impact SJWD cash flow.

STAFF REPORT

To: Board of Directors
From: Donna Silva, Director of Finance
Date: January 13, 2016
Subject: Approval of Updates to the Investment Policy for the San Juan Water District

RECOMMENDED ACTION

Consider a motion to approve updates to the San Juan Water District Investment Policy.

BACKGROUND

The San Juan Water District's Investment Policy communicates the Board's investment objectives, delegation of authority, investment procedures and defines authorized and suitable investments for the District. While no longer required by state law, the Investment policy should be reviewed and approved by the Board on an annual basis. The policy was last reviewed in November of 2010.

The recommended policy is guided and constrained by the California Government Code. It was prepared by our investment advisory firm PFM, in conjunction with the Director of Finance and has been reviewed by the District's legal counsel.

Staff is proposing changes to the policy that we believe will add clarity and create additional investment opportunities. The material changes are listed below by section. A red-lined copy of the investment policy is provided, in addition to a clean copy, for ease of review.

Section 3. Prudence

Staff recommends removal of the reference to the "Prudent Person" standard. California Government Code requires that local agencies adopt the "Prudent Investor" standard in the management of local agency portfolios.

Section 5.1 Delegation of Authority

Staff recommends adding language that addresses the District's use of a registered investment advisor, PFM. The language permits the advisor to make all investment decisions and transactions in strict accordance with State law and the Boards' investment policy. This is advantageous to the District in many regards:

- Requiring advance District approval of a trade would result in the District missing out on advantageous trades for the following reasons:
 - PFM works "market hours", many trades occur outside of the Districts normal operating hours.
 - PFM buys investments in large blocks. They have to name the clients for which the investments are being purchased. If we are not

immediately available to approve a trade, the District will miss out on that investment opportunity.

- PFM offers a level of expertise not possessed by current District staff. PFM has been retained because of their level of expertise. A review and approval by staff of proposed trades will not result in an improvement in the performance of the portfolio; it will simply result in more administrative burden being placed on an already small and busy staff.

There are many safeguards in place to ensure that the investment advisor manages the portfolio in compliance with state law and the Investment Policy:

- PFM never touches District funds or District investments. While PFM orders the purchase and disposition of investments on behalf of the District, the cash goes through our broker at US Bank, who also holds the investments on our behalf.
- Finance staff regularly compares PFM monthly statements of activity to the US Bank monthly statements to ensure they are in agreement.
- Staff reviews PFM statements and investments monthly to ensure compliance with the Investment Policy. Additionally staff has online access to view transactions and investments daily.
- Staff receives trade confirmations as they occur.
- PFM is a very large company. If they behaved illegally, or out of compliance with our Investment Policy, the District could sue them for substantial damages. If the Investment Policy were directed by staff, the District would not enjoy the same level of recourse.

Section 6.1 Authorized Financial Dealers and Institutions

Staff has added a sentence to this section stating that if the District utilizes an investment advisor, the advisor is authorized to transact with its own list of approved brokers/dealers. The investment advisor will make their list available to the District upon request.

Section 7.1 Authorized and Suitable Investments

Staff is recommending edits and additions to this section, as proposed and explained by PFM, that will increase the safety requirements of the portfolio and open additional investment opportunities as follows:

- Municipal Obligations. We recommend the District authorize investment in registered warrants, Treasury notes, and bonds of the state and local agencies within the state, which are allowed under the Code in Section 53601 subsection (c) and (e). We also recommend the District authorize investment in Treasury notes and bonds of the other 49 states, which are allowed under the Code in Section 53601 subsection (d). PFM recommends that the District require a credit rating of at least “A” or the equivalent by a Nationally Recognized Statistical Rating Organization (“NRSRO”) on these obligations.
- Banker’s Acceptances. We recommend the District set a minimum credit rating of at least “A-1” or the equivalent by a NRSRO. We also suggest deleting the bullet that places a maximum allocation per bank of 30%. We are recommending issuer maximums be addressed in the Diversification section and reduced to 5%.

- Negotiable Certificates of Deposit. We recommend the District set a minimum credit rating of at least “A” long term or “A-1” short term, or the equivalent, by a NRSRO.
- Time Deposits. We recommend the maximum allocation to time deposits be lowered from 20% to 10% to be more conservative due to their illiquid nature.
- Money Market Mutual Funds. We suggest deleting the word mutual from the description of this asset type as the language does not permit investment in mutual funds and only allows money market funds. We also recommend the District increase the maximum allocation to 20%, as allowed under the Code in Section 53601 subsection (l).
- Local Government Investment Pools (LGIPs). We recommend the District authorize investment in joint power authorities, which are allowed under the Code in Section 53601 subsection (p).
- U.S. Instrumentalities. In late 2014, Assembly Bill 1933, which took effect January 1, 2015, added subsection (q) to Government Code Section 53601. This subsection allows local agencies, such as the District, to invest in the debt issued by three U.S. Instrumentalities, the International Bank for Reconstruction and Development (World Bank), International Finance Corporation, and the Inter-American Development Bank. The bill simply extends to local agencies the same authority to invest in this asset class that the state treasurer (LAIF) has had for decades.

The U.S. Instrumentalities permitted under this code section are international or multi-lateral financial agencies in which the United States is a participant and are headquartered in Washington D.C. These U.S. Instrumentalities have strong credit support from both paid-in and contingent capital calls from their member countries and are rated AAA by Nationally Recognized Statistical Rating Organizations. In addition, their debt is issued and available in a wide range of maturities.

One of the primary reasons we recommend the District add this sector to its list of authorized investments is to open up another high-quality asset class for the District’s portfolio. The Great Recession and the mandated winding down of Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA) have reduced the available supply of high-quality debt in the market. The use of U.S. Instrumentality debt will allow the District to widen its options to invest in high-quality debt given the decline in supply from other high-quality debt issuers.

The use of U.S. Instrumentality debt is consistent with the District’s primary objectives of Safety, Liquidity, and Return on Investment. The senior debt issued by the authorized U.S. Instrumentality is rated “AAA” by Moody’s S&P and Fitch. The debt issued has an active secondary market with generally good liquidity—though less liquid than debt issued by Federal Agencies. In addition, they can provide a modest yield advantage over traditional U.S. Agencies—although the yield spreads are very issue/maturity specific. Utilizing supranational debt in a high-quality portfolio can also improve portfolio diversification.

Section 8 Investment Parameters

- Diversification. We recommend that the District set a limit that would allow no more than 5% of the District's portfolio to be invested in the securities of any one non-government issuer.
- Maximum Maturities. California Government Code requires written approval from an entity's legislative body if the entity wants to purchase a security with a maturity longer than five years. We have added language to this paragraph addressing this requirement.
- We also suggest the two tables in this section summarizing investment types be deleted as the information in the tables is provided in prior sections.

Section 10 Reporting

- Methods. California Government Code does not require an entity to provide quarterly reports to governing bodies. However, if an entity chooses to produce quarterly reports, the Code sets specific requirements. In order for the District to be more flexible in their reporting, we suggest removing the word quarterly from the Policy. Staff still intends to provide Quarterly Investment Reports to the Board.
- Performance Standards. We removed reference to the District's former benchmark and replaced it with language that is more general.
- Marking to Market. PFM calculates the portfolio's market value on a monthly basis and includes market values on the monthly statements; as such we suggest stating the portfolio's market value will be calculated monthly, as opposed to quarterly.

Glossary of Cash Management Terms

The Glossary has been updated to reflect the additional investment sectors recommended above.



San Juan Water District

Investment Policy

Prepared by

~~Mary A. Morris~~Donna Silva
~~Finance & Administrative Services Manager~~Finance Director

~~November 10, 2010~~

January
13, 2016

9935 Auburn-Folsom Road
Granite Bay, California 9576
(916) 791-0115

Table of Contents

1	POLICY	1
2	SCOPE	1
2.1	EXCEPTIONS	1
2.2	POOLING OF FUNDS	2
3	PRUDENCE	2
3.1	STANDARD OF PRUDENCE.....	2
4	OBJECTIVES	2
4.1	SAFETY.....	2
4.1.1	<i>Credit Risk</i>	3
4.1.2	<i>Interest Rate Risk</i>	3
4.2	LIQUIDITY.....	3
4.3	RETURN ON INVESTMENT	3
5	STANDARDS OF CARE	3
5.1	DELEGATION OF AUTHORITY.....	3
5.2	INVESTMENT PROCEDURES.....	4
5.3	ETHICS AND CONFLICTS OF INTEREST	4
6	SAFEKEEPING AND CUSTODY	4
6.1	AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS	4
6.2	INTERNAL CONTROL	5
6.3	DELIVERY VS. PAYMENT	5
7	AUTHORIZED AND SUITABLE INVESTMENTS	5
7.1	INVESTMENT TYPES	5
7.2	INELIGIBLE INVESTMENTS	8
8	INVESTMENT PARAMETERS	9
8.1	DIVERSIFICATION.....	9
8.2	MAXIMUM MATURITIES	9
8.3	INVESTMENT EARNINGS.....	10
9	POLICY CONSIDERATIONS	10
9.1	LEGISLATIVE CHANGES	10
9.2	INVESTMENT POLICY ADOPTION	10
10	REPORTING	10
10.1	METHODS	10
10.2	PERFORMANCE STANDARDS.....	10
10.3	MARKING TO MARKET.....	11
	GLOSSARY OF CASH MANAGEMENT TERMS	I

1 Policy

The purpose of this document is to convey the Investment Policy of the San Juan Water District ("District"). Though no longer required by the California Government Code, this policy will be updated annually as permitted by the Code in order to maintain currency with legal and District requirements. It is the District's policy to invest all funds in such a way as to achieve the highest investment return possible consistent with maximum security of District funds while meeting the daily cash flow demands of the District. All investments must conform to pertinent state and local statutes governing the investment of public funds.

In 2006, the District submitted this Investment Policy for the first time to the Association of Public Treasurers of the United States and Canada ("APT-US&C") Investment Policy Certification Committee. This certification program consists of a committee that reviews submitted investment policies to ensure that all components of a model investment policy are met. The District was awarded the APT-US&C Investment Policy Certificate of Excellence Award in August 2007.

The most significant benefit to receiving of this award is the trust and confidence of the Board of Directors and customers that the District is complying with professional standards which have been established to ensure prudent investment of public funds. In addition, certifications and awards such as these can enhance the District's underlying credit rating, which can be an important consideration when issuing debt. It is recommended that the District have this Investment Policy certified every three years.

2 Scope

The District currently has one fund type, an enterprise fund, in which all transactions are accounted and reported in. Activities for both Wholesale and Retail include: Non-Operating, Operations, and Capital Improvements. This investment policy applies to all fund and activity types. In addition, this policy will apply to any new fund created, unless that fund is specifically exempted.

2.1 Exceptions

Two exceptions exist regarding the investment of bond reserve funds and grant funds. Acceptable investments for bond reserve funds are specified in the bond documents, and may not necessarily be the same as those listed later in this document (e.g. Guaranteed Investment Contract).

Bond funds will be invested in accordance with the statutory provisions governing the issuance of the bonds or the bond documents, as applicable.

Grant funds will be invested according to the statutory and regulatory provisions applicable to the investment of the grant funds or the grant itself, as applicable.

Comment [JMH1]: Is this appropriate to retain? Has SJWD continued to submit and obtain renewed certifications from the APT-US&C? If you want to retain these paragraphs but SJWD has not been maintain the certification, I recommend that you submit the revised policy after Board approval.

2.2 Pooling of Funds

With the exception of cash in restricted and special funds, the District will consolidate cash balances from all funds to the extent practicable in order to maximize investment earnings and minimize fees.

3 Prudence

3

~~Investments will be made using judgment and care, which prevailing circumstances allow, by persons exercising the same prudence, discretion and intelligence with which they would manage their own investment affairs, giving specific consideration to the probable safety of capital and income expected to be derived.~~

3.1 Standard of Prudence

The standard of prudence will be the ~~“prudent person”/~~“prudent investor” standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The District's Investment Officer and other individuals assigned to managing the investment portfolio acting in accordance with written procedures and the investment policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that such deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4 Objectives

The primary objectives, listed in order of priority, of the District's investment activities are:

4.1 Safety

Safety of principal is the foremost objective of the District's investment program. Investments will be executed in a manner that seeks to ensure preservation of capital in the overall portfolio, whether from institutional default, broker/dealer default or erosion of market value of securities. In attaining this objective, the District will strive to mitigate credit risk and interest rate risk.

4.1.1 Credit Risk

The District will minimize credit risk, the risk of loss due to the failure of the security issuer/backer, by:

- Limiting investments to the safest types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business; and
- Diversifying the investment portfolio by ~~sector and issuer, a variety of securities offering independent returns and financial institutions.~~

4.1.2 Interest Rate Risk

The District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities meet the cash flow requirements, thereby avoiding, to the extent possible, the need to sell securities on the open market prior to maturity; and
- Investing operating funds in shorter-term securities.

4.2 Liquidity

The District's investment portfolio will remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash flow requirements (static liquidity). Since all possible cash flow requirements cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio should also be invested in short-term securities, which offer same-day liquidity.

4.3 Return on Investment

The District's investment portfolio will be designed to attain an acceptable rate of return, taking into account the investment risk constraints and cash flow requirements.

5 Standards of Care

5.1 Delegation of Authority

Authority to manage the District's investment program is derived from the District's Code of Ordinances 06-002, Ordinance No. 3000.05. Under that ordinance, management responsibility for the investment program is delegated to the General Manager. The Finance ~~and Administrative Services Manager~~ Director is hereby designated as the "Investment Officer" in charge of operational management of the investment program. The Investment Officer will periodically report to the General Manager on the status and operation of the program. ~~The Investment Officer will be responsible for all investment transactions and will establish a system of controls to regulate the activities of subordinate employees.~~ The Investment Officer may delegate the day-to-day placement of investments to a registered investment advisor. The investment advisor shall make all investment decisions and transactions in strict accordance with State law and

[this Policy. The Investment Officer shall establish a system of written internal controls to regulate the District's investment activities, including the activities of the investment advisor and any subordinate officials acting on behalf of the District. Such controls will include regular communications on investment activities between the Investment Officer and any authorized investment advisors or subordinate officials. Initially, and when there are material changes to this Policy, the Investment Officer will transmit a copy of the current version of this Policy to its professional investment advisor.](#)

5.2 Investment Procedures

The Investment Officer will establish written investment procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the established procedures.

5.3 Ethics and Conflicts of Interest

Officers and employees involved in the investment program shall refrain from personal business activity that could conflict with proper execution of the program, or which could impair their ability to make impartial investment decisions. Investment officials and employees will disclose to the General Manager any material financial interests in financial institutions that conduct business within the District's jurisdiction, and they will further disclose any large personal financial/investment positions that could be related to or affect the performance of the investment program.

6 Safekeeping and Custody

6.1 Authorized Financial Dealers and Institutions

The District will conduct investment transactions with authorized financial dealers and institutions. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must provide the Investment Officer with the following: proof of National Association of Security Dealers certification, completed broker/dealer questionnaire, certification of having read the District's investment policy and depository contracts.

An annual review of the registrations of qualified bidders will be conducted by the Investment Officer. A current broker dealer questionnaire is required to be on file for each financial institution and broker/dealer with which the District invests. The Investment Officer will maintain a list of authorized financial dealers and institutions.

[If the District utilizes an investment advisor to conduct investment transactions on the District's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes. The investment advisor's approved list must be made available to District upon request.](#)

As an additional source for investing, the District may utilize services designed for government agencies seeking competitive investment rates (e.g. GFOA Yield Advantage).

6.2 Internal Control

The Investment Officer will facilitate an annual process of independent review of the investment program's performance by the District's external audit firm as part of the annual audit. This review will provide internal control by assuring compliance with this policy..

6.3 Delivery vs. Payment

All investment transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus payment (DVP) basis. Investments will be held in safekeeping by a third party custodian and evidenced by safekeeping receipts. The custodian will be competitively selected by the Investment Officer and will act under the terms of a custody agreement.

7 Authorized and Suitable Investments

7.1 Investment Types

Investment of District funds is governed by the California Government Code Sections 53600, *et seq.* Within the context of these limitations, the following investments are authorized:

- United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- [U.S. Instrumentalities, United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by a nationally recognized statistical rating organization \("NRSRO"\) and shall not exceed 30 percent of the District's moneys that may be invested pursuant to this section.](#)
- [Registered state warrants or Treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department,](#)

board, agency, or authority of the state. Securities eligible for investment under this subdivision shall be rated "A" or better by a NRSRO.

- Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Securities eligible for investment under this subdivision shall be rated "A" or better by a NRSRO.
- Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Securities eligible for investment under this subdivision shall be rated "A" or better by a NRSRO.
- Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. ~~Additional limitations apply:~~
 - The maximum maturity may not exceed 180 days;
 - No more than 40 percent of the District's portfolio may be invested in bankers' acceptances; and
 - ~~No more than 30 percent of the District's portfolio may be invested in the bankers' acceptances of any one commercial bank pursuant to this section~~Minimum rating of "A-1" or equivalent by at NRSRO.
- Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as ~~rated provided~~ by a ~~nationally recognized statistical rating organization ("NRSRO"). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2); and either:~~
 - (1) is organized and operating in the United States as a general corporation~~U.S. corporation~~ with total assets >\$500 million with other debt rated "A" or better by a NRSRO, or
 - (2) is organized within the a-U.S. entity organized~~as a special purpose corporation, trust or limited liability company with program-wide credit enhancements and its commercial paper is rated "A-1" or higher by a NRSRO.~~

~~Additional limitations apply:~~

The maximum maturity will be 270 days or less. No more than 25 percent of the District's funds will be invested in eligible commercial paper; ~~and~~
The District may purchase no more than 10 percent of the outstanding commercial paper of any single corporate issue.

- Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Negotiable certificates of deposit eligible for investment under this subdivision shall be rated "A" or better long-term or "A-1" or better short-term by a NRSRO. Purchases of negotiable certificates of deposit may not exceed 30 percent of the District's portfolio, which may be invested pursuant to this section.
- Local Agency Investment Fund (LAIF), ~~a the~~ State of California managed investment pool may be used up to the maximum permitted by California State Law.
- ~~Time Deposits~~ Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. ~~Since time deposits are not liquid, no~~ No more than ~~40~~5% of the investment portfolio may be invested in this investment type. A maturity limitation of two years is applicable.
- Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the ~~agency's~~ District's money that may be invested pursuant to this section.
- Money Market ~~Mutual~~ Funds ~~Mutual funds~~ invested in U.S. Government securities are permitted under this policy and under the California Government Code Section 53601. In order to be eligible for investment under this section, an investment objective of such a fund must be the maintenance of a price per share of \$1.00. The following criteria must also be met:
 - The fund shall have a minimum of \$500 million in total portfolio value.
 - The fund shall be registered with the Securities and Exchange Commission, and shall have achieved a rating of Aaa by Moody's and AAA by S&P.
 - The fund shall have retained an advisor which is registered with the SEC, or which is exempt from such registration.
 - Investment in such funds shall not exceed ~~20~~45% of the District's total portfolio.
 - No more than 10% of the District's total portfolio may be invested in any one mutual fund.

- Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's surplus money that may be invested pursuant to this section.
- Local Government Investment Pools (LGIPs), shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Section 56301 subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
 - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

7.2 Ineligible Investments

Ineligible investments are those that are not described herein, including but not limited to, common stocks, reverse repurchase agreements, inverse floaters, range notes, mortgage derived interest only strips, derivatives securities, or any security that could result in zero interest accrual.

8 Investment Parameters

8.1 Diversification

The District will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, U.S. Agency Obligations and authorized pools (e.g. LAIF), no more than 5% of the District's total investment portfolio will be invested in a single issuer. no more than 50% of the District's total investment portfolio will be invested in a single security type or with a single financial institution.—The diversification requirements of the portfolio apply at time of purchase. will be dependent upon current and future cash flow requirements.—The following table represents potential percentages by security type for the District's portfolio:

Investment Type	Percentage or Amount
<u>U.S. Treasury Bonds/Notes/Bills</u>	<u>0 to 100%</u>
<u>U.S. Government Agency Obligations</u>	<u>0 to 100%</u>
<u>Bankers' Acceptances</u>	<u>0 to 20%</u>
<u>Commercial Paper</u>	<u>0 to 25%</u>
<u>Negotiable Certificates of Deposit</u>	<u>0 to 30%</u>
<u>Local Agency Investment Fund</u>	<u>\$40,000,000</u>
<u>Time Certificates of Deposit</u>	<u>0 to 10%</u>
<u>Medium Term Corporate Notes</u>	<u>0 to 30%</u>
<u>Mutual Funds/Money Market Funds</u>	<u>0 to 15%</u>
<u>Mortgage/Pass-Through Security</u>	<u>0 to 20%</u>

8.2 Maximum Maturities

To the extent possible, the District will strive to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 5 years from the date of purchase.Where this Policy does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security that —at the time of the investment—has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Investment Type	Maturity
<u>U.S. Treasury Bonds/Notes/Bills</u>	<u>5 Years</u>
<u>U.S. Government Agency Obligations</u>	<u>5 Years</u>
<u>Bankers' Acceptances</u>	<u>180 Days</u>
<u>Commercial Paper</u>	<u>270 Days</u>

Negotiable Certificates of Deposit	5 Years
Local Agency Investment Fund	Upon Demand
Time Certificates of Deposit	5 Years
Medium Term Corporate Notes	5 Years
Mutual Funds/Money Market Funds	Upon Demand
Mortgage/Pass-Through Security	5 Years

8.3 Investment Earnings

Investment earnings that are collected from investments authorized in this policy will be allocated monthly to the various program areas based upon their respective participation and in accordance with generally accepted accounting principles.

9 Policy Considerations

9.1 Legislative Changes

Further restrictions on allowable maturities, investment type or percentage allocations imposed by any State of California legislative action, will be incorporated into the District's Investment Policy and supersede any and all previous applicable language.

9.2 Investment Policy Adoption

The District's Investment Policy will be adopted by resolution of the District's Board of Directors. The policy will be reviewed and updated annually for approval by the Board.

10 Reporting

10.1 Methods

The Investment Officer will provide ~~quarterly~~ investment reports to the Board. Such reports will provide a status of the current portfolio, along with economic conditions, potential future changes and investment strategies. The reports will include:

- A listing of the securities held ~~at the end of the quarter~~ by category;
- ~~Average life and m~~Maturity ~~date~~ of all investments;
- Coupon, discount or earnings rate;
- Par Value, Market Value; and
- Percentage of the portfolio by category.

10.2 Performance Standards

The investment portfolio will be developed with the objective of attaining a rate of return commensurate with the District's investment risk constraints, cash flow requirements and the economic environment. ~~The District's investment strategy is generally to buy and hold investments, with consideration of future cash flow requirements. Though, this may not always be the case under changing District or~~

~~market conditions. An appropriate benchmark will be established against which portfolio performance can be compared on a regular basis. Given this strategy, the benchmark utilized by the Investment Officer to determine whether market yields are being achieved shall be the one-year constant maturity treasury.~~

10.3 Marking to Market

The market value of the portfolio will be calculated ~~at least quarterly~~ monthly, with a statement of market value issued. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on “Mark-To-Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

Glossary of Cash Management Terms

Accrued Interest: Interest earned but not yet received.

Agencies: Federal agency securities and/or Government-sponsored enterprises.

Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage: Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked: The price at which securities are offered.

Banker's Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Basis Point: One basis point is one hundredth of one percent (.01).

Bid: The price offered by a buyer of securities.

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker: A person who brings buyers and sellers together for a commission.

California Local Agency Obligations: [Bonds that are issued by a California county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.](#)

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public monies.

Commercial Paper: Short-term, negotiable unsecured promissory notes of corporations.

Comprehensive Annual Financial Report (CAFR): The official annual financial report for the San Juan Water District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian: A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issues: Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Derivative: Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks, and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently \$100,000) per account.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Finance Officers' Association (GFOA): GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906.

Guaranteed Investment Contracts (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits: Funds not immediately needed for disbursement.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity: An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Bonds: These bonds are issued by a county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Local Agency Investment Fund (LAIF): A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Modified Duration: A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100 basis point change in the security's (portfolio's) yield.

Mutual Funds: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Negotiable Certificate of Deposit: A large denomination certificate of deposit, which can be sold in the open market prior to maturity.

New Issue: Term used when a security is originally "brought" to market.

Note: A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value: The amount of principal, which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Principal: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Investor Standard: A person empowered to invest for the District is a fiduciary. He or she will act as a trustee with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the district, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Prospectus: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

Prudent Investor Standard: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO): A transaction where the seller agrees to buy back from the buyer (District) the securities at an agreed upon price on demand or at a specified date.

Risk: Degree of uncertainty of return on an asset.

Rule G-37 of the Securities Rulemaking Board: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping Service: Offers storage and protection of assets provided by an institution serving as an agent.

Sallie Mae: Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC): The federal agency responsible for supervising and regulating the securities industry.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

State Obligations: Registered Treasury notes or bonds of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 United States.

Tax and Revenue Anticipation Notes (TRANS): Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Time Certificate of Deposit: A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

Treasury Bills: U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

Trustee or trust company or trust department of a bank: A financial institution with trust powers, which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter: A dealer, which purchases a new issue of municipal securities for resale.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

U.S. Treasury Obligations: Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes, and Bonds. Bills are short-term obligations that mature in 1 year or less and are sold on the basis of a rate of discount. Notes are obligations, which mature between 1 year and 10 years. Bonds are long-term obligations, which generally mature in 10 years or more.

U.S. Instrumentality: –An organization that serves a public purpose and is closely tied to the U.S. government, but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government. Instrumentalities are subject to a unique set of laws that shape their activities.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield: The rate of annual income return on an investment, expressed as a percentage.

It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity. The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve: A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.



San Juan Water District

Investment Policy

Prepared by
Donna Silva
Finance Director

XX, 2015

9935 Auburn-Folsom Road
Granite Bay, California 9576
(916) 791-0115

Table of Contents

1	POLICY	1
2	SCOPE	1
2.1	EXCEPTIONS.....	1
2.2	POOLING OF FUNDS	2
3	PRUDENCE	2
3.1	STANDARD OF PRUDENCE	2
4	OBJECTIVES	2
4.1	SAFETY.....	2
4.1.1	Credit Risk	2
4.1.2	Interest Rate Risk	3
4.2	LIQUIDITY	3
4.3	RETURN ON INVESTMENT.....	3
5	STANDARDS OF CARE	3
5.1	DELEGATION OF AUTHORITY	3
5.2	INVESTMENT PROCEDURES.....	3
5.3	ETHICS AND CONFLICTS OF INTEREST.....	4
6	SAFEKEEPING AND CUSTODY	4
6.1	AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS.....	4
6.2	INTERNAL CONTROL	4
6.3	DELIVERY VS. PAYMENT	4
7	AUTHORIZED AND SUITABLE INVESTMENTS	5
7.1	INVESTMENT TYPES	5
7.2	INELIGIBLE INVESTMENTS.....	8
8	INVESTMENT PARAMETERS	8
8.1	DIVERSIFICATION	8
8.2	MAXIMUM MATURITIES.....	8
8.3	INVESTMENT EARNINGS	9
9	POLICY CONSIDERATIONS	9
9.1	LEGISLATIVE CHANGES.....	9
9.2	INVESTMENT POLICY ADOPTION	9
10	REPORTING	9
10.1	METHODS.....	9
10.2	PERFORMANCE STANDARDS	9
10.3	MARKING TO MARKET.....	9
	GLOSSARY OF CASH MANAGEMENT TERMS	10

1 Policy

The purpose of this document is to convey the Investment Policy of the San Juan Water District ("District"). Though no longer required by the California Government Code, this policy will be updated annually in order to maintain currency with legal and District requirements. It is the District's policy to invest all funds in such a way as to achieve the highest investment return possible consistent with maximum security of District funds while meeting the daily cash flow demands of the District. All investments must conform to pertinent state and local statutes governing the investment of public funds.

In 2006, the District submitted this Investment Policy for the first time to the Association of Public Treasurer's of the United States and Canada ("APT-US&C") Investment Policy Certification Committee. This certification program is comprised of a committee that reviews submitted investment policies to ensure that all components of a model investment policy are met. The District was awarded the APT-US&C Investment Policy Certificate of Excellence Award in August 2007.

The most significant benefit to receipt of this award is the trust and confidence of the Board of Directors and customers that the District is abiding by professional standards which have been established to ensure prudent management of public funds. In addition, certifications and awards such as these can enhance the District's underlying credit rating (an important consideration factor when issuing debt). It is recommended that the District have the Investment Policy certified every three years.

2 Scope

The District currently has one fund type, an enterprise fund, in which all transactions are accounted and reported in. Activities for both Wholesale and Retail include: Non-Operating, Operations, and Capital Improvements. This investment policy applies to all fund and activity types. In addition, this policy will apply to any new fund created, unless that fund is specifically exempted.

2.1 Exceptions

Two exceptions exist regarding the investment of bond reserve funds and grant funds. Acceptable investments for bond reserve funds are specified in the bond documents, and may not necessarily be the same as those listed later in this document (e.g. Guaranteed Investment Contract).

Bond funds will be invested in accordance with the statutory provisions governing the issuance of the bonds or the bond documents, as applicable.

Grant funds will be invested according to the statutory provisions applicable to the investment of the grant funds or the grant itself, as applicable.

2.2 Pooling of Funds

With the exception of cash in restricted and special funds, the District will consolidate cash balances from all funds to the extent practicable in order to maximize investment earnings and minimize fees.

3 Prudence

3.1 Standard of Prudence

The standard of prudence will be the “prudent investor” standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The District’s Investment Officer and other individuals assigned to managing the investment portfolio acting in accordance with written procedures and the investment policy and exercising due diligence will be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided that such deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4 Objectives

The primary objectives, listed in order of priority, of the District’s investment activities are:

4.1 Safety

Safety of principal is the foremost objective of the District’s investment program. Investments will be executed in a manner that seeks to ensure preservation of capital in the overall portfolio, whether from institutional default, broker/dealer default or erosion of market value of securities. In attaining this objective, the District will strive to mitigate credit risk and interest rate risk.

4.1.1 Credit Risk

The District will minimize credit risk, the risk of loss due to the failure of the security issuer/backer, by:

- Limiting investments to the safest types of securities;

- Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business; and
- Diversifying the investment portfolio by sector and issuer.

4.1.2 Interest Rate Risk

The District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities meet the cash flow requirements, thereby avoiding, to the extent possible, the need to sell securities on the open market prior to maturity; and
- Investing operating funds in shorter-term securities.

4.2 Liquidity

The District's investment portfolio will remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash flow requirements (static liquidity). Since all possible cash flow requirements cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). As mentioned earlier, a portion of the portfolio should also be invested in short-term securities, which offer same-day liquidity.

4.3 Return on Investment

The District's investment portfolio will be designed to attain an acceptable rate of return, taking into account the investment risk constraints and cash flow requirements.

5 Standards of Care

5.1 Delegation of Authority

Authority to manage the District's investment program is derived from the District's Code of Ordinances 06-002, Ordinance No. 3000.05. Under that ordinance, management responsibility for the investment program is delegated to the General Manager. The Finance Director is hereby designated as the "Investment Officer" in charge of operational management. The Investment Officer may delegate the day-to-day placement of investments to a registered investment advisor. The investment advisor shall make all investment decisions and transactions in strict accordance with State law and this Policy. The Investment Officer shall establish a system of written internal controls to regulate the District's investment activities, including the activities of the investment advisor and any subordinate officials acting on behalf of the District.

5.2 Investment Procedures

The Investment Officer will establish written investment procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and

collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the established procedures.

5.3 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees will disclose to the General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they will further disclose any large personal financial/investment positions that could be related to the performance of the District.

6 Safekeeping and Custody

6.1 Authorized Financial Dealers and Institutions

The District will conduct investment transactions with authorized financial dealers and institutions. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following: proof of National Association of Security Dealers certification, completed broker/dealer questionnaire, certification of having read the District's investment policy and depository contracts.

An annual review of the registrations of qualified bidders will be conducted by the Investment Officer. A current broker dealer questionnaire is required to be on file for each financial institution and broker/dealer in which the District invests. The Investment Officer will maintain a list of authorized financial dealers and institutions.

If the District utilizes an investment advisor to conduct investment transactions on the District's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes. The investment advisor's approved list must be made available to District upon request.

As an additional source for investing, the District may utilize services designed for government agencies seeking competitive investment rates (e.g. GFOA Yield Advantage).

6.2 Internal Control

The Investment Officer will facilitate an annual process of independent review by the District's external audit firm as part of the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

6.3 Delivery vs. Payment

All investment transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus payment (DVP) basis. Investments will be held in safekeeping by a third party custodian and evidenced by safekeeping

receipts. The custodian will be competitively selected by the Investment Officer and will act under the terms of a custody agreement.

7 Authorized and Suitable Investments

7.1 Investment Types

Investment of District funds is governed by the California Government Code Sections 53600, *et seq.* Within the context of these limitations, the following investments are authorized:

- United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- U.S. Instrumentalities, United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by a nationally recognized statistical rating organization (NRSRO) and shall not exceed 30 percent of the District's moneys that may be invested pursuant to this section.
- Registered state warrants or Treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state. Securities eligible for investment under this subdivision shall be rated "A" or better by a NRSRO.
- Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Securities eligible for investment under this subdivision shall be rated "A" or better by a NRSRO.
- Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the

local agency, or by a department, board, agency, or authority of the local agency. Securities eligible for investment under this subdivision shall be rated "A" or better by a NRSRO.

- Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.
 - The maximum maturity may not exceed 180 days;
 - No more than 40 percent of the District's portfolio may be invested in bankers' acceptances; and
 - Minimum rating of "A-1" or equivalent by at NRSRO.
- Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
 - (1) is organized and operating in the United States as a general corporation with total assets >\$500 million with other debt rated "A" or better by a NRSRO, or
 - (2) is organized within the U.S. as a special purpose corporation, trust or limited liability company with program-wide credit enhancements and its commercial paper is rated "A-1" or higher by a NRSRO.

The maximum maturity will be 270 days or less. No more than 25 percent of the District's funds will be invested in eligible commercial paper. The District may purchase no more than 10 percent of the outstanding commercial paper of any single corporate issue.

- Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Negotiable certificates of deposit eligible for investment under this subdivision shall be rated "A" or better long term or "A-1" or better short term by a NRSRO. Purchases of negotiable certificates of deposit may not exceed 30 percent of the District's portfolio, which may be invested pursuant to this section.
- Local Agency Investment Fund (LAIF), the State of California managed investment pool may be used up to the maximum permitted by California law.
- Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. No more than 5% of the investment portfolio may be invested in this investment type. A maturity limitation of two years is applicable.

- Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated “A” or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the District's money that may be invested pursuant to this section.
- Money Market Funds invested in U.S. Government securities are permitted under this policy and under the California Government Code Section 53601. In order to be eligible for investment under this section, an investment objective of such a fund must be the maintenance of a price per share of \$1.00. The following criteria must also be met:
 - The fund shall have a minimum of \$500 million in total portfolio value.
 - The fund shall be registered with the Securities and Exchange Commission, and shall have achieved a rating of Aaa by Moody's and AAA by S&P.
 - The fund shall have retained an advisor which is registered with the SEC, or which is exempt from such registration.
 - Investment in such funds shall not exceed 20% of the District's total portfolio.
 - No more than 10% of the District's total portfolio may be invested in any one mutual fund.
- Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an “A” or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of “AA” or its equivalent or better by a nationally recognized rating service. Purchase

of securities authorized by this subdivision may not exceed 20 percent of the District's surplus money that may be invested pursuant to this section.

- Local Government Investment Pools (LGIPs), shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Section 56301 subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
 - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

7.2 Ineligible Investments

Ineligible investments are those that are not described herein, including but not limited to, common stocks, reverse repurchase agreements, inverse floaters, range notes, mortgage derived interest only strips, derivatives securities, or any security that could result in zero interest accrual.

8 Investment Parameters

8.1 Diversification

The District will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, U. S. Agency Obligations and authorized pools (e.g. LAIF), no more than 5% of the District's total investment portfolio will be invested in a single issuer. The diversification requirements of the portfolio apply at time of purchase.

8.2 Maximum Maturities

To the extent possible, the District will strive to match its investments with anticipated cash flow requirements. Where this Policy does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security that—at the time of the investment—has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

8.3 Investment Earnings

Investment earnings that are collected from investments authorized in this policy will be allocated monthly to the various program areas based upon their respective participation and in accordance with generally accepted accounting principles.

9 Policy Considerations

9.1 Legislative Changes

Further restrictions on allowable maturities, investment type or percentage allocations imposed by any State of California legislative action, will be incorporated into the District's Investment Policy and supersede any and all previous applicable language.

9.2 Investment Policy Adoption

The District's Investment Policy will be adopted by resolution of the District's Board of Directors. The policy will be reviewed and updated annually for approval by the Board.

10 Reporting

10.1 Methods

The Investment Officer will provide investment reports to the Board. Such reports will provide a status of the current portfolio, along with economic conditions, potential future changes and investment strategies. The reports will include:

- A listing of the securities held by category;
- Maturity date of all investments;
- Coupon, discount or earnings rate;
- Par Value, Amortized Book Value and Market Value; and
- Percentage of the portfolio by category.

10.2 Performance Standards

The investment portfolio will be developed with the objective of attaining a rate of return commensurate with the District's investment risk constraints, cash flow requirements and the economic environment. An appropriate benchmark will be established against which portfolio performance can be compared on a regular basis.

10.3 Marking to Market

The market value of the portfolio will be calculated monthly, with a statement of market value issued. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-To-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

Glossary of Cash Management Terms

Accrued Interest: Interest earned but not yet received.

Agencies: Federal agency securities and/or Government-sponsored enterprises.

Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage: Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked: The price at which securities are offered.

Banker's Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Basis Point: One basis point is one hundredth of one percent (.01).

Bid: The price offered by a buyer of securities.

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker: A person who brings buyers and sellers together for a commission.

California Local Agency Obligations: Bonds that are issued by a California county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public monies.

Commercial Paper: Short-term, negotiable unsecured promissory notes of corporations.

Comprehensive Annual Financial Report (CAFR): The official annual financial report for the San Juan Water District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in

conformity with Generally Accepted Accounting Principals (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian: A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issues: Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Derivative: Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks, and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently \$100,000) per account.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Finance Officers' Association (GFOA): GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906.

Guaranteed Investment Contracts (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits: Funds not immediately needed for disbursement.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity: An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Bonds: These bonds are issued by a county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Local Agency Investment Fund (LAIF): A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Modified Duration: A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100 basis point change in the security's (portfolio's) yield.

Mutual Funds: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Negotiable Certificate of Deposit: A large denomination certificate of deposit, which can be sold in the open market prior to maturity.

New Issue: Term used when a security is originally "brought" to market.

Note: A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value: The amount of principal, which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Principal: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Investor Standard: A person empowered to invest for the District is a fiduciary. He or she will act as a trustee with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the district, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Prospectus: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

Prudent Investor Standard: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO): A transaction where the seller agrees to buy back from the buyer (District) the securities at an agreed upon price on demand or at a specified date.

Risk: Degree of uncertainty of return on an asset.

Rule G-37 of the Securities Rulemaking Board: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping Service: Offers storage and protection of assets provided by an institution serving as an agent.

Sallie Mae: Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC): The federal agency responsible for supervising and regulating the securities industry.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

State Obligations: Registered Treasury notes or bonds of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 United States.

Tax and Revenue Anticipation Notes (TRANS): Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Time Certificate of Deposit: A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

Treasury Bills: U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

Trustee or trust company or trust department of a bank: A financial institution with trust powers, which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter: A dealer, which purchases a new issue of municipal securities for resale.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

U.S. Treasury Obligations: Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes, and Bonds. Bills are short-term obligations that mature in 1 year or less and are sold on the basis of a rate of discount. Notes are obligations, which mature between 1 year and 10 years. Bonds are long-term obligations, which generally mature in 10 years or more.

U.S. Instrumentality: An organization that serves a public purpose and is closely tied to the U.S. government, but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government. Instrumentalities are subject to a unique set of laws that shape their activities.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve: A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

STAFF REPORT

To: Board of Directors
From: Shauna Lorance, General Manager
Date: January 5, 2016
Subject: Groundwater Reimbursement Agreement

RECOMMENDED ACTION

Staff recommends the Board discuss the option of paying for the actual groundwater pumped during 2014 by CHWD and FOWD from SJWD wholesale reserves. Further discussion would continue on the costs incurred during 2009-2013 maintenance pumping.

All agencies agree FOWD and CHWD were requested to pump groundwater during 2014. The total costs for 2014 for CHWD and FOWD, minus the \$93.32 per AF cost for surface water that was an avoided cost, came to \$396,023. Payment would be budgeted in the 2016/2017 wholesale budget to be paid in July 2016.

BACKGROUND

CHWD and FOWD submitted costs for operation and maintenance of groundwater wells for a five year period ending 2014. These costs were to be paid by those agencies benefiting from the availability of groundwater to offset reduced shortage water during a drought. These costs were based on the water shortage policy developed and incorporated by reference in the long term Wholesale Water Supply Agreement. However, the shortage policy only applied to a reduction in surface water supply down to 54,000 AF. During these years, SJWD either did not use 54,000 AF of surface water or used just slightly over 54,000 AF in any year, so the applicability of the shortage agreement is at question. In addition, the shortage policy required FOWD and CHWD to invoice annually for the costs, but these costs were instead provided at the end of the five years.

At the same time, all agencies had agreed that groundwater was necessary to provide adequate levels of service to our customers, and that the operation and maintenance of the wells in all year types was necessary to ensure the availability of the wells when needed. All agencies agreed that the agencies with groundwater wells should be reimbursed for these costs.

History of Shortage Policy

The interim Wholesale Water Supply Agreements were signed summer 2004. The agreements were intended to be long term Wholesale Water Supply Agreements

after completion of a water shortage policy. The GMs then developed principles of agreement that were to be approved by all agencies. The SJWD approved the principles in April 2006. (see attached April 5, 2006 staff report)

The final shortage policy was brought to the Boards in March 2008 for approval to include in the long term Wholesale Water Supply Agreements in April. SJWD adopted the policy for inclusion in the Wholesale Water Supply Agreement to be signed in April at the March 12, 2008 board meeting. (see attached staff report dated February 29, 2008) The SJWD Board approved Resolution 08-15 approving the long term wholesale water supply agreements with the included shortage policy at the May 14, 2008 Board Meeting. The Wholesale Customer Agencies signed the long term Wholesale Water Supply Agreement, with the reference to the shortage policy, effective the following dates:

FOWD – May 14, 2008

Folsom – amendment dated Jan 1, 2011

OVWC – May 6, 2008

CHWD – May 14, 2008

SJWD – May 14, 2008

CURRENT STATUS

SJWD retained an outside consultant to evaluate the rational for allocation the costs provided by CHWD and FOWD. This resulted in a reduction in the costs initially provided. The general Managers agreed we could live with the costs in order to put this issue to rest. SJWD formally terminated the shortage policy agreement and the SJWD Board agreed to accept the cost allocations. The cost allocations show SJWD-R, OVWC and the city of Folsom to reimburse CHWD and FOWD over a five year period.

All agencies agree that CHWD and FOWD should be paid for the groundwater pumping requested for 2014.

There are some questions being asked by the agencies paying for the maintenance and maintenance pumping between 2009 and 2013.

- The agreement is only for water usage down to 54,000 AF and specifically states that it does not apply to shortages below 54,000 AF of surface water; does this eliminate the need to pay for the costs when surface water usage was below 54,000 AF? This would eliminate almost all costs except the requested groundwater pumping in 2014.
- If the agreement is still valid when surface water use was at or below 54,000 AF, are the costs for operations and maintenance during the years that groundwater was not requested to be pumped reasonable?
- How can they be expected to pay for costs over a five year period when they did not receive any costs each year so did not have an opportunity to terminate the agreement if they felt the costs were too high?

- If invoices were not provided for five years, is it reasonable to expect all five years costs to be reimbursed? Would other agencies pay the full fare in this case? Past record shows FOWD being unwilling to pay the full amount on an unpaid invoice that SJWD failed to send reminder invoices. The Wholesale operations had to make up the difference in the revenue.

To resolve the portions of the invoice that has consensus agreement, SJWD could pay for the cost of groundwater pumping during 2014 that was over the cost FOWD and CHWD would have paid for surface water. This would leave the maintenance costs for 2009-2013 to still be evaluated.

Table E.
Summary Actual Cost Methodology modification based upon Draft Invoice

CHWD	GW Pumped AcFt	GW Labor Costs	Personnel Cost/AcFt	GW Production	Production Cost/AcFt	GW O&M/AcFt	SurfaceWa ter	Commodit y	Capital Value Total	Capital Value	Capital Regional	Capital Value Regional/AcF	Sum of Regional	Gross Sum Regional Value
2009	2119.58	\$ 251,622	\$ 119	\$ 221,264	\$ 104	\$ 223.10	\$ 77.71	\$ 145.39	\$43,629.00	\$ 20.58	0	\$ -	\$ 145.39	\$ 308,174
2010	1559.89	\$ 204,040	\$ 131	\$ 192,540	\$ 123	\$ 254.24	\$ 86.25	\$ 167.99	\$43,629.00	\$ 27.97	0	\$ -	\$ 167.99	\$ 262,040
2011	962.38	\$ 107,499	\$ 112	\$ 162,835	\$ 169	\$ 280.90	\$ 90.60	\$ 190.30	\$43,639.00	\$ 45.34	0	\$ -	\$ 190.30	\$ 183,143
2012	582.83	\$ 62,885	\$ 108	\$ 130,129	\$ 223	\$ 331.17	\$ 90.60	\$ 240.57	\$43,629.00	\$ 74.86	0	\$ -	\$ 240.57	\$ 140,209
2013	465.33	\$ 46,162	\$ 99	\$ 133,950	\$ 288	\$ 387.06	\$ 90.60	\$ 296.46	\$43,629.00	\$ 93.76	0	\$ -	\$ 296.46	\$ 137,953
2014	1691.37	\$ 193,153	\$ 114	\$ 143,598	\$ 85	\$ 199.10	\$ 93.32	\$ 105.78	\$82,269.00	\$ 48.64	\$ 11,518.00	\$ 6.81	\$ 112.5	\$ 190,430
	1230.23		\$ 114		\$ 166	\$ 279							192.2168716	\$ 1,221,949
														49%
FOWD														
2009	1108.84	\$ 134,877	\$ 122	\$ 124,812	\$ 113	\$ 234.20	\$ 77.71	\$ 156.49	\$84,800.00	\$ 76.48	\$ 28,888	\$ 26.05	\$ 182.54	\$ 202,409
2010	1194.49	\$ 149,978	\$ 126	\$ 130,353	\$ 109	\$ 234.69	\$ 86.25	\$ 148.44	\$84,800.00	\$ 70.99	\$ 28,888	\$ 24.18	\$ 172.62	\$ 206,194
2011	1516.12	\$ 201,589	\$ 133	\$ 156,467	\$ 103	\$ 236.17	\$ 90.60	\$ 145.57	\$84,800.00	\$ 55.93	\$ 28,888	\$ 19.05	\$ 164.62	\$ 249,583
2012	1562.72	\$ 178,789	\$ 114	\$ 158,238	\$ 101	\$ 215.67	\$ 90.60	\$ 125.07	\$84,800.00	\$ 54.26	\$ 28,888	\$ 18.49	\$ 143.55	\$ 224,332
2013	1319.71	\$ 140,990	\$ 107	\$ 153,463	\$ 116	\$ 223.12	\$ 90.60	\$ 132.52	\$84,800.00	\$ 64.26	\$ 28,888	\$ 21.89	\$ 154.41	\$ 203,775
2014	1870.7	\$ 229,391	\$ 123	\$ 121,887	\$ 65	\$ 187.78	\$ 93.32	\$ 94.46	\$84,800.00	\$ 45.33	\$ 28,888	\$ 15.44	\$ 109.9	\$ 205,593
	1428.76		\$ 121		\$ 101	\$ 222								\$ 1,291,887
														51%
														\$ 2,513,836

The costs for groundwater pumping, minus the commodity cost for surface water, is $\$190,430 + \$205,593 = \$396,023$. This amount would be paid to FOWD and CHWD. Further discussion on the costs for 2009 through 2013, some of which are higher than the actual costs for pumping groundwater during 2014, can then be had as a separate topic.

BUDGET IMPACT

Any impact to the budget is unknown at this time.

STAFF REPORT

To: Board of Directors
From: Shauna Lorange
General Manager
Date: February 29, 2008
Subject: Shortage Policy

Background

Historically, In the case of a shortage of surface water availability due to planned or unplanned events, the family agencies that have access to groundwater utilized groundwater to offset surface water use. This has been done without any compensation for costs associated with constructing and maintaining the groundwater facilities.

Initial discussions on development of a shortage policy began many years ago and eventually led to a failed policy "F". The topic again arose during the discussions to update the wholesale water supply agreements. To allow time to develop the shortage policy, the family of agencies entered into interim wholesale water supply agreements.

The family agency general managers have met twice a month at regularly scheduled meetings for the past two years. The Shortage Concept was developed and presented to the family agencies board members at a Joint Board Meeting in October, 2007. At this meeting, all the agencies approved the Shortage Concept and directed the general managers to proceed in developing a shortage policy.

The general managers expanded the shortage concept into a shortage policy where the agencies without access to groundwater "buy-in" to the existing groundwater capacity available from the agencies with access to groundwater.

Current Status

A final shortage policy has been developed and agreed upon by the general managers of the family agencies. The shortage policy includes a commitment by the agencies with access to groundwater to pump groundwater during a shortage condition to allow those agencies without access to groundwater to utilize surface water. The agencies without access to groundwater will pay their fair share of the costs associated with the groundwater facilities required to provide this benefit.

The cost reimbursement methodology was set up to match the methodology used for surface water costs. The agencies with groundwater facilities will receive an

annual payment, funded by the agencies without access to groundwater, which includes the following:

- facility capital costs for existing and future groundwater production facilities, and
- operation and maintenance costs

In addition, when agencies are required to pump groundwater, they will also receive payment for production costs, called commodity costs.

Annual Facilities Capital Costs

Annual facilities capital costs are revised annually, and include all capital costs associated with groundwater facilities. The costs are identified as the existing value of each facility, divided by the years of remaining life of the facility. The cost is then divided by the total groundwater capacity to identify a per unit capital cost. Any new facilities are included in the calculation starting the following year using the same concept.

Annual Operation and Maintenance Costs

Annual operation and maintenance costs are the fixed costs associated with groundwater facilities, and are determined using a similar methodology. The total costs, divided by the total groundwater capacity, determines the per unit O&M cost. These are revised annually.

Commodity Costs

The commodity cost is charged only during times of actual production and the methodology is to take the total costs associated with actual production of groundwater, divided by the total groundwater produced, to determine the per unit commodity cost.

Impact to Budget

The impact to SJWD retail budget is approximately \$100,000 per year for access to 4.5 million gallons per day. This cost will likely go up as wells in the groundwater pool require replacement and/or rehabilitation.

One well, at 1000 gpm, is approximately 1.5 mgd. Should SJWD have to construct three wells at this time, the cost would be \$7.5 million dollars. The proposed shortage policy provides good value.

Staff Recommendation

Staff recommends adoption of the Shortage Policy, with inclusion in the long term wholesale water supply agreement to be brought to the Board of Directors for adoption in April.

SAN JUAN WATER DISTRICT'S SURFACE WATER SUPPLY AND WATER SHORTAGE MANAGEMENT PLAN

BACKGROUND INFORMATION

San Juan Water District ("San Juan") is the owner of certain surface water rights and contractual water entitlements, and facilities and entitlements for the diversion, treatment and conveyance of water from Folsom Reservoir, to make available treated water supplies within its wholesale and retail service area, which includes: (1) Citrus Heights Water District; (2) Fair Oaks Water District; (3) Orange Vale Water Company; (4) San Juan in its capacity as a retail water service provider; and (5) the City of Folsom relative to that portion of its service area north of the American River ("Member Agencies"). San Juan has entered into wholesale water supply agreements with the Member Agencies. The wholesale water supply agreements provide that San Juan and the Member Agencies will develop a surface water supply and water shortage management plan to manage water supplies during times of shortage. This document sets forth San Juan's Surface Water Supply and Water Shortage that management Plan ("Plan").

BASIC PRINCIPLES

This Plan is based on the following principles:

1. San Juan and the Member Agencies are committed to the coequal objectives of the Water Forum Agreement to: (a) provide a reliable and safe water supply for the Sacramento region's economic health and planned development through the year 2030; and (b) preserve the fishery, wildlife, recreational and aesthetic values of the Lower American River. San Juan's purveyor-specific Water Forum Agreement includes specified reductions in the amount of surface water that San Juan will divert from Folsom Reservoir during specified dry-year conditions. Water supply shortage solutions under this Plan will be consistent with the terms of the Water Forum Agreement.

2. This Plan utilizes a combination of demand management measures and the conjunctive use of surface water and groundwater supplies to meet the water needs of San Juan and the Member Agencies during conditions of water shortage.

3. Measures to address reductions in surface water diversions by using groundwater will be for the mutual benefit and interest of all Member Agencies.

4. Member Agencies that receive groundwater supplies from other Member Agencies under this Plan will pay the costs incurred to provide these groundwater supplies.

5. Water supply shortage provisions will be implemented in a manner that protects the water supplies and financial interests of affected ratepayers, including their investment in existing facilities.

6. Member Agencies that provide groundwater supplies under this Plan will retain ownership of their own groundwater production facilities.

7. San Juan will administer this Plan, including entering into agreements with Member Agencies to provide, distribute and account for groundwater supplies, monitor the sustainability of the yield of the affected a groundwater aquifer and take other actions necessary to implement this Plan. San Juan will consult with the Member Agencies as necessary regarding the implementation of this Plan, and keep the Member Agencies informed as to the status of water supply conditions and water shortage management actions.

DEFINED TERMS

When used in this Plan, the following terms are defined as set forth in this section:

8. **“Annual Facility Capital Costs”** means costs paid by the Benefiting Agencies to compensate Groundwater Suppliers for capital costs for the book value of existing groundwater facilities, and the costs for new or replacement production facilities.

9. **“Benefiting Agencies”** means those Member Agencies that receive additional allotments of surface water during a shortage year by virtue of other Member Agencies using alternative supplies under this Plan.

10. **“Citrus Heights”** means Citrus Height Water District.

11. **“Commodity Costs”** means costs directly associated with the production of groundwater or other alternative water supplies during a water shortage that are not included in Operation and Maintenance Costs.

12. **“CVP”** means Reclamation's Central Valley Project.

13. **“Emergency Shortages”** means a reduction in surface water deliveries to San Juan below 54,200 acre-feet annually and are not subject to this Plan.

14. **“Fair Oaks”** means Fair Oaks Water District.

15. **“Folsom”** means of the City of Folsom.

16. **“Groundwater Production Facilities”** means wells, pumps, piping, electrical controls and other physical components that are necessary for the production and distribution of groundwater by Groundwater Suppliers as defined in Appendix A, which may be revised as part of the annual review.

17. **“Groundwater Suppliers”** means those Member Agencies that have available groundwater in excess of their own needs under all but emergency shortage conditions.

18. **“Level of Service”** means the amount of water available to Member Agencies when compared to historical demands during normal water years.

19. **“Member Agencies”** means the following retail water service providers that receive wholesale water service from San Juan: (1) Citrus Heights; (2) Fair Oaks; (3) Orange Vale; (4) San Juan in its capacity as a retail water service provider; and (5) Folsom relative to that portion of its service area north of the American River.

20. **“Operation and Maintenance Costs”** mean costs (e.g., labor, parts, supplies, etc.) for routine operation and maintenance of the Groundwater Production Facilities necessary to ensure that groundwater production capacity will be available when groundwater is needed under this Plan.

21. **“Orange Vale”** means Orange Vale Water Company.

22. **“Period of Shortage”** means the periods of time when surface water availability to the Member Agencies is reduced under the terms of the wholesale water supply agreements between San Juan and the Member Agencies.

23. **“Reclamation”** means the United States Bureau of Reclamation. **“San Juan”** means the San Juan Water District.

24. **“San Juan’s Water Treatment and Conveyance Facilities”** means the water diversion, pumping, treatment and conveyance facilities that are used by San Juan to make surface water available to the Member Agencies.

25. **“Water Forum Agreement”** means the Memorandum of Understanding dated January 2000 among the various signatories that contains seven elements, which include “Actions to Meet Customers Needs While Reducing Diversion Impacts in Drier Years,” “Support for Improved Pattern of Fishery Flow Releases from Folsom Reservoir,” and the “Groundwater Management Element.” The Water Forum Agreement includes a purveyor-specific agreement for San Juan’s service area. San Juan would implement provisions relating to reductions in surface water diversions in certain dry years pursuant to a separate agreement between San Juan and the United States Bureau of Reclamation.

SURFACE WATER SUPPLY SHORTAGE

Surface Water Supplies Available To San Juan

26. San Juan makes water available to the Member Agencies under the wholesale water supply agreements from surface water supplies that are available to San

Juan from time to time. San Juan will use its best efforts to preserve and protect these water rights and entitlements, which currently include the following: (1) a pre-1914 appropriative water right to divert at the rate of 60 cubic feet per second ("cfs") from the American River with a priority date of 1853, which is delivered from Folsom Reservoir by Reclamation without charge to San Juan under a 1954 agreement between San Juan and Reclamation (and confirmed in San Juan's long-term CVP water service Agreement), for use anywhere within San Juan's service area; (2) an appropriative water right under permit no. 4009 (application 5830, filed on February 11, 1928) to divert at the rate of 15 cfs from the American River, which is delivered from Folsom Reservoir by Reclamation without charge under the 1954 agreement between San Juan and Reclamation (and confirmed in San Juan's long-term CVP water service contract), for use anywhere within San Juan's service area; (3) San Juan's long-term CVP water service agreement for 24,200 acre feet per year, for use anywhere within San Juan's service area; (4) a water supply agreement dated December 7, 2000 between San Juan and Placer County Water Agency for 25,000 acre feet per year (for use in San Juan's Placer County service area); and (5) temporary supplies of surplus water from Reclamation under Section 215 of Public Law 97-293, which may be available from time to time, for use anywhere within San Juan's service area. The total amount of water delivered to San Juan under its pre-1914 water right and its appropriative water right permit is 33,000 acre-feet per year.

27. The amount of water available annually under San Juan's long-term CVP water service contract and San Juan's water supply agreement with Placer County Water Agency are subject to reduction during times of shortage in accordance with the terms of these agreements. Reclamation allocates during times of shortage water based on historic use. San Juan is within Reclamation's American River Division of the CVP. San Juan will request that Reclamation consider groundwater pumped by Member Agencies in lieu of taking delivery of CVP water to be equivalent to use of CVP water by San Juan for purposes of determining historic use. In addition, San Juan's Water Forum Agreement provides for reduced surface water diversions as specified during certain dry years. San Juan will be responsible for monitoring the potential for reductions in surface water supplies under the CVP and PCWA agreements, as well as in accordance with the terms of San Juan's Water Forum Agreement. San Juan will keep the Member Agencies informed of the projected surface water availability for the water year, and the likelihood of a declaration of water shortage.

28. San Juan's ability to deliver water supplies to meet demand to the Member Agencies is also subject to interruption due to damage to and/or maintenance of the water storage and conveyance facilities used by Reclamation to deliver San Juan's CVP water supplies, or due to damage to and/or maintenance of San Juan's Water Treatment and Conveyance Facilities. San Juan and the Member Agencies are developing a separate plan for dealing with these types of Emergency Conditions.

Declaration of Water Shortage

29. San Juan will utilize all available water supplies, including other sources of supply that San Juan may obtain from time to time, to avoid water shortages to the

Member Agencies. In the event that there will be a water shortage, San Juan will provide prompt notification of the extent of such shortage to the Member Agencies.

30. San Juan will estimate how much groundwater will be needed to meet the Level of Service during the Period of Shortage, after a shortage is declared.

Availability of Groundwater Production Facilities

31. Citrus Heights, Fair Oaks and Orange Vale Water Company will independently determine how much groundwater they have available for delivery to the other Members Agencies during the Period of Shortage that would be surplus to the quantities needed to satisfy water demands within their respective service areas. San Juan will determine the quantities of groundwater to obtain under agreements with the Groundwater Suppliers as necessary to provide the Levels of Service of other Member Agencies under this Plan. San Juan will coordinate the operation of Groundwater Production Facilities and the surface water system to provide the Level of Service. San Juan will be responsible for notifying the Groundwater Suppliers of their obligations for the water year. Groundwater Production Facilities are and will remain the property of the individual Member Agencies and will only be operated by that Member Agency. Member Agencies that do not have access to groundwater will receive surface water in an amount necessary to meet the Level of Service.

Operation and Maintenance of Groundwater Facilities

32. Each Groundwater Supplier will maintain its Groundwater Production Facilities to ensure water is available to meet its obligations under this Plan. Groundwater Suppliers will submit a capital improvement plan to San Juan for Groundwater Production Facilities for each five-year period coinciding with the San Juan's five-year financial plan, which will include proposals for construction of new or replacement Groundwater Production Facilities.

Rates and Charges for Groundwater

33. Rates and charges to cover the costs of production and delivery of groundwater under this Plan will include the following: (1) annual facility capital costs for existing Groundwater Production Facilities; (2) annual facility capital costs for new or replacement Groundwater Production Facilities; (3) Operation and Maintenance Costs; and (4) Commodity Costs.

34. Annual facility capital costs will be determined using the existing value of each Groundwater Production Facility divided by the years of remaining life of the facility (assuming an initial 40-year useful life for wells, piping, and buildings, and 25-year life for pumps, motors and other equipment), which will be added to together to determine the total annual facility capital cost. The annual facility capital cost will be divided by the total groundwater capacity of the Groundwater Production Facility to calculate the annual facility capital cost per unit of groundwater. The annual facility

capital costs will be reimbursed based on total groundwater capacity an individual Groundwater Supplier has committed to the Benefiting Agencies (based on the five-year running average of water demands and groundwater needs) under the Plan. An example of this calculation is attached to this Plan.

35. Rates and charges for groundwater produced under this Plan to Benefiting Agencies will be determined annually. Operation and Maintenance Cost allocations will be based on the percent of the total groundwater capacity committed to the Benefiting Agency. Commodity Costs will be allocated based on actual per-acre foot cost basis.

36. Each Groundwater Supplier will submit to San Juan an invoice documenting Operation and Maintenance Costs and Commodity Costs on a quarterly basis. San Juan will invoice Benefiting Agencies.

Priority for Use of Groundwater from Groundwater Production Facilities

37. Groundwater produced by the Member Agencies during a Period of Shortage will be used in the following priority: (1) to satisfy water demands within their respective service areas; (2) to provide the Level of Service of other Member Agencies under this Plan; (3) to assist in meeting water demands by other American River Division CVP water supply contractors during years of surface water reductions under the Water Forum Agreement; and (4) to facilitate water transfers for use outside of the American River Division of the CVP.

General Provisions

Technical Committee

38. San Juan and each Member Agency will appoint a representative to a technical committee to provide assistance as necessary in implementing this Plan, provided that, San Juan retains authority to administer and implement to this Plan.

Periodic Review; Amendment.

39. San Juan and the Member Agencies will meet not less than once every year to review all aspects of the administration and implementation of this Plan, and recommend procedures and amendments as appropriate. The review will be conducted on or around September 1 of each year, and any revisions will go into effect on January 1 of the following year. No amendment to this Plan will take effect before it has been approved by San Juan and each of the Member Agencies.

SAN JUAN WATER DISTRICT SURFACE WATER SUPPLY
AND
WATER SHORTAGE MANAGEMENT PLAN

APPENDIX A

GROUNDWATER PRODUCTION FACILITIES AVAILABLE FOR WATER SHORTAGE MANAGEMENT

Draft: February 27, 2008

Groundwater Production Facility	Groundwater Supplier	Year Completed	Groundwater Production Rate GPM	Groundwater Production Rate MGD
Palm Avenue Well No. 1A	Citrus Heights Water District	1991	1,210	1.7
Sylvan Road Wall No. 8	Citrus Heights Water District	1991	1,550	2.2
Sunrise School Well No. 10	Citrus Heights Water District	1992	895	1.3
Mitchell Farms Well No. 11	Citrus Heights Water District	2008	750	1.1
New York Well No.	Fair Oaks Water District		830	1.2
Northridge Well No.	Fair Oaks Water District		960	1.4
Town Well No.	Fair Oaks Water District	2007	2,075	3.0
Heather Well No.	Fair Oaks Water District	2007	2,035	2.9
Well No. 2	Orange Vale Water Company		995	1.4
TOTAL			<u>11,730</u>	<u>16.9</u>

SAN JUAN WATER DISTRICT
SURFACE WATER SUPPLY AND WATER SHORTAGE MANAGEMENT PLAN

APPENDIX B

METHOD AND ALLOCATION OF COSTS
(Updated SMUD Standby Cost in Section B, Sampling Cost in Section D & Admin Overhead in Section E)
Draft: March 5, 2008

A. Annual Facility Capital Cost

Agency	Well	MGD	GPM	Total Cost	Contributions	Net Cost	Annualized		Contrib. Notes
							Cost/Year	Cost/MGD	
CHWD	Palm	1.7	1,210	\$ 350,000	\$ 261,481	\$ 88,519	\$ 2,213	\$ 1,270	GO Bond
CHWD	Sylvan	2.2	1,550	\$ 450,000	\$ 392,004	\$ 57,996	\$ 1,450	\$ 650	GO Bond
CHWD	Sunrise	1.3	895	\$ 350,000	\$ 206,645	\$ 143,355	\$ 3,584	\$ 2,781	GO Bond
CHWD	Mitchell	1.1	750	\$ 1,983,152	\$ 527,846	\$ 1,455,306	\$ 36,383	\$ 33,688	Prop 13
FOWD	New York	1.2	830	\$ 350,000	\$ -	\$ 350,000	\$ 8,750	\$ 7,321	GO Bond
FOWD	Northridge	1.4	1,000	\$ 350,000	\$ 187,449	\$ 162,551	\$ 4,064	\$ 2,822	GO Bond
FOWD	Town	3.6	2,500	\$ 1,941,358	\$ 730,000	\$ 1,211,358	\$ 30,284	\$ 8,412	Prop 13
FOWD	Heather	2.9	2,000	\$ 2,398,092	\$ 730,000	\$ 1,668,092	\$ 41,702	\$ 14,480	Prop 13
OVC	No. 2	1.4	995	\$ 350,000	\$ 105,508	\$ 244,492	\$ 6,112	\$ 4,266	GO Bond
TOTAL		16.9	11,730	\$ 8,522,602	\$ 3,140,933	\$ 5,381,669	\$ 134,542	\$ 7,965	

B. Annual Fixed Cost for Standby Power

	GW		Standby Power Cost		
	MGD	GPM	Total \$	\$/MGD	\$/GPM
CHWD	6.3	4,405	\$ 35,520	\$ 5,600	\$ 8.06
FOWD	9.1	6,330	\$ 35,520	\$ 3,897	\$ 5.61
OVWC	1.4	995	\$ 8,880	\$ 6,198	\$ 8.92
TOTAL	16.9	11,730	\$ 79,920	\$ 4,731	\$ 6.81

	GW		SMUD Service Charge	
	MGD	GPM	Monthly	Annual
CHWD	1.7	1,210	\$ 740	\$ 8,880
CHWD	2.2	1,550	\$ 740	\$ 8,880
CHWD	1.3	895	\$ 740	\$ 8,880
CHWD	1.1	750	\$ 740	\$ 8,880
FOWD	1.2	830	\$ 740	\$ 8,880
FOWD	1.4	1,000	\$ 740	\$ 8,880
FOWD	3.6	2,500	\$ 740	\$ 8,880
FOWD	2.9	2,000	\$ 740	\$ 8,880
OVWC	1.4	995	\$ 740	\$ 8,880
TOTAL	16.9	11,730	\$ 6,660	\$ 79,920

C. Annual Fixed Cost for Maintenance Labor & Equipment

	GW		Annual Maintenance Labor & Equipment	
	MGD	GPM	Total \$	\$/MGD
CHWD	6.3	4,405	\$ 16,640	\$ 2,623
FOWD	9.1	6,330	\$ 16,640	\$ 1,826
OVWC	1.4	995	\$ 4,160	\$ 2,903
TOTAL	16.9	11,730	\$ 37,440	\$ 2,217

	GW		Maintenance Labor & Eq.		Weekly Hours	Labor \$/Hour	Equipment \$/Hour	Total \$/Hour
	MGD	GPM	Weekly	Annual				
CHWD	1.7	1,210	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
CHWD	2.2	1,550	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
CHWD	1.3	895	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
CHWD	1.1	750	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
FOWD	1.2	830	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
FOWD	1.4	1,000	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
FOWD	3.6	2,500	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
FOWD	2.9	2,000	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
OVWC	1.4	995	\$ 80.00	\$ 4,160	2	\$ 35.00	\$ 5.00	\$ 40.00
TOTAL	16.9	11,730		\$ 37,440				

D. Other Fixed Costs

	Monthly per Well	Annually per well	Total for all wells	MGD	\$/MGD
Utilities	\$ 100	\$ 1,200	\$ 10,800		
Security	\$ 50	\$ 600	\$ 5,400		
SCADA	\$ 50	\$ 600	\$ 5,400		
CA Dept of Public Health		\$ 500	\$ 4,500		
Water Quality Sampling		\$ 500	\$ 4,500		
Real Estate					
Maintenance less frequently than annual					
TOTAL			\$ 30,600	16.9	\$ 1,812

Wells: 9

E. Summary of Annual Costs per MGD

Section	\$/MGD	\$/GPM	\$/AF	%
A. Annual Facility Capital Cost	\$ 7,965			45.24%
B. Annual Standby Power Cost	\$ 4,731			26.88%
C. Annual Maintenance Labor & Equipment	\$ 2,217			12.59%
D. Other Fixed Costs	\$ 1,812			10.29%
Administrative Overhead as % Total	\$ 880			5.00%
TOTAL ANNUAL COSTS PER MGD	\$ 17,605			100.00%

F. Allocation of Annual Costs

Driest Year Water Shortage

	MGD Shortage	GW Avail. MGD	Deficit MGD	GW Avail. %	GW Offset MGD	\$ To	\$ From
CHWD	2.5	5.0		37.59%	1.84	\$ 32,430	\$ 80,982
SJWD	4.6	0.0	4.6				
FOWD	0.9	7.2		54.14%	2.65	\$ 46,699	
OVWC	0.8	1.1		8.27%	0.41	\$ 7,135	
FOL ASH	0.3	0.0	0.3				\$ 5,281
	9.1	13.3	4.9		4.90	\$ 86,263	\$ 86,263

G. Commodity Cost for Water Produced

Power
 Chemicals
 Labor & Equipment

Discussion: Equate Groundwater production cost to SJWD surface water commodity rate: \$69.38 per acre foot in 2008 or reconcile to actual cost in arrears

AGENDA ITEM IV – 1.1

STAFF REPORT

To: Board of Directors
From: Shauna Lorance
General Manager
Date: April 5, 2006
Subject: Water Shortage Policy Discussion Paper

Background

The interim Wholesale Water Supply Agreements were signed during the summer of 2004. The agreements are intended to be long-term Wholesale Water Supply Agreements after completion of a water shortage policy.

The GMs have been charged with developing a shortage policy for surface water shortages and emergency outage scenarios. The shortage policy, when completed, will require approval by the Board of Directors. The long term agreements will reference the approved shortage policy.

Current Status

The GMs started the process with the identification of principles of agreement and the interests of each agency. The attached draft Statement of Principles of Agreement has been developed by the GMs and is being provided to all Board of Directors.

The GMs are requesting all Board of Directors to review the document and provide formal support for continuing on with discussions. The GMs would like to see the same motion adopted by all of the wholesale agencies, to confirm that the Board of directors agree with the general principles being used to develop the shortage policy.

Budget Impact

None

Staff Recommendation

Staff recommends the Board approve the motion as follows: "San Juan Water District Board of Directors approves the attachment as general principles for guiding the development by San Juan's Executive Committee of equitable water shortage provisions for inclusion in the long-term wholesale water supply contracts with San Juan Water District."

**San Juan Water District Family of Agencies
Water Shortage Policy
Statement of Principles of Agreement**

San Juan Family Water Supply Shortage Statement

The San Juan Family of Agencies is comprised of the San Juan Water District, Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company, and a portion of the City of Folsom. These referenced Agencies share a common water supply and are geographically connected. Given these facts, the Boards and Management of each individual Agency agree that it is in the best interest of the customers that they serve to share water supply in the event of an emergency. This agreement recognizes that each individual Agency is obligated to maintain minimum service standards, as defined by the Department of Health Services, within their individual service areas at all times. Therefore, sharing of water supplies in the event of an emergency will be limited to those water supplies that are not needed by each individual Agency to maintain minimum service standards to its ratepayers.

1. General Approach. To use this process to build on past successes of the family of agencies working collaboratively to solve their water supply issues through cooperative planning and mutual respect for each other.

2. Issue Statement. The WMP, based on historical data, anticipates conditions in the future where available surface water supply will be reduced below current water demands. These reductions in water supply can be broken down into two scenarios: emergency and water supply related. The family agencies are working collaboratively to prepare a framework for each of these scenarios. The following lists the reliability goals for the family of agencies:

- Water supply equal to 100 percent of annual average demand during dryer and driest years. Available water supply should consider well capacity de-rated to 80 percent of actual to account for mechanical outages, declining production, etc. This capacity should be de-rated further to 75 percent to account for only part of the year being available for pumping during drier and driest years scenarios.
- Water treatment capacity equal to at least 110 percent of maximum demand.
- Emergency supply equal to 100 percent of maximum day demand for 12 hours with largest source out of service.
- Emergency supply equal to 50 percent of average day demand for extended outage of largest source.

3. Principles of Agreement. The implementing agreements that the parties would enter into would include the following principles:

- a. The solutions will advance the mutual interests of the parties.
- b. The solutions will be consistent with the terms of each party's purveyor-specific Water Forum agreement, and will not adversely impact

implementation of the Water Forum's lower American River flow management plan.

- c. The solutions will not solve a problem of one party at the expense of another.
- d. The solutions will be implemented in a manner that protects the interests of affected ratepayers, including their investment in existing facilities.
- e. The beneficiaries of a solution will pay for the benefit received.
- f. A solution will advance only with the consent of the governing boards of the affected parties.

4. Interests of each agency Each agency's specific interests to be considered

a. **CHWD** – The Districts Capital Improvement Program includes an additional six wells to be constructed only if 50% funding is obtained from another source. The sighting of these will become more difficult as build-out continues. There is a perception amongst customers that the groundwater quality is not as good as surface water; need to address this in equity discussions.

b. **Ashland** – Groundwater is not available under Ashland. Ashland will need to coordinate with other family agencies to meet emergency conditions and shortage conditions. Need to discuss the joint benefit of wells installed by SJWD wholesale.

c. **FOWD** – The principles listed under principles of agreement summarize most of FOWD concerns. Need agreements for groundwater use. District considers surface water the ideal water.

d. **OVWC** – Orange Vale needs to upgrade existing wells; wells need to be able to meet requirements for longer term production wells. Alternative source of energy needed for well #1 (diesel to electric). Several possible interties with family agencies.

e. **SJWD retail** - Groundwater is not available under SJWD retail. SJWD retail will need to coordinate with other family agencies to meet emergency conditions and shortage conditions. Need to discuss the joint benefit of wells installed by SJWD wholesale.

5. Steps to Address Issue Statement. Some of the items below have been identified in the WMP.

- a. Develop principles that would guide the development of collaborative arrangements among the parties.
- b. Identify water needs and availability of water supply; both surface and groundwater.

- c. Develop plan for meeting water demands above existing water supply; refer to reliability goals set by General Managers
- d. Determine beneficiaries for individual water projects identified to meet water demands above existing water supply. Estimate benefits and associated costs for each project and beneficiary.
- e. Determine elements that must be included in agreements
- f. Develop agreements between agencies for cost sharing (as determined in d)
- g. Develop agreements between SJWD wholesale and agencies utilizing alternate forms of water supply or means to reduce water demands.
- h. Develop shortage policy to be included in Wholesale Water Supply Agreements.
- i. Develop a method for monitoring progress (construction of wells, etc.) required in agreements.

STAFF REPORT

To: Board of Directors
From: Shauna Lorance
Date: January 5, 2016
Subject: R3 Federal Lobbying Platform

RECOMMENDED ACTION

For information, there is no requested action at this time.

BACKGROUND

San Juan Water District and the cities of Folsom and Roseville jointly hire the Ferguson Group as federal lobbyists for issues related to surface water and Folsom Reservoir.

CURRENT STATUS

Each year, the three agencies work together to develop a federal platform for the upcoming year. This year, the draft Federal platform has been divided into three sections: Operations, Upcoming Issues and Awareness of the Agencies.

Operations

- Water rights and contracts
- Folsom operations
- Water control manual (Corps of Engineers)
- Modified Flow Management Standard for the Lower American River
- Ca Water Fix
- Coordinated Operations Agreement (COA) for the Central Valley Project and State Water Project

Upcoming Issues

- Water Rights and contracts
- Conjunctive use
- USBR Infrastructure rehabilitation and replacement funding
- Funding for agency infrastructure
- Climate Change

Awareness of Agencies

- Conservation successes
- Folsom Reservoir and the associated story

Each topic has been assigned a key contact at the agencies. Draft whitepapers for each of the topics are being developed by the Ferguson Group, to be reviewed by the agency key contact. A final draft version is anticipated to be available by the end of January.

STAFF REPORT

To: Board of Directors

From: Shauna Lorance

Date: January 5, 2016

Subject: Conserved water and/or groundwater transfers

RECOMMENDED ACTION

For information, there is no requested action at this time.

BACKGROUND

SJWD and Santa Clara Valley Water District (SCVWD) attempted to complete a conserved water transfer in 2015. The transfer was not approved by the DWR and USBR due to the lack of a statewide policy or whitepaper on how to conduct a conserved water transfer. An urban conserved water transfer has never been completed, and the agencies are concerned about the impacts if all agencies that conserved water were to desire to conduct a water transfer.

USBR committed to work with SJWD and SCVWD to develop a conserved water transfer white paper that will apply to any conserved water transfer in the State. SCVWD has taken the lead on a draft paper, which will be discussed with USBR at a meeting on January 13, 2016. A verbal report back will be provided at the Board Meeting.

In addition, staff is meeting with Citrus Heights Water District, Fair Oaks Water District, and Sacramento Suburban Water District to identify it is feasible to conduct a groundwater substitution water transfer this year. The feasibility will depend on the water supply conditions and the ability of the CHWD and FOWD to get approval by the county of Sacramento and DWR to use their wells. A meeting has been scheduled with CHWD, FOWD, SSWD and SJWD on January 12 and a verbal report back will be provided at the Board Meeting.

STAFF REPORT

To: Board of Directors

From: Shauna Lorance, General Manager

Date: January 5, 2016

Subject: Conserved Water Status

RECOMMENDED ACTION

It is recommended that due to our cumulative conservation just barely meeting the required 36%, the Board of Directors not reduce any of the existing conservation requirements at this time.

BACKGROUND

At the December 2015 Board Meeting, Director Rich asked staff to provide an update on our cumulative conservation numbers. If we are above the goal, he would like to discuss revising our current conservation requirements.

CURRENT STATUS

SJWD retail has conserved a cumulative 36.1 percent between June 1 and December 31, 2015. The requirement is to conserve a cumulative 36% between June 1, 2015 and February 2016. Based on the current cumulative reduction of 36.1%, SJWD retail is not far enough above our goal to allow a reduction in our current conservation requirements at this time.

The Governor issued an Executive Order that continued the existing statewide conservation requirement of 25% as compared to 2013 through October 2016 if the drought remains as of January. The State Water Resources Control Board will be evaluating the continuation of the current conservation requirements through October 2016 at a Board meeting in January.

STAFF REPORT

To: Board of Directors
From: Keith Durkin, Assistant General Manager
Date: January 13, 2016
Subject: SWRCB Continuing Emergency Regulations for Urban Water Conservation

RECOMMENDED ACTION

For information, no action requested.

BACKGROUND

On April 1, 2015, Governor Brown issued the fourth in a series of executive orders on actions necessary to address California's drought. On May 5, 2015, the State Water Resources Control Board (SWRCB or State Water Board) adopted an Emergency Regulation to address specific provisions of the April 1 Executive Order, including a mandatory 25 percent statewide reduction in potable urban water use between June 2015 and February 2016. To reach the statewide 25 percent reduction mandate, the Emergency Regulation assigns each urban water supplier a conservation tier that ranges between 4 and 36 percent based residential per capita water use for the months of July – September 2014. The District's retail service area was assigned a mandatory 36 percent reduction.

On November 13, 2015, Governor Brown issued Executive Order B-36-15 calling for an extension of urban water use restrictions until October 31, 2016, should drought conditions persist through January 2016. Between August and November 2015 State Water Board staff convened a small group of individuals representing a variety of water interests to further explore potential modification of the Emergency Regulation. The State Water Board also held a public workshop on December 7, 2015, to solicit input on elements of the existing Emergency Regulation, if any, that should be modified. Director Pam Tobin testified at this workshop to advocate on behalf of the District and our region. She made several key points including:

- The regulations should provide an adjustment for climate differences across the state
- The regulations should recognize development of drought resilient supplies
- Conservation targets need to consider reduced winter use
- The regulations should consider land use density. The District's service area consists of large lots resulting in higher per person usage, though lower use on a per acre basis.
- The regulations should include review and revision requirements to respond to developing hydrologic conditions through the winter and spring of 2016.

CURRENT STATUS

The District submitted a comment letter to the SWRCB recommending modifications to the emergency urban water conservation regulation in early December. State Board staff issued a proposed Regulatory Framework for Extended Emergency Regulations for Urban Water Conservation on December 21, 2015. A copy of the proposed framework is attached to this staff report. The State Board staff recommendations include some of the District's requested adjustments, but most notably do not include any adjustments for land use density or investments in conjunctive use or groundwater banking drought resiliency projects. The proposed framework also includes a cap that would limit any reductions in conservation requirements from the previous order to four percent. This means that, at best, the District's mandatory conservation level for 2016 would be 32 percent.

Comments on the proposed framework were due to the State Water Board by January 6th. Several local agencies and ACWA provided written comments; the ACWA comment letter is attached to this staff report. ACWA is also actively advocating with the State Water Board to seek additional modifications to the regulations. Outreach efforts include an op-ed in the Sacramento Bee (attached) and a website post on impacts of the proposed framework (also attached).

NEXT STEPS

The State Water Board will release a draft Emergency Regulation for public comment in mid-January. The State Water Board will consider an extended emergency regulation in early February. District staff, in coordination with our regional partners and ACWA, will stay engaged in the process and continue to advocate for appropriate modifications to the conservation regulations on behalf of our customers.



Association of California Water Agencies

Since 1910

Leadership • Advocacy • Information • Service

AGENDA ITEM IV-2.1

January 6, 2015

Delivered by e-mail to: Kathy.Frevert@waterboards.ca.gov

The Honorable Felicia Marcus, Chair
and Members of the State Water Resources Control Board
c/o Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Subject: "Comments on Proposed Regulatory Framework"

Dear Chair Marcus and Members of the Board:

The Association of California Water Agencies (ACWA) is pleased to comment on the State Water Resources Control Board (State Water Board) staff "Proposed Regulatory Framework for Extended Emergency Conservation Regulation for Urban Water Conservation" (Proposed Framework), which staff released for public review on December 21, 2015. ACWA represents over 430 public water agencies which are responsible for delivery of over 90% of the water used for residential, commercial and agricultural purposes in California. Water agencies statewide have played a key role in the successful implementation of the 2015 Emergency Conservation Regulation to address the on-going drought. We recognize the need to extend these regulations into 2016 in a modified form that "incorporates insights gained" as authorized by the Governor's most recent Executive Order B-36-15. We understand that the State Water Board is currently planning to adopt an Extended Emergency Conservation Regulation (Extended Regulation) in early February, effective immediately upon expiration of the current regulation on February 13.

We appreciate the staff's willingness to consider input offered by water agencies as part of the informal work group process and the December 7 public workshop, and this input is clearly reflected in elements of the Proposed Framework. We are also thankful that the staff was willing to extend the originally proposed comment deadline in recognition of the holidays.

ACWA believes that the State Water Board should not adopt an Extended Regulation without addressing three fundamental concerns raised by the staff Proposed Framework. First, ACWA strongly opposes the total cap of 4 percentage points for all credits and adjustments as proposed by staff. We also oppose the individual caps of 4 percentage points for climate adjustment and drought resilient sources of supply. These caps severely undermine the purpose of these needed adjustments. Second, the credit for drought resilient sources of supply must be modified to remove the "coastal" restrictions and explicitly include a much broader range of drought resilient supplies, such as the desalination of brackish groundwater, groundwater banks and conjunctive use projects, surface storage, and non-potable recycled water supplies which contribute to local water supply reliability, even if developed prior to 2013. Third, the State Water Board should incorporate within the Extended Regulation a provision to re-evaluate and reduce or suspend the mandatory conservation standards based on precipitation,

snowpack and reservoir storage in April 2016. If above-normal rainfall alleviates drought conditions as expected, the Emergency Conservation Regulation needs to include a “reopener” mechanism to adjust accordingly, thereby preserving public support for the regulation. These fundamental concerns and suggestions for refinements, are explained below.

Fundamental Concerns

The success with which California has weathered the current drought is in no small measure due to the far-sighted investments that have been made by local water agencies over past decades in both demand management and water supply. The Extended Regulation needs to be crafted to achieve a much better balance than the current regulation, which is entirely dependent upon mandatory water rationing to significantly reduce demand. The Extended Regulation for 2016 must address the following three fundamental concerns raised by the staff’s Proposed Framework.

1. Remove the Caps on Adjustments and Credits

ACWA appreciates the staff’s recognition of the need for a climate adjustment and credits for drought resilient sources of supply. But imposing a total cap of up to 4 percentage points for adjustments and credits, as proposed by staff, would severely restrict the benefits received from investments in drought resilient sources of supply. ACWA opposes this approach which could undermine the momentum that has built over decades in California in local and regional water supply planning and development and create a threat to the success of the Governor’s California Water Action Plan. The plan relies on implementation of a comprehensive suite of actions – not just water conservation.

For example, under the staff’s proposal an inland agency with a 2015 Conservation Standard of 36 percent could receive a 2016 Conservation Standard of 32 percent. In other words, the staff’s proposal recognizes climate and local investments, but only to the tune of 10 percent of its drought management effort (the 4 percent cap is approximately 10 percent of the 36 percent mandate). That means the remaining 90 percent still has to come from demand reduction. For agencies situated in a warmer inland area, the climate adjustment alone will just about use the 4 percent cap, leaving *no* credit for local investments in drought preparedness.

Instead water agencies should receive *both* a climate adjustment *and* full credit for drought resilient supplies where local climate conditions and past supply investment actions warrant. The Extended Regulation should not include any total cap as proposed in the Proposed Framework, allowing the climate adjustments and supply credit mechanisms to operate independently and achieve their separate policy objectives. Further, there should not be caps on the climate adjustment or the drought resilient sources of supply credit.

2. Expand the Drought Resilient Sources of Supply Credit

The Proposed Framework properly acknowledges the need to provide credits for drought resilient supplies, but the credits proposed are too narrow in scope and limited in benefit. We are concerned that the proposed limitations on drought resilient sources of supply to coastal wastewater or desalinated water developed since 2013 do not recognize the importance of many locally significant water supply reliability investments. The proposal Regulation should be revised to remove the “coastal”

restrictions and explicitly include other drought resilient supplies that are available, such as the desalination of brackish groundwater, groundwater banks and conjunctive use projects, and non-potable recycled water supplies.

And, as stated above, the 4 percentage points cap for drought resilient sources of supply should be removed entirely and full credit should be provided were it is warranted.

3. Add a Provision to Address Above-Normal Precipitation

Although the Proposed Framework is silent concerning how the State Water Board intends to address expected above-normal precipitation in the coming months, the Extended Regulation should proactively address this likely scenario. The Extended Regulation should include a provision to reduce the Conservation Standards or suspend the emergency regulation in April if above-normal statewide precipitation and snowpack conditions are projected to recharge reservoir storage and mitigate drought conditions for the summer of 2016. Although above-normal precipitation this winter is not likely to bring an end to the drought entirely, continuing to ask Californians to sustain heroic water conservation efforts that are disproportionate to the actual need or immediate water supply conditions will undermine the credibility of the Administration and California's water agencies and may make it much harder to generate the required response should emergency conditions reemerge in the future. Should dry conditions re-appear next winter, Californians and their water suppliers have demonstrated their ability to rapidly re-implement mandatory water use reductions if they are needed in spring of 2017.

Suggestions to Address Additional Concerns

The staff's Proposed Framework raises additional concerns that should also be addressed.

1. Modify the Climate Adjustment

ACWA appreciates staff recognition of the need to adjust the Conservation Standard to account for climate. However, the staff proposed method for climate adjustment is based on comparing the average July through September evapotranspiration (ET) for the water supplier service area to the state average. Using this simple average for the state does not provide an accurate reflection of the population using the water agencies. Using the simple average artificially increases the average because it gives the same weight to each of the 18 ET zones, regardless of population or water use. In particular, the current calculation provides no relief for the agencies in the inland ET Zone 8, which is considerably hotter than Zones 1-6. ACWA recommends revising the method of calculation so that agencies in Zone 8 are provided some climate adjustment by means of a population weighted average. Alternatively, this could be accomplished by revising the table to provide a 2 percent reduction in conservation standard for agencies with ET that deviates from the average ET by 2 percent to less than 10 percent. As with other adjustments to the Conservation Standards is essential that the State Water Board avoid provisions in the Extended Emergency Regulation that would result in redirected impacts to other water agencies.

2. Modify the Growth Adjustment

ACWA appreciates the staff's recognition of the need to adjust the Conservation Standard to account for growth experienced by some water suppliers since 2013. However, the method outlined in the Proposed Framework is dependent on residential landscaped area information that is not readily available for many water agencies. Even for those agencies that have landscaped area data or estimates, the methods used to acquire this information vary significantly so the resulting growth adjustment could vary somewhat between water agencies. Instead, the Extended Regulation should incorporate a revised methodology for the residential calculation using average gallons per residential connection February-October 2015 (as is proposed for the commercial, industrial, and institutional sector). The average gallons per residential connection could be easily calculated using Residential Gallon Per Capita Per Day (R-GPCD) divided by the number of new residential connections. This resulting calculation would be easier to make and verify and would be unlikely to vary substantially from the results obtained from a more burdensome landscaped area approach. Additionally, the current proposal multiplies the percent of new demand by the original conservation requirement to make an adjustment to the conservation standard. This significantly reduces the effectiveness of the growth adjustment. We recommend using a more equitable method of applying the growth adjustment by subtracting the percent of new demand from the conservation requirement. This will fairly account for growth and prevent the penalization of areas with growing economic development.

3. Preserve the Commercial Agricultural Exemption

The existing Commercial Agricultural Exemption has worked as intended to protect commercial agricultural activity that is dependent on potable water supplies. This exemption process should be preserved, and in absence of any evidence of abuse, imposition of a \$1000 threshold as proposed by staff would add a new and unnecessary administrative burden on farmers, water suppliers and the State Water Board.

4. Incorporate the Regional Compliance Option

The Regional Compliance Option previously advocated by water agencies was proposed to achieve the same water savings as would be required by the participating individual water agencies. It is based on a currently successful model of "regional alliances" as administered by the Department of Water Resources (DWR) to implement SB7X7 (2009), and it would empower participating water suppliers to achieve significant administrative and public outreach efficiencies. The reasons given by staff in the Proposed Framework for rejecting this option as potentially impeding enforcement action or accountability by individual water agencies are fully addressed by this proposal. The State Water Board should incorporate this compliance option into the Extended Regulation and then allow the resulting voluntary regional alliances to deliver the compliance results that they believe they can produce. Again, there is essentially no down-side risk to the program by empowering water suppliers with this compliance option.

The Honorable Felicia Marcus, Chair

Page 5 of 5

January 6, 2016

Thank you for your consideration of these comments. ACWA continues to appreciate the significant attention the State Water Board has been giving to the Emergency Conservation Regulation, and we stand ready to answer questions or otherwise constructively inform development of the Extended Regulation after its release for public review in coming weeks. I am available to discuss these comments at daveb@acwa.com or (916) 441-4545.

Sincerely,

A handwritten signature in black ink that reads "David E. Bolland". The signature is written in a cursive style and is contained within a rectangular box.

David Bolland
Special Projects Manager

cc: Mr. Wade Crowfoot, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown Jr.
Mr. Tom Howard, Executive Director, State Water Board
Mr. Eric Oppenheimer, Chief Deputy Director, State Water
Mr. Max Gomberg, Climate Change Mitigation Strategist, State Water Board
Ms. Timothy H. Quinn, Executive Director, ACWA
Ms. Cindy Tuck, Deputy Executive Director for Government Relations, ACWA

Proposed Regulatory Framework for Extended Emergency Regulation for Urban Water Conservation

Background:

On April 1, 2015, Governor Brown issued the fourth in a series of executive orders on actions necessary to address California's drought. On May 5, 2015, the State Water Resources Control Board (State Water Board) adopted an Emergency Regulation to address specific provisions of the April 1 Executive Order, including a mandatory 25 percent statewide reduction in potable urban water use between June 2015 and February 2016. To reach the statewide 25 percent reduction mandate, the Emergency Regulation assigns each urban water supplier a conservation tier that ranges between 4 and 36 percent based residential per capita water use for the months of July – September 2014.

At the time the State Water Board adopted the current Emergency Regulation some urban water suppliers had proposed further refinement to the conservation tiers to reflect a range of factors that contribute to water use. State Water Board Resolution No. 2015-0032 directed staff to work with stakeholders to further develop and consider these factors, including but not limited to temperature, growth, use of drought resilient supplies, and others for adjustment to the Emergency Regulation should it need to be extended into 2016.

On November 13, 2015, Governor Brown issued Executive Order B-36-15 (EO B-36-15) calling for an extension of urban water use restrictions until October 31, 2016, should drought conditions persist through January 2016. Between August and November 2015 State Water Board staff convened a small group of individuals representing a variety of water interests to further explore potential modification of the Emergency Regulation. The State Water Board also held a public workshop on December 7, 2015, to solicit input on elements of the existing Emergency Regulation, if any, that should be modified. The stakeholder process and workshop led to development of several proposals for modification of the Emergency Regulation, which are discussed below, along with staff recommendations.

Staff recommendations are based on the criteria that modifications to the Emergency Regulation be transparent, intelligible, equitable, reasonable, provide sufficient water savings statewide, and be feasible to implement and enforce. As directed by the Governor in EO B-36-15, this proposal would extend until October 31, 2016 restrictions to achieve a statewide reduction in urban potable water usage.

Climate adjustment:

Stakeholder Proposal: Water suppliers in warmer climates would be granted a reduced conservation standard based on their service area evapotranspiration (ET) relative to statewide average ET. The adjustments would be calculated by multiplying the deviation from average ET by the water supplier's conservation standard and would range from a 0-15 percentage point decrease to suppliers existing conservation requirement. As proposed, no supplier would have their standard increased.

Staff Recommendation: **Incorporate a climate adjustment in the Emergency Regulation that reduces the conservation requirement by up to 4 percentage points for water suppliers located in**

the warmest regions of the State. The climate adjustment would be based on each urban water supplier's approximate service area ET for the months of July through September as compared to statewide average ET for the same months. The adjustment would range from a 2-4 percentage point decrease in an urban water supplier's conservation requirement depending on service area ET as follows:

Deviation from Average ET	Reduction in Conservation Standard
>20%	4%
10 to 20%	3%
5 to <10%	2%

Default service area ET will be based on the California Irrigation Management Information System (CIMIS) [Mapped ET Zone](#) for which the supplier's service area has the greatest overlap. Each Urban Water Supplier will have the opportunity to refine its service area ET using specific data from CIMIS stations within its service area, provided each station used has a continuous period of record of at least 5 years.

Staff estimates that this adjustment will result in 1.4 percentage point reduction in statewide water savings from that currently required.

Example Calculation of Climate Adjustment

Original Conservation Requirement	32%	
Statewide Average ET Jul-Sep	6.13	inches
Service Area Average ET Jul-Sep (Zone 17)	8.4	inches
Service Area % Deviation from Average ET = $(8.4-6.13)/6.13$	0.37 or 37%	
Climate Adjustment	-4%	
Adjusted Conservation Requirement	28%	

Growth adjustment:

Stakeholder Proposal: Each urban water supplier's 2013 baseline water use would be increased to account for growth in new service connections since 2013. The volume of water per connection in 2013 would be calculated (based on total use divided by number of connections) and multiplied by the number of connections added since 2013. This volume of water could be added to the 2013 baseline to account for new growth, resulting in a decrease to the supplier's conservation volume requirement but not its conservation standard.

Staff Recommendation: **Provide a mechanism to adjust urban water supplier conservation standards to account for water efficient growth since 2013.** The adjustment will be equal to the ratio of the additional volume of water used since 2013 to the baseline water use for 2013, multiplied by the water supplier's conservation standard. The volume of water added due to growth will be calculated as the sum of:

1. Number of new residential connections since 2013 multiplied by 165 gallons (55 gallons per person per day multiplied by three people) multiplied by 270 days.
2. Area of new residential landscaped area (square feet) served by connections since 2013 multiplied by 55% of total service area ET (inches) for the months of February through October multiplied by a conversion factor of 0.623 (converting inches to gallons).
3. Number of new commercial, industrial, and institutional (CII) connections since 2013 multiplied by the average commercial industrial, and institutional water use per connection during February through October 2015.

Staff estimates that this adjustment will result in about a one percentage point reduction in statewide water savings compared to the current requirements, assuming that growth has increased by 4% since 2013 for every urban water supplier.

Example Calculation of Growth Adjustment

# of new residential connections since 2013	4,000	
Residential landscaped area served by connections since 2013	10,000,000	sq. feet
Total ET February through October	44	inches
Volume of water attributable to new residential connections = [4000*165*270] + [10,000,000 * 44 *0.55*0.623]	328,966,000	gallons
# of new commercial, industrial, and institutional connections since 2013	700	
Average use per CII connection Feb-Oct 2015	900,000	gallons
Volume of water attributable to new CII connections = 700 * 900,000	630,000,000	gallons
Total volume of water attributable to growth since 2013	958,966,000	gallons
Baseline 2013 total water production Feb-Oct	16,000,000,000	gallons
Gallons of water attributable to growth	958,966,000	gallons
Percentage change in potable water production due to growth	6%	
Original Conservation Requirement	36%	
Adjusted Conservation Requirement = .36 * [1-0.06]	34%	

Drought Resilient Sources of Supply Credit:

Stakeholder Proposal Suppliers would receive a credit for desalinated seawater or indirect potable re-use (IPR) water. The credit would come in the form of a one-to-one reduction from the calculated amount of water that needs to be saved under the Emergency Regulation. A supplier could deduct all water derived from desalination or IPR from their total savings requirement. San

Diego County Water Authority proposes a similar credit for Colorado River water received through long-term transfers of conserved water. No supplier would be allowed to have an effective conservation rate below 8%.

Staff Recommendation: Provide a one-tier (four percentage point) reduction to the conservation standard of urban water suppliers using new drought resilient water supplies. The credit would apply to urban water suppliers that certify, and provide documentation upon request, that at least 4 percent of its potable supply is comprised of indirect potable reuse of coastal wastewater (the creation and use of which does not injure another legal user of water or the environment) or desalinated seawater developed since 2013. Staff does not recommend extending this credit to Colorado River water received through long-term transfer of conserved water.

Staff estimates that this credit will result in about a 0.6 percentage point decrease in statewide water savings.

Non-potable Recycled Water Use Credit:

Stakeholder Proposal: This proposal would apply to suppliers that meet a large portion of irrigation demand with non-potable recycled water. These suppliers would be able to reduce their 2016 monthly potable water production by the ratio of non-potable recycled water use to total potable water production multiplied by their total water production and their conservation. Reducing 2016 total potable water production would have the effect of reducing the required volume of water saved.

Staff Recommendation: Staff does not recommend providing additional credit for non-potable recycled water use. Under the current Emergency Regulation, non-potable recycled water is not counted in total potable water production. Suppliers' conservation standards are based on residential use of potable water, and while suppliers have been generally expected to target outdoor irrigation as a means of achieving savings, high use of recycled water should not, by itself, prevent a supplier from meeting those standards with reductions from residential and non-residential customers. These suppliers have already realized the benefit of providing recycled water by not having that water counted as part of their total production and not having to reduce use of that water. Urban water suppliers that cannot meet their conservation standard due to a disproportionate share of recycled water use may pursue relief through the existing alternate compliance process on case by case basis.

Groundwater Credits:

Stakeholder Proposal: This set of proposals would provide credit for "sustainable" groundwater management and groundwater augmentation. Suppliers would provide verification that the groundwater supply is formally certified to meet certain eligibility requirements and then would be eligible to deduct certain groundwater use from their total potable production. In effect, the use of eligible groundwater would be counted the same as conserved water. There are four proposed credit scenarios: 1) Groundwater Banking; (2) Conjunctive Use; (3) "Sustainable" Groundwater Management; and (4) Adjudicated Basins. The proposals include requirements that would govern the use of the credits under each scenario.

Staff Recommendation: Staff does not recommend providing credits for groundwater use or management since the effect of such credits are not well-defined and are generally inconsistent with goal of conserving the state's remaining surface and groundwater supplies during the drought. While groundwater augmentation with surface water is a critical element of drought resilience, it is materially different than creation of new drought-resilient sources of supply, such as through indirect potable reuse of wastewater or seawater desalination. Using seawater and wastewater that, for example, would otherwise have been discharged to the ocean to create supply adds to existing surface and groundwater supplies, whereas groundwater augmentation uses water that was already part of existing freshwater resources. Moreover, the proposed groundwater management credits do not adequately demonstrate how other users of a groundwater basin, whether adjudicated or not, would be impacted from pumping by the supplier receiving a credit. Suppliers whose basins are replenished with imported water would place additional strain on those supplies by using more water under a credit system. Suppliers whose basins fill without imports may impact others by increasing pumping under a credit system. Even self-sufficient, adjudicated basins are not guaranteed to maintain all uses during an extended severe drought, where the next opportunity for recharge is unknown. Additionally, there is no credible estimate of how much credit would accrue for groundwater management and how that credit would impact statewide savings. Credit for sustainable groundwater management may be appropriate for a permanent regulation, and certainly will be addressed by the Sustainable Groundwater Management Act as that legislation is implemented, but it is not adequately transparent, intelligible, implementable, or reasonable for an Emergency Regulation of limited duration, the chief aim of which is to preserve existing surface and groundwater supplies through conservation while extreme drought conditions persist.

Regional Compliance Approach:

Stakeholder Proposal: This proposal would allow suppliers to jointly comply with their aggregated conservation standards as a single entity. Regions would be allowed to form, on a voluntary basis, based on the criteria for forming a SBx7-7 regional alliance, per Water Code Section 10608.28. A lead agency for the region would report the Regional Conservation Standard monthly to the State Water Board on behalf of the region. Each urban retail water supplier would also continue to report their individual monthly water use data. If a group as whole did not meet its regional conservation target, the suppliers would revert back to their individual requirements.

Staff Recommendation: Staff does not recommend providing an option for regional compliance because it will impede timely compliance and enforcement action by the Board and has the potential to reduce individual water supplier accountability. While a regional approach could help water suppliers provide a consistent message about a regional target to their customers, residents and businesses need to conserve differing amounts to achieve a supplier's reduction target, so the benefits of this approach are not well substantiated. There is no reason that suppliers (and their regional or wholesale partners) cannot develop consistent messaging under the current Emergency Regulation, such as limits on outdoor watering, nor does the current emergency regulation inhibit regionally-grouped suppliers or wholesalers from working together on messaging to encourage conservation. In addition, there are multiple drawbacks to the proposed regional approach. First, it would impede the Board's enforcement and compliance efforts, by disallowing the Board from using its enforcement tools to timely address the shortcomings of an individual supplier if that supplier's region was meeting its target. In the case where a region dropped out of compliance late

in the 270 day life of the regulation, the Board would have little time to institute corrective actions for the individual suppliers. Second, it could encourage regional agencies to focus efforts on additional conservation savings in high-performing communities rather than on steps to change the conservation behaviors of poorer performing communities in order to meet the regional target. Finally, the regional approach would undermine the direct accountability for water supply managers established through the existing regulation. Staff encourages suppliers to work together on messaging and outreach, but believes the drawbacks of a regional approach outweigh any potential benefits.

Elimination of Commercial Agriculture Exclusion:

Stakeholder Proposal: The current Emergency Regulation allows water supplied for commercial agricultural use to be excluded from total potable production, if certain conditions are met. The proposal is to eliminate the exclusion or to change the definition of what constitutes commercial agricultural use to prevent exclusion of water attributable to noncommercial agricultural use or non-agricultural use that may be excluded improperly.

Staff Recommendation: **Staff recommends modifying the Commercial Agriculture Exclusion to require certification that customers whose water use is subtracted under the exclusion produce a minimum of \$1,000 per year in revenue from agricultural sales and are not subtracting water used on ornamental landscapes.** This change would limit use of the exclusion for properties with minimal agricultural sales or mixed commercial agricultural and ornamental landscape use. The \$1,000 threshold is consistent with the US Department of Agriculture's definition of a farm.¹

Staff estimates the existing agricultural exclusion has resulted in about an 11,000 acre feet reduction in conserved water since June 2015. Modifying the commercial agriculture exclusion as proposed could result in a slight increase of conserved water.

Exemption for regions without drought conditions and no exports/imports:

Stakeholder Proposal: This proposal would allow isolated hydrogeological regions that do not have drought conditions and do not import or export water to be excluded from the conservation standard element of the Emergency Regulation. Suppliers would apply to the State Water Board for an exemption from the conservation standard and provide verification that water resources in these regions are not available to benefit other regions.

Staff Recommendation: **Staff does not recommend exempting or relaxing conservation requirements for isolated hydrogeologic regions.** The current Emergency Regulation contains a reserved four percent tier for suppliers that can demonstrate multiple years of supply and no use of imported water and groundwater. Staff continues to believe the four percent tier is adequate and appropriate for an extended Emergency Regulation given the uncertainty of the state's surface and groundwater suppliers during the drought.

Revisions for suppliers with significant seasonal or transient populations:

¹ See <http://www.ers.usda.gov/topics/farm-economy/farm-household-well-being/glossary.aspx>, accessed December 11, 2015.

Stakeholder Proposal: The Emergency Regulation assigned conservation tiers based on R-GPCD during the months of July, August, and September 2014. The proposal is to re-assign tiers based on 12 months of R-GPCD data, because some areas, mainly the desert regions, have the highest population during the winter months.

Staff Recommendation: **Staff does not recommend changing the process for assigning conservation tiers to account for year round residential per capita water use because it would reduce the regulation's current emphasis on saving water where outdoor use is highest.** In addition, this proposal would in effect provide allowances for properties that are unoccupied for part of the year but irrigated year-round. However, staff proposes to update each water suppliers R-GPCD values using the most up to date July-September 2014 data that had been provided as of January 1, 2016. Water suppliers have also been encouraged and allowed to correct any inaccurate data and provide modified population information to account for monthly changes in population.

A Cap on Credits and Adjustments:

Staff recommends that all credits and adjustments be capped to allow up to a maximum of a four percentage point decrease to any individual water supplier's conservation standard (tier).

Staff Recommendations on Other Elements of an Extended Emergency Regulation:

Staff recommends maintaining other elements of the current Emergency Regulation in the extended Emergency Regulation. These elements include the alternate compliance approach, the statewide prohibited end-uses, the monthly reporting requirements for urban water suppliers, and the conservation and reporting requirements for small suppliers. Staff proposes that small suppliers again be required to report after six months of conservation under a readopted emergency regulation.

Staff also recommends, based on feedback from both suppliers and the general public, adding a prohibition against homeowners' associations interfering with certain conservation actions of their association members in violation of existing law.

Next Steps:

- Comments are due on this proposed regulatory framework by January 6, 2016
- A draft Emergency Regulation will be released for public comment in mid-January 2016
- State Water Board consideration of an extended emergency regulation is anticipated in early February 2016.

Input Requested: The State Water Board is interested in receiving feedback on this proposed regulatory framework. Please submit comments with the subject line: "Comments on Proposed Regulatory Framework" by email to: Kathy Frevert at Kathy.Frevert@waterboards.ca.gov **by January 6, 2016.**

STAFF REPORT

To: Board of Directors
From: Keith Durkin, Assistant General Manager
Date: January 6, 2016
Subject: Residential Fire Sprinkler Systems

RECOMMENDED ACTION

For information, there is no requested action at this time.

BACKGROUND

On January 1, 2011, California adopted new building codes requiring all new residential construction to include fire sprinkler systems. However the state code did not standardize installation requirements or have provisions for annual required maintenance or testing of these residential fire sprinkler systems to ensure protection of public drinking water systems.

In 2010, in anticipation of the new code, District staff began developing changes to District Standards for service installations. These revisions were necessary to increase the available service supply capacity to serve the added demand of residential fire sprinklers and to also protect the distribution system from a potential new source of contamination. Stagnant water can remain in fire sprinkler system piping for years and should not be allowed to drain into the public water supply. To address the fact that staff cannot legally enter the residence to inspect the initial installation, or to perform any subsequent operational condition assessments of the fire sprinkler system, backflow prevention devices are now required on new service connections. In addition to the extra construction and maintenance costs to residents for sprinkler systems and backflow devices, backflow device inspection and testing has significantly increased staff workload. CCR Title 17 and Public Health Code Section 4017 require annual testing and certification of all backflow prevention devices.

In 2008 there were a total of 476 backflow devices in the District's Retail Service Area. By November 2015 there were 820 devices.

CURRENT STATUS

Beginning in July of 2015, District staff initiated a review of the residential fire sprinkler system requirements. In response to the drought, staff had begun lowering distribution system pressures in pumped zones which successfully contributed to achieving water conservation goals. During implementation of these pressure reductions staff also identified a concern that lowering pressures could result in performance failures for some residential fire sprinkler systems. Staff also identified that the local county and city building departments and various fire

agencies all have different procedures for approving and inspecting fire protection system designs and installations.

As a result of work by staff, several meetings were held with the local fire departments that serve the District's Retail Area to discuss the issues and to work together to ensure the continued performance of both residential and commercial fire sprinkler systems. Staff also recognized an additional opportunity to potentially standardize residential fire sprinkler designs to meet the goals of both the fire protection entities and the water purveyors.

Expanding on these initial meetings, District staff organized a meeting on December 8, 2015 of what is envisioned as a series of meetings with representatives of the regional fire entities and water purveyors. Six water purveyors (SJWD, FOWD, CHWD, OVWC, Folsom, and SSWD), and seven fire entities (Folsom, West Sacramento, Consumes, Sacramento City, Roseville, South Placer, and El Dorado Hills) were represented. The identified goals of these meetings include:

- Standardize residential fire sprinkler system design (to use a standard reasonable pressure, incorporate passive purge, and eliminate backflow prevention requirements).
- Develop inspection criteria, inspector qualifications, and timing for sprinkler system installations.
- Enhance inspection reporting (to all participants).
- Improve local/regional ordinances to meet the goals.

District staff will continue to lead and support this joint water/fire program with the other regional participants to successfully achieve our mutual goals, improve services for our customers, and reduce impacts on District staff resources and expenses.

STAFF REPORT

To: Board of Directors
 From: Donna Silva, Director of Finance
 Date: December 9, 2015
 Subject: Treasurer's Report – Quarter Ending September 30, 2015

RECOMMENDED ACTION

This report is for information only and will be filed with the meeting minutes.

BACKGROUND

The purpose of the treasurer's report is to update the Board and the public on the status of the District's cash balances and investments, and highlight material changes from one period to another. The scope of this report covers the third quarter of calendar year 2015, ending September 30, 2015.

The District's investment objectives are established by the Board approved Investment Policy. The Investment Policy is guided and constrained by the California Government Code. The Board periodically reviews and adjusts the Investment Policy to ensure ongoing compliance with the government code and to maximize investment flexibility as permitted. The current Investment Policy has the following objectives for the portfolio:

1. Safety
2. Liquidity
3. Yield

Attached is the quarterly Treasurer's Report for the three months ended September 30, 2015.

At June 30, 2015, the end of the previous quarter, the value of the District's total portfolio was \$30.4 million. Since that time, the balance decreased by \$2.2 million for an ending balance of \$28.4 million as of September 30, 2015. Cash and short-term investments decreased by \$2 million and long-term investments decreased by \$137,000. The funds are currently held as follows:

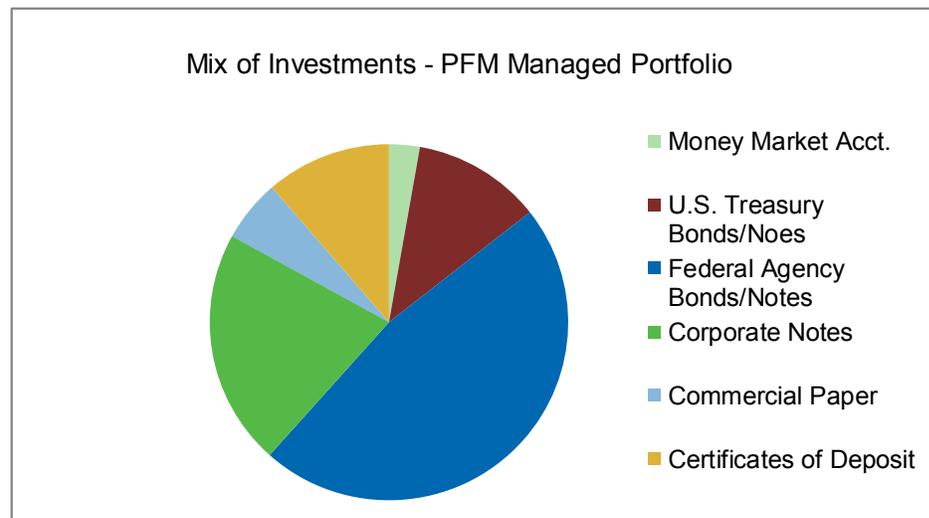
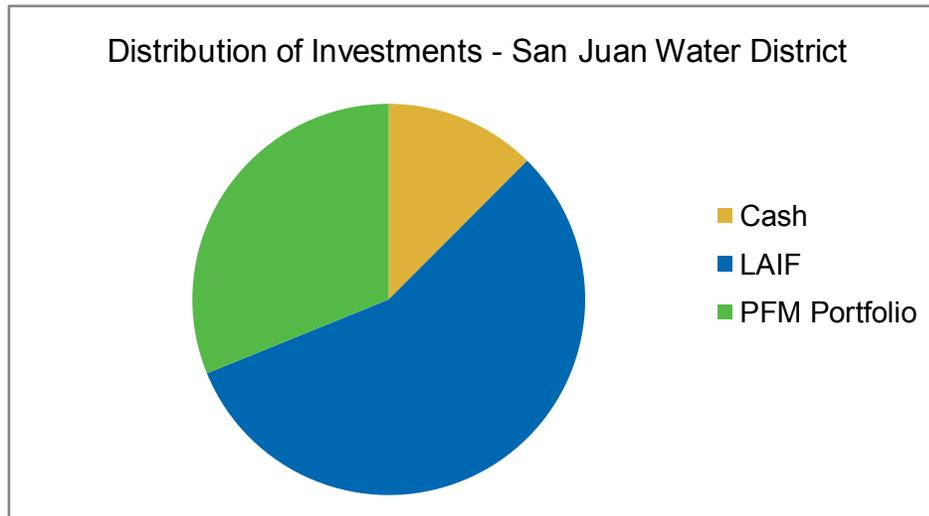
Cash at Banking Institutions	\$ 3,533,971
Local Agency Investment Fund (LAIF)	16,000,070
PFM Managed Investment Portfolio	<u>8,844,063</u>
	<u>\$ 28,378,104</u>

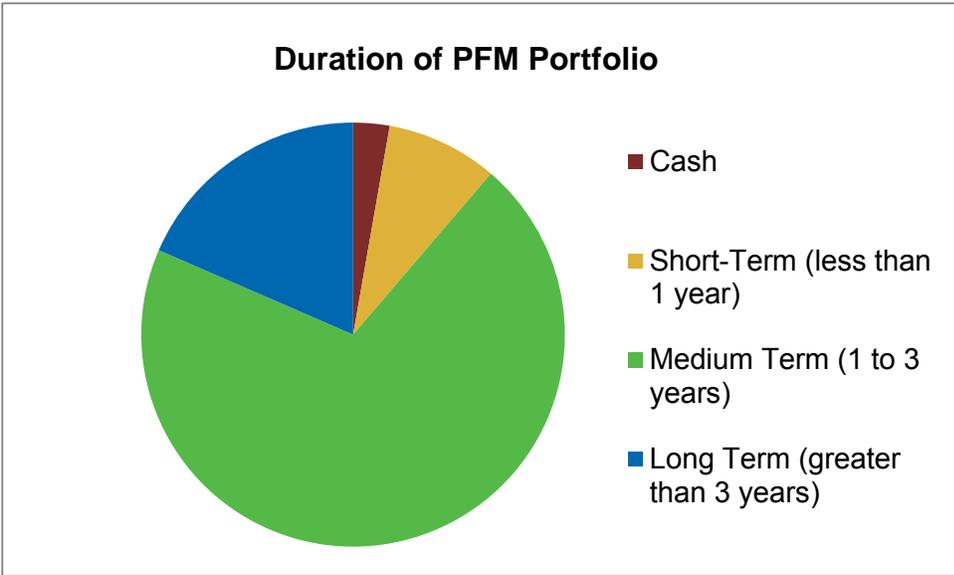
The overall portfolio is diversified with 31% invested in marketable securities, 57% invested in short-term investments that are considered liquid (LAIF) and 12% on deposit with US Bank. Staff, in conjunction with your financial advisors, periodically reviews the

mix of liquid and long-term investments and adjusts the portfolio according to the market conditions and the District's short term cash needs.

All securities held are in conformance with those permitted by the District's Investment Policy. There are sufficient funds to meet the City's expenditure requirements for the next six months.

The distribution, mix and duration of investments is displayed in the following charts:





Interest rates have been at historically low levels. Due to the low interest rate environment, the managed portfolio is concentrated in the medium term duration category. This increases our interest earnings while providing an opportunity to secure higher yield investments when interest rates begin to rise.

The portfolio is performing well and continues to outperform the benchmark (Bank of America Merrill Lynch “BAML” 0-50 year Treasury Index) on a current and historical basis.

Total Returns – period ending June 30, 2015

	Duration (years)	Quarter Ending 6/30/2015	Jan – June 2015	Since Inception
San Juan Water District	2.17	.18%	.95%	1.43%
BAML 0-5 Year Treasury Index	2.18	.03%	.77%	1.15%

**San Juan Water District
Treasurer's Reprt
September 30,2015**

	Yield %	Par Value	Cost	Current Market Value	Maturity Date
CASH & DEMAND DEPOSITS - US Bank:	na	\$ 3,533,970.57	\$ 3,533,970.57	\$ 3,533,970.57	na
LOCAL AGENCY INVESTMENT FUND (LAIF)	0.337%	\$ 16,000,069.96	\$ 16,000,069.96	\$ 16,000,069.96	na
PFM MONEY MARKET ACCOUNT	na	\$ 245,317.34	\$ 245,317.34	\$ 245,317.34	na
LONG-TERM INVESTMENTS (PFM Investment Portfolio):					
<i>U.S. Treasury Bonds/Notes:</i>					
US Treasury Notes	1.40%	\$ 195,000.00	\$ 197,940.23	\$ 199,133.61	9/30/2019
US Treasury Notes	1.31%	500,000.00	493,437.50	496,002.50	9/30/2019
US Treasury Notes	1.50%	325,000.00	330,649.41	332,676.50	6/30/2020
<i>Federal Agency Bonds/Notes:</i>					
FHLB Notes	0.59%	1,000,000.00	1,000,570.00	1,002,111.00	12/28/2016
FHLB Global Notes (Callable)	0.84%	175,000.00	175,000.00	175,473.38	3/24/2017
Freddie Mac Global Notes	0.85%	125,000.00	125,423.82	125,845.50	7/28/2017
Freddie Mac Global Notes	0.97%	260,000.00	260,257.40	261,758.64	7/28/2017
FHLB Notes (Callable)	1.00%	1,000,000.00	1,000,000.00	998,444.00	1/25/2018
FNMA Notes (Ex-Callable)	1.05%	1,000,000.00	1,000,000.00	1,003,921.00	2/27/2018
FNMA Notes (Ex-Callable)	1.69%	595,000.00	596,511.30	606,671.52	6/20/2019
<i>Corporate Notes:</i>					
Apple Inc. Corp Note	0.94%	110,000.00	109,924.10	110,210.87	5/12/2017
Chevron Corp Note	1.35%	100,000.00	100,000.00	100,346.50	11/15/2017
Wells Fargo & Company Global Notes	1.52%	1,000,000.00	999,000.00	999,051.00	1/16/2018
IBM Corp Notes	1.23%	225,000.00	224,313.75	224,455.00	2/6/2018
Bank of New York Mellon Corp	1.60%	175,000.00	174,984.25	174,652.28	5/22/2018
CISCO Systems Inc Corp Note	1.66%	185,000.00	184,968.55	186,347.73	6/15/2018
Toyota Motor Credit Corp	1.58%	100,000.00	99,915.00	100,455.40	7/13/2018
<i>Commercial Paper:</i>					
Bank of Tokyo Mitsubishi UFJ	0.36%	500,000.00	499,100.00	499,911.00	11/2/2015
<i>Certificate of Deposit:</i>					
General Capital Retail Bank LT CD	1.32%	250,000.00	250,000.00	251,778.50	8/17/2016
Canadian Imperial Bank NY YCD	1.01%	250,000.00	250,000.00	249,702.50	4/6/2017
Nordea Bank Finland NY CD	1.15%	250,000.00	250,000.00	249,470.00	5/26/2017
Toronto Dominion Bank NY YCD	1.25%	250,000.00	250,000.00	250,327.50	6/16/2017
TOTAL LONG TERM INVESTMENTS		\$ 8,570,000.00	\$ 8,571,995.31	\$ 8,598,745.93	
TOTAL CASH & INVESTMENTS AT 9/30/2015		\$ 28,349,357.87	\$ 28,351,353.18	\$ 28,378,103.80	

SAN JUAN WATER DISTRICT DIRECTOR COMMITTEE ASSIGNMENTS 2016

INTERNAL COMMITTEE ASSIGNMENTS

<u>Committee</u>	<u>Chair</u>	<u>Member</u>	<u>Alternate</u>
Engineering	Dan Rich	Ken Miller	Pam Tobin
Finance	Ted Costa	Pam Tobin	Ken Miller
Legal Affairs	Bob Walters	Ted Costa	Ken Miller
Personnel	Pam Tobin	Bob Walters	Ted Costa
Public Information	Ken Miller	Pam Tobin	Bob Walters
Water Supply & Reliability	Bob Walters	Dan Rich	Ted Costa
Drought	Marty Hanneman	Pam Tobin/ Bob Walters	

EXTERNAL COMMITTEE ASSIGNMENTS

<u>Committee</u>	<u>Assignment</u>	<u>Alternate</u>
ACWA Energy	Ted Costa	
ACWA Region 4/Federal Affairs/ Local Government	Pam Tobin	
ACWA JPIA	Bob Walters	Ted Costa
ACWA State Legislative	Bob Walters	Pam Tobin
CVP Water Users Assn.	Ted Costa	
RWA	Pam Tobin/ Shauna Lorance	Bob Walters
RWA Lobbyist Subscription Program	Ken Miller	Bob Walters
SGA	Pam Tobin	Ken Miller
Water Forum	Marty Hanneman	