

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

October 7, 2015 – 7:00 p.m.

BOARD OF DIRECTORS

| | |
|-------------|----------------|
| Ted Costa | President |
| Pam Tobin | Vice President |
| Ken Miller | 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 Hart | Board Secretary/Administrative Assistant |
| Joshua Horowitz | Legal Counsel |

OTHER ATTENDEES

| | |
|----------------|------------|
| Marty Hanneman | Customer |
| Dave Underwood | FOWD |
| Tom Gray | FOWD |
| Mitch Dion | Self |
| Kim Silvers | Silvers HR |
| Tony Barela | SJWD |
| Lisa Brown | SJWD |
| George Machado | SJWD |
| Greg Turner | SJWD |
| Rob Watson | SJWD |
| Kevin Thomas | 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 Costa 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, September 23, 2015

Vice President Tobin moved to approve the Consent Calendar. Director Walters seconded the motion and it carried unanimously.

President Costa moved Agenda Item IV-2.1 *General Manager Evaluation Process* after the Consent Calendar. The meeting minutes will remain in the original order.

III. **OLD BUSINESS**

1. **FY 2015-2016 Draft Retail Budget Review – Donna Silva**

Ms. Silva conducted a presentation on the FY 2015-16 draft retail budget. She explained that the presentation is for information only in preparation of the public hearing on October 28th. This will give the Board the opportunity to provide feedback or direction to staff on activities/projects/programs that are funded in the draft budget. She reviewed the budget process and timeline, the budget assumptions, a preliminary review of FY 2014-15 results, a preliminary reserve review, the draft FY 2015-16 budget, and any rate increase impacts. A copy of the presentation will be attached to the meeting minutes.

Ms. Silva reviewed the Retail Consumption information and informed the Board that it is anticipated that retail water consumption will be significantly lower this year at 9,565 AF, which is a 45% decrease over a ten-year period. Ms. Lorange explained that the water consumption chart is based on staff projections of consumption by retail customers.

Ms. Silva informed the Board that the preliminary FY 2014-15 Total Revenues are projected to come in approximately \$2.3 million below budget, while the expenses are projected to come in slightly above budget by \$55,500. This will result in a shortfall of approximately \$2.4 million in the amount available for capital projects for the fiscal year 2014-15. The main reasons for the reduction in revenue were loss of sales due to the drought conservation efforts and the connection fees budget of \$2.1 million as compared to a projected actual of \$604,500.

Ms. Silva explained that the preliminary reserve balances for FY 2014-15 are approximately \$5 million less than FY 2013-14. In addition, she informed the Board that she will be researching whether or not the Compensated Absences reserve is required since it already shows up as a liability.

Ms. Silva reviewed the draft FY 2015-16 retail budget and showed the Board that revenue is budgeted to increase by \$716,000 and expenses are estimated to increase by \$878,000 leaving approximately \$400,000 available for distribution to reserves for capital projects from fiscal year 2015-16. In response to Director Rich's question, Ms. Silva will need to research why the 2013-14 *Salaries and Benefits* is a larger number than the projected 2015-16 numbers given that there is a place holder for an HR Specialist position.

Ms. Silva reviewed the CIP spending and ending reserve balance of \$6 million. In response to Director Walters' question, Mr. Durkin explained that the 10-year CIP was reviewed and updated last year with the Engineering Committee and through the financial plan update with Bob Reed. Director Walters commented that staff might want to look into trenchless ditches to reduce costs in the CIP. Mr. Durkin explained that trenchless technology would work well with transmission pipelines where there are very few service connections, but would not work well in the retail distribution system due to the effort to reconnect all the service connections. Ms. Silva showed the Board the history of available reserves and commented that FY 2015-16 will be the first year in recent years that reserves will fall below the minimum required per board policy.

Ms. Silva reviewed several rate increase scenarios showing the staff recommended rate increase of 19% for FY 2015-16 and a possible 6% increase the following year. The Board discussed the various scenarios and would like to see what the rate increase amount will be when the drought surcharge is removed. In addition, they would like to see a chart that shows the impact to low, average and high use customers. Ms. Silva showed the 9% rate increase scenario and informed the Board that there would be significant cash flow issues next year which would put the District in a very precarious position and, from a professional standpoint, Ms. Silva cannot recommend the 9% rate increase scenario.

In response to Director Rich's questions, Ms. Lorance suggested that all scenarios presented tonight be presented at the public hearing to provide the full options evaluated to the public. In addition, she recommends that the Board not have a recommendation or decision prior to the public meeting; the draft budget should be based on the staff recommendation.

In response to Director Miller's question, Mr. Horowitz responded that the District complied with the Prop. 218 notice by showing the proposed water rates. Percentage increases do not need to be included in the notice. Director Miller suggested that the same table that was included in the Prop. 218 notice

be provided at the October hearing showing the various rate increases and percentages.

Ms. Silva informed the Board that to date the District has received 40 written protests regarding the rate increase. Ms. Lorance commented that over the past ten years, there have been few written protests in the past each year. Ms. Lisa Brown informed the Board that 123 protests were received related to the drought surcharge. Ms. Silva will provide a chart of rates over time as compared to the CPI.

In response to Vice President Tobin's question, Ms. Silva will create an 11% rate increase scenario and will provide this information at the meeting if the reserves do not fall below the minimum required per board policy. Ms. Lorance commented that with the Best Management Practices requiring more revenue to be received from the volumetric portion of the customer's bill, some fixed costs are included in the volumetric portion of the rates. This results in significant financial impacts that could be mitigated by having only variable costs in the volumetric portion of the rates. Ms. Lorance believes the existing regulations should be reviewed and revised to allow a better business model based water rate. Mr. Dion suggested that staff provide a chart which shows how the rate increase is applied to the fixed and volumetric portion of a customer's bill.

For information only; no action requested.

ACTION AND INFORMATIONAL ITEMS

IV. COMMITTEE REPORTS

1. Water Supply & Reliability Committee (9/22/15)

Director Walters reported that the committee met on September 22, 2015, and discussed the following:

- Water Supply Status (W & R)
- Request for Proposal for a Water Management and Reliability Study (W)
- FOWD Board Discussion (W)
- Telephone Town Hall (R)
- Other Matters
- Public Comment

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

Water Supply Status (W & R)

Director Walters referred to the committee meeting minutes for the *Water Supply Status*.

Request for Proposal for a Water Management and Reliability Study (W)

Director Walters informed the Board that the committee recommends that the Board consider funding a Water Management and Reliability Study. Ms. Lorance explained that the Finance Committee reviewed the cost estimate which is \$150,000-\$200,000 to complete the study. She commented that this would be a wholesale cost which is not in the budget. In response to Director Rich's question, Ms. Lorance reported that the RFP was distributed to the wholesale customer agencies.

Director Walters moved to issue a Request for Proposals for a Water Management and Reliability Study. Director Rich seconded the motion and it carried unanimously.

FOWD Board Discussion (W)

Director Walters informed the Board that the Fair Oaks Water District has requested that the General Manger and the Board President attend the FOWD Board meeting on December 14th. In addition, two Water Supply and Reliability Committee members might attend the FOWD Board meeting. Ms. Lorance explained that she was requested to provide a presentation on potential 2016 water transfers that could take advantage of both surface water and groundwater that may be available to the wholesale customer agencies.

President Costa requested that Vice President Tobin attend the meeting. In addition, he directed the other Board members to notify the Board Secretary if they plan to attend so that a meeting notice can be posted in accordance with the Brown Act.

For information only; no action requested.

Telephone Town Hall (R)

Ms. Lorance informed the Board that the committee discussed conducting another Telephone Town Hall for the end of October. She explained that water conservation is slowing down and customers need to be reminded to still conserve in order to meet the February 2016 state-mandated goal of 36%.

For information only; no action requested.

Other Matters

Director Walters reported that Mr. Jim Branham will attend the October 19th committee meeting. Mr. Branham is the Executive Officer of the Sierra Nevada Conservancy and will discuss the American River water shed.

For information only; no action requested.

2. Personnel Committee (10/1/15)

Vice President Tobin reported that the committee met on October 1, 2015, and discussed the following:

- General Manager Evaluation Process (W & R)
- Assistant General Manager Employment Contract (W & R)
- Staffing and Human Resources Plan (W & R)
- Other Personnel Matters
- Public Comment

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

General Manager Evaluation Process (W & R)

Ms. Silvers informed the Board that she will be facilitating the General Manager's (GM) evaluation process utilizing the same format that was used last year. She provided the Board with the proposed action plan for the evaluation, which is mainly a timeline of the events for gathering information for the evaluation.

Ms. Silvers inquired if the Board had any revisions to the evaluation questions or to the GM's core competencies or responsibilities. Director Walters requested that a section include that the General Manager knows her priorities and limitations and works in a manner to adjust to the District's needs. The Board agreed that Ms. Silver should revise the evaluation form by adding a bullet under the *Effective and Efficient Management of Organization* section.

Ms. Silvers will send out a revised evaluation form and contact the Board members to set up individual meetings as part of the evaluation process.

For information only; no action requested

Assistant General Manager Employment Contract (W & R)

Vice President Tobin reported that the committee discussed moving the current Assistant General Manager (AGM) from a regular employee to a contracted employee. She explained that the AGM is key to the executive success of the District and there are a significant number of opportunities available for the AGM external to the District. She explained that the contract would be between the District and the AGM with the GM as the authorized contract signer for the District. Ms. Lorance explained that the contract would be for the existing AGM and would not necessarily be utilized for any new hire in the AGM position.

The Board discussed the topic including the benefit to the District of having the AGM under contract such as retention, and the addition of more benefits to the AGM such as increased administrative leave and the possibility of earned incentive awards. Ms. Lorance explained that incentive awards are not used for pension calculations by CalPERS.

President Costa directed staff to provide the Personnel Committee with the draft contract for the AGM. In response to Vice President Tobin's comment, President Costa requested that the contract include wording that the AGM

takes over the GM's responsibilities in the GM's absence. Director Walters suggested that staff discuss upper management contracts with agencies which have those contracts in place.

For information only; no action requested

Staffing and Human Resources Plan (W & R)

Ms. Lorance reported that she plans to schedule a workshop to discuss staffing and human resources early next year. In response to President Costa's comment, Ms. Lorance reported that the two year timeline on updating the finance department processes ends in March 2016.

For information only; no action requested.

3. Finance Committee (10/6/15)

President Costa reported that the committee met on October 6, 2015, and discussed the following:

- Review and Pay Bills (W & R)
- Security System Project
- Water Management and Reliability Study Budget (W & R)
- Receive and Review Standard & Poor's Rating Review Report (W & R)
- Receive and Review Use of 2012 Bond Proceeds (W & R)
- Discuss and Review FY 2015-16 Draft Retail Budget Presentation (R)
- Other Finance Matters
- 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 \$1,024,503.98 and found them to be in order.

Vice President Tobin moved to approve Resolution 15-14. President Costa seconded the motion and it carried unanimously.

Security System Project

President Costa reported that the item was held over. The District received only one bid for the project and it was approximately \$100,000 over the engineer's estimate and the budgeted amount. Therefore, staff will review the project and determine if the scope of work needs to be modified and the project re-bid.

For information only; no action requested.

Water Management and Reliability Study Budget (W)

This item was discussed under the Water Supply & Reliability Committee report.

Receive and Review Standard & Poor's Rating Review Report (W & R)

President Costa reported that Standard & Poor's affirmed its 'AA' long-term rating on San Juan Water District, Calif.'s series 2009A certificates of participation (COPs) and the 2012A refunding revenue bonds (San Juan and Citrus Heights Project). Vice President Tobin inquired if Ms. Silva could put a slide together for the October 28th Board meeting that shows how the lending rate would be affected by the 9% rate increase scenario where the reserves are projected to fall below the minimum balance needed. Ms. Silva responded that she wouldn't be able to project the effect on Standard & Poor's rating, but she could refer to their report and pull information regarding actions that the District could take that would increase or decrease the bond rating.

For information only; no action requested.

Receive and Review Use of 2009 Bond Proceeds (W & R)

For the report on *Receive and Review Use of 2009 Bond Proceeds*, please see the committee meeting minutes.

Discuss and Review FY 2015-16 Draft Retail Budget Presentation (R)

President Costa reported that the committee received information on the presentation that Ms. Silva conducted earlier.

Other Finance Matters (W or R)

For the report on *Other Finance Matters*, please see the committee meeting minutes.

V. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 Water Supply Update

Ms. Lorance reported that the Bureau's projections show being at a flow rate of 500 cfs on the lower American River; however, the flows have been higher. Therefore, Ms. Lorance has contacted the Bureau to obtain information on the reasoning and will report back. In addition, water storage projected to be at 144,000 AF by the end of November.

For information, no action requested

1.2 Groundwater Reimbursement Agreement

Ms. Lorance reminded the Board that Mitch Dion conducted a presentation to the Board on the groundwater reimbursement agreement. He was tasked with identifying a resolution to the reimbursement for groundwater usage which seemed reasonable for all wholesale customer agencies to agree upon. She explained that not all agencies have yet received approval from their boards/city councils regarding the agreement. Therefore, the agreement is still pending the final approvals.

Director Walters commented that after receiving FOWD's email referencing FOWD's intent to contract with Mitch Dion, Director Walters contacted Mr. Dion and is satisfied that there will not be a conflict of interest.

President Costa commented that when the District was formed FOWD and CHWD agreed to have SJWD serve Granite Bay; therefore it is his opinion that FOWD and CHWD should be included in the cost allocations for the Pump Back Project since they agreed to provide service to Granite Bay.

Ms. Lorance informed the Board that if no decisions are made by the two agencies by the end of October, then she will communicate with them to get a status update. Director Walters inquired what would happen if only three of five agencies agree to the settlement agreement. Mr. Horowitz explained that there could be an agreement between the three agencies, the Board could direct staff to revise the agreement, or SJWD could pay for the costs out of wholesale funds. Ms. Lorance suggested that the Board wait for the status update before identifying the next steps.

For information, no action requested

1.3 ACWA Board of Directors

Ms. Lorance referred the Board to her written staff report. A copy of the staff report will be attached to the meeting minutes.

1.4 2015 Goals

Ms. Lorance referred the Board to her written staff report. A copy of the staff report will be attached to the meeting minutes. She informed the Board that she is working on providing the Board with the action items that are associated with the goals. She will report back with a summary of each item.

For information, no action requested

1.5 Report Back Item

There were no items discussed.

1.6 Miscellaneous District Issues and Correspondence

Ms. Lorance reported that she received a request from CHWD to join them in placing an ad in the Sacramento Bee to thank customers for their conservation efforts. She explained that if all wholesale customer agencies joined the effort then the cost per agency would be approximately \$1,100. She requested that the Board review the ad and let her know if they have any suggested changes within the next few days.

Ms. Lorance reported that a letter was received from FOWD regarding concepts for immediate consideration and action related to water supply reliability and also a list of revisions to the water supply agreement. President Costa referred discussion of this item to the Water Supply &

Reliability Committee. A copy of the letter will be attached to the meeting minutes.

Ms. Lorance reported that Northern California Water Association (NCWA) and Glenn-Colusa Irrigation District (GCID) have written a comment letter to the Bureau regarding the draft EIS for the Coordinated Long-Term Operation of the CVP and SWP. She informed the Board that the letter incorporated a significant amount of the District's comments. A copy of the letter will be attached to the meeting minutes.

For information, no action requested

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1 Report Back Items

2.1.1 SWRCB Bi-weekly Conference Call with American River Group
Mr. Durkin informed the Board that the last meeting was cancelled due to scheduling conflicts. The next meeting is scheduled for October 15th.

2.2 Miscellaneous District Issues and Correspondence

Mr. Durkin reported that he received a draft correspondence from CHWD regarding the use of the CTP in association with the Pump Back Project. Mr. Churchill requested that a meeting of the CTP participants be scheduled; therefore, a meeting is set for October 19th.

Mr. Durkin reported that there is a workshop on October 29th with the Corp of Engineers regarding the Folsom Dam Water Control Manual, which he will attend. Vice President Tobin requested a summary after the meeting be sent to the congressional and state representatives.

Mr. Durkin reported that the Water Forum is meeting October 8th for a plenary meeting. He will be attending this meeting as there is a fairly important item on the agenda; the modified Flow Management Standard for the lower American River.

Mr. Durkin reported the he attended a meeting with NOAA fisheries on October 7th. He was informed at the meeting that the Bureau's releases, which are above the projected 500 cfs, are not a result of any request from NOAA fisheries. NOAA speculated that the higher releases are a result of temperature issues on the Sacramento River.

Mr. Durkin reported that the Pump Back Project testing was completed last week and was very successful. He commended Mr. Tony Barela, Operations Manager, for leading the significant effort along with the distribution system staff and wholesale customer agency's operations staff.

3. DIRECTOR OF FINANCE'S REPORT

3.1. Report Back Items

There were no items discussed.

3.2. Miscellaneous District Issues and Correspondence

There were no items discussed.

4. LEGAL COUNSEL'S REPORT

4.1 Legal Matters

Mr. Horowitz reported that Ms. Lorange's staff report on ACWA Board of Directors activities included information on an initiative for the State Constitution that would allow tiered water rates that are not totally tied to the cost of service in each tier. This initiative would overturn the San Juan Capistrano decision. In reviewing the proposal, Mr. Horowitz commented that there are a lot of issues and he does not anticipate its success. He will provide Ms. Lorange with some comments and suggested revisions when he has completed his review. Mr. Horowitz discussed the cost of service, tiered rates, and fines and surcharges.

Mr. Horowitz reported that comments were submitted to the Bureau on behalf of the District and the cities of Roseville and Folsom regarding the OCAP EIS. The comments addressed faulty modeling and not properly quantifying impacts on Folsom storage.

Mr. Horowitz informed the Board that there is no need for a Closed Session tonight. Ms. Lorange commented that the Closed Session was a standing agenda item and will be removed until needed.

In response to President Costa's question, Mr. Horowitz informed the Board that there is no separate water code that governs water pipelines in reference to managing the pipeline between partners of a pipeline. Mr. Horowitz referred President Costa to the wheeling statutes under water code section 1800 which references excess capacity.

5. DIRECTORS' REPORTS

5.1 SGA

Vice President Tobin reported that SGA meets October 8, 2015.

5.2 RWA

Vice President Tobin reported that RWA is working on RWA 2.0 which is being formed to make improvements to RWA. In addition, RWA is looking to develop a legislative and regulatory advocacy program to positively influence legislative and regulatory actions on water related issues in the region.

5.3 ACWA

5.3.1 Local/Federal Government/Region 4 - Pam Tobin

Vice President Tobin reported that she attended an ACWA Region 4 meeting regarding issues that will be important for the duration of the chair and vice chair term. The meeting discussions included the public goods charge, the California Water Fix, the federal legislation, upcoming events, and regional events. In addition, ACWA is not in support of the State Water Board mandating long-term conservation based on the current restrictions.

Vice President Tobin thanked the Board for supporting her nomination as a Region 4 representative candidate. She will be representing Region 4 for another term.

5.3.2 Energy Committee - Ted Costa

No report.

5.3.3 JPIA - Bob Walters

No report.

5.4 CVP Water Users Association

President Costa reported that the CVPWUA meets on October 13, 2015.

5.5 Other Reports and Comments

Vice President Tobin informed the Board that the Water Education Foundation is hosting various tours and provided the Board with a handout. A copy of the handout will be attached to the meeting minutes.

President Costa informed the Board that he was at the court house and talked to Mr. Zane Vorhes, former SJWD legal counsel. Mr. Vorhes informed President Costa that he has a box of San Juan Water District information.

Director Walters commended Ms. Lorange for her excellent presentation at the Fair Oaks Rotary Club meeting.

VI. UPCOMING EVENTS

1. ACWA Regulatory Summit
October 14, 2015
Ontario, CA
2. ACWA Fall Conference
December 1-4, 2015
Indian Wells, CA

President Costa announced that there would be no Closed Session.

VII. 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
2. Conference with real property negotiators involving the transfer of up to 12,000 acre-feet of water conserved under the District's pre-1914 water right and by groundwater substitution to CVP contractors. The Board will provide direction to District negotiators, General Manager Shauna Lorance and Assistant General Manager Keith Durkin, on the price, terms of payment or both for the transferred water. The specific buyers and their representatives with whom the District will negotiate have not yet been identified, but those buyers and representatives will be publicly identified at the Board meeting or as soon thereafter as possible. (See Government Code sections 54954.5(b) and 54956.8.)

VIII. OPEN SESSION

There was no closed session.

IX. ADJOURN

The meeting was adjourned at 10:08 p.m.

EDWARD J. "TED" COSTA, President
Board of Directors
San Juan Water District

ATTEST:

TERI HART, Board Secretary

STAFF REPORT

To: Board of Directors
From: Donna Silva, Finance Director
Date: October 7, 2015
Subject: Fiscal Year 2015-2016 Draft Retail Budget

RECOMMENDED ACTION

Receive staff presentation and review the draft 2015-16 Retail Budget and Rates. Provide direction to staff on any desired changes to the draft budget. The draft budget will be presented at the October 28, 2015, Board of Directors meeting and the Public Hearing will be held at that time. The Board may choose to adopt the budget immediately following the public hearing, or continue it for consideration at the November 18, 2015, Board of Directors meeting.

BACKGROUND

The San Juan Water District prepares and adopts annual budgets for its Wholesale operations and Retail operations. The Wholesale budget is adopted first, as it sets the rate that the Retail division must pay for treated water. The Wholesale budget was adopted by the Board of Directors on June 5, 2015.

The Retail budget was previously discussed at a workshop on August 6, 2015, in order to set the “up to” rate increase language for the Prop. 218 potential rate increase notice. The purpose of this staff report and presentation is to review the draft budget in further detail and answer any Board questions in preparation for the Public Hearing on October 28, 2015, and subsequent adoption.

Budget summary sheets are attached for review. A full draft of the budget document will be available for the Public Hearing on October 28, 2015.

Attachments:

- Exhibit 1 FY 14-15 Preliminary Results and FY 15-16 Draft Budget Summary
- Exhibit 2 Budget Summary - Retail
- Exhibit 3 CIP Budget - Retail
- Exhibit 4 Power Point Presentation

FY 14-15 Preliminary Results and FY 15-16 Draft Budget Summary

| | FY 13-14 Actual | FY 14-15 Budget | FY 14-15 Projection | FY 15-16 Draft Budget | Budget Variance from FY 14-15 Projection | |
|---------------------------------------|---------------------|---------------------|------------------------|--------------------------|---|------------|
| | | | | | Amount | Variance % |
| REVENUES | | | | | | |
| Metered Sales | \$ 8,506,899 | \$ 8,731,309 | \$ 7,917,774 | \$ 8,849,700 | \$ 931,926 | 12% |
| Connection Fees | 1,057,014 | 2,105,025 | 604,501 | 350,000 | (254,501) | -42% |
| Taxes & Assessments | 838,921 | 819,060 | 903,128 | 948,000 | 44,872 | 5% |
| Other Revenues | 169,186 | 225,031 | 133,812 | 127,500 | (6,312) | -5% |
| TOTAL REVENUES | 10,572,020 | 11,880,425 | 9,559,214 | 10,275,200 | 715,986 | 7% |
| EXPENSES: | | | | | | |
| Salaries and Benefits | 4,233,713 | 3,271,064 | 3,917,841 | 4,067,500 | 149,700 | 4% |
| Treated Water | 2,110,208 | 2,216,330 | 1,742,500 | 2,050,900 | 308,400 | 33% |
| Other Expenses | 1,842,227 | 1,792,396 | 1,680,327 | 2,103,600 | 423,300 | 25% |
| Debt Service - Interest | 707,999 | 1,209,136 | 1,186,128 | 1,176,100 | (10,000) | -1% |
| Debt Service Principal | 0 | 448,933 | 466,510 | 473,000 | 6,500 | 1% |
| TOTAL EXPENSES | \$ 8,894,147 | \$ 8,937,859 | \$ 8,993,306 | \$ 9,871,100 | \$ 877,800 | 10% |
| NET AVAILABLE FOR DISTRIBUTION | | | | | | |
| | \$ 1,677,873 | \$ 2,942,566 | \$ 565,909 | \$ 404,100 | | |



Budget Summary - Retail

| | Actual | Estimated | Draft Budget | Change from Prior Year Est. | |
|---------------------------------------|-----------------------|---------------------|---------------------|-----------------------------|---------------|
| | FY 13-14 | FY 14-15 | FY 15-16 | Amount | Percent |
| <u>Operating Revenues:</u> | | | | | |
| Water Sales | \$ 8,506,899 | \$ 7,917,774 | \$ 8,849,700 | \$ 931,926 | 11.8% |
| Other (See Detail) | 145,382 | 120,512 | 121,500 | 988 | 0.8% |
| Total Operating Revenues | 8,652,281 | 8,038,286 | 8,971,200 | 932,914 | 11.6% |
| <u>Operating Expenses:</u> | | | | | |
| Field Services | 2,991,574 | 2,680,773 | 2,825,900 | 145,127 | 5.4% |
| Source of Supply | 2,110,208 | 1,742,500 | 2,050,900 | 308,400 | 17.7% |
| Administrative & General | 1,771,331 | 1,312,139 | 1,393,900 | 81,761 | 6.2% |
| Conservation | 424,184 | 493,752 | 668,300 | 174,548 | 35.4% |
| Customer Service | 579,052 | 540,289 | 653,400 | 113,111 | 20.9% |
| Engineering | 325,048 | 292,275 | 316,600 | 24,325 | 8.3% |
| OPEB/Retiree Health | 0 | 275,940 | 310,000 | 34,060 | 12.3% |
| Operating Expenses | 8,201,396 | 7,337,668 | 8,219,000 | 881,332 | 12.0% |
| Net Income/(Loss)-Operations | \$ 450,885 | \$ 700,618 | \$ 752,200 | \$ 51,582 | |
| <u>Non-Operating Revenues:</u> | | | | | |
| Retail Connections | \$ 1,081,104 | \$ 604,501 | \$ 350,000 | \$ (254,501) | -42.1% |
| Taxes & Assessments | 838,921 | 903,128 | 948,000 | 44,872 | 5.0% |
| Interest/Investment Income | 0 | 7,300 | 5,000 | (2,300) | -31.5% |
| Other (See Detail) | (286) | 6,000 | 1,000 | (5,000) | -83.3% |
| Total Non-Operating | 1,919,739 | 1,520,929 | 1,304,000 | (216,929) | -14.3% |
| <u>Non Operating Expenses:</u> | | | | | |
| 2009 COPs (interest) | - | 935,651 | 930,200 | (5,451) | -0.6% |
| 2012 Refund (interest) | 707,999 | 244,001 | 240,900 | (3,101) | -1.3% |
| EDA Loan (interest) | - | 6,476 | 5,000 | (1,476) | -22.8% |
| Other (See Detail) | (15,247) | 3,000 | 3,000 | - | 0.0% |
| Total Non-Operating Expense | 692,752 | 1,189,128 | 1,179,100 | (10,028) | -0.8% |
| Net Non-Operating | \$ 1,226,987 | \$ 331,800 | \$ 124,900 | \$ (206,900) | |
| Net Available Income | \$ 1,677,872 | \$ 1,032,418 | \$ 877,100 | \$ (155,318) | |
| <u>Debt Service Principal</u> | | | | | |
| 2009 COPs | 227,681 | 241,736 | 241,700 | (36) | 0.0% |
| 2012 Refunding Bonds | 192,019 | 201,163 | 201,200 | 37 | 0.0% |
| EDA Loan | 23,611 | 23,611 | 30,100 | 6,489 | 27.5% |
| Debt Service Principal | 443,311 | 466,510 | 473,000 | 6,490 | 1.4% |
| Net Available for Distribution | \$ 1,234,560 | \$ 565,908 | \$ 404,100 | \$ (161,808) | -28.6% |
| <u>Transfers from/(to) Reserves</u> | | | | | |
| Kokila Reservoir | \$ 3,000 | \$ (22,350) | \$ (22,350) | \$ - | |
| Retail Reserves | (398,638) | 359,569 | (381,751) | 472,862 | |
| Connection Reserves | (838,921) | (903,128) | | 289,000 | |
| PERS Stabilization | (1) | 0 | 1 | (100,000) | |
| Total Transfers | \$ (1,234,560) | \$ (565,908) | \$ (404,100) | \$ 661,862 | |
| Ending Available Income | \$ - | \$ - | \$ - | | |

CIP Budget - Retail

| | FY 2015-2016 |
|---|---------------------|
| | General |
| <u>Funding Sources:</u> | |
| Estimated Beginning Balance | \$ 7,778,417 |
| Estimated Revenue and Transfers | 1,011,635 |
| Estimated Funds Available for CIP Projects | \$ 8,790,052 |
| <u>Projects:</u> | |
| District-Wide | |
| Portion of Wholesale Projects: | |
| SSWD-SJWD Pump Back Project | 363,100 |
| Security Improvements | 75,000 |
| Storage Building Replacement | 66,500 |
| ARC Flash Assessment and Improvements | \$ 29,000 |
| FO-40 Transmission Pipeline Re-Lining | 17,300 |
| | \$ 550,900 |
| Vehicle Replacement | \$ 214,000 |
| Field Services | |
| Pump Station-Upper Granite Bay | \$ 1,100,000 |
| Transmission Pipelines-AFR North | 680,000 |
| Los Lagos Tank - Recoating | 628,000 |
| Pump Station-Lower Granite Bay | 350,000 |
| Mainline Replacements-Main | 335,000 |
| Mainline Replacements-Oak Avenue | 310,000 |
| Mainline Replacements-Telegraph Avenue | 239,000 |
| Pressure Reducing Station-Oak Ave | 200,000 |
| Water Supply Reliability - Barton Rd | 176,700 |
| Sample Stations | 175,000 |
| Pressure Reducing Station-Canyon Falls | 155,000 |
| Transmission Pipelines-Eureka | 150,000 |
| Distribution System Improvements | 123,000 |
| Mainline Replacements-Oak/Cardwell | 104,400 |
| Kokila Reservoir Condition Assessment | 103,000 |
| Mooney Ridge Hydro-Tank Recoating | 103,000 |
| Mainline Replacements-Erwin Avenue | 69,800 |
| Los Lagos Tank - Mixing System | 58,000 |
| Pump/Motor R&R | 50,000 |
| Mainline Replacements-Peerless Avenue | 43,400 |
| Mainline Replacements-Sierra/Douglas | 27,300 |
| Update OITs and & PLC Prgramming | 9,000 |
| | \$ 5,403,600 |
| Total Projects | \$ 5,954,500 |
| Estimated Ending Balance | \$ 2,835,552 |



Draft Retail Budget & Rate Presentation

Fiscal Year 2015-16

Donna Silva
Finance Director
October 7, 2015

AGENDA



- ❖ Review budget process and timeline
- ❖ Review budget assumptions
- ❖ Preliminary review of FY 2014-15 results
- ❖ Preliminary reserve review
- ❖ Review draft 2015-16 budget
- ❖ Review rate increase impacts
- ❖ Q&A

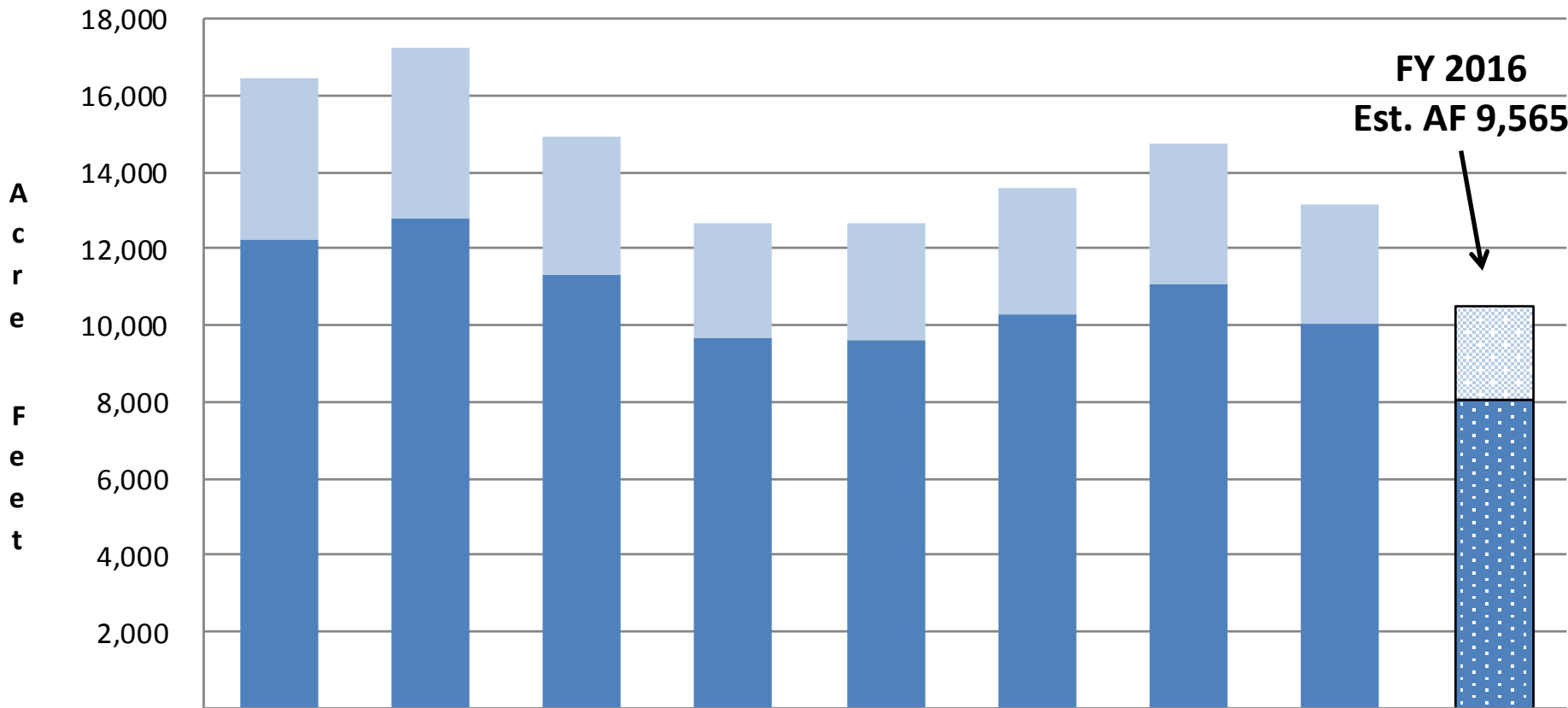
- ❖ Wholesale Budget Adopted June 5, 2015
- ❖ Initial retail budget and rate considerations by the board:
 - March 12, 2015: Budget Assumptions & Timelines
 - August 6, 2015: Retail Reserves and Proposed Rate Increases
 - August 12, 2015: Continuation from August 6th
- ❖ Tonight –Review of budget numbers in preparation for Prop 218 hearing on October 28, 2015

ASSUMPTIONS

- ❖ Normal rain this winter – conservation falls from 36% to 20% in January
- ❖ Drought Surcharge remains in effect until the end of February 2016
- ❖ Used the maximum rate increase of 19% for illustrative purposes
- ❖ Salaries – 1% COLA placeholder for HR Specialist position



RETAIL CONSUMPTION – Acre Feet



| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ■ Sacramento | 4,233 | 4,408 | 3,642 | 3,014 | 3,073 | 3,260 | 3,692 | 3,100 | 2,441 |
| ■ Placer | 12,249 | 12,818 | 11,301 | 9,673 | 9,627 | 10,309 | 11,051 | 10,042 | 8,111 |

Preliminary FY 2014-15 BUDGET TO ACTUAL



Preliminary FY 2014-15 Budget to Actual Analysis

| | FY 13-14 | FY 14-15 | FY 14-15 | Variance from Budget | |
|---------------------------------------|---------------------|---------------------|-------------------|-----------------------|---------------|
| | Actual | Budget | Projection | Amount | Percent |
| REVENUES | | | | | |
| Metered Sales | \$ 8,506,899 | \$ 8,731,309 | \$ 7,917,774 | \$ (813,535) | -9.3% |
| Connection Fees | 1,057,014 | 2,105,025 | 604,501 | (1,500,524) | -71.3% |
| Taxes & Assessments | 838,921 | 819,060 | 903,128 | 84,068 | 10.3% |
| Other Revenues | 169,186 | 225,031 | 133,812 | (91,219) | -40.5% |
| TOTAL REVENUES | 10,572,020 | 11,880,425 | 9,559,214 | (2,321,211) | -19.5% |
| EXPENSES: | | | | | |
| Salaries and Benefits | 4,233,713 | 3,271,064 | 3,917,841 | 646,777 | 19.8% |
| Treated Water | 2,110,208 | 2,216,330 | 1,742,500 | (473,830) | -21.4% |
| Other Expenses | 1,842,227 | 1,792,396 | 1,680,327 | (112,069) | -6.3% |
| Debt Service - Interest | 707,999 | 1,209,136 | 1,186,128 | (23,008) | -1.9% |
| Debt Service Principal | 0 | 448,933 | 466,510 | 17,577 | 3.9% |
| TOTAL EXPENSES | 8,894,147 | 8,937,859 | 8,993,306 | 55,447 | 0.6% |
| NET AVAILABLE FOR DISTRIBUTION | \$ 1,677,873 | \$ 2,942,566 | \$ 565,909 | \$ (2,376,658) | -80.8% |

Preliminary RESERVE ANALYSIS



| | FY 13-14 | | FY 14-15 | | Change in Reserves | |
|--------------------------|----------------------------------|-------------------|----------------------------|-------------------|-----------------------|---------------|
| | Per Audited Financial Statements | | Preliminary Ending Balance | | Amount | Percent |
| General | \$ | 6,279,280 | \$ | 7,182,679 | \$ 903,399 | 14.4% |
| Connections | | 3,627,456 | | - | (3,627,456) | -100.0% |
| Restricted Bond Proceeds | | 2,779,391 | | 0.33 | (2,779,391) | -100.0% |
| Operating | | 1,437,090 | | 2,349,857 | 912,767 | 63.5% |
| Emergency | | 597,706 | | - | (597,706) | -100.0% |
| Compensated Absenses | | 455,147 | | 475,878 | 20,731 | 4.6% |
| PERS | | 407,323 | | 409,819 | 2,496 | 0.6% |
| Kokila Reservoir | | 371,496 | | 381,738 | 10,242 | 2.8% |
| Vehicles | | 50,000 | | 214,000 | 164,000 | 328.0% |
| Customer Deposits | | 18,693 | | 18,643 | (50) | -0.3% |
| Total Reserves | \$ | 16,023,582 | \$ | 11,032,615 | \$ (4,990,967) | -31.1% |

FY 15-16 DRAFT BUDGET SUMMARY

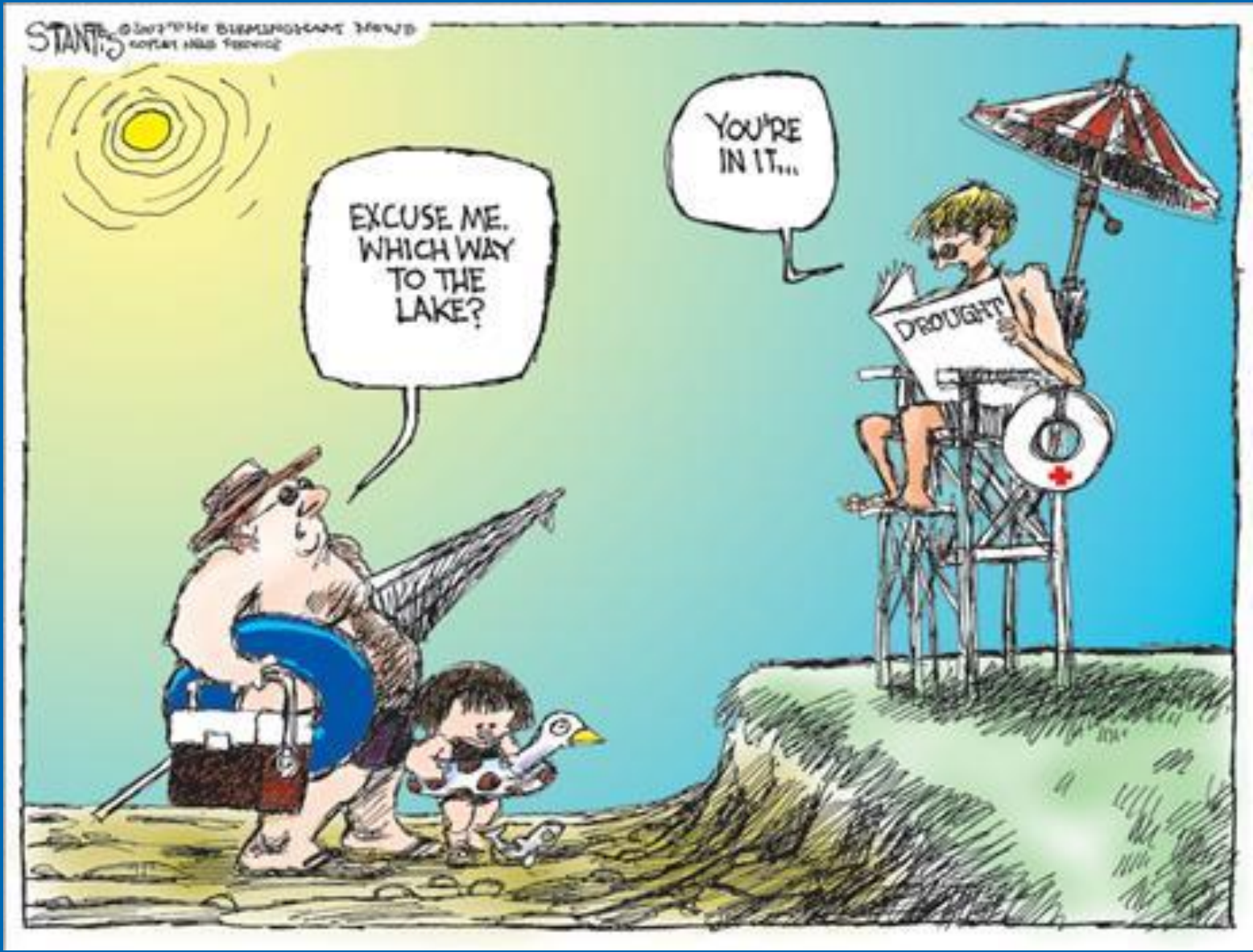


| | FY 13-14 | FY 14-15 | FY 15-16 | Variance from FY 14-15 Projection | |
|---------------------------------------|---------------------|-------------------|-------------------|-----------------------------------|------------|
| | Actual | Projection | Draft Budget | Amount | Percent |
| REVENUES | | | | | |
| Metered Sales | \$ 8,506,899 | \$ 7,917,774 | \$ 8,849,700 | \$ 931,926 | 12% |
| Connection Fees | 1,057,014 | 604,501 | 350,000 | (254,501) | -42% |
| Taxes & Assessments | 838,921 | 903,128 | 948,000 | 44,872 | 5% |
| Other Revenues | 169,186 | 133,812 | 127,500 | (6,312) | -5% |
| TOTAL REVENUES | 10,572,020 | 9,559,214 | 10,275,200 | 715,986 | 7% |
| EXPENSES: | | | | | |
| Salaries and Benefits | 4,233,713 | 3,917,841 | 4,067,500 | 149,700 | 4% |
| Treated Water | 2,110,208 | 1,742,500 | 2,050,900 | 308,400 | 33% |
| Other Expenses | 1,842,227 | 1,680,327 | 2,103,600 | 423,300 | 25% |
| Debt Service - Interest | 707,999 | 1,186,128 | 1,176,100 | (10,000) | -1% |
| Debt Service Principal | 0 | 466,510 | 473,000 | 6,500 | 1% |
| TOTAL EXPENSES | 8,894,147 | 8,993,306 | 9,871,100 | 877,800 | 10% |
| NET AVAILABLE FOR DISTRIBUTION | \$ 1,677,873 | \$ 565,909 | \$ 404,100 | | |

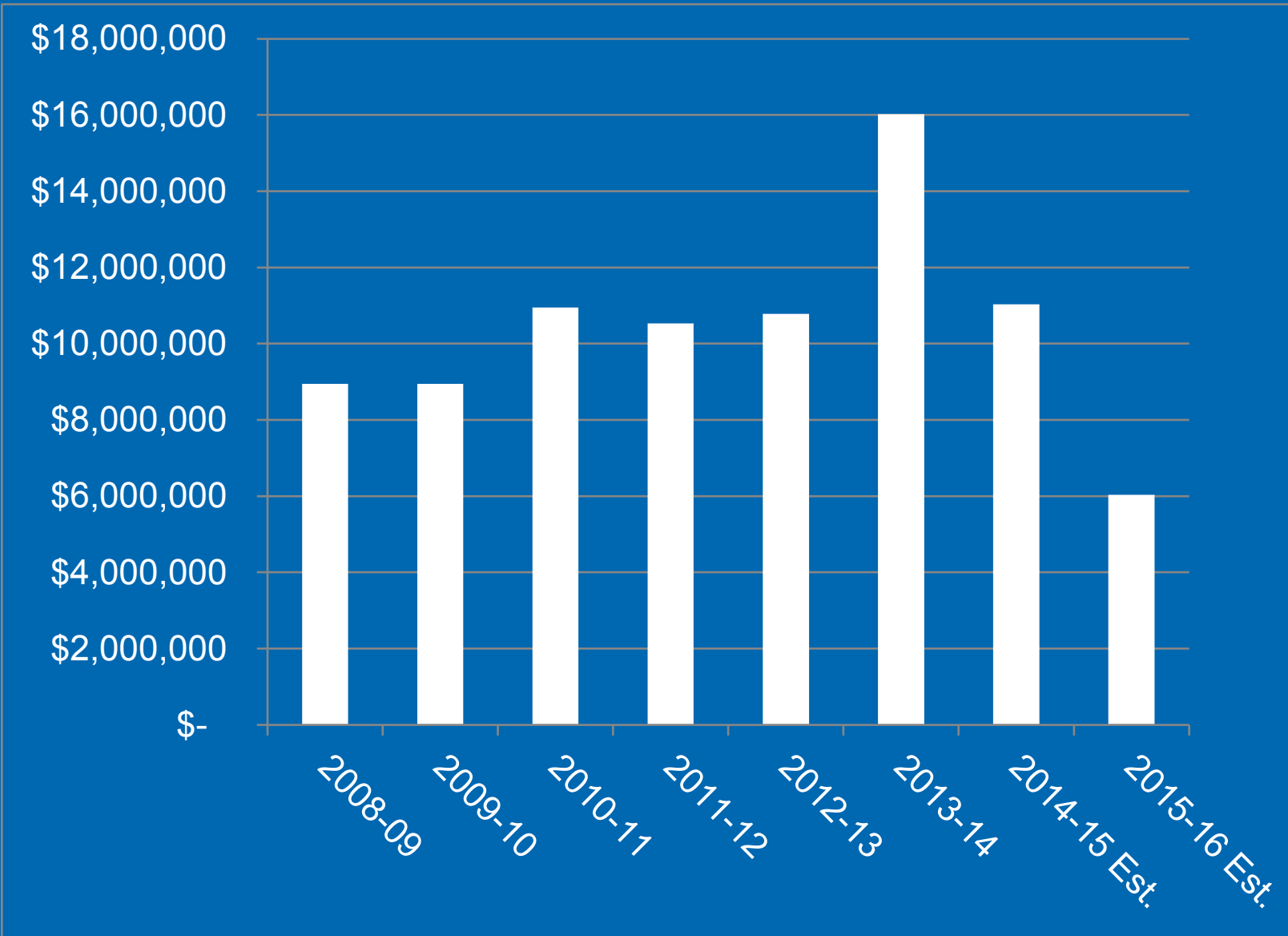


CIP SPENDING & ENDING RESERVE BALANCE

| | | | |
|--|----|------------------|-------------------------|
| Beginning Available Reserve Balance | | \$ | 11,032,615 |
| Net Available from Operations | | | 404,100 |
| FY 15/16 CIP Projects by Category: | | | |
| Pipelines | \$ | 2,135,600 | |
| Pump Stations | | 1,500,000 | |
| Storage Facilities | | 892,000 | |
| Other | | 876,000 | |
| Total FY 1516 CIP Spending | \$ | <u>5,403,600</u> | 5,403,600 |
| Estimated Ending Reserves 6/30/2016 | | \$ | <u><u>6,033,115</u></u> |

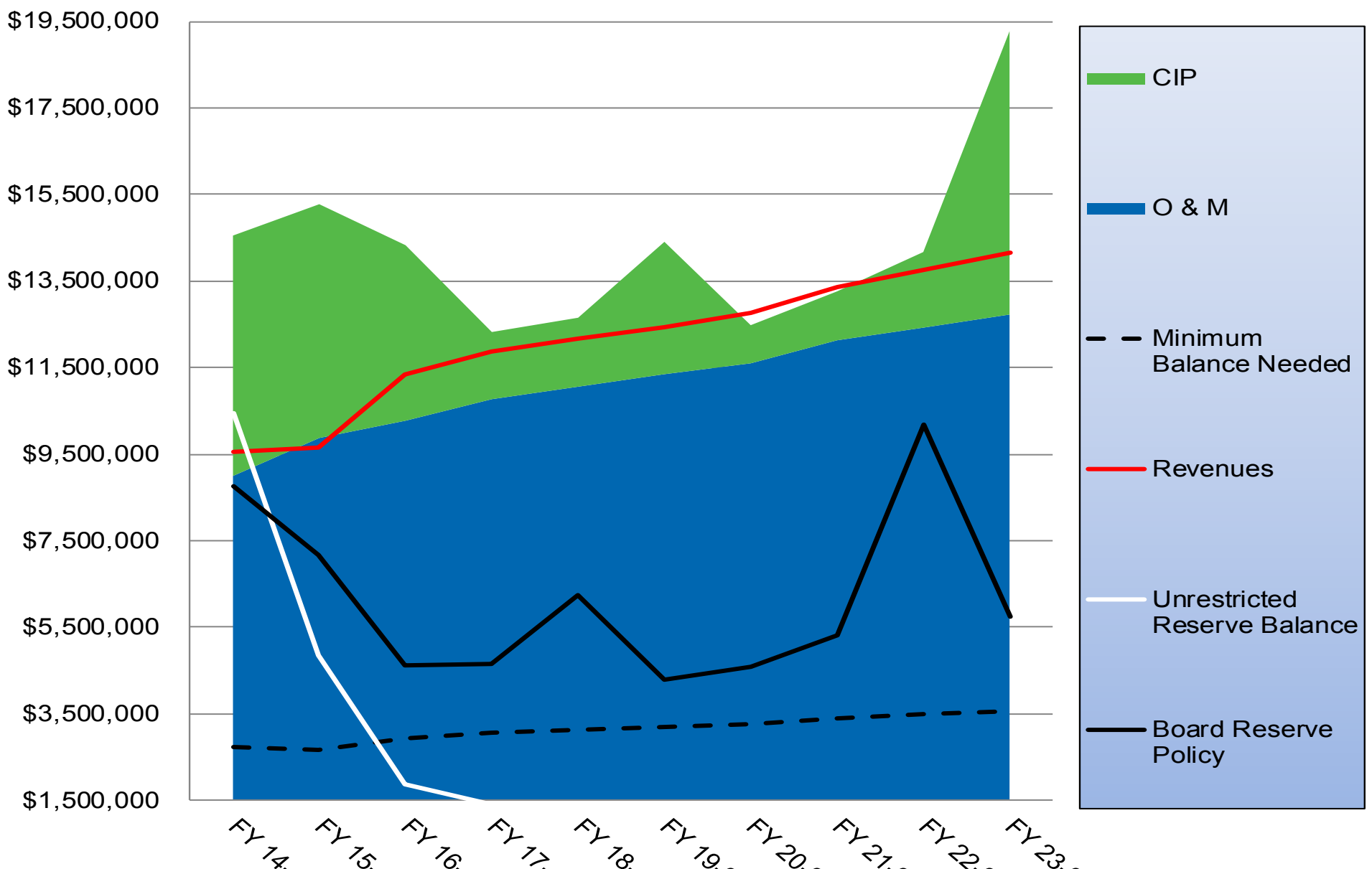


AVAILABLE RESERVES - HISTORICAL



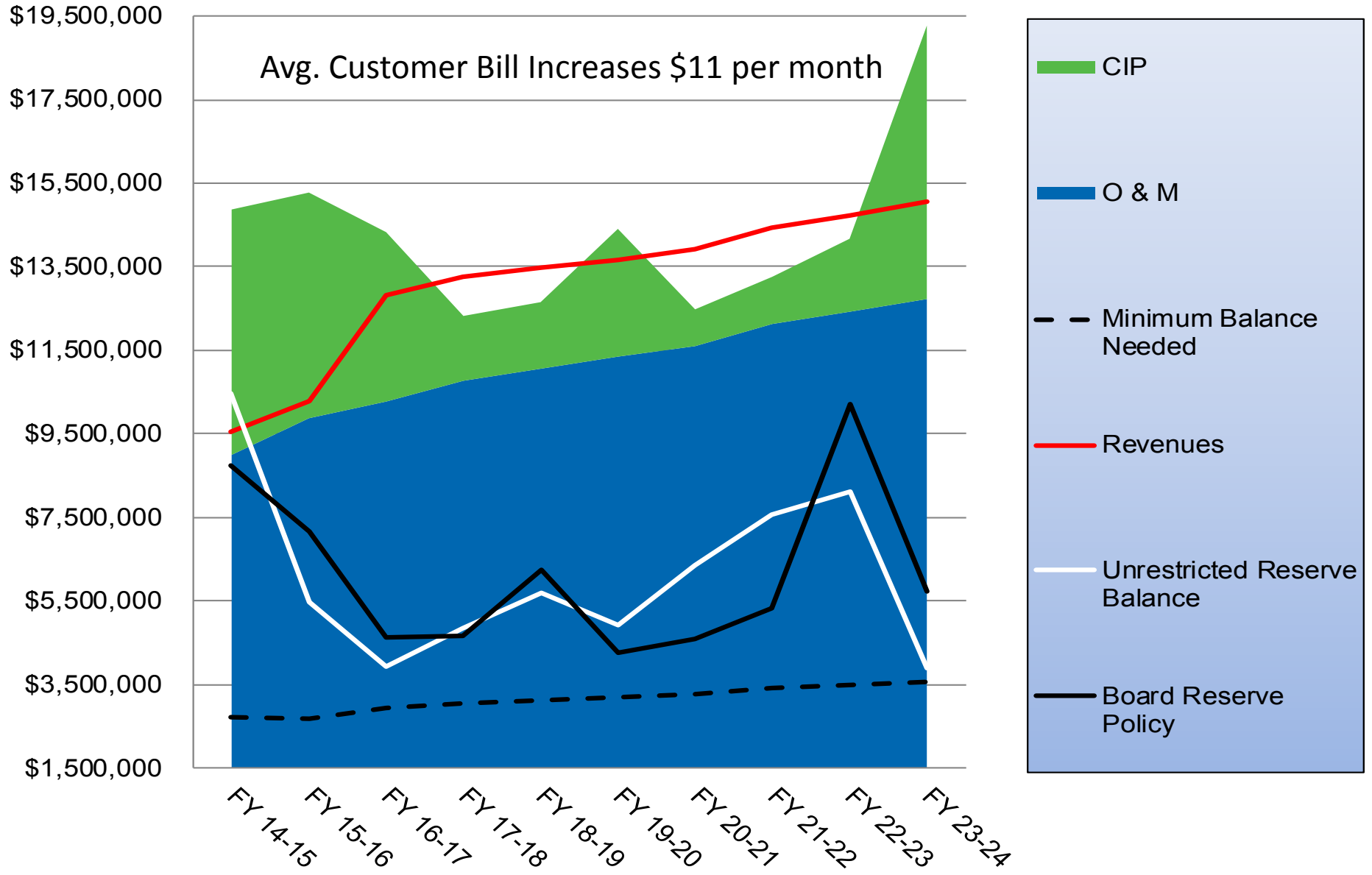
PROJECTIONS

Financial Plan – 3% Rate Increase



PROJECTIONS

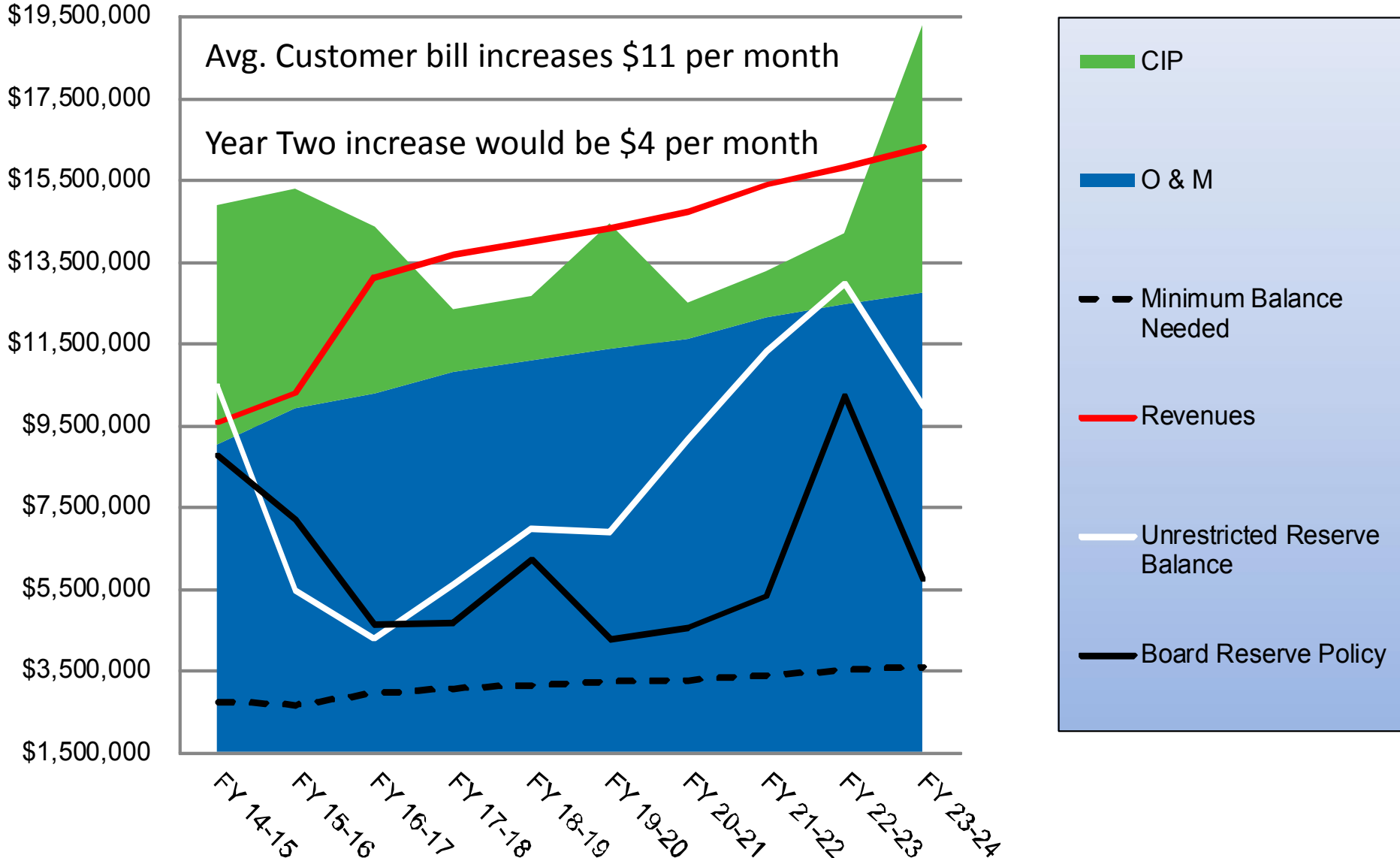
19% - 3% Rate Increase



RESERVES

19% - 6% Rate Increase

Staff Recommendation

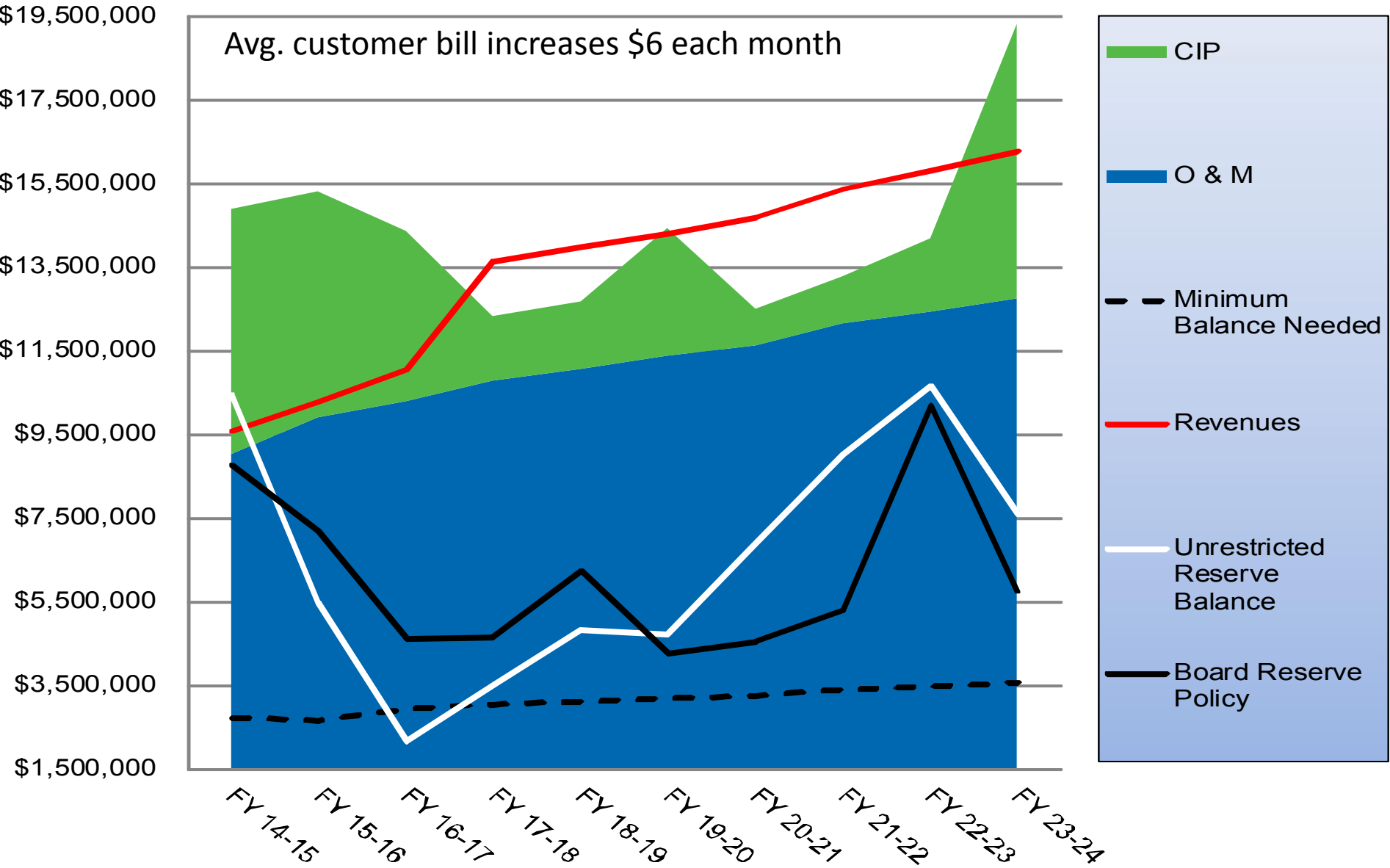


RESERVES

9% - 9% - 9% Rate Increase

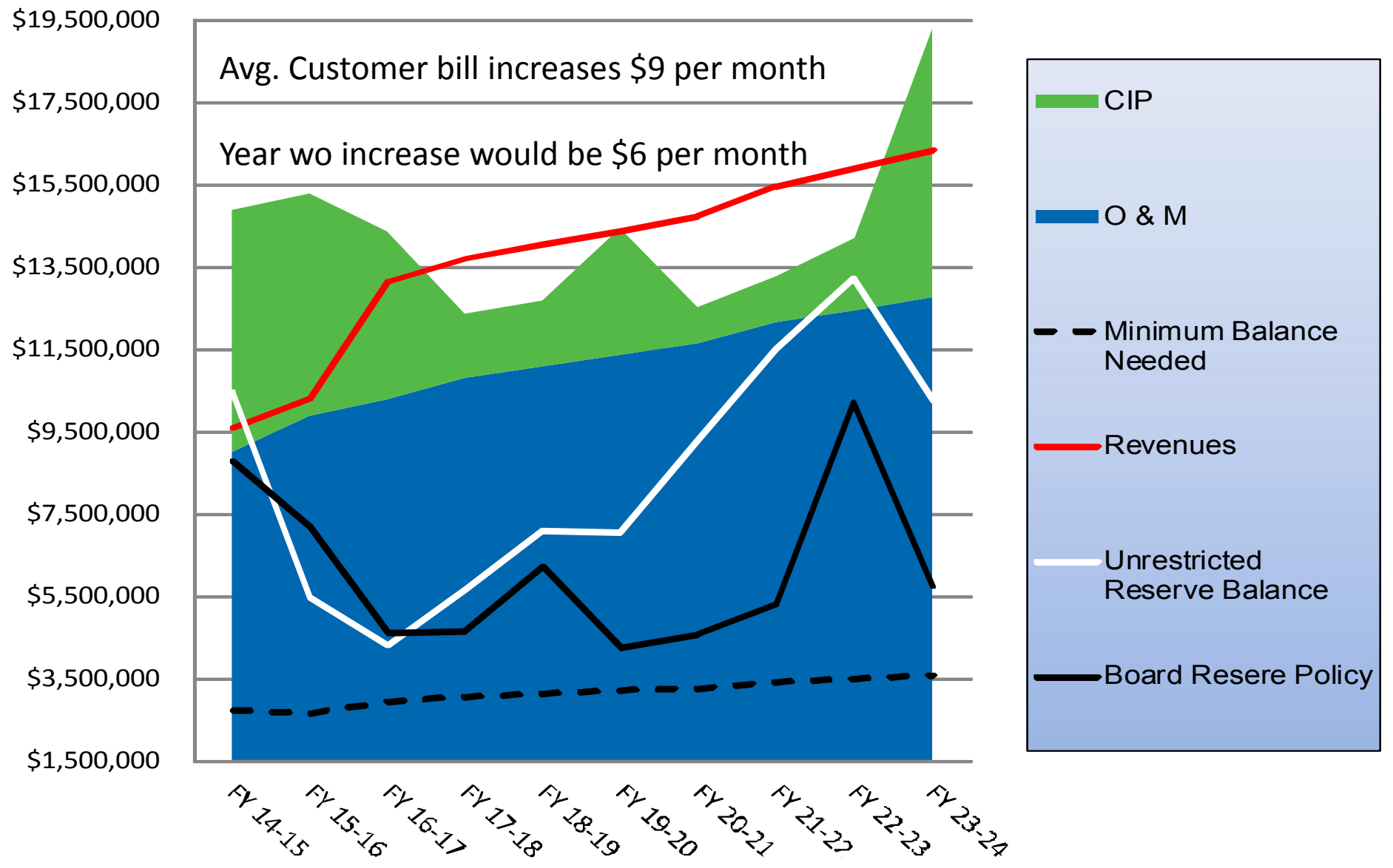


Avg. customer bill increases \$6 each month



RESERVES

15% - 10% Rate Increase



In closing.....



MISSION



Our mission, and highest priority to our customers, is to take all necessary actions to ensure the delivery of a reliable water supply of the highest quality at reasonable and equitable costs.

AGENDA ITEM IV-1 DRAFT

Water Supply & Reliability Committee Meeting Minutes San Juan Water District September 22, 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 Hart, Administrative Assistant/Board Secretary

Members of the Public: Loren Murray, Aecom
Gabriel Perigault, Aecom
Dave Underwood, Fair Oaks Water District
Michael Schaefer, Orange Vale Water Company
Craig Davis, Orange Vale Water Company
Sharon Wilcox, Orange Vale Water Company
Joe Duran, Orange Vale Water Company
Ted Costa, San Juan Water District (Alternate)
Lisa Brown, San Juan Water District
Vicki Sacksteder, San Juan Water District

Topics: Water Supply Status (W & R)
Request for Proposal for a Water Management and Reliability Study (W)
FOWD Board Discussion (W)
Telephone Town Hall (R)
Other Matters
Public Comment

Director Walters acknowledged that Director Costa was in attendance as a member of the public and would not participate in discussions. In addition, he moved agenda items 3 and 4 after agenda item 1 – the minutes will remain in the original meeting order.

1. Water Supply Status (W & R)

Ms. Lorance reported that the Bureau's current projections will maintain releases at 800 cfs through the end of September at which time releases are scheduled to be reduced to 500 cfs from October through December. If there is significant rainfall then the Bureau will most likely be pressured to increase the releases. It is projected that Folsom Reservoir will drop to 145,000 acre feet by the end of December, based on the 90th percentile projections.

Ms. Lorance explained that it is still unknown what an El Niño would do for Northern California, while it is being reported there is a 95% chance that Southern California will have a wet El Niño.

Ms. Lorance informed the committee that the Bureau is holding another media event this week to allow the media to photograph the installation of the barge and facilities that will be installed to provide a contingency plan to supply water to the City of Folsom and Folsom Prison if the winter remains dry.

Ms. Lorance reported that there have been meetings with the State Water Board regarding changes on conservation requirements should it remain dry after February, which could include an amendment to the existing order or a whole new order. In addition, the State Water Board has been discussing long-term water conservation requirements. The committee discussed the recent meeting that the State Water Board held and the potential for more permanent conservation requirements.

The committee discussed conservation efforts in the region which includes the City of Roseville reducing to one day per week watering in order to maintain the state-mandated conservation requirements. Ms. Lorance informed the committee that she will provide a recommendation regarding any additional conservation efforts that might be needed in order to meet the 36% conservation requirement for the District.

For information only; no action requested.

2. Request for Proposal for a Water Management and Reliability Study (W)

Director Walters requested that the wholesale customer agencies receive a copy of the final version of the Request for Proposal (RFP) so that they are informed of the work that is being requested for the Water Management and Reliability Study. Ms. Lorance will send the RFP as an FYI to the Executive Committee email list which includes FOWD, CHWD, OVWC, City of Folsom and SSWD.

The committee reviewed the RFP and made some minor changes such as adding that a separate envelope be submitted which contains the proposed cost from the consultant, adding the wholesale water supply contract to the list of available documents, and revising the information pertaining to questions from the consultants. In addition, the committee confirmed that the consultant will be informed of the current relationship with SSWD, will provide monthly status reports to the committee and will consider any suggestions provided by the wholesale customer agencies.

Ms. Lorance informed the committee that the RFP is for professional services and Legal Counsel will be confirming the process to use for receiving proposals. The committee would like the proposed cost estimates to be submitted in a separate envelope with each proposal. The committee agreed with staff's cost estimate of \$150-200,000.

Director Walters requested that the final RFP be reviewed by Legal Counsel. Ms. Lorange reviewed the schedule and the committee agreed that the final RFP should be submitted to the Finance Committee for review for the October 7th Board meeting.

The Water Supply & Reliability Committee recommends consideration of a motion to issue a Request for Proposals for a Water Management and Reliability Study.

3. FOWD Board Discussion (W)

Ms. Lorange informed the committee that the Fair Oaks Water District has requested her and the Board President to attend their Board meeting on December 14th. After discussions with the committee, it was agreed that it would be good if the two Water Supply and Reliability Committee members attend the FOWD Board meeting. The FOWD Board is requesting that Ms. Lorange conduct a presentation on potential 2016 water transfers that could take advantage of both surface water and groundwater that may be available to the wholesale customer agencies. In addition, FOWD would like to meet to discuss possible collaborative water supply reliability projects.

The committee discussed the need for more information from FOWD as requested in the District's July 15th response to FOWD's June 29th letter. Director Walters commented that the discussion items should be identified prior to a meeting which should be at staff level initially. In addition, the committee would want the consultant who will be hired for the Water Management and Reliability Study to consider the suggestions from the wholesale customer agencies, so the meeting should be held after selection of the consultant.

For information only; no action requested.

4. Telephone Town Hall (R)

Ms. Lorange informed the committee that the conservation department is requesting that another Telephone Town Hall be scheduled. She explained that customers would be informed of the current conditions and the need to conserve in order to maintain the 36% required conservation. She stated that this is a low cost way to reach out to the community. Ms. Lisa Brown, Customer Service Manager, requested that the Telephone Town Hall be scheduled in early October.

The committee recommends that staff schedule the Telephone Town Hall.

5. Other Matters

Ms. Lorange informed the committee that Director Walters has requested to schedule the next committee meeting when Mr. Jim Brennan is available to attend. Staff will work with Mr. Brennan to schedule a meeting in October.

The proposals will be reviewed at the November committee meeting.

For information only; no action requested.

5.1 Next Meeting Date

The next committee meeting will be scheduled for October.

6. Public Comment

There was no public comment.

The meeting adjourned at 5:03 pm.

REQUEST FOR PROPOSALS (RFP)
SAN JUAN WATER DISTRICT
WHOLESALE WATER MANAGEMENT AND RELIABILITY STUDY

INTRODUCTION AND BACKGROUND

San Juan Water District (SJWD or District) is seeking proposals from qualified firms to conduct a study and evaluate options for the District to improve management of surface water and groundwater resources within its wholesale service area, and potentially outside its current service area through collaboration, consolidations, or other actions, in order to improve its water supply reliability.

The District provides wholesale treated water supplies to Fair Oaks and Citrus Heights Water Districts, Orange Vale Water Company, the City of Folsom north of the American River (the Ashland area), and the San Juan Water District retail service area (collectively referred to as San Juan Water District Wholesale Customer Agencies (WCAs)). Additional information on the District's wholesale service area and a map of the District's service area boundary can be found on the District's website, www.sjwd.org. The District also treats and conveys surface water to Sacramento Suburban Water District (SSWD) when surface water supplies from Folsom Reservoir are available to SSWD. The ongoing drought, regulatory and legislative actions, and analysis of potential climate change impacts have highlighted the vulnerability and less-than-desired reliability of SJWD's surface water supply to meet the needs of its WCAs.

SJWD recently participated in a study with SSWD to analyze possibilities for better water management between the two Districts. Four years of study included:

1. Phase 1 – High level evaluation of water management benefits and options that concluded that merging the two Districts could provide the best potential for better management of the Districts' collective surface and groundwater resources.
2. Phase 2 – Study of all elements of a potential merger, beginning with an initial Phase 2A with a limited scope and budget.

SSWD elected to suspend Phase 2 of the study after completion of Phase 2A and has not yet agreed to proceed to Phase 2B. The SJWD Board of Directors considers better management of surface water and groundwater an important goal to improve water supply reliability and provide potential benefits to regional and statewide water supplies as well as financial benefits to the District's ratepayers. With the potential for SSWD to indefinitely delay or cancel completely the completion of the study of merging SSWD and SJWD, SJWD is evaluating other options for meeting the District's goal.

The goal for this study is to identify a water management plan and program that meets the following objectives:

- Perfect the beneficial use of San Juan Water District's water rights, contractual entitlements, and facilities by optimizing use of SJWD surface water during normal and wet years to facilitate recharge of the groundwater basin.
- Increase water storage via new surface water storage and/or through in lieu groundwater banking or direct recharge (injection)
- Use groundwater or stored surface water during dry years when surface water supply is limited to increase water supply reliability to SJWD customers.
- Actively manage the groundwater and surface water resources to provide a benefit to the statewide water supply and financial benefit to our ratepayers

This project is for the benefit of, and is being conducted by, San Juan Water District. However, there will be a high degree of WCA interest and interaction through-out the project. The selected consultant will be required to conduct periodic workshops and/or presentations to share information with the WCAs, respond to questions and comments, and consider suggestions made by the WCAs. The selected consultant may also be required to facilitate multi-agency meetings and joint board presentations.

AVAILABLE INFORMATION

The following information is available for review on the District's website:

- Analysis of the Water Rights and Contractual Entitlements of the San Juan Water District
- SJWD Retail Service Area Groundwater Study
- Phase 1 and Phase 2A reports from SJWD and SSWD study
- Wholesale Customer Agency Water Supply Agreements
- Sacramento River Regional Water Reliability Project Planning Phase I

SCOPE OF WORK

A brief description of the required elements of anticipated work tasks are described below. These tasks are provided only as a guideline, and interested consultants are encouraged to develop a scope of work that addresses the District's needs and provides value and innovation. Additional tasks recommended by the consulting firm to enhance the work product should also be included in the proposal and shall be clearly identified as optional items. Identify information needs or work that the consultant expects to be completed by District staff. If there are no expectations of District staff effort listed for a task, the District will expect the task to be completed without any District staff time.

Task 1 – Project Management

The project shall include work plan submittal, progress reporting, scheduling, office administration, meetings, general correspondence, and invoicing. Regular contact with District staff shall be maintained to incorporate decisions and suggestions regarding the direction of the project.

The consultant shall prepare monthly progress reports submitted with invoices that include a summary of the work completed for the month, key decisions and milestones reached during the reporting month, open issues requiring resolution, the work anticipated to be completed in the following month, and a status report on the project schedule and budget. The monthly status reports shall be provided electronically via email to the District. These monthly written status reports shall be supplemented with regular telephone calls with District staff to discuss the status of on-going work efforts and outstanding issues.

Task 2 – Quality Assurance

The consultant shall provide the services of senior-level staff persons with applicable experience to conduct technical reviews of project deliverables prior to submittal to the District. Any other formal quality assurance programs proposed to be used by the consultant should be included as part of the scope of work and described in the proposal.

Task 3 – Meetings

There will be numerous meetings related to this project. For the purpose of preparing your proposal, please assume that at a minimum the following meetings will be held:

| | |
|---|---|
| Project Kick-Off Meeting with Water Supply and Reliability (WS&R) Committee and Staff | 1 |
| Project Status Meetings with Management Staff | 6 |
| Review Meetings with WS&R Committee | 3 |
| Workshops/Status Meetings with WCAs | 3 |
| District Board Meeting Presentations | 2 |
| Joint Board Meeting Presentation | 1 |

The consultant shall prepare meeting agendas and meeting summaries for all meetings conducted by the consultant, and shall provide the meeting summaries to the District within five working days following the meeting.

Task 4 – Data Collection and Review

The consultant shall obtain and review District, WCA, local agencies, SGA, RWA, and other regional planning reports, groundwater basin studies, Aquifer Storage and Recovery (ASR) studies and other documents that may be related to this study.

Task 5 – Alternatives Development and Evaluation

The consultant shall evaluate options for developing a water management plan for optimizing use of SJWD surface water during wet years and providing reliable surface water and/or groundwater during times of reduced surface water supply from Folsom Reservoir. The consultant’s scope shall include identifying all reasonably possible options, and conducting a high-level evaluation of each option to develop a short-list for more detail analysis in the next phase of the analysis. The intent of this phase of study is to identify all potential alternatives, record the evaluation process for future information, and reduce the alternatives down to three or four options for more detailed analysis. These options may be stand alone, or they may be a combination of more than one of the options evaluated. The level of effort and analysis that will be required to select the top options to study further should be fully described by the consultant.

After review and concurrence from the District on the short list of options, the consultant shall develop a conceptual level cost estimate of the short listed alternatives. The conceptual cost estimates should include land purchase and construction costs, permit costs, environmental work, and any other costs that could reasonably be foreseen for successful implementation.

The SJWD WS&R Committee identified the following options for better water management of groundwater and surface water for inclusion in the consultant’s evaluation. The consultant’s evaluation shall include, but not be limited, to these options.

| | Option | Pros | Cons |
|----------|---|--|--|
| 1 | Work with Roseville to use existing ASR wells | Reduced capital costs; already permitted; facilities installed; CVP contractor so possible use of CVP water | Limited ability to provide dry year water to SJWD; agmt could be terminated in future; requires cooperation and agreements of more than one agency |
| 2 | Work with PCWA to coordinate gw and sw | West Placer an opportunity; possibility to have access to sw above Folsom; CVP contractor so possible use of CVP water | Agmt could be terminated in future; requires cooperation and agreements of more than one agency |
| 3 | Work with PCWA on treatment plant capacities; ours and theirs | Possible access to sw above Folsom; more use of SJWD WTP during wet years | Does not provide dry year reliability; may only be short-term solution |
| 4 | Work with SSWD and other GW agencies | Possible ability to manage gw and sw | Same restrictions as SSWD wo merger |

| | | | |
|----|---|--|--|
| 5 | Install gw wells along Cooperative Transmission Pipeline | Control of gw and sw by one agency; efficient transmission of water | May not be gw along route; WCA may have concerns |
| 6 | Install gw wells in SJWD boundaries (wholesale area) | Control of gw and sw by one agency; likely adequate gw | WCAs may have concerns; transmission pipelines could be costly |
| 7 | Purchase Cal AM Citrus Heights service area | Could provide same benefits as a merger | Cost to purchase system likely very high so Cal Am customer water rates would increase |
| 8 | Consolidate/merge with another agency | Could provide same benefits as a SSWD merger | Have not identified willing partner |
| 9 | Develop additional sw storage | Could provide sw storage under SJWD control; | Good location could be hard to find; would have environmental responsibilities |
| 10 | Work with WCAs on conjunctive use | Within existing wholesale service area; | Would require agreements and cooperation; agreements could be terminated; would require sw injection as in lieu not an option |
| 11 | Purchase groundwater wells from WCAs to manage both surface and groundwater | Would allow management of ALL surface and groundwater within wholesale service area for optimal use of each water source | WCAs may not be interested; unsure of condition of gw wells and possible cost of rehabilitation and treatment requirements for continuous use |
| 12 | Sacramento River Regional Water Supply Reliability Project | Access to sw during dry years when Folsom Reservoir supplies at risk. | Requires significant regional partnership. Total project cost of \$1.2B. Requires modified or new CVP agreement. Limited to small quantity, dry year supply. |
| 13 | Maintain Status Quo | Would not require any additional efforts; would avoid any disagreements related to SJWD obtaining gw production facilities | Significantly limits, if not removes, ability to optimally manage conjunctively gw and sw; does not meet SJWD reliability goals. |

Task 6 – Recommended Scope for Feasibility Study

The consultant shall develop the recommended scope of work for a detailed feasibility study of the short list of options.

Task 7 – Administrative Draft Report

The consultant shall document the development and evaluations of options considered and provide a record of the work completed in the form of a report. The consultant shall

provide an electronic copy via email of an administrative draft report in Word for staff internal review and comment.

Task 8 – Draft Report

The consultant shall incorporate comments from administrative draft report and provide a final draft report and presentations to the WS&R Committee, the WCAs, and the District Board of Directors for their comments. Twelve bound copies of the final draft report plus an electronic copy in Word will be required.

Task 9 – Final Report

The consultant shall incorporate comments from final draft report and provide a final report. Fifteen bound copies and one electronic copy in Word will be required.

PROPOSAL REQUIREMENTS AND CONTENTS

Proposals submitted for this project are to follow the outline described below and must address all requested information. Any additional information that the firm wishes to include that is not specifically requested may be included in an appendix to the proposal. Firms are encouraged to keep the proposals brief and to the point, but sufficiently detailed to allow evaluation of the project approach.

Section 1: Project Overview

Provide a narrative description of the project based on the Scope of Work presented in the RFP. District staff will assess the consultant's understanding of all aspects of the project based on the overview.

Section 2: Detailed Work Plan

Provide a description of the required tasks and duties for preparation of the Study. The description shall include details to implement all tasks described in the Scope of Work and any recommended additions to the list of tasks. Include any assumptions used in development of the work tasks, particularly the work anticipated to be completed by District staff. Also identify any unique approaches to the work. All assumptions shall be clearly identified.

Section 3: Project Team

The project team, including subconsultants, shall be identified with key tasks and the associated responsible personnel for each task identified. A project team organization diagram and a resume of each team member shall be included. The geographic location of the firm and key personnel shall also be identified.

Section 4: Experience

Provide a list of past projects worked on by the project team members. Include only projects completed by a key team member proposed for this project. Identify which team members participated in each of the past projects. Include reference names and phone numbers for at least three of the projects. The projects selected should be projects worked on by the proposed project manager or project engineer. The relevant experience of any proposed sub-consultants shall also be listed.

Section 5: Project Schedule

A schedule for completion of the project shall be submitted with the Proposal. Assumptions used in developing the schedule and other potentially driving factors shall be identified. Show various work tasks along with important intermediate dates (meetings, submittals, reviews, etc.). Allow realistic review periods for QA and SJWD staff. If the evaluation cannot be completed within 6 months please provide information on why the schedule needs to be extended.

Section 6: Conflicts of Interest

Firms submitting a Proposal in response to this RFP must disclose any actual, apparent, direct or indirect, or potential conflicts of interest that may exist with respect to the firm, management, or employees of the firm or other persons relative to the services to be provided under the Agreement for services to be awarded pursuant to this RFP. If a firm has no conflicts of interests, a statement to that effect shall be included in the Proposal.

Section 7: Proprietary Information

Firms submitting a Proposal in response to this RFP must provide a statement that nothing contained in the submitted proposal is considered proprietary. All proposals shall become the property of the District once submitted.

Section 8: Staff Estimate and Cost Proposal

Provide an itemized breakdown of all services to be provided and the estimated number of hours to complete each task. The information shall be provided in a spreadsheet format to enable District staff to determine the key project team member(s) involvement proposed for each task and sub-task and the number of management, engineering, technical, drafting and support personnel hours. The name of team member shall be included in the column headings of the spreadsheet.

Provide cost information in a separate, well-marked, sealed envelope. Identify all costs to be billed to the project including cost per hour for each project team member and the total cost envisioned for each task, project expenses, and sub-consultant costs. Include any proposed mark-up for sub-consultant fees. Include a copy of the proposed rate schedule(s) to be used for the duration of the project including any adjustments that are proposed to occur during the life of the project. Any proposed adjustments shall be factored into the total proposed project cost.

The District's estimated budget for this phase of work is \$150,000 to \$200,000.

Section 9: District Standard Contract

The District uses the standard contract provided in Attachment 4. Please review and identify any changes that will be required by the consultant if selected. If no changes are required, make a statement that no changes will be required.

PROPOSAL SCHEDULE

The following schedule is anticipated for awarding this project. If a change in this schedule becomes necessary, all recipients of the RFP will be notified.

| | |
|--|------------------|
| RFP approved for release | October 7, 2015 |
| RFP mailed | October 9, 2015 |
| Proposals Due (3:00 p.m.) | November 6, 2015 |
| Screening, Ranking, Board Recommendation | December 2, 2015 |
| Board of Directors Approval | December 9, 2015 |
| Project Completion | June 2016 |

Questions regarding proposal requirements or the required scope of work are preferred in writing (letter, fax, or email) and should be addressed to:

San Juan Water District
9935 Auburn Folsom Road
Granite Bay, CA 95746
Attention: Keith Durkin
kdurkin@sjwd.org
Fax: 916-791-6956
Telephone: 916-791-6906

SELECTION OF CONSULTANT

A selection committee for the District will review all proposals and rank them according to the following criteria:

- ◆ Project understanding
- ◆ Work Plan
- ◆ Originality and innovation in project approach
- ◆ Responsiveness to the RFP
- ◆ Experience and qualifications of the firm, project manager, key personnel, and sub-consultants
- ◆ Experience working with public agency staff and political bodies
- ◆ Information obtained from references

The consultants whose proposals are rated most favorably may be invited to make an oral presentation to the selection committee. District staff will make the final recommendation for award of this consultant contract. The final scope and contract amount will be negotiated with the selected consultant.

SUBMITTAL OF PROPOSALS

Interested firms should submit six (6) copies of their proposal to:

San Juan Water District
9935 Auburn Folsom Road
Granite Bay, CA 95746
Attn: Keith Durkin

The deadline for submittal is 3:00 PM on November 6, 2015. Late proposals will not be accepted.

PROPOSAL TERMS

The District will not pay any costs incurred by the firm in preparing or submitting the proposal. The District reserves the right to modify or cancel, in part or in its entirety, this RFP. The District reserves the right to reject any or all proposals, to waive defects or informalities, and to offer to contract with any firm in response to this RFP. This RFP does not constitute any form of offer to contract.

**Personnel Committee Meeting
San Juan Water District
October 1, 2015
4:00 p.m.**

Committee Members: Pam Tobin, Chair
Bob Walters, Director

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

Members of the Public: Kim Silvers, Silvers HR, LLC

Topics: General Manager Evaluation Process (W & R)
Assistant General Manager Employment Contract (W & R)
Staffing and Human Resources Plan (W & R)
Other Personnel Matters
Public Comment

1. General Manager Evaluation Process (W & R)

The committee discussed the General Manager (GM) evaluation process. The committee agreed that the format that was used last year worked well and will be utilized again this year. Ms. Silvers reviewed the schedule and informed the committee that she expects to spend approximately 20 hours on the project. A copy of the schedule will be attached to the meeting minutes.

Ms. Silvers inquired if the committee had any revisions to the evaluation questions or to the GM's core competencies or responsibilities. The committee would like the evaluation questions attached to the meeting minutes so that Board members can review and provide input at the October 7th Board meeting. Ms. Silvers will attend the October 7th Board meeting to address the Board.

Ms. Lorance informed the committee that the last merit increase for the GM position was in 2012. Ms. Lorance discussed some draft information related to comparable compensation at the agencies used in the recent compensation study that was readily available on agencies' websites. She requested that the committee consider for a future meeting whether they would like to have a comparison completed or if the draft information was adequate for further discussions by the Board.

For information only; no action requested

2. Assistant General Manager Employment Contract (W & R)

Ms. Lorance informed the committee that she would like to move the current Assistant General Manager (AGM) from a regular employee to a contracted employee. She explained that the AGM is key to the executive success of the District and there are a significant number of opportunities available for the AGM external to the District. The District is involved in multiple activities that would benefit from the retention of the existing AGM. She explained that the contract would be constrained by the approved

salary range from the compensation study. The retention benefits of a contract would be an increase in administrative leave and would provide the ability for the GM to issue a merit based incentive award when the AGM operates at a level that is above average expectations for the position.

She explained that the contract would be between the District and the AGM with the GM as the authorized contract signer for the District. In addition, she informed the committee that many cities and other water districts utilize contracts with upper management. She explained that the contract would be for the existing AGM and would not necessarily be utilized for any new hire in the AGM position. The committee discussed the topic including the incentive portion of the contract.

This item will be discussed at the Board meeting next week to determine if there is consensus on the Board for the GM to enter into a contract with the AGM. The intent is to use the existing GM contract as the template. In addition, the committee requested the GM obtain Legal Counsel review prior to implementing the contract.

The committee also discussed the District-wide incentive program that is currently not funded. The committee requested that the GM ask Ms. Silvers if she has any information on how incentive awards are commonly managed in private businesses.

For information only; no action requested

3. Staffing and Human Resources Plan (W & R)

Ms. Lorance informed the committee that she will bring forward the staffing and human resources plan after the retail budget process is complete. She will bring information back to the Personnel Committee for discussion prior to presenting to the entire Board at a workshop meeting. The committee requested an update on the succession planning efforts that have been underway at the District.

The committee discussed the possibility of outsourcing the HR activities at the District. The idea would be to have a consultant in the District office a few days a week to be available to answer employee questions, update the District policies, and conduct general HR tasks. Ms. Silvers does not provide these services, but at the request of the committee, will see if she can identify any recommendations. The committee also discussed a few other firms that likely provide this type of assistance.

Ms. Lorance informed the committee that the efforts in conservation are continuing, but they also come with a cost. As we move into the winter and get a better idea on the precipitation expected this year, the Board will need to provide policy direction on the level of customer service that the District will continue to provide. The District has provided a high level of customer support and the demand is increasing.

Ms. Lorance also explained that the number of customer calls is still increasing and the intensity of customer concerns is increasing. Some are frustrated that we are allowing some customers to have green lawns while others have let their lawns die. There is a feeling that the cost to re-landscape after the drought will be paid by those conserving all they can and those who are not conserving, but still following the District

conservation requirements, will not have the same costs. There are others who are expressing frustration that we still have to conserve.

For information only; no action requested.

4. Other Personnel Matters

There were no other matters discussed.

For information only; no action requested.

5. Public Comment (W/R)

There was no public comment.

The meeting was adjourned at 4:48 p.m.

Process used to facilitate SJWD Board input and delivery of 2015 performance evaluation for SJWD General Manager (GM).

| Step | Major Task | Primary Responsible | Targeted completion date | Comments |
|------|--|---------------------|--------------------------|--|
| 1 | Brief overview of process with Personnel Comte at 10/1/2015 meeting. Obtain 2015 GM goals set by Board of Directors (BOD) to be evaluated during this process. | Consultant | 10/1/2015 | Assumes Personnel Comte has already determined GM evaluation criteria and format to be used for 2015 will mirror 2014 process. |
| 2 | Determine if BOD presentation of process needed for next BOD mtg. If so, schedule time on agenda. | Personnel Comte | TBD | |
| 3 | Send self-evaluation format or specific information requested to GM. | Consultant | 11/11/2015 | GM will use prior year evaluation format. |
| 4 | Send evaluation criteria to BOD in advance of one on one mtgs. | Consultant | 11/25/2015 | Board will prep for evaluation meetings with Consultant |
| 5 | Prepare self evaluation and send to Consultant and Board. | GM | 11/30/2015 | |
| 6 | Meet with GM to review self evaluation, if requested. | Consultant | 12/4/2015 | |
| 7 | Meet with each BOD member for input on GM performance. | Consultant | 12/30/2015 | Consultant out of town 2 weeks in December |
| 8 | Summarize evaluation input from individual BOD member mtgs. Send draft evaluation to each BOD member for review/edits. | Consultant | 1/7/2016 | |
| 9 | Meet with Personnel Committee to discuss evaluation presentation and their GM bonus recommendation for full BOD approval. | Consultant | 1/14/2016 | |
| 10 | Finalize and deliver evaluation for BOD to present to GM. | Consultant | 1/26/2016 | |

SJWD GM 2015 Evaluation Process Cont'd

| | | | | |
|---|--|------------|-----------|--|
| 11 | Forward GM evaluation to recipient for pre-review at least 24 hours prior to BOD mtg. | Consultant | 1/26/2016 | |
| 12 | Present final evaluation to GM in BOD mtg. GM bonus, if any, to be determined and announced. | BOD | 1/27/2016 | During BOD mtg - preliminary mtg for full BOD to discuss evaluation delivery process. GM Evaluation to be delivered in closed session. |
| 13 | 2015 GM initiatives/deliverables to be determined. | BOD | TBD | |
| Estimated consulting time based on prior years' work is 20 hours | | | | |

SJWD General Manager Performance Evaluation

For 2014 Board Evaluation

Performance Descriptors

| | |
|------------------------------|---|
| Excellent | Performance is clearly outstanding; far exceeds standards or expectations on a continuous basis. Sets the standards as a leader in this area. |
| Very Good | Performance consistently meets or exceeds standards or expectations; attains all or nearly all of key deliverables. |
| Good | Performance is acceptable, generally meeting standards or expectations; Seldom exceeds or falls short of desired results; is developing within the position. |
| Fair | Performance is inconsistent; seldom exceeds and often falls short of desired results. Performance has declined significantly, or employee has not sustained adequate improvement, as required, since the last performance review. |
| Poor | Fails to meet most expectations or standards; performance is consistently below accepted levels. |
| No Basis for Judgment | Rater has not observed this skill or activity. |

Board members will rate the General Manager's demonstration of the six key competencies below using the descriptors above. The rating is for the overall category/competency. Additional examples to support the rating are helpful.

Section I. Key Competencies for General Manager

Enhances Board Relationship demonstrated by the following:

- Maintains and initiates direct contact with each Board member to ensure thorough and clear communication.
- Shares information in a timely manner with Board.
- Receptive to Board members' ideas and suggestions.
- Makes timely responses to all Board requests.
- Engages Board in open, two-way communication.
- Actions encourage mutual honesty, respect and trust.
- Speaks openly to the Board with alternative thoughts and suggestions
- Keeps the confidence of the Board.

Overall rating for Enhances Board Relationship:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

SJWD General Manager Performance Evaluation

For 2014 Board Evaluation

Executes Board Vision demonstrated by the following:

- Follows and executes Board policy and strategic plan in a timely manner.
- Demonstrates commitment to achieving the SJWD mission.
- Sets District objectives and priorities within a global framework.
- Implements plans consistently and meticulously with the long term interests of the District in focus.

| | |
|---|--|
| Overall rating for Executes Board Vision: | |
|---|--|

| | |
|--|--|
| Examples of specific behavior that support the rating: | |
|--|--|

| | |
|---|--|
| Specific behaviors, training, or experience recommended to improve this rating: | |
|---|--|

Effective and Efficient Management of Organization demonstrated by the following:

- Accepts full accountability for staff.
- Identifies organizational problems and takes timely and remedial action.
- Acts with integrity in all matters.
- Selects and develops knowledgeable staff.
- Effectively uses and allocates human and capital resources.
- Delegates authority appropriately.
- Keeps confidence of employees.
- Builds teamwork to enhance morale and recognize contributions.
- Results driven.
- Carefully plans for change and communicates to staff to gain buy in.
- Understands and manages financial budget within approved parameters.
- Assures that staff provides independent and appropriate advice regardless of who asked.

SJWD General Manager Performance Evaluation

For 2014 Board Evaluation

Overall rating for Efficient and Effective Management of Organization:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

Effective Communication Skills demonstrated by the following:

- Seeks information to gain complete picture.
- Listens well.
- Communicates District vision and sets standards to meet this throughout the organization.
- Communicates District mission and services to the public in a positive and professional manner.
- Open to change and new information.
- Develops networks and partners to build strategic relationships.
- Builds consensus.
- Exhibits collaborative approach in idea generation and problem solving.
- Fosters communication with wholesale customers.
- Fosters communication with retail customers.

Overall rating for Effective Communication Skills:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

SJWD General Manager Performance Evaluation

For 2014 Board Evaluation

Professional competencies demonstrated by the following:

- Understands and exhibits adherence to federal and state regulations to ensure District service level is above reproach.
- Manages representation of the District at federal and state legislative bodies, as well as industry associations to protect water rights and set reasonable standards.
- Maintains knowledge of current industry practices and future trends that may benefit or impact the District's operations.

| | |
|---|--|
| Overall rating for Professional Competencies: | |
|---|--|

| | |
|--|--|
| Examples of specific behavior that support the rating: | |
|--|--|

| | |
|---|--|
| Specific behaviors, training, or experience recommended to improve this rating: | |
|---|--|

Excellent Customer Service demonstrated by the following:

- Delivers timely, courteous and responsible service to internal and external customers.
- Anticipates and meets the needs of the District's ratepayers.
- Committed to continuous improvement.
- Demonstrates a commitment to serve the public's needs.

| | |
|--|--|
| Overall rating for Excellent Customer Service: | |
|--|--|

| | |
|--|--|
| Examples of specific behavior that support the rating: | |
|--|--|

| | |
|---|--|
| Specific behaviors, training, or experience recommended to improve this rating: | |
|---|--|

SJWD General Manager Performance Evaluation

For 2014 Board Evaluation

Section II. Achievement of 2014 strategic initiatives from the Board's annual workshop

Ratings for each initiative will be requested

Section III. Additional achievements

Note any specific achievements beyond the strategic plan initiatives (See also GM's self evaluation)

Section IV. Future Development needs for upcoming 12 months and long term

(See GM's self appraisal for her input)

Section V. Overall comments and rating

Finance Committee Meeting Minutes
San Juan Water District
October 6, 2015
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

Topics: Review and Pay Bills (W & R)
Security System Project
Water Management and Reliability Study Budget (W & R)
Receive and Review Standard & Poor's Rating Review Report (W & R)
Receive and Review Use of 2012 Bond Proceeds (W & R)
Discuss and Review FY 2015-16 Draft Retail Budget Presentation (R)
Other Finance Matters
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 September payables is \$1,024,503.98.

The Finance Committee recommends approval of Resolution 15-14.

2. Security System Project

Mr. Durkin informed the committee that this item is being held over. The District received only one bid for the project and it was approximately \$100,000 over the engineer's estimate and the budgeted amount. Therefore, staff will review the project and determine if the scope of work needs to be modified and the project re-bid.

For information only; no action requested.

3. Water Management and Reliability Study Budget (W)

Ms. Lorance reported that the Water Supply & Reliability Committee referred the Water Management and Reliability Study budget to the Finance Committee for review. She explained that the committee is recommending to the Board to consider issuing a Request for Proposal (RFP) for the study, which is estimated for this first phase of study at \$150,000 to \$200,000 which is not included in the wholesale budget. This amount is similar to the cost that the District was

anticipating to spend on a Phase 2B study with SSWD. She explained that if the Board approves issuing the RFP, the funds would need to be transferred from reserves.

The committee discussed the study costs and recommends that the Board discuss the topic during the action to consider approval of issuing the RFP.

For information only; no action requested.

4. Receive and Review Standard & Poor's Rating Review Report (W & R)

Ms. Silva reported that Standard & Poor's affirmed its 'AA' long-term rating on San Juan Water District, Calif.'s series 2009A certificates of participation (COPs) and the 2012A refunding revenue bonds (San Juan and Citrus Heights Project). In addition they stated that the outlook is stable on both items. Ms. Silva reviewed highlights of the rating report with the committee members, including actions the District could take that would improve or cause a downgrade in the bond rating. Ms. Silva suggested that the District develop a press release since maintaining the 'AA' rating is an accomplishment which should be recognized. A copy of each report will be attached to the meeting minutes.

For information only; no action requested.

5. Receive and Review Use of 2009 Bond Proceeds (W & R)

Ms. Silva provided the committee with a table showing the use of the 2009 COP proceeds. A copy of the table will be attached to the meeting minutes.

For information only; no action requested.

6. Discuss and Review FY 2015-16 Draft Retail Budget Presentation (R)

Ms. Silva informed the committee that she will be presenting the FY 2015-16 draft retail budget at the Board meeting on October 7th. She explained that she will be reviewing the budget process and timeline, the budget assumptions, a preliminary review of FY 2014-15 results, a preliminary reserve review, the draft FY 2015-16 budget, and any rate increase impacts. Ms. Lorance commented that the presentation is for information only prior to presenting at the public hearing on October 28th.

The committee discussed the retail budget and the assumptions used which includes water conservation at 36% through February and then at 20% thereafter. In addition, they discussed the Water Supply & Reliability Committee's task into looking at alternative surface water and groundwater sources.

Ms. Lorance informed the committee that an SGA representative will be attending the November 18th Board meeting to discuss sustainable groundwater management. Director Costa voiced concern on how future state regulations might affect conjunctive use of groundwater. Mr. Kevin Thomas commented that the District might want to look into hiring another lobbying firm to tackle groundwater issues. In response to Mr. Thomas' question, Ms. Lorance explained

that a Phase 2B study with SSWD is not in the existing budget and if pursued then would be funded by reserves.

For information only; no action requested.

7. Other Finance Matters (W or R)

Ms. Silva requested clarification on the information which Director Miller requested at the last meeting. Director Miller would like to see a report on monthly overtime and the cost of the temporary workers.

For information only; no action requested.

8. Public Comment

There were no public comments.

The meeting was adjourned at 4:38 p.m.

San Juan Water District

**RESOLUTION 15-14
PAYMENT OF BILLS AND CLAIMS**

WHEREAS, the Finance Committee of the Board of Directors has reviewed the bills and claims in the amount of \$1,024,503.98; 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 \$1,024,503.98 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 \$1,024,503.98 of the General Fund Account.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 7th day of October 2015, by the following vote:

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

EDWARD J. "TED" COSTA
President, Board of Directors
San Juan Water District

TERI HART
Secretary, Board of Directors

October 2015 Payment Register

Approved Paid in Advance:

| <u>Check Date:</u> | <u>Vendor:</u> | | | <u>Amount:</u> |
|---------------------------------------|--|----|-------|-------------------|
| 9/24/2015 | Aflac - Insurance | CK | 49143 | 1,135.70 |
| 9/24/2015 | Galic Disbursing Company - Payroll | CK | 49144 | 400.00 |
| 10/1/2015 | El Sombrero Taqueria - Farewell Staff Lunch for Kate | CK | 49146 | 899.58 |
| 9/30/2015 | Payroll | | | 466,488.15 |
| Total Approved Paid in Advance | | | | 468,923.43 |

Approved Checks:

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

| | |
|-----------------------------|-------------------|
| Total Check Register | 514,588.30 |
|-----------------------------|-------------------|

Approved Pending Payables:

| <u>Invoice No.:</u> | <u>Vendor - Description:</u> | | <u>Invoice Amount</u> | <u>Vendor Total</u> |
|--|---|----------|-----------------------|---------------------|
| September Bill | SMUD - Electric Services | ESTIMATE | 20,000.00 | 20,000.00 |
| 3608 | GM Construction - Replacement Landaker Services | | 4,233.20 | |
| 3608-RET | GM Construction - Replacement Landaker Services Retention | | 222.80 | |
| 3661 | GM Construction - Construction Services Installations | | 8,645.00 | |
| 3661-RET | GM Construction - Construction Services Installations Retention | | 455.00 | |
| 3671 | GM Construction - Service Installations | | 4,126.80 | |
| 3671-RET | GM Construction - Service Installations Retention | | 217.20 | 17,900.00 |
| Sept Wheeling | Bureau of Reclamation - September Wheeling | ESTIMATE | 3,092.25 | 3,092.25 |
| Total Approved Pending Payables | | | | 40,992.25 |

REPORTED TO FINANCE COMMITTEE AS PAID AND PAYABLE

937,846.75

Adjustments:

| | | | | |
|-------------------------------|---|--|------------|---------------------|
| 01-2015 Flow Control | C&D - Flow Control Stations Services | | 66,657.23 | |
| 01-2015 Flow Control | C&D - Retention Flow Control Stations Services | | 3,508.28 | |
| 01-2015 Flow Control | C&D - Retention CM Flow Control Stations Services | | (3,508.28) | 66,657.23 |
| 9/30/2015 | Payroll - Transposed number | | | 20,000.00 |
| TOTAL PAID AND PAYABLE | | | | 1,024,503.98 |

| | |
|-------------------|-------------------|
| Regular Checks | 427,579.59 |
| EFT's | 87,008.71 |
| TOTAL PAID | 514,588.30 |

Signature _____

Signature _____



San Juan Water District, CA

Check Register

Packet: APPKT00669 - 2015-10-07 Oct Ck Run RMP

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 Act#20 | 10/07/2015 | Regular | 0.00 | 414.08 | 49150 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49151 |
| 01041 | Afman Supply - Todd | 10/07/2015 | Regular | 0.00 | 765.27 | 49152 |
| 01068 | ALPHA DES - Glenn Walker | 10/07/2015 | Regular | 0.00 | 968.00 | 49153 |
| 01073 | Amarjeet Singh Garcha | 10/07/2015 | Regular | 0.00 | 4,300.00 | 49154 |
| 01090 | American Water Works Assoc | 10/07/2015 | Regular | 0.00 | 249.00 | 49155 |
| 02463 | AnswerNet | 10/07/2015 | Regular | 0.00 | 293.35 | 49156 |
| 01027 | Association of California Water Agenci | 10/07/2015 | Regular | 0.00 | 1,925.00 | 49157 |
| 01027 | Association of California Water Agenci | 10/07/2015 | Regular | 0.00 | 695.00 | 49158 |
| 01138 | AT&T | 10/07/2015 | Regular | 0.00 | 61.51 | 49159 |
| 01182 | BARTKIEWICZ,KRONICK & SHANAHAN | 10/07/2015 | Regular | 0.00 | 22,285.82 | 49160 |
| 01232 | Brower Mechanical, Inc. | 10/07/2015 | Regular | 0.00 | 421.00 | 49161 |
| 01234 | Bryce Consulting Inc | 10/07/2015 | Regular | 0.00 | 225.00 | 49162 |
| 03149 | BURLINGAME ENGINEERS INC | 10/07/2015 | Regular | 0.00 | 11,351.55 | 49163 |
| 03276 | Burnham, Denny | 10/07/2015 | Regular | 0.00 | 16.53 | 49164 |
| 01250 | C & D Contractors, Inc. | 10/07/2015 | Regular | 0.00 | 70,165.51 | 49165 |
| 01250 | C & D Contractors, Inc. | 10/07/2015 | Regular | 0.00 | 27,377.72 | 49166 |
| 01260 | California-Nevada Section, American V | 10/07/2015 | Regular | 0.00 | 50.00 | 49167 |
| 01298 | CalPERS Long Term Care | 10/07/2015 | Regular | 0.00 | 167.39 | 49168 |
| 03104 | Capital Datacorp | 10/07/2015 | Regular | 0.00 | 342.20 | 49169 |
| 03274 | Chapel, Nancy | 10/07/2015 | Regular | 0.00 | 97.20 | 49170 |
| 01372 | CITY OF FOLSOM | 10/07/2015 | Regular | 0.00 | 36.96 | 49171 |
| 01373 | City of Roseville | 10/07/2015 | Regular | 0.00 | 3,000.00 | 49172 |
| 01411 | Consolidated Communications | 10/07/2015 | Regular | 0.00 | 1,609.58 | 49173 |
| 01420 | CORT FURNITURE RENTAL | 10/07/2015 | Regular | 0.00 | 124.32 | 49174 |
| 02556 | Costa, Ted | 10/07/2015 | Regular | 0.00 | 79.90 | 49175 |
| 02214 | County of Placer Engineering & Survey | 10/07/2015 | Regular | 0.00 | 409.50 | 49176 |
| 02214 | County of Placer Engineering & Survey | 10/07/2015 | Regular | 0.00 | 1,053.00 | 49177 |
| 01423 | COUNTY OF SACRAMENTO | 10/07/2015 | Regular | 0.00 | 4,972.50 | 49178 |
| 03063 | D&T Fiberglass Inc | 10/07/2015 | Regular | 0.00 | 4,188.00 | 49179 |
| 01472 | DAWSON OIL CO | 10/07/2015 | Regular | 0.00 | 3,946.29 | 49180 |
| 01494 | Dewey Services Inc | 10/07/2015 | Regular | 0.00 | 82.00 | 49181 |
| 01508 | DOKKEN ENGINEERING INC | 10/07/2015 | Regular | 0.00 | 3,480.00 | 49182 |
| 01509 | Domenichelli & Associates Inc | 10/07/2015 | Regular | 0.00 | 3,267.50 | 49183 |
| 01569 | Employee Relations | 10/07/2015 | Regular | 0.00 | 203.85 | 49184 |
| 03272 | FedEx Freight Inc | 10/07/2015 | Regular | 0.00 | 160.91 | 49185 |
| 01630 | FM GRAPHICS, INC. | 10/07/2015 | Regular | 0.00 | 2,227.29 | 49186 |
| 01634 | FOLSOM LAKE FORD | 10/07/2015 | Regular | 0.00 | 1,069.94 | 49187 |
| 01657 | Galic Disbursing Company | 10/07/2015 | Regular | 0.00 | 400.00 | 49188 |
| 01681 | Golden State Flow Measurements | 10/07/2015 | Regular | 0.00 | 401.25 | 49189 |
| 01687 | Grainger, Inc. | 10/07/2015 | Regular | 0.00 | 1,720.34 | 49190 |
| 01706 | Graymont Western US, Inc | 10/07/2015 | Regular | 0.00 | 11,981.76 | 49191 |
| 03145 | GROVE TOYS INC | 10/07/2015 | Regular | 0.00 | 239.39 | 49192 |
| 01733 | Harris Welding Inc | 10/07/2015 | Regular | 0.00 | 24.71 | 49193 |
| 01738 | HAZARDOUS DISPOSAL SPECIALISTS | 10/07/2015 | Regular | 0.00 | 2,285.00 | 49194 |
| 01741 | HDR Engineering, Inc | 10/07/2015 | Regular | 0.00 | 9,340.77 | 49195 |
| 01835 | Hoffman, Jason | 10/07/2015 | Regular | 0.00 | 250.00 | 49196 |
| 01892 | Johnson, Judy | 10/07/2015 | Regular | 0.00 | 7.67 | 49197 |
| 01895 | Joseph G Pollard Co, Inc | 10/07/2015 | Regular | 0.00 | 2,031.75 | 49198 |
| 01898 | JPIA / ACWA | 10/07/2015 | Regular | 0.00 | 113.85 | 49199 |
| 03074 | Kirby's Pump & Mechanical Inc | 10/07/2015 | Regular | 0.00 | 17,514.03 | 49200 |
| 01959 | LES SCHWAB TIRE CENTERS | 10/07/2015 | Regular | 0.00 | 59.00 | 49201 |
| 03277 | Lindner, Kenneth or Janet | 10/07/2015 | Regular | 0.00 | 250.00 | 49202 |
| 03273 | Lockshin, Larry | 10/07/2015 | Regular | 0.00 | 76.68 | 49203 |

Check Register

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| Vendor Number | Vendor Name | Payment Date | Payment Type | Discount Amount | Payment Amount | Number |
|---------------|-------------------------------------|--------------|--------------|-----------------|----------------|--------|
| 02027 | MCMASTER-CARR SUPPLY COMPANY | 10/07/2015 | Regular | 0.00 | 16.35 | 49204 |
| 01916 | Miller, Ken | 10/07/2015 | Regular | 0.00 | 23.00 | 49205 |
| 02093 | NDS SOLUTIONS INC | 10/07/2015 | Regular | 0.00 | 395.39 | 49206 |
| 02094 | Neff Rental LLC | 10/07/2015 | Regular | 0.00 | 251.80 | 49207 |
| 02121 | Northern Tool & Equipment Co. Inc. | 10/07/2015 | Regular | 0.00 | 320.47 | 49208 |
| 02129 | OCCU-MED, LTD | 10/07/2015 | Regular | 0.00 | 286.50 | 49209 |
| 02131 | Office Depot Business Serv Div | 10/07/2015 | Regular | 0.00 | 1,257.46 | 49210 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49211 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49212 |
| 02150 | Pace Supply Corp | 10/07/2015 | Regular | 0.00 | 8,514.01 | 49213 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49214 |
| 02163 | Pape Machinery Inc | 10/07/2015 | Regular | 0.00 | 953.91 | 49215 |
| 03026 | PFM Asset Management | 10/07/2015 | Regular | 0.00 | 6,899.59 | 49216 |
| 02146 | PG&E | 10/07/2015 | Regular | 0.00 | 4,018.27 | 49217 |
| 02223 | Platt - Rancho cordova | 10/07/2015 | Regular | 0.00 | 543.57 | 49218 |
| 03150 | PROFESSIONAL ID CARDS INC | 10/07/2015 | Regular | 0.00 | 16.40 | 49219 |
| 02281 | RAY MORGAN COMPANY | 10/07/2015 | Regular | 0.00 | 1,111.54 | 49220 |
| 02283 | Recology Auburn Placer--DB | 10/07/2015 | Regular | 0.00 | 640.70 | 49221 |
| 02293 | RFI ENTERPRISES, INC. | 10/07/2015 | Regular | 0.00 | 44.00 | 49222 |
| 02314 | Robert Half International, Inc | 10/07/2015 | Regular | 0.00 | 9,687.92 | 49223 |
| 02328 | ROCKLIN WINDUSTRIAL CO | 10/07/2015 | Regular | 0.00 | 15.56 | 49224 |
| 02368 | SACRAMENTO BUSINESS JOURNAL | 10/07/2015 | Regular | 0.00 | 120.00 | 49225 |
| 02407 | SCHHEETZ WELDING SERVICE INC | 10/07/2015 | Regular | 0.00 | 590.32 | 49226 |
| 02434 | SHIELDS CONSULTING GROUP, INC. | 10/07/2015 | Regular | 0.00 | 943.40 | 49227 |
| 02446 | Sierra Chemical Co | 10/07/2015 | Regular | 0.00 | 610.76 | 49228 |
| 02452 | Sierra National Asphalt | 10/07/2015 | Regular | 0.00 | 17,529.95 | 49229 |
| 03086 | SIERRA SAW POWER EQUIPMENT | 10/07/2015 | Regular | 0.00 | 323.14 | 49230 |
| 02544 | SYBLON REID | 10/07/2015 | Regular | 0.00 | 113,412.31 | 49231 |
| 02564 | Telstar Instruments Inc. | 10/07/2015 | Regular | 0.00 | 2,138.00 | 49232 |
| 02580 | The Eidam Corporation | 10/07/2015 | Regular | 0.00 | 16,906.48 | 49233 |
| 01844 | Thorne, Jedediah | 10/07/2015 | Regular | 0.00 | 43.19 | 49234 |
| 02622 | Total Compensation Systems, Inc | 10/07/2015 | Regular | 0.00 | 1,450.00 | 49235 |
| 03275 | Ttee, Lynn A Reese | 10/07/2015 | Regular | 0.00 | 159.03 | 49236 |
| 02638 | Tyler Technologies Inc | 10/07/2015 | Regular | 0.00 | 625.00 | 49237 |
| 02651 | UNITED PARCEL SERVICE | 10/07/2015 | Regular | 0.00 | 90.40 | 49238 |
| 02667 | US Bank Corporate Payments Sys (Cal | 10/07/2015 | Regular | 0.00 | 14,746.08 | 49239 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49240 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49241 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49242 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49243 |
| | **Void** | 10/07/2015 | Regular | 0.00 | 0.00 | 49244 |
| 02690 | Verizon Wireless | 10/07/2015 | Regular | 0.00 | 334.87 | 49245 |
| 02766 | Youngdahl Consulting Group Inc | 10/07/2015 | Regular | 0.00 | 3,607.00 | 49246 |
| 03265 | YRC Inc | 10/07/2015 | Regular | 0.00 | 174.35 | 49247 |
| 01048 | Airgas Inc | 10/07/2015 | EFT | 0.00 | 236.42 | 404328 |
| 03221 | Chemtrade Chemicals Corporation | 10/07/2015 | EFT | 0.00 | 12,358.97 | 404329 |
| 01378 | Clark Pest Control | 10/07/2015 | EFT | 0.00 | 1,780.00 | 404330 |
| 01486 | Department of Energy | 10/07/2015 | EFT | 0.00 | 11,803.69 | 404331 |
| 01521 | DP2 BILLING SOLUTIONS LLC | 10/07/2015 | EFT | 0.00 | 9,422.52 | 404332 |
| 01589 | Eurofins Eaton Analytical, Inc | 10/07/2015 | EFT | 0.00 | 2,165.00 | 404333 |
| 01611 | Ferguson Enterprises, Inc | 10/07/2015 | EFT | 0.00 | 37.63 | 404334 |
| 01917 | KENNEDY/JENKS CONSULTANTS | 10/07/2015 | EFT | 0.00 | 44,821.15 | 404335 |
| 02432 | Lorance, Shauna | 10/07/2015 | EFT | 0.00 | 325.79 | 404336 |
| 03220 | Solenis LLP | 10/07/2015 | EFT | 0.00 | 3,676.50 | 404337 |
| 02504 | Starr Consulting | 10/07/2015 | EFT | 0.00 | 280.00 | 404338 |
| 02162 | Tobin, Pamela | 10/07/2015 | EFT | 0.00 | 53.04 | 404339 |

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| | | | | | | |
|-------------------------------|--------------------------------------|-----------------------------------|----------------------------|--------------------------------|--------------------------------|-------------------------|
| Vendor Number 02710 | Vendor Name Wageworks, Inc | Payment Date 10/07/2015 | Payment Type EFT | Discount Amount 0.00 | Payment Amount 48.00 | Number 404340 |
|-------------------------------|--------------------------------------|-----------------------------------|----------------------------|--------------------------------|--------------------------------|-------------------------|

Bank Code APBNK Summary

| Payment Type | Payable Count | Payment Count | Discount | Payment |
|---------------------|--------------------------|--------------------------|-----------------|-------------------|
| Regular Checks | 186 | 89 | 0.00 | 427,579.59 |
| 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 | 28 | 13 | 0.00 | 87,008.71 |
| | 214 | 111 | 0.00 | 514,588.30 |

Fund Summary

| Fund | Name | Period | Amount |
|------|--------------|---------|-------------------|
| 999 | INTERCOMPANY | 10/2015 | 514,588.30 |
| | | | 514,588.30 |

RatingsDirect®

Summary:

San Juan Water District, California; Water/Sewer

Primary Credit Analyst:

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Rationale

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Summary:

San Juan Water District, California; Water/Sewer

Credit Profile

San Juan Wtr Dist COPs

Long Term Rating

AA/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA' long-term rating on San Juan Water District, Calif.'s series 2009A certificates of participation (COPs). The outlook is stable.

The rating reflects our view of the following credit strengths:

- A diverse water supply that has been sufficient for the district's water demands despite ongoing drought conditions;
- The district's historical willingness to adjust both retail and wholesale water rates, combined with annual rate adjustments built into the district's long-term projections to support debt service and capital needs;
- The district's strong financial performance, with very strong reserves and historically strong total debt service coverage (DSC) that we anticipate will be maintained; and
- The strength and diversity of the service area's economic base.

The COPs are secured by net revenue of the district. We view the COP provisions as adequate, which include a rate covenant and additional bonds test of 1.15x annual debt service. A cash-funded debt service reserve fund provides additional liquidity for the COPs.

San Juan's obligation is on parity with a small Economic Development Authority loan that matures in 2017 and with installment payments to the 2012A and 2012B bonds, which are a several obligation with Citrus Heights Water District. For more information on the 2012 bonds, see our report to be published later on RatingsDirect.

The district encompasses areas of northeast Sacramento County and southeast Placer County about 20 miles northeast of downtown Sacramento. The district includes the City of Citrus Heights, the unincorporated communities of Fair Oaks and Orange Vale, small portions of the cities of Folsom and Roseville, and parts of the community of Granite Bay. The district serves both retail customers within its service area and wholesale customers, which include Citrus Heights Water District, Fair Oaks Water Co., Orange Vale Water Co., and the City of Folsom. The district's total population is about 213,250, of whom about 31,000 live within San Juan's own retail system service area, which is approaching buildout. Income indicators are, in our view, good to strong, with the 2014 median household effective buying income for Sacramento and Placer counties at 102% and 129% of the national level, respectively. The latest unemployment figures, as of July 2015, show unemployment rates in both counties below the state and national rates.

The district serves 10,300 residential and commercial retail connections within Sacramento County and the Granite Bay area of South Placer County, where 95% of connections are residential. The district also sells wholesale water to its contractors, who in turn provide retail service to about 40,363 retail customers and treated water to Sacramento

Suburban Water District as capacity permits. Customer concentration is, in our view, very diverse for the retail system, with the top 10 leading customers representing about 2.1% of retail revenue.

The district's water supply comes from three main sources, the primary being 33,000 acre-feet per year of pre-1914 water rights from the American River, which are delivered by the U.S. Bureau of Reclamation through Folsom Dam. The district's other contracts include 24,200 acre-feet per year of water from the bureau's Central Valley Project (CVP), which extends to 2045, and 25,000 acre-feet per year with Placer County Water Agency, which extends through 2021. The district's treatment plant handles 120 million gallons per day (mgd). Average daily flow in 2014 was 30 mgd and over the past five years has been about 44 mgd. Total water supply decreased by 27% in 2014 as ongoing drought conditions resulted in no CVP allocation. However, demand has also decreased such that the district has been able to meet all of its water needs. Pursuant to state conservation targets, the district is required to reduce water consumption by 36% compared with the same period in 2013. Management reports that it is on track to meet this goal and that, as of July, the district had saved a cumulative 43% on water use. Management also reports that the district has implemented contingency plans for water, including additional water sources from neighboring districts.

The wholesale system serves Citrus Heights Water District, Fair Oaks Water District, the City of Folsom, and Orange Vale Water Co., each of which has a single connection with the San Juan pipeline. Water is supplied under treated water sales contracts, whereby San Juan is obligated to deliver the number of acre-feet requested by each contractor at a rate the board determines. These rates can vary by contractor based on the distance of pipeline transmission, pumping costs, demand, and capacity. San Juan bills the contractors quarterly in advance for the trailing-five-year average acre-feet delivered, and any excess water provided is billed quarterly in arrears. Management reports that the district has identified approximately \$33.9 million for both the retail and wholesale systems during the next five years. We understand that management has no plans to issue additional debt, as the district expects to fund the capital improvements projects from rates and cash reserves.

Residential retail customers pay a daily water use base charge and a consumption charge per 100 cubic feet of water use. Based on our benchmark monthly use of 1,000 cubic feet, we calculate a 2014 annualized water bill equivalent to 1.1% of 2014 median household EBI, which we view as affordable. Because of the drought, the district changed its rate structure in June of 2015 such that the base charge has decreased but the consumption charge has increased to encourage conservation. The drought surcharge has been budgeted through February of 2016, and management reports that the board is discussing additional rate increases and is planning a public hearing on rate increases in late October.

Wholesale rates include a fixed annual service charge to cover fixed costs and debt service, as well as a variable volumetric commodity rate.

Current wholesale effective rates, per acre-foot, are as follows:

- Citrus Heights: \$198
- Fair Oaks: \$184
- Orange Vale: \$163
- Folsom: \$168

The district's board of directors sets rates and charges to the contractors; rates are not subject to regulation by any outside entity. Staff determines the appropriate wholesale rates annually based on expected operating, maintenance, and capital costs, and rates include both a fixed-service charge and commodity rate per acre-foot. Although Folsom's wholesale rate appears to be near the rates of the other wholesale customers, Folsom pays additional pumping fees that are now accounted for separately and make the city's all-in cost significantly higher. Wholesale rates rose, as a weighted average of wholesale water delivery, by 13% in 2014.

Total DSC has been strong, in our view, at no less than 1.6x during the past five years. Coverage, even when excluding connection fees, has historically exceeded 2x with a decrease in fiscal 2014 given the timing of cash capital payments between the district and its wholesalers. Based on the district's current financial projections, which assume moderate rate increases for the retail and wholesale systems, coverage will be sustained at strong levels through the two-year outlook horizon. Based on the district's historical willingness to raise rates, we anticipate that coverage will be maintained commensurate to current levels in the near term. Liquidity has been strong, in our view, standing at \$30.6 million, or about 800 days of operating expenses, at the end of fiscal 2014. Management has estimated some drawdown of cash through the outlook horizon, but we anticipate that cash will be maintained at strong levels.

We believe that, as both a retail and wholesale water provider, the district could be exposed to nonpayment or payment delays from any of its four contractors, given the lack of step-up provisions in the wholesale water supply agreements. Citrus Heights Water District and Fair Oaks Water District are the two largest wholesale contractors in terms of revenue. Without revenues from Citrus Heights, coverage is still strong (above 1.5x) through fiscal 2013 with insufficiency in 2014, again as a result of payment timing as described above. Total DSC without revenue from Fair Oaks is also historically strong (above 1.7x). Although the district has this nonpayment risk, we do not anticipate that these issues will materialize during the outlook horizon.

Outlook

The stable outlook reflects our anticipation that the district will adjust rates during the two-year outlook period to sustain strong coverage and liquidity while addressing its capital needs. Further strengthening the rating, in our view, is the district's plentiful water supply.

Upside scenario

We could raise the rating if the district's financial metrics materially improve to and are considered sustainable at a level commensurate with those of higher-rated peers.

Downside scenario

If the district does not raise rates sufficiently or take other measures such that financial performance were to deteriorate, we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Water And Sewer Ratings, June 25, 2007
- USPF Criteria: Key Water And Sewer Utility Credit Ratio Ranges, Sept. 15, 2008
- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- U.S. State And Local Government Credit Conditions Forecast, July 22, 2015
- U.S. Municipal Water And Sewer Utilities 2014 Sector Outlook: Learning To Do More With Less, Jan. 9, 2014
- 2014 Review Of U.S. Municipal Water And Sewer Ratings: How They Correlate With Key Economic And Financial Ratios, May 12, 2014

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Summary:

San Juan Water District, California; Water/Sewer

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Summary:

San Juan Water District, California; Water/Sewer

Credit Profile

San Juan Wtr Dist rfdg rev bnds ser 2012A

Long Term Rating

AA/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA' long-term rating to San Juan Water District, Calif.'s series 2012A refunding revenue bonds (San Juan and Citrus Heights Project). The outlook is stable.

The series 2012A bonds are secured by installment payments made from net system revenue of both San Juan Water District and Citrus Heights Water District, whose estimated shares of the par amount are as follows:

- San Juan Water District: \$13.390 million, or 85.7% of par; and
- Citrus Heights Water District: \$2.235 million, or 14.3% of par.

The obligation of both San Juan and Citrus Heights to make installment payments from net system revenue is a several and not a joint obligation. As such, the rating on the bonds reflects the weaker of the two issuers (districts), although both districts are currently rated AA/Stable.

The 'AA' ratings on San Juan Water District's bonds continue reflect our view of:

- A diverse water supply that has been sufficient for the district's water demands despite ongoing drought conditions;
- The district's historical willingness to adjust both retail and wholesale water rates, combined with annual rate adjustments built into the district's long-term projections to support debt service and capital needs;
- The district's strong financial performance, with very strong reserves and historically strong total debt service coverage (DSC) that we anticipate will be maintained; and
- The strength and diversity of the service area's economic base.

The bonds are being issued to refund San Juan Water District's series 2003 COPs (San Juan and Citrus Heights Project) for debt service savings. Additional liquidity is provided by a debt service reserve fund with a standard reserve requirement. For San Juan, bond provisions also include a requirement that net revenue for San Juan equal at least 1.15x existing and proposed maximum annual debt service payments should additional parity obligations be issued, as well as a 1.15x rate covenant. For Citrus Heights, bond provisions include a requirement that Citrus Heights net revenue equal at least 1.1x existing and proposed maximum annual debt service payments should additional parity obligations be issued, as well as a 1.1x rate covenant.

Separately, San Juan Water District issued approximately \$30 million in revenue COPs in June 2009 to finance various capital improvements to the district's retail and wholesale water systems, including improvements to pump stations, pipelines, and pressure reduction stations. Those 2009A COPs have an interest in net revenue of San Juan Water District only and are on parity with San Juan's share of the bond debt service as well as a small Economic

Development Authority loan with a 2017 maturity. For more information on the San Juan Water District's 2009A COPs, see our report published Sept. 28, 2015 on RatingsDirect.

The 'AA' rating on Citrus Heights Water District's bonds continues to reflect our view of:

- Established and largely developed residential customer base, which suggests minimal capacity pressures in the coming years;
- Historically strong total DSC consistently above 6x during the past three years and projected strong coverage metrics that we anticipate will be maintained; and
- Demonstrated willingness to adjust rates and strong liquidity.

Partly offsetting these strengths, in our view, is the district's limited control over operating costs given a heavy reliance on San Juan Water District for its water supply.

For more information on Citrus Heights Water District, see our report published Sept. 28, 2015.

Outlook

The stable outlook reflects our anticipation that during the two-year outlook period the districts will adjust rates to maintain their strong financial metrics and to meet their capital needs.

Upside scenario

If the ratings on both districts are raised, the ratings on these bonds may be raised to reflect the lower of the ratings on the two districts.

Downside scenario

If either of the ratings on the districts were to be lowered, the ratings on the bonds would be lowered to reflect the lower of the ratings on the two districts.

Related Criteria And Research

Related Criteria

- USPF Criteria: Water And Sewer Ratings, June 25, 2007
- USPF Criteria: Key Water And Sewer Utility Credit Ratio Ranges, Sept. 15, 2008
- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- U.S. State And Local Government Credit Conditions Forecast, July 22, 2015
- U.S. Municipal Water And Sewer Utilities 2014 Sector Outlook: Learning To Do More With Less, Jan. 9, 2014
- 2014 Review Of U.S. Municipal Water And Sewer Ratings: How They Correlate With Key Economic And Financial

Ratios, May 12, 2014

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Use of Bond Proceeds

| <i>Project</i> | Total |
|--|----------------------|
| Redundant Folsom Outlet/USBR - Raw Water Pipeline | \$ 6,553,930 |
| Solar Improvements | 5,130,091 |
| Raw Water Improvements - Wholesale | 2,956,134 |
| WTP Hydraulic Improvements | 2,811,305 |
| Auburn Folsom Road - Retail Pipeline | 2,508,091 |
| Pressure Reducing Station - Lower Granite Bay, Bacon, Eureka AFR | 2,429,163 |
| Co-operative Transmission Bypass Pipeline | 1,784,101 |
| Upper Granite Bay Pump Station | 657,940 |
| Lower Gravity Area - Retail Pipeline | 581,998 |
| Retail Meters | 575,068 |
| Raw Water Improvements - Retail | 525,500 |
| Peerless Ave - Retail Pipeline | 284,457 |
| Steven - Retail Pipeline (steel) | 263,806 |
| Fair Oaks 40 - Retail Rehab | 167,325 |
| Erwin Ave. - Retail Pipeline | 128,128 |
| Oak Ave - Retail Pipeline | 112,748 |
| Telegraph & Main - Retail Pipeline | 13,274 |
| Pump Station Auburn Folsom Road to Treatment Plant | 7,218 |
| Sierra College - Retail Pipeline | 6,627 |
| Pressure Reducing Station - ARC & SZONE & Oak | 3,096 |
| Total | \$ 27,500,000 |

STAFF REPORT

To: Board of Directors

From: Shauna Lorange, General Manager

Date: September 28, 2015

Subject: ACWA Board Meeting

RECOMMENDED ACTION

There is no action requested, as this is an informational report back from ACWA Board of Directors meeting on September 25, 2015.

ACWA Storage Workgroup

In September 2014, the ACWA Board created the Water Storage Policy Task Force, chaired by Past President Paul Kelley. The recommendations of the task force were approved unanimously by the ACWA Board at its March meeting. The task force report entitled 21st Century Water Storage: Recommendations for California's Future was presented to the California Water Commission on May 20. The report provides common sense policy principles and advice to the CWC regarding how they allocate \$2.7 billion from Chapter 8 of Proposition 1 for the public benefits of new water storage.

ACWA is in a unique position to provide leadership to better integrate the California water system and make it more productive for the coequal goals of environmental restoration and improved water supply reliability. To take advantage of this opportunity, the Executive Director has convened a storage integration work group, which is being very capably staffed by Adam Walukiewicz. The work group includes the representatives of numerous proposed water storage projects and other water policy experts from around the state.

Water Transfers Initiative

At its July 31 board meeting, the ACWA Board of Directors unanimously approved a strong pro-water market policy statement. That statement urges the Brown Administration to work with ACWA and other stakeholders to develop a bold action plan by early 2016 to substantially improve the functionality of the state's water market. A water marketing technical advisory committee (TAC) was created.

Paul Bartkiewicz, an ACWA Board member and renowned expert on the California water market, was asked to chair the TAC. The TAC includes experts on water markets from ACWA members throughout California as well as representatives of Environmental Defense Fund (EDF) and academia. The goal of the TAC is to develop a set of recommendations for consideration by the Water Transfer Work

Group and the ACWA Board regarding administrative and legislative actions that could substantially improve the water market in California as a tool to combat continuing drought and to better manage scarce water resources in the long term.

Headwaters Framework

The Headwaters Framework approved by the Board in November 2014 adds a key component to a comprehensive California water policy—better management of California’s upper watersheds. ACWA is a charter member of the California Forest and Watershed Alliance (CAFWA) along with The Nature Conservancy, Regional County Representatives of California, California Farm Bureau Federation, and California Forestry Association. While much work (and controversy) remains, 2015 could be a significant year for advancing the cause of better management of the nation’s forests and watersheds.

ACWA staff has been working through CAFWA and the National Water Resources Association to promote federal legislation consistent with Board policy. Several forestry management bills have been introduced in the Congress. In August, the House of Representatives passed HR 2647 (Westerman), which is consistent with ACWA policy and ACWA supports. On the Senate side, ACWA is working with both CAFWA and NWRA to help shape a bipartisan bill that could be conferenced with the House bill. This legislation generally includes provisions that: (1) address the “fire borrowing” issue in which funds needed for better long-term forestry management are confiscated to suppress catastrophic fires; (2) promote more collaboration among federal agencies and stakeholder groups in developing and implementing long-term forest policy; (3) seek to streamline NEPA, especially as regards actions to respond to catastrophic fires; and (4) inhibit the filing of frivolous lawsuits, which significantly inhibit the efforts of the USFS to better manage the nation’s forests.

Implementing SGMA

The SGMA implementation policy group, which is chaired by Vice President Kathy Tiegs and includes groundwater experts and managers from across California, continues to monitor efforts to implement this historic law. Since the July Board meeting, staff has been active on follow-up legislation to improve implementation of SGMA.

Proposition 218

As reported in July, ACWA has joined forces with the California League of Cities (League), the California State Association of Counties (CSAC), and the California Water Foundation, to conduct voter surveys and explore ways to loosen some of the constraints on local ratemaking imposed by Proposition 218.

The amendment would modify Article X of the California constitution to create an alternate financing path for public agencies to: (1) establish tiered water rates to promote conservation; (2) establish Lifeline rates to provide affordable water to low income households; and (3) finance storm water management infrastructure. A

two-thirds vote and governor's signature would be required to get a measure on the November 2016 ballot to resolve these issues.

A special meeting (conference call) will be called to discuss this issue and provide guidance to the ACWA staff within a week or two. I have requested BKS to review and provide me input on the draft language.

State Relations

At this time of year, until the Legislature went out of session on September 11, the State Legislative Committee meets every third Friday, with work groups often convening in the interim.

This year we have around a dozen bills on groundwater and SGMA implementation alone. ACWA agreed to sponsor two bills in this legislative session. One of these bills, SB 385 (Hueso), is designed to ease implementation by many of our members to meet the new Chromium VI drinking water standards. This bill was signed into law and was an urgency measure so is already in effect.

The second ACWA-sponsored bill, AB 291 (Medina, D-Riverside), would streamline CEQA noticing requirements for water projects that encompass multiple jurisdictions. ACWA is co-sponsoring the proposal with the McGeorge Law School Legislative and Public Policy Clinic. This latter bill is now a two-year bill.

State Relations staff also spent considerable time dealing with two bills seeking to expedite groundwater adjudications as part of efforts to implement the new groundwater law, SGMA.

As noted above, States Relations staff was also watching developments related to proposals for a public goods charge on water. ACWA currently has an oppose position on SB 20.

Federal Relations

In Washington, D.C., ACWA East staff continues to work toward legislation to better manage federally owned forests in California. The federal government owns 60 percent of the forests in California and the ACWA Headwaters Framework places a high priority on federal reforms.

With regard to federal drought legislation, on July 29, 2015, Senators Feinstein and Boxer released their proposed legislation, S 1894, the "California Emergency Drought Relief Act of 2015" bill. Senator Lisa Murkowski, Chair of the Senate Natural Resources Committee, has indicated a likely hearing on drought legislation, including S 1894 and the House bill, HR 2898, in early October. The approach in the Feinstein-Boxer bill to drought relief is quite different from the approach in HR 2898 (Valadao), which was passed by the House on July 16, 2015.

ACWA Nominating Committee

As you know, I sat on the ACWA Nominating Committee for the 2016-17 President and Vice President. As expected, existing Vice President Kathy Tiegs was nominated for President. Brent Hastey, Yuba County Water Agency, was nominated for Vice President.

Budget

The Board had already previously approved a two year rate increase at 5.5% for both 2015 and 2016. With revenues going down and expenses going up, there was quite a discussion on whether or not to increase rates above 5.5% this year. After much discussion it was unanimously decided to maintain the 5.5% dues increase.

ACWA Legislative Award

ACWA recognize Senator Ben Hueso (D-San Diego) as the ACWA Legislator of the Year for 2015. He was a key player in both the water bond and on the Chromium VI legislation this year.

STAFF REPORT

To: Board of Directors

From: Shauna Lorance, General Manager

Date: September 17, 2015

Subject: Annual Goals and Action Items

RECOMMENDED ACTION

This item is being provided for information only at this time.

BACKGROUND

The Board of Directors held multiple workshop meetings over the past year to discuss multiple topics. The complexity and the immediateness of the issues this year required in depth understanding by the Board of Directors. The drought, mandatory conservation, and a conservation based water transfer attempt became the highest priority.

The Board of Directors identified broad goals for staff to work towards, with a few specific action items to be completed over a 12-month period. The overview direction to District staff this year was to focus on achieving the mandatory 36% conservation levels, protecting our access to our water rights, and attempting the first ever urban water conservation transfer. At the same time, continue the excellent level of service to our 11,000 retail customers and our wholesale customer agencies.

There were both goals and action items identified. The strategic goals were summarized by the workshop facilitator and are listed below:

1. Maintain highest quality customer service, both in terms of customer relations and the delivery of a reliable water supply of the highest quality at reasonable and equitable costs.
2. Ensure water supply reliability in context of both near-term drought response and long-term drought persistence.
 - a. This includes planning for future increased surface and groundwater storage (e.g., groundwater injection) and bond support.
 - b. Tactically, this involves providing regional and statewide leadership in water policy.
 - c. Tactically, seeking bond support may require development of a "wish list".
3. Ensure system maintenance and timely replacement.

4. Maintain high quality staff.
 - a. This includes staff succession planning.
 - b. This includes staff raising concerns they have with management and the Board.
 - c. This includes Directors supporting staff morale and sense of value, even though it may be difficult to identify specific actions and to measure performance.
5. Maintain financial stability, transparency, and accountability.
 - a. This includes reducing the overall debt service through refinancing.
6. Maintain strong communication and relationships with wholesale customer agencies.
 - a. This includes clarifying the responsibilities of the District as the wholesaler.
 - b. This includes identifying where Directors can act directly to support this goal.

In addition, there were multiple stand-alone action items that were identified throughout the workshops and recorded by the facilitator:

1. Debt refinancing should be agendaized for a future meeting, and made a separate goal or objective.
2. The Board should develop a water bond wish list regarding storage.
3. The March 19 workshop should include a review of drought planning and preparedness activities to date.
4. A future Board meeting should include an update on SGMA issues.
5. Investigate ways to encourage the use of recycled water.
6. The District should track the effectiveness and value of the RWA Legislation Committee.
7. The District should invite Sac Metro's Executive Director to brief the Board on his vision (or perhaps visit him). Secondly, the District should invite the Citrus Heights and Folsom Chambers of Commerce to do the same.
8. For each regional activity, the final Director's workshop should show activities to date and historical results (e.g., cost of annual membership, value of grants obtained, etc.), the costs and expected outcomes and anticipated staffing of different proposed activities, chances for success and risks, and an overall assessment of whether the effort is worthwhile.
9. Investigate legal capacity to develop groundwater within SJWD wholesale service area.
10. The Capitol-to-Capitol visit should include conversation with Congressional representatives on Folsom operations in relation to fish flows.
11. The Sacramento Water Forum should be added to the list of state (not federal) activities.

12. Draft a letter to the wholesale customer agencies to provide clarity on the relationship with SJWD.
13. Work with the County Assessor's Office to obtain a list of federal properties upstream of Folsom Lake, for the purpose of potential storage.
14. Determine if Placer County Water Agency provides any flexibility in when they release the SJWD water stored in their reservoir.

In addition, the Board held informational workshops related to the following items:

1. Water Use Strategy – what supplies does the District have and what are the benefits and restrictions of each.
2. Water Storage Options – long term solutions and opportunities
3. Retail Rate Structure – consideration on a rate structure to include more fixed costs in the fixed portion of the bill rather than the volumetric
4. Communication with Legal Counsel – discussion on what staff can request legal review and how Board requests are handled
5. Review of Governors Drought Order and Impacts on the District and Customers
6. Retail Budget – discussions on what to include in the proposition 218 notice

CURRENT STATUS

The focus this year has been on drought management, water supply reliability and water rights security, including the potential merger with Sacramento Suburban Water District. A status report of the above items is being created and will be provided at an upcoming meeting. The October 28 Board meeting at Eureka may be an opportune time to provide the public background on the multitude of actions this year prior to beginning the retail budget and rate increase discussion.



October 1, 2015

Mr. Edward J. Costa, President
Board of Directors
San Juan Water District
9935 Auburn-Folsom Road
Granite Bay, CA 95746

Dear President Costa:

In a letter to the Fair Oaks Water District (FOWD) dated July 15, 2015 you requested that specific details on concepts that may help provide water supply reliability for the SJWD Member Agencies and the Region be provided. On September 23, 2015 FOWD received an email that generally stated that the SJWD Water Supply and Reliability Committee would also appreciate receiving this input from FOWD.

The FOWD Board of Directors and staff are encouraged by the opportunity to provide input on future water supply planning for the SJWD Member Agencies. In response to your requests for information, the following is provided.

I. Concept for Immediate Consideration and Action

A. Support an agreement for SJWD Member Agencies to work together to maximize the use of groundwater produced by FOWD and CHWD to meet the combined water demands of the agencies through February 2016. This water supply plan is included in the Water Forum Agreement and therefore has been supported by all the signatories of the Water Forum Agreement. Intended outcomes of this water supply plan that would benefit all SJWD Member Agencies are:

1. Establish an SGA groundwater bank based on the proven use of groundwater within the SJWD-W service area.
 - a. Based on the proven groundwater pumping recorded during this time of need for the Region, the established groundwater bank will increase annually. This banked water could then be added to any future SJWD-W water transfers.

- b. The establishment of an SGA groundwater bank would provide another water supply source to the existing water supply portfolio of the SJWD Member Agencies.
 - 2. Establish a positive local, regional, and state message by promoting an active conjunctive use program for immediate drought relief as proposed in item one – program immediately keeps more water in Folsom Lake.
 - a. This plan is consistent with the existing SJWD “For the Sake of the Lake” messaging.
- B. Please note that, based on recent quarterly invoices received from SJWD; the current cost of surface water provided to the SJWD Member Agencies is approximately \$210 per AF (debt service + fixed charge + commodity charge). Given the proposed increased groundwater production, groundwater would cost \$150 to \$200 per AF during the proposed time period.

II. Concepts for Future Consideration and Action

- A. Support an agreement for SJWD Member Agencies to work together to develop a surface water banking program within the existing SJWD-W service area. This agreement would be consistent with established goals included in the SGA Groundwater Management Plan dated December 2014 and adopted by all SGA Member Agencies. Intended outcome of this agreement would be the ability to bank surface water by collaborating with existing SJWD Member Agencies.
- B. Support an update of the existing Wholesale Water Supply Agreements that defines reasonable use and fair financial consideration of all water supply assets of the SJWD Member Agencies. An intended outcome of this effort would be to use the updated agreement to complete a 2016 water transfer. For your convenience, we have attached a list of talking-points to be considered for an updated wholesale water supply agreement.

FOWD believes that these concepts can be planned, funded and implemented relatively quickly given the fact that the existing SJWD Member Agencies are within one existing wholesale service area. Again, independent of any individual SJWD Member Agency water supply situation, FOWD clearly understands that our District does not operate in a vacuum and that regional water supply reliability must be addressed.

On behalf of the entire FOWD Board and staff, we look forward to being a part of positive regional water supply solutions during these dynamic times and into the future.

Sincerely,



Michael McRae
Board President
Fair Oaks Water District

Attachment: 2015 Wholesale Water Supply Agreement Update - Consideration Issues

c: SJWD Water Supply and Reliability Committee
CHWD
OVWC
City of Folsom

FOWD Recommended Updates to the Current Water Supply Agreement Entered Into In 2008

August 11, 2015

1. Defined responsibility SJWD as a wholesale water supplier
2. Defined responsibility of Wholesale Customer Agencies (WCA's) relative to water supply
3. Requirement for separate individual agreements between benefiting agencies, that include cost allocations, for all SJWD capital projects "downstream of Hinkle Reservoir"; with additional requirement that agreements be in place prior to the start of project design
4. Legally assured priority to existing pre-1914 water rights for existing SJWD customers over any new customers in an expanded wholesale service area
5. Defined and predictable annual surface water allocations and cost assurances for existing WCA's; thereby allowing for proper planning and investments in supplemental water assets by the existing WCA's
6. Protection from rate increases for SJWD water supplies attributable expansion of the wholesale service area; legal assurance that any and all debt from a wholesale service area expansion will never be paid by existing WCA's
7. Defined "buy-in" requirements for customers of any expansion of wholesale service area - to obtain access to treated surface water supplies through rights, contracts, facilities and infrastructure that have been invested in over decades by the existing SJWD wholesale customers
8. Create a separate board for the SJWD retail service area
9. Balanced representation on the SJWD wholesale board based on geography

FOWD Recommended Updates to the Current Water Supply Agreement Entered Into In 2008

August 11, 2015

10. Define normal, shortage and emergency water supply conditions and the related allocation of available surface water supply from SJWD.
11. Incorporate language that addresses GW transfers and conjunctive use between the WCA's and others outside of the existing SJWD service area.
12. Incorporate language stating that agreement will remain in effect and override any and all mergers, service area amendments, water transfers or agreements with others unless required by law.

Notes:

The FOWD Board of Directors and legal team have completed a review of the draft revisions to the existing Wholesale Water Supply Agreement between SJWD and FOWD dated April 30, 2013 and presented to the SJWD Board of Directors on May 15, 2013. The FOWD Board determined that the proposed revisions did not represent changes that would mitigate many of the issues that have created tension between SJWD and the WCA's over the past years. Rather than attempting to edit the existing agreement at this time, it is the recommendation of the FOWD Board of Directors that the process start with a set of agreed upon policy principles that would then be used by staff to prepare an update of the existing Wholesale Water Supply Agreement between SJWD and FOWD.

Attachments:

Draft Wholesale Water Supply Agreement between SJWD and FOWD dated April 30, 2013 and presented to the SJWD Board of Directors on May 15, 2013.

SJWD Draft REVISIONS

APRIL 30, 2013 DRAFT: SUBJECT TO REVISION

SAN JUAN SJWD SAN JUAN WATER DISTRICT AND FAIR OAKS FOWD FAIR OAKS WATER DISTRICT
WHOLESALE WATER SUPPLY AGREEMENT

This Agreement is entered into as of _____, 2013, by and between San Juan Water District, a public agency ("~~San Juan~~SJWD"), and Fair Oaks Water District, a public agency ("~~Fair Oaks~~FOWD").

RECITALS

A. ~~San Juan~~SJWD is the owner of certain 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 areas.

B. ~~Fair Oaks~~FOWD is located within the wholesale service area boundaries of ~~San Juan~~SJWD.

C. ~~Fair Oaks~~FOWD distributes treated water supplies made available by ~~San Juan~~SJWD to ~~Fair Oaks~~FOWD's retail customers within ~~Fair Oaks~~FOWD's boundaries. ~~San Juan~~SJWD has been providing treated water supplies to ~~Fair Oaks~~FOWD since the formation of ~~San Juan~~SJWD in 1954.

D. ~~San Juan~~SJWD and ~~Fair Oaks~~FOWD entered into previous wholesale water supply agreements, including the 1974, 1991, 2004 and 2008~~1974~~ Water Supply Agreements ~~and the 2004 Water Supply Agreement~~. This Agreement supersedes in its entirety all previous wholesale water supply agreements and amendments thereto between ~~Fair Oaks~~FOWD and ~~San Juan~~SJWD, upon the effective date of this Agreement.

In consideration of the mutual covenants contained herein, ~~San Juan~~SJWD and ~~Fair Oaks~~FOWD agree as follows:

1. **Recitals Incorporated.** The foregoing recitals are incorporated by reference.
2. **Definitions.** When used in this Agreement, the following terms are defined as set forth in this section:
 - A. "cfs" means cubic feet per second.
 - B. "CTP" means the Cooperative Transmission Pipeline Project.
 - C. "CTP Agreement" means the "Agreement for Ownership, Utilization, Operation and Maintenance of the Cooperative Transmission Pipeline Project," effective July 1, 1997, as it may be amended from time to time, to which Citrus Heights Water District, ~~Fair Oaks~~FOWD, Orange Vale Water Company, Sacramento Suburban Water District and ~~San~~

JuanSJWD are parties.

D. “CVP” means the Central Valley Project.

E. “~~Fair Oaks~~FOWD” means the Fair Oaks Water District.

F. “~~Member Agencies~~” means ~~the following retail water service providers receiving wholesale water service from San Juan, and the retail water service customers of San Juan: (1) Citrus Heights Water District; (2) Fair Oaks; (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.~~

G. “1974 and 1991 Water Supply Agreements” means the wholesale water supply agreements between ~~San Juan~~SJWD and ~~Fair Oaks~~FOWD, dated August 6, 1974, as amended ~~on~~and December 11, 199174, respectively.

HG. “Point of Delivery” means one or more points of delivery to which ~~San Juan~~SJWD will make water supplies available to ~~Fair Oaks~~FOWD, which are described in **Exhibit 1** to this Agreement.

IH. “Reclamation” means the United States Bureau of Reclamation.

JJ. “~~San Juan~~SJWD” means the San Juan Water District.

KJ. “~~San Juan~~SJWD-Reclamation Agreement” means the April 12, 1954 agreement between the North Fork Ditch Company and the United States (Contract No. DA 04 167 eng 182), which was incorporated by reference in the June 19, 1962 CVP water supply contract between ~~San Juan~~SJWD and the United States (Contract No. 14-06-200-152A, as amended). Under the ~~San Juan~~SJWD-Reclamation Agreement, the total amount of water that may be diverted by ~~San Juan~~SJWD under its pre-1914 water right and water right permit no. 4009 cannot exceed 33,000 acre feet per year at a maximum rate of 75 cfs.

LK. “~~San Juan~~SJWD’s CVP Water Supply Contract” means a CVP water supply contract for 24,200 acre feet between ~~San Juan~~SJWD and the United States (Contract No. 6-07-20-W1373-LTR1), as amended and renewed from time to time.

ML. “~~San Juan~~SJWD’s District Policies” means the District Policies adopted by the SJWD Board of Directors on October 23, 2003, and amended on February 23, 2011, as those policies may be amended or replaced by Ordinance, rule, regulation or policy adopted by the Board from time to time.

M. “Surface Water Supply and Water Shortage Management Plan” means the written plan for managing ~~San Juan~~SJWD’s Water Rights and Entitlements during times of water shortage, which ~~San Juan~~SJWD and the Member Wholesale Agencies approved as of May 14—, 2008, as amended from time to time with the approval of ~~San Juan~~SJWD and the Member Agencies.

N. “~~San Juan~~SJWD’s Water Rights and Entitlements” means the water rights and entitlements of ~~San Juan~~SJWD that are used to make water supplies available to ~~Fair Oaks~~FOWD under this Agreement, the current sources of which are listed in paragraph A of ~~s~~Section 5 of this Agreement.

O. “~~San Juan~~SJWD’s Water Treatment and Conveyance Facilities” means the water diversion, pumping, treatment and conveyance facilities to be used by ~~San Juan~~SJWD to make water supplies available to ~~Fair Oaks~~FOWD at the Point of Delivery, which are described in **Exhibit 2** to this Agreement.

P. “2004 Water Supply Agreement” means the Wholesale Water Supply Agreement that was entered into by ~~Fair Oaks~~FOWD and ~~San Juan~~SJWD as of January 1, 2004, and as amended as of January 1, 2006 and December 31, 2007.

Q. “2008 Water Supply Agreement” means the Wholesale Water Supply Agreement that was entered into by FOWD and SJWD as of May 14, 2008, and as amended as of January 1, 2011.

R. “Wholesale Agencies” means the following retail water service providers receiving wholesale water service from SJWD, and the retail water service customers of SJWD: (1) Citrus Heights Water District; (2) FOWD; (3) Orange Vale Water Company; (4) SJWD 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.

3. Term. This Agreement is effective as of the date first mentioned above, and will continue in full force and effect for the same term as ~~San Juan~~SJWD’s CVP Water Supply Contract, including any renewals or extensions thereof. The ~~San Juan~~SJWD CVP Water Supply Contract will terminate on February 28, 2045, unless renewed or extended.

4. Prior Water Supply Agreements Superseded. This Agreement supersedes in their entirety the 1974 and 1991 Water Supply Agreements, ~~and~~ the 2004 Water Supply Agreement, and the 2008 Water Supply Agreement, and any other prior wholesale water supply agreements, and amendments thereto, between ~~Fair Oaks~~FOWD and ~~San Juan~~SJWD.

5. Water Supplies To Be Made Available To ~~Fair Oaks~~FOWD.

A. Water Supplies Currently Available To ~~San Juan~~SJWD. Water will be made available by ~~San Juan~~SJWD to ~~Fair Oaks~~FOWD under this Agreement from water supplies that are available to ~~San Juan~~SJWD from time to time. ~~San Juan~~SJWD will use its best efforts to preserve and protect ~~San Juan~~SJWD’s Water Rights and Entitlements. The water supplies that are currently available to ~~San Juan~~SJWD include the following: (1) a pre-1914 appropriative water right to divert at the rate of 60 cfs from the American River with a priority date of 1853, which is delivered from Folsom Reservoir by Reclamation ~~without charge~~ to ~~San Juan~~SJWD under the ~~San Juan~~SJWD-Reclamation Agreement; (2) an appropriative water right under permit no. 4009 (~~a~~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~~ to ~~San Juan~~SJWD under the ~~San Juan~~SJWD-Reclamation Agreement; (3) ~~San Juan~~SJWD's CVP Water Supply Contract; (4) a water supply contract dated December 7, 2000 between ~~San Juan~~SJWD and Placer County Water Agency for 25,000 acre feet per year; and (5) temporary supplies of surplus water from Reclamation under Section 215 of Public Law 97-293.

B. Member Wholesale Agencies To Have First Priority of Use. ~~San Juan~~SJWD will operate ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities, and utilize ~~San Juan~~SJWD's Water Rights and Entitlements, to provide a first priority of use to the Member Agencies. ~~San Juan~~SJWD may use ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities and ~~San Juan~~SJWD's Water Rights and Entitlements to provide water service to other water purveyors to the extent such water service is surplus to the water supply needs of the Member Wholesale Agencies. ~~San Juan~~SJWD may transfer water under ~~San Juan~~SJWD's Water Rights and Entitlements for use outside the boundaries of ~~San Juan~~SJWD that ~~San Juan~~SJWD determines is surplus to the water supply needs of the Member Wholesale Agencies during the term of the water transfer. Prior to making such determination, ~~San Juan~~SJWD will request from ~~Fair Oaks~~FOWD information regarding the water supply needs of ~~Fair Oaks~~FOWD during the term of the proposed water transfer, and ~~San Juan~~SJWD will account for ~~this information~~the water supply needs of FOWD, as reported by FOWD, in making its determination of the availability of surplus water. ~~San Juan~~SJWD will use the net revenues from each water transfer to defray the costs that are recovered through ~~San Juan~~SJWD's wholesale water rates and charges under ~~s~~Section 11 of this Agreement. Such water transfers will not: (1) result in ~~Fair Oaks~~FOWD receiving during the term of a water transfer less water than the amount provided for under this Agreement, without the prior written consent of ~~Fair Oaks~~FOWD; or (2) increase the wholesale water rates and charges under ~~s~~Section 11 of this Agreement, without the prior written consent of ~~Fair Oaks~~FOWD.

C. Beneficial Use by Fair Oaks FOWD. Since the formation of ~~Fair Oaks~~FOWD in 1917, ~~Fair Oaks~~FOWD has beneficially used a portion of ~~San Juan~~SJWD's Water Rights and Entitlements referred to in items (1), (2), (3) and (5) of paragraph A of this section. ~~Fair Oaks~~FOWD has demonstrated to the satisfaction of ~~San Juan~~SJWD that ~~Fair Oaks~~FOWD has projected future demands for water use such that ~~Fair Oaks~~FOWD expects to utilize fully for reasonable and beneficial use the water supplies made available to it by ~~San Juan~~SJWD.

D. Peak Demands. ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities are, in general, intended and designed to have sufficient capacity under normal conditions to meet the historical maximum daily water demands of water users in the Member Wholesale Agencies' service areas. From time to time and place to place, higher rates of demand may be served if such water service does not interfere with normal service to any other portion of the Member Wholesale Agencies' service areas. ~~San Juan~~SJWD will determine when such higher demands will be served, and may limit the rate of water supply at any Point of Delivery, upon advance written notice to ~~the Member Agency~~FOWD to the extent practicable.

E. Annual Water Supplies To Be Made Available by San Juan SJWD to Fair Oaks FOWD. During each calendar year throughout the term of this Agreement,

consistent with ~~San Juan~~SJWD's Water Rights and Entitlements and subject to the terms of this Agreement (including subsections G and H of this ~~s~~Section 5), ~~San Juan~~SJWD will make available to ~~Fair Oaks~~FOWD the supplies of treated water at the Point of Delivery that are scheduled by ~~Fair Oaks~~FOWD. ~~Fair Oaks~~FOWD will make reasonable and beneficial use of the water supplies provided to ~~Fair Oaks~~FOWD by ~~San Juan~~SJWD, in a manner that is consistent with the terms of ~~San Juan~~SJWD's Water Rights and Entitlements.

F. Scheduling Water Deliveries. ~~San Juan~~SJWD will schedule and make arrangements for water deliveries to ~~Fair Oaks~~FOWD under this Agreement based on information provided to ~~San Juan~~SJWD by ~~Fair Oaks~~FOWD, as requested by ~~San Juan~~SJWD. Unless otherwise requested in writing by ~~Fair Oaks~~FOWD to ~~San Juan~~SJWD, ~~San Juan~~SJWD shall schedule water deliveries to ~~Citrus Heights~~FOWD utilizing estimates based on ~~Citrus Heights~~FOWD's actual average water deliveries for the corresponding months in the 5 previous years.

G. Water Shortages and Interruptions in Water Deliveries. ~~San Juan~~SJWD will use all reasonable means to ensure against: (1) conditions of shortage in the water supplies available under ~~San Juan~~SJWD's Water Rights and Entitlements; and (2) interruptions in ~~San Juan~~SJWD's ability to use ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities in making water supplies available to ~~Fair Oaks~~FOWD at the Point of Delivery, where such conditions or interruptions could result in reductions or interruptions in water service to ~~Fair Oaks~~FOWD under this Agreement. ~~San Juan~~SJWD may temporarily discontinue or reduce the water supplies made available to ~~Fair Oaks~~FOWD under this Agreement for the purposes of investigation, inspection, maintenance, repair, replacement or improvement of any of ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities, but to the extent practicable, ~~San Juan~~SJWD will: (1) consult with ~~Fair Oaks~~FOWD and consider ~~Fair Oaks~~FOWD's water supply needs concerning a planned or unplanned interruption in water deliveries; (2) provide ~~Fair Oaks~~FOWD reasonable prior notice of any such interruption in water deliveries; and (3) use its best efforts to limit the duration of such conditions of shortage and interruption in water deliveries. ~~San Juan~~SJWD will allocate available water supplies to ~~Fair Oaks~~FOWD and the other ~~Member Wholesale~~ Agencies in accordance with ~~San Juan~~SJWD's Surface Water Supply and Water Shortage Management Plan.

H. Water Allocations During Conditions of Shortage. To the extent that: (1) the water supplies available in any year under ~~San Juan~~SJWD's Water Rights and Entitlements; and/or (2) the availability of use of ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities, are insufficient to make available the full water supplies requested or scheduled by ~~Fair Oaks~~FOWD and other agencies who contract for wholesale water supplies from ~~San Juan~~SJWD, ~~San Juan~~SJWD will allocate its available water supplies in an equitable manner. ~~San Juan~~SJWD will allocate available water supplies to ~~Fair Oaks~~FOWD and the other ~~Member Wholesale~~ Agencies in accordance with ~~San Juan~~SJWD's Surface Water Supply and Water Shortage Management Plan.

6. Point of Delivery and Measurement.

A. Identification of Point of Delivery and Measurement. Water supplies

made available by ~~San Juan~~SJWD to ~~Fair Oaks~~FOWD under this Agreement will be delivered to and measured at or near one or more Points of Delivery. ~~San Juan~~SJWD will be responsible for furnishing, installing, operating and maintaining in good operating condition water control and measurement facilities at or near each Point of Delivery, or by other means agreeable to the parties. The water control and measurement facilities described in this subsection A are deemed to be part of SJWD's Water Treatment and Conveyance Facilities.

B. Normal Minimum Water Service Pressure at Point of Delivery. ~~San Juan~~SJWD will use its best efforts to operate ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities to provide the minimum water service pressure, as required by the California Department of Public Health Division of Drinking Water and Environmental Management or its successor agency, at each Point of Delivery as specified in **Exhibit 1** to this Agreement.

C. No Liability for Distribution of Water Beyond ~~Fair Oaks~~FOWD's Point of Delivery. To the extent that ~~San Juan~~SJWD makes water available to ~~Fair Oaks~~FOWD consistent with the terms of this Agreement, ~~San Juan~~SJWD will not be liable for the control, carriage, handling, use, disposal or distribution of water supplies made available to ~~Fair Oaks~~FOWD under this Agreement past the Point of Delivery, unless the cause of such liability can reasonably be determined to be arising out of ~~San Juan~~SJWD's action or inaction in making water available before or at the Point of Delivery. To the extent that ~~San Juan~~SJWD makes water available to ~~Fair Oaks~~FOWD consistent with the terms of this Agreement, ~~San Juan~~SJWD will not be liable for claims of damage of any nature whatsoever, including but not limited to property damage or personal injury, arising out of or connected with the control, carriage, handling, use, disposal or distribution of water supplies made available to ~~Fair Oaks~~FOWD under this Agreement past the Point of Delivery, unless the cause of such liability can reasonably be determined to be arising out of ~~San Juan~~SJWD's action or inaction in making water available before or at the Point of Delivery. Unless the cause of such liability can reasonably be determined to be ~~San Juan~~SJWD's action or inaction, ~~Fair Oaks~~FOWD will indemnify, defend and hold harmless ~~San Juan~~SJWD and its directors, officers, employees and agents from any such damages or claims of damages. To the extent that ~~San Juan~~SJWD makes water available to ~~Fair Oaks~~FOWD consistent with the terms of this Agreement, ~~San Juan~~SJWD will not be liable for changes in water quality or violations of drinking water standards downstream of the Point of Delivery, unless the cause of such changes or violations is reasonably determined to be arising out of ~~San Juan~~SJWD's action or inaction in making water available before or at the Point of Delivery. ~~San Juan~~SJWD will consult and cooperate with ~~Fair Oaks~~FOWD to avoid such changes or violations.

7. Compliance with the Requirements of ~~San Juan~~SJWD's CVP Water Supply Contract. To ensure that the provisions of ~~San Juan~~SJWD's CVP Water Supply Contract that apply to the delivery of water within ~~Fair Oaks~~FOWD's service area are met, ~~Fair Oaks~~FOWD will ensure that: (a) all surface water delivered within ~~Fair Oaks~~FOWD's boundaries is measured at each service connection with water measuring devices or water measuring methods of comparable effectiveness that have been approved by the Contracting Officer (as defined in ~~San Juan~~SJWD's CVP Water Supply Contract), on a schedule that has been approved by the Contracting Officer; and (b) an effective water conservation and efficiency program that has

been approved by the Contracting Officer is implemented within ~~Fair Oaks~~FOWD' service area. FOWD will provide, no later than 14 days after SJWD's request, all FOWD water use and water conservation data, information and plans required for SJWD to comply with its reporting and planning obligations under SJWD's CVP Water Supply Contract.

8. Water Quality. Water supplies made available by ~~San Juan~~SJWD to ~~Fair Oaks~~FOWD under this Agreement will meet or be superior to all applicable minimum standards for drinking water quality in effect at the time of delivery as including those established by: (a) the California Department of Public Health Division of Drinking Water and Environmental Management, or its successor agency; and (b) federal agencies with jurisdiction over drinking water standards. ~~San Juan~~SJWD will provide water quality reports to ~~Fair Oaks~~FOWD as required by State and Federal law.

9. Operation, Maintenance and Improvement of ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities.

A. ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities. ~~San Juan~~SJWD will utilize ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities to make water supplies available to ~~Fair Oaks~~FOWD at the Point of Delivery. A diagram of said facilities and adjoining ~~Member~~Wholesale Agency facilities are schematically shown in **Exhibit 2** to this Agreement.

B. Operation, Maintenance and Capital Improvement of ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities. ~~San Juan~~SJWD will operate, maintain, repair, replace and improve ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities as ~~San Juan~~SJWD determines to be prudent, consistent with legal obligations and sound engineering, construction and utility operating practices, for the mutual benefit of ~~Fair Oaks~~FOWD and the other ~~Member~~Wholesale Agencies. For improvements to the SJWD's Water Treatment and Conveyance Facilities that will require project-specific payments from Wholesale Agencies, ~~San Juan~~SJWD will consult with ~~Fair Oaks~~FOWD and the other ~~Member~~Wholesale Agencies prior to planning and undertaking such capital improvements to ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities. Projects that are considered general wholesale water supply projects and do not require project-specific payments from the Wholesale Agencies are not applicable to this section and are included in wholesale water rates. Projects that are not of general benefit to all wholesale agencies will be allocated based on benefit received. SJWD may carry out projects providing specific benefits, as determined by SJWD in its sole discretion, and allocate and collect the costs of all such projects from FOWD and the other affected Wholesale Agencies in accordance with the following procedures: (i) SJWD will provide FOWD and other affected Wholesale Agencies with an initial notice of any proposed capital repair, replacement and improvement project to be carried out under this subsection B as soon as possible after SJWD determines that the project is necessary, and will provide FOWD with any initial analyses and data developed for the project and schedule at least one initial scoping meeting with FOWD to discuss the proposed project; (ii) SJWD will provide FOWD with advance notice and relevant meeting materials for all SJWD Board, Committee, and Executive Committee meetings at which the proposed project is discussed to provide FOWD with an opportunity to analyze and comment on the proposed project in advance of any final

decision by SJWD to proceed; (iii) once SJWD makes a final determination to proceed with the project, SJWD staff will provide 45 days' advance written notice of the date of final project approval by SJWD Board of Directors and the notice will include the proposed final allocation of costs with estimated budget and schedule, together with any project reports, data and other information prepared by SJWD staff and consultants; (iv) by no later than 30 days after receipt of the 45-day notice, FOWD will provide SJWD with relevant comments, data, reports, and other information regarding the proposed project and related allocation of costs, and may request meetings during the notice period with SJWD staff and consultants to discuss any new information that may have arisen since the determination to proceed with the project; (v) after receiving comments from FOWD and other affected Wholesale Agencies, or after 30 days in which no comments were provided, prior to final approval of the project and related cost allocations, SJWD staff will prepare a final staff report and recommendation to the SJWD Board, which will include FOWD's comments, and will provide that staff report to FOWD, as part of the Board of Directors' meeting agenda packet, at least 3 days before the meeting at which the SJWD Board will consider the staff report and recommendation on project approval; and (vi) at the meeting at which the SJWD Board will consider approving the project and cost allocations, the Board will consider all FOWD oral and written comments and take them into consideration in making its determination. The SJWD Board's determination will be final and FOWD will thereupon become obligated to comply with the project cost allocations and to pay all project invoices based on those allocations when due.

C. Schedule for Payment of Project Costs. If the Board approves the project, SJWD will invoice FOWD for its share of costs on the following schedule: (i) FOWD's share of any accrued project planning, design, administrative, and other costs will be invoiced after Board approval; and (ii) all subsequent invoices will be invoiced after District approval of all payments owing to the contractor, subcontractors, consultants and suppliers in accordance with the project payment schedule. All FOWD payments will be due to SJWD no later than 45 days after the invoice date, after which any such payment will be deemed delinquent and subject to the late payment penalties and interest provided in Section 5.4 of SJWD's District Policies, as they may be amended from time to time. SJWD will collect sufficient funds from FOWD and the other Wholesale Agencies to pay the costs of operations and routine maintenance of SJWD's Water Treatment and Conveyance Facilities in accordance with Section 11 of this Agreement.

CD. San Juan SJWD's Cooperative Transmission Pipeline Project. The utilization, operation and maintenance of San Juan SJWD's CTP will be in accordance with the terms of the CTP Agreement. Nothing in this Agreement amends or supersedes the provisions of the CTP Agreement.

10. Area in Which Water May Be Used. Water supplies made available to Fair Oaks FOWD under this Agreement will not be sold or otherwise disposed of by Fair Oaks FOWD for use outside of the boundaries of Fair Oaks FOWD as of the effective date of this Agreement, without the prior written consent of San Juan SJWD, which consent will not be unreasonably withheld.

11. Water Rates and Charges.

A. Wholesale Water Rates and Charges. ~~San Juan~~SJWD will set wholesale water rates and charges from time to time for making treated water supplies available to ~~Fair Oaks~~FOWD, and other agencies that contract for wholesale water supplies from ~~San Juan~~SJWD, to recover ~~San Juan~~SJWD's costs of making treated water supplies available, including without limitation, the cost of untreated water under ~~San Juan~~SJWD's Water Rights and Water Entitlements, and the cost of operation, maintenance, and repairs, replacements ~~of~~, and capital improvements of general benefit to, ~~San Juan~~SJWD's Water Treatment and Conveyance Facilities. ~~San Juan~~SJWD's wholesale water rates and charges will include the melded cost of water from ~~San Juan~~SJWD's Water Rights and Water Entitlements. ~~San Juan~~SJWD's wholesale water rates and charges will include interest and penalties for delinquent payments, as appropriate~~provided~~ in Section 5.4 of ~~SJWD's~~SJWD's District Policies. ~~San Juan~~SJWD will determine its wholesale water rates and charges based on cost-of-service principles and other applicable provisions of law. ~~San Juan~~SJWD will ensure that revenues collected by ~~San Juan~~SJWD from ~~Fair Oaks~~FOWD and other Member~~Wholesale~~ Agencies for wholesale water service are equitably used for the benefit of such wholesale water customers. ~~San Juan~~

B. Adjustment of Rates and Charges. SJWD will adjust wholesale water service rates and charges under this Agreement according to the following procedure: (i) the five-year financial plan provides an estimated increase in rates and charges that will be necessary for each of the following five years. Each year at budget time, SJWD will review and update the information in the financial plan and prepare a proposed wholesale budget. The first draft of the budget will generally be available in late March or early April of each year. SJWD will provide Fair Oaks FOWD with a copy of the proposed budget and advance written notice of proposed changes in water rates and charges each year. ~~under this Agreement;~~ (ii) If FOWD has any relevant comments, data, reports or other information regarding the ~~on such~~ proposed changes in rates and charges that has arisen since the financial plan FOWD should provide to SJWD prior to the meeting at which the Board will consider adopting the budget; (iii) prior to final approval adoption of water rate changes by ~~San Juan~~SJWD, and ~~SJWD~~ will account for Fair Oaks' comments in making its determination. The SJWD Board will typically consider adopting the final wholesale budget in May or June of each year, and changes in water rates and charges will typically be effective as of January 1 of the calendar year following adoption by San JuanSJWD. Notwithstanding the foregoing, SJWD reserves the right, in its sole discretion, to propose that a change in wholesale water rates and charges will take effect on another date.

BC. Schedule for Payment. ~~San Juan~~SJWD will bill ~~Fair Oaks~~FOWD quarterly in advance for one-quarter of the annual water service charge and one-quarter of any required debt service payments. ~~San Juan~~SJWD will bill ~~Fair Oaks~~FOWD in arrears for actual water deliveries provided to ~~Fair Oaks~~FOWD during the prior calendar quarter under this Agreement. ~~San Juan~~SJWD will bill ~~Fair Oaks~~FOWD during the month following the end of each calendar quarter.

D. Incomplete or Inaccurate Water Measurements. In the event that the measurements for water deliveries to ~~Fair Oaks~~FOWD based upon ~~San Juan~~SJWD's water measurement facility or facilities are determined to be incomplete or inaccurate, ~~San Juan~~SJWD and ~~Fair Oaks~~FOWD shall collaborate and agree on how to determine a reasonable estimate of water delivered to ~~Fair Oaks~~FOWD. Said estimate methods may include, but are not limited to,

utilization of ~~Fair Oaks~~FOWD in-series water measurement facilities, summation of ~~Fair Oaks~~FOWD water deliveries to its retail customers, comparison to a prior time period, or other method mutually acceptable to the parties and approved by the ~~Fair Oaks~~FOWD and ~~San Juan~~SJWD Boards of Directors.

12.—C. General Obligation of ~~Fair Oaks~~FOWD. The obligations of ~~Fair Oaks~~FOWD under this Agreement will constitute general obligations of ~~Fair Oaks~~FOWD, and ~~Fair Oaks~~FOWD will use all of the powers and resources available to it under the law to collect the funds necessary for, and to timely pay, ~~Fair Oaks~~FOWD's obligations to ~~San Juan~~SJWD under this Agreement. ~~Fair Oaks~~FOWD as a whole is obligated to pay ~~San Juan~~SJWD the payments becoming due under this Agreement, notwithstanding any individual default by its water users, customers or others in the payment to ~~Fair Oaks~~FOWD of assessments, taxes or other rates and charges levied by ~~Fair Oaks~~FOWD.

132. General Provisions.

A. Supporting Resolutions. Each party represents that it has legal authority to enter into this Agreement and to perform its obligations hereunder, and will provide to the other party concurrent with execution of this Agreement, a duly-authorized resolution or other document authorizing the person executing this Agreement to do so.

B. Integration. This Agreement constitutes the sole, final, complete, exclusive and integrated expression and statement of the terms of this Agreement concerning the subject matter of this Agreement, and supersedes all prior negotiations, representations or agreements (including those expressly identified in Section 4 of this Agreement), either oral or written, that may be related to the subject matter of this Agreement.

C. Construction and Interpretation. The parties acknowledge that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party will not apply in construing or interpreting this Agreement.

D. Severability. The invalidity, illegality or unenforceability of any provision of this Agreement will not render the other provisions invalid, illegal or unenforceable.

E. Periodic Review; Amendment. ~~San Juan~~SJWD and the ~~Member~~Wholesale Agencies plan to meet not less than once every 5 years to review the terms of their wholesale water supply agreements, and discuss possible amendments thereto. The terms of this Agreement may be modified or amended only by a subsequent written agreement approved and executed by the parties.

F. Notices. Any notice and other communications required under this Agreement will be in writing, and will be deemed to have been duly given upon the date of service, if: (a) served personally on the party to whom notice is to be given; or (b) sent by electronic mail, and the party to whom notice is to be given confirms receipt; or (c) mailed, on

APRIL 30, 2013 DRAFT: SUBJECT TO REVISION

the third day after mailing, if mailed to the party to whom notice is to be given, by first-class mail, postage prepaid, and properly addressed to the following:

Shauna Lorange,
General Manager
San Juan Water District
Post Office Box 2157
9935 Auburn-Folsom Road
Granite Bay, CA 95746-2157
E-mail: slorange@sjwd.org

Tom Gray,
General Manager
Fair Oaks Water District
10317 Fair Oaks Blvd.
Fair Oaks, CA 95628
E-mail: tgray@fowd.com

Either party may change that party's address for notices or name and e-mail address of its point of contact by providing notice of the change to the other party in accordance with this subsection 13.F.

G. Relationship of Parties. Nothing in this Agreement will be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability.

H. No Third-Party Beneficiaries. This Agreement will not be construed to create any third-party beneficiaries, except that this Agreement recognizes that Fair Oaks FOWD is a third-party beneficiary of San Juan SJWD's contractual water entitlements that are set forth in paragraph A of Section 5 of this Agreement. This Agreement is for the sole benefit of the parties and their respective successors and permitted transferees and assigns, and no other person or entity will be entitled to rely on or receive any benefit from this Agreement or any of its terms.

I. Successors and Assigns. This Agreement will bind and be for the benefit of the respective successors and assigns of the parties, except that, no assignment or transfer of any rights or duties of a party under this Agreement will be effective unless approved in writing by the other party.

J. Opinions and Determinations. Where the terms of this Agreement provide for an action to be based on the opinion, determination, approval or review of either party, such terms are not intended to be, and will not be construed as permitting, such action to be arbitrary, capricious or unreasonable. Any opinion, determination, approval or review required of a party under this Agreement will be provided in a timely manner, unless more particularly specified herein.

K. Reasonable Cooperation. In addition to complying with the specific obligations provided in this Agreement, the parties will reasonably cooperate with each other, including the execution of all necessary documents, to carry out the purposes and intent of this Agreement. Each party will reasonably cooperate with the other to provide materials and information as requested from time to time to facilitate implementation and review of this Agreement, and the parties' respective rights and duties thereunder.

L. General Indemnity. Each party to this Agreement will indemnify, defend

(with mutually acceptable counsel) and hold harmless the other party, and its respective directors, officers, employees and agents, from and against any and all liability, losses, claims, damages, expenses, demands, settlements and costs (including, but not limited to, interest, penalties, attorneys', expert witness' and consulting fees and expenses, and litigation costs) of any nature arising out of the party's performance under this Agreement and caused by any negligent act or omission, willful misconduct or violation of law of or by the party, or the party's employees, agents, contractors and subcontractors.

M. Waiver. The waiver at any time by a party of its rights with respect to a default or other matter arising in connection with this Agreement will not be deemed to be a waiver with respect to any subsequent default or matter.

N. Remedies Not Exclusive. The remedies provided in this Agreement are cumulative and not exclusive, and are in addition to any other remedies that may be provided by law or equity. The exercise by either party of any remedy under this Agreement will be without prejudice to the enforcement of any other remedy.

O. Prevailing Party's Entitlement to Expenses. In the event that any litigation of any nature between SJWD and FOWD becomes necessary to enforce or interpret all or any portion of this Agreement, it is mutually agreed that the prevailing party shall receive from the other, in addition to any sums as may be awarded by judgment, an amount sufficient to reimburse the prevailing party for reasonable attorney's, consultant's and expert's fees, costs and expenses, and litigation costs incurred by the prevailing party as a result of the litigation.

The foregoing is hereby agreed to by the parties and executed in counterpart duplicate originals as of the effective date of this Agreement.

SAN JUAN WATER DISTRICT

FAIR OAKS WATER DISTRICT

By: _____
Ken Miller, President
Board of Directors

By: _____
President
Board of Directors

ATTEST:

ATTEST:

By _____
Secretary

By _____
Secretary

Approved as to form: _____

Approved as to form: _____

List of Exhibits

1. Surface Water Points of Delivery
2. ~~San Juan~~SJWD's Water Treatment and the Conveyance Facilities



NCWA
Northern California Water Association



September 28, 2015

Via First-Class Mail And Electronic Mail

Mr. Ben Nelson
Bureau of Reclamation
801 I Street, Suite 140
Sacramento, CA 95814-2536
bcnelson@usbr.gov

Re: Northern California Water Association and Glenn-Colusa Irrigation District Comments on Draft Environmental Impact Statement for the Coordinated Long-Term Operation of the Central Valley Project and State Water Project

Dear Mr. Nelson:

The Northern California Water Association (NCWA) and Glenn-Colusa Irrigation District (GCID) provide these comments on the Bureau of Reclamation's Draft Environmental Impact Statement for the Coordinated Long-Term Operation of the Central Valley Project and State Water Project ("DEIS"). As discussed below, and as detailed in other comments submitted to Reclamation on this matter, the DEIS should be revised and additional analysis should be conducted before Reclamation adopts a Final Environmental Impact Statement ("FEIS") for the proposed actions.

Deficient Alternatives Analysis

Under the National Environmental Policy Act ("NEPA"), each federal agency must prepare a detailed environmental impact statement ("EIS") for any "major Federal action[] significantly affecting the quality of the human environment." (42 U.S.C. § 4332, subd. (2)(c).) The EIS must include "the alternative of no action." (40 C.F.R. § 1502.14(d); *American Rivers v. FERC* (9th Cir. 1999) 187 F.3d 1007, 1020.) The no action alternative represents the "status quo," defined as the continuation of existing policy and management direction without adoption of the proposed major Federal action. (*American Rivers, supra*, 187 F.3d at pp. 1020-1021.) A valid EIS must also evaluate the proposed action and all reasonable alternatives, and include appropriate mitigation measures not already included in the proposed action or alternatives. (40 C.F.R. § 1502.14, subds. (a)-(c), (f).)

Pursuant to the Ninth Circuit's decision in *San Luis & Delta-Mendota Water Authority v. Jewell*, 747 F.3d 581 (9th Cir. 2014), Reclamation is required to prepare an EIS that discloses the effects of adopting the Reasonable and Prudent Alternatives ("RPA") contained in the United States Fish and Wildlife Service's 2008 delta smelt biological opinion ("2008 USFWS BiOp"). In this regard, the Court stated as follows:

At this point, we can only speculate about what kind of significant effects will eventually result from implementation of the BiOp because Reclamation has not yet completed its EIS. But it is beyond dispute that Reclamation's implementation of the BiOp has important effects on human interaction with the natural environment. We know that

millions of people and vast areas of some of America's most productive farmland will be impacted by Reclamation's actions. Those impacts were not the focus of the BiOp. In sum, we cannot reach an informed decision about the extent to which implementation of the BiOp is an environmental preservation action in the vein of *Douglas County* and *Drakes Bay Oyster* because we do not know how the action will impact the broader natural environment. We find no basis for exempting Reclamation from the EIS requirement. [Citation.] We recognize that the preparation of an EIS will not alter Reclamation's obligations under the ESA. *But the EIS may well inform Reclamation of the overall costs – including the human costs – of furthering the ESA.*

Id., 747 F.3d at 653 (italics added.)

In accordance with the court orders, Reclamation prepared the DEIS. (DEIS, p. 1-9.) The DEIS states that its purpose is to “conduct a NEPA review to determine *whether the RPA actions cause a significant impact on the human environment.*” (DEIS, p. 2-2 (italics added).) In the DEIS, however, Reclamation defined the baseline, “No Action Alternative” conditions to include the RPA actions described in the 2008 USFWS BiOp RPA and the 2009 National Marine Fisheries Service (“NMFS”) salmonid biological opinion (“2009 NMFS BiOp”) in 2030. (DEIS, pp. 3-21 to 3-22.) The DEIS states Reclamation did this because Reclamation provisionally accepted and implemented the RPAs in the 2008 USFWS BiOp and 2009 NMFS BiOp prior to preparation of the DEIS. (DEIS, p. 3-22.) The DEIS also includes a Second Basis of Comparison that does not include implementation of the RPAs. (*Ibid.*)

By defining the No Action Alternative to include the major federal action that the courts ordered Reclamation to analyze, Reclamation has not complied with NEPA or the applicable court directives. The purpose of requiring Reclamation to prepare an EIS was to inform Reclamation of the human and environmental costs of significantly changing the status quo for the state and federal water projects by adopting the RPAs. (*San Luis & Delta-Mendota Water Authority, supra*, 747 F.3d at 653.) The DEIS does not meet this requirement because it *assumes* the RPAs are part of the status quo by defining the No Action Alternative to include them. This results in a flawed alternatives analysis because it assumes that the status quo includes incurring the significant human and environmental costs of implementing the RPAs, and then the DEIS proceeds to analyze the five alternatives against this assumption. This contravenes the analysis required by NEPA and ordered by the Ninth Circuit.

The DEIS attempts to address this issue by including a “Second Basis of Comparison,” which “represents a condition in 2030 without implementation of the 2008 USFWS BO and 2009 NMFS BO,” and then by also comparing the other alternatives to this basis of comparison. (DEIS, p. 3-3.) This analytical approach, however, does not comport with the Ninth Circuit's decision, because the DEIS does not describe the incremental changes from the Second Basis of Comparison to the alternatives as impacts of the proposed actions, and does not consider whether mitigation measures are needed to address the impacts of the alternatives when compared to the Second Basis of Comparison. Instead, the inclusion of the RPAs in the No Action Alternative leads the DEIS to improperly conclude that no mitigation is necessary for the adoption of the RPAs. If the DEIS had properly included adoption of the RPAs as an alternative, rather than as part of the No Action Alternative, then the DEIS would have been required to include appropriate mitigation measures to address the effects of the implementing the RPAs. (40 C.F.R. § 1502.14, subd. (f).) Instead, the DEIS assumes implementation of the RPAs, and fails to include appropriate mitigation measures to address their effects. (See, e.g., DEIS, pp. 5-237 to 5-261 (failing to include mitigation for effects on surface water of implementing the RPAs).)

Deficient Hydrological Analysis

The DEIS's hydrological analysis does not accurately analyze how the CVP and SWP would be operated with the combined effects of climate change and multi-year droughts, and, as a result, does not properly

analyze the impacts of the proposed actions. The DEIS acknowledges that its analysis and conclusions are probably inaccurate during extremely dry conditions that come with multi-year droughts:

Under extreme hydrologic and operational conditions where there is not enough water supply to meet all requirements, CalSim II utilizes a series of operating rules to reach a solution to allow for the continuation of the simulation. It is recognized that these operating rules are a simplified version of the very complex decision processes that CVP and SWP operators would use in actual extreme conditions. Therefore, *model results and potential changes under these extreme conditions should be evaluated on a comparative basis between alternatives and are an approximation of extreme operational conditions.* As an example, CalSim II model results show simulated occurrences of extremely low storage conditions at CVP and SWP reservoirs during critical drought periods when storage is at dead pool levels at or below the elevation of the lowest level outlet. Simulated occurrences of reservoir storage conditions at dead pool levels may occur coincidentally with simulated impacts that are determined to be potentially significant. When reservoir storage is at dead pool levels, there may be instances in which flow conditions fall short of minimum flow criteria, salinity conditions may exceed salinity standards, diversion conditions fall short of allocated diversion amounts, and operating agreements are not met.

(DEIS, p. 5-61 (italics added).)

Regarding climate change, the DEIS does not disclose the proposed alternatives' impacts against baseline conditions without projected climate change. Instead, all of the DEIS's alternatives include the projected future impacts of climate change in the 2030 timeframe. (DEIS, p. ES-7.) This makes it impossible for the reviewing public to segregate impacts that are predicted to result from climate change from the impacts that would occur due to implementation of the proposed alternatives. Furthermore, it is not possible to know whether future climate change will occur exactly as projected in the DEIS's single climate change scenario. In this regard, the DEIS does not adequately inform the public of the proposed alternatives' impacts, because the lack of an analysis of the proposed alternatives' impacts without climate change obscures how the state and federal projects are likely to operate if climate change does not occur exactly as projected in the DEIS.

Conclusion

For the foregoing reasons, the DEIS should be revised and additional analyses should be conducted before Reclamation adopts an FEIS for the proposed actions. NCWA and GCID appreciate Reclamation's consideration of these comments.

Sincerely,



David J. Guy
President
Northern California Water Association



Thaddeus Bettner
General Manager
Glenn-Colusa Irrigation District

cc: Andrew Hitchings

Teri Hart

From: Pam Tobin <petpyrs@surewest.net>
Sent: Wednesday, October 07, 2015 11:00 AM
To: Teri Hart
Subject: FW: Upcoming tours, Water Leader apps due and other major events coming up

Can you please make sure that the directors and staff have a copy of this for the BOD meeting tonight?
Thanks

Pamela E. Tobin, Director
San Juan Water District
9935 Auburn-Folsom Rd
Granite Bay, CA 95746
District Office: (916) 791-0115
Cell: (916) 275-0875

From: Sue McClurg [mailto:smclurg=watereducation.org@mail193.suw12.mcsv.net] **On Behalf Of** Sue McClurg
Sent: Wednesday, October 07, 2015 10:46 AM
To: petpyrs@surewest.net
Subject: Upcoming tours, Water Leader apps due and other major events coming up



Upcoming tours, Water Leader applications due, Water 101, Int'l Groundwater Conference and more

We still have a few water tours left this fall and are gearing up for some must-attend events in 2016. Take a look and register today!

Northern California Tour: Oct. 21-23, 2015

This 3-day, 2-night tour travels the length of the Sacramento Valley, a major source of water for California. Stops include Oroville and Shasta dams, Red Bluff Fish Passage Improvement Project, Feather River Fish Hatchery, Clear Creek restoration site and more.



Click [here](#) for more information and to register.

San Joaquin River Restoration Tour: Nov. 5-6, 2015

This 2-day, 1-night tour explores challenges associated with restoring flows and a Chinook salmon fishery to the San Joaquin River from below Friant Dam to the confluence with the Merced River.



Click [here](#) for more information and to register.

2016 Water Leader Applications: Due Dec. 7

Applications now are being accepted for the 2016 William R. Gianelli Water Leaders Class. The one-year program fosters a deeper knowledge of water issues and leadership skills. Get your application in before the Dec. 7 deadline.

Click [here](#) for more information and to download an application.

Water 101 Workshop: Feb. 4-5, 2016

Learn the basics and beyond from top experts at our popular [Water 101 Workshop](#) in the Sacramento area.

Water 101 is open to anyone interested in learning more about the history and the management structure of water in California, water rights, which agencies regulate water in the state, how the Legislature handles water issues, alternative supplies and the key water issues facing the state – including the ongoing drought and the historic groundwater law enacted in 2015.

Click [here](#) for more information and to register.

2016 Executive Briefing: March 17, 2016

The Water Education Foundation's flagship event, the annual Executive Briefing, will be held March 17, 2016 in Sacramento. It's the go-to conference of the year to get the latest information on drought, groundwater and other issues impacting water statewide.

Click [here](#) for more information and to register.

International Groundwater Conference: June 28-30, 2016

Hundreds of groundwater experts will convene at the International Groundwater Conference in San Francisco next summer.

Organized by the Water Education Foundation and the UC Davis Robert M. Hagan Endowed Chair, this conference will provide the latest scientific, management, legal and policy advances for sustaining our groundwater resources in agricultural regions around the world. Don't miss it!

Click [here](#) for more information and to register.

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