

NEVADA IRRIGATION DISTRICT  
BOARD OF DIRECTORS / JOINT POWERS AUTHORITY

MINUTES

February 24, 2016

The Board of Directors of the Nevada Irrigation District and the Nevada Irrigation District Joint Powers Authority convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 24th day of February 2016 at 9:00 a.m.

Present were Nancy Weber, President (Division I); Nick Wilcox, Vice-President (Division V); John H. Drew (Division II), W. Scott Miller (Division III) and William Morebeck (Division IV), Directors.

Staff members present included Rem Scherzinger, General Manager; Tim Crough, Assistant General Manager; Marvin V. Davis, Finance Manager/Treasurer; Chip Close, Operations Manager; Keane Sommers, Hydroelectric Manager; Brian Powell, Maintenance Manager; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

MINUTES – February 10, 2016 Regular Meeting

**Approved the minutes of the regular meeting on February 10, 2016. M/S/C Drew/Miller, unanimously approved**

WARRANTS

**Approved the following warrants: All Fund Nos. 72860 through 73067 and 900229 through 900233, inclusive; and Payroll Direct Deposit and Warrant Nos. 80248 through 80258 and V4966 through V49150, inclusive. M/S/C Drew/Miller, unanimously approved**

WATER SERVICE RULES AND REGULATIONS – Security Deposits (Section 6.05)

**Approved changes to the District's Water Service Rules and Regulations regarding Security Deposits (Section 6.05), as amended. M/S/C Drew/Miller, unanimously approved**

February 24, 2016

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) – Request for Nominations (Res. No. 2016-06)

**Adopted Resolution No. 2016-06 (Placing in Nomination Remleh Scherzinger as a Member of the Association of California Water Agencies - Region 3). M/S/C Drew/Miller, unanimously approved**

SCOTTS FLAT RESERVOIR – Fuel Treatment (Phase 3) Sierra Nevada Conservancy, Watershed Improvement Program (Proposition 1 Grant Funds)

President Weber asked that this item be removed from the Consent Agenda. She asked about the Timber Harvest Plan and who is working on the Plan. There are some extra trees that will be removed, and she asked how that will be handled. She also asked how the neighborhood will be notified.

Neysa King, Watershed Resources Planner, stated that the Timber Harvest Plan is the same as the Scotts Flat Timber Harvest Plan that was developed and approved by CalFire. Pete Walden, Registered Forester, is working with the District to oversee proper implementation of the Plan and satisfaction of all forest practices rules. The District will also be working with the licensed timber operator on the ground. She added that this Project would be a biomass removal project (fire fuels reduction in the understory).

With regard to notifying the neighbors, Ms. King stated that Peggy Davidson, Recreation Manager, provided her with contact information for the Cascade Homeowners Association. She has also contacted the Banner Mountain Homeowners Association.

**Adopted Resolution No. 2016-05 (Approving the Application for Grant Funds for the Sierra Nevada Watershed Improvement Program [Proposition 1] Under the Water Quality, Supply and Infrastructure Improvement Act of 2014). M/S/C Drew/Wilcox, unanimously approved**

FISCAL YEAR 2015 UNAUDITED FINANCIAL REPORT – Review

Marvin Davis, Finance Manager/Treasurer, provided the following presentation on the 2015 Annual Financial Report (unaudited):

*Revenues:*

- Overall Revenues were .6% (\$372,000) over budget
  - Hydroelectric revenues are conservatively budgeted (\$2.9 million)
  - Increase to Water Division for Hydroelectric Division loan repayment (\$3 million)
  - Decrease in treated water sales (\$3.1 million)
  - Increase in property taxes (\$700,000)
  - Increase in grants and interest earnings (\$900,000)
  - Decrease in debt, new debt delayed (\$5 million)

February 24, 2016

- Overall Revenues excluding Hydroelectric Division loan repayment were 4.4% (\$2.6 million) under budget

*Expenditures:*

- Overall Expenditures were 12.8% (\$8.6 million) under budget
  - Decrease in labor due to 3.25 unfilled FTEs (\$525,000)
  - Decrease in consultant, outside services, relicensing (\$976,000)
  - Deferred spending on Combie Phase I and Raw Water Intertie Project – Engineering budget (\$7.4 million)
- Overall Expenditures, excluding Hydroelectric Division loan repayment were 17.3% (\$11.7 million) under budget

*Cash and Reserve Balances:*

- The District finished 2015 with just over \$71 million in cash and investments
  - Water Division cash balance increased due to Hydroelectric Division loan repayment
  - Hydroelectric Division working capital is reduced to establish capital improvement reserve of \$10 million
  - Historical funding (Fiscal Years 2010 through 2015) of Debt Service and Project Spending is as follows:
    - Annual Net Income: 80%
    - External Debt: 21%
    - Reserves: .9%

All Divisions:

	2015 Budget	2015 Actual	Actual vs Budget	
			%	\$
<b><i>Overall Budget:</i></b>				
Operating Revenue	44,066,239	47,899,752	8.7%	3,833,513
Capital Revenue	15,908,419	12,447,330	-21.8%	(3,461,089)
<b>Total Revenue</b>		<b>60,347,081</b>	<b>0.6%</b>	<b>372,424</b>
<b><i>Exlcuding Hydro Repayment</i></b>			<b>-4.4%</b>	<b>(2,662,576)</b>
Operating Expense	41,706,855	40,242,888	-3.5%	(1,463,967)
Capital Expense	26,237,693	19,004,327	-27.6%	(7,233,366)
<b>Total Expense</b>		<b>59,247,215</b>	<b>-12.8%</b>	<b>(8,697,333)</b>
<b><i>Exlcuding Hydro Repayment</i></b>			<b>-17.3%</b>	<b>(11,732,333)</b>
<b>Total Net Income</b>		<b>1,099,866</b>		

February 24, 2016

Water Division:

	2015 Budget	2015 Actual	Actual vs Budget	
			%	\$
<b><u>Water Budget:</u></b>				
Operating Revenue	24,078,682	25,248,611	4.9%	1,169,930
Capital Revenue	15,908,419	12,447,330	-21.8%	(3,461,089)
<b>Total Revenue</b>		<b>37,695,941</b>	<b>-5.7%</b>	<b>(2,291,160)</b>
<b>Exlcuding Hydro Repayment</b>			<b>-13.3%</b>	<b>(5,326,160)</b>
Operating Expense	28,636,985	26,466,527	-7.6%	(2,170,458)
Capital Expense	22,812,699	15,435,584	-32.3%	(7,377,115)
<b>Total Expense</b>		<b>41,902,111</b>	<b>-18.6%</b>	<b>(9,547,573)</b>
<b>Total Net Income</b>		<b>(4,206,170)</b>		

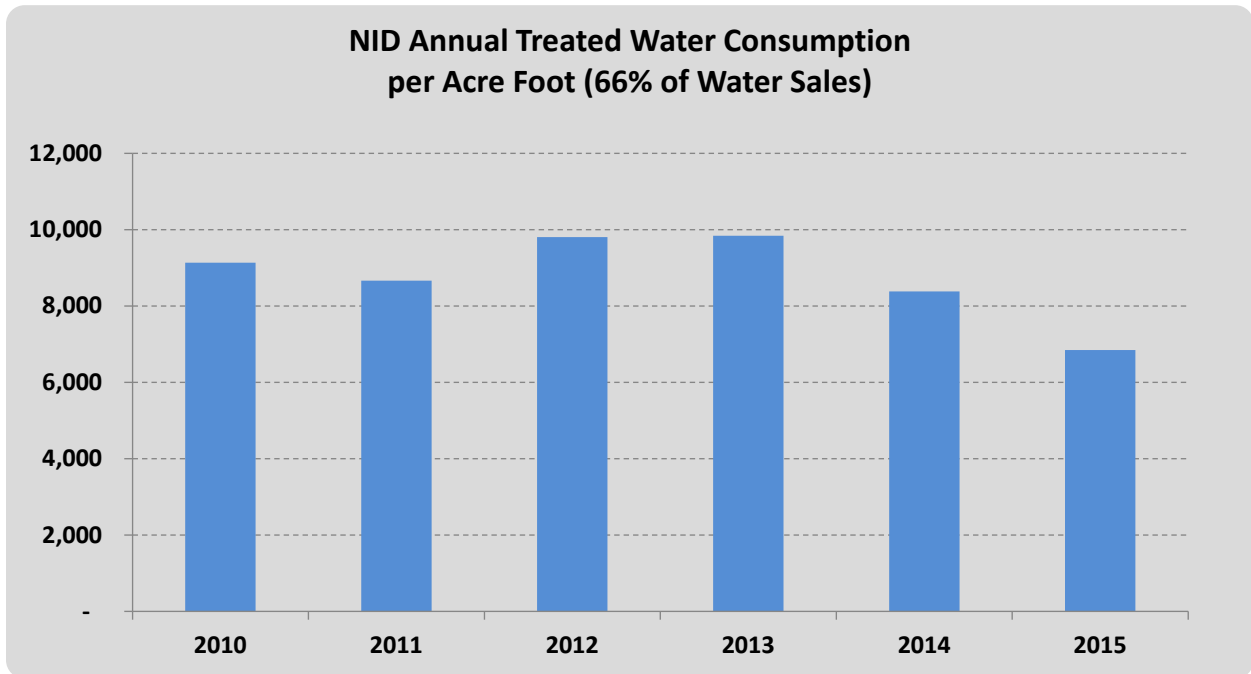
Hydroelectric Division:

	2015 Budget	2015 Actual	Actual vs Budget	
			%	\$
<b><u>Hydroelectric Budget:</u></b>				
Total Revenue	18,234,557	20,912,859	14.7%	2,678,302
Total Operating Expense	11,368,200	12,177,543	7.1%	809,343
Total Capital Expense	3,287,500	3,518,743	7.0%	231,243
<b>Net Income</b>		<b>5,216,573</b>		

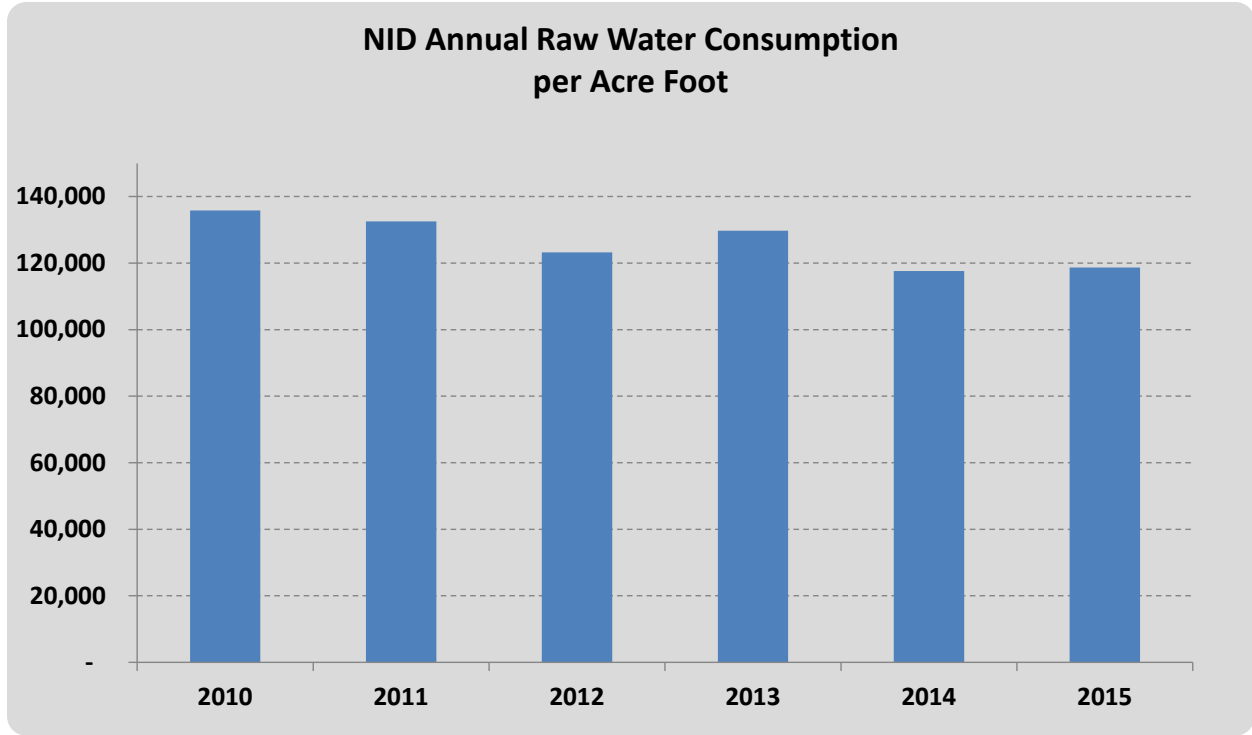
February 24, 2016

Recreation Division:

	2015 Budget	2015 Actual	Actual vs Budget	
			%	\$
<b><u>Recreation Budget:</u></b>				
Total Revenue	1,753,000	1,738,282	-0.8%	(14,718)
Total Operating Expense	1,701,670	1,598,819	-6.0%	(102,851)
Total Capital Expense	137,494	50,000	-63.6%	(87,494)
<b>Net Income</b>		<b>89,463</b>		



Mr. Davis pointed out that when the District conducts the next Water Rates Study, Staff will determine if the fixed rate component requires an adjustment.



*Cash Reserves:*

Unreconciled General Ledger:

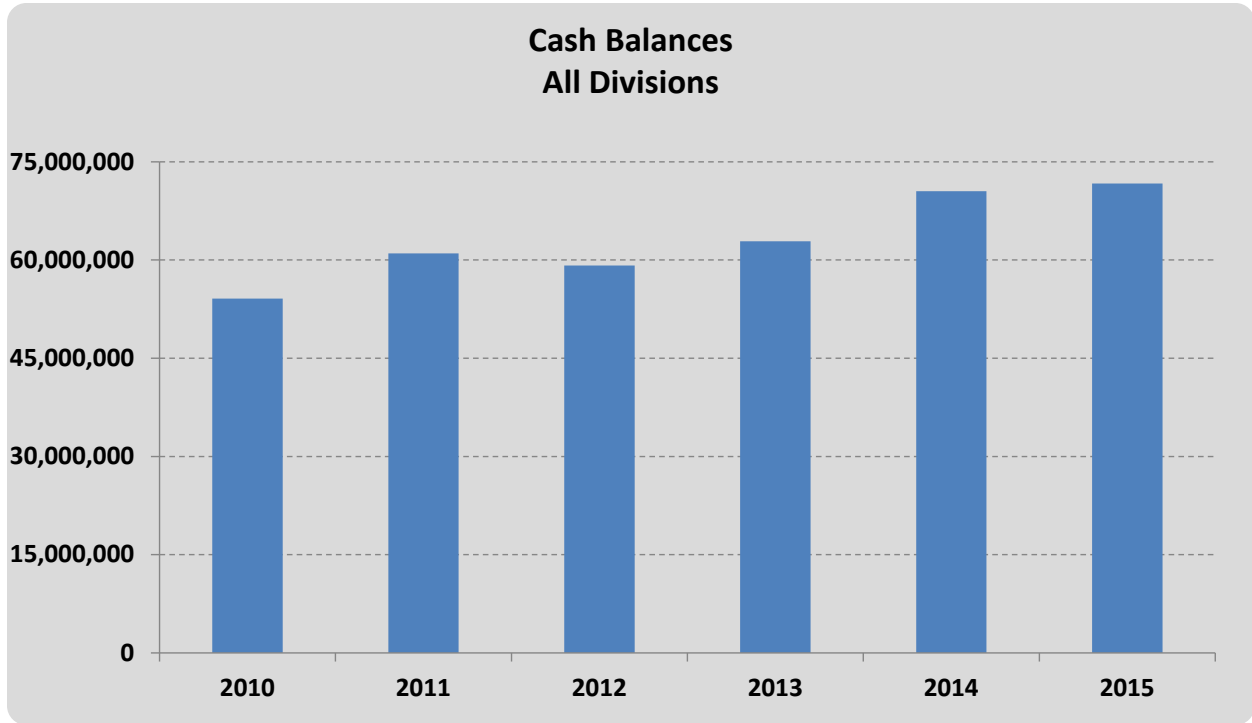
	Water	Hydroelectric	Recreation	Imp Distr	Fiscal	Total
<b>Working Capital</b>						
Operating Cash	9,655,268	8,903,150	-	-	-	18,558,418
Operating Reserve	6,000,000	5,909,738	-	-	-	11,909,738
<b>Total</b>	<b>15,655,268</b>	<b>14,812,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,468,156</b>
<b>Designated</b>						
Accrued Leave	2,182,318	266,996	63,055	-	-	2,512,369
Capital Improvement	5,012,500	10,000,000	-	-	-	15,012,500
Catastrophic Insurance	7,518,750	-	-	-	-	7,518,750
Hydroelectric Relicense	-	259,962	-	-	-	259,962
Rate Stabilization	2,005,000	-	-	-	-	2,005,000
Raw Water Expansion	2,005,000	-	-	-	-	2,005,000
Watershed Stewardship	2,145,749	-	-	-	-	2,145,749
<b>Total</b>	<b>20,869,317</b>	<b>10,526,958</b>	<b>63,055</b>	<b>-</b>	<b>-</b>	<b>31,459,330</b>
<b>Restricted</b>						
Debt Service	1,968,863	-	-	-	-	1,968,863
Fiscal Agent	-	-	-	-	124,584	124,584
Imp Districts	-	-	-	886,517	-	886,517
Trt System Expansion	6,770,673	-	-	-	-	6,770,673
<b>Total</b>	<b>8,739,536</b>	<b>-</b>	<b>-</b>	<b>886,517</b>	<b>124,584</b>	<b>9,750,637</b>
<b>Total District</b>	<b>\$45,264,121</b>	<b>\$ 25,339,846</b>	<b>\$ 63,055</b>	<b>\$886,517</b>	<b>\$ 124,584</b>	<b>\$71,678,123</b>

FY 2015 Average 6 Month Spending                   \$ 20,951,056  
 Working Capital Reserve Balance                   \$ 30,468,156

February 24, 2016

President Weber requested that in the future, the information in the packet match the information in the Powerpoint presentation.

Rem Scherzinger, General Manager, concurred.



Cash Flows (FY 2010 - 2015)

Fiscal Year	Net Income*	Debt Proceeds	Debt Svcs	Projects	Reserves	Cash Balance
2009						70,201,577
2010	16,652,935	4,157,777	-5,360,815	-31,529,201	-16,079,304	54,122,273
2011	24,719,208	29,682,241	-12,027,760	-35,495,591	6,878,098	61,000,371
2012	18,414,696	674,252	-6,074,496	-14,875,451	-1,860,999	59,139,372
2013	29,355,428	0	-7,194,528	-18,428,919	3,731,981	62,871,353
2014	24,910,999	0	-3,651,510	-13,624,313	7,635,176	70,506,529
2015	18,332,765	0	-5,206,587	-11,954,584	1,171,594	71,678,123

\* Excl Debt Service & Project      **Total**      -39,515,696      -125,908,059

Fiscal Years 2009 - 2015

DS & Projects	-165,423,755	% Funding
Net Income	132,386,031	80%
New Debt	34,514,270	21%
Reserves	1,476,546	0.9%
<b>Total</b>		<b>102%</b>

February 24, 2016

Mr. Scherzinger pointed out that in 2014, cash balances began to increase as the District entered into a Hydroelectric Power Purchase Agreement.

Director Wilcox asked how this financial information interfaces with other District projects that are on the horizon. The Combie Phase I and Centennial Reservoir Projects are large projects.

Mr. Scherzinger stated that the District is in a healthy financial position. Staff is working on preparing bond documents for the Combie Phase I Project, a small portion of the Centennial Reservoir Project, and other projects. Once this bond and the 2011 bond are paid off, the District will pursue financing for the Centennial Project. He reiterated that the District is in a very healthy financial position.

#### STATE WATER RESOURCES CONTROL BOARD (SWRCB) – Notice of Violation

Rem Scherzinger, General Manager, reported that the current conservation level for treated water is 30.6 percent. Unfortunately, the District has received a Notice of Violation from the SWRCB informing the District that the 36 percent conservation target was not met. Staff is currently working with District Counsel to draft a response. The Governor has extended the treated water restrictions until October 31, 2016. Conservation requirements for the District (treated water) will be 32 to 33 percent vs. 36 percent that has been required in the past. This would place the District at a Stage 3 level of the District's Drought Contingency Plan.

Director Wilcox asked at what point the SWRCB will be made aware that the District has more than four years of treated water in storage.

Mr. Scherzinger stated that on April 1, the District will designate its water levels for the 2016 season and determine whether or not there is surplus water available.

#### NEVADA COUNTY REALTORS ASSOCIATION – Meeting on Large Marijuana Grows

Rem Scherzinger, General Manager, reported that he participated in a discussion with the Nevada County Realtors Association to discuss the District's issues regarding large marijuana grows. The District has received some phone calls from unhappy people, and he has forwarded those calls to the Sheriff. Mr. Scherzinger continues to state that the District is not involved with whether or not marijuana grows are legal or illegal. He is merely sharing that the issues are with regard to safety of the treated water system and theft.

#### YUBA BEAR WATERSHED COUNCIL – Meeting to Discuss Yuba River Salmon Recovery

Rem Scherzinger, General Manager, reported that he attended the Yuba Bear Watershed Council meeting. Presenters included Caleb Dardick and Gary Reedy from the South Yuba Citizens League (SYRCL) and Steve Rotherth from American Rivers who discussed proposed alternatives for Yuba River salmon recovery (trap and haul). He noted that Mr. Rotherth provided data that was out of date. The District continues to



February 24, 2016

support the Lower Yuba solution. What needs to occur is to define what success looks like in the Lower Yuba River, so that the District can support and work with other stakeholders.

President Weber stated that she also attended the meeting. It was unfortunate that the information provided by Mr. Rothert was not as in depth as the information provided by SYRCL.

#### HEMPHILL FACILITY – Meeting with the Placer County District Attorney's Office

Rem Scherzinger, General Manager, stated that a meeting is being scheduled during the first or second week of March to continue discussions regarding whether or not the District will be charged for issues related to the Hemphill Facility (civil vs. criminal).

#### CENTENNIAL PROJECT – Notice of Preparation

Rem Scherzinger, General Manager, reported that the Notice of Preparation for the Centennial Project has been issued. Two meetings have been scheduled: 1) Grass Valley, March 9 between 6:00 and 8:00 p.m. at the Holiday Inn Express; and 2) Auburn, March 10 between 6:00 and 8:00 p.m. at the Forest Lake Christian School. There has been one request from Foothills Water Network that one meeting be held in Placer County. He does not see that as necessary given that the District is holding a meeting at Forest Lake Christian School. There have also been two requests to extend the 30 day comment period.

President Weber expressed concern that in the Project Overview, there is no mention of the size of the project area. This is a basic piece of information that needs to be a part of the Project Overview.

Mr. Scherzinger stated that he will ensure this information is included.

#### WATER STORAGE AND CONSERVATION – Update

Rem Scherzinger, General Manager, reported that the District has 195,116 acre feet in storage, which is 115 percent of average and 74 percent of capacity. Precipitation as of February 17, 2016 is 111 percent of average. The February 1, 2016 Snow Survey resulted in water content that is 122 percent of average.

#### CENTENNIAL RESERVOIR PROJECT – Project Website

Doug Roderick, Senior Engineer and Project Manager, provided a demonstration of the Centennial Reservoir Project website ([www.centennialreservoir.org](http://www.centennialreservoir.org)). The website has received approximately 1,200 “hits” to date.

Director Miller suggested adding a section for opposition to the Project. The District can determine who the opposition is and list the groups. Feature the opposition rather than hide it.

Director Drew stated that he would not want to see the input become imbalanced.

February 24, 2016

Director Wilcox suggested posting a detailed summary of comments made regarding the Notice of Preparation. Detailed responses from the District, however, would occur during the Environmental Impact Report process.

Mr. Scherzinger pointed out that some of the opposing points to the Project are being addressed in the 'Frequently Asked Questions' section of the website. Links to those sites that are in favor or not in favor of the Project can be incorporated in the Centennial Project's website. After the meetings that are scheduled in early March regarding the Notice of Preparation, he intends to bring the suggestions to the Board.

President Weber asked how the meetings will be structured.

Mr. Scherzinger explained that the purpose of the meetings is to provide the public with an opportunity to share suggestions for the District to consider as part of the environmental process. The meetings are not going to be interactive. The District's consultant will provide a presentation on the environmental process, and a facilitator will be available. Information will also be shared about when the public can provide input to the environmental process. Suggestion cards will be distributed or suggestions can be provided at the meeting. Mr. Scherzinger will not be present at these meetings. The purpose is not to drive the room into an argument, but to receive suggestions.

Director Wilcox asked if it is advisable for the Directors not to be attendance.

Mr. Scherzinger advised the Board not to be present. The public will want to engage, and that is not the purpose of the meeting. There will be other opportunities for the public to provide input.

President Weber stated that she is uncomfortable with not being in attendance. She feels that it could be interpreted as a lack of interest by the Board. She intends to be in attendance at the meetings as an observer. This is the duty of the Board to be available to the public and to hear what they have to say. That is why each Director is elected.

Director Drew stated that he will not be in attendance.

President Weber stated that she has been provided with several documents pertaining to the Centennial Project. Apparently there are other documents on the website, and she would like hard copies.

Mr. Roderick stated that President Weber has all of the documents that have been posted to the website.

For future reference, President Weber would like to receive all materials as a hard copy.

#### POWERPOINT PRESENTATION – Species that will Benefit from the Centennial Project

Director Drew shared a Powerpoint presentation on a few birds, fish, frogs and turtles (with sound bites) that will benefit from the Centennial Project. These species are

February 24, 2016

currently present at the District's Rollins and Combie Reservoirs. When the Centennial Reservoir Project is built, there will be a chain of ideal reservoir habitat of approximately ten miles.

WILDWOOD HUNTING AND FISHING CLUB – Presentation

Director Wilcox reported that he will be providing a presentation to the Wildwood Hunting and Fishing Club on the District's proposed Centennial Reservoir Project. This Club is very interested in the Project.

MUNICIPAL ADVISORY COUNCIL – Meeting

Director Morebeck reported that he attended the Placer County Municipal Advisory Council meeting. Doug Hobbs, Project Manager, provided a presentation on the District's Regional Water Supply Project. Mr. Morebeck informed the Board that the District can expect comments on the Heritage Oaks and traffic on Country Club Lane and Big Hill Road.

LODESTAR HOMEOWNERS ASSOCIATION – Meeting

Director Miller reported that he attended the Lodestar Homeowners Association meeting which was very well attended. He spoke about the Backbone Extension Program, and brought maps depicting the proposed Centennial Reservoir Project. Most in attendance are in favor of the Project; however, the main concern continues to be the bridge crossing.

SIERRA CLUB – Meeting

President Weber announced that the Sierra Club is sponsoring a meeting about the Bear River in coordination with Sierra Streams Institute. The meeting is March 2, 2016 at Seaman's Lodge in Nevada City at 6:30 p.m.

WILLIAM SPRUANCE

Jeff Meith, District Counsel, informed the Board that William Spruance, Retired District Counsel, has passed away.

BOARD OF DIRECTORS' MEETING – March 9, 2016

**Cancelled Board of Directors' meeting of March 9, 2016. M/S/C Drew/Miller, unanimously approved**

MEETING RECONVENED in regular session at 10:21 a.m.

MEETING ADJOURNED at 10:21 a.m. to reconvene in regular session on March 23, 2016, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.

February 24, 2016

John Francis Tassone  
Board Secretary

Attest a true record of actions  
had and taken at the above and  
foregoing meeting our presence  
thereat and our consent thereto.

<u>Nancy V. Weber</u>	Director Division I
<u>John A. [Signature]</u>	Division II
<u>[Signature]</u>	Division III
<u>[Signature]</u>	Division IV
<u>Nick Wilcox</u>	Division V