

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

February 22, 2012

The Board of Directors of the Nevada Irrigation District convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 22nd day of February, 2012 at 9:00 a.m.

Present were Nick Wilcox, President; Jim Bachman, Vice-President; Nancy Weber, John H. Drew and W. Scott Miller, Directors.

Staff members present included Ron Nelson, General Manager; Tim Crough, Assistant General Manager, Gary King, Chief Engineer; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

EMPLOYEE RELATIONS – New Employee Introduction, Tipton

Monica Reyes, Customer Account Administrator, introduced Aurora Tipton, Customer Account Assistant I. Ms. Tipton worked at the District between 2002 and 2006 as a Customer Account Assistant II. She left the District because she was moving out of the area. She has now returned to the area. She was previously employed with the Ready Springs School District as a Business Services Technician. Ms. Tipton has an Associate of Arts Degree in Liberal Arts and Associate of Science Degree in Business. Her hobbies include going to the gym, boating and being a mom.

President Wilcox stated that Ms. Tipton's coming to the District caused a ripple in the Wilcox household. His wife is president of the Ready Springs School District and would like Ms. Tipton to know that Ready Springs' loss is the District's gain.

The Board and staff welcomed Ms. Tipton to the District.

EMPLOYEE RELATIONS – New Employee Introduction, Bailey

Monica Reyes, Customer Account Administrator, introduced Maryann Bailey, Customer Account Assistant I. Ms. Bailey was previously employed as a legal assistant for four years. Prior to this, she was a bookkeeper. She grew up in Sacramento and attended

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high school in Sacramento. She enjoys riding quads and dirt bikes, fishing, and spending time with her family. She also loves to bake.

The Board and staff welcomed Ms. Bailey to the District.

#### EMPLOYEE RELATIONS – New Employee Introduction, Belleque

Tim Crough, Assistant General Manager, introduced James Belleque, Storekeeper. Mr. Belleque has been with the District as a part-time employee on two different occasions. He was born in Long Beach, CA and was raised in the Portland, OR area. When he was 17, his family moved to Downieville. They started a business that consisted of a gas station, convenience store, auto parts store, auto repair shop, towing service and they owned/operated school buses. This provided Mr. Belleque the appropriate experience to be qualified for the District's Storekeeper position. After he graduated from Downieville High School, he spent one year of college at Sacramento State. He moved to Grass Valley and began working at UPS as a night shift supervisor. Mr. Belleque will be an asset to the Purchasing Department.

The Board and staff welcomed Mr. Belleque to the District.

#### PUBLIC COMMENT - Pritchett

Jon Pritchett, President of Bicyclists of Nevada County (BONC), read the following letter into the record on behalf of the Board of Directors of BONC:

For nearly 20 years, BONC has been building and advocating for great multi-use trails.

Bicyclists of Nevada County thanks the Nevada Irrigation District for your vision in supporting great recreation in our region.

NID has shown leadership and commitment to our community by your joining us in the Scotts Flat Trail project. This is a new sustainably built five-mile trail for hikers and bikers that connects NID's Scotts Flat Lake Trail and Campgrounds to the Pioneer Trail along Highway 20.

The Scotts Flat Trail is a pioneering project – it is a partnership with local non-profit agencies and bike clubs. Our volunteers have finished the first third on Tahoe National Forest land. We eagerly look forward to completing the trail this year.

Today we all applaud NID's leadership and want to thank you on behalf of all the families, kids, local residents and visitors who will truly enjoy this exceptional trail, the new Scotts Flat Trail, for many years to come.

PUBLIC COMMENT - Butterfield

John Butterfield, owner of property on North Bloomfield Road, stated that his property was an “island addition” to the Cement Hill Community Facilities District (CFD). After several meetings with the District’s Board of Directors, there were parcels that were designated “A” parcels, “B” parcels and “C” parcels. The “A” parcels were parcels that already had water connections to the District that were included in the CFD. The “B” parcels were parcels where the pipeline was did not front the parcel and those property owners wanted to opt out. Mr. Butterfield explained that his property was subdivided when the vote took place to form the CFD. He feels as though he is “collateral damage” in this situation. He is now being levied four times for four parcels based on his subdivision. He was never even asked to participate in the CFD. In fact, he contacted Tim Crough, Assistant General Manager, and asked that he not be included in the CFD. He was not even allowed to vote and never received any information regarding the CFD, because he did not reside at the property. He heard from informational sources that there is a property owner that is not included in the CFD but would like to be annexed to the CFD. Mr. Butterfield stated that he has signed documents associated with his four parcels that if a property owner would like to annex to the CFD, then he could detach from the CFD. He would love to get his money back, but from what he is hearing, that will not be possible. He would like to see his “B” parcel removed from the CFD.

President Wilcox stated that this matter was dealt with in part at the last Administrative Practices Committee meeting. He asked Mr. Crough to explain what occurred at the Committee meeting.

Tim Crough, Assistant General Manager, stated that the annexation referred to was scheduled to be agendized for the Board of Directors’ meeting today. However, all of the paperwork was not in place in time for the meeting. He stated that the matter will most likely be considered at the Board of Directors’ meeting of March 14, 2012.

Mr. Crough stated that he will contact Mr. Butterfield to confirm whether or not this matter will be on the March 14, 2012 agenda.

Ron Nelson, General Manager, suggested that Mr. Crough and Mr. Butterfield discuss this matter outside of this meeting.

MINUTES – February 8, 2012 Meeting

**Approved the Minutes of the Board of Directors’ regular meeting of February 8, 2012 as submitted. M/S/C Weber/Bachman**

ANNEXATION – McCourtney Road Area (Res. No. 2012-08)

**Adopted Resolution No. 2012-08 (Making Application for Annexation of Land to Nevada Irrigation District – McCourtney Road Area – Nevada County). M/S/C Weber/Bachman**

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CEMENT HILL COMMUNITY FACILITIES DISTRICT (CFD) No. 2007-1 – Annual Report

**Received and filed the 2011 Annual Report for the Cement Hill CFD No. 2007-1. M/S/C Weber/Bachman**

RODEO FLAT ASSESSMENT DISTRICT (AD) No. 2008-1 – Annual Report

**Received and filed the 2011 Annual Report for the Rodeo Flat AD No. 2008-1. M/S/C Weber/Bachman**

FIXED ASSETS – Minimum Capitalization Threshold Value

**Approved raising the capitalization threshold value to \$5,000 for purposes of depreciation. M/S/C Weber/Bachman**

CARMODY SPECIAL WATER DISTRICT (MUTUAL) – Addition of Parcel

**Approved addition of Nevada County Assessor's Parcel No. 51-020-48 to the Carmody Special Water District. M/S/C Weber/Bachman**

WARRANTS

**Approved the following warrants: Yuba-Bear Revolving Fund Nos. 24370 through 24398, inclusive; General Fund Revolving Account Nos. 56958 through 57088, Nos. 56555, 56999 being void; Recreation Fund Nos. 3157 through 3168, inclusive; and Payroll Direct Deposit and Warrant Nos. 62220 through 62375, inclusive. M/S/C Miller/Weber**

DISTRICT FINANCED WATERLINE EXTENSION – Policy and Agreement

Shannon Matteoni, Business Coordinator, stated that in 2010, the District Financed Waterline Extension Policy was reactivated. Prior to this, the Policy had been placed on hold for quite some time. It was reviewed by Staff, Committee and District Counsel. In late 2010, Staff was planning to present this matter to the Board of Directors for approval (to replace the status of pilot policy to approved policy). This did not occur because there was a group of neighbors on Echo Drive that questioned the Due on Sale Clause. The Policy was returned to the Committee. In reviewing the criteria, the Policy dropped to the background again. She discusses this Policy with property owners and neighbors, but the discussions infrequently reach the point where the Policy is implemented.

In 2011, there was no need to utilize the Policy. At this time, she has a group of neighbors on Rattlesnake Road and Wheeler Cross Road that are motivated and are organized. They would like to move forward with their project. After a second neighborhood meeting, she requested a 10 percent deposit per the Policy. She has received deposits from 14 of the 18 parcels that would like to participate in the project.

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In order to continue working with this neighborhood and others, the District Financed Waterline Extension Policy and Agreement needs to be approved by the Board of Directors. When she reviewed the Policy, she made several modifications. She anticipates that this will not be the last time the Policy is modified. As she works with the Policy, she will bring proposed modifications to improve efficiencies, etc. to the Board for consideration in the future. She cited an example where one property owner would like to pay their share in full.

Ms. Matteoni highlighted modifications made to the Policy:

- Maximum amount to be financed per parcel – leave the amount at \$30,000
- Added the Due on Sale clause
- No longer a pilot policy
- Separate Letter Agreement
- Subordinate Funding Agreement and Easements

Director Miller asked at what point in the Policy there is a challenge.

Ms. Matteoni explained that it takes one person to “herd the cats,” and this has not been the case in all situations.

Director Weber stated that in the case of Echo Drive, the reason that the Policy came back in 2011, was because property owners do not want to have to pay off the loan to the District when they sell their home. This was the “blocking point.”

Director Weber asked if the District has a revolving loan fund reserve.

Ms. Matteoni stated that she is not aware of a reserve.

Director Weber asked that the answer to this question be provided before the Board approves the District Financed Waterline Extension Policy and Agreement.

President Wilcox tabled the matter until more information can be made available.

Later in the meeting, Tim Crough, Assistant General Manager, explained that a reserve account has not yet been created because the policy has not been approved. Over the last five or six years, this pilot project has been evolving through the Administrative Practices Committee and the Engineering Committee. The District has been budgeting funds for the Community Investment Program to assist the District Financed Waterline Extension Program. One of the recent additions to the Policy was to include language that identifies the capture of those funds, so that when property owners make their payments on the Horseshoe Lane project, those payments would be deposited into a reserve fund and be available for other projects. Over time, the District will not need to use General Fund monies for these projects. He suggested that the reserve fund could be named the District Financed Waterline Extension Reserve upon approval by the

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Board of the Policy and Agreement. Payments could be placed in this Reserve retroactively (such as those payments made for the Hoskin Lane project).

**Approved the District Financed Waterline Extension Policy and Agreement and the establishment of the District Financed Waterline Extension Reserve. M/S/C Miller/Weber**

NORTH AUBURN HIGHWAY 49 TRANSMISSION MAIN PROJECT PHASE I – Award of Contract

Tonia M. Tabucchi Herrera, Associate Engineer, stated that quotes received for the North Auburn Highway 49 Transmission Project Phase I were higher than the budgeted amount in the Engineering Department's budget. Currently, there are no funds in this year's budget to subsidize the bid amount. She invited 15 contractors to review the Project, and four contractors declined to bid. Four quotes were received and were higher than the Engineer's Estimate. Two quotes were grouped closely together, and the others were in the higher range. The trenchless construction component of the Project seemed to increase the quote amount, and this was unexpected.

Ms. Herrera stated that since there are no funds available, she is requesting that the Board reject the quotes for the Project. If the quotes are rejected, Staff will be required to start from the beginning in 2006 with regard to permits. The permit for Caltrans expires in November 2012. Caltrans typically allows five to seven years for a project to be in their books. This year, the District has exceeded that timeframe. The other permits that will expire are the Army Corps of Engineers and the Department of Fish and Game. The District made several concessions with Caltrans in order to move the Project forward. If the permit expires, the District may have to find alternative routes which would result in redesign, a new environmental document, etc. Ms. Herrera stated that if the District were to proceed with this Project, additional funds would be needed from reserves.

In response to Director Weber's question regarding Phase I and Phase II of the Project, Ms. Herrera explained that Phase II would provide fire flows to the southern portion of the North Auburn area. Phase I was what Staff was authorized to receive quotes for, and this Phase would include fire flows for the northern portion of the North Auburn area, specifically the Timberline development.

Discussion ensued regarding the America's Tire Store (southern area of North Auburn). Director Miller asked if rejecting quotes for the North Auburn Highway 49 Transmission Project would prohibit the tire store from moving forward.

Ms. Herrera explained that currently the District has an intertie with Placer County Water Agency in order to have fire flows available for the southern region of the North Auburn area. There will also be a meter installed at this location. She stated that participation by America's Tire Company would not be applicable for Phase I because the Project is being constructed in the northern area of the North Auburn area.

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Gary King, Chief Engineer, stated that before he came to the District, there was a project being proposed in the southern portion of the North Auburn area. At that time, there were not sufficient fire flows for the project. The District worked with Placer County Water Agency to install a fire connection. That system will allow water to come from Placer County Water Agency and the District when needed. This system also provides fire flows for the America's Tire Company. He noted that future developments will be inhibited by reduced fire flows.

Director Miller stated that the laws have changed and that the District is now required to provide water for fire flows.

Mr. King stated that fire flow is an "accessory" to the District's operations and that the fees for fire flows are built in to the District's capacity fee. He added that this is why the District is proposing the North Auburn Highway 49 Transmission Main Project (Phase I).

President Wilcox stated that at the present time, the system seems to work because of Placer County Water Agency's cooperation in keeping the intertie open. He asked if there is any concern if Placer County Water Agency chooses not to be cooperative in the future.

Mr. King stated that there is no fear in his mind that the Agency would be uncooperative.

Ms. Herrera pointed out that the existing interties with Placer County Water Agency benefit the southern portion of the North Auburn system. There are currently no interties with Placer County Water Agency in the northern portion of the North Auburn system.

Ron Nelson, General Manager, stated that he has a different understanding of the discussion at hand. The issue before the Board is that the District's Administration is trying to stay within the budget limitations that the Board has provided. The Project was included in the 2012 budget, but the quotes came in 50 percent higher than the budgeted amount.

President Wilcox asked if Staff has any estimate on what it would cost to start the Project over again.

Mr. King stated that total costs spent on the Project to date are \$500,000.

Mr. Nelson stated that the Project as he understands it is to accommodate the proposed development in that area, and would serve as an orderly expansion of the District's system.

Mr. King stated that he contacted a representative of the Timberline development to inform him that Staff is requesting the Board consider rejecting the quotes for the Project.

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President Wilcox asked if the development could not move forward without the District's improvements.

Mr. King stated that there are not sufficient fire flows at this time to meet the needs of the Timberline development.

Director Weber asked what the developer's participation is in the Project.

Mr. King stated that a portion of capacity fees is allocated towards transmission, and this a transmission main project. The developer will be required to pay capacity fees, and part of these fees will help pay for the Project.

Director Miller asked if Timberline would be interested in making up the difference of the quote.

Mr. Nelson stated that in the past, the District has worked with developers to front the costs for construction, and then they were credited for capacity fees. This offer was made to the Timberline developers last year, and they chose not to pursue the offer. It may be a good idea to reopen these discussions.

Mr. King stated that the high numbers of the quotes received are due to the complications of working with regulatory agencies.

Director Weber asked if the Project were to be bid again, would there be a better response.

Mr. King stated that in his experience, projects that are bid a second time result in increased prices.

Mr. King complimented Ms. Herrera because during the bidding process, contractors made suggestions on how to save money for the District. The original design did not include using 16-inch ductile iron pipe. Ms. Herrera prepared and distributed an addendum offering the option of using 16-inch ductile iron pipe. That option would save the District approximately \$150,000.

Director Weber referenced page 2 of the Staff Report, specifically the breakdown of the additional cost needed. She asked Ms. Herrera to explain the need for a third party Resident Engineer (permit requirement).

Ms. Herrera explained that the Caltrans permit requires the District to have a Resident Engineer not connected to the District that would be on-site during construction inspecting and reporting back to Caltrans.

Director Weber asked if the Project could be constructed with an alternative route (away from Caltrans).



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Ms. Herrera stated that the District would have to cross Highway 49 (Caltrans' right-of-way). There is a narrow frontage road outside of the Caltrans right-of-way, but the District would still need to cross the Highway.

Director Weber stated that it sounds to her like this matter needs to go back to the Engineering Committee to review alternatives.

Mr. Nelson stated that Staff should approach the developer and reopen the discussions regarding participation in the Project. This is a good Project for the District and a good Project for the community. At this time, he recommended that the Board not reject the quotes.

Mr. King stated that this matter needs to be resolved within the next month. He stated that Staff anticipated beginning construction three years ago, and then the Project was put on hold.

Ms. Herrera noted that the District would have to reapply for the Corps permit.

President Wilcox expressed concern about the prospect of forfeiting \$500,000 in order to save \$200,000 in this year's budget.

Director Weber stated that the District has a tight budget, and the Board agreed to complete certain projects for a certain cost. If the budget is exceeded, the District will be in "deep trouble."

Mr. Nelson suggested that this matter be continued to the Board of Directors' meeting of March 28, 2012.

The Board agreed.

#### STANDBY CHARGES – Proposed Modifications to Water Service Rules and Regulations (Section 4)

Tim Crough, Assistant General Manager, pointed out two typographical errors in the Staff Report:

- 1) Background – 1<sup>st</sup> Paragraph, last sentence should read: Also, there were questions about references to a 12% charge *in* the notices.
- 2) Background – 2<sup>nd</sup> Paragraph, first sentence should read: The APC suggested having a six month grace period after a notice to property owners stating that the pipeline has been completed, it is available for their *meter* connection, and that they will be subject to Standby Charges if not connected within six months.

Mr. Crough stated that Director Weber requested that Staff review and consider revising the Standby Charge policy and practice. The proposed modifications to the Policy (Section 4 of the Water Service Rules and Regulations) include the process of notifying

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property owners about standby charges. In the past, the District has mailed an invoice with the notice of standby charges. The Administrative Practices Committee felt that this process was not customer friendly. After comments were received from the property owners in the Cement Hill Community Facilities District (CFD), they were disheartened to receive an invoice without a discussion about standby charges. The Committee has recommended that when the pipeline is completed, a notice will be sent to property owners that front the pipeline indicating that the project is complete, and is available for meter connections. If a property owner chooses not to connect to the pipeline within six months, the property owner will be subject to standby charges after six months from the notice.

Mr. Crough referenced Section 4.02.04 regarding a deferment charge. The charge was not included in the Policy in the past, so the Committee recommended adding the language about a deferment charge to this Section of the Policy, not to exceed 12% of the back standby charge. He added that the Board has the authority to assign the percentage of the deferment charge, not to exceed 12%. The deferment charge is not an interest rate, and is not compounding interest.

Mr. Crough added that the modifications to the Policy have been reviewed by District Counsel.

Discussion ensued regarding putting a fee in the Policy rather than a percentage. Director Miller stated that this would be more palatable.

Jeff Meith, District Counsel, stated that the fee would be variable.

Director Weber asked if she were to connect to the pipeline 20 years later, what would she be charged.

Mr. Crough explained that it would be total back standby charges plus the 12 percent deferment charge.

Director Weber stated that obviously the Policy is not written so it is understandable.

Mr. Crough suggested changing Section 4.02.04 – last sentence – to read: Should water service be requested at a later date, back standby charges will be collected from the date the parcel became subject to a standby charge plus a Deferment Charge (*\$8 per year and prorated for partial years*).

Director Weber stated that when this matter was first discussed last year, the discussion included deferment of standby charges for six months for all property owners in this situation. Now she is hearing that if a property owner connects they will not have to pay any charges, but if a property owner does not connect, the charges will be subject to the date the waterline was installed. She asked how the initial discussion evolved to the current proposed policy.

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Mr. Crough stated that it is his understanding that the standby letters were mailed to the Cement Hill property owners in August 2011. Some property owners paid the bill and others did not. A letter was also mailed indicating that the standby charges were on hold pending action by the Board of Directors. If the Board chooses six months as a grace period, the property owners that paid their bill will have the payment applied to the next period.

Director Weber stated that information was distributed at a meeting in June 2011 (general information for a new water service connection), and there was no mention of standby charges in the letter. Stapled to the letter is a sheet that states at the top of the page: Standby charges \$6 per month for each parcel. One of the issues is not just how the standby charges are billed, or that it was a surprise, but that there was no disclosure. She thinks that standby charges were mentioned in meetings, but if this information is not in written form, it can be overlooked. Now she would like to know who will be billed for standby charges.

Mr. Crough explained that upon approval of the Board, Staff will mail the notices based on the policy approved by the Board, and will credit property owners that have paid the standby charges. Those property owners that have not yet paid will not have to pay standby charges prior to a date the Board chooses.

Mr. Crough stated that with future projects, such as the Banner Mountain area, the process will be more efficient based on what Staff has learned from the Cement Hill Water Supply Project.

Dave Yaksick, Cement Hill CFD resident, stated that in the meetings with Tim Crough regarding the formation of the CFD, there were a number of discussions as to how much it would cost, how the project will be funded, what the rates will be, etc. The residents were not informed of standby charges. That is the point that bothers the residents. There is a charge that comes after the fact. An agreement was reached in 2007 as to the options for the Cement Hill Water Supply Project. There are a number of arcane details. The residents' interests are not to define the details of the policy, but to rescind the policy. An agreement was reached on facts that were presented to the property owners. Standby charges were not part of the agreement. He asked how the District can come back now and charge standby charges with no justification. "If SPD were to say, we are prepared to sell you milk and bread, anytime you want to come in, but you're going have to pay a monthly fee because we're here." The District is asking the Cement Hill CFD residents to pay a monthly fee because the District is here, not because the pipe or concrete vault needs maintenance. He requested that the standby charge be rescinded.

Kirk Robertson, Cement Hill CFD resident, stated that his wife paid the bill for the standby charges. He did not realize that there was a bill until he started to prepare his year-end taxes. He wrote a letter to Mr. Crough stating that he did not understand the bill. He feels "like a mushroom." When residents are not told in advance about a charge, and then they are charged, this bothers him. And then he received a letter that

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stated that if the standby charges were not paid, he would be charged 12%. That is “usury.” The standby charges should be waived because the residents were not informed of the charges.

Mr. Crough stated that he has attended a number of meetings for the Cement Hill CFD. The focus was on the formation of the CFD and what the special taxes would be. There were a number of details that were discussed, including standby charges and back flow devices. Not everyone attended these meetings, so the information may have not gotten out to everybody. He is not going to profess that this information was paramount in everyone’s mind. It was very clear that the residents would not have to pay more than \$1,385 per year for no more than 25 years. Residents were referred to the District’s website regarding the District’s Water Service Rules and Regulations. The Rules and Regulations are well written, but not in a way that everyone can understand.

Director Drew asked how much standby charges are collected per year.

Monica Reyes, Customer Account Administrator, stated that there are 1,500 standby customers who are charged \$72 per year. In 2010, \$110,000 was collected for standby charges.

Director Drew stated that for the Cement Hill CFD residents, he would waive standby charges up to this point in time. A letter should be mailed to the CFD residents indicating that the District will waive the standby charges up to this point in time. Standby charges will be collected at a point in time, whether it is two months or three months from now. The point that standby charges were not disclosed is a question. He does not feel that the standby charges are unreasonable. There is and will continue to be maintenance considerations on that line whether or not residents are connected to the pipeline.

Director Weber stated that a gentleman sent her checks for two parcels, and the checks were cashed. She figured the checks would be returned. It is not clear to her how the standby charges are billed. Residents were billed in the fall of 2011, and they were already in arrears.

Ms. Reyes stated that the District’s billing system does not bill standby charges correctly. She and her staff have to manually input information into the system. She will be working with the Information Technology Department to continue discussions with Sunguard to remedy this situation. It will involve a modification so that the standby charges will be billed correctly.

Director Weber asked if the District could hire a temporary employee to process the standby billing.

Ms. Reyes stated that she is fully staffed now, and will not need to hire a temporary employee.

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Director Weber stated that this is “one mess.” It looks like very “inept management” and the process needs to be changed.

President Wilcox stated that it is his understanding that Mr. Yaksick is requesting to permanently exempt the Cement Hill CFD from all future standby charges. He asked for the Board members to comment on this issue.

Director Drew stated that he does not think that this would be realistic.

Director Weber stated that the District should be equitable for the entire District. She wants the policy to be clear and timely. The 12 percent Deferment Charge is not fair. She does not want to see any more bills mailed to the Cement Hill CFD until this matter is resolved. She stated that a six month grace period needs to be provided to these residents.

Director Bachman stated that he would not want to do away with standby charges because this has been standard procedure for years.

Gary King, Chief Engineer, stated that he attended a number of the Cement Hill CFD meetings, and standby charges were discussed.

Director Weber stated that she would like to see the document that the District distributes that lists the standby charges.

President Wilcox stated that he does not support doing away with the standby charges and senses that the Board is not supportive of doing away with standby charges for the Cement Hill CFD.

Director Weber stated that Tom Stone, Cement Hill CFD resident, asked a question at an Administrative Practices Committee regarding what the reason is for standby charges. Three different reasons were given. If the District is going to collect standby charges, there needs to be a reason as to why the District is collecting these charges.

President Wilcox agreed. He stated that the District will use the information they learned from the Cement Hill Water Supply Project for the residents within the Banner Cascade Project.

Director Weber asked if her understanding of the grace period is six months from the time the customer receives a notice that water is available on each pipeline.

President Wilcox responded affirmatively.

Director Weber would like to see a copy of the revised information sheet that Customer Service distributes to customers that explains the standby charges. She provided Staff with a copy of what she received last June.

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Mr. Crough stated that he would like to recommend that the Board table this matter to a future Board of Directors' meeting in order to provide more clarity and definition of the Policy. He added that Staff will credit accounts or refund payments for those residents that have already paid the bills for their standby charges.

Ms. Reyes clarified that standby charges are billed in advance. When Staff billed for standby charges in December 2011, she held the bills for the Cement Hill CFD residents. Residents can be refunded or have their accounts credited.

Director Miller stated that the CFD is a pilot project. He appreciates the input from the residents, but in defense of Staff, this is a pilot project and policies are being defined. The residents' comments have been well received. It is not Staff's fault. The District has embarked on a process that it has never embarked on before. With regard to the matter at hand, he suggested using dollars in the policy instead of percentages, and using today's date as the start of the grace period.

Director Drew asked what would be done for the other standby customers. Cement Hill CFD residents will be given a longer grace period, so he asked whether or not the other standby customers will be provided the same grace period.

Jeff Meith, District Counsel, stated that this is a pilot project, and there are facts that could probably be distinguished and actions taken in connection with the Cement Hill CFD that do not necessarily mandate a variance District-wide.

Director Weber stated that no bills should be sent until this matter has been resolved. She added that a review of why the District is collecting standby charges is necessary.

Mr. Crough stated that collecting standby charges is dictated by the Board. The Water Code enables the District to impose standby charges, and it is at the District's discretion as to what to use the standby charges for. He likes to refer to standby as paying for operations and maintenance costs of a pipeline.

Mr. Meith concurred with Mr. Crough's statement regarding the District's use of standby charges.

Director Weber stated that all possibilities should be listed as to what standby charges can be used for. In the case of a transmission line, the property owner should not have to pay a standby charge when they cannot connect to a transmission line. This is occurring in the Penn Valley area.

Mr. Crough stated that he is unaware of this situation, but will look into the matter.

Mr. Yaksick stated that the District should advise customers and provide a justification of standby charges, because the justification is still obscure to him. He encouraged the Board to come up with a justification for the collection of standby charges.

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President Wilcox directed Staff to clarify the policy and make the necessary modifications as discussed, and to present this matter for further consideration at the next Board of Directors' meeting.

Meeting recessed at 11:01 a.m. and reconvened at 11:10 a.m.

#### STEWARDSHIP COUNCIL - Update

Anthony Rondoni, Right-of-Way Agent, provided the Board with an update on the Stewardship Council. Around 2001, Pacific Gas & Electric (PG&E) filed for Chapter 11 bankruptcy. As part of PG&E's bankruptcy settlement, several environmental groups and stakeholders participated in establishing guidelines to stop PG&E watershed lands from being sold off for private use or development. Ultimately, a written agreement was developed amongst the parties which established guidelines to govern protection of PG&E's watershed lands.

Often identified and referred to as the "Stipulation" this agreement set aside about 140,000 acres of PG&E's watershed lands for conservation. Management of this process was to be vested in a newly "to be" created entity now known as the "Stewardship Council." In the Stipulation, it was agreed that all of PG&E's watershed lands would be overlaid with conservation easements, with about one-half (or around 70,000 acres) to be given away to eligible donees as selected by the Stewardship Council.

To insure equity and transparency, the Stewardship Council's board is comprised of representatives from state and federal agencies, tribal and rural interests, forest and farm industry groups, conservation organizations, the California Public Utilities Commission, and PG&E.

Mr. Rondoni pointed out that in numerous newspaper articles the University of California at Berkeley has recently been referenced as the recipient of some of PG&E's property including parcels above Lake Spaulding. The Stewardship Council has not yet recommended a conservation easement holder (perhaps the Yuba Bear Land Trust and the Placer Land Trust).

The District is interested in this process because the District has facilities and operations in the Lake Spaulding area with interests senior to the bankruptcy settlement and Stipulation Agreement. Parcels 796 and 797 are of specific interest to the District as they contain the District's Bowman-Spaulding conduit system.

To date, Ron Nelson, General Manager, and Staff have been actively involved in advocating the District's interests while following the Stewardship Council process. Staff's involvement has been positive and progress has been made in educating participants about the history and importance of the District's facilities both inside and outside of the PG&E property slated for donation.

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Through this process, Staff has been assured that the District's interests will be protected, with the most commonly suggested form of protection being by "express deed reservation" of the District's right to operate, maintain and expand its facilities. He believes that District Counsel would recommend that, if properly crafted, this proposed solution may be totally adequate. However, in conjunction with (or as an alternative to protection of the District's interests via express deed reservations) Staff is pursuing other possible venues. For example, on parcels 796 and 797, Staff has opened up discussion about a fee title grant to the District, of a strip of land covering the District's Federal Energy Regulatory Commission (FERC) boundary and facilities that are a part of the Bowman-Spaulding Canal System.

While there is no actionable item before the Board today, as these alternative venues develop, it is expected additional information will be provided to the Board so that the Board may provide Staff with input and a preferred course of action.

Mr. Nelson stated that there are some implications to other District facilities, for example lands in the Deer Creek powerhouse area that may be subject to disposal. The overarching concerns are that these activities are occurring due to a PG&E bankruptcy, and it seems to be centric to their power production or to a license with FERC. The District needs these facilities to be free and clear and unencumbered for the District's basic responsibilities to convey water.

President Wilcox adjourned regular session in memory of Delbert Hedges, former District Operations Manager, who passed away earlier this week.

CLOSED SESSION was declared at 11:25 a.m. pursuant to Government Code Section 54956.8 to confer with Real Property Negotiators Nelson, Morrow, Sindt and Meith regarding price and terms of payment for acquisition and sale of rights in real property; properties subject to negotiations:

- South Yuba Canal, Chalk Bluff Canal, Deer Creek Powerhouse; flowage/wheeling rights in Drum Canal, Bear River Canal, Wise Canal, and South Canal (all owned by PG&E)
- Flowage Rights in Bowman-Spaulding Canal, Fall Creek Flume, Dutch Flat Flume, and Chicago Park Flume; right to storage in Rollins Reservoir (all owned by NID)

Persons with whom negotiations will be conducted: PG&E Management.

MEETING RECONVENED in regular session at 1:00 p.m.

Jeff Meith, District Counsel, stated that no action was taken by the Board of Directors. The District negotiators were instructed regarding price and terms related to the acquisition of the assets listed in the closed session item.



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Trina Kleist, *The Union* reporter, asked if Mr. Meith could provide a range or spread of the price between the two positions.

Mr. Meith stated that negotiations are in process and he cannot provide any information regarding the negotiations at this time.

#### DELBERT HEDGES – In Memory

Ron Nelson, General Manager, distributed a copy to the Board members of the obituary that was in the February 21, 2012 edition of *The Union* for Delbert Hedges, former long time District employee.

#### FEDERAL ENERGY REGULATORY COMMISSION (FERC) – Relicensing Update

Ron Nelson, General Manager, reported that “we are closing in” on the final date to amend the license application. What was agreed to with all of the relicensing participants was to petition FERC to delay by 90 days the date by which the license can be amended.

He also reported that Staff will be meeting with the Forest Service on February 23, 2012 to continue discussions regarding recreation and to start discussion about what the Forest Service would like to see regarding road maintenance responsibilities.

#### WATER OUTLOOK

Ron Nelson, General Manager, reported that the water outlook has not changed since the last Board meeting. The weather is still fairly dry. This matter was recently addressed at the Water and Hydroelectric Operations Committee. The water outlook was characterized as Stage II, but this could evolve to Stage III shortly if there is no precipitation.

President Wilcox stated that the water outlook will depend on what happens from here on out. There could be no shortage, or the District could be at a Stage III. Carryover storage is good, but snow pack is “horrible.” Predicted run-off may not be good at all.

President Wilcox stated that within the Drought Contingency Plan, there is a provision for establishing a Drought Hardship Committee. In the past, the Committee was made of five individuals, one from each Division. He asked the Board members to select a member by the next Water and Hydroelectric Operations Committee meeting (March 13, 2012). He pointed out that Jim Gates has served on the Committee in the past.

Director Weber stated that she will be appointing Mr. Gates because he resides in her Division.

Mr. Nelson asked if the Board members would be interested in having a Board member involved with the Drought Hardship Committee.

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President Wilcox stated that it would seem logical that the Board members serving on the Water and Hydroelectric Operations Committee participate in an ex-officio capacity.

#### MOUNTAIN COUNTIES WATER RESOURCES ASSOCIATION - Memorandum

Ron Nelson, General Manager, reported that a memorandum has been received by the District regarding the planning session that was held for the Mountain Counties Water Resources Association (MCWRA). He provided copies of the memorandum to the Board of Directors.

Director Weber stated that the memorandum includes an apportionment for dues based on the size (number of connections) of the District. The District would be charged dues in the amount of \$16,500 instead of the current amount of \$1,250. She stated that if the District does not support the MCWRA, the District might be sorry. She is concerned that the District is going to have requirements put on District water for delivery, and that the requirements would not be compatible with District operations. She is also concerned that the District will end up paying fees that will go elsewhere to build infrastructure, and she is concerned about the water bond. She feels that dues in the amount of \$16,500 per year for MCWRA are reasonable. She added that she is going to try and get more local media involved with the MCWRA.

Mr. Nelson stated that he will provide this information to the Administrative Practices Committee to consider.

#### ARTICLES REGARDING STRIPED BASS

Director Drew referenced two articles regarding striped bass. One article was in *The Union* and was written by Dennis Pierce. Director Drew synopsised by stating that once the juvenile steelhead fish are trucked to the local boat ramps, the stripers escort them down the river. Another article was released from the Delta Watch regarding striped bass.

Director Drew stated that every year, the Department of Fish & Game spends millions of dollars raising salmon and steelhead. At the same time, they collect millions of dollars of revenue from the sale of fishing licenses for the Bay Delta. The Department of Fish and Game is operating food factories for the striped bass.

#### ARTICLES ABOUT WATER – *The Sacramento Bee*

President Wilcox stated that during the past weekend, there were two interesting articles in *The Sacramento Bee*. One article relates to the Delta Tunnel and what would actually be involved in terms of construction. The other article is titled 'Stuart Leavenworth: Dogs of War Still Hungry in 'Water Stan.' Having been involved in Delta issues, he felt the article was fairly perceptive and a correct political assessment.

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#### RINCON DEL RIO – Proposed Project

Director Miller stated that he attended a meeting with Tim Crough, Assistant General Manager, and Ed Scofield, Nevada County Supervisor, to discuss the proposed Rincon del Rio project. They discussed the pros and cons, and Director Miller will be meeting with Staff today to continue the discussions. He feels that the District should provide comments on the Draft Environmental Impact Report for the project.

#### MOUNTAIN COUNTIES WATER RESOURCES ASSOCIATION – Update on Meeting

Director Miller stated that the cost increase for the Mountain Counties Water Resources Association (MCWRA) will be used for the pay structure of the Executive Director (John Kingsbury). Director Miller stated that Mr. Kingsbury is a “fine fellow.” Director Miller was invited to participate on the MCWRA Legislative Committee, and he has agreed to do so. He attended a meeting last week and listened to the discussion. The Committee is trying to have a Northern California centric approach and to have adequate representation. He stated that he would like to help Mr. Kingsbury be successful in these efforts.

#### GENERAL MANAGER’S EVALUATION

President Wilcox stated that he would like the Board to conduct an evaluation of the General Manager. An evaluation has not been done in some time, and it is long overdue. He will have an evaluation form included in the mailing with next Board of Directors’ meeting agenda packet. The evaluation should be returned to the Board Secretary by March 26, 2012. A closed session item will be placed on the March 28, 2012 Board of Directors’ meeting agenda, regarding this matter.

#### LETTER FROM CONSTITUENT – Bruce Perry

Director Weber stated that she received a request from Bruce Perry, a constituent who purchased a foreclosed home in Cascade Shores. The former owner paid the water bill, but apparently there was a charge between the time that escrow was opened and closed. When Mr. Perry assumed ownership, he had to pay the District a charge in addition to what the former owner had paid. She stated that she would appreciate it if Staff would look into this matter.

#### BIOMASS PROJECT

Director Weber stated that during the last Board meeting, she had mentioned that there would be political concerns about the Biomass Project connected with Scotts Flat. She has contacted Don Rivenes of the Sierra Club, John Hensley (a neighbor) and several foresters. They would like to tour the area, and Director Weber has sent an e-mail requesting that this be scheduled.

Director Weber stated that Mr. Rivenes has invited District Staff and any others who are interested to attend the Nevada County Biomass Task Force on March 7, 2012 at 5:00 p.m. at the US Forest Service facility on Coyote Street in Nevada City.

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CEMENT HILL – Task Force

Director Weber reported that the Cement Hill Task Force has met for six hours over two meetings. The Task Force needs to be able to have figures that can be understood. She has presented this request in writing to the General Manager and the Assistant General Manager.

WORKSHOP – 2012 Goals

President Wilcox asked the Board to consider continuing this matter to a future Board meeting.

The Board agreed to continue the matter.

Director Miller suggested conducting a workshop series instead of discussing a number of items in one workshop.

President Wilcox stated that he would like to discuss area of origin laws as a topic for a future workshop because this subject is complex and often misunderstood.

CLOSED SESSION was declared at 1:41 p.m. pursuant to Government Code Section 54957.6 to provide direction to the District's designated bargaining representatives – Weber, Miller and District Counsel – regarding 2012 salary/benefit/working conditions.

CLOSED SESSION was declared at 1:41 p.m. pursuant to Government Code Section 54956.9 to confer with District Counsel regarding existing litigation: NID v. Hane, Placer County Superior Court Case No. S CV 27816.

Director Drew left the meeting at 1:44 p.m.

MEETING RECONVENED in regular session at 2:28 p.m.

CLAIMS & SUITS – Hane

**Director Miller made a motion to reject claim by Robert and Sharon Hane in the amount of \$700 for various damages relating to real property and improvements constructed on their land. Director Bachman seconded the motion.**

**Motion passed on the following roll call vote:**

<b>Division I</b>	<b>Aye</b>
<b>Division II</b>	<b>Absent</b>
<b>Division III</b>	<b>Aye</b>

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**Division IV**  
**Division V**

**Aye**  
**Aye**

MEETING ADJOURNED at 2:30 p.m. to reconvene in regular session on March 14, 2012, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.

\_\_\_\_\_  
Board Secretary

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

Director  
Division I

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Division II

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Division III

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Division IV

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Division V

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