

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

June 13, 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 13th day of June, 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, Jim Malberg, Finance Manager; Gary King, Chief Engineer; Brian Powell, Maintenance Manager; Bill Morrow, Hydroelectric Manager; Yvonne DuBose, Human Resources Manager; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

EMPLOYEE RELATIONS – Service Awards

The following employees were recognized for their length of service with the District and were congratulated by their department manager prior to being presented with recognition awards:

<b>Employee Name</b>	<b>Title</b>	<b>Hire Date</b>
<b><u>10 Years</u></b>		
Gerry Gnech	Utility Worker II	01/01/02
Connie Petty	Administrative Assistant II	04/01/02
Kenton Early	Equipment Operator	04/29/02

MINUTES – May 23, 2012 Regular Meeting

**Approved the Minutes of the Board of Directors' regular meeting of May 23, 2012 as submitted. M/S/C Drew/Weber**

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IMPROVEMENT DISTRICTS – ASSESSMENTS (Res. 2012-18 through Res. 2012-23)

**Adopted Resolutions upon motion made by Director Drew, seconded by Director Weber and passed with a unanimous roll call vote:**

- No. 2012-18 (Placing Rohr-Shanley Improvement District No. 15 Assessment on District Assessment Roll for Collection in Placer County);
- No. 2012-19 (Placing Troost-Hidden Valley Improvement District No. 16 Assessment on District Assessment Roll for Collection in Nevada County);
- No. 2012-20 (Placing Highland Park Improvement District No. 17 Assessment on District Assessment Roll for Collection in Nevada County);
- No. 2012-21 (Placing Edgewood Improvement District No. 18 Assessment on District Assessment Roll for Collection in Placer County);
- No. 2012-22 (Placing Starbright Acres Improvement District No. 19 Assessment on District Assessment Roll for Collection in Nevada County); and
- No. 2012-23 (Placing Lake Vera Improvement District No. 20 Assessment on District Assessment Roll for Collection in Nevada County).

ASSESSMENTS – DELINQUENT ACCOUNTS (Res. 2012-24 & Res. 2012-25)

**Adopted Resolution No. 2012-24 (Placing Delinquent Accounts on District's Assessment Roll for Collection – County of Nevada) and Resolution No. 2012-25 (Placing Delinquent Accounts on District's Assessment Roll for Collection – County of Placer). M/S/C Drew/Weber**

ELECTIONS (Res. 2012-25 and Res. 2012-26)

**Adopted Resolution No. 2012-25 (Calling General District Election, and Requesting the Board of Supervisors Consolidate with Any Other Election Called on Said Date and Requesting Election Services by the County Clerk – County of Nevada). M/S/C Drew/Weber**

**Adopted Resolution No. 2012-26 (Calling General District Election, and Requesting the Board of Supervisors Consolidate with Other Election Called on Said Date and Requesting Election Services by the County Clerk – County of Placer). M/S/C Drew/Weber**

WARRANTS

**Approved the following warrants: Yuba-Bear Revolving Fund Nos. 24656 through 24679, inclusive; General Fund Revolving Account Nos. 58007 through 58160, inclusive; Recreation Fund Nos. 3254 through 3293, inclusive; and Payroll Direct Deposit and Warrant Nos. 63357 through 63687, inclusive. M/S/C Drew/Bachman**

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PURCHASE OF EQUIPMENT – Replace Mini Excavators for the Maintenance Department

Troy Texeira, Senior Storekeeper, stated that on April 11, 2012, the Purchasing Department sent out Requests for Quotation Nos. 840 and 841 for two excavators for the Maintenance Department. One excavator is for the Grass Valley Yard and the other is for the Placer Yard. Pape Machinery had the lowest bid for both excavators.

The following are the bid results:

FIRM	BID AMOUNT
Pape Machinery - (2012 John Deere Model 17)	Base Bid = \$29,792.92 Trade-in - <u>\$12,000.00</u> Total (including tax) = \$17,792.92
Pape Machinery - (2012 John Deere Model 35D)	Base Bid = \$51,620.35 Trade-in - <u>\$15,000.00</u> Total (including tax) = \$36,620.35
Holt Of California - (2012 John Deere Model 17)	Base Bid = \$34,093.18 Trade-in - <u>\$ 8,000.00</u> Total (including tax) = \$28,607.55
Holt of California - (2012 John Deere Model 35D)	Base Bid = \$51,624.34 Trade-in - <u>\$11,000.00</u> Total (including tax) = \$40,624.34

President Wilcox asked what the budget is for the two excavators.

Brian Powell, Maintenance Manager, stated that the budget for Model 35D is \$45,000, and the budget for Model 17 is \$50,000.

**Approved purchase of two (2) excavators from Pape Machinery, one (1) 2012 John Deere Model 17, in the amount of \$17,792.92 (including \$12,000 trade-in, sales tax and delivery), and the other a 2012 John Deere Model 35D in the amount of \$36,620.35 (including \$15,000 trade-in, sales tax and delivery); authorized the General Manager to execute the necessary purchase order(s) and declared the trade-in excavators as “surplus,” upon delivery of the new equipment. M/S/C Drew/Weber**

BANNER-TAYLOR RESERVOIR REPLACEMENT PROJECT – Award of Contract and Funding Scenario

Doug Roderick, Senior Associate Engineer, displayed an aerial view of the Project site and presented several photographs of the damage that has occurred to the Banner-Taylor Reservoir as a result of vandalism. He provided the following information:

*Project Background:*

- Staff performed an alternative study for the Banner-Taylor Reservoir and presented the study to the Engineering Committee; both Staff and the Committee members recommended moving forward with either pre-stressed concrete tanks, cast-in place concrete tanks or concrete tanks with aluminum covers
- An Initial Study was performed and a Mitigated Negative Declaration for this Project was adopted by the Board of Directors on August 24, 2011
- Staff prepared a memorandum which recommended three storage volumes that should be considered for the Project; these volumes were discussed at the October 7, 2011 Engineering Committee and it was the Committee's recommendation to move forward with bidding the three volumes; the storage volumes are 7.6, 9.2 and 10.5 million gallons
- In February 2012, a design-build RFP was sent out to 35 contractors, consultants and tank manufacturers
- On April 11, 2012, the District received five proposals for the Project; of the five, two were for irregular shaped conventional cast-in-place concrete structures and three were pre-stressed circular tanks

*Proposal Evaluations:*

- 50 points for proposal, 50 points for costs
- Five members of Staff reviewed the proposals independently, without cost information
- Scores of all reviewers were averaged to obtain overall proposal score (maximum of 50 points)
- Costs were then opened and reviewed for each of the volumes and points were given (maximum of 50 points, with the lowest cost receiving maximum points)
- Points for proposal and costs were added to obtain final overall ranking
- Rankings were provided to all of the proposers after completion of the evaluation

Results are as follows:

**7.6 Million Gallon Storage Option**

<i>Proposal Team</i>	<i>Ranking (total points)</i>	<i>Costs</i>
<b>Gateway Pacific/DYK/Bennett Engineering</b>	<b>85.5</b>	<b>\$6,900,610</b>
J.R. Filanc/Simon Wong Engineering	81.5	\$9,679,000
W.M. Lyles/Kennedy Jenks	78.0	\$10,297,000
Skaar Construction/DYK/Stantec	74.0	\$8,070,000
Auburn Constructors/Preload/West Yost	67.0	\$11,907,000

**9.2 Million Gallon Storage Option**

<i>Proposal Team</i>	<i>Ranking (total points)</i>	<i>Costs</i>
<b>Gateway Pacific/DYK/Bennett Engineering</b>	<b>85.5</b>	<b>\$7,365,471</b>
J.R. Filanc/Simon Wong Engineering	82.5	\$10,129,000
W.M. Lyles/Kennedy Jenks	76.5	\$11,501,000
Skaar Construction/DYK/Stantec	67.0	\$10,430,600
Auburn Constructors/Preload/West Yost	66.5	\$12,948,000

**10.5 Million Gallon Storage Option**

<i>Proposal Team</i>	<i>Ranking (total points)</i>	<i>Costs</i>
<b>Gateway Pacific/DYK/Bennett Engineering</b>	<b>85.5</b>	<b>\$7,932,477</b>
J.R. Filanc/Simon Wong Engineering	84.5	\$10,329,000
W.M. Lyles/Kennedy Jenks	76.5	\$12,409,000
Skaar Construction/DYK/Stantec	67.5	\$10,964,600
Auburn Constructors/Preload/West Yost	66.5	\$13,753,000

- Staff conducted an interview with proposal group ranked No. 1 overall to ask questions and obtain clarification regarding the proposal; after the interview, Staff is confident that the submitted proposal will meet the District’s needs
- The recommended proposal includes the following:
  - Demolition and removal of the existing hypalon covers
  - Construction of two AWWA D110 pre-stressed concrete tanks with flat roof
  - New inlet/outlet piping and site drainage
  - Partial burial of new tanks to eliminate off-haul of excavated material maintaining the existing height
  - Allows for ultimate site storage volume of 16 million gallons

*Storage Volume:*

- Based on the relatively small incremental costs to increase storage volume above the minimum amount, Staff is recommending that a total of 10.5 million gallons of storage be constructed
- Benefits for constructing the 10.5 million gallon volume:
  - Economy of Scale – cheaper to build the larger volume now
  - Defers capital costs for additional storage tanks 20 years into the future with a life span of a concrete tank beyond 50 years of service
  - Additional emergency storage since there is no raw water storage for the E. George Water Treatment Plant

Director Weber asked for an explanation of the storage tanks in the Banner area.

Chip Close, Treated Water Superintendent, explained that there are quite a few storage tanks in the E. George system. Unfortunately, they are not designed to back feed into this area. The storage facility being proposed is the gravity side of the E. George system that feeds all of the Brunswick Basin. He cannot get the storage from on top of Banner Mountain back into this facility. The other storage locations provide him some more time to have the Banner-Taylor site up and running. There are two tanks at Idaho Maryland Road and Banner Lava Cap Road (400,000 gallons each), and two tanks at the top of Deer Creek Park (1 million gallons and 250,000 gallons).

President Wilcox asked if the contractor will remove the center berm.

Mr. Roderick responded in the affirmative.

*Project Costs versus Volume:*

- Project cost for the minimum 7.6 million gallon volume is \$6,900,610 or \$0.91 per gallon
- Incremental cost increase from 7.6 million gallons to 9.2 million gallons (which is an additional 1.6 million gallons of storage) is \$464,861 or \$0.29 per gallon
- Incremental cost increase from 7.6 million gallons to 10.5 million gallons (which is an additional 2.9 million gallons of storage) is \$1,031,867 or \$0.35 per gallon

Jim Malberg, Finance Manager/Treasurer, provided the following information regarding funding options for the Project:

*Funding Options:*

- State Revolving Loan
  - At least two years and no guarantee
  - Low priority with the California Department of Health
- Issue Bonds
  - 2011 Bonds Average Interest 3.81 percent
  - Cost of Issuance \$185,000
- Utilize Cash Reserves
  - Most Reserves above target levels
  - Most Reserve Funds in the Local Agency Investment Fund (LAIF) currently earning .038 percent

*Cash and Reserve Balances as of May 31, 2012:*

<i>Fund Type</i>	<i>Purpose</i>	<i>Balance</i>
Cash/Working Capital	Day-to-day operations	\$10,821,466
Operating, Repair, Replacement (ORR) Reserve	Rate stability for operational/maintenance deficits, non-recurring repairs/replacements	\$18,420,684
Designated Reserves	Various – specific purposes	\$17,143,827
<b>Subtotal</b>		<b>\$46,385,977</b>
Restricted Reserves	Restricted by law/statute	\$16,240,572
<b>Total</b>		<b>\$62,626,549</b>

President Wilcox asked if capacity fee reserves could be used since the District might be considering building the larger storage facility.

Mr. Malberg stated that Staff will be further evaluating this option to determine whether or not capacity fees can be utilized for this Project.

Jeff Meith, District Counsel, added that based on statute, the District could justify using capacity fees.

*Capital Projects:*

<i>Project</i>	<i>Expenditures</i>	<i>Remaining</i>	<i>Total</i>
Mt. Vernon	\$1,777,514	\$356,831	\$2,134,345
DS Flumes	\$6,478,735	\$1,000,000	\$7,478,735
Banner Cascade	\$33,344,158	\$3,209,553	\$36,553,711
Chlorine Gas to Liquid	\$200,000	\$100,000	\$300,000
Pipeline Replacement	\$150,000	\$600,000	\$750,000
Highway 49 Transmission Line	\$522,462	\$865,912	\$1,388,374
Banner-Taylor Reservoir *	\$87,300	\$8,000,000	\$8,087,300
Rattlesnake Rd Waterline Ext. *	\$0	\$1,084,185	\$1,084,185

\*Subject to Board Approval

Director Weber asked what Pipeline Replacement represents.

Gary King, Chief Engineer, explained that \$750,000 was budgeted for 2012 for making repairs to the Cascade Shores, Lake of the Pines and Lake Wildwood pipeline systems, and money will be used on a priority basis, based on the magnitude of the needed repairs.

*Capital Reserve Obligations:*

Working Capital / ORR		\$29,242,150
Mt. Vernon	\$356,831	
DS Flumes	\$1,000,000	
Banner Cascade	\$3,209,553	
Chlorine Gas to Liquid	\$300,000	
Pipeline Replacement	\$600,000	
Debt Service / Other Post Employee Benefits (OPEB)	\$1,895,141	
Miscellaneous	\$2,000,000	
		<b>\$19,880,625</b>
Treated Water System Reserve		\$9,328,167
Highway 49 Transmission Line	\$665,912	
		<b>\$8,462,255</b>

*Project Expenditure Schedule:*

- Fiscal Year 2012
  - Capital Budget - \$2.5 million (approved)
  - Expected Expenditures - \$2.0 million
- Funding Plan:
  - \$1,250,000 from Raw Water System Expansion Reserve (Balance \$3,250,000; minimum \$2 million)
  - \$750,000 from Comprehensive Insurance Reserve (Balance \$7.5 million; minimum \$2 million)
- Fiscal Year 2013
  - Capital Budget - \$5.5 million (proposed)
  - Expected Expenditures - \$5 million

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- Funding Plan:
  - From FY 2013 budgeted Capital Revenues
  - May need to borrow up to \$1,750,000 from Comprehensive Insurance Reserves temporarily for cash flow purposes
  - May need to borrow from Treated Water System Expansion Reserve temporarily for cash flow purposes
- Fiscal Year 2014
  - Carryover prior year's Capital Budget (\$1 million)
  - Expected Expenditures - \$932,477
- Funded with FY 2014 Capital Revenues
- Any reserve fund loans that carried over from FY 2012 or FY 2013 will be paid back with interest
  - Capital Revenues (anticipate \$2 to \$3 million per year)
  - Hydro reimbursements

Mr. Malberg stated that the Banner-Taylor Reservoir Replacement Project is critical and time-sensitive. The District can move forward with the Project with regard to funding, but he noted that it will be important in the future to review each project on a case-by-case basis, budget appropriately and manage cash flows appropriately to ensure that reserves are maintained while at the same time meeting the needs of the District.

Director Weber expressed concern that the Combie Phase I project is not included on the list of projects. If the Canal fails, the funds needed for repairs would need to come from the Comprehensive Insurance Reserve, and she wants to make sure that enough money is kept in the Reserve in the event that Combie Phase I fails. A decision needs to be made about the priority of the Combie Phase I Project.

President Wilcox stated Director Weber's point is well taken. However, he feels that the Combie Phase I project is a potential risk versus a known risk with the Banner-Taylor Reservoir Replacement Project. The hypalon covers are going to fail sooner rather than later. The Combie Phase I has been maintained consistently, and there may or may not be a catastrophic failure. He feels that the priority should be to repair the known risk first.

Director Weber pointed out that projects need to be identified that could possibly be funded with State Revolving Fund money.

Director Miller asked Mr. Malberg if from a financial perspective the District is looking at "bumps in the road" or is the District headed toward "cliffs and sheer walls."

Mr. Malberg stated that at this time he feels that the District is looking at bumps in the road, not cliffs or sheer walls.

**Awarded a design-build contract to Gateway Pacific/DYK/Bennett Engineering, in the amount of \$7,932,477 for the Banner-Taylor Reservoir Replacement Project, and authorized the General Manager to execute the necessary documents;**



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**approved funding scenario utilizing District reserves for the Banner-Taylor Reservoir Replacement Project and authorized the Treasurer to make the necessary inter-fund transfers and repayments. M/S/C Miller/Weber**

RATTLESNAKE ROAD DISTRICT FINANCED WATERLINE EXTENSION – Funding Agreements

Shannon Matteoni, Business Coordinator, stated that Mike Piscatella is the representative for the Rattlesnake Road District Financed Waterline Extension Project. He contacted the District in March 2009. She started working on the Project in August 2009, and the proposed Project has been before the Engineering Committee several times. The size of pipe was evaluated and this dictated the cost. The District decided to utilize capacity fees toward construction of the Project. Two neighborhood meetings have been held. The second meeting was held in January 2012 with the final cost estimate, including District participation. At that time, she provided informational letters to 16 property owners, and she received good faith deposits from 14 of the property owners. Credit checks were run, and preliminary title reports were ordered for 14 property owners. As of today, 14 property owners want to participate in the Project, and she has 13 executed Funding Agreements with an additional deposit for one property owner to participate in the Project, but not to set a meter.

Ms. Matteoni explained that the design for the Project will be done in-house. Construction was anticipated to be done in-house, but due to a delay in the Project, she will need to meet with the Maintenance Department to determine whether or not they are available to construct the Project.

Ms. Matteoni pointed out that this Project is not an emergency Project, but a Project being considered pursuant to the District's Strategic Plan Objective to expand water service. Of the 14 parcels, five parcels are action parcels, and will be removed from the District's constructed conveyance program. There are five parcels that will be new District customers, and several parcels that have irrigation water in addition to well water.

Director Weber stated that there is \$250,000 budgeted in the Community Investment Program (CIP) for these types of projects. She thought that the CIP money was spent for the Cement Hill Water Supply Project.

Tim Crough, Assistant General Manager, explained that up to \$250,000 can be applied to the Rattlesnake Road Project from the prior year and current year budgets.

Jim Malberg, Finance Manager/Treasurer, stated that the total Project estimate is slightly more than \$1 million. A budget amendment would be necessary to complete the Project. Of the \$1,084,185, \$573,851 will come from the Treated Water System Expansion Reserve (capacity fees). The remaining funds of \$511,334 would come from the CIP which has a balance of approximately \$2.1 million that is available as an internal-revolving loan fund. Property owners will be reimbursing the District in the amount of \$343,994 over a 20 year period.

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Director Miller asked how this Project is different from the Rancho Way Project.

Ms. Matteoni explained that the Rancho Way Project lost momentum based on the property owners' interest.

Director Miller asked what percentage the District is participating in the Rattlesnake Road Project.

Gary King, Chief Engineer, stated that the Rattlesnake Road Project has been designed with 16-inch pipe. The District is contributing capacity fees toward the 16-inch pipe, or 75 percent of the Project. The residents will contribute 25 percent of the 16-inch pipe.

Ms. Matteoni added that the Rattlesnake Road Project was originally designed with 8-inch and 10-inch pipe which was cost prohibitive for the residents. By utilizing the 16-inch pipe (transmission line), the District can contribute capacity fees to the Project.

Mr. King noted that the Rattlesnake Road Project will provide looping and system integrity.

**Approved the Funding Agreements with thirteen property owners on Rattlesnake Road for a District Financed Waterline Extension: Assessor Parcel Nos. 23-550-32; 23-540-07; 23-120-61; 23-540-01; 23-550-06; 23-120-40; 23-550-04, 23-550-30, 23-120-38, 23-550-01, 23-550-25, 23-540-02 and 23-550-03; approved the associated budget amendment. M/S/C Weber/Miller**

CLOSED SESSION was declared at 10:25 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.

CLOSED SESSION was declared at 10:25 a.m. pursuant to Government Code Section 54956.9(a) to confer with District Counsel regarding existing litigation, relicensing proceedings before the Federal Energy Regulatory Commission.

CLOSED SESSION was declared at 10:25 a.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.

MEETING RECONVENED in regular session at 12:50 p.m.

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MEETING ADJOURNED at 12:50 p.m. to reconvene in regular session on June 27, 2012, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.

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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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