

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

October 24, 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 24th day of October 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 Tim Crough, Interim 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.

CLOSED SESSION was declared at 9:00 a.m. pursuant to Government Code Section 54957: Board consideration of candidates for the position of General Manager.

MEETING RECONVENED at 10:30 a.m.

MINUTES – October 10, 2012 Regular Meeting

Approved the Minutes of the Board of Directors' regular meeting of October 10, 2012 as amended. M/S/C Weber/Drew

EMPLOYEE RELATIONS – New Employee Introduction, Cookson

Brian Powell, Maintenance Manager, introduced Carl Cookson, Utility Worker I. Mr. Cookson was born and raised in San Jose, CA and graduated from Independence High School. Mr. Cookson lived in the Grass Valley area for awhile and moved back to San Jose. He returned to the Grass Valley area in 2006 and has been working as an independent contractor. He has been working for the District as a temporary employee for the past six months. Mr. Cookson and his wife have an eight-month old son.

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

EMPLOYEE RELATIONS – Rossovich, Retirement Presentation (Res. 2012-35)

Gary King, Chief Engineer, recognized Edmond L. Rossovich on his retirement after 17 years of service with the District. Mr. Rossovich began with the District as a temporary employee. In August of 1996, he became a permanent employee as a Utility Worker in the Maintenance Department. In 1997, he became a Storekeeper. During that time, he was deployed to Iraq in 2004. He was injured twice in the line of duty and is the recipient of one Purple Heart award. In 2005, Mr. Rossovich became an Inspector in the Engineering Department. He has worked on numerous projects such as the Cement Hill Water Supply Project. He is a valued member and a team player. In retirement, Mr. Rossovich will be moving to Palm Springs, CA where he will be playing golf and running his new supply company. He has indicated that he will also be taking up pilates. Mr. Rossovich has a great sense of humor and is a Marine through and through. He will be deeply missed by the Engineering Department and by Mr. King.

Director Weber stated that Mr. Rossovich was indispensable on the Cement Hill Water Supply Project. He did a fantastic job. She has also seen him in action when there was a flash storm about a year and a half ago. Mr. Rossovich was trying to clear the drainage system on Idaho Maryland Road. A large amount of water was running down Idaho Maryland Road, and he was doing everything in his power to manage the situation. He is an exemplary employee.

Director Drew concurred and stated that Mr. Rossovich is a very hard worker. He wished Mr. Rossovich was present so that he could hear these comments.

Director Miller stated that Mr. Rossovich is a “straight shooter” and an excellent human being. He knows Mr. Rossovich outside of the District as well. Mr. Rossovich used to be on the Labor Committee and he respects the fact that after intense conversations, Mr. Rossovich would always shake Director Miller’s hand.

COMBIE RESERVOIR – Assignment of Aggregate Mining Lease

Jeff Meith, District Counsel, stated that the District has a lease agreement with Chevreux Aggregates, Inc. In 2011, Chevreux was negotiating with Green Vista to transfer that lease. The District wanted to modify the lease to accommodate its mercury removal project. Unfortunately, Chevreux and Green Vista completed their negotiations and executed the assignment. This information was presented to the Board in May 2011 and the Board was amenable to the assignment as long as there is an agreement in place. The District never received the agreement. Upon ratification of the documents being presented to the Board at this time, the process will be complete. The documents authorize the assignment of the lease and allow the District to have access to the site for work on the mercury removal project.

Tim Crough, Interim General Manager, reiterated that the assignment was approved by the Board of Directors in May 2011. The documents being presented at this time have changes to reflect the assignment to Green Vista Land Holdings, LLC, and to help

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facilitate the District's mercury removal project. The tolling agreement obligates Green Vista to take all of the debris (aggregate and mud) that will be removed from the lake, with the exception of the gold and the mercury.

Mr. Meith concurred.

Director Weber asked how Teichert is connected with Green Vista.

Mr. Meith explained that it is complicated, but the District's agreements are with Green Vista Land Holdings, LLC which owns the land holdings. Green Vista Land Holdings, LLC will sublease to Green Vista Holdings, LLC for the purpose of mining. Green Vista, LLC Land Holdings is associated with Teichert, though legally a separate entity.

Ratified Combie Reservoir Aggregate Mining Lease agreements with Green Vista Land Holdings, LLC, and authorized the General Manager to execute the necessary documents. M/S/C Miller/Drew

WARRANTS

Approved the following warrants: Yuba-Bear Revolving Fund Nos. 24969 through 25015, inclusive; General Fund Revolving Account Nos. 59340 through 59481, inclusive; Recreation Fund Nos. 3549 through 3574, inclusive; and Payroll Direct Deposit and Warrant Nos. 65000 through 65166, inclusive. M/S/C Drew/Weber

AGRICULTURAL WATER MANAGEMENT PLAN (AWMP) – Public Hearing

Lesa Osterholm, Water Efficiency Coordinator, stated that District Staff has prepared the AWMP. This is the first Plan of its type to be prepared by the District, and is a requirement of the Conservation Act of 2009, also known as SBX 7-7. The Act requires water suppliers with 10,000 or more irrigated acres to prepare an AWMP. The District has 25,577 irrigated acres in its service area. This information is reported by the customers and is not verified by the District. She pointed out that there is no other water supplier in the Mountain Counties region or the Cosumnes, American, Bear and Yuba (CABY) Rivers region that is required to submit an AWMP.

Ms. Osterholm stated that the Plan is due to the Department of Water Resources by December 31, 2012. The draft of the Plan dated September, 2012 was released on September 28, 2012 and sent to coordinating agencies and potential interested parties. The Plan was also placed on the District's website and was available at the District's Business Center (lobby) and the Grass Valley and Nevada County Libraries.

A public hearing is scheduled for this meeting to accept public comments; no action will be required by the Board at this time. The Board will consider adopting the AWMP and comments at the Board of Directors' meeting of November 28, 2012. The comment period will expire on November 1, 2012, and Staff is respectfully requesting that comments be submitted in writing.

The AWMP has six sections:

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- 1) Introduction
- 2) Ag Water Supplier and Service Area Characteristics
- 3) Inventory of Water Supplies
- 4) Water Balance – Inputs and Outputs of System
- 5) Addressing Climate Change
- 6) Efficient Water Management Practices (EWMP) - very specifically addressing water measurement and volumetric pricing, which practices have been implemented and/or when will the District be implementing the EWMPs

Ms. Osterholm noted that the Department of Water Resources is looking at how much water the District has in a representative year, how much the District uses, where the water goes and what is left over.

The challenges in preparing the Plan include:

- 1) Quantifying by crop, the evapotranspiration rates and consumption versus sales (noted in the Plan why it was difficult to come up with an evapotranspiration rate)
- 2) Quantifying inputs with five year averages, 20 year averages and data for the past year (easy for readers to misinterpret information so footnotes were included)
- 3) Ag water measurement accuracy (reflected that the District uses the Miners Inch measurement and demonstrated the formulas used to convert to volume)

President Wilcox opened the public hearing.

Hearing no testimony, President Wilcox closed the public hearing.

Director Miller asked Ms. Osterholm who helped her prepare the document.

Ms. Osterholm stated that the Plan was prepared in house and Staff worked as a team to complete the document. Staff members who assisted with the preparation of the Plan included Sue Sindt, Connie Petty and Dean Hunt.

Director Bachman stated that he feels the Plan is a handbook and a helpful tool.

President Wilcox stated that the Water and Hydroelectric Operations Committee thoroughly reviewed the Plan at the last Committee meeting. He commended Staff on the effort made to prepare the Plan. It was beneficial to have prepared the Plan in-house versus paying a consultant to do the work. He made a number of comments at the Committee meeting and asked if the comments have been incorporated into the Plan.

Ms. Osterholm stated that the comments had not yet been incorporated into the Draft Plan. She pointed out three comments made by the Committee and provided clarifying information:

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- 1) Comment regarding reported carryover storage: Carryover storage should be held at a level not less than 78,000 acre feet - this figure includes 36,675 acre feet of minimum pool requirements which are reserved for environmental needs and dead storage volume (including estimated siltation) and cannot be counted on as available supply.
- 2) Comment regarding run-off data: There was a question why the run-off from the Bear River was excluded from the average annual supply. This run-off was excluded because this water is purchased from Pacific Gas & Electric (PG&E) and PG&E is the senior water right holder in this watershed. This has been clarified in the Plan by indicating that due to provisions in the PG&E water purchase agreement, hydrologic variability and NID not being the senior water right holder, the run-off data does not include supply from the Bear and South Yuba Rivers. NID is likely to receive some water from these sources in dry years.
- 3) Comment regarding drainage leaving the District's service area: The measured outflow from the distribution system water leaving the service area during irrigation season is 4,424 acre feet.

President Wilcox asked if this figure includes both canal seepage and water lost to the system from the ends of canals.

Ms. Sindt stated that that all losses are included in this figure.

President Wilcox complimented Staff once again for a wonderful job on the AWMP. The Plan is an important document for the District.

Director Drew asked if the requirements for the AWMP are pursuant to unfunded mandates.

Jeff Meith, District Counsel, responded affirmatively.

Director Drew complimented Staff on the wonderful job. He added that preparing the Plan cost the rate payers and tax payers a great deal of money, and this information is requested over and over again in several different documents (i.e. Urban Water Management Plan, etc.). This is a dilemma for him and causes him concern. This could be considered a "make work" project that is repeated over and over again so that "they" have jobs.

President Wilcox stated that he has a more "cynical" explanation on why the State wants to know about the information in the Plan. The Plan was incorporated into the State water legislation in order to obtain information on whether water is being used reasonably by agricultural users. The urban districts make no secret that they believe that water is being used wastefully by agricultural districts in the Areas of Origin. By gathering this data, the State may be laying a foundation for a later proceeding based upon reasonable use theory.

Mr. Meith concurred with President Wilcox's interpretation.

HYDROELECTRIC DIVISION – Change Order Request for Contract No. 2009-01

Bill Morrow, Hydroelectric Manager, is asking the Board to ratify a change order to Contract No. 2009-01 with HDR regarding the completion of the spillway stabilization project at French Lake. The reason for the change order is because the job could not start until this year. HDR needed to be onsite to oversee the Quality Control Inspection Procedure (QCIP) and to function as the consulting engineer during construction.

Mr. Morrow pointed out that the total change order will not be the amount of \$68,712, but a lesser amount because the work was completed on October 20, 2012 (ahead of schedule).

Ratified change order to Contract No. 2009-01 with HDR and authorized the General Manager to execute the change order and the associated budget amendment up to \$68,712. M/S/C Drew/Bachman

LABOR CONTRACT – Memorandum of Understanding with AFSCME Regarding Wages, Hours and Terms and Conditions of Employment for 2012-2014

Tim Crough, Interim General Manager, requested that this matter be pulled from the agenda.

SPECIAL PROJECTS MANAGER - Status

Tim Crough, Interim General Manager, reported that Ron Nelson, Special Projects Manager, has been on vacation and will be returning to the office on October 29, 2012. Upon his return, he will be involved in negotiation discussions with Pacific Gas & Electric Company.

MASTER PLANNING – DeWitt Center in Placer County

Tim Crough, Interim General Manager, reported that during the NID/PCWA Water Planning Committee meeting there was discussion about master planning for the DeWitt Center. Mr. Crough reminded the Committee that the District is currently in a moratorium on annexations to the District in Placer County until a master tax sharing agreement is in place. There is rumored activity about proposed plans for a Lowe's store or a Costco store to be constructed near the DeWitt Center site.

Director Bachman pointed out that a meeting is scheduled to discuss the master tax sharing agreement with Placer County on November 7, 2012.

SPECIAL TAX – Cal Fire

Tim Crough, Interim General Manager, reported that the District has received special tax bills from Cal Fire for approximately \$150 per parcel for at least three of the District's parcels. This appears to be a tax authorized under the Revenue Code and has not been approved by the voters. Staff has authorized payment of the bills and has applied

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for a request for redetermination which may provide the District the opportunity to have the special taxes credited.

PROPERTY TAX LEVIES - Status

Jim Malberg, Finance Manager/Treasurer, reported that there have been questions as to why there is no District tax on the Nevada County and Placer County property tax bills. He explained that the District has paid off the Davis-Grunsky Act State loan in January 2012; therefore, there will be no further assessments on the property tax bills.

DIVISION BOUNDARIES – Status of Reapportionment

President Wilcox asked Staff what the status is of realigning the District's boundaries as a result of the 2010 Census.

Lisa Francis Tassone, Board Secretary, stated that preliminary/conceptual maps have been prepared for Staff and District Counsel to review, and there is nothing to report at this time.

Discussion ensued regarding the requirements of equalizing the divisions by population. Staff will keep the Board informed as more information becomes available.

ROLLINS RESERVOIR – Video and Photographs of Sedimentation

Director Drew, Director Miller and Tim Crough were on Rollins Reservoir last week as part of the Mercury Removal and Sedimentation Study Ad Hoc Committee. Director Drew stated that there is a shocking amount of sedimentation coming down the Greenhorn, as well as the Bear River arm. He shared video clips and photographs that demonstrated the amount of sediment. The lake is down about 25 feet. Director Drew and Mr. Crough went out to Rollins Reservoir three days later and the Reservoir was down an additional five feet. He noted that the water quality this year is excellent – the best he has ever seen it. Additionally, the elevations have been well maintained. Director Drew stated that the District has lost approximately 11,000 acre feet of storage in the Reservoir. This translates into lost dollars. Six sample buckets were collected and Staff is waiting for an analysis.

Director Weber asked where the District goes from here.

Director Miller stated that the District could do a 'dry dig' or the Reservoir could be dredged on a continuous basis.

Director Drew added that other agencies need to assist the District with the funding of this type of project (i.e. the Bureau of Reclamation, the Department of Forestry, the Environmental Protection Agency, etc.). The District needs to "get its water real estate back." He noted that Hansen Bros. is taking the aggregate from the Greenhorn arm and leaving the sand which ends up in the District's reservoir.

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Discussion ensued regarding scheduling another Mercury Removal and Sedimentation Study Ad Hoc Committee meeting. The Board supported scheduling another Ad Hoc Committee meeting (with Directors Drew and Miller) to discuss the District's options and financial impacts regarding sedimentation on Rollins Reservoir.

PLACER COUNTY - Rural Lincoln Municipal Advisory Committee (MAC) Meeting

Director Bachman reported that he provided an update of the District's hydroelectric relicensing process to the Placer County Rural Lincoln MAC.

PLACER COUNTY FARM BUREAU - Fundraiser

Director Bachman reported that the Placer County Farm Bureau fundraiser on October 20, 2012 was well attended. The District donated \$250. A total of \$18,000 was raised, and the proceeds benefit youth in agriculture.

CLOSED SESSION was declared at 12:05 p.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 12:05 p.m. pursuant to Government Code Section 54956.9(a) to confer with Legal Counsel – Existing Litigation – Bingaman v. Nevada Irrigation District; Nevada County Case No. 78684.

CLOSED SESSION was declared at 12:05 p.m. pursuant to Government Code Section 54956.9(b) to confer with Legal Counsel – Anticipated Litigation – Claim of George Loftus.

CLOSED SESSION was declared at 12:05 p.m. pursuant to Government Code Section 54957.6 to provide direction to the District's designated bargaining representatives – Nelson, District Counsel, Miller and/or Weber – regarding 2012 salary/benefit/working conditions.

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

NOTICE OF SPECIAL MEETING

President Wilcox announced that a special meeting of the Board of Directors will be scheduled for October 29, 2012 at 3:00 p.m. The agenda will be posted accordingly.

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BOARD OF DIRECTORS – November Meeting Schedule

President Wilcox announced that the Board of Directors will meet in regular session on Wednesday, November 7, 2012 and Wednesday, November 28. The Board will meet in special session on Tuesday, November 27, 2012 and Thursday, November 29, 2012. The Maintenance and Resource Management Committee meeting will be rescheduled from Tuesday, November 27, 2012 to Wednesday, November 14, 2012. The Engineering Committee meeting will be rescheduled from Tuesday, November 20, 2012 to Tuesday, November 13, 2012.

BANNER-TAYLOR RESERVOIR RESTORATION AND DS CANAL FLUME REPLACEMENT PROJECTS - Tour

Due to wet weather, the tour was cancelled and will be rescheduled at a later date.

MEETING ADJOURNED at 12:50 p.m. to reconvene in special session on October 29, 2012, at 3:00 p.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

Division II

Division III

Division IV

Division V