

NEVADA IRRIGATION DISTRICT  
BOARD OF DIRECTORS / JOINT POWERS AUTHORITY

MINUTES

October 28, 2015

The Board of Directors of the Nevada Irrigation District and the Nevada Irrigation District Joint Powers Authority convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 28th day of October 2015 at 9:00 a.m.

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

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

PUBLIC COMMENT – Taxiera

Amber Taxiera, Outreach and Events Manager for the Sierra Fund, presented the Board with a framed picture and letter thanking the District for its support with the Deer Creek Tribute Trail. This is a fantastic new trail outside of Nevada City and it runs along Deer Creek. The newest section of the trail was completed last year. She encouraged the Board to experience the trail. The Project could not have been completed without the support of the District.

Elizabeth “Izzy” Martin, Executive Director of the Sierra Fund, added that the District employees were incredibly helpful in handling the logistical details, replacing the culvert, etc.

MINUTES – October 14, 2015 Regular Meeting

**Approved the minutes of the regular meeting on October 14, 2015. M/S/C Weber/Drew, unanimously approved**

WARRANTS

**Approved the following warrants: Yuba-Bear Revolving Fund Nos. 29083 through 30699 being void; General Fund Revolving Account Nos. 70237 through 72435 being void; Recreation Fund Nos. 5445 through 8099 being void; All Fund Nos. 71000 through 71221, inclusive; and Payroll Direct Deposit and Warrant Nos. 80151 through 80160 and V7344 through V7526, inclusive. M/S/C Weber/Drew, unanimously approved**

WATER RATE REVIEW – 2016

Rem Scherzinger, General Manager, stated that when a financial analysis was conducted in 2013, the Board agreed to complete the following:

- 1) Draw reserves down to 4 months of operations
- 2) Review rates on an annual basis

Marvin Davis, Finance Manager/Treasurer, provided the following presentation:

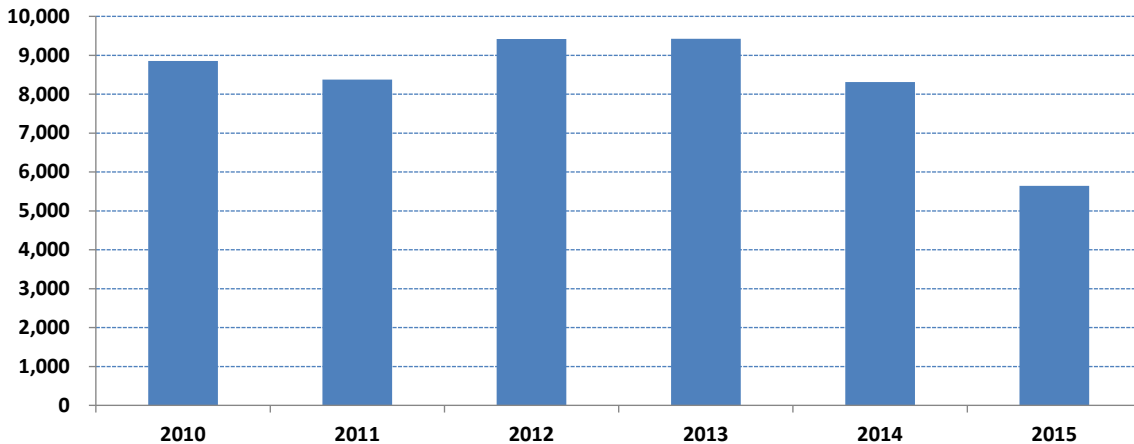
*Factors Influencing Rates:*

- Current financial position
- Age of infrastructure
- Geographical service area
- In-house experience and expertise
- Current cost structure (fixed vs. variable components)
- Water rate development methodology (base vs. commodity)
- Historical and estimated consumption
- Political environment (local, regional, state-wide)

*Rate Comparison Analysis:*

**NID Metered Acre Foot Consumption**

2015 thru Sept (\$ = 70% of Water Sales)



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*Rate Comparison Table:*

	FY	Bi-Monthly Base Rate 5/8" Meter	Bi-Monthly Usage 10 hcf	Total
City of Lincoln	2015	\$ 61.90	\$ 13.08	\$ 74.98
	2016	68.70	14.53	83.23
PCWA	2015	65.48	14.66	80.14
	2016	66.26	14.86	81.12
City of Grass Valley	2015	52.00	26.25	78.25
	2016	52.00	26.25	78.25
El Dorado Irrig District	2015	55.37	13.45	68.82
	2016	58.14	14.12	72.26
City of Nevada City	2015	50.78	18.48	69.26
	2016	No response		
NID	2015	41.69	17.20	58.89
	2016	44.19	18.23	62.42
<b>2015 Average Total</b>				<b>\$ 71.72</b>
<b>2016 Average Total</b>				<b>\$ 75.46</b>

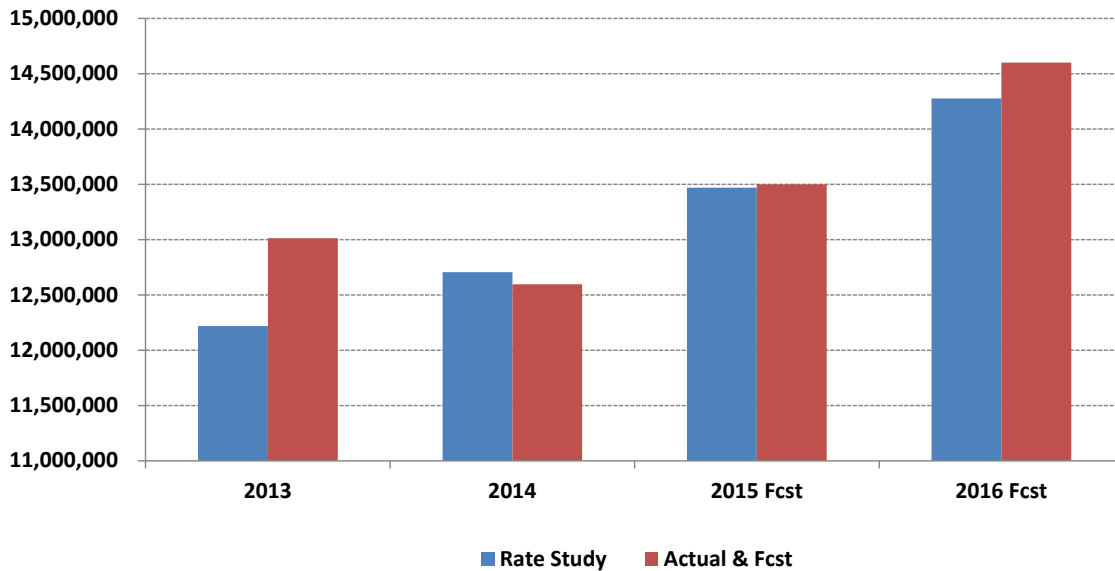
Director Drew suggested that the table above be provided to The Union for publication.

Mr. Scherzinger concurred.

*Recommendation:*

- Maintain current approved rate increase due to:
  - Accepted Rate Study Analysis
  - Borrowing \$8 to \$9 million from reserves
  - 36 percent conservation mandate reduces treated water revenues
  - Keeping pace with public agreement to drive down reserves

*Water Study vs. Actual and Forecast – Treated Water:*



Director Wilcox remembers quite clearly the rate study and financial plan recommending that the District dip into reserves at first, and then gradually decrease the use of reserves. He would like to know how the District is tracking according to the financial plan.

Mr. Scherzinger stated that the drought is causing some unexpected impacts to the District's budget and financial plan. At this time, the objective is to leave six months of operating reserves in place. Currently, the District has five months of operating reserves in place.

2016 BUDGET AND 2015 FINANCIAL EFFICIENCY REPORT

Marvin Davis, Finance Manager/Treasurer, provided the following presentation on the District's 2016 Budget and the 2015 Financial Efficiency Report:

*Executive Summary:*

- Water Conservation
- Internal Controls
- Financial Reporting
- Cash Management

*Budget Development:*

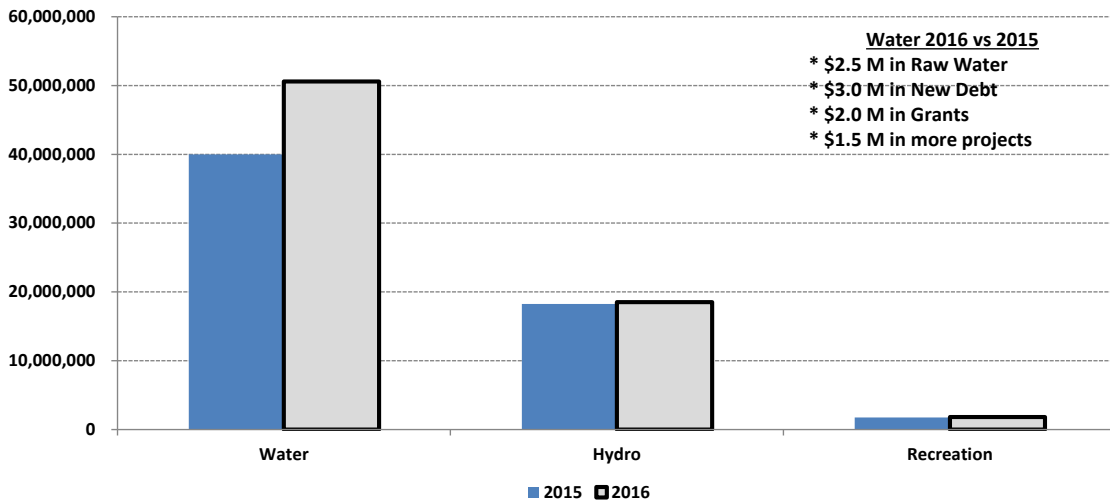
- Revenue Assumptions
  - 6 percent Water Division
  - 85 percent Hydroelectric Division
  - Flat for Recreation Division
- Labor Costs Assumptions
  - 4.5 FTE increase; 2.59 percent COLA; 5 percent for regular step increases

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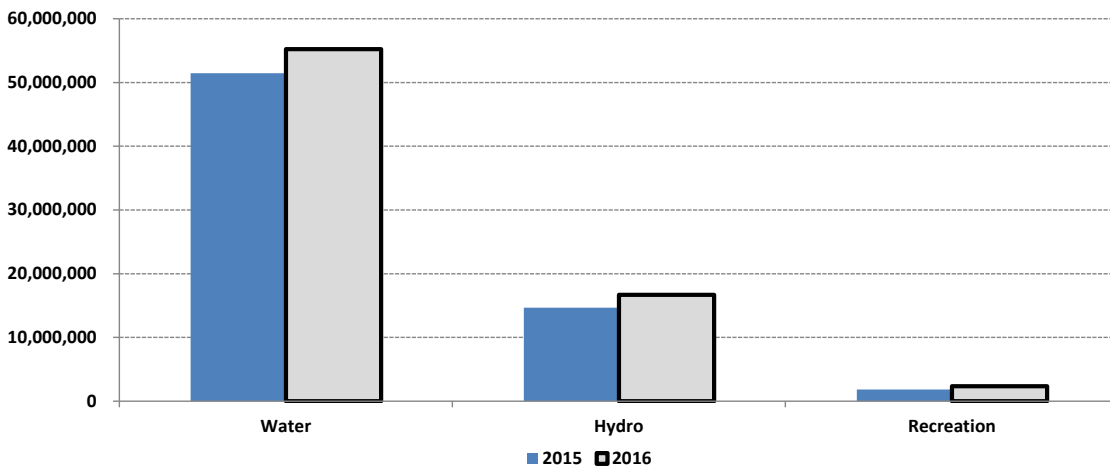
- 27.9 percent PERS
- Operations and Maintenance and Capital Costs
  - 9.8 percent over 2015 Budget; \$2.5 million in debt reduction
- Cash Flow Assumptions
  - \$5.7 million in prior year encumbrances

2016 Budget – All Divisions:

District Wide Revenues 2015 vs 2016 Budget



District Wide Expenses 2015 vs 2016 Budget



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2016 Budget – All Divisions:

	2013 Act	2014 Act	2015 Bud	2016 Bud
<b><u>Operating Budget:</u></b>				
Total Revenue	44,334,954	46,078,677	44,066,157	45,519,471
Total Expenses	31,978,408	35,086,800	41,825,855	46,176,750
			<b>Net Income</b>	<b>(657,278)</b>
<b><u>Capital Budget:</u></b>				
Total Revenue	11,944,780	9,940,928	15,908,419	25,400,645
Total Expenses	18,655,622	15,128,190	26,102,693	28,328,989
			<b>Net Income</b>	<b>(2,928,344)</b>
			<b>Total Net Income*</b>	<b>(3,585,623)</b>

\* See Cash Schedule for Reserve Impact

2016 Budget – Water Division:

	2013 Act	2014 Act	2015 Bud	2016 Bud
<b><u>Operating Budget:</u></b>				
Total Revenue	23,028,496	22,851,373	24,078,600	25,194,597
Total Expenses	22,919,810	24,933,299	28,755,985	31,225,876
			<b>Net Income</b>	<b>(6,031,279)</b>
<b><u>Capital Budget:</u></b>				
Total Revenue	11,944,780	9,940,928	15,908,419	25,400,645
Total Expenses	14,944,271	14,133,819	22,677,699	24,002,489
			<b>Net Income</b>	<b>1,398,156</b>
			<b>Total Net Income*</b>	<b>(4,633,123)</b>

\* See Cash Schedule for Reserve Impact

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*2016 Budget – Hydroelectric Division:*

	<b>2013 Act</b>	<b>2014 Act</b>	<b>2015 Bud</b>	<b>2016 Bud</b>
<b><u>Operating Budget:</u></b>				
<b>Total Revenue</b>	<b>19,521,148</b>	<b>21,416,492</b>	<b>18,234,557</b>	<b>18,521,268</b>
<b>Total O&amp;M Expense</b>	<b>7,643,644</b>	<b>8,605,054</b>	<b>11,368,200</b>	<b>12,933,700</b>
<b>Total Capital Expenses</b>	<b>3,654,809</b>	<b>975,109</b>	<b>3,287,500</b>	<b>4,006,500</b>
			<b>Net Income</b>	<b>1,581,068</b>

\* See Cash Schedule for Reserve Impact

*2016 Budget – Recreation Division:*

	<b>2013 Act</b>	<b>2014 Act</b>	<b>2015 Bud</b>	<b>2016 Bud</b>
<b><u>Operating Budget:</u></b>				
<b>Total Revenue</b>	<b>1,785,310</b>	<b>1,810,812</b>	<b>1,753,000</b>	<b>1,803,607</b>
<b>Total O&amp;M Expense</b>	<b>1,414,954</b>	<b>1,548,446</b>	<b>1,701,670</b>	<b>2,017,174</b>
<b>Total Capital Expenses</b>	<b>56,542</b>	<b>19,262</b>	<b>137,494</b>	<b>320,000</b>
			<b>Net Income</b>	<b>(533,567)</b>

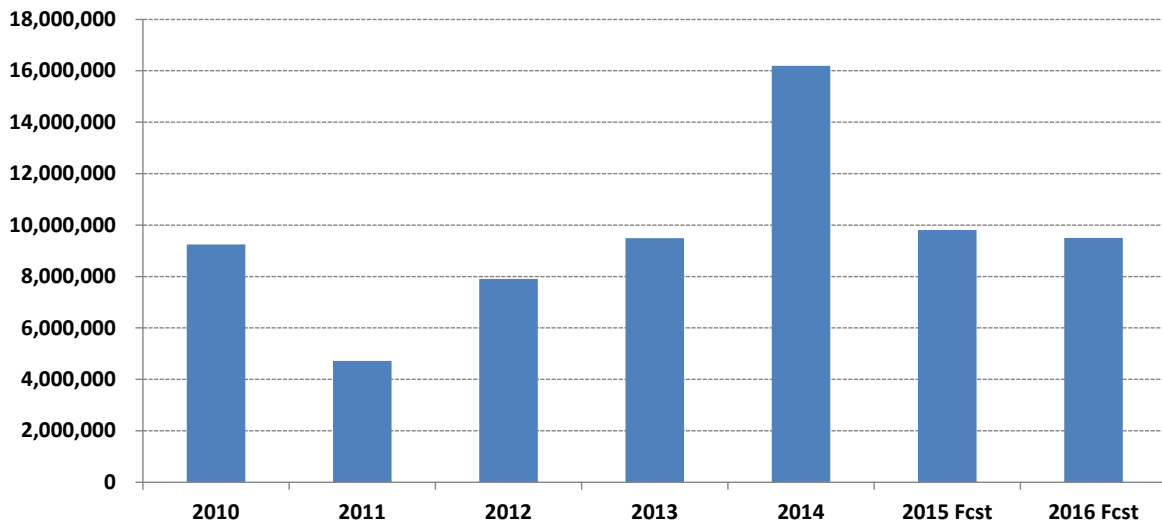
\* See Cash Schedule for Reserve Impact

2016 Budget – Staffing:

Department	2015 Bud Authorized	Actual at Aug	2016 Bud Authorized
115 Management	10.75	10	11
118 Information Tech	3	3	3
131 Cashiering	2	2	2
133 Customer Service	6	6	6
135 Accounting	7	7	7
151 Engineering	19	20	20
171 Water	46	44	46
191 Maintenance	61	62	62
193 Purchasing	5	5	5
195 Shop Operations	3	3	3
250 Recreation	6.5	7.0	8.5
518 Hydroelectric	23	20	24
<b>District FTEs Total</b>	<b>192.25</b>	<b>189</b>	<b>197.5</b>

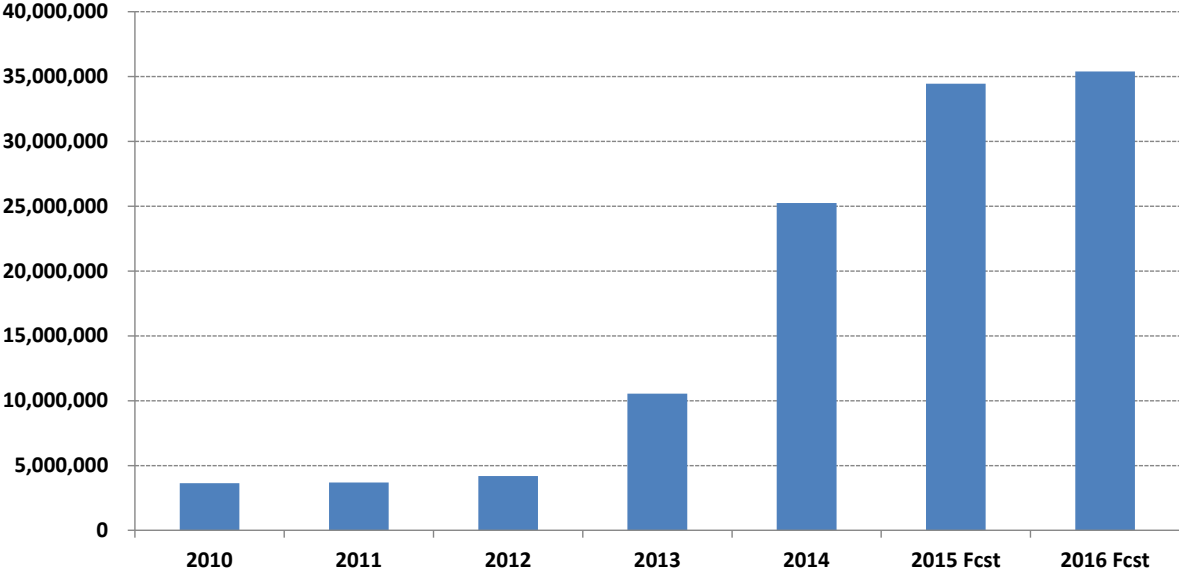
2016 Budget – Cash Balances:

Water Operating Cash Balances

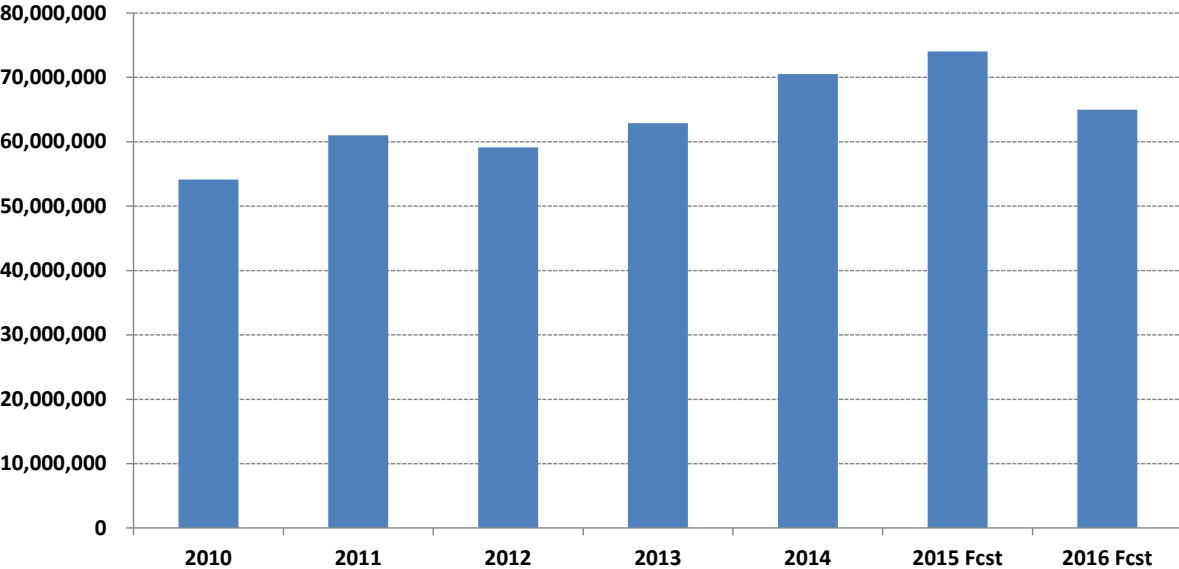




**Hydroelectric Operating Cash Balances**



**All Divisions Total Cash Balances**



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2016 Budget – 2015 Cash Balances:

	Water Fund	Hydro Plants	Recreation	Total Cash	Reserve Target
<b>Working Capital</b>					
Operating Cash	3,483,875	28,539,707	28,936	32,052,518	
Operating Reserve	6,299,970	5,909,738		12,209,708	
<b>Total</b>	<b>9,783,845</b>	<b>34,449,445</b>	<b>28,936</b>	<b>44,262,226</b>	
<b>Designated</b>					
Accrued Leave	2,182,318	266,996	63,055	2,512,369	Equal to Liability
Capital Improvement	5,012,500			5,012,500	Reviewed with Budget
Catastrophic Insurance	7,518,750			7,518,750	\$5 - \$10 M
Hydroelectric Relicense	259,962			259,962	
Rate Stabilization	2,005,000	-		2,005,000	Reviewed with Budget
Raw Water Expansion	2,000,000			2,000,000	\$2 M
Watershed Stewardship	1,645,749			1,645,749	
<b>Total</b>	<b>20,624,279</b>	<b>266,996</b>	<b>63,055</b>	<b>20,954,330</b>	
<b>Restricted</b>					
Debt Service	1,968,863			1,968,863	Bond Covenants
Fiscal Agent	75,234			75,234	Bond Covenants
System Expansion	6,770,673			6,770,673	Capacity Fees
<b>Total</b>	<b>8,814,770</b>	<b>-</b>	<b>-</b>	<b>8,814,770</b>	
<b>Estimated - EOY 2015</b>					
	<b>\$ 39,222,894</b>	<b>\$ 34,716,441</b>	<b>\$ 91,991</b>	<b>\$ 74,031,326</b>	

2016 Budget – 2016 Cash Balances:

	Water Fund	Hydro Plants	Recreation	Total Cash	Reserve Target
<b>Working Capital</b>					
Operating Cash	3,500,000	25,000,000	124,459	28,624,459	
Operating Reserve	6,003,722	10,402,131	(124,459)	16,281,394	5.05 Mons of Op Bud
<b>Total</b>	<b>9,503,722</b>	<b>35,402,131</b>	<b>(0)</b>	<b>44,905,853</b>	
<b>Designated</b>					
Accrued Leave	2,182,318	266,996	63,055	2,512,369	Equal to Liability
Capital Improvement	2,512,500			2,512,500	Reviewed with Budget
Catastrophic Insurance	2,518,750			2,518,750	\$5 - \$10 M
Hydroelectric Relicense	259,962			259,962	
Rate Stabilization	1,005,000			1,005,000	Reviewed with Budget
Raw Water Expansion	2,000,000			2,000,000	\$2 M
Watershed Stewardship	1,645,749			1,645,749	
<b>Total</b>	<b>12,124,279</b>	<b>266,996</b>	<b>63,055</b>	<b>12,454,330</b>	
<b>Restricted</b>					
Debt Service	1,968,863			1,968,863	Bond Covenants
Fiscal Agent	75,234			75,234	Bond Covenants
System Expansion	5,570,673			5,570,673	Capacity Fees
<b>Total</b>	<b>7,614,770</b>	<b>-</b>	<b>-</b>	<b>7,614,770</b>	
<b>Estimated - EOY 2016</b>					
	<b>\$ 29,242,771</b>	<b>\$ 35,669,127</b>	<b>\$ 63,055</b>	<b>\$ 64,974,953</b>	

*Financial Efficiency Report:*

- Finance
  - New budgeting document and monthly reporting package
  - Internal controls for receipts and disbursements
  - Increased interest earnings in 4<sup>th</sup> quarter: \$100,000 in revenue
- Engineering
  - Bowman design and Contract Management by NID Staff: \$250,000 in savings
  - Studying bidding process looking to improve costs
  - Encourage use of rolling budget reducing Staff time
- Operations
  - Develop SCADA in-house: \$30,000 in savings
  - Redesign functions reducing overtime: \$40,000 in savings
  - Active vendor negotiation, NID Staff usage: \$150,000 in savings
  - Awarded grant to cover training: \$2,000 in revenue
  - Increase raw water production: \$232,000 in revenue
- Hydroelectric
  - Utilizing NID Staff rather than consultants: \$20,000 in savings
  - Negotiated material purchase discounts: \$7,500 in savings
  - No Electrical/Mechanical Engineer: \$250,000 in savings
- Maintenance
  - Utilizing NID Staff rather than consultants: \$121,000 in savings
  - Redesign work schedule reducing fuel: \$15,000 in savings
  - Improving canal flows reducing chemicals: \$10,000 in savings
- Recreation
  - Use of surplus trucks rather than new: \$50,000 in savings
  - Use of temporary staff rather than NID Staff: \$83,000 in savings
  - Increased receipts at various sites: \$11,000 in revenue
- Human Resources
  - Dental benefit cost reduction: \$12,000 in savings
  - Employee assistance plan cost reduction: \$1,000 in savings
  - Negotiated reduced legal rate: \$9,500 in savings

**Summary Schedule**

<b>Department</b>	<b>Savings</b>	<b>Revenue</b>
<b>Finance</b>	<b>\$ -</b>	<b>\$ 100,000</b>
<b>Engineering</b>	<b>250,000</b>	
<b>Operations</b>	<b>220,000</b>	<b>233,990</b>
<b>Hydroelectric</b>	<b>277,500</b>	
<b>Maintenance</b>	<b>145,800</b>	
<b>Recreation</b>	<b>133,888</b>	<b>11,305</b>
<b>Human Resources</b>	<b>22,986</b>	
<b>Total</b>	<b>\$ 1,050,174</b>	<b>\$ 345,295</b>

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Discussion ensued regarding the marketing of water, based on the District's ability to increase efficiencies in the raw water system. Rem Scherzinger, General Manager, stated that market rates for selling water will continue to escalate. There is real money to be made. The Budget assumes an additional \$2 million increase from sales. Staff is in the process of developing agreements (annual) to be able to market water for next year to potential partners.

President Miller expressed concern about "the timing and the refill." He stated that the District is asking customers to reduce water usage by 36 percent, the water rates are being increased, and then the District is turning around and selling water. This is problematic to him. He feels that selling water may be an option once the conservation mandates are lifted.

Mr. Scherzinger stated that the District's conservation program should not drive increases in water rates. The current rate structure does not support operations for treated water. If 10,000 acre feet were sold at \$700 per acre foot, this would amount to \$7 million which is twice the District's revenue for raw water. This would buffer any rate increases for treated and raw water customers.

**Adopted the District's 2016 Budget; received and filed the 2015 Financial Efficiency Report. M/S/C Wilcox/Drew, unanimously approved**

#### NEVADA COUNTY CLIMATE CHANGE COALITION – Meeting

Rem Scherzinger, General Manager, reported that he met with Don Rivenes of the Nevada County Climate Change Coalition. Mr. Scherzinger made a commitment that the District will support the Coalition's camp next year. A financial contribution in the amount of \$500 will be made, as well as the availability of facilities for the campers.

#### CALIFORNIA WATER COMMISSION – Meeting

Rem Scherzinger, General Manager, reported that he attended the California Water Commission meeting in Yuba City. The focus was on Sites Reservoir. Elizabeth "Izzy" Martin, Executive Director of the Sierra Fund, was also in attendance and spoke about mercury removal, and how it should be considered part of the Proposition 1 funding. Mr. Scherzinger spoke about the District's Mercury Removal Project and the partnership with the Sierra Fund. He asked the Commission to consider the idea of funding projects that would remove sediment because this will improve storage. He also asked the Commission to consider renewable energy projects.

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

Rem Scherzinger, General Manager, reported that he, Chip Close and District Counsel met with the Placer County District Attorney's Office to discuss responses to the District Attorney's questions regarding the Hemphill facility and operations on the Auburn Ravine Canal. An agreement was reached that the District will have 60 days to gather responses to the questions. At this time, activities on the Hemphill facility have stopped, but work continues on the engineering study.

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NORTHERN CALIFORNIA POWER AUTHORITY (NCPA) – Meeting

Rem Scherzinger, General Manager, reported that he and Keane Sommers met with representatives of the NCPA. NCPA is interested in services they can provide the District. These services may provide an opportunity for the District.

MOUNTAIN COUNTIES WATER RESOURCES ASSOCIATION (MCWRA) – Meeting

Rem Scherzinger, General Manager, reported that he attended the MCWRA meeting on October 23, 2015. Directors Weber, Miller and Morebeck were also in attendance. The discussion focused on the California Water Plan.

Director Morebeck stated that the presentation buttresses the argument that storage is badly needed. He also learned that the Metropolitan Water District connects 150,000 new customers each year.

President Miller stated that he agreed with Mr. Scherzinger that the focus of the presentation was on the California Water Plan, as well as the tunnels.

IRRIGATION SEASON – 2015

Rem Scherzinger, General Manager, announced that the 2015 irrigation season has come to a close.

CENTENNIAL RESERVOIR AND POWER SUPPLY PROJECT AND DROUGHT – Presentation

Rem Scherzinger, General Manager, reported that he will be providing a presentation to the Nevada County Board of Supervisors on November 10 regarding the District's Centennial Reservoir and Power Supply Project and the drought situation. He provided the presentation to the District's Board of Directors and noted that the presentation will be posted to the website that will be dedicated to the Project.

The Board thanked Mr. Scherzinger for providing the presentation.

LOWER SCOTTS FLAT DAM ROAD – Update

Director Weber reported that she and Director Drew have been working on the Lower Scotts Flat Dam Road issue via the Maintenance and Resource Management Committee. She reported that a Road Maintenance Agreement will be developed with the property owners.

ARMY CORPS OF ENGINEERS – Hearing

Director Weber announced that on October 29 between 5:00 and 7:00 p.m., the Army Corps of Engineers will be conducting a hearing at the Madelyn Helling Library regarding trapping and hauling salmon by bus to the North Fork of the Yuba River. Another option would be to install fish ladders.

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BOARD OF DIRECTORS' MEETING SCHEDULE – November and December

**Cancelled Board of Directors' meetings of November 11, November 25 and December 23, 2015; scheduled Board of Directors' meeting for November 18, 2015. M/S/C Wilcox/Morebeck, unanimously approved**

CLOSED SESSION was declared at 10:57 a.m. pursuant to Government Code Section 54956.9(d)(2) to confer with District Counsel regarding anticipated litigation – Ongoing investigation by Placer County District Attorney of Hemphill Diversion facilities.

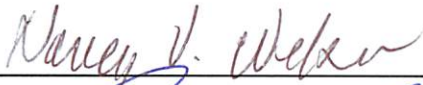




CLOSED SESSION was declared at 10:57 a.m. pursuant to Government Code Section 54957: Public Employee Performance Evaluation – General Manager.

MEETING RECONVENED in regular session at 12:40 p.m.

MEETING ADJOURNED at 12:40 p.m. to reconvene in regular session on November 18, 2015, 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
 _____	Division II
 _____	Division III
 _____	Division IV
 _____	Division V