

NEVADA IRRIGATION DISTRICT
BOARD OF DIRECTORS / JOINT POWERS AUTHORITY

MINUTES

July 13, 2016

The Board of Directors of the Nevada Irrigation District and the Nevada Irrigation District Joint Powers Authority convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 13th day of June 2016 at 9:00 a.m.

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

Director W. Scott Miller (Division III) was absent.

Staff members present included Rem Scherzinger, General Manager; Tim Crough, Assistant General Manager; Marvin V. Davis, Finance Manager/Treasurer; Chip Close, Operations Manager; Brian Powell, Maintenance Manager; Keane Sommers, Hydroelectric Manager; Gary King, Engineering Manager; Jana Kolakowski, Human Resources Manager; Anthony Soares, District Counsel; and Lisa Francis Tassone, Board Secretary.

PUBLIC COMMENT – Center

Bob Center stated that he has been working on various water issues in the foothills since 2003. He is interested in the District's Centennial Reservoir Project and other District projects. As he was reviewing the Capital Improvement Plan which is part of the programmatic Environmental Impact Report, he was surprised that the District would invest between the years 2008 and 2016. As it turns out, it is about \$330 million. He started reviewing the District's website to see if he could cross foot that figure. He was unable to cross foot the figure to any great extent. He asked if he could be pointed in the direction of information that will ensure that the 2008 plan has been executed.

Rem Scherzinger, General Manager, stated that he would be happy to meet with Mr. Center to address his questions.

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MINUTES – June 8, 2016 and June 22, 2016 Regular Meetings

Director Drew made a motion to approve the minutes of the regular meetings on June 8, 2016 and June 22, 2016, as submitted. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|-----------------------|--------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

WARRANTS

Director Drew made a motion to approve the following warrants: All Fund Nos. 74756 through 75211, No. 73186 being void; Payroll Direct Deposit and Warrant Nos. 80337 through 80377 and V10428 through 11965, No. 11948 being void; and Wire Transfer/ACH Payment Nos. 900378 through 900419 and 900400 through 900404. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|-----------------------|--------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

MONTHLY INVESTMENT TRANSACTION REPORT – May

Director Drew made a motion to receive and file Monthly Investment Transaction Report for May 2016. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|-----------------------|--------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

POLICY: Administrative Policies – Vehicle Take-Home/Commuting (Res. No. 2016-25)

Director Drew made a motion to adopt Resolution No. 2016-25 (Establishing Policy for Administration – Vehicle Take-Home/Commuting). Director Wilcox seconded the motion.

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Motion passed on the following roll call vote:

| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

POLICY: Administrative Policies – Surplus Water Declaration (Res. No. 2016-26)

Director Drew made a motion to adopt Resolution No. 2016-26 (Establishing Policy for Administration – Surplus Water Declaration). Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

COMMUNITY FACILITIES DISTRICT No. 2007-1 (Cement Hill) – Special Tax Levies for FY 2016-2017 (Res. No. 2016-27)

Director Drew made a motion to adopt Resolution No. 2016-27 (Acting as the Legislative Body of Community Facilities District No. 2007-1 Authorizing the Levy of Special Taxes within Community Facilities District No. 2007-1 for Fiscal Year 2016/2017 – Cement Hill). Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

ASSESSMENT DISTRICT No. 2008-1 (Rodeo Flat) – Special Tax Levies for FY 2016-2017 (Res. No. 2016-28)

Director Drew made a motion to adopt Resolution No. 2016-28 (Acting as the Legislative Body of Assessment District No. 2008-1 Authorizing the Levy of Special Taxes within Assessment District No. 2008-1 for Fiscal Year 2016-2017 – Rodeo Flat). Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

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| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

AWARD OF CONTRACT M2016-01 – Loma Rica Tank Painting Project

Director Drew made a motion to award Contract No. M2016-01 to Olympus and Associates, Inc. in the amount of \$239,550 for the Loma Rica Tank Painting Project, and to authorize the General Manager to execute the necessary documents. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

TIMBERLINE AT AUBURN WATERLINE EXTENSION – Conveyance Agreement

Director Drew made a motion to approve Conveyance Agreement with Timberline Village, LLC for the installation of approximately 2,602 feet of 12-inch pipe, 1,023 feet of 8-inch pipe and 100 feet of 6-inch pipe, and all appurtenances thereto, to provide treated water to Placer County Assessor Parcel No. 051-180-058, as well as 1,091 feet of 18-inch HDPE encasing the Columbia East Canal. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

LAKE WILDWOOD WATER TREATMENT PLANT ENGINEERING STUDY – Award of Contract

Gary King, Engineering Manager, stated that the Lake Wildwood Water Treatment Plant is reaching near capacity during peak demand days. As a result, Staff is recommending study of this situation. There will be two phases of the study: 1) conduct a capacity study of the Lake Wildwood Water Treatment Plant; and 2) conduct an alternatives analysis to provide additional capacity. The alternatives analysis will consider a pipeline from the E. George Water Treatment Plant to the Lake Wildwood Plant.

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Mr. King explained that the Lake Wildwood Plant site is tight and constrained. Staff is considering four pipeline routes:

- 1) Rough and Ready Highway to Bitney Springs Road
- 2) Rough and Ready Highway to Rough and Ready Road
- 3) Rough and Ready Highway to Cook Road
- 4) Rough and Ready Highway to Valley Drive

A majority of these routes are in public right-of-way. He noted that several parcels on the map in yellow are constructive conveyance parcels - the residents are using raw water in their homes.

Mr. King stated that there are fire flow issues in Penn Valley. If the District extends the pipeline to the back of Penn Valley, there will be two feeds for fire flow.

Mr. King stated that this vision matches up to what has been done in Cascade Shores and Lake of the Pines.

Mr. King explained that as residents connect to the District's system, they will reimburse the District for the 8-inch portion of the pipeline. This is a win-win for the District and the customers.

President Weber asked if the Rough and Ready Canal would be abandoned.

Mr. King stated that the Canal will not be abandoned.

Director Wilcox understands the site constraints at the Lake Wildwood Treatment Plant. He stated that Peter Lockyer and Juliet Erickson have property adjacent to the Plant. They have been involved in longstanding and bitter litigation with Nevada County regarding a cell tower that was constructed at this site. He asked if expanding the Lake Wildwood Treatment Plant would encroach on Peter Lockyer and Juliet Erickson's property.

Chip Close, Operations Manager, stated that the Lockyer/Erickson property is adjacent to the District's Tank No. 3 site and not the Lake Wildwood Treatment Plant site.

Mr. King stated that the pipeline from E. George to Lake Wildwood will provide redundancy in the event of an emergency.

Director Drew asked if the pipeline could come out the south end of Lake Wildwood if Route 2 was chosen to enhance pressure throughout the system.

Mr. King stated that pressure is not a concern with this proposed pipeline.

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Rem Scherzinger, General Manager, stated that these routes provide the District a second source of supply of treated water into Lake Wildwood, and avails water and pressure to the Penn Valley system.

Mr. King presented a map of the bigger picture of the District's water system. A pipeline is currently being installed from the E. George Water Treatment Plant to the Cascade Shores system. The Cascade Shores Water Treatment Plant will be removed. A pipeline from the Loma Rica system will be installed to the Lake of the Pines system. This will allow redundancy for the Lake of the Pines system. The District has completed construction of a pump station between the E. George and Loma Rica systems.

Mr. King stated that the budget for this study is \$100,000. A budget amendment in the amount of \$20,000 is necessary to cover the cost of the study which is \$116,300. Staff has had good experience with working with HDR Engineering.

Director Wilcox made a motion to award contract to HDR Engineering in the amount of \$116,300 for the Lake Wildwood Water Treatment Plant Engineering Study, approve the associated budget amendment, and authorize the General Manager to execute the necessary documents. Director Drew seconded the motion.

Motion passed on the following roll call vote:

| | |
|------------------------------|---------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION (NERC) – MOD-025-2
Self Report Violation**

Rem Scherzinger, General Manager, reported that the District had to 'self-report' on a hydroelectric violation of MOD-025-2, requirements 1 and 2. These are a violation of modeling. The District's current system computer model for the bulk electric supply is deficient. This is a problem in that the Western Electric Coordinating Council (WECC) and NERC do not agree on whether the District is or is not in violation. As part of the self-reporting process, the District is reporting itself. This is a fineable violation. The District will be back into compliance this Fall once the voltage regulator update at Chicago Park is done. The model will be redone and submitted to NERC and WECC. He pointed out that the District's facilities are not undermined and that they are operating appropriately.

President Weber expressed concern that the District will continue to have similar problems. She would like Staff to consult with other hydroelectric agencies that are experiencing these situations. It sounds like this will be a never-ending battle.

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Mr. Scherzinger stated that he will have the District's consultant contact other agencies that are experiencing this type of situation.

ENGINEERING PROJECTS – Status Update

Rem Scherzinger, General Manager, reported on the following Projects:

- Newtown Project – Work has commenced on the Project.

President Weber asked what the plans are for paving.

Mr. Scherzinger stated that the Project will be completed and a temporary paving job will be done before the County completes the full overlay.

Director Wilcox asked if there is still time for the property owners to file an injunction.

Anthony Soares, District Counsel, stated that the property owners can file an injunction at any time. The District will have the opportunity to oppose and the court will ultimately decide. He pointed out that none of the issues brought forward in the complaint had to do with the work in the road.

- Nevada City Highway Project – Work was completed by District Maintenance crews. Mr. Scherzinger congratulated the crews because they were able to complete the Project which saved the District a great deal in costs.

Director Drew stated that the crews provided outstanding leadership on this Project.

- Siphon Lane Pump Station – Mr. Scherzinger congratulated the Engineering Department on receiving Project of the Year by the American Public Works Association (APWA).
- Bowman Canal Replacement Project – Work is complete and the Canal is back in service.
- E. George to Cascade Shores Project – Approximately 5,000 feet of pipe has been installed.

DEVELOPMENT PROJECTS

Rem Scherzinger, General Manager, reported that development has restarted within the District. A few projects underway are as follows:

- Timberline Village
- Dorsey Drive
- Berriman Ranch
- Grass Valley Brewery
- Hotel
- Rincon Del Rio
- Briarcroft
- Village I
- Ridge Meadows

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WATER STORAGE AND CONSERVATION – Update

Rem Scherzinger, General Manager, reported that the District has approximately 246,000 acre feet in storage. Voluntary conservation is still being encouraged.

RECREATION DIVISION – Update

Rem Scherzinger, General Manager, reported that the Recreation Division survived the 4th of July holiday. Most of the campgrounds were full by noon.

Mr. Scherzinger reported that Peggy Davidson, Recreation Manager, and her staff are doing a great job starting up operations in the Mountain Division.

CENTENNIAL RESERVOIR PROJECT – Presentation

Rem Scherzinger, General Manager, reported he provided a presentation on the Centennial Reservoir Project and other District projects to the Sierrans.

MIDWAY HEIGHTS COUNTY WATER DISTRICT – Meeting

Rem Scherzinger, General Manager, reported that he met with the General Manager of the Midway Heights County Water District, which is a tiny water District north of Meadow Vista. This District serves approximately 800 customers, of which one of those customers is Nevada Irrigation District.

MEETING – Patricia Smith

Director Wilcox reported that he met with Patricia Smith, President of the Nevada County Chapter of Americans for Safe Access, on June 28, 2016. Ms. Smith was one of the prime movers for the “No on W” campaign, and is currently engaged in discussions with Nevada County regarding regulations for an ordinance about medical marijuana. She wanted to know how these regulations might interface with the District, and what the District might want to see in such regulations.

Director Wilcox informed her that he does not speak for the District, but himself on this matter. From his perspective, the issues related to medical marijuana culture in this County from an institutional perspective revolve mainly around water quality issues and theft of water. The regulations need to address those issues. With regard to theft of water, there needs to be a permitting procedure so that when an applicant is applying for a grow permit, they need to specify on the permit what their water source is and whether it is treated or raw. If it is treated, they need to provide the account number, and if it is a raw water account, they need to provide which box the water is coming from in order to safeguard the District’s resources. He pointed out that Ms. Smith does seem interested in not impacting the District in a negative fashion. He informed Ms. Smith that in the future, she needs to discuss this matter with Rem Scherzinger, General Manager.

Mr. Scherzinger stated that as the County develops the in-home grow or residential grow that is connected to a treated water system, the District needs to become involved.

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He and Chip Close, Operations Manager, are in the process of discussing this matter with the State Water Resources Control Board and the California Department of Public Health. Treated water can come back out of the home into the District's system which is a water quality issue. A check valve assembly or something similar will need to be included in the District's Rules and Regulations as it pertains to this type of situation.

Mr. Scherzinger noted that 12 plants at 6 gallons per plant per day equates to 70 gallons per day. This modifies the District's gallons per capita per day and damages the 20 percent by 2020 requirements for a single family home. Each home purchases a certain amount of capacity as a resident, not as a commercial grower. Staff will recommend to the Board through policy that if there is an in-home grow, that the resident be required to sever their single family resident connection and create a separate irrigation connection. This way, the District can report water use accurately.

Mr. Scherzinger noted that the changes in water use would affect the District's Urban Water Management Plan and other water planning activities.

President Weber expressed concern about grading because of the influence on water quality. The practice on a hill side is to terrace with no erosion control.

Mr. Scherzinger stated that the Regional Water Quality Control Board has issued an order requiring a grading permit.

Director Wilcox stated that he informed Ms. Smith of the Water Quality Control Board's order and advised her that individual growers will have to be in compliance with that order. He also told her that he would report to the Board about his conversation with her, and that in the future, she needs to interact with Mr. Scherzinger. It is not appropriate to lobby the individual Board members. Ms. Smith indicated to him that she would lobby the Board President next.

President Weber stated that her direction would be the same as Director Wilcox's.

President Weber stated that it is very important that the Board receive periodic updates on this matter, and perhaps a presentation with Nevada County involved.

Director Wilcox stated that the District definitely needs to provide Nevada County with input on the final regulations.

LONG RAVINE CAMPGROUND AND ORCHARD SPRINGS CAMPGROUND – Self-Guided Tour

Director Morebeck reported that he went to the Long Ravine and Orchard Springs Campgrounds during the 4th of July weekend to see what the facilities were like during peak season. He was impressed by the cleanliness of the campgrounds, and observed that there were many people on the water.

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BEAR VALLEY AND FULLER LAKE – Tour

Director Morebeck reported that he joined Rem Scherzinger, General Manager, and Keane Sommers, Hydroelectric Manager, on a tour of Bear Valley, Fuller Lake and Texas Creek.

DIRECTOR MOREBECK – One Year Anniversary

Director Morebeck announced that he has been on the Board for one year now. He thanked Staff for their time and information. He has seen in everyone a passion that it takes to make the District work. This is honest passion. He thanked President Weber for talking to him about five or six years ago into becoming a Director. He also thanked his colleagues on the Board for taking a chance on him as a Director.

NEVADA COUNTY FARM BUREAU – Tour

Director Drew reported that he attended the Nevada County Farm Bureau tour. As part of the tour he went to the town of Pike and met with Robert Ingram, a Forester for many years with Sierra Pacific Industries. Mr. Ingram provided an excellent presentation on the age of trees, why trees grow, and the beetle infestation. There have been 67 million trees lost on the Western Sierra slope. He noticed that the District is also losing trees in the watershed. The health of the forest demands that they be managed and taken care of. Mr. Ingram explained that there are one, possibly two new varieties of beetles that will specialize in cedar trees, and Douglas fir trees.

Director Wilcox stated that he also attended the tour. Mr. Ingram stated something that disturbed Director Wilcox. What is happening may be reflective of a long-term transition in the eco system in the Sierra away from coniferous trees. This is one of the side effects of climate change.

Director Drew stated that everyone on the bus he was on is in favor of the District's Centennial Reservoir Project and understands on a fundamental level the importance of building the Project.

President Weber thanked Mr. Scherzinger for hiring a Water Resources Planner to work on these issues.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) – Election of Sierra Network (Seat B) Board of Directors

Director Drew made a motion to cast a ballot for Ginger Root, representative of Lincoln Rural Fire Protection District, for the California Special Districts Association (CSDA) Sierra Network (Seat B) Board of Directors. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

| | |
|--------------------------|------------|
| Weber, Division I | Aye |
| Drew, Division II | Aye |

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|------------------------------|---------------|
| Miller, Division III | Absent |
| Morebeck, Division IV | Aye |
| Wilcox, Division V | Aye |

CLOSED SESSION was declared at 10:00 a.m. pursuant to Government Code Section 54956.8 to confer with Real Property Negotiators Scherzinger, Sommers, Sindt and/or District Counsel 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-Spaulling 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.

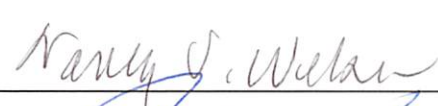
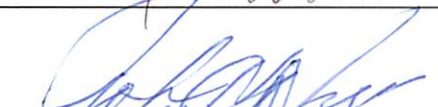

MEETING RECONVENED in regular session at 10:30 a.m.

MEETING ADJOURNED at 10:30 a.m. to reconvene in regular session on July 27, 2016, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.



Board Secretary

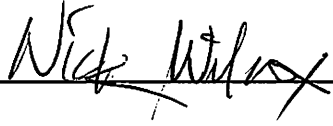
Attest a true record of actions had and taken at the above and foregoing meeting our presence thereat and our consent thereto.

| | |
|--|------------------------|
|  _____ | Director Division I |
|  _____ | Division II |
|  _____ | Division III |

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Division IV



Division V

