

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

February 10, 2010

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 10th day of February, 2010 at 9:00 a.m.

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

Staff members present included Ron Nelson, General Manager; Tim Crough, Assistant General Manager; Marie G. Owens, Finance Manager/Treasurer; Don Wight, Operations Manager; John Kirk, Maintenance Manager; Gary King, Chief Engineer; Yvonne DuBose, Human Resources Manager; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

MINUTES – January 27, 2010 Meeting

Approved the Minutes of the Board of Directors' meeting of January 27, 2010, as amended. M/S/C Wilcox/Drew

EMPLOYEE RELATIONS – Williams Retirement (Res. No. 2010-05)

Under the Consent Agenda, the Board adopted Resolution 2010-05 (Resolution of Appreciation upon Retirement – James E. Williams) after 35 years of service to the District. M/S/C Wilcox/Drew

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT AND NATURAL RESOURCES CONSERVATION SERVICE – Presentation by Lesa Osterholm

Don Wight, Operations Manager, introduced Lesa Osterholm, District Manager of the Nevada County Resource Conservation District.

Ms. Osterholm explained who and what the Resource Conservation District (RCD) and the Natural Resources Conservation Service (NRCS) is. During the Dust Bowl in the 1930's, soil blew from the Midwest to the Eastern Seaboard. Congress at that time was

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in an uproar and decided to create a Federal Agency called the Soil Conservation Service. That Federal Agency changed its name in 1995 to the Natural Resources Conservation Service. Shortly after that occurred, Congress determined that the NRCS was not appropriate for the diverse farming practices in America. As a result, Congress encouraged States to create local conservation districts. She works for a local conservation district – the RCD. The Nevada County RCD is a special district, not a County entity. Both the RCD and the NRCS have been “housed together” historically for almost 70 years. They both offer free technical assistance to landowners. The RCD offers about 50 free seminars a year to landowners. The RCD is local and is ready to adapt to resource issues, conservation needs, etc. Typically, RCD writes grants to facilitate projects. The NRCS has money appropriated through Congress through what is known as the Farm Bill. Every five to six years, programs are identified and money is hopefully appropriated to those programs.

Ms. Osterholm stated that Jason Jackson works for the NRCS and was unable to attend this meeting, so she will discuss NRCS’s cost share programs to determine if there is any way the NRCS, the RCD and the Nevada Irrigation District can work together. NRCS has a program known as the Environmental Quality Incentive Program (EQIP) and is only available for agriculture producers. Applicants need to be a commercial operation that files a Schedule F with the Internal Revenue Service. This program provides cost sharing (between 50 and 90 percent) depending on how long an agriculture producer has been in business and the income levels. The practices for cost sharing that would most likely interest the Nevada Irrigation District would be the irrigation conversion practices for efficiency. These programs do not install irrigation. In order to qualify, the landowner would need to be an existing irrigator for the past three to five years. The program would provide cost sharing for a more efficient system (i.e. flood to sprinkler, ditch lining, valves, etc.). Some of the larger agriculture producers could experience a cost share of \$30,000 to \$50,000. The RCD provides technical assistance and/or advice. Neither agency has the capability to fully design systems.

Ms. Osterholm stated that the NRCS has another program known as the Agriculture Water Enhancement Program (AWEP). If there is a need, the Nevada Irrigation District and the RCD would prepare and submit the proposal to the NRCS. If the proposal was ranked, this would provide funding to this County that would be available to serve the need addressed in the proposal. A landowner would still have to apply, but the money would be reserved for the specific practice(s) covered in the proposal. Although this is a National program, and there is a great deal of competition for the funds, Nevada Irrigation District would have at least a 50 percent chance to benefit from the Program.

Director Wilcox asked how many landowners within the Nevada Irrigation District boundaries have actually applied and utilized the EQIP program.

Ms. Osterholm stated that NRCS provides \$600,000 to \$700,000 plus the landowners’ share into conservation practices. About two to three landowners apply and are qualified per year. Part of the reason for the low number is because the landowner’s share is costly. Typically, a great number of the ranchers have been in business more

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than 10 years, so they would only qualify for the minimum cost share which is 50 percent. The landowner has to come up with the remaining 50 percent. This is an increased hardship for those landowners that have been in business a longer period of time.

Director Wilcox stated that the District has an opportunity to encourage landowners to invest and install Best Management Practices (BMPs). Perhaps this could be done through the District's water rate structure, so that if a landowner actually did invest in BMPs, the District could work out a subsidy or cheaper rate to help the landowners recover the cost over time.

Director Drew asked what the benefit would be if a farmer or rancher has been investing in BMPs for the last 40 years.

Director Wilcox responded by stating that if the farmers/ranchers can demonstrate that they already use BMPs, they should also be eligible for the program.

Director Drew asked if there is a "blanket" grant that could be available for NRCS to manage that would provide equipment (i.e. drip emitters, drip pipe, drip technology, etc.) to farmers/ranchers at a reduced rate as opposed to purchasing these materials on the open market.

Ms. Osterholm stated that as a need is identified, the RCD and the NRCS will search for funding opportunities. NRCS does not typically manage a blanket grant, because the program is individual landowner based. The RCD should work with the District in order to identify a possible funding source.

Director Weber asked if it would be possible to prepare a joint application with Nevada County and Placer County, since some the District's patrons are located in Placer County.

Ms. Osterholm answered in the affirmative. NRCS has particular guidelines, but this type of application would demonstrate a regional need for this program. The challenge would be that there may be a ceiling for funding, and if the funding is spread over two or more counties, there may be limited funding. She stated that she will look into this further.

Ron Nelson, General Manager, asked if programmatic grants are available to an entity such as the District, where the District would be the recipient and would administer the grants to District customers.

Ms. Osterholm stated that NRCS would manage the EQIP and AWEP. Under the AWEP, there may be funding to line some of the District's canals. There is not a program that she is aware of that would grant funds to the District to pass on to its users.

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President Miller asked Ms. Osterholm what she would need from the District in order to pursue funding.

Ms. Osterholm stated that in order to have a good application, the RCD would partner with the District and identify the need of the landowners. This coupled with the District providing a rate incentive could help with the cost sharing that would be the responsibility of the landowners. Currently, an individual landowner can apply and qualify under the EQIP. There has not been a large waiting list for this funding.

President Miller referenced the Nevada County RCD/NRCS 2008 Annual Report and the disclaimer that as of December 17, 2008, there is no State money available.

Jeff Meith, District Counsel, stated that there was no approved State budget at that time, so grant programs were suspended. They were later resumed, but programs could be suspended again in the future.

Ms. Osterholm stated that, personally, she would not spend a great deal of time writing a grant to the State of California. However, there is private foundation money available.

President Miller suggested that Ms. Osterholm attend the Water and Hydroelectric Operations Committee meeting to assist in developing an inventory to determine what the needs are of the landowners.

Ms. Osterholm stated that this would provide good information for an application for funding.

Ms. Osterholm stated that when she spoke with Mr. Wight, they discussed the possibility of placing an article in the District's newsletter describing the program offered by the RCD and to encourage landowners to apply.

Mr. Nelson stated that late last year, five pieces of legislation were passed, one of which is a bond measure that will be presented to the voters this fall. In this legislation, there is approximately \$44 million for regional watersheds. He asked if the RCD would play a role in allocating these funds.

Ms. Osterholm stated that she is not aware of these funds, but assured Mr. Nelson that the RCD would not be allocating the money.

Director Wilcox asked if the inventory would include specific individuals who might benefit from the program.

President Miller stated that he anticipates Ms. Osterholm to guide the Water and Hydroelectric Operations Committee through the process to determine the need.

Ms. Osterholm stated that the RCD would need the amount of acreage and the landowners' interest in a cost sharing program.

President Miller stated that the District may be able to front some money in a similar fashion for a source of funding, but he noted that the District has an “upside down” budget.

Director Weber asked if there are application deadlines.

Ms. Osterholm indicated that a landowner can call the NRCS and schedule a site visit and apply for EQIP funding at any time. The cut off for 2010 was January 15. The deadline for the AWIP is February 2010.

President Miller stated that the District can prepare for next year’s round of funding by beginning the work with the Water and Hydroelectric Operations Committee.

WARRANTS

Approved the following warrants: Yuba-Bear Revolving Fund Nos. 22455 through 22489, inclusive; General Fund Revolving Account Nos. 49197 through 49325, inclusive, Nos. 48886, 48944, 49091 and 49236 being void; Recreation Fund Nos. 2191 through 2204; and Payroll Direct Deposit and Warrant Nos. 52833 through 53014. M/S/C Drew/Weber

RODEO FLAT PIPELINE AND PUMP STATION PROJECT – Award of Contract No. 09-11

Keane Sommers, Associate Engineer, is requesting approval for the award of construction contract for the Rodeo Flat Pipeline and Pump Station Project. Staff requested quotes from 12 pre-selected contractors on December 23, 2009. The quotes were opened on February 2, 2010. Four contractors submitted quotes as follows:

Quoter	Total Base Quote	Total Additive Alternate Quote	Total Base Quote + Additive Alternate
Hansen Brothers Enterprises	\$1,346,967	\$50,000	\$1,396,967
C&D Contractors, Inc.	\$1,454,842	\$20,000	\$1,474,842
T&S Construction, Co, Inc.	\$1,459,777	\$44,000	\$1,503,777
Lorang Brothers, Inc.	\$1,514,547	\$19,000	\$1,533,547
Engineer’s Estimate	\$1,530,647.50	\$60,000	\$1,590,647.50

Mr. Sommers stated that Staff is not recommending award of the additive alternate. There was concern that the local road association may require cement slurry backfill throughout the entire Project. Staff worked with the Association and they will not require the cement slurry. The contractor will be utilizing the District’s standard trench backfill technique.

Director Drew asked if there is a County ordinance that requires the contractor to make the necessary repairs if there is a failure.

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Gary King, Chief Engineer, stated that the District will be responsible indefinitely for any settlement.

President Miller asked if the District is paying the costs for the pump station.

Mr. Sommers stated that the pump station is considered a regional benefit, so the District is picking up its portion of the pump station.

Mr. King stated that the Project has two major components. One is the pipeline, etc. and this component is being paid for by the Community Facilities District (CFD). The other component is the pump station. This pump station was included in the capacity fee analysis which was approved two years ago by the Board of Directors.

Mr. Sommers added that the District will pay approximately \$500,000 for the pump station, and the members of the CFD will pay approximately \$800,000 for the pipelines.

Director Bachman asked if the necessary easements have been acquired.

Mr. Sommers stated that the Project is entirely within public right-of-way or on District property.

Awarded Contract No. 09-11 to Hansen Brothers Enterprises in the amount of \$1,346,967 for the Rodeo Flat Pipeline and Pump Station Project and authorized the General Manager to execute the necessary documents. M/S/C Wilcox/Weber

LOWER CASCADE CANAL / BANNER CASCADE PIPELINE PROJECT – Easement Acquisition

Matthew Crowe, Senior Right-of-Way Agent, stated that he is asking that the General Manager be authorized to send five Notices of Intent to commence eminent domain proceedings to property owners within the Lower Cascade Canal / Banner Cascade Pipeline Project.

Director Weber asked if there is a description of what the temporary easements will be used for.

Mr. Crowe stated that the temporary easements will be used for construction, for staging of materials or parking of equipment as construction proceeds.

Director Weber asked if these details are contained in the Right-of-Way Agreement with the property owners.

Mr. Crowe answered in the affirmative and added that the temporary easement is only needed for the duration of the Project.

Director Weber expressed concern about property owners' landscaping.

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Mr. Crowe stated that no vehicles will be parked in existing landscaped areas.

Director Wilcox pointed out that the temporary easements appear entirely to be within the road right-of-way.

Authorized the General Manager to issue Notices of Intent (NOI) to consider commencement of eminent domain proceedings for Assessor's Parcel Numbers 39-090-14, 39-090-36, 39-100-27, 39-100-33, and 39-100-35 within the Lower Cascade Canal / Banner Cascade Pipeline Project. M/S/C Drew/Weber

CEMENT HILL WATER SUPPLY PROJECT – Public Hearing

Matthew Crowe, Senior Right-of-Way Agent, stated that he received correspondence on February 9, 2010 from the property owners requesting that the public hearing scheduled for this meeting be continued to February 24, 2010. The property owners live out of town and could not be available for today's hearing. After consulting with District Staff and Counsel, he is recommending that the public hearing be continued to February 24, 2010.

President Miller continued the public hearing to February 24, 2010.

CELEBRATION OF LIFE – Former Director R. Paul Williams, Division IV

Ron Nelson, General Manager, announced that there will be a Celebration of Life for R. Paul Williams, former Director of Division IV, on February 28, 2010 at 1:00 p.m. at Mt. Pleasant Hall in Lincoln.

DISTRICT'S SNOW SURVEY RESULTS

Ron Nelson, General Manager, reported that a recent snow survey indicated that at this time, the District snowpack is at 106 percent of average water content and reservoir storage stands at 94 percent of average for the date. Last year at this time, the District snowpack water content was at 58 percent of average.

MERCURY REMEDIATION PROGRAM – Application for Appropriations

Ron Nelson, General Manager, reported that Tim Crough, Assistant General Manager, submitted an application for appropriations through Senator Feinstein's office for the District's Mercury Remediation Program. Mr. Crough worked closely with staff at the Senator's office so that the application could be submitted in a timely manner. The District is requesting \$8 million over the next several fiscal years.

Mr. Crough stated that included with the application were letters of support from Supervisor Ed Scofield, Nevada County, and Supervisor Jennifer Montgomery, Placer County.

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Director Drew stated that Mr. Crough and Staff have taken this Project from a whim to what is potentially a real Project. In fact, the District is probably a leader in the State, if not the Nation regarding mercury removal from drainage systems.

Director Weber suggested that an application be made to the Association of California Water Agencies for recognition (i.e. Clair A. Hill Water Agency Award for Excellence).

Mr. Nelson stated that he will look into this further.

Director Drew stated that the DVD provided to the Board for the Project indicates that the mercury will be taken to an approved disposal site. There is still a commercial market for mercury, and Staff should look for an opportunity to take the mercury to market.

Director Weber stated that as recently as this morning, a constituent asked what the District will be doing with the gold.

Mr. Crough stated that in the appropriations request, an estimate of \$500,000 worth of gold may be recovered. This value will offset the cost of the Project and would be matched for \$500,000. Of the \$9 million cost, \$1 million would be offset by the recovery of gold.

Director Weber stated that the constituent also asked if securing the gold is contained in the contract with the dredger.

Mr. Crough stated that when an agreement is entered into, the District will ensure that the appropriate language is included.

NEWSPAPER ARTICLES – El Dorado Irrigation District and City of Nevada City

Director Weber had copies made of several articles for the Board of Directors. These articles discuss the “saga” of El Dorado Irrigation District (EID) and discuss the City of Nevada City’s pension plan. She distributed another article regarding EID’s Board of Directors adopting new rates under “Plan B.” She stated that there is a lesson for the District to learn from these situations.

PLANNING AND CONSERVATION LEAGUE AND PLANNING AND CONSERVATION LEAGUE FOUNDATION – “Greening California’s Landscapes – Smart Solutions for a New Era:” Director Weber’s Report

Director Weber provided a report on a Symposium sponsored by the Planning and Conservation League. She attended a panel that consisted of Senator Lois Wolk; Tim Brick, Metropolitan Water District; and Charlotte Hodde, Planning and Conservation League. The following were “sound bites” provided by the panelists:

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Senator Lois Wolk:

- With regard to water bond and the Delta communities, there was haste to pass the bond; five Delta counties were not involved in the process
- Pork barrel additions
- Legislators voted on the bond without having written proposals on which to vote
- Those who benefit must pay; should not be paid for with a general obligation bond
- Need strong stewardship council with power to enforce

Charlotte Hodde:

- Need in-stream flow standards that are enforceable
- Need universal health standards for recycled and surface water
- Need fees for those using water to fund activities – ongoing; locals need money as well as agencies
- Need to change California lifestyle from pools and palm trees to conservation, sustainability
- Price agriculture use volumetrically
- Include local representation in decision making

Tim Brick:

- Compared to 1982, Peripheral Canal attempt at legislation (which failed), this legislation has more governance – for conservation and agriculture water plans
- Need to focus on broader scope than the effect of the pumps on smelt

Discussion on Water Rights:

- Need area of origin protections – a reaffirmation of old basic rights (30 percent of the water comes from upstream diversions)
- Corporate farmers using Westlands Water District water would potentially be able to upgrade their junior water rights to senior rights under current bill

Director Weber stated that she would like to know the Board's interest in the Water Bond and the legislation. The Board needs to be informed and reflective before considering a vote.

Director Wilcox stated that members of the public look to the District for information and suggested that this matter be agendaized as a discussion point.

Ron Nelson, General Manager, stated that the District cannot be overtly supportive of the bond issue, but can provide information on the measure. He has asked Tim Quinn, Executive Director of the Association of California Water Agencies to provide the Board an update on the State's water legislation.

Director Wilcox stated that Director Weber mentioned in her earlier report the appropriateness of a general obligation bond versus a revenue bond. The bond being voted on in the General Election is an \$11 billion general obligation bond. Annual

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interest payments coming out of the State's General Fund would be \$600 million. This becomes an obligation that has to be paid from the General Fund at the expense of other worthy projects.

Director Weber added that the water bond does not provide a final solution to the Delta problem.

Director Wilcox stated that in the past, hundreds of millions of dollars have been spent on the Delta, and the argument has been made that there is not much to show for it. The question now is whether or not to throw more money at this problem and still have nothing to show for it. These are interesting issues and worthy of discussion.

Mr. Nelson stated that the bond does not fund any solution for moving water through or around the Delta. In addition, it is unlikely that the bond would fund all costs for developing additional storage.

Director Weber stated that she is interested in hearing all sides of the legislation. Mr. Quinn would provide a one-sided view on water legislation. She would like to hear from another individual as well and will provide Mr. Nelson with a suggestion after giving the matter some thought.

CLOSED SESSION was declared at 10:05 a.m. pursuant to Government Code 54957.6 to provide direction to the District's designated bargaining representatives – Nelson, Crough, Owens, DuBose and Meith – regarding 2010 salary/benefit/working conditions.

CLOSED SESSION was declared at 10:05 a.m. to discuss existing litigation with District Counsel pursuant to Government Code Section 54956.9; the name of the case is Robbins vs. Nevada Irrigation District, County Superior Court Case No. 75530.

MEETING RECONVENED in regular session at 11:00 a.m.

DS CANAL FLUME REPLACEMENT PROJECT – Award of Updated Construction Contract No. 09-04

Tonia Tabucchi Herrera, Associate Engineer, stated that she is requesting approval of the award of construction contract to T&S Construction Co., Inc. in the amount of \$4,974,453 for the DS Canal Flume Replacement Project which includes replacement of eight flumes and the Gracie Road culvert.

Ms. Herrera explained that for the Project, Staff selected a specialty contractor due to the type of work. T&S Construction Co., Inc. had done the construction for DS Canal Flume No. 12, and during construction, they developed tools that would limit the impact to the resources in the area.

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There was no formal Engineer's Estimate for this Project because it is a design-build project. In 2006, T&S Construction Co., Inc. submitted a bid in the amount of \$4.1 million. At the time, the bid did not include the Gracie Road culvert crossing.

Director Wilcox asked how much was budgeted in 2010 for this Project.

Gary King, Chief Engineer, stated that \$6 million was budgeted over a two and a half year period, because construction of the flumes will be staged. Flume No. 13 and Flume No. 19 can only be worked on during the winter season.

Ms. Herrera stated that two to three flumes can be constructed at the same time. Staff will work with the operation schedules for shutting down the Canal in order to connect the tie-ins.

Director Bachman stated that the District has been experiencing some "decent" savings on recent bids. When the Gracie Road culvert was added to the original proposal, the cost increased. He was disappointed to see no savings in steel prices. Steel prices peaked in 2006, so they should be lower at this time.

Ms. Herrera stated that some architectural components have been added to the Project since 2006 which involves additional steel. Also, on Flume No. 12 an "I" beam was replaced with square tubing which resulted in increased costs. The amount of sandblasting and painting increases the cost due to the size of the square tubing.

Director Bachman asked if the cost of preparing an Environmental Impact Report versus a Negative Declaration increases the cost.

Ms. Herrera explained that Staff does not pull this cost out of the construction proposal.

Director Bachman stated that there was reference made to Alaska Engineering. He asked who pays for these services.

Ms. Herrera stated that T&S Construction Co., Inc. pays for these services.

Director Bachman asked if any footings would be placed in the flow line.

Ms. Herrera stated that no footings would be placed in the identified areas that fall under the jurisdiction of the Army Corps of Engineers.

Mr. King stated that the Project is very complex, and this complexity is the reason to contract with T&S Construction Co., Inc. on this Project. They have the necessary experience.

In response to Director Bachman's positive comment regarding constructing the flumes one at a time, Ms. Herrera stated that there is a benefit to constructing a couple of flumes at a time. Flume Nos. 14, 15 and 16 are in close proximity, so construction

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could occur with minimal impacts to the surrounding neighborhood and be completed in one construction season.

Director Bachman asked if the District is responsible for construction management, and Mr. King answered in the affirmative. There may be a need to hire inspectors, but construction management will be the responsibility of District Staff.

Awarded Updated Construction Contract No. 90-04 to T&S Construction Co. Inc. in the amount of \$4,974,453 for the DS Canal Flume Replacement Project and authorized the General Manager to execute the necessary documents and issue the Notice to Proceed at the General Manager's discretion. M/S/C Bachman/Drew

MEETING ADJOURNED at 11:10 a.m. to reconvene in regular session on February 24, 2010, 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
