

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

March 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 March, 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; Don Wight, Operations Manager; John Kirk, Maintenance Manager; Gary King, Chief Engineer; Peggy Davidson, Recreation Administrator; Bill Morrow, Hydroelectric Operations and Maintenance Superintendent; Anthony Soares, District Counsel; and Lisa Francis Tassone, Board Secretary.

MINUTES – February 24, 2010 Meeting

Approved the Minutes of the Board of Directors' meeting of February 24, 2010, as submitted. M/S/C Weber/Drew

LAFCo NOMINATION FOR SPECIAL DISTRICT MEMBER–Res. 2010-10

Adopted Resolution No. 2010-10 (Making Nomination of Nick Wilcox for Special District Member of the Nevada County Local Agency Formation Commission). M/S/C Weber/Drew

DISTRICT'S ENGINEERING STANDARD DETAILS – Improvements, Revisions and New Details

Approved improvements, revisions and new details to the District's Engineering Standard Details. M/S/C Weber/Drew

CULVERT REPLACEMENT PROGRAM – Modifications to Current Agreement

Approved modifications to Agreement for Installment Payment of Costs for Bridge Removal / Culvert Installation. M/S/C Weber/Drew

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CONSULTING SERVICES AGREEMENT – Modifications to Current Agreement

Approved modifications to Consulting Services Agreement. M/S/C Weber/Drew

WATER SERVICE RULES AND REGULATIONS – Section 8.05.03 (Fire Services)

Approved changes to Section 8.05.03 of the District's Water Service Rules and Regulations regarding Commercial Fire Service (service to more than one parcel). M/S/C Weber/Drew

PURCHASE OF NEW VEHICLES – Hydroelectric Division

Ratified purchase of vehicle from Downtown Ford Sales in the amount of \$56,183.38 (before trade-in allowance of \$6,000), and approved purchase of two (2) vehicles, all reimbursable from PG&E, and approved in the 2010 Hydroelectric Division Budget. M/S/C Weber/Drew

EMPLOYEE RELATIONS – New Employee Introduction, Presley

John Kirk, Maintenance Manager, sincerely thanked the Board for approving two positions in the 2010 Budget. This means a great deal to Staff and will enable the District to have a properly maintained system. Mr. Kirk introduced Gene Presley, Utility Worker I. Mr. Presley has four years of welding experience with Best Trailers, and was employed with Nevada County Department of Transportation in the Road Maintenance Division. At the time he was hired with the District, he was a temporary employee in the Operations Department of the flushing crew. Prior to this, he worked as a temporary employee in the Hydroelectric Division. Mr. Presley is the basketball coach at Ready Spring Junior High School. He has five sons and is an avid trout fisherman.

The Board and Staff welcomed Mr. Presley to the District.

EMPLOYEE RELATIONS – New Employee Introduction, Robinson

John Kirk, Maintenance Manager, introduced Joseph Robinson, Utility Worker I. Mr. Robinson was employed in the construction industry working with concrete. He worked at 84 Lumber for two years in Auburn. Prior to this, he was a chef in Auburn for four years. Mr. Robinson's passion is his family.

The Board and Staff welcomed Mr. Robinson to the District.

EMPLOYEE RELATIONS – Anderson, Retirement Presentation (Res. 2010-06)

Bill Morrow, Hydroelectric Maintenance & Operations Superintendent, recognized Rich Anderson on his retirement after 24 years of service with the District. Mr. Anderson could not be available for this presentation, and sent his apologies. Mr. Anderson began working with the District in 1985 as a Service Worker in the Operations Department. In 1996, he transferred to the Hydroelectric Division. He was a Lake Tender at Bowman Lake until this year. He did a wonderful job – he took care of the

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District's dams in the upper country, the Bowman Powerhouse, and he resided at Bowman house. He was a good employee for the District. The District has Hydrographers that measure flows, and Mr. Morrow would "put Rich up against any Hydrographer any day" because he can eye the flows and be as accurate, if not more so, than Hydrographers. Mr. Morrow wished Mr. Anderson a long and happy retirement.

The Board applauded Mr. Anderson for his 24 years of service.

CLAIMS & SUITS – Mitchell

President Miller requested that this item be removed from the consent agenda. He asked if the District responded to the questions in Mr. Mitchell's letter.

Tim Crough, Assistant General Manager, explained that this item was presented to the Maintenance and Resource Management Committee. It is a claim for damages based on a judgment that the claimant had received from the Labor Commission relative to employment related complaints to Kalyn Management. The judgment was to Kalyn Management and not to the District. The claimant was employed with Kalyn Management (who was actively managing Scotts Flat Campground).

Mr. Crough stated that he made it clear to the claimant and the Committee that the assets of the campground, including bank accounts, do not belong to Kalyn Management. He has also been assured that the bank account that existed at the time was fully exhausted by purchasing store inventory, etc. The District created a new bank account for operation purposes.

Mr. Crough informed the Committee and Mr. Mitchell that he would be recommending that the claim be rejected.

Mr. Crough stated that he believes the judgment was based on a lack of a lunch break, because he was forced to work through his lunch break. The reason Mr. Mitchell feels that the District has Kalyn's assets is due to an article in the newspaper regarding the District's credit card and debts attributable to Kalyn Management which were absorbed by the District. It was determined that most of the purchases made by the credit card were legitimate campground expenses, and the Board authorized that the remaining balance be written off on the assumption that the remaining balance was campground related expenses.

Denied claim of Matthew Mitchell for damages relating to a Labor Commission ruling against Kalyn Management, Inc. in the amount of \$3,648.99, on its merit and being untimely. M/S/C Miller/Wilcox

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EMPLOYMENT CONTRACT – Campground Host / Seasonal Worker, Scotts Flat and Orchard Springs Campground

Director Drew requested that this item be removed from the consent agenda and stated that he has some general questions. He asked if there are any other “players” other than the two employees listed in the Staff Report.

Peggy Davidson, Recreation Administrator, explained that Mr. Draper has a partner, and Mr. Garcia has a family. She added that anyone residing at the campground residences age 18 and over will be signing the Lease Agreement.

Director Drew asked if these employees would be involved with the District’s bargaining groups.

Ms. Davidson stated that the Employment Contract and Exhibits were reviewed by the District’s bargaining groups. The employees affected by this Employment Contract will not be involved with the bargaining groups.

Director Drew asked why the District is covering the employees under Worker’s Compensation Insurance when it is not required.

Ms. Davidson stated that the employees will be covered under Worker’s Compensation Insurance because they will be employed year round.

Tim Crough, Assistant General Manager, clarified that Staff checked extensively with CalPERS and the Special Districts’ Risk Management Authority regarding the Worker’s Compensation issue. The host type activities are not being compensated by payroll, but are being compensated by use of a residency. This type of situation does not require CalPERS membership because the employee is not being paid for 900 hours. The Labor Code does not require the District to pay Worker’s Compensation Insurance for the host type activity. Staff feels it is prudent to do so, and has yet to determine what the premium will be. It would be hard to define whether or not the employee was injured after hours, so he would suggest that the District err on the side of caution.

Director Drew stated that it is important for the District to report the wages appropriately.

Director Drew asked if the employees’ records are “clean.”

Ms. Davidson stated that background checks and drug tests will be conducted on the employees.

Director Weber stated that having the employees reside at the campground is a benefit to the District.

Approved two (2) Employment Contracts for the Campground Host and Seasonal Worker at Scotts Flat and Orchard Springs Campgrounds. M/S/C Drew/Weber

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WARRANTS

Approved the following warrants: Yuba-Bear Revolving Fund Nos. 22534 through 22570, inclusive; General Fund Revolving Account Nos. 49449 through 49598, inclusive, Nos. 49415, 48929 and 49533 being void; Recreation Fund Nos. 2221 through 2230, inclusive, No. 1875 being void; and Payroll Direct Deposit and Warrant Nos. 53192 through 53373. M/S/C Weber/Drew

ORCHARD SPRINGS RESTAURANT – Proposal by Jason McKinney

Peggy Davidson, Recreation Administrator, presented a recommendation from the Maintenance and Resource Management Committee to approve a proposal by Jason McKinney to operate a restaurant using the Orchard Springs Restaurant facility. In the past three years, since the District has taken over management of the Orchard Springs Campground facility, the restaurant has been vacant. Mr. McKinney is the owner and operator of a restaurant called Colfax Max in Colfax and has expressed interest in operating the restaurant at Orchard Springs. Staff is proposing that the agreement to operate the restaurant be on a trial basis, at no cost to the District.

Mr. McKinney stated that he owns the Colfax Max restaurant in Colfax. He moved to the area two years ago when he purchased the restaurant, and grew up in South Lake Tahoe. He attended business school at Sacramento State University. The Colfax Max restaurant was previously unprofitable, but he has turned the operation into a profitable, family-oriented restaurant.

Mr. McKinney would like to offer steak, seafood, and sandwich fare at the Orchard Springs facility in order to serve the campers and day use attendees, while making a profit.

Director Drew stated that the lease agreement is comprehensive, and that he has only one question. He asked Mr. McKinney how he would handle a situation when someone enters the restaurant that Mr. McKinney knows should not be there because of their behavior.

Mr. McKinney stated that he would respectfully and politely ask them to leave. If there is resistance, he is prepared to contact the authorities to expedite the process. In his history of running a facility with an alcohol license, he has not experienced an incident of this nature. He realizes the potential exists, but his expectation is that most people respond reasonably. If this is not the case, he will take the appropriate actions.

Director Wilcox asked if Mr. McKinney plans to apply for a liquor license.

Mr. McKinney answered in the affirmative.

Director Wilcox asked if there is alcohol currently being sold at the store.

Ms. Davidson stated that no alcohol is being sold at the store.

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Director Wilcox stated that this may attract clients to the restaurant.

With regard to compensation, Director Wilcox stated that Mr. McKinney is proposing 7.5 percent of gross sales or the cost of the utilities, whichever is higher. He asked if Staff has any idea what the utility costs are for this facility.

Ms. Davidson stated that Staff does not know what the utility costs might be.

Director Wilcox stated that the District may not be making money from this operation. However, the restaurant will be a service to help enhance the campers' experience.

Mr. McKinney explained that the cost of expected utilities would be between \$1,000 and \$1,500 a month. His restaurant in Colfax averages less than \$1,000 a month. He does expect that due to poor insulation and a larger floor space, the restaurant at Orchard Springs will result in a greater utility cost. That being said, the anticipated payments to the District over the season will be significantly higher than the anticipated utility costs. He has had the opportunity to have discussions with the prior operator of the restaurant, and he was advised of the revenues the prior operator received. If Mr. McKinney did not achieve those revenues, his projections would still be conservative. There should be significant opportunity for the resort to make money to offset costs while providing a service to the resort.

Director Wilcox stated that he is not arguing against the proposal. He thinks there are significant advantages to the District to have a well run restaurant. It does not benefit the District to have the space sit vacant.

Director Weber stated that when this matter was presented to the Maintenance and Resource Management Committee, the issue of serving alcohol was a concern. But for a restaurant to make a profit, it is almost essential. After having a lengthy discussion, the Committee is confident that Mr. McKinney can manage situations at the restaurant. She added that the contract is for one year, at which time, the District can reevaluate.

Director Drew stated that Mr. McKinney should take every step possible to conserve energy and utilities. In addition, there is discussion regarding parking and maintaining an area for those not necessarily using the restaurant, but other amenities at Orchard Springs. He suggested that parking spaces for boats/trailers be zoned "B" for boat.

President Miller stated that in the financial resources portion of the proposal, it lists the Navy Federal Credit Union. He asked if Mr. McKinney is a veteran.

Mr. McKinney stated that he is not a veteran, but his wife was a member of the Navy.

Approved proposal by Jason McKinney to operate a restaurant using the Orchard Springs Restaurant Facility for one year, and authorized the General Manager to

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make minor changes if necessary to the Lease Agreement, and execute the Lease Agreement. M/S/C Wilcox/Weber

LOWER CASCADE CANAL / BANNER CASCADE PIPELINE PROJECT – Public Hearing (Res. No. 2010-11)

Matthew Crowe, Senior Right-of-Way Agent, reviewed what the Board is being asked to consider:

Resolution of Necessity (RON) Findings:

- 1) Public interest and necessity require construction of the project
- 2) The project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury
- 3) The property interests sought to be acquired are necessary for the project
- 4) A written offer was made to compensate owner for easement(s) acquisition

Brian Powell, Senior Associate Engineer and Project Manager, provided the following information related to the Project:

Proposed Project Overview:

- Goal – To relieve Lower Cascade Canal pressure and provide reliable supply to Loma Rica and E. George Treatment Plants
- Means – Connect raw water pipeline to end of Cascade lower bench; replace Clipper Creek Siphon, install pipeline on Wings of Morning Drive, Banner Lava Cap Road, Idaho Maryland Road and Lee Lane to Loma Rica Water Treatment Plant, then continuing across Nevada County Airport, Madrone Forest Drive, Red Gate Road, Banner Lava Cap Road to E. George Water Treatment Plant
- Design – Proposed pipeline alignment mostly within existing roadways minimizes costs, minimizes environmental impact, provides treated water access for parcel owners, allows for the installation of fire hydrants along the entire 5.5 mile path and requires 65 right-of-way easement acquisitions

Public Meetings:

- July 24, 2008 – Public Workshop for 10 percent design
- September 16, 2008 – Invitation Letter to meet for one-on-one meeting
- January 15, 2009 – Public Workshop for 50 percent design
- May 19, 2009 – Public Workshop for 80 percent design
- September 10, 2009 – Invitation Letter to meet and discuss Mitigation Monitoring and Reporting Program specification

Permanent Easement Area:

64 square feet (within road)
49 square feet (outside of road)
113 square feet total

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Temporary Construction Easement:
331 square feet (outside of road)

Parcel:
39-100-15 = 10.03 acres

Director Weber asked when the Notice of Intent was mailed to the property owner.

Mr. Crowe stated that the Notice was sent on January 22, 2010.

Director Weber asked if the delay in the process was due to the property being in foreclosure.

Mr. Crowe explained the acquisition process:

Easement Acquisition Review:

- Appraisal Inspection – June 8, 2009
- First Written Offer – September 3, 2009
- In December, owner indicated property was in foreclosure

Mr. Crowe stated that the property owner (Patricia McPhee) indicated a willingness to sign, but was not able to coordinate these efforts. When a property enters into foreclosure, the District is “in limbo.” There is no advantage to having the property owner sign, because if the property is in foreclosure, that extinguishes the easement. Staff would need to have the lender’s consent, and lenders typically do not want to consent.

Director Drew asked if the Board is precluded from adopting a Resolution of Necessity in order to move forward.

Mr. Crowe stated that the Board can adopt the Resolution.

Director Wilcox asked how the court treats this process in relation to the foreclosure, and if the court would be willing to grant the easement even though the property is in foreclosure status.

Mr. Crowe explained that the District would petition the courts and deposit a fair offer for the easement. The bank or whoever actually owns the property would be able to collect the funds at that point. The courts would probably award possession and would not hold up the proceeding because the property is in foreclosure. Staff wants to ensure that every step in the process has been covered. Staff will make an attempt to contact the bank to coordinate a resolution, but banks are difficult to navigate through. Working with the courts may provide a more expeditious result.

Director Weber asked if there would be any appurtenances above ground that would be visually obtrusive.

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Mr. Crowe stated that there should be no above ground appurtenances in this location, with the exception of the meter box.

Current Acquisition Status:

- Ownership is unclear at this time
- May need to file a complaint with the courts to receive order of possession
- Project review leads Staff to recommend that the Board consider a Resolution of Necessity for proposed easements affecting Assessor's Parcel No. 39-100-15

President Miller opened the public hearing.

Hearing no testimony, President Miller closed the public hearing.

The Board Secretary confirmed that no correspondence was received by the District on this matter.

**Adopted Resolution No. 2010-11 (Declaring Necessity and Authorizing Eminent Domain Proceedings for the Acquisition of Real Property for a Public Project Known as the Lower Cascade Canal / Banner Cascade Pipeline Project on Nevada County Assessor's Parcel No. 39-100-15, owned by Patricia Marie McPhee).
M/S/C Drew/Weber**

MT. VERNON ROAD SIPHON PROJECT – Public Hearing (Res. Nos. 2010-12 and 2010-13)

Gary King, Chief Engineer, stated that he would like to request that the adoption of Resolution No. 2010-12 be removed from the agenda. Staff has reached resolution with Mr. Hawkins and an agreement has been signed.

President Miller added that he received correspondence from Mr. and Mr. Hawkins and requested that the letter be entered into the record.

President Miller removed the adoption of Resolution No. 2010-12 from the agenda.

Mr. King informed the Board that Staff has reached agreement on right-of-entry with Mr. Hane. Mr. Hane will be pursuing a second appraisal whereby Staff will have 120 days to resolve the easement acquisition process. Therefore, Mr. King requested that the adoption of Resolution No. 2010-13 be removed from the agenda.

President Miller removed the adoption of Resolution No. 2010-13 from the agenda.

Robert Hane stated that he has agreed to obtain a second appraisal of his property because the first appraisal does not address the fact that he has been in business for 31 years, and that he has a commercial operation in Placer County raising Christmas trees. He has offered to provide his 1040 tax forms to prove that he does have a business on his property.

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Mr. Hane stated that the word 'negotiation' after having dealt with Staff has taken on a whole new meaning. He is looking forward to addressing the Board in 120 days because he does not think "this is going away" because the negotiations are not relevant to what he thinks is relevant regarding what he could make on this ¼ acre that the District wants. He is looking for just compensation for one season of growing trees. This works out to about \$19,000. The District is offering \$5,500 or \$.50 a foot for 10,360 square feet. This is unacceptable and is not just compensation. The District is more than welcome to take the property, but he wants to be justly compensated for not being able to plant or grow trees on his own property.

Bernie Schroeder, sister of Melinda Teal, stated that she has worked in local government for 23 years, and has had a number of projects where eminent domain was discussed. Fortunately, eminent domain has been avoided. When she reviews what the District is trying to accomplish and the amount of property the District needs, she finds it difficult to believe that something is not wrong with the process. She met with District Staff this week, and for the most part, it seems as though property owners' hands are tied. Negotiation is two parties coming together with the ability, flexibility and the authority to compromise. What she experienced while trying to resolve this issue, is that Staff cannot negotiate for "things" that make common sense. She believes the appraisal is not reflective of the property value. Installing a gravel road in a wooded, tranquil ravine area is not being reflected in the appraisal. If a second appraisal is obtained, it would also not likely include the value of the wooded, tranquil ravine area. She is asking for awareness that something in the process is broken. In reviewing the Board's agenda, three of the four items are about eminent domain. This is unusual for her, and she is not sure this is really necessary and if it is a good use of public funds. Property owners obtaining a second appraisal will cost the District money. It seems like a "fleecing." She urged the Board to soften the compromise and consider one-on-one negotiating with property owners rather than having the process enter the legal "circus."

In response to Director Weber's question regarding the location of Ms. Teal's property, Ms. Schroeder stated that this property is located directly across from Mr. Hane's property.

CEMENT HILL WATER SUPPLY PROJECT – Public Hearing (Res. No. 2010-14)

Gary King, Chief Engineer, requested that the Resolution of Necessity hearing for the matter be continued to March 24, 2010. Staff is working on solutions and evaluating a number of options.

Director Wilcox asked if Staff will have available in two weeks the cost estimates on potentially relocating the tanks.

Mr. King stated that this information and other options will be available in two weeks.

Director Wilcox stated that he is of the understanding that the two-tank option is back on the table.

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Mr. King explained that Staff is reviewing the two-tank option as one of the options.

Meeting recessed at 9:59 a.m. and reconvened at 10.17 a.m.

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) – Presentation by Tim Quinn, Executive Director

Tim Quinn, Executive Director of ACWA, provided a summary of ACWA's role and responsibilities and addressed the State's comprehensive legislative water package. ACWA represents 450 diverse public agencies, representing agricultural, urban, north, south, coastal, inland and Sierra interests. ACWA's function is to bring the different views of the member agencies into a common position so that common interests can be advanced. This is largely done through ACWA's Board of Directors. There are 35 Board members who represent ten regions.

The Board is currently working on ACWA's Strategic Plan which is due to be finalized at the end of March 2010. The highest priority in the last Strategic Plan was to get legislation passed that could create a comprehensive solution for solving State-wide water problems. This was achieved with the passage of the recent water legislation. In this Strategic Plan, the focus is on working with all agency members to implement that legislation in ways that work for the members.

With regard to the legislative package, it is powerful and is built around the notion of co-equal values – State-wide water supply reliability and eco-system restoration. He has had a 25 year career working for better environmental positions while also working on water supply reliability. He worked for 22 years with the Metropolitan Water District in Southern California prior to his current position.

Mr. Quinn stated that he has four grandchildren being raised in this State, and he wants them to grow up in a world that does not run out of water, but has economic and environmental values. He believes this legislation provides a foundation to move in this direction. The State has never had policy guidance like this. For decades, the system was operated primarily for low cost water, and the environmentalists did not do so well. This legislation provides solutions to achieve benefits for economic and environmental values at the same time.

There is a strong emphasis on local resource development in the legislation, especially in areas that export water through the Delta. There will be a strong commitment to solve water supply problems in the future primarily through local resource development. The goal is to be reliable and sustainable.

For the first time in decades, there is a recognition that efficiency alone will not "get the job done." Efficiency must be coupled with a commitment to infrastructure development to be operated for co-equal values, not just low cost water.

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There is also strong language in the legislation protecting water rights. Working with the State Water Resources Control Board will continue to be necessary to achieve co-equal values, which may take decades.

With regard to the bond, Mr. Quinn explained that there was no way the ACWA Board of Directors was going to support the legislation unless there is a bond that provided public money for public benefits that are part of operating in a co-equal world. The bond is \$11.14 billion. He does not know whether or not the voters will pass the bond, based on the present economic times. On the other hand, the State has a water crisis. For every billion spent on infrastructure, about 18,000 jobs will be generated in the construction industry, which is "on its back in this State."

The bond will be appropriated as follows:

- \$4 billion – local resources investment
- \$4 billion – habitat and watershed restoration
- \$3 billion – water storage

The \$3 billion for water storage will be allocated only to the California Water Commission, not the legislature. The California Water Commission will be revived to a substantial degree. This money is a powerful economic engine.

Mr. Quinn provided more detail on components of the legislation that may be relevant for the District. Virtually every chapter where there is money in the bond has something the District could consider competing for. Chapter 5 has \$455 million for drought relief; Chapter 6 has \$51 million for local supply reliability and a provision for \$350 million for local conveyance projects; Chapter 9 has \$75 million for the Sierra Nevada Conservancy; Chapter 10 has \$1 billion for groundwater clean up.

ACWA will be involved in implementing conservation language. This is his least favorite portion of the bill. However, the language will be flexible, and there will be money available for programs to meet 20 percent conservation by 2020. ACWA is also working on groundwater provisions, rules for allocating storage and water rights protection. ACWA is very busy with outreach, and will be educating, not advocating the member agencies and the public about the bond. He believes an informed public will vote yes on the bond because the public realizes the State has a water crisis.

President Miller asked Mr. Quinn who he foresees as opponents to the bond.

Mr. Quinn stated that the environmental community is divided at this time. There are those concerned whether or not water rights are adequately protected. The answers to these questions have been provided, and now there seems to be a commitment within the water community to move forward in a unified way to see this package implemented. On the environmental side, he believes there are some environmentalists that do not want to solve problems, and other environmentalists that are very interested

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in solving the eco-system problems in the water system. They have supported the legislative package. It remains to be seen whether they support the bond or not. He is finding that the water community and the environmental community must work together. If they do not work together, there will be no solutions.

Director Wilcox expressed his appreciation to Mr. Quinn for the summary he has provided. One of the settlement terms for the dismissal of Phase 8 of the Bay Delta Hearing was implementation of the Sacramento Valley agreement. This agreement was a conjunctive use proposal which has never actually materialized. He asked if there would be opportunity in the bond to pursue a conjunctive use solution in Sacramento Valley. Essentially, what the Sacramento Valley agreed to was that the Projects would take responsibility for Delta standards. The Sacramento Valley water right holders have prior rights to the flow of the Sacramento River and its tributaries. In times of drought, they would rely on ground water so that the surface water could stay in the stream for the fish. This requires construction of dedicated pumping facilities. This has never happened, so the conjunctive use option has never materialized.

Mr. Quinn answered in the affirmative. ACWA does not have the definitive voice, but he did have a meeting with many of the Northern California agency members who have asked ACWA to convene a meeting between the Northern Californian's and the Southern Californian's to broach this topic of getting back to a Phase 8 type of discussion that would invest in the system and agree on how it will be operated and who will bear what burden. In his view, it is imperative to go back to the Phase 8 type of implementation.

Director Wilcox asked if some of the storage money will be available for a conjunctive use solution.

Mr. Quinn stated that there would be money both in Chapter 6 and in Chapter 8 of the bond.

Director Wilcox stated that he is familiar with some of the negotiations on the legislation that took place between the parties, including the environmental parties. He stated that there are many "good things" that have come out of the bills; however, there is some controversy over the bond. He asked Mr. Quinn if, in his opinion, the goals of the bills can be achieved without the bond, or if they are coupled.

Mr. Quinn stated that they are legally decoupled. The four policy bills do not rely on the bond to be passed to move forward. ACWA decided not to take a position on this one way or the other. His position is that this is not bad policy in exchange for money. If the bond is not approved, the policy direction remains for the four bills.

Director Wilcox stated that one of the controversial issues surrounding the bond is the use of general obligation bonds versus revenue bonds. He does not think that environmentalists would argue that many of these infrastructure needs are necessary, but the question is who pays for them. His understanding is that in most cases,

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financing is based on the concept that users pay for benefits received. In the case of a general obligation bond, the risk is invited that special interests potentially receive huge subsidies at general public expense. He asked Mr. Quinn to speak to this concept.

Mr. Quinn stated that beneficiary pay is in the eye of the beholder. He believes the financial package, of which the bond is a part, meets the beneficiary pay test rather well. He explained that 75 to 80 percent of the overall cost of the project will be paid for by water rates, and a smaller fraction will be paid for by the public.

Director Wilcox stated that one of the opposing arguments is that in the last decade, bond after bond has been passed for restoration of the Delta, and yet the Delta has continued to decline. He asked what assurance the public has that investing more money in the Delta will actually fix the Delta and not be throwing "good money after bad."

Mr. Quinn stated that the Delta for sure will not be fixed if there is no effort to try and fix it. There has to be comprehensive solutions, and this legislation is the first time the State has comprehensive solutions.

Director Drew brought up the issue of threatened fish, specifically the spring and fall run Chinook salmon and the Delta smelt. He asked if he has had discussions with the Department of Fish and Game about the real solution to bringing these two species back is collapsing the striped bass population.

Mr. Quinn stated that it is ironic that the fish agencies "don't go there." He is not opposed to the Endangered Species Act, and neither is the ACWA Board. His opinion is that the way Endangered Species Act is being administered in the State of California today is mindless. They promote striped bass population and ignore other species.

Director Drew stated that the striped bass eat more smelt than the other conditions combined. The hatcheries that the Department of Fish and Game oversee and operate throughout the State are nothing more than striped bass "food depots." The striped bass that do the most eating are protected by the Department of Fish and Game.

Mr. Quinn strongly believes that it is possible to implement the Endangered Species Act even today in ways that work for the endangered fish but do not "hammer" the water supply as bad as it is being "hammered." It is possible to protect the fish without destroying the economy.

Director Wilcox stated that one way to address this is to take a habitat / eco-system approach and not a single species approach. Often to save one species, another problem is created elsewhere. The Bay Delta Conservation Planners' approach is appropriate.

Director Weber asked Mr. Quinn to define local resource development within the structure of the bond.

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Mr. Quinn explained that this would involve funds to assist in recycling water, a wide range of conservation programs, and any other methods that fall under efficient use of water (ocean desalinization, brackish water desalinization, etc.).

Director Drew stated that he does not see a conjunctive use during a drought period where water will be maintained in the waterway and ground water will be pumped as a solution. It may be a solution for that season, but not as an overall program.

Mr. Quinn stated that this is a tool in the tool box.

Director Wilcox stated that in the Sacramento Valley, the groundwater basins were essentially full. Groundwater storage cannot be used as a resource unless it is pumped down to some extent.

Director Drew stated that farmers are digging deeper wells and the quality of the water extracted from the wells is declining.

Director Wilcox stated that most of this is occurring in the west side of the San Joaquin Valley area. He was speaking to conjunctive use north of the Delta where the groundwater basin is untapped. To use the surface water and ground water in a coordinated manner has the impact of creating significant additional storage in the system.

Mr. Quinn agreed.

Director Weber expressed concern about protection of watersheds. She feels that there is an extraction mentality, such as with mining or forestry practices. The water legislation and the bond, to some degree, reflect this. What is needed is a mandated protection of watersheds. Forestry logging practices should include protecting the snow pack from the sun providing a longer period of snow melt. She does not see a comprehensive effort in any of this legislation to achieve this.

Mr. Quinn stated that this is not an unfair characterization. The legislation and bond are steps in the right direction. He views the legislation as working from extraction to sustainability, and recognizes that the system that was based on extraction based policies is not appropriate at this time.

Director Weber stated that the legislation seems to overemphasize the Delta. If most of the attention is focused on this problem and not enough attention is focused on where the water comes from, this is short-sided.

Mr. Quinn stated that the focus on the Delta is inevitable given the serious crisis, but he cannot agree with Director Weber more. The whole State needs to be involved, including the watersheds.

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Director Weber expressed concern about how the water infrastructure is paid for. A General Obligation bond is an inequity for this area. If Southern California wants the water, than they should have to pay for the water.

Mr. Quinn underscored that the vast majority of the infrastructure costs for moving water to Southern California will be paid for by Southern Californians. The bond is very explicit. The public's contribution to infrastructure is very limiting in this legislative package.

Director Bachman asked if agriculture is getting left out of this whole process.

Mr. Quinn stated that the Farm Bureau worked very closely with ACWA and with others. They were equally satisfied with the final package.

Director Bachman stated that the State is very close to having all produce imported. It is important to take care of California agriculture.

Director Wilcox asked if it is appropriate for the general public to mitigate for damage that has been caused by the projects.

Mr. Quinn stated that it is not the amount of water that is being regulated, it is how the water flows (reverse flows).

Director Wilcox stated that he personally supports the concept of a Delta transfer facility for multiple reasons.

President Miller complimented Mr. Quinn on his presentation, and stated that he appreciates the update on the water legislation.

LOWER CASCADE CANAL / BANNER CASCADE PIPELINE PROJECT – Easement Acquisitions

Director Weber reported that she met with District Staff and a property owner on Wings of Morning Drive. Gary King, Brian Powell and Matthew Crowe were able to negotiate with the property owner. She feels that this is a much better procedure than what was experienced with Mr. Hawkins and Mr. Hane for the Mt. Vernon Road Siphon Project. The meeting lasted two hours, and Staff did an excellent job. She is glad that the District is moving in this direction.

MT. VERNON ROAD SIPHON PROJECT – Easement Acquisitions

Director Bachman reported that he had a meeting with the Hawkins Family and District Staff. He found the meeting to be interesting and Gary King, Chief Engineer, does a fine job meeting with the property owners.

Director Bachman also met with Mr. Hane last week for two hours to discuss his easement issue.

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DISTRICT STAFFING - 2010

President Miller reported that the Administrative Practices Committee was asked by Staff to define 'hiring freeze.' The Committee defined hiring freeze as the 13.5 positions defined in the 2010 Budget be frozen until December 31, 2010. The Board will have the opportunity to reevaluate the freeze during the Budget cycle. His bias toward allowing further attrition to occur was met with firm and unstartled alarm by the Maintenance Manager and the Operations Manager. He acquiesced and the District will not experience further attrition. Staff needs to be made aware that the hiring freeze will not "last forever."

CLOSED SESSION was declared at 11:14 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 11:14 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 12:16 p.m.

MEETING ADJOURNED at 12:16 p.m. to reconvene in regular session on March 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

March 10, 2010

Division IV

Division V
