

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

April 28, 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 28th day of April, 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 – April 14, 2010 Meeting

Approved the Minutes of the Board of Directors' meeting of April 14, 2010, as submitted. M/S/C Wilcox/Bachman

AGREEMENTS: TEMPORARY SERVICE LOCATION - Loose

Approved Agreement with Oliver C. Loose for Temporary Water Service and Contribution for Future Treated Water Mainline Extension as part of the District's Temporary Service Location (TSL) Pilot Policy. M/S/C Wilcox/Bachman

AGREEMENTS: TEMPORARY SERVICE LOCATION - Nelson

Approved Agreement with Jon Nelson and Marie Nelson for Temporary Water Service and Contribution for Future Treated Water Mainline Extension as part of the District's Temporary Service Location (TSL) Pilot Policy. M/S/C Wilcox/Bachman

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AGREEMENTS: TEMPORARY SERVICE LOCATION – Fink/Lefkowitz

Approved Agreement with David Fink and Michele Lefkowitz for Temporary Water Service and Contribution for Future Treated Water Mainline Extension as part of the District's Temporary Service Location (TSL) Pilot Policy. M/S/C Wilcox/Bachman

EMPLOYEE RELATIONS – Wight, Retirement Presentation (Res. 2010-20)

Ron Nelson, General Manager, recognized Don Wight on his retirement after 29 years of service with the District. Mr. Wight has been a long-standing, valued employee and has had an extraordinary career with the District. He will be literally sailing off into the sunset. Mr. Nelson thanked Mr. Wight for all of his contributions to the District. His legacy will live on beyond the time Mr. Wight spent at the District. He appreciated Mr. Wight's advice and recommendations and stated that Mr. Wight will be missed.

John Kirk, Maintenance Manager, stated that Mr. Wight was one of the first employees Mr. Kirk met and got to know when he came to the District. Mr. Wight showed Mr. Kirk around the District and took extra time to discuss two of the projects Mr. Kirk was first responsible for. Something that struck Mr. Kirk and was reinforced ever since was the amount of knowledge that Mr. Wight has on treated water, raw water. What Mr. Wight did not know, he was the first to seek information on to educate himself. He always prided himself on having that depth and breadth of knowledge. This shows what a true professional Mr. Wight is. Mr. Kirk stated that he appreciates this about Mr. Wight, and Mr. Wight will be missed.

Marie G. Owens, Finance Manager/Treasurer, stated that whenever Mr. Wight came to her office, he always wanted something, and it was usually money. Most of the time, she agreed to his requests. But on the rare occasions when they did not see eye to eye, Mr. Wight would provide one explanation, and Ms. Owens would say "no." Mr. Wight would provide another explanation, and she would again say "no." He would provide up to 12 or 13 explanations, and finally she would say "bingo." Ms. Owens stated that it was a pleasure doing business with Mr. Wight.

Mr. Wight stated that he has always been proud to be a part of the District. Every day there is a wonderful group of employees that work hard to accomplish what the District does for the community. He thanked the Board for the opportunity to work with the District.

President Miller stated that Mr. Wight is an excellent professional and representative of the District. Mr. Wight has never failed to say yes when President Miller has asked him to travel to meetings, etc. or to listen to President Miller's ideas involving the District. President Miller stated that he appreciates Mr. Wight's time and efforts, and that this is always after hours. Mr. Wight's efforts toward conservation were implemented long before the State required conservation programs. Mr. Wight will be greatly missed.

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The Board applauded Mr. Wight for his 29 years of service. President Miller presented Mr. Wight with the Resolution of Appreciation (Res. 2010-20).

WARRANTS

Approved the following warrants: Yuba-Bear Revolving Fund Nos. 22665 through 22715, inclusive; General Fund Revolving Account Nos. 49873 through 50110, inclusive, No. 49939 being void; Recreation Fund Nos. 2266 through 2281, inclusive; and Payroll Direct Deposit and Warrant Nos. 53728 through 53909. M/S/C Weber/Drew

DS CANAL FLUME 13 – Update

Gary King, Chief Engineer, provided the Board with an update on Flume 13 on the DS Canal. He stated that Flume 13 is now in service, and is one of two in-line facilities. Bypass pumping was done, and there was cooperation from the property owner. However, there was a great deal of rain. During the period of rain, the State Water Resources Control Board performed an inspection on April 13, 2010. He referenced the inspection report:

- Was the Storm Water Pollution and Prevention Plan (SWPPP) on site? *Yes*
- Was there evidence of erosion? *No*
- Was there evidence of tracking? *No*
- Was there evidence of non-storm water discharge? *No*

The District did, however, receive a Notice of Violation which focused on the access road, and additional and more effective sediment and erosion control Best Management Practices (BMPs) on site. The BMPs were installed immediately, and BMPs have been installed for other items the State requested. One of the biggest concerns was that the District was using lime to stabilize some of the roads.

Director Drew asked if the lime was hydrated lime, and Mr. King answered in the affirmative. Mr. King explained that the hydrated lime bonds and creates a strong surface so that work can be done in the Project area.

Director Drew asked if there was a pH consideration, and Mr. King answered in the affirmative. He added that there was no discharge into Deer Creek or any of the ephemeral streams.

Mr. King explained that a meeting was held last week to discuss quality control analysis. A written response must be provided to the State Water Resources Control Board by May 14, 2010. He stated that the Notice of Violation is available at the General Manager's office.

Mr. King demonstrated the failure of Flume 13 by showing the Board a piece of the Flume. It was Mr. King's decision to aggressively pursue the replacement of Flume 13 because it was at high risk for failure. It is now in service and is safe.

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Director Bachman asked why the Project was inspected.

Mr. King stated that the State Water Resources Control Board received a telephone call, and the State responded accordingly.

Director Drew stated that Staff made the correct decision to replace Flume 13, and it is unfortunate that the District received a violation. As far as he is concerned, this rates as an emergency because this Flume provides water to thousands of people, and the District does not need a failure. If Flume 13 had failed before it had been replaced, it would have been worse than what the District is facing at this time.

Mr. King informed the Board that Flume 14 will be replaced during the summer months, and the District will need to shift gears and work on dust control. Flume 19 will be replaced during the winter months.

Director Weber stated that she represents the area where this Project is located. It is one of two major transmission lines coming down Banner Mountain. She occasionally hikes along the DS Canal, and she visited this Flume twice by hiking or visiting the site. While this may be "very comfortable for people at NID" hearing the report that has been presented today, it is very uncomfortable for the property owners that live in that community. The property owners on Banner Mountain spent 10 years trying to negotiate with the District to have a project that would be gentle. This is "anything but gentle." It is appalling (i.e. six inches of ooze, mud down the hillside, etc.). It is a mess, a scar, and a legacy to all of the things that the District could do on Banner Mountain. Staff has "a lot of work to do" with that community. If the work that has been done on the DS Canal is continued to the rest of Banner Mountain, "it will be devastation." The District needs to prove to the community that this devastation will not happen.

Director Wilcox asked if Flume 13 is the first phase of the DS Canal Flume Replacement Project.

Mr. King stated that Flume 13 is the first of eight flumes to be replaced.

Ron Nelson, General Manager, reiterated that Staff will be critiquing this Project. The District wants to be responsible and responsive. If under these emergency conditions there are lessons to learn, then the next Project can be successful.

Director Weber stated that none of the neighborhood was notified of the construction on Flume 13. Flume 14 has about 13 property owners that will not be able to leave the area (access road will be blocked). She is very concerned that the District needs to deal more broadly with the public before construction commences.

Director Drew asked if the neighbors were notified that Flume 13 was going to be replaced.

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Mr. King explained that Flume 13 is an isolated flume with no property owners within 300 feet of the Project area other than the one property owner where the easement is located. This property owner was notified. A notice was sent to property owners within 300 feet of Flumes 14, 15 and 16. It has been requested that the notice area be expanded, and Staff will be sending that notice out later this week.

Mr. King reiterated that the property owner near Flume 13 has been cooperative, and that the one inconvenience was closing the canal to the hikers.

Director Weber stated that the road going in is a fairly narrow road, and there was an obstruction to traffic for a period of time. The considerate thing to do would be to install signs or notify the neighbors somehow of what is occurring in the Project area.

Director Weber has been asking for these considerations for the past 11 years at least 100 times, and she is tired of having to do so.

AUDIT - 2009

Marie G. Owens, Finance Manager/Treasurer, introduced Mr. Felix Pon, Director of Audit for Boler & Associates, who will be presenting the District's 2009 audit.

Mr. Pon reported that the District received an unqualified opinion. The financial statements are fairly stated in accordance with General Accepted Accounting Principles. In 2009, the District has a single audit because federal funds were expended for the Cement Hill Water Supply Project in the amount of \$2.6 million. This amount has been submitted for reimbursement. In the single audit process, if there are findings, he must note them within the audit (found on page 44 of the draft audit).

Mr. Pon referenced a chart titled Revenue Sources. The District's water sales have increased modestly over the past five years, mostly due to growth and rate changes. Power sales have been relatively constant. Capacity fees have decreased due to lack of development. Investment income and unrealized gain (loss) on investments has decreased. In 2008, there was approximately \$5.2 million worth of investment income and unrealized gain. In 2009, this decreased to \$300,000 (a \$5 million decrease). This resulted from lower market values of the investments, a decrease in the overall investment portfolio and significantly lower interest rates earned on the investments. He would expect to see some recovery in investment values in 2010.

Director Weber asked which of the District's investments have a variable rate of return.

Ms. Owens explained that the items in the District's portfolio with the most market value volatility are the US Treasury Strips. These items were purchased by her predecessor, and Ms. Owens has not sold them. In 2006, 2007 and 2008, they did very well because the District had unrealized market gains on these items. In 2009, the District experienced an unrealized loss. The remainder of the items in the portfolio do not have variable rates of return and have lower market volatility risk.

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Director Weber asked Ms. Owens to present to the Board at a future meeting an analysis of the District's investments.

Ms. Owens stated that the Board receives a review of the District's investments on a quarterly basis. The next report will be provided to the Board in May. She will try to present something more detailed to the Board at the second Board meeting in May.

Mr. Pon referenced a chart titled Bottom Line Performance. Total revenues are virtually flat, whereas overall expenses have increased. One noteworthy item is that operating expenses decreased in 2009 by \$1.8 million due to the District's stewardship and budget reductions. Net income in 2008 was \$12.8 million while net income in 2009 was \$6.4 million. This is largely attributed to the decrease in the District's investment income and an unrealized loss experienced on the portfolio.

Mr. Pon referenced a chart titled What's Wrong with this Picture? Revenues are flat, and capital investments have increased while net income is decreasing. Cash balances in 2008 were \$86 million, and in 2009 they were \$70 million. Possible solutions are rate increases and slowing down capital investments.

The following is a summary of the District's 2009 and 2008 revenues, expenses and changes in assets:

	<u>2009</u>	<u>2008</u>
Revenues and other sources	\$ 39,039,774	\$ 41,849,355
Investment income and unrealized gain/loss	<u>367,737</u>	<u>5,350,793</u>
TOTAL REVENUES	<u>39,407,511</u>	<u>47,200,148</u>
Expenses and other uses	25,954,908	27,481,660
Write down of inventory/capitalized assets	24,891	154,241
Depreciation and amortization	6,143,143	6,342,944
Interest expense	<u>1,157,049</u>	<u>1,283,074</u>
TOTAL EXPENSES	<u>33,279,991</u>	<u>35,261,919</u>
INCOME BEFORE CONTRIBUTIONS	6,127,520	11,938,229
Contributed capital	<u>366,288</u>	<u>856,208</u>
CHANGE IN NET ASSETS	6,493,808	12,794,437
Net assets at beginning of year	<u>326,837,527</u>	<u>314,043,090</u>
NET ASSETS AT END OF YEAR	<u>\$ 333,331,335</u>	<u>\$ 326,837,527</u>

The following is a summary of the District's 2009 and 2008 assets, liabilities and net assets:

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	<u>2009</u>	<u>2008</u>
ASSETS		
Current and other assets	\$ 83,244,279	\$ 96,910,800
Capital assets (net of accumulated depreciation)	<u>291,161,846</u>	<u>271,608,360</u>
TOTAL ASSETS	<u>\$ 374,406,125</u>	<u>\$ 368,519,160</u>
LIABILITIES		
Current liabilities	\$ 11,864,798	\$ 12,022,623
Noncurrent liabilities	<u>29,209,992</u>	<u>29,659,010</u>
TOTAL LIABILITIES	<u>\$ 41,074,790</u>	<u>\$ 41,681,633</u>
NET ASSETS		
Invested in capital assets, net of related debts	\$ 260,500,460	\$ 244,566,486
Restricted by statute	11,599,484	19,822,831
Restricted for debt service	1,541,929	1,718,688
Restricted for other	808,958	2,162,678
Unrestricted	<u>58,880,504</u>	<u>58,566,844</u>
TOTAL NET ASSETS	<u>\$ 333,331,335</u>	<u>\$ 326,837,527</u>

The following is a summary of the District's 2009 and 2008 net capital assets:

	<u>2009</u>	<u>2008</u>
Nondepreciable capital assets	<u>\$ 134,284,635</u>	<u>\$ 114,959,925</u>
Depreciable capital assets	265,415,142	260,590,003
Less: accumulated depreciation	<u>(108,537,931)</u>	<u>(103,941,568)</u>
NET DEPRECIABLE CAPITAL ASSETS	<u>156,877,211</u>	<u>156,648,435</u>
NET CAPITAL ASSETS	<u>\$ 291,161,846</u>	<u>\$ 271,608,360</u>

Mr. Pon referenced the governance letter which indicates how the audit process went. He reported that there were no problems while conducting the District's 2009 audit. He thanked Ms. Owens and her audit staff for their cooperation and patience.

Director Wilcox stated that the question is how many years in the future will the District be solvent.

Ms. Owens referenced the income statement on page 7 of the audit. The operating loss for the Water Division in 2009 is \$8.4 million. This operating loss is offset by the operating income from the Hydroelectric Division in 2009 in the amount of \$4.1 million, for a total operating loss of \$4.3 million.

Director Wilcox pointed out that the property tax revenues are going to be more and more committed to debt service as the District finances capital improvements. Property

tax revenues are also used to maintain rates at below cost of service. It seems to him that the graphs are going in opposite and destructive directions and that the District is on a very bad trajectory.

Ms. Owens stated that the District has relied heavily on the value of the investment portfolio increasing and the interest earned on that portfolio. The District needs to look at alternate sources of revenue. She has done some projections regarding what additional debt service will cost the District because the District will be borrowing between \$40 and \$60 million. She was surprised to learn that the District could borrow over a 30 year period. She is not suggesting or recommending this at this point in time. If the District borrows \$60 million at a five percent interest rate amortized over 20 years, the debt service payment per year would be \$5 million. The District is currently paying \$2.6 million in debt service on an annual basis, and this debt service is being paid for with property taxes.

Director Wilcox brought up Mr. Pon's suggested solutions (rate increases and slowing down capital investments). He would argue, and he has argued, that a third way to address the shortfall is to develop new sources of income. So far, this Board has turned a deaf ear to that.

Accepted the District's 2009 Audited Financial Statements and authorized the Finance Manager/Treasurer to publish the Financial Statements, with minor corrections. M/S/C Weber/Drew

STRATEGIC PLAN: Objectives 5 (Watershed Management), 6 (Other Sources of Energy) and 11 (Water Rights)

Tim Crough, Assistant General Manager, stated that Staff is presenting three additional Strategic Plan Objectives. Bruce Early, Assistant Maintenance Superintendent-Vegetation Control, is the owner of Objective No. 5 but could not be available, so Mr. Crough will answer any questions on Objective No. 5. Bob MacDonald, Assistant Maintenance Superintendent, is the owner of Objective No. 6, and Adrian Schnieder, Senior Engineer, is the owner of Objective No. 11.

Mr. Crough applauded the employees who participated in the process of developing evaluation criteria for these objectives. The groups were smaller this time, and he would like to encourage more participation by employees in the future.

Mr. Crough presented evaluation criteria for Objective No. 5:

STRATEGIC GOAL: Water Management and Operations	
5.0 OBJECTIVE: Watershed Management	
Protect water quality through active watershed management and stewardship	
EVALUATION CRITERIA FOR 2010 -2011:	
5.1 Hire a watershed coordinator by the second quarter of 2011.	√ = MET

5.2	Study District properties and surrounding properties to determine the feasibility of watershed protection opportunities by the end of 2012 .	
5.2.1	Identify the impact of public use of District properties by June 2012 .	
5.2.2	Study the feasibility of developing low to moderate impact activities on District properties by June 2013 .	
5.2.3	Compile database to form action plan of attack by June 2013 .	
5.3	Develop campaign to educate the public on watershed management and stewardship by the fourth quarter of 2011 .	
5.4	Develop protocol to respond to pre-existing and emergency contamination removal by the fourth quarter of 2011 .	

Discussion ensued regarding Evaluation Criteria 5.1. Director Drew stated that in some of the discussions with the Cosumnes, American, Bear and Yuba (CABY) Watershed Group Fiscal Oversight Committee, a component of the eligibility to participate or to be recognized as a recipient for grant funding, is the requirement that a Watershed Coordinator be part of the Staff in order to qualify.

President Miller stated that the District is accomplishing this by utilizing existing Staff until a Watershed Coordinator is hired. At this time, there is no money available to hire a Watershed Coordinator.

Director Wilcox stated that it is his understanding that what is needed to qualify for grant funding is a Conservation Coordinator, not a Watershed Coordinator.

Don Wight, Operations Manager, stated that a Watershed Coordinator and a Conservation Coordinator are two different positions. The Conservation Coordinator would oversee the District's conservation program and the Best Management Practices under Assembly Bill 1420 and the requirements of Senate Bill 7x.

Director Wilcox stated that the District previously considered the concept of establishing a Conservation Coordinator. He thought this was approved, and that this position would be filled internally by realigning staff in the Operations Department.

Ron Nelson, General Manager, stated that this was the original approach. What he and Mr. Wight attempted to do was hold a position in the Operations Department with the idea that the position would be filled with a devoted Conservation Coordinator.

Mr. Wight explained that the Operations Department needed another Water Distribution Operator to meet the needs of moving water to the District's patrons. The position has been posted, but is not yet filled. The plan is to continue moving ahead with hiring a Conservation Coordinator. The discussion at the Administrative Practices Committee resulted in waiting a few months before moving ahead with hiring the Conservation Coordinator.

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President Miller stated that he began this year talking about austerity. The District has defined the hiring freeze of 13.5 positions until December 31, 2010.

Mr. Crough stated that the Conservation Coordinator position is distinctly different from the Watershed Coordinator position. He stated that Director Drew is correct with respect to the Integrated Regional Water Management Plan (IRWMP) via CABY and the State grant elements. The District is required to have an active engagement in the IRWMP. Currently, he and the General Manager are filling this requirement. But to stay engaged, not only as a member of CABY, but to take on active roles in the watershed, these would be included in the essential duties of the Watershed Coordinator.

Director Drew asked if it would be possible for the Conservation Coordinator and the Watershed Coordinator to be blended.

Mr. Nelson stated that Staff will try to accommodate what the wishes of the Board might be. He sees the positions as two different focuses. Done properly, each position would be full time positions. If the District is going to devote attention to developing efficiencies with agriculture and domestic water users, this will be a "big" demand on one employee's time.

President Miller pointed out that two new positions would easily cost the District \$250,000. The District needs to get through these tough economic times before filling new positions.

Director Drew expressed concern about the District missing opportunities to receive grants, etc. because the District is not meeting the requirements. He appreciates President Miller's concerns about the District's budget and the economy.

President Miller suggested pulling the money out of CABY and using those funds to pay for the new positions. He stated that this is just a thought.

Mr. Nelson stated that the District's efforts to integrate a Conservation Coordinator are with respect to the hiring freeze. No new positions would be added.

Mr. Nelson stated that to be eligible for State funding, the District must be a member of an IRWMP and implementing Best Management Practices (BMPs). If these requirements are not met, the District is not qualified to receive any funding whatsoever.

Mr. Nelson added that the District is in the process of licensing its water rights. The State will be looking at whether or not the District has a Conservation Coordinator and if the District is implementing the BMPs.

At this time, it is Mr. Nelson's understanding that the District does not qualify for any funding from a State source.

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Director Wilcox stated that he can understand the Watershed Coordinator being hired by the second quarter of 2011, because many of these functions are being carried out currently by Mr. Crough and Mr. Nelson. He asked when the District would fill the Conservation Coordinator position.

President Miller stated that with the retirement of Mr. Wight, it was felt by the Administrative Practices Committee that the new Operations Manager should be involved in this process.

Director Wilcox emphasized the importance of filling the Conservation Coordinator position.

Mr. Wight stated that the plan is to have a position filled by the end of 2010. In the meantime, an employee within the Operations Department can perform some of the functions on an interim basis.

Jeff Meith, District Counsel, asked the Board to bear in mind that the biggest source of potential funding is the \$11.4 billion bond issue which has not yet been passed by the voters.

Director Weber stated that she would like the Board to receive the job descriptions for the Watershed Coordinator and the Conservation Coordinator positions to see if there is a possibility of blending the two in order to keep costs down.

Mr. MacDonald presented evaluation criteria for Objective No. 6 (amendment in *italics*):

STRATEGIC GOAL: Water Management and Operations	
6.0 OBJECTIVE: Other Sources of Energy	Design, develop and implement a strategy for developing other sources of energy (including untapped hydro)
EVALUATION CRITERIA FOR 2010/2011:	
	√ = MET
6.1	Identify and evaluate the feasibility of additional Hydro facilities at existing lower division sites by the end of 2013
6.2	Evaluate District lands and facilities for the potential of Alternative Energy Sources (Solar, Wind, Bio-Fuel, etc.) for production and consumption by midyear of 2013
6.3	<i>Complete a comprehensive energy audit of existing District operations and facilities by the end of 2012 (to include use and efficiency)</i>
6.3.1	Utilize F.E.R.C. studies to evaluate efficiency of lower division facilities by midyear 2012
6.3.2	Develop a plan to enhance District facilities efficiency by midyear 2013
6.4	Identify potential locations for Micro-Hydro power generation in Transition Mains (treated & raw) including P.R.V./Clay-Val locations by the end of 2011

6.5 Evaluate feasibility and locate potential sites for Low-Flow Hydro Power generation on District open canals by the end of 2011	
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Director Drew asked what the status is of the unutilized private hydroelectric facility at Camp Far West.

Mr. Nelson explained that there was a facility constructed but it never achieved commercial operations.

Gary King, Chief Engineer, stated that the Camp Far West facility (located at Garden Bar) is a small facility that was never used. It was supposed to provide power to the Boy Scouts Camp. The facility is a bifurcation of two units that enters into two simple turbines. Staff is evaluating the facility to determine whether or not it is economically feasible to purchase and operate.

Director Wilcox stated that the Evaluation Criteria presented is very exciting. He focused on Criteria 6.3 regarding completing a study of energy use and efficiency. He hopes that this would mean that a comprehensive energy audit of the District would be performed.

Mr. MacDonald answered in the affirmative.

John Kirk, Maintenance Manager, stated that the District began an energy audit with Pacific Gas & Electric (PG&E). PG&E had a grant through the State, and those funds have dried up. As a result, PG&E postponed all energy audits. A number of District facilities have been retrofitted with smart meters so that real time data is available for analyzing usage.

Mr. Kirk added that before the PG&E grant funding was pulled by the State, the District did perform a pumping efficiency test of all of the District's pumping facilities of 25 horsepower and greater. It was very rewarding to learn that the lowest efficiency rating was 72 percent. Considering the age of the pumping facilities, this is very high. This is good information and can be passed along for the design of new facilities in the future.

Director Wilcox stated that in doing a comprehensive energy audit, he would assume that the District would look at energy consumed by all sources, including the vehicle fleet, in order to obtain a total energy picture. From a philosophical standpoint, he would like the District to work towards an overall energy neutral footprint.

Director Wilcox stated that there is a Bio-Fuels Task Force in Nevada County, and so far, the District has not participated. He asked if the District should participate.

Mr. Nelson stated that the District should stay in touch with the Task Force.

Mr. Nelson asked if criteria for the development of new plants and facilities would be developed under this Strategic Plan Objective.

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Mr. MacDonald believes that new criteria will be implemented with newer technology.

Mr. Schneider presented evaluation criteria for Objective No.11:

STRATEGIC GOAL: Water Management and Operations	
11.0 OBJECTIVE: Water Rights	
Actively preserve water rights through active management practices, internally and externally to the District	
EVALUATION CRITERIA FOR 2010/2011:	
√ = MET	
11.1	Evaluate current & future storage needs and develop list of potential improvements (Mid 2011; letter report)
11.2a	Evaluate opportunities for water conservation (End 2010; letter report)
11.2b	Implement water conservation opportunities (2011 – ongoing)
11.2c	Identify and delineate existing easements (ongoing, 2015 completion target)
11.2d	Maximize beneficial use of water (ongoing)
11.3a	Exercise water rights and conform to terms, conditions, and reporting requirements (ongoing, and annually for reporting)
11.3b	Actively protest/defend existing District water rights that are questioned/challenged by others (ongoing – as needed)
11.3c	Effectively use District water rights to support maximum beneficial use/manner (ongoing)
11.3d	Continue to pursue water rights for District (ongoing)
11.3e	Continue to license existing water permits (yearly report to WHO)
11.4a	Increase public relations program to include water rights issues (End 2010)
11.4b	Foster open communication with stakeholders (regulatory agencies, public, property owners, other water districts) (ongoing)
11.5	Continue to improve hydroelectric rights and capacity through water rights licensing process (ongoing)

Mr. Schneider thanked Don Wight, Sue Sindt and Gary King for their input on developing criteria for Objective No. 11.

Director Weber asked if someone is responsible for each of the criteria.

Mr. Crough explained that the owners are responsible for coordinating with Staff the completion of the evaluation criteria. The Strategic Plan is a fluid process. Next month, Staff will be combining a goal area (i.e. Asset Management Objective Nos. 8, 13, 16, and/or 23). Staff will present evaluation criteria for three of the four objectives under Asset Management.

Adopted criteria for the District's Strategic Plan, Objectives 5 (Watershed Management), 6 (Other Sources of Energy) and 11 (Water Rights), as amended. M/S/C Miller/Wilcox

MT. VERNON ROAD SIPHON PROJECT – Resolution of Necessity (Res. No. 2010-23)

Anthony Rondoni, Right-of-Way Agent, stated that Gregory T. Warner and Malinda Teal own the subject parcels as tenants in common with 50 percent interest. On April 14, 2010, the Board reviewed proposed District easement acquisitions on property owned by Barbara Tamietti and property owned by Gregory T. Warner and Malinda Teal. At the Board's direction, the General Manager met with Ms. Tamietti and will meet again with her later today. Ms. Teal suggested that she would be amenable to signing a Possession and Use Agreement which allows the District access to the easement area, and that the issue of ultimate compensation would be settled later after she obtained another appraisal.

Acquisition Activities (Post April 14, 2010 Board Meeting):

- 04/14/10 Teal Contact (Left Message)
- 04/15/10 Ms. Teal signs the Possession & Use Agreement
- 04/15/10 Possession & Use Agreement mailed to Mr. Warner
- 04/16/10 District Contact (Left Message w/ Mr. Warner)
- 04/19/10 Discussion w/ Ms. Teal
- 04/20/10 Teal Contact (Left Message)
- 04/20/10 District Contact (Left Message w/ Mr. Warner)
- 04/21/10 Teal Contact (Left Message)
- 04/21/10 District Contact (Left Message w/ Mr. Warner)
- 04/21/10 Message from Mr. Warner
- 04/22/10 Discussion w/ Mr. Warner
- 04/23/10 Discussion w/ Mr. Warner
- 04/27/10 District Contact (Left Message w/ Mr. Warner)

Ms. Teal did sign the Possession and Use Agreement on April 15, 2010, which was then mailed to Mr. Warner for his signature. She called on April 19, 2010 and rescinded the signing of the Possession and Use Agreement. Staff tried to bring Mr. Warner and Ms. Teal together for a unified agreement, and was unable to do so. Staff is at an impasse for the easement the District seeks, and Staff would recommend that the Board consider adopting the Resolution of Necessity.

Resolution of Necessity Findings Review:

- Public interest and necessity require construction of the project
- The project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury
- The property interests sought to be acquired are necessary for the project
- A written offer was made to compensate owner for easement(s) acquisition, not less than the appraisal of the fair market value of the property

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Director Wilcox recalled that Ms. Teal stood before the Board stating that she would immediately pursue a second appraisal. He asked if she has done so.

Mr. Rondoni stated that he does not know if Ms. Teal has pursued a second appraisal.

Director Wilcox stated that Ms. Teal was told to report to the Board with the progress she made.

Director Bachman stated that he thinks that Staff has done all that can be done.

Adopted Resolution No. 2010-23 (Declaring Necessity and Authorizing Eminent Domain Proceedings for the Acquisition of Real Property for a Public Project Known as the Mt. Vernon Road Siphon Project on Nevada County Assessor's Parcel Nos. 051-080-081 and 051-080-082, owned by Gregory T. Warner and Malinda Teal). M/S/C Drew/Weber

RANCHERO TREATED WATER GROUP – Grant Application

Tim Crough, Assistant General Manager, reported that a pre-application will be submitted to the US Department of Agriculture (USDA) for a grant to assist with funding the pipeline project for the Rancho Treated Water Group. The Treated Water Group has made the decision to form a Community Facilities District (CFD) with an equal tax over all of the parcels. NBS Government Finance Solutions, the District's consultant, informed Mr. Crough that the District may want to pursue USDA funding. Under the water system funding program the USDA has, the Rancho Treated Water Group is eligible at market rates of 4 1/8 percent. He is also aware of a potential funding source known as I-Bank which is another federally assisted funding source for public facilities. Their interest rate is 3 to 3.3 percent depending on the length of the term.

Mr. Crough stated that USDA will review the pre-application within 30 days to determine the District's eligibility requirements. Upon receipt of this information, the District will submit a formal application with additional information requested by the USDA. Presumably, the USDA will respond within 30 to 60 days and the District would receive a commitment on the interest rate.

Mr. Crough stated that he will work on an application with I-Bank simultaneously with the USDA application. Mr. Crough will report back to the Board when he has more information.

MT. VERNON ROAD SIPHON PROJECT – Status on Meetings with Property Owners

Mr. Nelson confirmed that he met with Ms. Tamietti last week, and will be meeting with her and her representative this afternoon.

In response to Director Bachman's question regarding whether or not there was any new information to report on Mr. Hane's matter, Gary King, Chief Engineer, stated that Mr. Hane received a second appraisal that was \$3,800 higher than the original

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appraisal. Mr. King concurs with the second appraisal and will be sending an offer to Mr. Hane in the amount of \$9,400.

NO MOTOR WEEKEND – Scotts Flat

Ron Nelson, General Manager, reported that the No Motor Weekend at Scotts Flat on April 24 and 25 was a success. There was a great turnout, and the weather was beautiful. Peggy Davison, Recreation Administrator, and her staff did a marvelous job coordinating this event.

Director Drew stated that he enjoyed the No Motor Weekend. There was great attendance, a wide range of age groups and good weather.

EXPANDING WATER SERVICES – Compliment to the Assistant General Manager

President Miller complimented Tim Crough, Assistant General Manager, for the time and effort he puts into ushering projects along in order for areas to receive water. The Table Meadow Group had a meeting about 10 days ago. Mr. Crough's presentation was commented on by the property owners as a team oriented, helpful presentation. The next meeting is scheduled for April 29 at the Higgins Community Center. The property owners appreciate that the District is pursuing funding for these groups. President Miller noted that the time Mr. Crough spends at these meetings is always after hours.

President Miller stated that he spoke with Supervisor Ed Scofield who was also in attendance at the Table Meadow meeting. Supervisor Scofield stated that this was the most informational meeting he has attended. He now better understands the District's process.

Ron Nelson, General Manager, thanked President Miller for his feedback, and thanked Mr. Crough for all of his efforts.

LOCAL AGENCY FORMATION COMMISSION (LAFCo) - Budget

Director Weber distributed the Budget Summary for Nevada County LAFCo for Fiscal Year 2010-2011. She also distributed the local agencies' share of the LAFCo budget. The County pays 1/3 of the budget, the Cities pay 1/3 of the budget and special districts pay 1/3. Of the special districts, Nevada Irrigation District pays 39 percent. Last year, the District paid \$33,425. The proposed cost for Nevada Irrigation District for the 2010-2011 Fiscal Year is \$29,942.

Director Weber stated that LAFCo's budget has decreased. Revenues are down because there are not as many projects, and expenditures have also decreased because they have cut staff. The Executive Director took 35 furlough days last year for a \$12,000 salary cut, and this year, the Executive Director will take 37.5 furlough days. There is a 25 hour/week administrative assistant and a 20 hour/week assistant.

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Director Drew stated that he continues to have a problem with the District having only one vote for the amount the District contributes to LAFCo.

MASTER GARDENERS' OPEN HOUSE

Ron Nelson, General Manager, announced that the open house scheduled for today will be rescheduled due to the weather.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY – Claims/Education Day (Report by Directors Bachman and Wilcox)

Director Bachman reported that on March 30, the Special District Risk Management Authority had a Claims/Education Day workshop. The event was held at the Red Lion Inn in Sacramento. He and Director Wilcox attended in addition to Tim Crough and Molli Prince. There were breakout sessions and one session dealt with Board Member liability issues relating to the California Government Code. He felt this was the most informative session that day. Another session dealt with small claims court recovery. In the afternoon, there was a session that dealt with employment practices and liability claims. Copies of handouts will be made available to the Board.

Director Wilcox stated that the District saved about \$15,000 by attending the Claims/Education Day workshop. He found the first session of particular interest. This session was titled 'There's no 'I' in Board.' Essentially, the Government Code defines the role of the Board of Directors: 'The Board shall govern the District and shall establish policies for the operation of the District and shall provide for the implementation of the policies which is the responsibility of the District's General Manager. The Board of Directors shall act only by ordinance, resolution and motion.' The Board's best defense against liability is to act as a Board and not individually. However, there are some actions that Board members cannot be protected from. Nothing in the Government Code exonerates an official from liability for injury caused by an individual's own wrongful conduct or illegal acts. However, acts and omissions constituting sexual harassment shall not be deemed to arise from and to directly relate to the elected officials official duties.

BOARD OF DIRECTORS' MEETING – May 12, 2010

Ron Nelson, General Manager, stated that from Staff's perspective there is a light agenda for May 12, 2010 and suggested that the Board may wish to cancel the meeting. The next regular meeting is scheduled for May 26, 2010.

Added item to the agenda regarding cancelling the Board of Directors' meeting of May 12, 2010. M/S/C Drew/Weber

Cancelled meeting of May 12, 2010 with the understanding that if matters of urgency arise, a special meeting will be scheduled. M/S/C Drew/Weber

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CLOSED SESSION was declared at 11:10 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 11:10 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 11:30 a.m.

EMPLOYEE COMPENSATION PHILOSOPHY (Res. No. 2010-25)

The matter was pulled from the agenda, and Staff was instructed to modify language in draft Resolution No. 2010-25 and to present the modifications to the Board in closed session on May 26, 2010 as a guidance document.

MEETING ADJOURNED at 11:32 a.m. to reconvene in regular session on May 26, 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