

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

June 23, 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 23rd day of June, 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 Tim Crough, Assistant General Manager; Marie G. Owens, Finance Manager/Treasurer; John Kirk, Operations and Maintenance Manager; Gary King, Chief Engineer; Yvonne DuBose, Human Resources Manager; Peggy Davidson, Recreation Administrator; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

MINUTES – June 9, 2010 Meeting

Approved the Minutes of the Board of Directors' meeting of June 9, 2010, as submitted. M/S/C Drew/Weber

COMMUNITY FACILITIES DISTRICTS (CFD): Cement Hill CFD No. 2007-1 – (Res. No. 2010-44)

Adopted Resolution No. 2010-44 (Acting as the Legislative Body of Community Facilities District No. 2007-1 Authorizing the Levy of Special Taxes within Community Facilities District No. 2007-1 for Fiscal Year 2010/2011 – Cement Hill). M/S/C Drew/Weber

ASSESSMENT DISTRICTS (AD): Rodeo Flat AD No. 2008-1 – (Res. No. 2010-45)

Adopted Resolution No. 2010-45 (Acting as the Legislative Body of Assessment District No. 2008-1 Authorizing the Levy of Special Taxes within Assessment District No. 2008-1 for Fiscal Year 2010/2011 – Rodeo Flat). M/S/C Drew/Weber

June 23, 2010

EMPLOYEE RELATIONS – New Employee Introduction, Tortorici

Peggy Davidson, Recreation Administrator, thanked Yvonne DuBose, Human Resources Manager; Marie G. Owens, Finance Manager/Treasurer; and John Kirk, Operations and Maintenance Manager, for their assistance with developing the Recreation Division positions. She also thanked the Board for keeping these positions in the Budget, particularly the assistance of Director Weber.

Ms. Davidson introduced Joan Tortorici, Accounting Assistant I. Ms. Tortorici and her husband moved to this area in 1997. She has two sons and one daughter (her son graduated recently from Bear River High School with high honors). Ms. Tortorici has past work experience in the loan business and has her real estate broker's license. She was recently employed with the District as a temporary employee in the Accounting Department. She has a degree in Industrial Management Engineering and graduated from San Jose State University.

The Board and staff welcomed Ms. Tortorici to the District.

EMPLOYEE RELATIONS – New Employee Introduction, Caldwell

Peggy Davidson, Recreation Administrator, introduced Jim Caldwell, Senior Utility Worker. Mr. Caldwell has three sons who graduated from Nevada Union High School. He has lived in the Grass Valley area all of his life. Mr. Caldwell has been in the printing business for 15 years. He has been a temporary employee with the District for the last three years. Mr. Caldwell is involved with the community and assists the high school athletic program.

The Board and staff welcomed Mr. Caldwell to the District.

EMPLOYEE RELATIONS – Flury, Retirement Presentation (Res. 2010-29)

John Kirk, Operations and Maintenance Manager, recognized Joseph G. Flury for 27 years of service with the District, and congratulated him on his retirement. Mr. Flury is a fine employee that is present day in and day out, consistently giving the District 200 percent of his efforts and has since he arrived at the District. He is an outstanding individual and has shined in every aspect of his duties. He has always had a wonderful attitude and treated the public with the utmost of respect. Mr. Kirk stated that he really hates to see Mr. Flury leave, because it will be difficult to replace such a fine individual.

Tim Nunnink, Maintenance Superintendent, congratulated Mr. Flury on his retirement. Mr. Flury was hired in 1983 as a temporary employee. He was employed for six months before accepting a permanent position in the Maintenance Department as a Utility Worker. He was then promoted to Utility Worker II in April 1985, and was promoted in March 2000 to the Equipment Operator position. He has worked on many crews within the Department. He was first assigned to the Labor Crew. Then he spent seven years on the Service Crew before spending 15 years on the Construction Crew. In the last few years, he has been locating District facilities and has been doing a great job.

June 23, 2010

Mr. Flury has seen the District through several significant events over the years: 1) The flood of 1986 – Blue Canyon received over 34 inches of rain in 10 days. During this event, the District's facilities experienced some major damage. There were high water flows, mud slides, and the No. 6 Flume on the DS Canal was completely taken out by a mud slide. Mr. Flury and the crews worked long, hard hours to make the necessary repairs. 2) The 49'er Fire – The fire did some damage to the District's canals, and Mr. Flury and the crews worked hard to "get the water flowing." 3) The snowstorm of 1990 – This storm delivered over 30 inches to downtown Grass Valley. This storm crippled the District's delivery system and required the Maintenance Department to put in long hours under severe weather conditions in order to restore service to the District's customers.

Mr. Flury has worked on a number of other projects. He responded to countless late night and holiday calls for repairs/emergencies. He has played a key part in ensuring the water continues to flow to the customers.

Mr. Nunnink related one experience with Mr. Flury. It was soon after Mr. Nunnink began working for the District. He was assigned to work with Mr. Flury to repair a service line in the Lake Wildwood area. In the process of repairing the service line, the line inadvertently broke creating a 4 inch by 4 inch hole, which was 3 feet plus deep and quickly filled up with water. Mr. Flury grabbed a clamp and jumped into the muddy water and placed the clamp to stop the flow of the water.

Mr. Flury could be counted on to give his best effort no matter what. He has been a key employee for the Maintenance Department to look to. He has been a steady, positive influence in the Department, and a great example to the younger employees of what a hard working man is. Mr. Flury is not easily rattled and is confident in his abilities to get the job done. He is a man's man, and Mr. Nunnink has a great deal of respect for Mr. Flury.

Mr. Flury is pleasant to be around. His character and work ethic are a standard for all employees, and he will not be easily replaced. Mr. Flury is married and has raised two children (a daughter and a son). He plans on enjoying outdoor activities in his retirement, hunting, fishing and gardening. He also plans to travel when he is retired.

Mr. Nunnink wished Mr. Flury the best in his retirement years.

The Board applauded Mr. Flury's 27 years of service. President Miller presented Mr. Flury the Resolution of Appreciation (Res. 2010-29).

WARRANTS

Approved the following warrants: Yuba-Bear Revolving Fund Nos. 22809 through 22869, inclusive; General Fund Revolving Account Nos. 50595 through 50751, No. 50325 being void; Recreation Fund Nos. 2350 through 2381, inclusive; and Payroll

June 23, 2010

Direct Deposit and Warrant Nos. 54483 through 54662, inclusive. M/S/C Weber/Drew

POLICY AND PROCEDURE – Purchasing

John Kirk, Operations and Maintenance Manager, is seeking the Board's approval on modifications made to the District's Purchasing Policy and Procedure. The purpose and intent of the revisions is to authorize the General Manager to appoint and assign the purchasing functions and duties to a department manager from time to time of his/her choosing. Currently, these duties and responsibilities are assigned to the Maintenance Manager.

Approved modifications to the District's Purchasing Policy allowing the assignment of duties and responsibilities of the purchasing functions by the General Manager to a designated Department Manager. M/S/C Drew/Wilcox

LOWER CASCADE CANAL / BANNER CASCADE PIPELINE PROJECT – Reimbursements of Expenditures from the Proceeds of Tax Exempt Securities (Res. No. 2010-46)

Marie G. Owens, Finance Manager/Treasurer, explained that next year, the District will need to issue tax exempt securities. In order for the District to be reimbursed under the current Internal Revenue Service rules, a resolution must be adopted. Currently, she is specifically identifying the Lower Cascade Canal / Banner Cascade Pipeline Project as one of the projects the District will be seeking reimbursement. The District's intent in no way obligates the District to "do anything." If the District issues tax exempt securities, it would be the District's intent to reimburse itself for costs incurred at this time from money the District receives in the future. She added that there will be other resolutions of intent in the future as projects come to fruition.

In response to Director Weber's question regarding whether these securities will be used only for capital projects, Ms. Owens answered in the affirmative. The securities can be utilized to reimburse the District's reserves because reserves are currently being used to pay for project costs.

Adopted Resolution No. 2010-46 (Declaring the Official Intent to Reimburse Expenditures from the Proceeds of Tax Exempt Securities – Lower Cascade Canal / Banner Cascade Pipeline Project). M/S/C Wilcox/Bachman

AGREEMENTS: English Meadow Grazing Lease

Tim Crough, Assistant General Manager, stated that the current English Meadow grazing lease is with Kent Pascoe. Mr. Pascoe has asked that his lease be assigned to two individuals – Dale Tow and Suzie Mitchell. Mr. Pascoe's lease is indefinite (no termination date). The US Forest Service is in the process of reviewing environmental impacts associated with cattle grazing in the upper country. Part of their request is that Sierra Pacific Industries, the District, Bureau of Land Management (BLM) and other land

June 23, 2010

owners in the area coordinate permitting so that cattle are controlled better. It is too difficult to keep the cattle from migrating on to other property because there are no fences. The lease being proposed at this time would facilitate the assignment and terminate the lease on December 31, 2011. At that time, there will be no guarantee to renew the lease, but Staff intends to develop a new lease with new conditions.

Mr. Crough pointed out that the Maintenance and Resource Management Committee would like to review all of the District's leases to ensure consistency. The Committee acknowledged that there is great value to the District of having a tenant on the property. Staff has met with Ms. Mitchell and Mr. Tow and feels they will be good tenants that will address the District's goals and interests.

Jeff Meith, District Counsel, stated that leasing real estate is a discretionary action. In this case, the District is exempt from further analysis under the California Environmental Quality Act (CEQA). The District is authorizing the assignment of an existing lease. Neither lease has a term, but the lease will be assigned that allows the District to effectively "wind down" the lease. He stated that he does not have a problem assigning the new lease because there will be an expiration date and there will be less cattle.

Director Wilcox agreed with Mr. Meith regarding the CEQA analysis. If there is no physical change in the environment, there is no reason to invoke CEQA. He expressed concern regarding the concept of grazing in the high mountain country. He has backpacked in that area for many, many years and has personally seen the devastating impacts of cattle on riparian areas. He strongly supports the idea of having the US Forest Service being the overarching agency to conduct the analysis and coordinate the permitting. He, personally, does not support grazing in the high mountain areas; however, he is willing to see this through until the lease expires on December 31, 2011, pending the outcome of a more rigorous environmental analysis.

Director Weber stated that research has been done on the effect of cattle grazing (UC Davis), and the US Forest Service has been challenged to "do something environmentally."

Director Wilcox stated that historically the public domain has been abused. He stated that BLM is considered to be the Bureau of Livestock and Mining. The US Forest Service is not much better. He thinks the argument that there is a value to the District by having a tenant on the property is something to consider. He thinks this is much more of an issue in the lower elevation grazing leases. Lower elevations are much more biologically suited to grazing than the higher elevations. There are no fences in the upper country which argues strongly for a coordinated program.

Director Drew agreed with Director Wilcox's statements. He noted that there will be less cattle, and there will be a sunset on the lease providing the District the opportunity to reevaluate the value to the lessor and the lessee. The lease amounts are not a very large amount of money, and the District is incurring expenses as a result of continuing the leases. The Committee indicated to Mr. Tow and Ms. Mitchell that the Committee

June 23, 2010

will be reviewing the administrative costs to ensure that these costs are covered in the lease. Also, a series of value index's will be developed to determine what an appropriate amount of money would be in these leases (number of acres, number of cattle, period of time on the land, term of the lease, administrative costs, etc.) in order to bring equity to all of the District's leases.

Director Wilcox stated that it is appropriate for the US Forest Service to evaluate the carrying capacity of the land in the upper country. Historically, they have not done a good job, but he thinks they are trying to make amends for that.

Director Bachman asked Mr. Tow how many head of cattle he is grazing.

Mr. Tow stated that he is permitted for 150 pairs, and he is grazing 30 pairs.

Director Wilcox asked what this would work out to on a per acre basis.

Mr. Tow stated that the number does not amount to much. The US Forest Service has decreased the amount of cattle to be grazed by 30 percent or down to 150 pairs (150 pairs for the west side and 150 pairs for the east side).

Director Bachman asked how many head of cattle Ms. Mitchell is grazing.

Mr. Tow stated that he assumes about 50 pairs.

Mr. Tow explained that the only fences are drift fences in the low places in the country along Cat Fish Lake and places that are easily crossed. The rest of the area is surrounded by natural barriers, mainly the mountain.

President Miller stated that he believes in order to be proper stewards of the watershed, the District should eliminate this source of E. Coli. He proposes that the District create a policy, District-wide, where there is no grazing above 5,000 feet in elevation, or whatever is determined to be the snow line. He does not want to rely on other agencies. If the District creates a policy, the District could then interface and force the US Forest Service if their cattle started to "trample" on District lands when it is no longer allowed.

Approved English Meadow Grazing Lease Agreements with Dale Tow and Suzie Mitchell (two separate leases to expire on December 31, 2011) to replace existing lease issued to Ken Pascoe; terminated Mr. Pascoe's lease, and authorized the General Manager to execute the necessary documents. M/S/C Drew/Weber

President Miller directed Staff to develop a draft policy regarding grazing elevation requirements and place this matter on the Maintenance and Resource Management Committee agenda before advancing the policy to the Administrative Practices Committee.

June 23, 2010

AGREEMENTS: Canyon Creek Grazing Lease

Tim Crough, Assistant General Manager, stated that Jeannie Poe and Emma Jean Collins have had a lease since 2002 in the Canyon Creek area. It is unfortunate, but both Ms. Poe and Ms. Collins have passed away. Prior to Ms. Poe passing, she had asked Mr. Crough to have the Board consider having Scott Costa take over the lease. No payments have been made on the lease for the past two years. The US Forest Service is coordinating a permit with this lease, and would like to see the lease assigned to Scott Costa. This lease, similar to the English Meadow lease, will expire on December 31, 2011.

Director Wilcox stated that he sees this lease as different from the English Meadow lease. The land has no fences, nor are there any natural barriers. He is familiar with this area, and he does not feel cattle belong in the five lakes basin area; therefore, he cannot support this lease.

Director Drew asked if there are other leases from other entities in this area.

Mr. Crough stated that there are other leases in the area.

President Miller asked if the lease can be terminated and not reassigned.

Mr. Crough answered in the affirmative. The existing lease can be considered in default and can be terminated by the Board.

Director Weber asked if it would be possible to grant a lease for one year, or two years, but to modify the lease to request that environmental information be provided to the District. If there is any indication that the activities would be detrimental to the District's watershed, the lease would be terminated.

Mr. Crough stated that this is Staff's intent by having the lease expire on December 31, 2011. Staff can take this time to gain a better understanding and work with the US Forest Service on the effects of the District's grazing leases.

Director Drew stated that there is a benefit to having five individuals discuss matters as opposed to two at the Committee level because there are different ideas that come up. A result of the US Forest Service being involved will increase the scrutiny level of these leases. He stated that the subject area is somewhat boggy.

Director Wilcox stated that this area is a riparian area.

Director Drew stated that this bears the thought of having some scrutiny. He appreciates Director Wilcox's comments.

Director Bachman pointed out that the environmental reports on grazing are very conflicting. He understands that the cattle do a certain amount of good in these areas. They thin out areas for fire control. He has not been in the areas that are being

June 23, 2010

discussed at this time, but he has been in other grazing areas. If there is a low, boggy area, the cattle can do some damage. On the other hand, he thinks the cattle do “a lot” of good.

Director Wilcox stated that he fully appreciates the argument. The District needs to strike a balance and determine what the carrying capacity of the land is. It is clear that in the past, carrying capacities have been exceeded. That does not mean that the appropriate carrying capacity is zero.

Director Weber stated that there is grant money available for any agency wanting to study environmental effects of cattle grazing. It would be worth looking into. She requested that this matter be placed on the Maintenance and Resource Management Committee meeting agenda.

President Miller reiterated that as proper stewards of the District’s watershed, there should be a policy where the District does not allow grazing above the historical snow line.

Director Drew made a motion to approve Canyon Creek Grazing Lease Agreement with Scott Costa (to expire on December 31, 2011) to replace existing lease issued to Jeannie Poe and Emma Jean Collins; terminated Ms. Poe’s and Ms. Collins’ lease, and authorized the General Manager to execute the necessary documents. Director Weber seconded the motion.

Motion passed on the following roll call vote:

Division I	Aye
Division II	Aye
Division III	No
Division IV	Aye
Division V	No

HIGHWAY 49/LA BARR MEADOWS ROAD WATER MAIN RELOCATION PROJECT –
Ratification of Change Order No. 8 and Approval of Change Order No. 9

Vern Smith, Supervising Engineer, presented contract change orders on a project with Caltrans for relocation of District facilities at Highway 49 at La Barr Meadows Road. The District exceeded the 25 percent change order amount for Manager approval. Staff is requesting that the Board ratify Contract Change Order No. 8 in the amount of \$60,060.68, and approve Contract Change Order No. 9 in the amount of \$51,945.96.

In response to Director Weber’s question regarding the total cost of the Project, Mr. Smith stated that the total cost with change orders amounts to \$786,532. He noted that this Project is a shared liability with Caltrans, and that the District’s total costs are \$454,377.

June 23, 2010

Mr. Smith stated that the Project is complete. Contract Change Order No. 10 is a negative number and will be the final change order. Caltrans will be paying 100 percent of Contract Change Order No. 8 and the District will be paying 80 percent of Contract Change Order No. 9.

Ratified Change Order No. 8 in the amount of \$60,060.68 and approved Change Order No. 9 in the amount of \$51,945.96 for the Highway 49 / La Barr Meadows Road Water Main Relocation Project, and authorized the General Manager to execute the necessary documents. M/S/C Bachman/Drew

LOWER CASCADE CANAL / BANNER CASCADE PIPELINE PROJECT – Easement Acquisition

Matthew Crowe, Senior Right-of-Way Agent, is asking that the General Manager be authorized to send a Notice of Intent to commence eminent domain proceedings to property owners within the Lower Cascade Canal / Banner Cascade Pipeline Project. The property is owned in a trust and the trustee has recently deceased. Staff and the District's consultant have extended an offer to the attorney for the trust and the successor trustee has been contacted. Staff has been communicating with the successor trustee for the past four months, but as of now, they have not agreed to sign the Easement Deed. They have agreed to sign a Possession and Use Agreement which would allow the District to continue with the Project, but they have not yet signed the document. At this point, he would like the General Manager to issue a Notice of Intent.

Director Drew noted that part of the easement is within the road way and part of the easement is not.

Mr. Crowe concurred and stated that part of the easement is cross country.

Director Weber asked if the easement crosses Wolf Creek.

Mr. Crowe stated that the pipe alignment runs perpendicular to Wolf Creek and crosses Wolf Creek on the parcel to the south of the subject property.

Director Weber asked how close the house is.

Mr. Crowe stated that he does not know, but the alignment of the project was designed to avoid the existing improvements and run along property boundaries where possible.

Authorized the General Manager to issue a Notice of Intent (NOI) to consider commencement of eminent domain proceedings for Assessor's Parcel Number 37-440-15 within the Lower Cascade Canal / Banner Cascade Pipeline Project. M/S/C Drew/Wilcox

June 23, 2010

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) – Election of Region 2 (Seat B) Board of Directors

Cast a ballot for Valerie C. Lord, representative of Placer County Water Agency, for the California Special Districts Association (CSDA) Board of Directors - Region 2 (Seat B). M/S/C Wilcox/Bachman

BOARD OF DIRECTORS' MEETING OF JULY 14, 2010

President Miller stated that the cancellation of the July 14, 2010 was originally motivated by him because he wanted to attend the Bay – Delta Tour. At this time, the tour is fully booked, and he is on a waiting list.

Director Drew stated that he has no problem with cancelling the meeting. However, should the Board have an opportunity like this in the future, it would be nice to schedule a Board meeting at the Bowman House, and perhaps invite guests (Mayors, Chairman of the Board of Supervisors, the Department of Fish & Game, etc.) to tour the Bowman facility.

Jeff Meith, District Counsel, reminded the Board that the statutory requirement states that the Board meeting has to be held within the District's boundaries. The Bowman House is not inside the District boundaries. The Board can have a meeting at a District facility, even if it is outside the boundaries, to discuss the facility, but the Board cannot hold a regular Board of Directors' meeting at this location.

President Miller requested that Staff place the matter of holding a meeting at the Bowman House on the Administrative Practices Committee meeting agenda.

Cancelled the July 14, 2010 Board of Directors' meeting. M/S/C Drew/Weber

Meeting recessed at 10:19 a.m. and reconvened at 10:32 a.m.

NEVADA COUNTY LAND TRUST – Presentation by Joseph Byrne

Tim Crough, Assistant General Manager, stated that the Nevada County Land Trust would like to discuss the proposed dam, referred to as the Garden Bar Dam, on the Bear River between Combie Reservoir and Camp Far West. Mr. Crough stated that for several years the District has been aware of several attempts by many agencies to install a dam between Combie and Camp Far West. The District recently became aware of South Sutter Water District's proposal. The District has made several overtures to South Sutter Water District for information specific to the proposed project. It has been difficult to receive any specifics. Recently, the District sent a letter to South Sutter inviting them to make a presentation to the District's Board of Directors, so that the Board could hear first-hand about the proposal. South Sutter has agreed to provide a presentation to the Board in the near future.

June 23, 2010

Mr. Crough stated that the Nevada County Land Trust has requested to provide today's presentation to the Board. Staff is not privy to what the presentation involves. The Board will not have the opportunity to take any action because the matter has been agendized as a presentation.

Mr. Crough stated that the area of the proposed project is outside the Nevada Irrigation District's boundary. Also, Nevada Irrigation District will not be providing water for this project. The District is looking forward to receiving any information on the project.

Joe Byrne, Nevada County Land Trust Director, provided the following statement:

I am here today on behalf of the Nevada County Land Trust to inform the Board of a proposed Dam at the Garden Bar Crossing of the Bear River. The Land Trust presently has conservation interests in over 2,100 acres of grazing land owned by three separate ranching families which will be directly affected by the Garden Bar Dam which the South Sutter Water District ("District") has proposed for the Bear River. An even larger area of land is conserved or proposed for conservation in Placer County on the south side of the river. The Dam would destroy a unique landscape which supports a diverse biological community as well as threaten a strong agricultural economy. This Dam Project is flawed not only because of the land which will be affected, but because of the affect that it will have on every farmer, rancher and citizen in Western Nevada County.

The Garden Bar area is a beautiful plant community of blue oak-grey pine woodland. This creates a mix of hardwoods, conifers, and an understory of shrubs that are interspersed with patches of annual grassland. This biologically diverse niche provides breeding habitats for a diverse group of amphibians, reptiles, birds and mammals.

This land has played an important role in human history since the area was inhabited by groups of Maidu who established a village at the confluence of Little Wolf Creek and the Bear River. Later, Garden Bar was the last crossing of the Bear for the Emigrant Trail prior to its terminus at the Johnson Ranch in Wheatland. The property continued to play a significant role in the Gold Rush and the farming period which followed. Land in the area has been the home of some of the oldest pioneer families in Nevada County.

Today, it continues as a vibrant ranching area supporting a large grazing population. It provides recreational opportunity for all outdoor activities including hunting, fishing, hiking, mountain biking and horseback riding for both its residents and visitors.

June 23, 2010

What the South Sutter Water District proposes is to construct a \$500 million facility to impound a pool which will contain up to 345,000 acre feet of water. That would be almost five times the capacity of Rollins Lake.

This facility is designed to be part of a pumped storage hydroelectric system along with Camp Far West Reservoir. At peak electric hours, it would be drained to generate electricity. At times of lower demand and electric rates, it will be refilled. This water fluctuation will preclude recreational use of the reservoir. Nor is this a great new clean energy source for California. It is estimated that the pumping of the water back uphill consumes 40% more energy than is generated by the hydroelectric drop. The energy to pump the water uphill will be generated primarily by coal-fired electric plants.

The water stored at the facility has also been spoken for. South Sutter is a small district primarily serving a rice farming area. They need access to inexpensive water. The water from the Garden Bar Dam will be among the most expensive in the State – the equivalent in cost to desalinated water from a nuclear plant. South Sutter therefore must sell the water in hopes to be able to purchase other water at a rate that its users can afford. South Sutter has put together a consortium of urban water agencies to pay for the initial due diligence. It has raised \$1 million from five agencies – the City of Napa Public Works Department, City of American Canyon Water Department, Castaic Lake Water Agency, City of San Bernardino Water District and the Palmdale Water District. Almost 85% of the cost was advanced by the three Southern California Districts. These are the Districts that will receive the water. The Bear River watershed is already an overtaxed resource. This project will preclude NID from being able to utilize this same water to meet the expanding needs of its customers.

A number of those whom I have initially spoken with said: 1) they have not heard about this; 2) how can they do this (Bear River Water in San Bernardino!); and/or 3) it will never happen. The idea of a Garden Bar Dam has been around since the 1940's, but has come and gone primarily because the flows are not sufficient to justify the expenditure – unless you can afford very expensive water. As you know, the California water project allows the water to be “deposited” here in Northern California and “withdrawn” in Southern California, not dissimilar to the way in which we use our ATM cards. And, yes, it can happen.

Transferrable water rights could allow for this Dam to be approved. The Water Bond Act which contains many excellent provisions includes \$4.6 billion for construction of new above ground storage facilities. Garden Bar is listed as a proposed “out of area” project by the Sacramento Valley Integrated Regional Water Management Plan (IRWMP), and thus, while not mentioned by name, is eligible for funding under Chapter 6 of the Bond. The Land Trust is not taking a position on the Water Bond. However, regardless of whether

June 23, 2010

this Bond passes, political pressure to build the Dam will come from urban users who want our water to grow.

To date, South Sutter has refused to disclose meaningful information to ourselves and other land owners. The Land Trust does not oppose water storage facilities as they are the life blood of our agricultural community. We do oppose projects which are designed to transfer our water and our wealth from rural communities to urban communities, especially where such projects take conserved lands supporting a rural way of life to build more suburbs. I would ask the Board to support our efforts to have South Sutter Water District disclose what it is going to propose for the Bear River. South Sutter and other water agencies are hoping that this project can grow in the dark. We want to lift the shroud of secrecy which has surrounded this project and force it into the light of public scrutiny and attention, particularly here where the effect will be felt most directly. We request the Board to direct Staff to investigate this issue with South Sutter, and to report back to this Board the extent of the plans on this project and the impact that the project will have on NID's ability to serve its customers now and in the future.

Director Wilcox stated that he used to be employed with the State Water Board – Division of Water Rights. He was aware that there were water right applications on file by South Sutter Water District for the previous project known as the Garden Bar Project. During that time, the State Water Board had to impose fees on pending applications. South Sutter Water District was faced with the prospect of paying large fees to maintain the application. He believes that South Sutter abandoned their rights, and he asked Mr. Bryne if he knows what the status is of their water rights and if there have been any attempts to obtain new rights for this project.

Mr. Bryne stated that he has asked this question of South Sutter, and they have not been forthcoming with the information. South Sutter has referred the Land Trust to their consultants and the consultants will not return phone calls.

Director Wilcox stated that the information does not necessarily have to be provided by South Sutter. If South Sutter has water rights that are current, or if they have filed applications for new water rights, that information would be lodged with the State Water Board. Fundamentally, it does not matter what the Water Bond says and what those funds are for. It comes down to an issue of valid rights under State law.

Mr. Bryne stated that he wants to make sure that as a rural community, this area does not get held captive in the public process by the more politically powerful, more affluent urban communities that are seeking this water.

Director Wilcox stated that he personally does not have a problem with Nevada Irrigation District marketing surplus water for short term gain for the District. However, the idea of South Sutter developing this project is a “whole different kettle of fish.”

June 23, 2010

Mr. Bryne stated that he has no problem with Nevada Irrigation District maximizing its economic return from its resources, but to lose those resources downstream for economic growth is something he does have a problem with.

Director Wilcox stated that if South Sutter were to pursue obtaining rights to the proposed project, this could clearly impact Nevada Irrigation District's ability to obtain additional water rights for expanding Rollins Reservoir, which would be a relatively low impact project. If South Sutter were to file an application prior to Nevada Irrigation District filing an application, and pursue the process through the permit stage, then Nevada Irrigation District would be in a position to bypass water to satisfy South Sutter's senior water rights to their proposed project, and Nevada Irrigation District would be unable to fill and expand Rollins Reservoir. This is clearly not in Nevada Irrigation District's interests.

Director Drew pointed out that before the District's Yuba-Bear Hydroelectric Project was completed, the Bear River on regular occasion would dry to the point where it would have virtually no water running down the river.

Director Wilcox stated that the original Garden Bar Project was conceived in much the same manner. It was a pump storage peaking facility. The efficiencies are in the 30 to 40 percent range. It is advantageous for utilities to have peaking capacity. Now, there are other technologies available (i.e. photovoltaics, which are more common and are environmentally friendly).

Director Drew requested that Dave Moller, reporter for The Union, ensure that the article on the proposed project is reported clearly. He does not want the public to think that Nevada Irrigation District is building another dam at Garden Bar.

Director Wilcox stated that as a biologist, he is aware that habitat at that elevation is highly fragmented and is in short supply. He supports the idea of trying to create preserves for bio-diversity at that elevation.

Mr. Bryne referenced a map that depicts the conserved lands in the immediate area for Nevada County and Placer County around the proposed pool of 200,000 acre feet. The Board reviewed the map. South Sutter is now proposing to pool 345,000 acre feet of water.

Allan Eberhart stated that he supports the presentation made by the Nevada County Land Trust. He responded to comments made by Director Wilcox. With regard to connectivity, thanks in large part to the Placer County and Nevada County Land Trusts, there is now a corridor from Spears Ranch on Coon Creek through the Spenceville Wildlife Refuge. There is nothing like this anywhere else in the foothills. This has been extraordinary work done by the Land Trusts, and South Sutter's proposed project is a serious threat to the work done by the Land Trusts. One of the reasons the proposed project is a serious threat is that it puts a "cloud over the property." South Sutter has not been forthcoming with information, and Nevada Irrigation District has put forth a

June 23, 2010

great amount of effort to obtain information. The Land Trusts in their efforts to raise money and acquire more land are in a bind because they are not able to tell prospective donors what they are facing. With regard to the water rights issue, since 1972, there have been seven applications/proposals to build the Garden Bar Dam. The last proposal was in 1991 – a Federal Energy Regulatory Commission (FERC) application. They did not follow up on their water rights. They currently have no water rights for the Garden Bar project. They are, however, telling the interested water districts that they have pre-1914 water rights on the Bear River, and they intend to use them.

Mr. Eberhart asked the Board to be supportive of having District Staff look into the possibility of Nevada Irrigation District taking a position on funding. There are a number of ways this project could be funded (i.e. Southern California water interests). South Sutter estimates that the proposed project will be viable at \$371 per acre foot. Southern California is very willing to pay that price. Another funding stream is the tax payers through water bonds. The only way that South Sutter can receive tax dollars for the project is to participate in an IRWMP. They approached the Cosumnes, Amercian, Bear and Yuba (CABY) Watershed IRWMP (of which Nevada Irrigation District is a member) and asked to place the Garden Bar project in this IRWMP. CABY said no because the project is in conflict with CABY's interests. So, South Sutter approached an out of region IRWMP – Sacramento Valley, and the Sacramento Valley IRWMP accepted the project. Members of CABY should communicate to the Department of Water Resources that they are opposed to the proposed project because CABY will have no say over the project because it is part of an out of region IRWMP. This would probably stop South Sutter from receiving bond money. He is hoping that the Nevada Irrigation District Board of Directors will take this position or at least give the position some consideration. This would not be a general position, but a position on the specific issue where South Sutter has placed their project which has an impact on Nevada Irrigation District in an area where Nevada Irrigation District will have no vote.

Director Wilcox stated that it is difficult to see what the local benefit would be from this project. He thinks the proper course of action is to hear from South Sutter and see what they have to say.

Mr. Eberhart referenced a document titled the 'South Sutter Water District - Garden Bar Water and Power Project – Updated Prospectus' dated March 2007 and prepared by RMC. This was provided to the water agencies that partnered with South Sutter to conduct a feasibility report. The Prospectus describes the project and the benefits. He stated that a copy of this can be provided to the Board.

President Miller invited those interested in hearing from South Sutter to attend the District's Board of Directors' meeting when South Sutter will be providing the Board with a presentation. Staff will contact interested parties when the date is finalized. He stated that he can say right now that the stance of this Board is not in favor of the project.

June 23, 2010

Mr. Eberhart added that if Nevada Irrigation District is considering raising Rollins, South Sutter would be looking at spill, particularly in wet years. This would be part of their water rights application.

Director Wilcox stated that Nevada Irrigation District actually does hold some cards. The District could petition the State Water Board to declare the Bear River fully appropriated. However, this would limit the District's ability to develop further upstream water.

Pat Malberg, Field Representative for Placer County Supervisor Jennifer Montgomery, stated that Ms. Montgomery and other County Supervisors met about a week ago about the proposed project, and they are very concerned. This is not a good project for Placer County with regard to the Placer County Conservation Plan, etc. She asked that the District keep Placer County informed as to the date a presentation by South Sutter will be made to the District's Board of Directors.

SWAB V. BOMAN – Report of Settlement

Tim Crough, Assistant General Manager, stated that the District was sued by plaintiffs involved in an automobile accident driven by one of the employees of a District contractor. The suit involved the contractor, his employee, the City of Grass Valley and the District. The case has been resolved, and the District has received signed releases from the two plaintiffs. The District was defended by C&D Contractors insurance carrier.

MOUNTAIN COUNTIES WATER RESOURCES ASSOCIATION – Legislative Action Committee

President Miller, Director Weber and the General Manager attended the Mountain Counties Water Resources Association (MCWRA) on June 11. The meeting was well attended with good presentations.

He stated that the Day at the Capitol was rescheduled, and conducted in a different format. In addition, he stated that there was a great deal of discussion on the bond measure facing voters in November.

President Miller stated that he committed the District to host the March 2011 MCWRA meeting. He requested that Tim Crough, Assistant General Manager, be invited to provide the key presentation on the District's Mercury Remediation Project.

President Miller stated that the MCWRA would like to establish a Legislative Action Committee. He reported that he will serve as the primary representative of the District, and the General Manager will serve as the alternate.

Director Weber stated that it is "a great thing" that MCWRA has taken on this advocacy role. There are effective individuals involved. It is important that the District stays very involved.

June 23, 2010

WATER RATES – Citizen Committee

Director Drew stated that he needs to choose someone from his Division to participate on the Water Rates Citizen Committee.

Director Wilcox stated that one of the individuals that he chose (David Gallino) resides in Director Drew's Division.

Director Weber stated that if Director Drew has someone in addition to Mr. Gallino, Director Drew should add that individual's name to the list.

Director Bachman stated that he needs to make a selection also.

PLACER COUNTY AGRICULTURE TOUR

Director Bachman reported that the District contributed \$500 to the Placer County Agriculture Tour. The Tour was very well attended, and the District received recognition for supporting the event.

CLOSED SESSION was declared at 11:19 a.m. pursuant to Government Code Section 54956.8 to confer with real property negotiators: Tim Crough, Jeff Meith, Peggy Davidson and John Kirk; Property: Placer County Assessor's Parcel No. 074-220-062; Parties: Nevada Irrigation District, Wes and Pat Cotton; Negotiation will include price and terms of payment.

CLOSED SESSION was declared at 11:19 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 11:19 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 12:07 p.m.

MEETING ADJOURNED at 12:07 p.m. to reconvene in regular session on July 28, 2010, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.

June 23, 2010

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
