

NEVADA IRRIGATION DISTRICT  
BOARD OF DIRECTORS / JOINT POWERS AUTHORITY

MINUTES

August 24, 2016

The Board of Directors of the Nevada Irrigation District and the Nevada Irrigation District Joint Powers Authority convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 24th day of August 2016 at 9:00 a.m.

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

Staff members present included Rem Scherzinger, General Manager; Marvin V. Davis, Finance Manager/Treasurer; Chip Close, Operations Manager; Brian Powell, Maintenance Manager; Gary King, Engineering Manager; Jana Kolakowski, Human Resources Manager; Andrew McClure, District Counsel; and Lisa Francis Tassone, Board Secretary.

PUBLIC COMMENT – Branstrom

Bob Branstrom, resident of Grass Valley, stated that he has been a regular attendee at District Board meetings. He would like to comment on a topic that was discussed at the last Board meeting – unfunded pension and health care liabilities for District employees. He has attended enough Board meetings to be convinced that the Board and Staff share his desire to run the District in a financially responsible way. He was surprised by the discussion that took place at the last meeting concerning unfunded liabilities. The topic arose during the explanation of accounting changes appearing in the 2015 financial summary. These changes require a substantial financial liability to be transferred from the books of CalPERS to the books of the District. This liability is a result of promises made by the District to its employees for retirement pensions. It was also mentioned that an additional unfunded liability will be required to be transferred to the District's books in 2018, although it is not clear to him what that liability is. He believes it is for retiree health benefits, another area of concern for public agencies. This is a huge issue nationwide involving tens of thousands of public jurisdictions across the country. Although the overall size of the problem is difficult to assess, estimates are

August 24, 2016

in the trillions of dollars. More locally, what he had hoped to hear at the last Board meeting was something like this: We are aware of this obligation and take it seriously. We are currently funding these obligations at a level so that they will not get worse. We have a plan to reduce and eliminate this unfunded liability over 'x' number of years. Mr. Branstrom's surprise and disappointment came from hearing the following staff comments: We do not know why this liability has been transferred from CalPERS to the District, but it may have been done to make CalPERS look better. This is absurd. The liability is based on promises made by the District to its employees, so it is a District liability, not a CalPERS liability. As such, it properly belongs on the District's books, not CalPERS' books. That is why the rule change required the transfer of this liability to the District. Another comment he heard: It is a long term issue. No one is going to call this debt tomorrow. Mr. Branstrom stated that this is passing the buck. If this issue is not dealt with now, it could get worse, saddling the District with an even larger liability in the future. He was equally dismayed by the Board's comments and questions on this issue because they did not get to the heart of the matter. Therefore, he encourages the Board to direct Staff to report on the status of any unfunded liabilities concerning employees' pensions and health benefits. There are at least three key questions that need to be addressed: 1) Is the District adequately funding these liabilities currently so that they do not get bigger? 2) What is the District doing to reduce and eliminate these liabilities? and 3) How long will it take to eliminate these liabilities? The Board owes District employees and the rate payers answers to these questions.

Rem Scherzinger, General Manager, stated that this matter can be placed on the next Board of Directors meeting agenda.

#### MINUTES – July 27, 2016 Regular Meeting

**Approved the minutes of the regular meeting on July 27, 2016, as submitted. M/S/C Drew/Miller, unanimously approved**

#### WARRANTS

**Approved the following warrants: All Fund Nos. 75700 through 76032, inclusive; Payroll Direct Deposit and Warrant Nos. 80378 through 80412 and V11966 through 12505, inclusive; and Wire Transfer/ACH Payment Nos. 900420 through 900456. M/S/C Drew/Miller, unanimously approved**

#### EMPLOYEE RELATIONS – Brady Retirement (Res. No. 2016-29)

**Adopted Resolution 2016-29 (Resolution of Appreciation upon Retirement – Jeff Brady) after 37 years of service to the District. M/S/C Drew/Miller, unanimously approved**

#### POLICY: Administrative Policies – Personnel Files (Res. No. 2016-30)

**Adopted Resolution No. 2016-30 (Establishing Policy for Administration – Personnel Files). M/S/C Drew/Miller, unanimously approved**

August 24, 2016

MONTHLY INVESTMENT TRANSACTION REPORT – July

**Received and filed Monthly Investment Transaction Report for July 2016. M/S/C Drew/Miller, unanimously approved**

CASCADE CROSSING SUBDIVISION WATERLINE EXTENSION PHASE IV (FORMERLY KNOWN AS SADDLE RIDGE ESTATES) – Conveyance Agreement

**Approved Conveyance Agreement with HBT of Saddle Ridge, LLC, for the installation of a portion of approximately 85 feet of 8-inch pipe, 280 feet of 4-inch pipe, one fire hydrant, and all appurtenances to serve Nevada County Assessor's Parcel No. 57-141-95, which will be subdivided into four lots. M/S/C Drew/Miller, unanimously approved**

CENTENNIAL RESERVOIR PROJECT – Estimated Construction Cost of the Dam

Doug Roderick, Senior Engineer, introduced Mike Forest from AECOM. Mr. Forest provided the following presentation on estimated construction costs of the Dam for the Centennial Reservoir Project:

*Purpose and Scope of Cost Estimate Report:*

- Develop conceptual-level cost estimates based on available information (prior to current phase of geotechnical investigation)
  - Dam types and dam axis alignments from Preliminary Geotechnical Investigation Phase II Report – February 2016
- Compare relative costs; provide indication to NID of potential project costs
  - RCC dam and CFR dam at Axis 2 and Axis 6

Mr. Forest reviewed the reservoir plan and dam axis locations and displayed conceptual dam layouts for both types of dams and both axes. He also displayed conceptual construction site layouts.

Director Wilcox stated that historically, older dams like Hoover Dam, etc. are built up in sections out of poured concrete. He asked Mr. Forest to explain the difference between poured concrete, which involves setting cooling tubes, etc. versus roller compacted concrete. He asked if fly ash reduces the cost of the concrete by substituting fly ash for cement.

Mr. Forest stated that fly ash does two things: 1) reduces the cost of concrete and 2) slows down the set up or hydration of concrete, thereby reducing heat. Heat causes cracking. Concrete is poured whereby RCC can be placed with earth moving equipment, and placed in 12-inch thick lifts and compacted with a vibratory compactor. This process is equal in strength and density to concrete.

Director Wilcox asked if RCC is now the preferable method.

Mr. Forest responded affirmatively with regard to gravity dams. RCC is cheaper and faster to place than poured concrete.

Director Wilcox stated that concrete has a finite lifetime, and has a curve that increases with strength for a period of years, and then concrete goes through a natural degradation process whereby the concrete turns to dust. Dams are long term investments. He asked what the life expectancy is of RCC versus a poured concrete dam.

Mr. Forest explained that they would have similar life expectancies. He has not heard that concrete turns into dust. When aggregate mixes with cement and fly ash, the aggregates must be non-reactive. RCC is not exposed, because a layer of concrete is placed over the RCC. Longevity of the Centennial Project should not be an issue.

*Conceptual Construction Schedule Considerations:*

- Variables considered in construction schedules
  - Productivity (depends on crew sizes, equipment spreads, access conditions, etc.)
  - Approaches to sequencing of activities
  - Number of shifts per day and days per work week
- Schedules focused on major activities most likely to influence total construction durations
- Durations of construction estimated for major work activities
  - Based on work quantities and typical productivity rates
  - Productivity rates estimates based on experience
  - Other projects of similar type and magnitude
  - Overall estimated durations consider logical sequence of work activities

*RCC Dam Conceptual Construction Schedule:*

- 2.5 years

*CFR Dam Conceptual Construction Schedule:*

- 4 years

*Basis of Conceptual Estimates:*

- Conceptual level AACE Class 4 Estimate
- Approximate estimate range of accuracy at this level: 30% below to 30% above actual construction cost
- Includes a 30% overall design contingency
  - Part of estimated construction cost – accounts for items that cannot be fully assessed due to conceptual level of current design alternatives
  - Variable line item contingencies:
    - Excavation – 40%
    - Grouting – 40%
    - RCC – 30%
- An experienced cost estimator with construction and hard dollar contract bid experience prepared estimate
- Estimate in 2016 dollars
- Based on “design-bid-build” process

August 24, 2016

- Estimates represent professional opinions of probable construction costs
  - Actual construction costs could vary from these estimates based on many unknown and uncontrollable factors (geotechnical conditions, market conditions, etc.)

*Exclusions from Estimate:*

- Design engineering: 5 to 8%
- Construction management and engineering services during construction: 8 to 10%
- Other potential project costs not directly related to dam construction are excluded:
  - NID's project management and administration costs, reservoir clearing, land acquisition, legal, permitting, environmental review and documentation, and mitigation
- Potential construction cost growth due to change orders is not included in estimate
  - Can amount to 10 to 15% of total construction cost, particularly for projects that involve relatively large geotechnical uncertainty

*Summary of Comparative Conceptual-Level Construction Cost Estimates:*

<b>Dam/Axis</b>	<b>Estimated Construction Cost</b>	<b>Relative Cost</b>
RCC Dam (Axis 2)	\$259 Million	1.00
RCC Dam (Axis 6)	\$284 Million	1.10
CFR Dam (Axis 2)	\$339 Million	1.31
CFR Dam (Axis 6)	\$325 Million	1.25

Director Wilcox asked what the difference is in reservoir storage capacity between Axis 2 and Axis 6.

Mr. Forest stated that Axis 6 would be a smaller reservoir if the same reservoir elevation was kept. If Axis 6 is chosen, the reservoir would be built three feet higher to regain the capacity that would have been lost due to its further upstream location.

*Conceptual-Level Construction Cost Estimate Summary – RCC Dam:*

Cat.	Description	Axis 2		Axis 6	
		Category Total	Category% of Total	Category Total	Category % of Total
A	Mobilization & Site Development	\$23,473,000	9.1%	\$25,368,000	8.9%
B	Diversion & Outlet	\$2,607,000	1.4%	\$3,607,000	1.3%
C	Dam Foundation	\$58,787,000	22.7%	\$53,379,000	18.8%
D	RCC & Facing Concrete	\$153,552,000	59.2%	\$182,234,000	64.1%
E	Spillway	\$10,884,000	4.2%	\$10,723,000	3.8%
F	Outlet & Intake Structures	\$7,775,000	3.0%	\$7,775,000	2.7%
G	Instrumentation & SCADA	\$1,125,000	0.4%	\$1,125,000	0.4%
	<b>Total</b>	<b>\$259,203,000</b>	<b>100%</b>	<b>\$284,210,000</b>	<b>100%</b>

*Conceptual-Level Construction Cost Estimate Summary – CFR Dam:*

Cat.	Description	Axis 2		Axis 6	
		Category Total	Category% of Total	Category Total	Category % of Total
A	Mobilization & Site Development	\$32,075,000	9.5%	\$31,019,000	9.5%
B	Diversion & Outlet	\$59,190,000	17.4%	\$53,070,000	16.3%
C	Dam Foundation	\$51,579,000	15.2%	\$44,094,000	13.6%
D	Embankment	\$44,802,000	13.2%	\$47,363,000	14.6%
E	Concrete Face, Plinth & Parapet	\$46,331,000	13.7%	\$40,752,000	12.5%
F	Spillway	\$96,144,000	28.3%	\$99,672,000	30.6%
G	Outlet & Intake Structures	\$7,775,000	2.3%	\$7,775,000	2.4%
H	Instrumentation & SCADA	\$1,500,000	0.4%	\$1,500,000	0.5%
	<b>Total</b>	<b>\$339,396,000</b>	<b>100%</b>	<b>\$325,245,000</b>	<b>100%</b>

*Next Steps:*

- Complete Phase III of the Geotechnical Engineering Report
- Input to project description in support of the EIR
- Conceptual design stability and hydraulic analyses
- Cost estimate update based on Phase III geotechnical investigation and additional design work
- Conceptual Engineering Report

Mr. Roderick stated that the Cost Estimate Report will be posted to the District's Centennial Reservoir Project website in the next day or so.

President Weber pointed out that this presentation should have been videotaped.

Rem Scherzinger, General Manager, stated that the Cost Estimate Report will be presented at two meetings: one in Nevada County and another in Placer County. One of these presentations will be videotaped and will be available online.

Absent videotaping, Director Wilcox took the liberty to inform Caleb Dardick, Executive Director of SYRCL, of this item on the agenda. Director Wilcox sent Mr. Dardick a copy of the staff report, and suggested that he notify individuals that this matter was on the agenda. In Director Wilcox's opinion, other stakeholders were fully informed of this meeting. Public notification and transparency is important.

Director Drew stated that the Cost Estimate Report was an excellent report and very comprehensive.

POLICY: Administrative Policies – Reserves (Res. No. 2016-31)

Rem Scherzinger, General Manager, presented a recommendation from the Water and Hydroelectric Operations Committee regarding a modification to the Reserves Policy (No. 3040) to establish funds for the District's watershed program. The Watershed Stewardship Reserve was established two years ago in an effort to segregate the watershed monies for the watershed program. A budget is being developed for the program and Neysa King, Watershed Resources Planner, has started working with the District earlier this year.

August 24, 2016

Staff proposes that 100% of timber and biomass sales, aggregate and mining sales, 10% of annual investments, 2% of contract bulk water sales and .5% of hydroelectric sales be committed to the Watershed Program as its sources of revenue. It is estimated that these revenue sources will generate approximately \$244,000 on an annual basis.

Mr. Scherzinger stated that District Counsel is recommending that the policy language in Section 3040.4.6 be amended as follows (changes in *italics*):

This reserve will be funded *with surplus funds, should they be available*, from the sale of timber and biomass extraction (100%), aggregate and mineral mining revenues (100%), annual investments (10%), contract bulk water (2%), and hydroelectric sales (.5%).

President Weber asked Mr. Scherzinger to explain contract bulk water.

He stated that the District recently sold approximately 1,000 AF to Placer County Water Agency (PCWA) as a result of operations on Auburn Ravine. Of the revenue the District generated from that sale, 2% would be placed into the Watershed Stewardship Reserve.

**Adopted Resolution No. 2016-31 (Establishing Policy for Administration – Reserves), as amended. M/S/C Drew/Morebeck, unanimously approved**

#### WATER STORAGE AND CONSERVATION – Update

Rem Scherzinger, General Manager, reported that the District has 219,361 acre feet in storage. The District will be in a carryover position of approximately 160,000 acre feet which will carry the District well into 2017.

Mr. Scherzinger noted that the community has increased water usage. High usage letters have been sent to customers reminding them to conserve.

#### NEWTOWN CANAL REALIGNMENT PROJECT – Update

Rem Scherzinger, General Manager, reported that progress is being made on the Newtown Canal Realignment Project. The County will be completing most of the overlay on Newtown Road after the District's Project is complete.

#### E. GEORGE TO CASCADE SHORES TRANSMISSION MAIN PROJECT – Update

Rem Scherzinger, General Manager, reported that the Project has reached Pasquale Road and will start heading down to E. George Water Treatment Plant.

August 24, 2016

### CASCADE SHORES PIPELINE PROJECT PHASE V – Update

Rem Scherzinger, General Manager, reported that Phase V is nearly complete. Meters will be read by cellular read. Approximately 35,000 feet of pipe has been installed in five phases, in addition to the installation of fire hydrants. This Project will be connected to the E. George system. He is proposing that the District meet with neighborhood associations to celebrate the completion of the Project. He would also like to have Neysa King, Watershed Resources Planner, involved to discuss the Cascade Shores biomass project and the forestry work that will be done in the area.

President Weber pointed out that there are two neighborhood associations: Friends of Banner Mountain and Cascade Shores Neighborhood Association.

### CONESTOGA / LODESTAR – Bids

Rem Scherzinger, General Manager, announced that bids will be opened for the Conestoga / Lodestar Project on August 25, 2016.

Director Miller thanked the Board for supporting the Backbone Extension Program (BEP).

### SIPHON LANE PUMP STATION – Update

Rem Scherzinger, General Manager, reported that the District is working with the contractor on performance specifications.

### WEST COAST HYDRO USERS GROUP – Meeting

Rem Scherzinger, General Manager, reported that the District hosted the West Coast Hydro Users Group in Grass Valley. The hydro entities met to share information and to make new contacts. He was impressed with the level of professionalism in the room and the level of staff.

### COSUMNES, AMERICAN, BEAR AND YUBA (CABY) – Joint Powers Authority

Rem Scherzinger, General Manager, reported the CABY Regional Water Management Plan Group has voted itself into non-existence. The JPA is now formed. A special meeting was held last week to appoint the Coordinating Committee member (Neysa King), and to set up an ad hoc committee to discuss the selection of a facilitator for the JPA. Another ad hoc committee was set up to discuss stakeholder interaction.

Mr. Scherzinger stated that the Department of Water Resources is in the process of making \$1.6 million available for Disadvantaged Communities (DAC) Assessments within the Mountain County region. There are about 10 Integrated Regional Water Management Plan Groups within the region. All of them must agree on one proposal, and the proposal will then be submitted to the Department of Water Resources.

Director Morebeck stated that he also attended the CABY JPA special meeting.

August 24, 2016

President Weber stated that CABY is a regional water planning group and they bring money into the area and to the District. There are DACs such as Washington, Camptonville, etc., that are underserved that do not have the resources to apply for grant money. However, through CABY, Camptonville was able to receive grant money. There is an emphasis at the Department of Water Resources level to serve underserved communities. A study is needed for DACs in the area, and at this time, there are two competing organizations that would like to do the study – Mountain Counties Water Resources Association and a group affiliated with CABY. She noted that it will be difficult to serve the underserved areas, but it is important to conduct a comprehensive study as a strong beginning. She is supportive of the CABY effort to complete a quality study.

Mr. Scherzinger stated that CABY could possibly utilize the Sierra Stream Institute to conduct the DAC Assessment. Additionally, El Dorado County Water Agency has offered to be the funding source and the applicant.

#### ASSISTANT GENERAL MANAGER – Recruitment

Rem Scherzinger, General Manager, announced that preparations are being made to recruit for the Assistant General Manager position. Tim Crough's last day will be November 4, 2016.

#### NEVADA COUNTY FAIR – Raffle Prize Winners

Rem Scherzinger, General Manager, stated that the District's fair booth was a success. Mr. Scherzinger announced the raffle prize winners for the kayak and season passes:

<u>Kayak</u>	<i>Corrine Parker</i>
<u>Season Pass</u>	<i>Lorin Groscup</i>
	<i>Carissa French</i>
	<i>Christina Anderson</i>
	<i>Diane Gibbons</i>
	<i>Matt Buono</i>

#### CENTENNIAL RESERVOIR PROJECT – Presentations

Rem Scherzinger, General Manager, reported that he provided a presentation on the Centennial Reservoir Project to the Sons of Retirement in Lake of the Pines, and to the Nevada County Economic Resource Council.

#### BUDGET PREPARATION – 2017

Rem Scherzinger, General Manager, reported that department budgets have been reviewed by District Committees. The full budget will be presented to the Board of Directors on November 9, 2016.

August 24, 2016

STATE WATER RESOURCES CONTROL BOARD (SWRCB) – Update on Meeting

Director Wilcox stated that he and Doug Roderick, Senior Engineer, attended a meeting with the SWRCB on August 15, 2016. Apparently, SWRCB has received a number of requests that the SWRCB proceed with the public notice of water rights application No. 5633 for the Centennial Reservoir Project.

Over a year ago, Director Wilcox and Rem Scherzinger, General Manager, met with the SWRCB and had come to an agreement that the public notice of application would be delayed until such time as the Draft Environmental Impact Report (DEIR) was released. The DEIR will address many of the issues that might be raised in protest to the water rights application. As part of the agreement, the District would provide to the SWRCB, as a courtesy, a copy of the DEIR. When the SWRCB notices an application, a time clock is started in which parties can file formal protests against the application. Normally, those protests are based on water right infringement issues, but they can also be environmental issues, etc.

Last week, the SWRCB had no recollection of the agreement that was reached a year ago. The SWRCB stated that they will notice the application as quickly as possible.

Director Wilcox informed the SWRCB that if the SWRCB does proceed with issuing the notice, the District will not respond to the protests until such time as the environmental document has been released. He feels that the SWRCB has grossly violated the trust that the District had with the SWRCB. He is not inclined to agree to provide the SWRCB with a copy of the administrative draft EIR.

Mr. Scherzinger stated that the District has received the draft notice from the SWRCB. Staff is in the process of amending the notice. It is important to understand that this is a filing against a standing right, not a filing to acquire a right. Any protest that comes forward is a protest against assignment.

Mr. Scherzinger is concerned because the District is currently negotiating with South Sutter Water District to develop a Memorandum of Understanding for the operation of the Camp Far West facility in relation to the Centennial Project. The action by the SWRCB is a bit disruptive to these negotiations. South Sutter Water District is going to have to develop its own protest and negotiate with the District at the same time. He anticipates that the protest will be withdrawn once the water rights notice process is completed.

Director Wilcox admitted that he was not happy with the way the meeting went. He felt that he walked into a room where a decision had already been made. It was a very difficult situation. He shared with the Board that once the DEIR is released and all of the protests have been received, the District will, in all likelihood, move to hearing before the SWRCB and not negotiate with parties who may or may not be negotiating in good faith. When there is assignment of a State filing at issue, the Water Code requires that the SWRCB hold a hearing on the matter.

August 24, 2016

NEVADA COUNTY CITIZENS ACADEMY

Director Wilcox reported that he applied for and was accepted into the Nevada County Citizens Academy. The Academy will take place over the next 10 to 12 weeks.

ELECTION – Morebeck

Director Morebeck announced that he is running for election this November. He has three opponents.

WOLF CREEK ALLIANCE – Meeting

Director Miller reported that he and Rem Scherzinger, General Manager, will be meeting with the Wolf Creek Alliance on an environmental issue. South Wolf Creek has gone dry, so the intent of the meeting is to come up with a solution.

REPUBLICAN BBQ

Director Miller attended the Republican BBQ. Many of the attendees support the District's proposed Centennial Reservoir Project.

CLOSED SESSION was declared at 10:44 a.m. pursuant to Government Code Section 54956.8 to confer with Real Property Negotiators; Property – Centennial Reservoir Project Mitigation Parcels; Agency Negotiator – Rem Scherzinger, General Manager; Negotiating Parties – Bear Yuba Land Trust and Placer Land Trust; Under Negotiation – Price and terms of payment.

CLOSED SESSION was declared at 10:44 a.m. pursuant to Government Code Section 54957: Public Employee Performance Evaluation – General Manager.

MEETING RECONVENED in regular session at 12:30 p.m.

GENERAL MANAGER – Performance Evaluation and Salary Increase

**Authorized President to execute the General Manager's Performance Evaluation and the associated Personnel Action Form. M/S/C Drew/Morebeck, unanimously approved**

**Approved salary increase for the General Manager in the amount of five percent. M/S/C Drew/Morebeck, unanimously approved**

MEETING ADJOURNED at 12:31 p.m. to reconvene in regular session on September 14, 2016, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.

August 24, 2016

*John Francis Tassone*  
Board Secretary

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

*Nancy V. Wilcox*  
Director  
Division I

*[Signature]*  
Division II

*[Signature]*  
Division III

*[Signature]*  
Division IV

*Nick Wilcox*  
Division V