

Manteca, California  
January 11, 2005

The Board of Directors of the South San Joaquin Irrigation District met in regular session in their chambers at the hour of 9:00 a.m.

Upon roll call the following members were noted present:

DIRECTORS:        DEGROOT        KAMPER        SCHULZ        ROOS        KUIL

Also present were Secretary/Manager Stroud, District Counsel Emrick, District Engineer Gilton, Utility Systems Director Shields, and Water Treatment System Manager Hubkey.

President Schulz called the meeting to order and asked the Board to consider approving the Consent Calendar Items as presented:

- A.    SSJID Warrants of \$4,840,236.64, and Payrolls of \$175,627.42.
- B.    Regular Board Meeting Minutes of December 14, 2004.

Motion by Kamper, seconded by Roos, to approve the Consent Calendar Items as presented.

PASSED AND ADOPTED this 11<sup>th</sup> day of January 2005 by the following roll call vote:

Ayes:            DeGroot        Kamper        Schulz        Roos        Kuil  
Noes:            None

President Schulz called for Public Comment: Mike Silva, Mitchell Engineering addressed the Board. He presented his case for the release of more funds. District Counsel Emrick informed Mr. Silva that he needed to deal with Black & Veatch. President Schulz thanked him for his time.

President Schulz asked General Manager Stroud to give the Oath of Office to Directors DeGroot, Kamper, and Kuil.

President Schulz called for election of officers. Motion by DeGroot, seconded by Kamper, and unanimously carried, to elect Director Roos as the Board President.

Motion by Kamper, seconded by DeGroot, and unanimously carried, to elect Director Kuil as Vice President.

Motion by Kamper, seconded by Kuil, and unanimously carried, to elect General Manager Stroud as Secretary.

Motion by Roos, seconded by DeGroot, and unanimously carried, to elect Assistant General Manager Stein as Assistant Secretary, Assessor, Collector, and Treasurer.

President Roos made the following committee assignments:

- 1)    TRI-DAM PROJECT & TRI-DAM POWER AUTHORITY  
      Directors DeGroot & Schulz (alternate Kuil)
- 2)    BUDGET & FINANCIAL: Directors Kamper & Roos
- 3)    INSURANCE & SAFETY: Director Kuil (alternate Manager Stroud)
- 4)    PERSONNEL: Director Kuil & Schulz (alternate Kamper)
- 5)    EQUIPMENT: Directors Kuil & Kamper
- 6)    COMMUNITY RELATIONS:  
      Manteca - Directors DeGroot & Kuil

Ripon - Directors Kamper & Roos  
Escalon - Directors Schulz & Kamper

San Joaquin County Flood Control & Water Conservation  
District Advisory Water Commission (County Appointment)  
-Director Kamper (Alternate Director DeGroot)

- 7) SPECIAL COMMITTEES:  
Delta Tributary Agencies Committee—eliminated no longer active  
Domestic Water Issues - Directors DeGroot & Kuil  
Agricultural Water Issues - Directors Schulz & Kamper  
San Joaquin River Management Group Authority - Director Roos (alternate Kamper)
- 8) ACWA COMMITTEES:  
Water Management, Water Reclamation, Environmental, & Reuse  
-Directors DeGroot & Kuil
- Water Quality-Manager Stroud (alternate District Engineer Gilton)

Adopt Resolution 05-010F, SSJID Investment Policy. Motion by Kuil, seconded by Schulz, to adopt Resolution No. 05-01-F, Investment Policy as submitted.

**RESOLUTION NO. 05-01-F  
SOUTH SAN JOAQUIN IRRIGATION DISTRICT  
INVESTMENT POLICY**

**I.** Statement of Purpose:

This Policy is to provide direction for the investments of funds which are directly managed by the District and establish reporting procedures for all investments for oversight review. The District treasurer is delegated the responsibility to invest and reinvest District funds and to sell or exchange District securities and to make periodic reports to the Board of Directors in accordance with this Investment Policy.

**II.** Investment Objectives:

The following are the objectives of the District's investment policy, in order of priority:

**A.** **A.** The primary investment objective is safety: It is the primary duty and responsibility of all persons directing investments to protect, preserve and maintain the principal from any loss by mitigating the two types of risk: credit risk and market risk.

**B.** **B.** The secondary investment objective is liquidity: An adequate amount will be maintained in liquid short terms securities which can be converted to cash as necessary to meet disbursement requirements.

**C.** The third investment objective is yield: Yield will be considered only after the ~~basic requirements of safety and liquidity have~~ been met.

**III.** Delegation of Authority and Investment Guidelines and Restrictions:

**A.** **A.** District's funds shall be managed in a manner consistent with this Policy.

**B.** The Treasurer is delegated the authority to invest or to reinvest the District's funds and to sell or exchange securities in accordance with this Policy until the delegation of authority is revoked or expires.

**C.** General Guidelines:

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1. The Treasurer will develop and maintain a cash flow analysis for the projection of needed funds.

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2. The Treasurer ~~is authorized to shall~~ invest that portion of or all of the District's funds not required for immediate use in the Local Agency Investment Fund (LAIF) and the investments authorized in this accordance with State law and this Policy subject to such limitations as may be imposed by the Finance Committee or the Board of Directors. ~~—The Treasurer is authorized to utilize Crocker Securities LLC, or such other licensed investment advisor as may be authorized by the Finance Committee or the Board of Directors, to invest the District's funds not required for immediate use.~~

~~3.~~ 3. ~~the Local Agency Investment Fund (LAIF) as may be directed by the District's Finance Committee or its Board of Directors.~~

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When banking transactions involve sums of money greater than \$100,000, the Treasurer shall take such steps to insure the depository bank maintains sufficient securities for the deposits as set forth in California Government Code section 53652. It is intended that bank deposits and balances in excess of \$100,000 are for short duration, e.g. 2 to 3 days before disbursements or transfers out are made.

D.

The following additional guidelines and restrictions shall be followed by the Treasurer when making investments:

1. All funds invested on behalf of the District will be managed to meet the requirements in California Code Section 53600 et seq., and this Policy.

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2. The legal, final maturity of any single security within the portfolio will not exceed 5 years at purchase, with maturities laddered to protect against market swings.

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3. The Weighted Average Life of the portfolio will not exceed 3 years.

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E. The following are permitted investments:

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1. Bonds issued by the ~~District local agency~~, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the ~~District local agency~~ or by a department, board, agency, or authority of the ~~District local agency~~.

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2. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

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3. Registered state warrants or treasury notes or bonds of the ~~State of California~~ is state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the ~~S~~state.

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4. Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this ~~S~~state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

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5. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully

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guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

6. Corporate obligations, including corporate debentures and medium term notes, must be rated ~~A~~ or its equivalent or better by a nationally recognized rating service and no more than 30% of the portfolio will be invested in this sector at any one time.

7. The Treasurer may place District funds in negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a state licensed branch of a foreign bank subject to the following provisions:

a). ~~a)~~ The Treasurer shall obtain a sampling of interest rates offered by the various banking, credit union, and savings associations within California, and provide a written record of the interest rates offered and provide copies to members of the Finance Committee. Said records will contain such additional information as required by the Finance Committee. Except as provided herein, the Treasurer shall not poll an institution if the District has reached the limit for investment within same pursuant to District policy and current guidelines. An institution containing the maximum amount permitted by policy may be polled relative to its interest rates if the District monies which are coming due and subject to reinvestment are within the same calendar year.

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b). ~~b).~~ The Treasurer shall select banks, credit unions, and savings associations.

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c). The following additional deposit limitations shall apply:

(1) Deposits in negotiable certificates of deposits shall be subject to the limitations in Section 53638 of the California government Code, and to the additional restrictions set forth below.

(2) Treasurer shall limit deposits to \$100,000 in any bank, credit union, or savings association with a net worth to net an asset ratio of less than 3% during the most recently reported quarter.

(3) The treasurer shall limit deposits to \$300,000 in all banks, credit unions, and savings associations having a net worth to net an asset ratio higher than 3.0% and experiencing a positive earning record.

(4) ~~(4)~~ No more than 30% of the District's surplus funds shall be invested in Certificates of Deposit.

d). ~~d)~~ The depository institution shall maintain sufficient securities for the deposits as set forth in California Government Code Section 53652. Pursuant to Section 53653 of the Local Agency Deposit Security Law, the Treasurer may waive security for such funds as are insured pursuant to Federal Law.

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e). The Treasurer may not invest in deposits issued by a State or Federal credit union in which a Board member, the Treasurer or any other person with investment authority, serves on the board of directors, any committee appointed by the board of directors, the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

8. ~~8.~~ Purchases of Bankers Acceptances may not exceed 180 days maturity or 40% of the Districts surplus money. Further, no more than 30% of the

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District's surplus funds shall be invested in Bankers Acceptances of any commercial bank.

9. Purchases of prime quality commercial paper from eligible issuers as authorized by Section 53601(g) may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Further, purchases of commercial paper may not exceed 15% of the District's surplus money being invested.

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10. The District's Finance Committee may authorize the Treasurer to invest in:

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a). mortgage-backed bonds and other collateralized obligations as provided in and subject to the provisions in Section 53601(n) and subject to the following additional limitations:

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<u>G.N.M.A.</u>	50% of the total dollar amount permitted.
<u>F.N.M.A.</u>	20% of the total dollar amount permitted.
<u>F.L.B.</u>	50% of the total dollar amount permitted.
<u>F.F.C.B.</u>	50% of the total dollar amount permitted.
<u>OTHERS</u>	10% of the total dollar amount permitted.

Investment in these obligations shall not exceed 10% of the District's portfolio excluding the amount invested in LAIF.

The Treasurer may on a case-by-case basis as authorized by the District's Finance make investments with fluid maturity dates to permit managed G.N.M.A. Funds.

b). Repurchase Agreements on a case-by-case basis subject to provisions of Section 53601(i). In addition, the dollar value of Repurchase agreements amounts as may be invested in the LAIF account. Further investments of this nature shall not exceed \$500,000 in one institution or placed through one brokerage firm. During emergency situations this amount may be temporarily exceeded for up to seven days by the Treasurer.

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F. The Portfolio Performance Manager will provide to the Treasurer:

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1. On at least a quarterly basis, the results of the portfolio performance. Investment performance to be measured against a commonly accepted market benchmark which approximates the specific restrictions on the portfolio. Consideration will be given to the extent to which the investment results are consistent with the investment objectives set forth in this policy.

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2. On a monthly basis a report with at least the following information:

<u>a.</u>	- Description of investment
<u>b.</u>	- Date purchased
<u>c.</u>	- Maturity date
<u>d.</u>	- Amount of investment on a cost and on a current market basis
<u>e.</u>	- Coupon rate
<u>f.</u>	- Yield to Maturity at Purchase
<u>g.</u>	- A statement that all investments are in accordance with this Policy

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G. The District's Finance Supervisor is empowered to transfer monies and make investments on behalf of the District in the absence, or at the direction, of the Treasurer subject to the limitations in these guidelines.

#### IV. Reporting Requirements

~~A.~~ A. The Treasurer shall submit to the Board of Directors on a monthly basis a report of the District's monthly investment transactions pursuant to Government Code §53607.

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~~B.~~ B. The Treasurer shall prepare periodic reports (at least quarterly) for the General Manager and Board of Directors reflecting the details of investments, returns and balances. Supplemental or more frequent reports as requested by the Board or as determined by the General Manager or Treasurer will be prepared.

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~~C.~~ C. The Treasurer shall annually render to the Board of Directors a statement of investment policy, which the Board shall consider at a public meeting. Any changes in the policy shall also be considered by the Board at a public meeting.

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~~D.~~ D. On an annual basis the Treasurer will instruct the District's Auditor to perform a review of California Law and prepare a written report of all changes in the law for examination by the District's Finance Committee. Said reports shall contain the Auditor's recommendation for adoption of new investments, and shall be preceded with a brief summary relative to the effect of recent changes in Federal and State laws upon the District's Investment Policies, Objectives, Guidelines and Restrictions.

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PASSED AND ADOPTED this 11th day of January 2005 by the following roll call vote:

Ayes: DeGroot      Kamper      Schulz      Roos      Kuil  
Noes: None

~~ATTEST:~~ Discussion and possible action concerning insurance coverage for the Water Treatment Plant. Dave Ward, Inter West Insurance Services, Inc., addressed the Board. Mr. Ward recommended adding coverage to the District's existing policy, not buying coverage separately. Going with a \$25,000 property deductible and \$5,000 liability deductible; if we want to increase the deductibles later, we can. Estimates are based on \$5,000,000 annual revenue, \$800,000 payroll, \$60,000,000 pipelines and \$30,000,000 plant. He made the following recommendations:

1. Self insure underground portions of pipeline, but consider a separate sub-limit policy for flood and quake over a large deductible.
2. Increase our current total liability limit from \$11,000,000 to at least \$20,000,000.
3. Ultimately use a much higher property deductible.

Mr. Ward estimated the cost for the policy as follows:

Property	
\$30,000,000 Buildings, Equipment, Above Ground Pipelines,	
Business Interruption Insurance, \$2,500,000 at \$0.12 per \$1000 value.	\$ 36,000
\$5,000,000 sub limit for quake and flood @ 5% Deductible.	\$ 40,000.
Excess Mechanical Breakdown (Boiler & Machinery).	\$ 5,000
\$60,000,000 pipeline with \$2,000,000 sub limit for quake and flood.	
Self insure for fire and special perils.	\$ 30,000
Sub Total	<b>\$111, 000</b>
Commercial Liability:	
\$1,000,000 per occurrence	
Public Officials Liability – included @ \$1,000,000	
Employment Practices – Included @ \$100,000.	\$ 35,000
Sub Total	<b>\$ 35,000</b>
Automobiles	
Six autos, \$1,500 each	\$ 9,000
Sub Total	<b>\$ 9,000</b>
Excess Liability	
\$10,000,000 Excess (Treatment Plant Operations)	\$ 15,000
\$10,000,000 Excess (All Operations)	\$ 20,000

Sub Total		<b>\$ 35,000</b>
Terrorism (Estimate)	Sub Total	<b>\$ 5,000</b>
	<u>Total</u>	<b>\$ 195,000</b>

It was the consensus of the Board, after the discussion of Mr. Ward's presentation, to review the recommended coverage and estimated premium with the cities, and if any changes are desired to take them to the Insurance Committee (Kuil & Stroud) for approval. No action was taken.

Approved job specifications for the Water Treatment Plant positions. Bill Hubkey, Water Treatment Manager, addressed the Board. Told the Board the hiring of employees was moving along, that we were set to make offers to two candidates. After discussion it was moved by Kuil, seconded by DeGroot, and unanimously carried to, approve job descriptions for the following positions: Water Treatment Manager, Water Plant Operator I/II, Electrician Technician I/II, Mechanical Technician I/II, and Instrument/Control Technician.

Approve contract amendment with Nolte & Associates and authorize the General Manager to execute same. Gilton said we need to be able to accurately locate our facilities when we have USA requests. He said the information will go on our base map with our current irrigation facilities. Cost is \$26,128.00. Motion by Schulz, seconded by Kamper, and unanimously carried, to approve the contract and authorize execution of same with Nolte & Associates, not to exceed \$26,128.00.

President Roos called for closed session relative to litigation matters as follows: General Counsel Emrick reported the Board will be discussing items a through c.

- a) Conference with legal counsel, existing litigation, Gov. Code, S. 54956.9. Two Cases: Delta keeker v SSJID, Delta Keeper v OID.
- b) Conference with legal counsel, anticipated litigation, initiation of litigation. Gov. Code S. 54956.9. One Case
- c) Conference with legal counsel, anticipated litigation, significant exposure to litigation. Gov. Code S. 54956.9. One Case.

Upon returning from closed session General Counsel Emrick reported no reportable action was taken in closed session.

Utility Systems Manager Shields reported to the Board:

-Tri-Dam Contracts with PG&E were filed with the CPUC, and the interconnection agreement with PG&E was filed with FERC.

-CPUC Rate Hearings are scheduled for January 19, 2005.

-CMUA Membership is \$2,175. Said he may ask to join later.

-Annual Safety Employee Recognition Dinner is scheduled for February 19, 2005.

-Said he assumed Board members received the flyer PG&E sent out. We will have a response soon, so the community will hear the rest of the story.

Consider approving Agreement to Terminate Irrigation Service Abandonment Agreement #118, APN 229-050-29. Motion by Schulz, seconded by Kamper, and unanimously carried, to approve as requested.

Discussion relative to fee adjustments for Directors. It was the Consensus of the Board to move forward with raising the fees. Limit in notices to \$1,000 per month, with final decision as to additional amount, if any, to be decided following the public hearing. No action was taken.

President Roos called for closed session relative to personnel matters. General Counsel Emrick reported item d will be discussed.

d. Public Employee Performance Evaluation, Gov. Code, S. 54957. Title: Assistant General Manager.

Board returned from closed session and President Roos asked for action relative to the Assistant General Manager's compensation. Motion by Schulz, seconded by DeGroot, and unanimously carried, that effective, at the start of the next payroll period (January 16, 2005), the Assistant General Manager's salary will be increased by 8%.

General Manager's report, Stroud reported the following:

Reported that the temporary road crossing (River Road & Victory) over the MDC collapsed and the road is closed. The County's contractor remains committed to completion before the 2005 irrigation season begins.

OID will be her January 14<sup>th</sup> at noon to talk about their Integrated Water Resources plan.

Wished a happy birthday to Directors Schulz and DeGroot who have birthdays on January 16<sup>th</sup>.

The City of Escalon invited us to give a presentation at their council meeting on January 17, 2005 relative to SSJID's status on exploring retail power.

ACWA Region IV will meet on January 18<sup>th</sup> for ACWA Water Plan.

February 14<sup>th</sup> the Regional Board Ag Waiver Committee will have a meeting at Harvest Hall on Cornucopia Way in Modesto.

Steve Kisler, who we purchased the land from for the Water Treatment Plant on Dodds Road, has asked for a long-term lease. We will return to the Board when we have completed negotiating with him.

Directors Reports:

Roos reported he attended a AG Waiver seminar. Gave a copy of the program.

Roos asked the District to purchase a gavel with the dates Bob Schulz served as President.

Kuil reported that the education committee will meet Monday, January 17<sup>th</sup> at 7:00 a.m.

There being no further business to discuss, it was moved by Kuil, seconded by DeGroot, and unanimously carried, to adjourn to January 25, 2005 at 9:00 a.m.

ATTEST:

Assistant Secretary, John Stein