

Manteca, California
January 13, 2004

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, and Engineering Department Supervisor Bologna.

President Schulz called the meeting to order and asked for public comment. There being none he asked the Board to consider approving the Consent Calendar Items as presented.

CONSENT CALENDAR

- A. Approval of SSJID warrants of \$3,623,882.63, and payrolls of \$159,774.36.
- B. Approval of Regular Adjourned Board Meeting Minutes of December 23, 2003.

Motion by DeGroot, seconded by Kuil, to approve the Consent Calendar Items as presented.

PASSED AND ADOPTED this 13th day of January 2004 by the following roll call vote:

Ayes:	DeGroot	Kamper	Schulz	Roos	Kuil
Noes:	None				

Annual review of committee assignments. President Schulz said unless there were any objections he would leave the assignments as is. The Board concurred. No action was taken.

Consider awarding a bid for debris cleanup 2003/2004, and authorize the General Manager to sign appropriate documents. Gilton told the Board we have a mixture of concrete rubble and soil at both River Road and here at the yard. We requested proposals to grind up the concrete rubble into usable road base material, approximately 4,000 tons. We sent proposals to three companies, one submitted a bid. Jim Brisco Enterprises, Inc. submitted a bid of \$29,370.00. Gilton recommends the Board approve as requested.

Motion by Kamper, seconded by DeGroot, and unanimously carried, to accept the bid of Jim Brisco Enterprises, and to authorize the General Manager to execute the necessary documents.

Consider approving Resolution No. 04-01-F, Investment Policy. Emrick told the Board they are required to authorize the Treasurer to invest public funds annually. This resolution does this. Additionally, we have to review changes in the law, and comply with them. In 2003 there were

changes that required more restrictive investing. However, our policy is already in compliance without making changes. He recommended approval.

Motion by Roos, seconded by Kuil, to adopt Resolution No. 04-01-F.

RESOLUTION NO. 04-01-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. 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. 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. 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 so purchases in accordance with this Policy until the delegation of authority is revoked or expires.
- C. General Guidelines:
 - 1. The Treasurer will develop and maintain a cash flow analysis for the projection of needed funds.

2. The Treasurer shall invest that portion of or all of the District's funds not required for immediate use in the Local Agency Investment Fund (LAIF) as may be directed by the District's Finance Committee or its Board of Directors.
 3. 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.
 4. The Treasurer is authorized to utilize Crocker Securities LLC, or such other licensed investment advisors, as may be authorized by the Finance Committee or the Board of Directors, to invest the District's funds not required for immediate use.
- D. The following additional guidelines and restrictions shall be followed by the Treasurer when making investments other than in LAIF:
1. All funds invested on behalf of the District will be managed to meet the guidelines stated in California Code Section 53600 et seq., and this Policy.
 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.
 3. The Weighted Average Life of the portfolio will not exceed 3 years.
 4. 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.
 5. 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. 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.

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

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

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.

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.

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

G.N.M.A. 50% of the total dollar amount permitted.
F.N.M.A. 20% of the total dollar amount permitted.
F.L.B. 50% of the total dollar amount permitted.
F.F.C.B. 50% of the total dollar amount permitted.
OTHERS 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.

7. On a case-by-case basis as authorized by the Finance Committee the Treasurer may invest in Repurchase Agreements 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.
8. Purchases of Bankers Acceptances may not exceed 180 days maturity or 40% of the District's surplus money. Further, no more than 30% of the 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.
10. The Portfolio Performance Manager will provide to the Treasurer:
 - a. 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.
 - b. On a monthly basis a report with at least the following information:

(1) Description of investment

- (2) Date purchased
- (3) Maturity date
- (4) Amount of investment on a cost and on a current market basis
- (5) Coupon rate
- (6) Yield to Maturity at Purchase
- (7) A statement that all investments are in accordance with this Policy

- E. 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. 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.
- 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.
- 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.
- 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.

PASSED AND ADOPTED this 13th day of January 2004 by the following roll call vote:

Ayes:	DeGroot	Kamper	Schulz	Roos	Kuil
Noes:	None				

Discussion of issues and policies related to extension of service and/or restoration of service. Stroud said we have had two requests for service. Both pay their water charges now and have in the past. One has not taken water for many years. The other took water until the line to his property collapsed approximately two years ago. The Board does not have a policy for District

expenditure of funds in these situations and needs to decide if they adopt a policy that would provide for extending service to these properties. After discussion, and input from members of the audience, it was the consensus of the Board to have Directors Kamper and Kuil, along with the General Manger, come up with a recommendation to the full Board. No action was taken.

Discussion of proposals and possible action on mapping Woodward Reservoir. Gilton said we obtained three bids with two options. Option 1 was to do a "one foot contour interval mapping, and option 2 was for a 2 foot contour interval mapping. He said the current contour mapping we use was done in 1912, with a 5 foot contour. Stroud said with the reservoir dry for another 5 weeks or so, this is the time to do the mapping. He said this will give us better accuracy, and we may be able to use the information to increase the storage and capacity later. Increasing the capacity would give us more flexibility in providing water should we have a problem with the Joint and/or Main Supply Canals. Stroud and Gilton recommend using the 1 foot contour because it provides a greater degree of accuracy. The bids were as follows: Option 1, low bid was \$93,900 from Thompson-Hysell Engineers. Option 2, low bid was from Thompson-Hysell for \$37,700. KSN and Quartaroli & Associates were the other two bidders.

Motion by Kamper, seconded by DeGroot, and unanimously carried, to accept the proposal of Thompson-Hysell on Option 1, at a cost not to exceed \$93,900, and to authorize the General Manager to execute the necessary documents.

Consider authorizing the General Manager to submit application to San Joaquin County for Environmental Review. Stroud said the lead agency on CEQA for Irrigation District entering into the business is the County. He said Russell and Associates have completed the study and he recommends sending it to the county along with a fee of \$2,305. Additional processing fees may be due, but cannot be determined until the County reviews the submittal.

Motion by DeGroot, seconded by Kamper, and unanimously carried, to authorize the General Manager to submit the application to the County as requested.

President Schulz asked for General Manager's report:

Stroud reported the following:

The Lateral "K" project in Escalon was replaced with defective pipe; it will be redone by the developer.

Water Rights Fees, which were approved by the legislature in December 2003, are now due and payable. A lawsuit has been filed. We could join the lawsuit, but believe, paying the fees under protest will give us more leverage when pressing the State Board to revamp the fees to closely reflect the cost of service.

State Budget Cuts: The ERAF Shift in 1992 by then Governor Wilson, took approximately \$300,000 of our prop 13 funds. The new cuts announced by the current Governor Schwarzenegger will take either 25% of the \$300,000 or 25% of the amount due us, which is

approximately \$2,400,000. Thus we could lose either \$75,000 or \$600,000 depending on how the shift is calculated.

Cal Fed was cut by 2.4 million dollars, left with only a budget of \$900,000.

Mike Prater, Division Manager on Division 4, announced he will retire effective March 4, 2004. Mark Chase and Alfred Lopez are both still off with injuries.

On January 22, 2004 a hearing on the revised draft Ag Waiver will be held. It is still risky for a public agency to join a coalition, but we continue to support the San Joaquin Coalition through the steering committee. Coalition will have 6 months to get their membership lists together.

Work on the Ram Pump is progressing well. We will be installing the pump and mounting the plate next week if weather permits.

On the Treatment Plant Project, thus far executed change orders have amounted to \$313,000, or 3/10 of 1% of the contract amount. Some additional changes are being considered.

Interviews for the Water Treatment Plant Superintendent will be held tomorrow.

Tri-Dam meeting is Thursday, January 15, 2004 in Oakdale.

Photos of the Joint Main Canal showed some potential future problems. We will examine each closely and make a decision as to which we will repair now and which can wait until next year.

With regard to the Retail Electric Utility, Stroud reported PG&E representative Jim Johnson advised that PG&E will provide information on their "direct access" proposal by the end of January. Their computer folks have been busy on other matters for months, but recently started their analysis.

President Schulz announced the Board will go into closed session relative to litigation matters. District Counsel Emrick announced the Board will discuss items a) and d) in closed session.

a) Conference with legal counsel, existing litigation. Gov. Code, S. 54956.9

- 1) Delta Keeper vs. OID
- 2) Sierra Club et al vs. SSJID
- 3) Chevron Texaco vs SSJID
- 4) SSJID vs Laro Coal & Iron-California, Inc.
- 5) SSJID vs Ronald Leachman.

d) Conference with legal counsel, anticipated litigation, initiation of litigation. Gov. Code, S. 54956.9. 1 Case

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

There being no further business to come before the Board, it was moved by Roos, seconded by Kuil, and unanimously carried, to adjourn to January 27, 2003 at 9:00 a.m.

ATTEST:

John Stein, Assistant Secretary