

Manteca, California
March 14, 2006

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 ROOS SCHULZ KUIL

Also present were Secretary/Manager Stroud, District Counsel Emrick, District Engineer Gilton, Water Treatment Manager Hubkey, WTP Operations Supervisor Hartman, and Utilities Department Director Shields.

President Roos called the meeting to order and asked for public comment:

Dan Geis, of Ag Energy Consumers Association (AECA) addressed the Board. He said the Board of Directors of AECA took the position to support South San Joaquin Irrigation District going into the Retail Energy Business. Geis said AECA supports public power. That PG&E charges close to the highest electricity rates in the nation. In the valley, they are the highest. Yet they just implemented an 8% increase, are asking for a 5.6% by the end of the year, and have already asked for a 17% increase in 2007. Geis said AECA will submit a letter of support to San Joaquin County LAFCO and any other business or agency SSJID would like AECA to. President Roos thanked Mr. Geis and asked him to thank his Board.

Gerald Gibson, almond grower, Escalon asked the Board to have our drivers slow down on dirt roads. He said recently the District ditch tenders were speeding down the dirt road in front of his home kicking up dust. He said he called Ron Morrow, but wanted the Board to make sure the ditch tenders slow down.

President Roos asked the Board to consider approving the Consent Calendar Items as presented.

CONSENT CALENDAR

- A. SSJID warrants of \$290,088.68, and payrolls of \$198,987.32.
- B. Regular adjourned board meeting minutes of February 28, 2006.
- C. Irrigation Service Abandonment Agreements.

Agreement #	Acreage	APN	Owner
1504	1.54	247-050-59	Perry, John
1505	1.17	249-080-38	Strong, Walter
1506	.51	228-030-49	Menasco, Ken

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

PASSED AND ADOPTED this 14th day of March 2006 by the following roll call vote:

Ayes: DeGroot Kamper Roos Schulz Kuil
Noes: None

Discussion and possible action relative to residuals, management and disposal, at the Nick C. DeGroot Water Treatment Facility. Stroud introduced Ken Abrams of Black & Veatch, and Bill Hubkey and Rich Hartman of the Treatment Plant. Hubkey reported that the citric acid used to clean the membranes had filled one of the four storage ponds. The other three are nearly full with sludge. We have reached a point where we must act or close down the plant temporarily. The problem with citric is we cannot recirculate, and the pilot test did not show this because they did not attempt to recirculate. Zenon is working on this and feel phosphoric acid can be used

and we will be able to treat it and re-circulate it through the process. Hubkey said that Morgan Environmental estimate to haul the sludge away was \$1.4 million. Karl Needham feels he can centrifuge the sludge and pull the water out of it. He said a pilot program would be about \$30,000. The estimated cost to remove all the sludge from one basin and citric acid from one basin is around a \$100,000, but until they do the pilot, it is hard to tell the exact cost. Mr. Needham has tentatively arranged to haul the sludge concentrate and the spent citric acid to the City of Oakdale Sewer Treatment Plant. The Sewer Treatment Plant Manager said they would take it at no cost to the District. When asked if this is a one-time process, Hubkey said he is not sure. He hopes it is, but a lot depends on the Phosphoric Acid working the way Zenon feels it will. Hubkey said Zenon still has problems. In addition, they have no concrete answers to many questions. Abrams said he feels they have a problem they did not anticipate and it will take at least 3 months to resolve it. When asked who designed by the Board, Ken Abrams answered Black & Veatch. He said we underestimate the drying capacity for one. Hubkey said we are also having problems with some Overaa work. The chemical pumps are not pumping the same flow rates. Hartman feels we need to set a date when we need Zenon to finish their 42-day test. The Board wants us to get other bids on residuals disposal if possible, and asked staff to come up with a date for Zenon. No action was taken

Discussion with Ken Martin, Public Finance Resources, and Kevin Martin, Crocker Securities, relative to the District's investments, and possible action relative to fees for investing District funds. Ken Martin told the Board that most of the experts feel the Fed will continue to raise interest rates at least twice and possible 4 times in the next 12 months. Thus, he recommends investing short term, 30 to 90 days, while the market is rising. Kevin Martin said he would recommend selling most of the current investments, which have an average life of 1.16 years, with the longest maturing in June 2008. He said if authorized he would sell \$10,000,000 in bonds, and because the interest rates are below market, the District will take an estimated loss of around \$182,000. However, by investing short term we will recover the loss and should come out anywhere from \$38,000 to \$94,000 ahead if yields go up as expected. Kevin Martin noted that when we bought these securities we did it on a Transaction Basis, which charges \$.50 to \$1.25 per thousand dollars. We did this because we purchased longer term and had a policy of buy and hold. If we change and start buying short term then a fee schedule would be more beneficial to the District. Kevin presented a proposal that includes a \$30 fee per transaction. The Fee schedule is as follows:

BASIS POINTS FEE	ACCOUNT VALUATION
twenty	\$0 to \$5,000,000
seventeen	\$5,000,001 to \$15,000,000
fourteen	\$15,000,001 to \$25,000,000
twelve	\$25,000,001 to \$50,000

Kevin said currently that LAIF is paying 4.10%. The market for 30-day securities is 4.55%, and for 90 days is 4.90% After discussion it was moved by Kamper, seconded by Kuil, to adopt the proposed fee schedule and to invest short until the interest rates stabilize or go down. Motion Carried, Ayes 4, Noes 1 with Director Schulz voting No.

Manager's reports:

Stroud reported the following:

Five supervisors want to stop wearing the uniforms provided by the District. They feel the jeans are too baggy, and uncomfortable and, for supervisors, do not reflect well on the District. The shirts come back from the provider wrinkled and looking like they slept in them. They would be willing to wear and wash their own jeans. Additionally, if the District bought the shirts with the District logo and their first name on them, they would be responsible for washing and ironing. DeGroot said leave it as is. The remainder of the Board seemed to concur.

Cost to bring Manteca drinking water to the main office was budgeted at \$100,000 assuming we could be part of a collaborative process with other landowners between the Main Office and Austin Road. However, it appears LAFCO requirements call for annexing a minimum 200-foot wide strip, we may need to go it alone at a cost of about \$300,000. The cost of the water main extension across the frontage of the parcels between SSJID and Austin Road would be paid back to us as others hook up to the city water. The City of Manteca may be willing to assist with the

solution, perhaps without requiring annexation. Additional information will be developed and the matter brought to the Board for consideration.

On March 21, 2006, PERS will be auditing us from 2003 forward. They have two issues. 1. Operators working 3 12's, 36 hours, and 4 12's, 48 hours. Thus, the operators are only getting 76 hours paid towards their PERS in each pay period.

2. Employees being paid more than one rate. For example, a laborer for 4 hours and a truck driver for 4 hours.

Calla Nile Garden Farm Center Annual Dinner. Directors Kamper and Roos, along with Stroud will be attending.

From April 3 to April 7 on call for jury duty.

Shields reported the following:

Handed out a response to IBEW, Local 1245 that represents SSJID employees, made comments on the Draft Environmental Impact Report such as: Said SSJID employees were concerned that the proposed project may result in adverse environmental impacts affecting the areas where the members of the unions CUE live and work.

Claimed that a 15% rate reduction will induce business and new residential development to locate in SSJID's service area.

Grading to prepare a two-acre site for a substation will create dust.

Project will impact the Valley Elderberry, longhorn Beetle, California Tiger Salamander and other endangered species.

That the 15% rate reduction for farms will trigger significant rush to convert their irrigation practices from gravity fed surface irrigation to wells resulting in major damage to the groundwater supply.

Said staff is preparing a response to these claims.

President Roos asked for Directors comments:

Director Kamper said the District policy for use of District vehicles must state that vehicles are not for personal use. Additionally, feels this needs to be reinforced occasionally to those driving District vehicles. District Counsel Emrick confirmed that the policy is written and is quite clear. It will be reviewed with the employees.

President Roos called for closed session relative to litigation: District Counsel Emrick stated the Board would discuss items two items in closed session.

Conference with legal counsel relative to Anticipated litigation, initiation of litigation, Gov. Code S. 54956.9 (c). One case.

Conference with legal counsel relative to Anticipated litigation, significant exposure to litigation, Gov. Code, S. 45956.9. One case.

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

There being no other business to come before the Board it was moved by Kamper, seconded by DeGroot, and unanimously carried, to adjourn to March 28, 2006 at 9:00 a.m.

ATTEST:

John Stein, Assistant Secretary