

Manteca, California  
July 22, 2008

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:   HOLBROOK   KAMPER   KUIL   ROOS   SCHULZ

Also present were Secretary/Manager Shields, General Counsel Emrick, Communications Coordinator Saylor, Water Treatment Plant Manager Hubkey, Utility Systems Director Battles and Engineering Department Manager Bologna.

Candace Briskey, PG&E presented the Board with a plaque praising the solar project. The Board thanked Briskey for her help during construction and hook up with PG&E.

There being no other Public Comment, President Kuil called the meeting to order and asked the Board to consider approving the Consent Calendar Items as presented.

**CONSENT CALENDAR**

- A.   SSJID Warrants of \$486,508.67.
- B.   Regular Board Meeting Minutes of July 8, 2008.
- C.   Adopt Resolution 08-14-Q Declaring Equipment as Surplus, and authorize sell pickup to the highest bidder as salvage material.

**SOUTH SAN JOAQUIN IRRIGATION DISTRICT  
RESOLUTION 08-14-Q  
AUTHORIZING THE DISPOSITION OF PROPERTY NO LONGER  
NECESSARY FOR DISTRICT PURPOSES**

**WHEREAS**, the District may dispose of equipment it finds no longer necessary for District purposes; and

**WHEREAS**, determination has been made that the following equipment is no longer in working condition; and

**WHEREAS**, vehicle #230-00, a 2000 F250 4x4 Super cab diesel was totaled in an accident and can be sold to a wrecking yard.

**THEREFORE, BE IT RESOLVED** that the District finds the equipment surplus and authorizes staff to properly dispose of the equipment.

- D.   Adopt Resolution 08-15-F Amending and Adopting Resolution 08-01-F, South San Joaquin Irrigation District Investment Policy.

**RESOLUTION NO. 08-15-F  
AMENDING AND READOPTING RESOLUTION 08-01-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 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 is authorized to 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 Policy, subject to such limitations as may be imposed by the Finance Committee or the Board of Directors. The Treasurer is authorized to utilize Cantella and Company, Inc. 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. 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. The Treasurer is authorized to waive security for deposits up to the amount that is insured by federal law, in the manner authorized by Government Code section 53653.
- 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 Chapter 4 of Part 1, Division 2, Title 5 of the California Government Code, commencing with 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.
- E. The following are permitted investments:

Permitted investments under this policy are all investments authorized by California Government Code Section 53601, as amended from time to time,

subject to the applicable limitations in that section and the other sections in Articles 1 and 2, of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code. The investments permitted by California Government Code section 53601 are enumerated below:

(a) Bonds issued by the local agency, 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.

(b) 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.

(c) Registered state warrants or treasury notes or bonds of this 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 state.

(d) Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this 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.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with [Section 11501](#)) of the [Public Utilities Code](#)).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars (\$500,000,000).

(C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by [Section 5102 of the Financial Code](#)), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision-making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j)

(1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold on reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty by way of a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4)

(A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the governing body of the local agency and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5)

(A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both

the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

(l)

(1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 ([15 U.S.C. Sec. 80a-1](#) et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint power authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

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

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.

2. 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

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. 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.

E. Approve Amendment to Conflict of Interest Code to include Communications Coordinator and Human Resource Analyst. Authorize staff to incorporate the amendments into the Conflict of Interest Code.

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

PASSED AND ADOPTED this 22<sup>nd</sup> day of July 2008 by the following roll call vote.

Ayes:        Holbrook        Kamper        Kuil        Roos        Schulz

Consider approval of Hatch Mott MacDonald's proposal for engineering peer review services. Shields said he wants to retain the firm to review the recommendations made by Condor concerning tunnel and canal work on the Joint Supply Canal. Bologna concurred with Shields that we need a second opinion. Director Holbrook said he hopes they will not be looking at merely avoiding potential litigation but at what is best for the District. Cara



Strom of MacDonald told the Board they have been in business for 75 years and have designed tunnels all over the U.S. and the world. She assured the Board that their review will be focused on what is best for the District. Motion by Director Holbrook, seconded by Director Roos, to authorize the General Manager to hire Hatch Mott MacDonald to do a peer review as recommended at a cost of \$10,000.

Consider accepting bids for the Water Treatment Plant's annual chemical contracts to run from August 1, 2008 through July 31, 2009. Hubkey said we experienced some problems getting bids with a price for a year due to the increased fuel prices and increases in the cost of chemicals. All the bids include a clause allowing increases should fuel prices continue to increase. We do have the bids and are recommending the Board approve them as listed in the agenda packet. The increase over last year is approximately 35%. Motion by Director Schulz, seconded by Director Holbrook, and unanimously carried to accept the bids as recommended by staff.

President Kuil asked Water Treatment Plant Manager to give his report to the Board. Hubkey reported:

- In answer to question by Director Roos at the last Board Meeting, since 2004, we have spent \$94,000 maintaining the "Log Booms" at Woodward Reservoir.
- From Friday July 18 through yesterday we have had several small power interruptions. PG&E found that the problem was the transformer was receiving 4,500 volts when it should be receiving only 4,160 volts.
- At the solar plant we completed our first cleaning cycle. The next cleaning is scheduled to begin in mid August.
- The plant has completed the acid and hypo cleans. As expected we have experienced a significant increase in fiber breaks.
- An abandoned truck was found in Woodward Reservoir. It leaked some oil, but there was no impact on the plant. DHS was notified. Shields said he is concerned with the lack of security at the reservoir, particularly after dark. He intends to talk to Stanislaus County and see if they can improve the security.
- Welding has been completed on the brackets for the log booms. Underwater Resources will be here in two weeks for final repairs.
- One of our operators will undergo back surgery and be off work for about six weeks.
- Work orders for the POP Project have been issued to Black & Veatch to start the project.
- Staff will be performing maintenance and cleaning on the DAF's and STA Basins.

Shields said River Islands owns approximately 45% of Lathrop's allocation of water at the WTP. Lathrop has an 8,000 acre foot allocation of that River Islands has 3,500 acre feet. Shields said River Islands wants to sell some of this years allocation and Tracy is looking at taking that and cancelling some water from the USBR. Also, Lathrop is looking at selling some of this years allocation to the City of Stockton. Either way it would be good for the WTP. We have a meeting next week to discuss it.

Consider conditional approval of plans by OID to replace their Fairbanks Lateral crossing the Main Distribution Canal located south of Dodds Road. Bologna said there are currently two 36 inch pipes to be replaced by two 60 inch pipes. Their plan is to put a box culvert in our canal and they will do a hydraulic study to determine the size so as not to restrict flows. The two pipes will go over the top of the culvert and dirt will be placed over the pipe giving us a bridge over the canal at that point. The current line is a siphon that goes under the canal. Bologna said they will use our roadway for access during construction and for emergencies. Director Holbrook said you should be sure to restrict use of our roadway to only during construction. After discussion it was moved by Director Holbrook, seconded by Director Schulz, and unanimously carried, to authorize staff to proceed; however, when all documents are complete bring it back to the Board for final approval.

Consider cancellation of Irrigation Service Abandonment Agreement (Agreement) for Weststeyn Property. This parcel is owned by the same parties that were involved in a cancellation of an Agreement at the last Board meeting, just different properties. The

owners have paid the fees per District policy. Holbrook asked how long they had been irrigating. Bologna said this property was originally signed off in 1999 and they have been paying only recharge fees (1/2 the water charge). Bologna said he recommends approval subject to the owners putting in a new sump during this offseason that meets our standards. Motion by Director Roos, seconded by Director Kuil, to approve the cancellation subject to the replacement of their sump with a new sump that meets our standards. Motion Carried, Ayes 4, Noes 1, with Director Holbrook voting No.

Consider approving contract with Cummins West to retrofit trucks with particulate matter mufflers. Shields said the total cost for the retrofit is \$68,550.22. He said he is not happy bringing this to the Board but this is required by the Air Board and we have no real choice other than to comply. Several Board members expressed their objections to this regulation that requires the District to spend public funds to retrofit such new equipment. Motion by Director Holbrook, seconded by Director Kamper, to approve the retrofit by Cummins West at \$68,550.22 as recommended. Motion Carried, Ayes 3, Noes 2, with Directors Schulz and Roos voting No.

Consider approving proposal from Beck's Enterprises for work on the JSC and MSC. Shields said Beck's proposal for the JSC is \$648,631 and for the four leaks is not to exceed an additional \$150,000. Three of the leaks are on the MSC and the other is on the JSC. OID pays a portion of the costs on the JSC and has approved the above proposal. Motion by Director Holbrook, seconded by Director Kamper, to approve the proposal as recommended. Motion Carried, Ayes 4, Noes 1, with Director Roos voting No.

Discussion and possible action relative to amending the annexation fee. Stein said the fee based on our policy, less the WTP Assets, is \$2,008 per acre. Currently the fee is \$166.00 per acre. Bologna said under the policy we will loan the money for capital improvements for up to 9 years and charge them interest at the going rate. In response to the Board members questions on whether this considers the second class nature of newly annexed land, Emrick said we should look at the hydrological history and maybe reduce the per acre charge based on percentage of years that their allocation would be affected. The Board agreed and asked us to come back with a recommendation. No action was taken.

Consider approving purchase of 12 brake units for the MDC. Total cost is \$9,442.40 and he recommends approval since without them if the gate opened up it could cost us far more for claims. It was asked how you move the gates without electricity if these are electric. Stein said we use a drill to move them without electricity. Shields said he would check with Frank Avila to make sure there is a solution if the electricity is lost. Motion by Director Schulz, seconded by Director Roos, and unanimously carried, to approve the purchase of 12 brake units as recommended above.

President Kuil asked for Manager's reports.

Shields reported:

Have a meeting Wednesday evening, July 23, 2008 relative to Exit Fees in Oakdale.

The Delta position issued by 5 counties, San Joaquin, Contra Costa, Sacramento, Yolo and Solano is to support the peripheral canal but to ask for certain accommodations for that support. They passed a resolution with their requests. Shields feels maybe we should pass a similar resolution.

Zenon/GE wants \$10,000 to do the quarterly wash. I told them no, that I want them to do the wash and to reduce their quote of \$428,000 for the agreement we are negotiating.

As far as the Robert Schulz Solar Plant we will have a dedication and a plaque in the near future.

President Kuil asked for Directors reports:

Schulz said a landowner north of the District asked about taking water out of Woodward Reservoir at 125 cfs, would like staff to look at the possibility.

Schulz said on a DD line of the Lateral B landowners are having problems losing their water or having too much. Kamper said MID has an area in Salida where they have a sensor that opens and closes a gate up stream when the flow below is too high or low. Bologna said he would look at MID's system.

Roos asked for explanation as to why so much interest was earned by the WTP this year. Stein said we paid them interest on the Capital, O&M and POP accounts this year in addition to the construction. Current balance is \$3.4 million; the construction account has about \$228,000.

Roos said Bob Brocchini told him he is losing water in his sumps. Bologna said he would look into it.

Holbrook said the Governor is getting advice from Boards not represented by local interests. Said somehow we need to get on the Boards or somehow get our position to the Governor.

Holbrook asked about Engineering Department charges to contractors and others. Bologna said we require a retainer and charge our time and materials to that retainer.

Kuil said the pipeline down on Rothlin's property has really helped Van Elderen's ability to water his property.

Holbrook said he wanted to thank Troylene and the others who put together the dedication last Friday.

Battles reported the following:

BPL Global is looking at a demand response program for both commercial and industrial entities because they can be compensated under PG&E's programs for reducing power demand. They are starting by surveying all of the District's commercial accounts and pumps.

Shields and Battles met with Manteca's new City Manager Steve Pinkerton and Mayor Willie Weatherford, and it was a good meeting.

The second phase of the solar project is approximately 400 kW. We will be coming to Board with a quote soon.

President Kuil called for closed session. District Counsel Emrick said we will discuss the two items in closed session.

- A. Conference with legal counsel, existing litigation. Gov. Code, S. 54956. SJJID v LAFCo, Superior Court, San Joaquin County, Case No. CV 0302559.
- B. Conference with legal counsel, anticipated litigation, initiation of litigation. Gov. Code, S. 54956.9. One case.

Upon returning from closed session 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 Director Schulz, seconded by Director Roos, and unanimously carried, to adjourn to August 12, 2008 at 9:00 a.m.

ATTEST:

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John Stein, Assistant Secretary