

Manteca, California  
July 31, 2012

The Board of Directors of the South San Joaquin Irrigation District met in a Public Hearing Special Meeting at the hour of 9:00 a.m. Due to the size of the crowd, the meeting was moved outdoors to the covered vehicle parking area. Director Holbrook called the meeting to order and led the flag salute.

Upon roll call the following members were noted present:

DIRECTORS: HOLBROOK HOLMES KAMPER KUIL ROOS  
ABSENT: NONE

Also present were Jeff Shields, General Manager, Steve Emrick, General Counsel, Sam Bologna, Department Manager of Engineering, and Betty Garcia, Executive Secretary.

Director Holbrook asked the public if any of them had voted to adopt State Legislation SBX7-7 in 2009 which contains provisions requiring that the District take actions to measure, report, and bill its customers for the delivery of actual volumes of water. No one raised their hand. He stated the District Board Members had not voted to pass this bill either and that the State of California imposed the new requirements upon the District, however, because it is the law, the District must comply in order to protect its water rights.

Director Holbrook asked for public comment that was not on the agenda.

Mr. Manuel Medeiros stated that he supported the District being separate from the City of Manteca. He would like to see a representative from PG&E on the District Board. He said he farms two fields; one of them takes six hours to irrigate and the other takes only three hours. He stated the different soils take different irrigation requirements. He supports the District in their goal to provide retail electric to its customers.

Mr. Don Putz expressed concerns if he takes irrigation water in January that he may not be able to get the last water of the year. He said the District was established to support the farmers and suggested the Cities pump water and to allow the farmers to take irrigation water.

Director Holbrook then opened the public hearing on the proposed adoption of new irrigation charges which would be a new \$3 per acre foot charge and a cost of living increase on the new charge and on the District's existing \$24 per acre charge and to consider protests to the proposed actions.

Mr. Shields thanked the public for attending the meeting. He reviewed a detailed powerpoint presentation regarding the new volumetric and water measurement requirements. Copies of the powerpoint presentation were distributed at the meeting. He informed the public that 3,038 letters were sent out to the District's customers notifying them of the proposed rate increases and the date of the Public Hearing. Also included in the notice were instructions on how to provide written protest of the proposed volumetric charge and rate increases. Of the 3,038 notices that were sent out, however, only 45 protest letters, covering 85 parcels, had been received to date. He explained the proposed new charge and annual rate increase for billing customers. He discussed the investments to date to comply with the new volumetric measurement requirement which included the District hiring Davids Engineering to perform a system wide water balance study. In 2009, the District purchased and installed TruPoint accounting software and laptop computers were installed in all District division vehicles. In 2011, the District licensed its FCC frequency and built eight (8) microwave towers. The District also contracted the firm of Provost and Pritchard to create the Urban Water Management Plan.

He discussed the Proposition 218 requirements to adopt the new charge and annual rate increases as mandated by the State of California. He said by July 31, 2012, an agricultural water supplier is required by Water Code 10648.48 to:

- Measure the volume of water delivered to customers
- Adopt a pricing structure based at least in part on quantity of water delivered

- Implement other Efficient Water Management Practices (EWMPs) subject to local cost-effectiveness and technical feasibility
- Adopt an Agricultural Water Management Plan by December 31, 2012 as required by Water Code 10820

He stated the reason to comply with SBX7-7 is because it is the law. Secondly, in order to be eligible for state or federal loans or grants, the District must comply. It is also required for private debt financing. Lastly, he explained the District will comply in order to continue to protect its water rights.

Mr. Shields explained the existing flat rate charge of \$24 per acre will remain in effect. The proposed volumetric charge would be \$3 per acre-foot subject to annual inflation increase for five (5) years. He said it is also proposed that the flat rate charge and the volumetric charge be adjusted on an annual basis in October of every year for five years according to changes in the period in the Consumer Price Index (CPI), US City Average, All Urban Consumers (1982-84=100), as published by the US Bureau of Labor Statistics for the one year period ending with the preceding August. The first adjustment would be made in October 2013.

Mr. Shields stated the reason for the proposed new charge and annual rate increases is because the District's operating revenues are less than its operating expenses and will continue to be so even with the new volumetric pricing. He explained that additional costs to comply with the new State law will be incurred to install, operate, and maintain necessary new flow measurement facilities and to bill customers for the amount of water delivered. He said the estimated cost to install sufficient Doppler Meter Network plus Magnetic Meters on pumps to meet the new requirements is in excess of \$5 million. He indicated some meters will be read manually which will save the District \$3 million.

At this time, Director Holbrook explained the Public Comment process stating that each person would have five (5) minutes to speak.

Ms. Nancy Laurenti stated that she and her husband have only two acres that they farm. She expressed concern that the Public Hearing was not scheduled in the evening and why did the District schedule the meeting on the last possible day. She believes people did not attend because they are working. Ms. Laurenti asked why the rates are constantly being raised. Mr. Shields stated the Public Hearing was scheduled for July 31 because the District was waiting on information from outside entities. Ms. Laurenti asked if the monies for the rate increase will stay in the District or will it go to the State. Director Holbrook stated the monies stay at the District. She asked how the District could operate in the "red"; asked who implemented this increase, and inquired if every parcel in the District receives water. Mr. Emrick stated all parcels that receive water or have the ability to take water are subject to the existing \$24 per acre charge and were mailed notice of the hearing.

Ms. Loretta Larson advised the District that they are in violation of Proposition 218 and that the District is illegally imposing an increase of fees upon its customers. She said the District could not impose rate increases without the approval of its taxpayers. Ms. Larson challenged the validity of the increase and stated the proposed increase of water rates is a 33 1/3 percent increase and in order to pass there must be a Public Hearing. Ms. Larson stated the District is trying to charge users to implement a State mandated law. She indicated if this increase passes, the citizens need to recall the Board of Directors. She urged the attendees to call the Jarvis Committee and voice their concerns. She said the District is wrong and urged people to stand up and fight for their rights.

Mr. Woody VanVuren addressed the Board stating compliance with this law is required in order to protect our water rights. He asked if he could buy water from his neighboring land owner. He inquired if the District could reduce the base rate of \$24 per acre to accommodate the proposed \$3 per acre-foot volumetric charge. He asked if the legal advisors to the District had reviewed this proposed rate increase.

Mr. Bill Talbot informed the Board that most of his neighbors did not pay attention to the notice that was mailed mostly because it contained fluff. He did not agree with the District keeping the baseline plus adding an additional user fee. He said the State is requiring us to have a 20%

reduction in the water we use. Mr. Talbot expressed concerns that we in Northern California are conserving water so that Southern California can take more of our water.

Mr. Stan VanderVeen said that most of his questions had already been answered but he asked the District if they need the money. He stated he gets angry because the government does not know how to manage their money. He said the District has an efficient system.

Mr. Don Putz complained about the notice the District sent to its customers. He said most people did not read the letter thoroughly. He suggested it would have been better received if the District had put a blurb at the beginning of the letter where the reader could clearly see the proposed rate increase.

Mr. Matt Visser asked why the citizens were absent on some of the guidance proceedings. Director Holbrook indicated that all of the District Board Meetings are open to the public. Mr. Visser asked if the District retains its water rights if the proposed volumetric charges are implemented.

Mr. Paul Tremayne stated that he lives near the new Division 9 pond and extended his compliments to the District. He was concerned that the notice regarding the rate increase indicated that the last day to submit a letter of protest was on July 28, a Saturday. He agreed with all those in attendance at today's meeting and stated that more information regarding the rate increase should have been made available to the public. He said he had received an agenda last week that was only one page. However, at today's meeting, the handouts included a full agenda, a report explaining the reasons for the proposed rate increase, along with state laws. Mr. Tremayne expressed concerns on how the customers are expected to make good decisions based on information that was only received today. He said the District should have sent this information so that people could have reviewed it more thoroughly. He asked which Consumer Price Index would be used to determine future rate increases and hopes the District would use the Cost of Living Adjustment in our area. He expressed concerns with the State taking our water to Southern California. He reminded the Board of the Owens River Valley and how the water flow is greatly diminished by diversion into the Los Angeles aqueduct.

Mr. Manuel Medeiros asked Mr. Shields how many acres are in the District. Mr. Shields stated 48,000 acres. Mr. Medeiros said if we round that number up to 50,000 at \$24 per acre that gives the District \$12 million. He said the local newspapers state there are 70,000 acres and therefore the District's calculations are not correct. Mr. Shields stated that the 70,000 acres includes the cities. Mr. Medeiros asked how much money the District receives from the City of Manteca. He asked if the District obtains information from consultants or staff regarding the proposed rate changes. He asked that Mr. Shields send a letter to him in response to his questions.

Mr. Dwight Bush addressed the Board stating that regardless of what the people attending today's meeting decides to do, he believes the Board has already made a decision on how they will vote. He said he is against the proposed rate increase.

Mr. Tim Mohler said the notice the District sent to its customers regarding the proposed rate increase was extremely poor and that it poorly justified the reasons for the increase. He was also against the proposed annual increases and the Consumer Price Index should not be used.

Ms. Teresa Vandenburg stated it appears that the General Manager and General Counsel are the persons who are running the Board of Directors. She asked who controls the water rights. She said the valleys in New Mexico are very productive in growing produce. She stated the Central Valley grows forty percent of the produce in California. She said the State wants to put the Valley and California out of business for food production. Ms. Vandenburg said the District's management staff are the ones running the show; not the farmers. She said the farmers are the back bone of this country and encouraged attendees to stop allowing others to beat them down and to stand up and fight for their rights. She said the farmers are productive citizens who provide food for most of the country.

Ms. Janet Arnett stated she is against the proposed rate increases and against water transfers. She said if she does not go to work, she does not get paid. However, she took the day off work in order to attend this meeting. She said the State is taking our water and does not care if we have food on our tables.

That concluded the comments from the public in the audience. Mr. Shields then addressed the public. He stated that the reason for waiting until the 11<sup>th</sup> hour to hold the meeting is because the District was working with Davids Engineering who was seeking a waiver so the District would not have to install a meter on every turnout.

Director Holbrook stated the District fights against all agencies in order to protect the water rights and to keep the water from being tunneled down to Southern California. The District has no choice but to comply with the State's mandatory metering requirement and we cannot be in violation of state law.

Director Kuil answered the question regarding a farmer who has used all of his water and can he take water from his neighbor. He informed the audience that there are no water allotments.

Ms. Larson stated that there is no law that requires the District to combine implementation of these laws with the rate increases. She asked the Board to delay voting on the proposed rate increases until the volumetric metering program has been implemented.

Director Kamper answered the question, why the huge increase. He informed the audience that the District has not increased rates in twenty-four years. He asked the people what else in their lives has stayed the same in all these years. As for the District having to measure the amount of water being used, he said we need to monitor even more, such as, where the water is going, what crops require more water, etc. He addressed the question of who is running the District, staff or the Board. He stated that staff had suggested a more minimal rate increase, yet it was the Board who said the rate should be more. He said all prices of tractors and other equipment has greatly increased and yet the farmers pay for it. He said agriculture is flourishing. He asked the farmers if a \$17 increase is going to put them out of business. He explained the Board is reluctant to raise rates but must take responsibility.

Director Kuil stated that he too is a farmer and the rate increase will apply to him as well. He said that he bought Diesel fuel that cost \$43,000 to fill and six years ago it would have cost about \$8,700. He explained that TriDam and Oakdale Irrigation District spends millions of dollars protecting its water rights. He said he does not support the \$3 per acre-foot charge, but insists the District cannot continue to go into the deficit. He said the audience does not keep putting out old crops, they plant new crops that will bring forth profit. He said the District has not raised its rates in the last 15 to 20 years. He thanked everyone for coming to the meeting and said he appreciated their attendance.

Director Holmes thanked everyone for coming to the meeting. He realizes it was a challenge to schedule a meeting that fits everybody's schedule. He encouraged those in attendance to attend the monthly Board Meetings and stated that public comment is always welcome, regardless if it is proactive or reactive. He does not like the idea of raising the rates, but the District must remain competitive. He stated the District is trying to keep the rates minimal and said he does not support adding the CPI to the rate increase.

Director Roos stated the members are the decision makers for the Board, however, the District does have an attorney who gives good legal advice and keeps the Board on the straight and narrow. He said the cost of operating the District is a lot more than the farmers are being charged. He stated the District spends millions of dollars to protect our water rights. He said an invoice from one of the attorney's was recently approved for \$650,000 for six months of legal services, but the District pays to protect our water rights. He said people who do not have water want to take our water from us. The District has no choice except to fight for us. He was sympathetic to the concerns of the audience, said they were "preaching to the choir" and thanked them for attending the meeting.

Director Holbrook said that Oakdale Irrigation District and South San Joaquin Irrigation District helped to establish Tri-Dam without borrowing a cent from the government. He informed them that bonds were used to establish power which has allowed the District to subsidize the farmers. He stated there are costs to comply with the laws and are more than just the \$5 to \$8 million to cover the costs of meter installation. He said every issue with the State of California is for one purpose and that is to take water to Southern California. He explained how the District invests both time and money to protect our water rights.

Director Roos stated he is a person who fights the District about each rate increase. The Board of Directors goal is to protect our water rights and keep costs as low as possible.

Mr. Medeiros said that he is against the installation of meters because some of his land takes six hours to irrigate and some of his land takes only three hours.

Ms. Larson said she does not have a problem with a reasonable increase, but insists that all of the monies must be set aside to facilitate what the notices have described.

Ms. Laurenti asked if the decision being made today would include voting for the annual increases to the rates. Director Holbrook indicated the Board must decide today regarding the CPI. Ms. Laurenti asked who the District's representative in Sacramento is. Mr. Shields stated the District works with the Dolphin Group and the San Joaquin Tributary Authority who work with Merced Irrigation District, Turlock Irrigation District, and SSJID and represents our interests in Sacramento. Ms. Laurenti stated that water rights are global. She asked if there is a way to transport water in the East to California. Director Holbrook said there are two to three proposed tunnels right now to try and get our water to Southern California.

Mr. Talbot asked if the whole issue of SBX7-7 is because we are afraid of losing our water rights. Director Holbrook stated that non-compliance of the law will allow the State to take our water. Mr. Talbot questioned the District paying \$32,000 every month to operate the meters that monitor the usage of water. Mr. Shields stated it is not the goal of the District to seek more revenues than what the project costs are. Director Roos said that he is not excited about raising the rates, but stated the rates do not even come close to what costs the District will incur by implementing the program.

Ms. Vandenburg said the notice indicated the number of protests must be 50% plus one and asked what that number would be. Director Holbrook said protest letters on behalf of approximately 1500 parcels would need to be received by the District.

Mr. Paul Tremayne stated the District had time to get more detailed information out to the farmers concerning the protest procedure. Mr. Emrick stated the notice indicated a written protest be sent to the District before 9:00 a.m. on July 28. The notice also stated if written protests are presented during or prior to the public hearing by a majority of the affected landowners, the proposed fees would not be imposed. A rate increase of a lesser amount may be imposed at the Board's discretion.

Director Holbrook closed the public hearing.

A motion was made by Director Kuil and seconded by Director Holmes to (1) adopt a new water charge of \$3 per acre-foot rate as per the following resolution; and (2) suspend collection of the charge in 2013 in order to perfect the volumetric billing and (3) not adopt the CPI increases. Mr. Emrick read aloud the highlighted portions of the following draft resolution that was distributed to the Board and said the final form of resolution would be presented to the Board for approval at the next meeting in final form. He recommended that the Board adopt these as findings as part of its action approving the draft resolution, which Mr. Kuil agreed to add to the motion. Motion was seconded by Director Holmes and passed unanimously by roll call vote.

SOUTH SAN JOAQUIN IRRIGATION DISTRICT  
RESOLUTION NO. 12-12-B  
ADOPTING VOLUMETRIC CHARGE

WHEREAS, South San Joaquin Irrigation District ("District") provides irrigation water service that offers equal benefit to all customers who use irrigation service or for which irrigation service is immediately available, and

WHEREAS, the District currently charges \$24 per acre, with a minimum charge of \$50, to its water customers who use irrigation service or for which irrigation service is immediately available ("Flat Rate Charge"), and

WHEREAS, Water Code 10608.48 by July 31, 2012, requires the District to measure the volume of water delivered to its irrigation customers and to adopt a pricing structure based at least in part on quantity of water delivered, and

WHEREAS, on June 12, 2012, the District's Board of Directors proposed the adoption in accordance with the provisions of Proposition 218 set forth in Section 6 of Article XIID of the California State Constitution and the implementation provisions of Government Code section 53755, of a new \$3 per acre-foot water rate ("Volumetric Charge") and an annual increase in the Volumetric Charge and in the Flat Rate Charge in October of each year for 5 years beginning in October, 2013, based on changes for the one year period ending with the preceding August in the Consumer Price Index, US City Average, All Urban Consumers (1982-84=100), as published by the US Bureau of Labor Statistics ("CPI Increases"), and

WHEREAS, the Flat Rate does apply and the proposed Volumetric Charge would apply to all customers who use irrigation service or for which irrigation service is immediately available to the customer's parcel and do not exceed the District's proportional costs to provide service to the customer's parcel, and

WHEREAS, revenue from the Flat Rate is only applied and the proposed Volumetric Charge will only be applied to the District's expenses to make irrigation water available to all water customers who use irrigation service or for which irrigation service is immediately available.

WHEREAS, the District has identified the owners of 3,038 separate parcels of real property within the District's boundaries that would be subject to the proposed Volumetric Charge and to the CPI Increases, and

WHEREAS, as directed by the Board of Directors, notices of a public hearing regarding the District's proposed adoption of the Volumetric Charge and the CPI Increases ("Notices") were mailed to each identified property owner at the property owner's billing address in the District's records which is obtained from the San Joaquin Assessors' office, and

WHEREAS, the Notices were mailed on or before June 15, 2012, which is at least 45-days before the public hearing scheduled for July 31, 2012, beginning at 9:00 a.m., at the District's office at 11011 E. Highway 120, Manteca, California, and

WHEREAS, the Notices described the Volumetric Charge and the CPI Increases proposed for adoption at the July 31<sup>st</sup> hearing, the basis upon which the amounts were calculated, the reason for adoption of the Volumetric Charge and the CPI Increases, and the date, time, and location of the hearing, and

WHEREAS, the proposed Volumetric Charge is necessary for the following reasons:

1. Existing revenue from the Flat Rate irrigation charges is less than the District's operating expenses for providing irrigation service and will continue to be less even with increased revenue from the proposed Volumetric Charge.
2. Costs to operate and maintain the District's irrigation system increase each year based on inflation and additional costs will be incurred to operate and maintain the necessary new flow measurement facilities and to bill customers for the amount of water delivered, in order to comply with the new volumetric measurement and billing requirements.
3. Additional revenue from the proposed Volumetric Charge will also provide funding for the capital costs to purchase and install the new flow measurement facilities necessary to measure and bill customers for the amount of water delivered.

WHEREAS, on July 31, 2012, the District held a duly noticed public hearing on the adoption of the proposed Volumetric Charge and the CPI Increases, and

WHEREAS, the Board of Directors has considered all protests against adoption of the proposed Volumetric Charges and CPI Increases, and

WHEREAS, the Board finds that 45 written protests from the owners of 85 parcels of property have been delivered to the District as required by the Notice, which is less than a majority of the owners of the 3,038 parcels of property subject to the charges, and the Board of Directors has considered all protests to the proposed actions,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the SOUTH SAN JOAQUIN IRRIGATION DISTRICT hereby takes the following actions:

1. Makes the findings set forth above, each of which is found to be true.
2. Adopts a new water charge of \$3 per acre-foot, starting with the 2013 irrigation season (“Volumetric Charge”). The irrigation season is set annually by the Board of Directors; it typically begins in March and typically ends in October. The Volumetric Charge is in addition to the Flat Rate, which will remain in effect.
3. Declines to adopt the CPI Increases as to the Volumetric Charge or to the Flat Rate Charge.
4. Further finds as follows:
  - A. Revenues derived from Volumetric Charge, together with revenue from the Flat Rate Charge, will not exceed the funds required to provide irrigation service.
  - B. Revenues derived from the Volumetric Charge will not be used for any purpose other than meeting the costs of providing irrigation service.
  - C. The amount of the Volumetric Charge imposed upon any parcel or person as an incident of property ownership, will not exceed the proportional cost of irrigation service attributable to the parcel.
  - D. The Volumetric Charge will not be imposed for irrigation service unless that service is actually used by, or immediately available to, the particular parcel.
5. Determines that this action is exempt from California Environmental Quality Act (“CEQA”) pursuant to Section 15273 of the CEQA Guidelines, which exempts the establishment, modification, restructuring, or approval of rates, tolls, fares, or other charges by public agencies for the purpose of meeting operating expenses and obtaining funds for capital projects necessary to maintain service within existing service areas.
6. This Resolution shall take effect immediately upon its adoption on July 31, 2012.

The foregoing Resolution was duly adopted at a meeting of the Board of Directors of South San Joaquin Irrigation District held on the 31st day of July, 2012, on the motion of Director Kuil, seconded by Director Holmes the following roll call vote:

Ayes: Holbrook, Holmes, Kamper, Kuil, Roos  
Noes: None  
Attest: None

\_\_\_\_\_  
John Holbrook, President

\_\_\_\_\_  
Jeff Shield, Secretary

There being no further business to come before the Board, it was moved by Director Kamper and seconded by Director Holmes to adjourn the meeting. The motion was approved unanimously.

ATTEST: \_\_\_\_\_  
Betty Garcia, Executive Secretary