

Manteca, California
December 13, 2011

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: KAMPER HOLMES KUIL HOLBROOK ROOS

Also present were General Manager Shields, General Counsel Emrick and Engineering Department Manager Bologna.

Director Holbrook called the meeting to order and Director Holmes led the salute to the flag.

Holbrook asked for public comment. There being no public comment, the Board was asked to consider the following Consent Calendar Items.

CONSENT CALENDAR

- A. Warrants of \$1,327,054.47 and Payroll of \$360,767.07.
- B. Regular Board Meeting Minutes of November 22, 2011.
- C. Adopt Resolution #11-17-Q, Authorizing the Disposition of Property No Longer Necessary for District Purposes.

**SOUTH SAN JOAQUIN IRRIGATION DISTRICT
RESOLUTION 11-17-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, the District has received approximately 40 plywood/CDX crates from the delivery of membranes to the Nick C. DeGroot Water Treatment Plant. Each crate measures 34’’x64’’x42’’; and.

WHEREAS, the crates are not readily marketable and have no monetary value; and

WHEREAS, if the District cannot dispose of the crates to persons who have a use for them and are willing to pick them up at the WTP, the District would incur cost to dispose of the crates; and

THEREFORE, BE IT RESOLVED that the Board finds the crates are surplus to the District’s needs and authorizes staff to properly dispose of them at no cost, by any lawful

means, and without the need for advertising or other notice to the general public of their availability, and if the crates cannot be disposed of by any other means, to incur necessary costs for proper disposal.

PASSED AND ADOPTED this 13th day of December, 2011.

D. Adopt Resolution #11-18-F, Adoption of District's Investment Policy.

**SOUTH SAN JOAQUIN IRRIGATION DISTRICT
RESOLUTION NO. 11-18-F
ADOPTION OF THE DISTRICT'S INVESTMENT POLICY**

WHEREAS, The Board of Directors of South San Joaquin Irrigation District annually adopts an Investment Policy and

WHEREAS, The Board of Directors delegates to the District's Treasurer the authority to invest the District's funds, and

WHEREAS, the Board of Directors has reviewed the attached Investment Policy and finds that it is in the District's best interests to adopt the policy,

THEREFORE, BE IT RESOLVED, that the attached Investment Policy is hereby adopted,

PASSED AND ADOPTED this 13th day of December, 2011.

**INVESTMENT POLICY OF THE
SOUTH SAN JOAQUIN IRRIGATION DISTRICT**

For the Year Ending December 31, 2012

1. Purpose

This policy sets forth South San Joaquin Irrigation District's ("the District") objectives, risk preferences, authorized instruments, and other requirements and interests for investing its funds. This investment policy is intended to promote a disciplined approach to investing, to provide accountability for District management, and to promote public trust in the District's investing practices.

2. Scope

This policy applies to the investment of all funds of the District including operating and capital improvement funds and reserves. There are exceptions to some provisions of the policy for certain proceeds of bond funds because the provisions in a bond indenture dealing with investment of certain proceeds, such as a debt service reserve, are typically more restrictive than this policy. For example, the indenture may specify the trustee of

invested proceeds, or may specify the eligible securities. Accordingly, proceeds of District debt are to be invested in accordance with the controlling resolution, indenture, or agreement.

The District does not invest the funds of other districts or public agencies.

3. Delegation

In accordance with California Government Code §53607, the Board of Directors, which is the legislative body of the District, delegates to the Treasurer full authority to invest and reinvest the money of the District, and to sell or exchange securities, for the year ending December 31, 2012. The full text of §53607 is quoted below:

“The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.”

The Treasurer may delegate investment tasks to the Finance Supervisor, but with no diminishment of the Treasurer’s responsibility for the investing function.

4. Adoption and Duration

According to California Government Code §53646(a)(2) this policy is valid for one year and must be reviewed and approved by the Board of Directors annually in a public meeting. The term of this policy is the year ending December 31, 2012. The Treasurer will recommend a new investment policy for review and adoption by the Board of Directors in a public meeting before December 31, 2012. The new recommended policy will include such changes, if any, as the Treasurer deems advisable after consideration of changes to state law, and after consultation with the District’s investment advisor, the Finance Committee of the Board of Directors, District Counsel, and the General Manager.

Amendments to this policy must follow the same process as adoption of this policy.

5. Objectives

The primary objectives are, in order of priority: safety of principal, liquidity, and yield. It is not possible to simultaneously maximize safety, liquidity, and yield; nor is it possible to maximize any one of these three objectives without disregarding one or both of the other two. Therefore this policy seeks an appropriate balance of these three objectives by

prioritizing them. A secondary objective may be local benefit, when such opportunity arises.

Safety of Principal

Safety of principal is the foremost objective. Investing shall be undertaken in a manner that seeks to avoid loss of principal on the portfolio as a whole. This shall be accomplished by controlling exposure to credit and interest rate risks.

Credit risk is the risk of loss due to the failure of the security issuer or guarantor. Credit risk will be mitigated by:

- 1) Limiting investments to the types of instruments listed in Section 11 of this policy,
- 2) Prequalifying the financial institutions, brokers, dealers, intermediaries, and advisors who will participate in the District's investing, and,
- 3) Diversifying the investment portfolio so the impact of losses from any single type of security or any one issuer is minimized.

Interest rate risk is the risk that the market value of securities will fall due to changes in market rates of interest. Interest rate risk will be mitigated by:

- 1) Planning to hold securities to maturity by purchasing securities with maturity dates that do not exceed expected future cash requirements,
- 2) Investing operating funds in short term securities, money market funds, the Local Agency Investment Fund, and other investment funds and pools with similar liquidity, and,
- 3) Limiting the average maturity of the portfolio in accordance with Section 10 of this policy.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all cash requirements of the District that may be reasonably anticipated. This is accomplished by planning the maturities of investments to match expected dates of future occasions when it will be necessary to supplement the District's cash balances. Furthermore, since it is not feasible to anticipate all possible future cash needs, the portfolio shall consist largely of securities with active secondary markets, and deposits with money market funds, or the Local Agency Investment Fund, and other investment funds and pools with similar liquidity.

Yield

Because pursuit of yield is subordinate to safety of principal, and to liquidity, and because yield is always a function of the degrees of risk and liquidity assumed, the District's objective is to attain a rate of return which approximates the prevailing market yield for the types of investments in the portfolio. The District seeks a market yield commensurate with the fact that the preponderance of the portfolio is in low risk, liquid investments. Predictability of yield will be enhanced by purchasing securities with the intent of holding them to maturity. Securities may be sold before their maturity in the following circumstances:

- 1) An investment with an increasing credit risk may be sold early to reduce possible loss of principal,
- 2) If a security swap would improve the quality, yield, or target duration of the portfolio, or,
- 3) Liquidity needs of the portfolio require the security to be sold.

Other Objectives

Funds may be invested for the betterment of the local economy when such opportunities arise. The District may accept an investment proposal from a local institution which provides a reduced yield if the institution documents use of the invested funds for local economic benefit.

All investment activity shall comply with California state law. Furthermore, it is the objective of the District to earn and maintain public trust in the District's management of financial resources.

6. Authorized Institutions

The District engages Cantella & Co., Inc. by a written contract to provide investment advisory services with respect to invested funds which are not:

- 1) On deposit with the Local Agency Investment Fund,
- 2) Operating funds on deposit with a bank, or,
- 3) Certain funds held by a trustee pursuant to the provisions of a bond or trust indenture or agreement.

The investment advisor selects one or more custodians to hold the securities constituting the part of the District's portfolio under the investment advisor's management. The custodian is independent of the investment advisor.

7. Ethical Standards

The "prudent person" standard is the standard of care to be used in managing the overall portfolio. According to the Government Finance Officers Association, the prudent person standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment

portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the District.

8. Internal Controls

The Treasurer is responsible for establishing and maintaining a system of internal control over investment activities. The generally accepted definition of internal control is provided by COSO (The Committee of Sponsoring Organizations of the Treadway Commission):

Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. *Effectiveness and efficiency of operations*
2. *Reliability of financial reporting*
3. *Compliance with applicable laws and regulations*

The primary internal control measure over investing is this policy. The first objective in the definition (effectiveness and efficiency of operations) includes safeguarding of assets which addresses one of the most important risks in investing: loss through theft, fraud, or undue investment risks. Although a perfect system of internal control is not possible because of limited personnel and other resources, the Treasurer will establish internal control measures to the extent practicable. Those measures will be designed to address:

- 1) Risk of collusion
- 2) Potential conflict between transaction authority versus accounting and reporting responsibilities
- 3) Custodial safekeeping
- 4) Avoidance of physical delivery of securities
- 5) Clear delegation of authority to subordinate staff members
- 6) Written confirmations for transactions
- 7) Electronic funds transfers
- 8) Reporting of investing results
- 9) Limitations on permissible investments
- 10) Ethical standards
- 11) Mitigation of investment risks

The annual audit will include a report on internal controls.

9. Reporting

The Treasurer will make a monthly report to the General Manager and the Board of Directors describing all investing transactions for the one month period as required by California Government Code §53607. The Treasurer will also make a quarterly report to the General Manager and the Directors. The minimum content required of the quarterly

report is established by California Government Code §53646(b). Accordingly, the quarterly report shall include for each investment:

- 1) Type of instrument
- 2) Issuer
- 3) Maturity date
- 4) Par value
- 5) Cost
- 6) Credit rating at the time of the report
- 7) Market value (except investments in LAIF)
- 8) Source of the market valuation
- 9) Description of any funds or investments under the management of outside parties such as LAIF.

In addition to the minimum required content, the quarterly report will also include:

- 1) A statement of compliance of the portfolio to this investment policy, and any deviations from full compliance
- 2) A statement of the District's ability to fund expenditures for the next six months, and explanation of why funds will or may be insufficient.

10. Risk Mitigation

The overall investment portfolio will be managed to mitigate credit risk, market risk, and liquidity risk. To better manage liquidity, the overall portfolio is divided into two segments:

- 1) Cashflow Supplement: An ongoing source of ready liquidity to supply cashflow for operations and capital expenditures.
- 2) Reserves: Funds not needed for current cashflow.

The allocation of the portfolio between these two segments will be reconsidered quarterly in view of anticipated cash flow requirements. Resulting adjustments to the liquidity of the portfolio will be made as soon as practicable with due consideration to the other primary objectives of safety of principal, and yield.

The cashflow supplement segment shall be invested in LAIF, U. S. Treasury bills, federal agency discount notes, or other instruments which are cash and cash equivalent investments allowed by Section 11 of this policy. Cash and cash equivalents are generally certain investments with a maturity of less than three months including bank deposits, money market funds, LAIF, U.S. Treasury bills, Federal Agency discount notes, and other highly liquid, short-duration products. Any amount of the supplement segment of the portfolio may be invested in LAIF.

To the extent that the portfolio is not invested in LAIF, the portfolio will comply with the following risk mitigation measures:

- 1) The District follows a passive investment strategy which means District personnel are not required to make an active effort to analyze and predict the future with

- respect to interest rates, market perceptions, or changes in the yield curve. While this can result in lower yields, it provides some protection against losses due to market timing errors that can result from active management.
- 2) The District follows a buy and hold strategy where securities are purchased with the intent to hold them to maturity. This provides protection against interest rate risk.
 - 3) The District may diversify maturities by following a laddering strategy where roughly equal portions of the reserve segment are allotted to each of several maturities subject to the maturity restrictions in items 5 and 6 below in this enumerated list. A laddered portfolio provides a regular source of liquidity through its schedule of maturities, averages the effects of changing interest rates, and provides some protection from reinvestment risk. The schedule of maturities should be modified as necessary to meet anticipated future cash needs. The laddering strategy may be compromised according to anticipated cash flow requirements or yield curve trends.
 - 4) As required by state law, deposits in banks, thrift institutions, and credit unions will be collateralized for the portion of the balance that exceeds federal deposit insurance.
 - 5) The maturity of any single security will not exceed 5 years at the time of investment.
 - 6) The dollar weighted average maturity of the entire portfolio will not exceed 3 years.
 - 7) The District diversifies the types of investments by not exceeding the maximum percentage of the entire portfolio allowed by California Government Code §53601 for each investment type as enumerated in Section 11 of this policy.
 - 8) The District mitigates credit risk by not exceeding the maximum percentage of a creditor's total issuance allowed by California Government Code §53601 and enumerated in Section 11 of this policy.

11. Authorized Investments

The following excerpt from the California Government Code §53601 enumerates the investments authorized for the District. Numbering of sections, subsections, paragraphs, etc., in the excerpt are from the Government Code.

Begin Excerpt.

53601. This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall

require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(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 a 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 bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a 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 (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 an 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 a surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an 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 moneys 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 shall not exceed 30 percent of the agency's moneys that 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 moneys 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 a 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 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 an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie 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 using a 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 using 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 be made only upon prior approval of the governing body of the local agency and shall be made only 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 purposes 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 an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(1) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, 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 NRSROs.

(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 (k), inclusive, and subdivisions (m) to (o), inclusive, 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 NRSROs.

(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 commission that the companies may charge and shall not exceed 20 percent of the agency's moneys 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) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough 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 an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), 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 (o), inclusive.

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

53601.1. The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.

End Excerpt.

Debt instruments of states and municipalities must carry a rating from an NRSRO which is not less than Moody's A3 for long term securities, or MIG2 for short term securities, or their equivalents from another NRSRO.

If an investment of the District becomes an unauthorized investment, the District will seek to liquidate the unauthorized investment at the earliest opportunity that is consistent with the three primary objectives of safety of principal, liquidity, and yield.

- E. Accept Consent to SSJID's Entry of Property to Read and Owner's Agreement to Maintain Flow Meter.
- F. Authorization to Decline Coverage under the County Multi-Species Habitat Conversation and Open Space Plan.

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

PASSED AND ADOPTED on this 13th day of December, 2011 by the following roll call vote:

Ayes: Kamper Holbrook Holmes Kuil Roos

ACTION CALENDAR

Item #1, Division 9 Update. Todd Kotey, Project Manager, Shawn Labanowski, Co-Project Manager and Jeff Shaw, Field Manager from Stantec addressed the Board. The Project Update for November was handed out. Todd told the Board that the pipeline is very close to being completed and pressure testing will begin soon. Concerning the pump station, the pump supplier has guaranteed that the pumps will be on site by March 15. Conco West has assured us that the project will be operational by February 15 by utilizing temporary pumps. District staff will begin observing the turnout installations, the SCADA set up and other aspects of the system so that they can become familiar with how it will work and how to make repairs in the future. Sam handed out pictures of damage that was done to the new pipeline by a private contractor who was installing a sprinkler system. Sam explained that the costs associated with the repairs will be forwarded to the landowner. Signs will be put along the new pipeline warning landowners not to dig near or burn brush within our easement because of possible damage to our pipe. Kamper said he thought an article should be put in the next newsletter outlining the cost of repairs that would be forwarded to landowners if the pipeline is damaged by illegal burn piles. Todd said that we are getting a handle on the number of people who will be connecting to the pressurized line. Jeff Shaw said that they are working to put together a standard for hookups and future connections. On a final note, the Board was informed of a letter that was sent out to landowners concerning the location of the moisture monitors in the fields. Sam said that the monitor needs to be

located outside our easements by the root ball of trees in the individual fields. The Board thanked Stantec for the update.

Item #2, Presentation by Mike Quartaroli of Quartaroli & Associates in regards to the District's reapportionment. Holbrook asked Frank Avila to come forward and address the next two items while Mr. Quartaroli set up for his presentation.

Item #3, Approve Schneider-Electric Priority Support Renewal and software conversion. Frank explained that the service contract with Schneider Electric is about to expire. He told the Board that we have ongoing telephone support and software updates with our service contract. He explained in addition to renewing our service contract, he is asking the Board to approve a software upgrade to PW32. This upgrade will be backwards compatible as well as compatible with newer hardware. The conversion cost is \$5,700.00 which automatically includes the support renewal. President Holbrook asked Frank to continue to Item #4 and that the Board would rule on both at the same time.

Item #4, Approve an Agreement to continue using Macro Corporation Consulting Services. Macro Corp. has worked with the District for the past three years in the development and construction of the Microwave system. Frank told the Board that he is asking for the Board to approve an amendment to our agreement with Macro for an additional 80 hours of support. The cost of the additional time would come to \$16,800. After a brief discussion, President Holbrook called for a motion.

Director Kamper made a motion to approve Schneider-Electric Priority Support Renewal and software conversion at a cost of \$5,700.00 and approve an Amendment to the Agreement with Macro Corp. to provide the Construction Management Services to complete the Aviat networks Radio installation and commissioning of the FCC licenses at a cost of \$16,800.00. The motion was seconded by Kuil and passed unanimously.

Item #2, District reapportionment. Mike Quartaroli introduced Rich Green, GIS Program Manager with Merced County Association of Govt. Mr. Green told the Board that the criteria used to develop a reapportionment plan, includes complying with the U.S. Constitution, complying with Federal Voting Rights Act, keeping lines geographically contiguous and considering communities of interest. Mr. Green presented the Board with three options. After a brief discussion, President Holbrook appointed an ad hoc committee consisting of Kamper and Roos to meet before the January 10, 2012 Board meeting. A public hearing was set for the January 10 date with the understanding that the Board would rule on the issue on that date. Holbrook thanked Mike and Rich for the presentation.

Item #5, Approve job description for Office Support/Water Conservation Coordinator position in Engineering Department. Thornburg explained that the position is currently a part time position being held by Julie Vrieling. The Board is being asked to approve a job description making the position full time with benefits. Thornburg said that the position and job description has been approved by IBEW with the exception of the wording under #5 of representative duties. IBEW asked that the sentence referencing monitoring GPS tracking be deleted. The Board concurred that the last sentence of #5 under Representative Duties be deleted. Additionally, Director Kuil asked that it be made clear in the job description that the Office Support/Water Conservation Coordinator's direct supervisor is the Engineering Department Manager. Motion by Holmes, seconded by

Kuil to approve the job description with the above mentioned changes and make the position full time with benefits, effective today. Motion passed unanimously.

Item #6, Authorize signing of Hwy 99 Plans and Utility Agreement with Department of Transportation and San Joaquin COG for relocation of portions of District's Water Treatment Plant pipeline, Drain 3 and Lateral Rg affected by Highway 99 construction at Lathrop Road. Bologna explained that HDR is in the process of finalizing the plans for Phase 3 of the Highway 99 Widening Project. Phase 3 will involve the replacement of District facilities in three general locations; WTP transmission line, Drain 3 and Lateral Rg. There will be no cost to the District for the relocation and/or replacement of any of its facilities other than staff time to oversee work being performed on District facilities. Holbrook asked if we should consider putting in a valve at our own cost on the WTP transmission line. Bologna told the Board that he had considered that and is finding out the costs associated with an additional valve. Kamper made a motion to authorize staff to approve plans and sign associated utility and joint use agreements to accommodate the Hwy 99 Widening Project subject to plans being finalized to satisfaction of staff. The motion was seconded by Roos. The motion passed 3-2 with Roos and Holmes voting no.

Item #7, Authorize the split of property containing Drain 3, (APN 198-030-08), located between Airport Way and the FCOC. Sam explained that the parcel is a non-conforming parcel containing the Drain 3 Canal. The City of Manteca is annexing parcels on either side of this parcel and would like to include the portion of this parcel contiguous with the parcels being annexed. The District using the utility exception is going to Quitclaim a portion of this parcel for the purpose of creating a parcel to be included in annexation into the City of Manteca. Motion by Holmes, seconded by Roos to authorize a Quitclaim Deed to split SJJID parcel 198-030-08 for annexation into the City of Manteca. Motion passed unanimously.

Item #8, Approve purchase of two trains of V-4 modules from GE/Zenon to be delivered in 2012. Hubkey addressed the Board. He explained that the current contract that the District has with GE setting the replacement costs at \$425,000 per train, expires in 2014. Hubkey explained that if we purchase 2 trains in 2012 we will be in a position to have all the trains replaced at the current cost (not counting shipping or Customs Inspection Fees) by the end of the contract in 2014. Hubkey also asked the Board to authorize him to seek bids from local vendors for construction of an additional cassette. Kamper made a motion to allow staff to purchase two trains of modules (1,008 cassettes) and authorize staff to obtain bids from local vendors to build a new cassette including piping and programming. Holmes seconded the motion which passed unanimously.

Item #9, Presentation of proposed 2012 Budget for Board approval. Bere Lindley reviewed the changes made to the draft budget presented at the last board meeting. The Board is being asked to approve the 2012 budget as follows: Total revenues of \$26.9 million, total expenses of \$26.6 million and total capital expenditures of \$9 million. Motion by Roos, seconded by Kuil to adopt the 2012 budget as presented. Motion passed unanimously.

Item #10, Board and staff reports on the Fall ACWA Conference. The Board members and staff that attended were as follows: Roos, Kuil, Kamper, Shields, Emrick and Lindley.

Kuil reported that he attended a session led by Ann McFarland on parliamentary procedure which was very interesting. He said he also attended sessions on the high cost of retirement and national healthcare proposals. He said it was a good meeting.

Roos reported that he attended a region 4 session concerning Woodland/Davis treated water issues. He also reported that he really enjoyed Judge Wanger's speech at the Wednesday lunch.

Kamper said he attended an ethics class as well as a session on the pros and cons of GPS tracking. He said it was a good conference and he always appreciates the contacts that he makes with neighboring districts.

Shields said that the District received an award and plaque for 2011 Outstanding Outreach Participation. Shields said that in his opinion it was the best ACWA conference he has attended.

Lindley said he attended several sessions on finance issues. He said he particularly enjoyed the speech by Judge Wanger.

Directors reports as follows:

Director Kuil reported that the Finance Committee met last week with Bere Lindley.

Director Holmes commented that this month marks his one year anniversary on the Board. He thanked everyone and said he has learned a lot in a year.

Director Roos said that the Mid Pacific Region Water Users Conference will be held January 25-27, 2012 in Reno, Nevada. Roos also reported that weather predictions for this winter calls for colder and drier than normal weather.

Director Holbrook reported that he attended the Tea Party Meeting in Manteca that Shields spoke at. He said that Jeff did an excellent job. Holbrook said that Oakdale is appointing their President and Vice-President as their Tri-Dam Authority Committee members. Holbrook asked if SSJID would do the same. Roos and Kuil said no, our committee members should remain as they are.

Holbrook asked for Managers Reports:

Bill Hubkey WTP Manager reported the following:

- Due to severe winds in November, the log booms have broken apart again.
- The ejectors have been installed and reprogramming complete.
- The V-4's have arrived and are installed. Performance testing will be complete this week.
- Waste water has been hauled to the City of Escalon waste water plant.
- The City of Manteca has opted to allow the temporary water service agreement to expire at the end of the month.

Bere Lindley, Finance/Admin Manager reported that Novembers Financial Reports will be mailed due to the second meeting of December being cancelled.

Troylene Sayler, Communications Coordinator:

- The Employee Recognition dinner will be held either February 3rd or 10th.
- Manteca Chamber Coffee scheduled for January 11 at 8 o'clock here at the District.
- Boys and Girls Crab Feed scheduled for January 21.

Sam Bologna, Engineering Department Manager:

- 2012 Water Conservation Program update.
- We have received 50 applications to date with an additional 10 in the review and application process.
- \$575,000 is already committed.

General Manager Jeff Shields reported the following:

- Spoke at the Manteca Tea Party Meeting on December 8
- LAFCo meeting on Friday the 9th. Glasser introduced the MSR/EIR and Retail Electric application. Comments are due by January 17 with a workshop on January 20. We will have four months to respond to the comments.
- Participants of Goodwin Dam will hold its annual meeting on December 16 at 9 a.m. here at SSJID.
- Water Education Foundation dues for 2012 will be \$1,312.
- Recognized Ray Simons, Shop Supervisor. The District has received a Certificate of Achievement for having completed 5 Consecutive Satisfactory Ratings since June 30, 1995 from the California Highway Patrol meeting the CHP's Motor Carrier Safety Compliance Standards.
- Reviewed the SWRCB Delta Flow Criteria and Delta Outflow Proposal.
- Handed out the Tri-Dam Operations Daily Report of Midnight Water Data dated December 12, 2011.

General Counsel announced the Board would be discussing Items 12 a. b. & d. under Closed Session.

- a. CONFERENCE WITH LEGAL COUNSEL-Anticipated Litigation
Initiation of litigation pursuant to subdivision (c) of Government Code Section 54956.9- 2 cases
- b. CONFERENCE WITH LEGAL COUNSEL- Anticipated Litigation
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 - 2 cases and,
Various water quality proceedings before State Water Resources Control Board—Delta Flow Criteria, San Joaquin River Flow Objectives
- d. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
California Government Code Section 54656.8
Property: Portions of FCOC and District's Drain 3
Agency Negotiator: General Manager and Engineering Department Manager
Under Negotiation: Price and terms of payment

Upon returning, General Counsel announced that no reportable action was taken in Closed Session.

There being no further business to come before the Board it was moved to adjourn to the next scheduled meeting to be held Tuesday, January 10, 2012. Motion carried unanimously.

ATTEST: _____
Cheryl Burke, Executive Secretary