

Manteca, California
December 14, 2010

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 HOLBROOK HOLMES ROOS KUIL

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

President Kamper called the meeting to order and asked for public comment. There being no public comment President Kamper directed the Board to consider Item 1, Oath of Office for Bob Holmes, Division 1 and Ralph Roos, Division 2. Vickie Mello of Escalon administered the oath of office.

President Kamper then asked the Board to consider the Consent Calendar Items.

CONSENT CALENDAR

- A. Warrants of \$578,381.59 and November Payroll of \$320,497.95
- B. Regular Board Meeting Minutes of November 23, 2010.
- C. Adopt Resolution 10-12-H, In Appreciation of Robert O. Schulz.

RESOLUTION NO 10-12-H OF THE SOUTH SAN JOAQUIN IRRIGATION DISTRICT IN APPRECIATION OF ROBERT O. SCHULZ

WHEREAS, Robert O. Schulz was first elected as a Director of SOUTH SAN JOAQUIN IRRIGATION DISTRICT in 1978 and has continuously served in that capacity representing the City of Escalon and surrounding areas for the past 32 years; and

WHEREAS, the Directors of South San Joaquin Irrigation District wish to express their appreciation for the many years of devoted service that Director Schulz has given to the District, its operations and its constituents; and

WHEREAS, as Director of the South San Joaquin Irrigation District, Robert O. Schulz has been dedicated to carrying out the primary purpose of the District to provide irrigation service to the District's farmers while at the same time addressing the water needs of the District's urban areas; and

WHEREAS, during his years of service, Robert O. Schulz has been instrumental in the improvement of District operations by supporting the automation of the Main

Distribution Canal, construction of regulating reservoirs, re-negotiation of the water rights agreement with the United States Bureau of Reclamation, the sale of conserved water to other parts of San Joaquin County, the construction of a water treatment plant to supply drinking water to the cities of Manteca, Escalon, Lathrop and Tracy, relicensing of the Tri-Dam Project hydroelectric projects, construction of a 1.4 megawatt solar project and other major capital improvement projects that have allowed the District to provide its water users with a reliable resource at reasonable rates; and

WHEREAS, Robert O. Schulz has served on the Joint Boards responsible for the Tri-Dam Project and Power Authority hydroelectric generating projects, has understood the importance of electricity in the District's past and present and has been an advocate for extending the benefits of the hydroelectric projects to all District residents; and

WHEREAS, the District has honored Robert O. Schulz's many contributions to the District by having dedicated the solar farm at the Nick C. DeGroot Water Treatment Plant in Oakdale as the Robert O. Schulz Solar Farm; and

WHEREAS, he has been an effective, selfless leader at District Board meetings and will be fondly remembered for his concern and commitment to the District's staff and to its agricultural customers as well as for the responsible management of public funds; and

WHEREAS, Director Schulz's service to the District carries on the tradition established by the founders of the District, from whose vision and efforts all the District's customers continue to benefit; and

WHEREAS, the District will exceedingly miss Robert O. Schulz's calm leadership and guidance.

NOW, THEREFORE BE IT RESOLVED that the District hereby publicly acknowledges that throughout his years of service, Robert O. Schulz has won the admiration of all who know him and have worked with him because of his ability, sincerity, quiet enthusiasm and absolute integrity.

PASSED AND ADOPTED on this 14th day of December, 2010

D. Adopt Resolution 10-13-F, Update Signature Cards with Union Bank of California.

**SOUTH SAN JOAQUIN IRRIGATION DISTRICT
RESOLUTION 10-13-F
UPDATE SIGNATURE CARDS WITH UNION BANK OF CALIFORNIA**

WHEREAS, the SOUTH SAN JOAQUIN IRRIGATION DISTRICT (District) must update its signature cards with its financial institutions.

RESOLVED, that any one of the following named officers,

Dave Kamper
Robert Holmes

Dale Kuil
Ralph Roos
John Holbrook

and one of the following named District staff,

Jeffrey Shields, General Manager/Secretary
Bere Lindley, Finance & Administration Department Manager
Robin Giuntoli, Finance Supervisor

are authorized to co-sign checks, drafts or other orders for and on behalf of the District from the bank designated as the District's Business Checking Account.

RESOLVED FURTHER, that any one of the above noted staff is authorized to sign PAYROLL checks, drafts, direct deposit wires or other orders for and on behalf of the District from the bank designated as the District's Business Checking Account.

PASSED AND ADOPTED this 14th day of December, 2010.

E. Adopt Resolution 10-14-Q, Dispose of Surplus Equipment, No longer Necessary for District Purposes.

**SOUTH SAN JOAQUIN IRRIGATION DISTRICT
RESOLUTION NO. 10-14-Q
DISPOSE OF SURPLUS EQUIPMENT NO LONGER
NECESSARY FOR DISTRICT PURPOSES**

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

WHEREAS, the following equipment no longer works and will be properly disposed of:

001266 – HP Laserjet 4200
H5715800038 – Ricoh eCabinet
OPGS0007361 – Black ATX Server Case
No S/N Avail – White AT Server Case
M4030047 – B/W Security Camera Monitor from WTP
M4030036 – B/W Security Camera Monitor from WTP
001230 – Joey Catanzarite's Old PC
002001 – HP w1907 Monitor
001259 – Viewsonic VG181b Monitor
001246 – HP Officejet 7310 Printer
KR-05322D-47602-9BH-AD6U – Monitor
MX-06271R-47741-016-096E – Monitor
MX-08376Y-47741-0B3-60C6 – Monitor
MX-09J367-47605-365-AJTE – Monitor
DP17H80K702159R – Monitor
6341HFG52690 – Computer/Monitor Combo

DP17H80K701901V – Monitor
DP22HVJP901975H – Monitor
0792055055 – Monitor
MX-08376T-47741-0B3-60C3 – Monitor
MX-08376T-47741-0B3-50ZQ – Monitor
MX-08376T-47741-0B3-60C2 – Monitor
AS0241130652 – Battery Backup
4892A056 – Monitor
FB9823560926 – Battery Backup
PB0212121285 – Battery Backup
NB9917260040 – Battery Backup
W921019847 – Battery Backup, and;

WHEREAS: The motor of vehicle number 271-05 (VIN 1GCEC14X55Z228962) no longer works and no longer has a book value.

THEREFORE, BE IT RESOLVED that the District authorizes staff to sell vehicle 271-05 in an “as-is” condition for \$2000 or best offer and also authorizes staff to properly dispose of the broken computer equipment.

PASSED AND ADOPTED this 14th day of December, 2010.

Motion passed and adopted this 14th day of December, 2010 by the following roll call vote:

Holbrook Kuil Kamper Holmes Roos

Item # 2, Authorize the General Manager to sign the three year extension agreement with Siemens for WTP fire suppression inspection. Bill Hubkey, WTP Manager explained that Siemens Industry, Inc. installed the fire alarm system and life safety services five years ago. He said we have been very happy with the services that they have provided and would like to have their contract extended three years. Director Holbrook made a motion to authorize the General Manager to sign the three year extension agreement with Siemens at a cost of \$ 6,500 per year. The motion was seconded by Holmes and unanimously approved.

Item #3, Approve use of Alegre Trucking to haul WTP wastewater to Escalon WWTP through the month of December and authorize the General Manager to review quotes and approve an acceptable bid from a trucking company to haul the wastewater to the Escalon WWTP in 2011. Hubkey explained that the additional wastewater was due to the quarterly maintenance citric acid cleans at the WTP. Motion by Kuil to approve continued use of Alegre Trucking @ \$70 per hour through December and authorize the General Manager to consider quotes from trucking companies for services from January through April of 2011. The motion was seconded by Holbrook and unanimously approved. GM Shields said he wanted to add his thanks to Bill Hubkey and Bret Beaudreau for staying on top of this issues.

Item #4, Approve Fruit Growers Laboratory (FGL) to provide Title 22 drinking water laboratory analyses for the Nick C. DeGroot WTP. To comply with Title 22 provisions,

the Nick C. DeGroot Water Treatment Plant is required to utilize the services of an ELAP/NELAC certified laboratory. We have used the same lab for the past five years and have been satisfied with their performance, but staff feels it is time to make a change. Bids were solicited from several labs but only one written proposal was received by the December 1 deadline. The proposal came from the Fruit Growers Laboratory at a cost of \$4,780 per year. It is staff's recommendation to contract with Fruit Growers to provide Title 22 drinking water laboratory analyses for the WTP as outlined above. Roos made a motion to approve staff's recommendation to contract with FGL for \$4,780 per year. The motion was seconded by Kuil and unanimously approved.

The President asked for the WTP Managers Report. Bill Hubkey reported as follows:

- The V-3 modules have arrived and are installed. Staff is in the process of cleaning the glycerin off and they should be in production later this week.
- Plant staff started the quarterly citric acid cleans.
- The new electrical transformer is being installed in the shop by Plant staff.
- The epoxy lining in train 7 has been repaired.
- Plant staff is preparing to reset all water meters and totalizers on January 1.

Item #5, Board and staff reports on Fall ACWA Conference.

Kuil reported that he attended Ethics Training, a seminar on Water Transfers, the New Health Plan and methods for developing rate schedules for domestic water.

Roos reported that he attended seminars on SBX77, water flows, the State Water Project and ground water issues.

Emrick reported that he attended a seminar on prevailing wages and watch dog groups as well as greenhouse regulations

Shields reported that he attended seminars on Urban Water Management Plan requirements and the status of the Bay Delta Plan.

Item #6, Review of draft On-Farm Conservation Program. "SSJID's goal is to ensure that water is being used efficiently and that it is being put to beneficial use." President Kamper asked the Board to approve in concept the On-Farm Conservation Program. He said that the District is blazing new ground with this program and that a lot of work still needs to be done before its implementation. Holbrook asked that the wording in regards to costs to the District, read "not to exceed" instead of "no more than". Shields stated that this is set up to be a 3 year program and we will be learning a lot this first year. Bob Holmes said that with this program the District is being proactive in conserving water. It was agreed that the final form of the program will be brought back to the Board on January 11, 2011 so that the program can be formally adopted at that time. Director Holbrook made a motion to authorize the water committee to "fine tune" the written program and bring it back to the full Board for approval on January 11, 2011. The motion was seconded by Holmes and unanimously approved.

President Kamper named Bob Holmes to replace Bob Schulz on the Water Committee until new committee assignments are made.

Item #7, Adopt Resolution 10-15-C, Adopt a Mitigated Negative Dec for the SSJID Water Service Project and approve the Project. Charlie Simpson, Insite Environmental addressed the Board. He said the Notice was published and posted for the required 20 days. We received four comments. The comments contained no substantive issues which would require revision or re-circulation of the document. Motion by Holbrook to Adopt the proposed Resolution and by so doing, find that all required notices have been given; the Board has considered the Final Initial Study/Negative Declaration and any comments received; approves the Final Initial Study/Negative Declaration, the Mitigation Monitoring Program and the SSJID Water Service Project and authorizes the taking of the actions described in the Resolution; authorize and direct staff to take actions necessary to comply with the Mitigation Monitoring Program; and approve the SSJID Water Service Project. The motion was seconded by Director Kuil. The motion passed 4-1 with Roos voting no.

SOUTH SAN JOAQUIN IRRIGATION DISTRICT
RESOLUTION NO. 10-15-C
APPROVING INITIAL STUDY AND MITIGATED NEGATIVE
DECLARATION
FOR SSJID WATER SERVICE PROJECT

WHEREAS, South San Joaquin Irrigation District (“District”) proposes to install and operate a new water supply pipeline to provide potable water to the SSJID facility at 11011 East Highway 120, Manteca, replacing an existing well determined to exceed water quality standards for nitrates (the “Project”); and

WHEREAS, the District caused to be prepared an Initial Study/Mitigated Negative Declaration for the Project (“Mitigated Negative Declaration”) which demonstrates that there is no substantial evidence that the Project could have any significant effects on the environment that cannot be effectively mitigated to a level of insignificance and states that South San Joaquin Irrigation District shall adopt a mitigated negative declaration; and

WHEREAS, the District provided notice of the opportunity for the public to review the Mitigated Negative Declaration and the date and time at which the District intends to approve the Mitigated Negative Declaration, in the manner required by law, by publication in a newspaper of general circulation in the project area, and posting for at least 20 days with the County Clerk for San Joaquin County; and

WHEREAS, the District provided an opportunity for state agencies to review the Mitigated Negative Declaration by providing a Notice of Completion and copies of the Mitigated Negative Declaration to the State Clearinghouse; and

WHEREAS, the District’s Board of Directors has considered whatever public and agency comments have been received during the public review process, and no substantial environmental issues were raised by those comments, and no changes to the Mitigated Negative Declaration were required; and

WHEREAS, the District's Board of Directors has considered the proposed Mitigated Negative Declaration and revisions to the Initial Study/Mitigated Negative Declaration, if any, presented to the District's Board of Directors at this meeting ("Revisions"); and

WHEREAS, the District's Board of Directors finds that the Revisions, if any, are not substantial and do not require that the Mitigated Negative Declaration be re-circulated before consideration and adoption; and

WHEREAS, on the basis of the whole record before it, the District's Board of Directors finds that there is no substantial evidence that SSJID Water Service Project will have any significant effects on the environment that cannot be effectively mitigated to a level of insignificance; and

WHEREAS, the Mitigated Negative Declaration, including the Revisions (collectively, the "Mitigated Negative Declaration"), has been completed in compliance with the California Environmental Quality Act (Public Resources Code 21000 et. seq. (CEQA)); and

WHEREAS, the Mitigated Negative Declaration reflects the independent judgment and analysis of the District's Board of Directors; and

WHEREAS, the District has prepared a Mitigation Monitoring Reporting Program ("Monitoring Program") for reporting on or monitoring the measures that mitigate or avoid the potential significant effects of the Project, and that program will be adopted as a part of the approval of the Project; and

WHEREAS, a copy of the Mitigation Monitoring Reporting Program is attached to this Resolution; and

WHEREAS, the District's Board of Directors makes as part of its findings, all of the analysis and findings in the Mitigated Negative Declaration,

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. Approves and adopts the Mitigated Negative Declaration, including any Revisions, for the Project.
3. Incorporates all of the findings in the Mitigated Negative Declaration, including the Revisions, into the record of its adoption of the Mitigated Negative Declaration and its decision to carry out the Project.
4. Finds that the Project will not cause any significant environmental impacts that cannot be mitigated to a level of insignificance.
5. Adopts the Mitigation Monitoring Reporting Program for the Project and instructs staff to carry out the mitigation measures in the Mitigated Negative Declaration and the

Monitoring Program.

6. Directs the General Manager to execute a Notice of Determination as to the actions set forth above and to file the Notice of Determination with the County Clerk of San Joaquin County and the State Clearinghouse for posting for a thirty day period in accordance with CEQA.
7. Directs that any required filing fee for filing the Notice of Determination, including any fee due the California Department of Fish and Game, be paid.
8. Directs that the documents and other materials that constitute the record of the proceedings regarding the Mitigated Negative Declaration for the Project adopted by South San Joaquin Irrigation District is available at 11011 E. Highway 120, Manteca, California.
9. Elects to carry out the SSJID Water Service Project.

The foregoing Resolution was duly adopted at a meeting of the Board of Directors of South San Joaquin Irrigation District held on the 14th day of December, 2010, on the motion of Director Holbrook, seconded by Director Kuil on the following roll call vote:

Ayes: Holbrook, Kuil, Kamper & Holmes Noes: Roos

Upon returning from a brief break, the President said the meeting would continue at Item 8.

Item #8, Discussion and possible action concerning request from J & M Franzia to amend Service Abandonment Agreements # 494, #495 and #1135. Bologna stated that the three parcels in question, are owned by the Franzia family are located on Zumwalt Road between Van Allen Road and Carrolton Road. The Franzias wish to install a sump on Lateral "Bf" and begin using District water by connecting to their existing drip system. After a brief discussion, Holmes made a motion to approve the Amendments to Service Abandonment Agreements #494, 495 and 1135, with the addition of a pump meter requirement. The motion was seconded by Holbrook and unanimously approved.

Item #9, Consider expanding the scope of work on Lateral "B" to included installation of approximately 500 feet of pipeline on Lateral B473dd located adjacent to Lateral "B" Project, with the work to be completed by District personnel this construction season. Bologna explained that after inspecting the stub line "B473dd" it was found to be faulty and in need of replacement. The Maintenance Department has indicated that it is in a position to do the work this season. The replacement will be parallel to the existing pipeline and will actually be placed in our existing easement. Motion by Holbrook to authorize staff to replace lateral B473dd, subject to the landowner's agreement to accept the old facilities by signature of a Transfer Agreement and authorize staff to amend the contract with MCR to include engineering services not to exceed \$4,835.00. Motion was seconded by Holmes and unanimously approved.

Item #10, Adopt Resolution 10-16-F, Adoption of the District's Investment Policy. Bere Lindley presented the Revised Investment Policy as follows:

Investment Policy of South San Joaquin Irrigation District

For the Year Ending December 31, 2011

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.

1. 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.

2. 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, 2011. 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.

3. 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, 2011. The Treasurer will recommend a new investment policy for review and adoption by the Board of Directors in a public meeting before December 31, 2011. 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.

4. 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.

5. 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.

6. 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.

7. 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, affected 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) Dual authorizations of wire 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.

8. 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.

9. 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.

10. Authorized Investments

The following excerpt from the California Government Code §53601 enumerates the investments authorized for the District.

Begin Excerpt.

(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 bankers' 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 bankers' 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 (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.

(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 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 (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 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 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 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 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.

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.

After a brief explanation of the Investment Policy the Board was asked to adopt the following Resolution. Motion by Roos, seconded by Kamper to Adopt Resolution 10-16-F, Adoption of the District's Investment Policy.

**SOUTH SAN JOAQUIN IRRIGATION DISTRICT
RESOLUTION NO. 10-16-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 14th day of December, 2010 by the following roll call vote:

AYES: Holbrook Kuil Kamper Holmes Roos

The President called for Directors Reports.

Director Holmes said he was happy to be a part of the Board and gave a personal thanks to his predecessor, Bob Schulz.

Director Roos added his thanks to Bob Schulz, saying he was a good mentor to him.

The President then called for Managers Reports.

Utility Systems Director Report:

- Reported that the broken panels found during Conergy's annual maintenance have been replaced.
- Production at the Solar Farm is down because of the recent cloudy foggy weather.

Human Resource Specialist Report:

- PacifiCare/United Healthcare is in the process of sending out the ID cards.

Communications Coordinator Report:

- January 12, 2011 8:00 a.m., Manteca Chamber Coffee will be held at the District
- January 15, 2011 Manteca Boys & Girls Crab Feed is scheduled
- January 21, 2011, Employee Appreciation Dinner will be held at the River Mill.
- Planning a joint celebration in honor of Schulz and Holmes, to be held at the Escalon Community Center sometime in February

Joe Catanzarite, Water/Operations Supervisor, gave an update on the status of construction season.

- Completed repairing leaks in Divisions 3, 4, & 7
- A crew is cleaning the sand out of the canals
- Woodward Reservoir dam repairs are completed
- Shotcrete in Lateral "TB"
- On Lateral "I" a box is being replaced
- Lateral "B15" 1000 feet has been replaced
- Crew working up above Frankenheimer, replacing lining
- 2 Lopac gates to be installed
- Planning to attend Water Management Training at Cal Poly in February with Nick Fereria and four Division Managers
- Computers at the Control room has been updated by Frank
- Main Supply Canal has been pumped out.

General Manager Report:

- Anticipates Governor Elect Brown to make new appointments to the CPUC in January
- Contacted from Sonja Harrington, Stanislaus Count in regards to the new gates and signage at Woodward. Also, had a trained dog check at the docks and ramps and did not find any sign of quagga mussels
- Handed out the Tri-Dam daily report which show that New Melones is higher than last year at this time
- The Common Sense Coalition incorrectly reported in the Ripon Record that the District is using taxpayers money to pursue entering into the retail electric business.
- Last week, Provost & Pritchard began the peer review of the Division 9 project.
- Handed out Draft Technical Report on the Scientific Basis for Alternative San Joaquin River Flow and South Delta salinity Objectives

After a brief break President Kamper called for Closed Session.

General Counsel announced the Board would be discussing Items a, b & c

- 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 - 1 case
Various water quality proceedings before State Water Resources Control Board—Delta Flow Criteria, San Joaquin River Flow Objectives

- c. CONFERENCE WITH LEGAL COUNSEL - Anticipated Litigation
Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9 - 1 case

Upon returning from closed session, it was announced there was no reportable action taken.

There being no further business to come before the Board it was moved by Director Kuil, seconded by Director Holbrook and unanimously carried to adjourn to January 11, 2011 at 9:00 a.m.

ATTEST:

Cheryl Burke, Executive Secretary