

**MINUTES of the REGULAR MEETING of the BOARD of DIRECTORS of
SOUTH FEATHER WATER & POWER AGENCY**

**Tuesday, August 26, 2008, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California**

DIRECTORS PRESENT: Lou Cecchi, James Edwards, Dee Hunter, Vivian Meyer, and Dennis Moreland.

STAFF PRESENT: Steven Wong, Finance Division Manager;
Art Martinez, Manager of Information Systems;
Matt Colwell, Water Division Manager;
Kathy Petersen, Power Division Manager;
Jeff Meith, Legal Counsel;
Michael Glaze, General Manager.

OTHERS PRESENT: Jean Brown, Tony Rushton, Hank Bailey, Bob Warka, Dennis Overfield, Mike Kessler, Lou Lodigiani, and Dan Hunter.

CALL TO ORDER

President Edwards called the meeting to order at 2:00 p.m. and led the Pledge of Allegiance.

AGENDA ADDITION

Mr. Glaze asked directors to add an item to the agenda. The item would be consideration to authorize the purchase of a new truck to replace the Ford F-350 recently totaled in an accident. Price quotes had been received from auto dealerships throughout the county, and the low bid was only guaranteed through the forthcoming Labor Day weekend. Further, the information from the dealers was not available at the time the agenda was prepared.

M/S/C (Cecchi/Meyer) approving adding an item to the agenda to allow consideration of the purchase of a new truck.

APPROVAL OF MINUTES

M/S/C (Hunter/Mooreland) approving the Minutes of the regular monthly meeting of July 22, 2008.

APPROVAL OF WARRANTS

M/S/C (Cecchi/Hunter) approving: the total Water Division expenditures for the month of July 2008 in the amount of \$389,589.743 – Warrants #23155 through #23178, #23222 through #23252, and #23259 through #23305; and, the total Power Division expenditures for the month of July 2008 in the amount of \$485,595.25 – Warrants #64471 through #64484, #64526 through #64565, and #64582 through #64633.

PUBLIC PARTICIPATION – Hank Bailey inquired if the Minasian Law Firm was an Agency employee, and was advised it was not.

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Power Division Manager Kathryn Petersen, including storage, generation, and precipitation reports.

Operations

Water Transfer

The water transfer will be complete on August 22, with a delivery to Lake Oroville of 10,000 acre-feet. PG&E did not operate the project quite as aggressively as expected due to lower power demands during the period, and it took longer than 30 days to deliver the full amount of water.

Maintenance Projects

Headquarters Electric Service

The fuses in the service connection for the Forbestown Office failed and Marty Costa and Joe Romero are working with PG&E to install a new service connection with higher amperage rating. In the meantime, the office is being powered from the standby generator.

Forbestown Intake Trash Rake

Construction of the new trash rake system at the Forbestown Diversion Intake is nearly complete. The supports have been installed and all but one section of the monorail is in place. The cable that controls the movement of the rake ("festoon") needs to be strung and the electrical controls for the rake need to be programmed.

General Information

Ms. Petersen reported that while on vacation recently, she visited a facility operated by the Taipei City Water Department in northern Taiwan.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report from Finance Division Manager Steve Wong.

South Feather Relicensing Consulting Services

Devine, Tarbell and Associates, Inc. (DTA), consultant for the South Feather Project relicensing submitted an invoice and report for the period of May 26 through June 29, 2008 in the amount of \$7,761.20. Including these invoices, payments to DTA for their services on this project to-date amount to \$4,942,612.

PERS & Payroll

The Agency has successfully transitioned into the CalPERS retirement program. All of the necessary adjustments to the payroll have been completed and reports have been submitted to CalPERS.

GASB 45

The Governmental Accounting Standards Board's (GASB) Statement 45 requires public agencies to disclose the current value of post employment benefits in its annual financial report. An actuarial study is necessary in order to compute and report this liability. This requirement to report the liability is effective with the financial statements for this year, 2008, which will be prepared and audited in Spring 2009. A Request for Proposal for the required actuarial consulting services has been distributed and responses are scheduled to be received on August 28, 2008.

Water Rates and Collections

A notice advising Agency customers of the changes to the account-delinquency-collection process, approved by the Board on July 22, 2008, will be distributed with the next set of bills and then the new procedures and rates will become effective.

WATER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Matt Colwell, Water Division Manager.

Distribution Operations

Water Division staff have been accomplishing distribution system maintenance and normal operations tasks. Ongoing projects include irrigation and domestic distribution system betterments, new service installations, and leak repairs.

SFWPA has been supporting CalFire by providing unlimited access to the distribution system's most easterly fire hydrant at the corner of Olive Highway and Old Olive Highway. It is estimated that approximately 1,000 units of water (748,000 gallons) have been extracted for fire suppression.

Agency crews have completed the water main extension along Oro-Quincy Highway and along the new section of Gilmore Lane to the Hillview Ridge Apartments. The 8" fire and 4" domestic services have been turned on and activated.

Water Treatment Operations

Staff conducted a hydraulic profile of the full treatment process (coagulation and sedimentation) to support CDM's evaluation of the existing capacity of the Miners Ranch Treatment Plant. The evaluation was to measure the water surface elevation at many locations for different flow rates to help determine the maximum capacity of the full treatment flow path.

The July MRTP production was 91% of the recent average.

GENERAL MANAGER'S REPORT

The Board reviewed a written report from Michael Glaze, General Manager.

Relicensing

FERC continues its environmental review processing of the license application with no findings or conclusions yet published.

Drought Impacts on California Water Agencies

With California officially in a drought, local water agencies across the state are dealing with challenges ranging from low runoff to court-ordered reductions in water deliveries to soaring energy costs.

An informal survey conducted by ACWA shows drought conditions are having an array of impacts on local water agencies. Of the 80 ACWA members responding to the survey:

- 40% have declared a water supply or drought alert.
- 70% are calling for voluntary conservation, and 13% have mandatory rationing in place.
- 25% have imposed restrictions on outdoor watering.
- 50% of agricultural agencies say they are rationing irrigation water, and 22% say farmland is being fallowed.
- 16% say crops are being abandoned.
- 39% are drawing down their water reserves / reservoir storage to meet needs this year.
- 29% say there are pumping more groundwater to offset the loss of surface water
- 44% say they have less water available for groundwater recharge this year.
- 34% say they are planning to increase water rates due to water supply shortages.
- 17% say they have drought rates / surcharges in place.

Survey respondents reported implementing a tiered-rate structure to discourage high use; modifying will-serve letters to developers; limiting new connections to 10 per year; and implementing drought surcharges for water use exceeding 75%.

Customers of SFWPA have not been asked to implement conservation measures due to the volume of stored water available to the Agency. Nevertheless, operational measures continue to be implemented to ensure optimal performance of treatment facilities and to minimize unaccounted water in the distribution system.

General Election

Two seats on the SFWPA Board of Directors are up for election: Division 2 and Division 4. The candidate filing period is now over and Jim Edwards was the only one to file for candidacy in Division 4. Therefore, he wins another four-year term and will not be on the ballot in November because he ran unopposed.

Before the regular filing period ended, Lou Lodigiani filed candidacy papers for Division 2. Because incumbent Vivian Meyer did not file candidacy papers, the filing period was extended five additional days. During that extended period George Menas filed his papers to run for the Board. Each of these candidates will begin receiving agenda packets (sans closed-session information) to assist them in becoming better acquainted with Agency business prior to the election.

Future Water-Transfer Planning

On August 20, Kathy Petersen and Matt Colwell joined Mr. Glaze in a meeting with representatives of Dudley Ridge Water District and other neighboring State Water Contractor agencies to initiate discussions about the potential for a long-term water-transfer agreement.

DIRECTORS' REPORTS

Dennis Mooreland complimented the recent facilities tour and Jim Edwards read a thank-you letter from Agency-customer Becky Smith, one of the tour participants.

Dee Hunter introduced her guest and neighbor, Mike Kessler.

SUNSET HILL TELECOMMUNICATION LEASE WITH BUTTE COUNTY

Kathy Petersen reported that there is a public room that the Agency leases to other users at the Sunset Hill telecommunications site. Since 2003 Butte County has leased rack space in this room, as well as antenna space on the adjacent tower. The original lease had the option for Butte County to request renewal for subsequent four-year terms through 2016. They are requesting to renew the lease for the first additional four-year term, which will cover the period October 2008 through September 2012.

M/S/C (Hunter/Meyer) approving the Second-Term Sunset Hill Communication Lease between South Feather Water and Power Agency and the County of Butte.

TRUCK PURCHASE

Steve Wong explained that T-138, a Ford F-350 with a dump bed, had been totaled in an accident. After a \$1,000 deductible, ACWA/JPIA reimbursed the Agency \$21,329.44. A salvage value of \$2,389 was offered but staff recommended keeping the vehicle for future repair opportunities. Mr. Wong also reported that bids for a cab and chassis to T-138 had been requested from all new-truck dealers in Butte County. Gridley Country Ford's bid of \$28,654.83 was the lowest.

M/S/C (Cecchi/Hunter) approving purchase of a new diesel Ford F-350 from Gridley County Ford.

INDEPENDENT AUDITOR'S REPORT - 2007

The Board reviewed the Statement on Auditing Standards No. 61, the Management Report, and the separately bound 2007 Independent Auditor's Report prepared by Mann, Urrutia, Nelson, CPAs & Associates (their second report in a 3-year contract). The reports had been reviewed by the Board's Finance Committee, and committee members Cecchi and Edwards praised the work of the audit firm and recommended the Board's approval.

M/S/C (Cecchi/Hunter) accepting the 2007 Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2007, prepared by Mann, Urrutia, Nelson, CPAs & Associates.

AMENDMENT OF GENERAL MANAGER'S EMPLOYMENT AGREEMENT

During the Board's annual review of the General Manager's performance last November, his retirement plans and request for an additional week of vacation per year were discussed. That discussion prompted legal counsel Jeff Meith to review his employment agreement (last amended in 2002). In January, with Mr. Glaze's concurrence, Mr. Meith contacted the Personnel Committee and recommended that, since the contract had been in place for a long time, the Committee consider some cleanups that would provide clarification to issues that were not anticipated when the agreement was originally executed in 1992.

In April, Mr. Meith submitted his recommended changes to Mr. Glaze and the Committee. After reviewing Mr. Meith's recommendations, Mr. Glaze responded with proposed additional changes, anticipating that the final product of these negotiations would be the agreement that would be in place until he retires.

Several attempts to convene the Committee in May and June failed due to vacation schedules and other conflicts. Ultimately, a meeting was scheduled for July 10. Unfortunately, committee member Meyer was unable to attend because she was helping to evacuate a family member from a fire that threatened their home in the Paradise area prevented her from being able to attend. When President Edwards learned of her situation, he attended the meeting as her alternate.

On July 10, President Edwards and Director Hunter reviewed the proposed changes to the agreement submitted by both Mr. Meith and Mr. Glaze, made some adjustments themselves and recommended approval of the amendments.

Director Meyer expressed her opposition to the proposed amendments and asked attorney Jeff Meith if the changes constituted a new contract. He stated they did not. Ms. Meyer recommended making no changes to the present agreement until it terminated in 2010.

Directors Cecchi, Hunter and Edwards expressed their support for the proposed amendments. Members of the public – Jean Brown, Bob Warka and Hank Bailey – also expressed their support for the proposed amendments.

M/S (Hunter/Mooreland) approving the amendments to the General Manager's employment agreement as recommended by the Personnel Committee.
Ayes: Directors Cecchi, Edwards, Hunter, Mooreland.
Noes: Director Meyer.

RECESS (called at 3:34 p.m.)

CLOSED SESSION (convened at 3:44 p.m.)

Public employee discipline/dismissal/release (Govt. code §54957).

OPEN SESSION (convened at 3:51 p.m.)

President Edwards announced that no action was taken by the Board during the closed session.

ADJOURNMENT

President Edwards adjourned the meeting at 3:51 p.m.

Michael C. Glaze, Secretary

James Edwards, President