

AMADOR WATER AGENCY

Board of Directors

Regular Meeting

12800 Ridge Road, Sutter Creek, CA 95685

July 14, 2011

9:00 a.m.

Website Address: www.amadorwater.org

Please Note:

Members of the public will have the opportunity to directly address the Agency Board of Directors concerning any item listed on the Agenda below before or during consideration of that item. In order to better accommodate members of the public, some Agenda Items will be heard at the specified time or soon thereafter. Agenda Items without specific times may be rearranged to accommodate the Board's schedule.

1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

2. ADDITIONS TO AGENDA

Items added to the agenda must be approved by the Board pursuant to Government Code Section 54954.2.

3. DEPARTMENT REPORTS - 9:00 a.m. - 9:30 a.m.

Staff Reports will be provided by Department Heads to update the Board of Directors on current activities within their areas of responsibility.

- A. Administration/Finance
- B. Field Services

4. PUBLIC COMMENT FOR MATTERS NOT ON THE AGENDA

A. Discussion items only, no action to be taken. Any person may address the Board at this time upon any subject within the jurisdiction of Amador Water Agency; however, any matter that requires action will be referred to Staff for a report and action at a subsequent Board meeting. Please note there is a five (5) minute time limit per person.

5. CONSENT AGENDA

A. Items listed on the consent agenda (see attached) are considered routine and may be enacted by one motion. Any item may be removed for discussion and made a part of the regular agenda at the request of a Board member(s).

6. AGENCY GENERAL

A. Employee Association MOU Amendment

- 1. Discussion and approval of MOU amendment regarding employee concessions for 2011-2012 fiscal year of the proposed plan to comply with State Water Resources

B. 2nd Tier/New Hire Benefits

- 1. Discussion and approval of benefits for new personnel

BOARD OF DIRECTORS

C. Administrative Policy Manual Revisions

1. Discussion and approval of revision to section 3050 – Investment of Agency Funds and section 3070 – Commercial Checking Account of Agency of the Administrative Policy Manual.

D. Current Top Work Priorities

1. Discussion and direction on current work priorities

E. EBMUD Water Supply Management Program 2040

1. Discussion and possible direction regarding scoping for supplemental project environmental impact report items.

7. COMMITTEE REPORTS

A. Budget and Finance (07-13-11)

B. Engineering Committee (07-13-11)

8. FUTURE AGENDA TOPICS -This item is to provide the Board Members an opportunity to request items to be placed on future agendas.

Approval of Sanitary Sewer Management Plan

Authorizing the Collection of Delinquent Charges on the County Tax Roll

9. CLOSED SESSION may be called for the following matters:

A. Pursuant to Government Code Section 54957.6 -Conference with Labor Negotiators (Gene Mancebo, Karen Gish, Robert Manassero, Paul Molinelli) –Management Bargaining Unit (MBU) and Confidential Bargaining Unit Negotiations (CBU)

B. Conference with Legal Counsel- Anticipated/ Significant Exposure to Litigation- Pursuant to Government Code Section 54956.9(b)- 1 case

10. ADJOURNMENT

AMADOR WATER AGENCY

CONSENT AGENDA

July 14, 2011

Items listed on the consent agenda are considered routine and may be enacted by one motion. Any item may be removed for discussion and made a part of the regular agenda at the request of a Board member(s).

1. MINUTES
 - A. Approval of Special Board Meeting Minutes of June 7, 2011
 - B. Approval of Special Board Meeting Minutes of June 16, 2011

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, then please contact Cris Thompson at (209) 223-3018 or (209) 257-5281 (fax). Requests must be made as early as possible, and at least two-full business days before the start of the meeting.

Documents and materials relating to an open session agenda item that are provided to the Amador Water Agency Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at 12800 Ridge Rd, Sutter Creek CA 95685

BOARD OF DIRECTORS

Don Cooper, President

Gary Thomas, Vice President

Paul Molinelli

Robert Manassero

Art Toy

**AMADOR WATER AGENCY BOARD OF DIRECTORS
Special Board Meeting
June 7, 2011**

MINUTES

Directors Present: Don Cooper, President
Gary Thomas, Vice President
Robert Manassero
Paul Molinelli
Art Toy

Directors Absent: None

Staff Present: Gene Mancebo, General Manager
Stephen Kronick, Agency Counsel
Karen Gish, Human Resources Coordinator
Cris Thompson, Clerk of the Board

CALL TO ORDER President Cooper called the Special Board meeting to order at 9:01 a.m.

MOTION: It was moved by Director Thomas, seconded by Director Manassero and unanimously carried to open the special meeting.

DEPARTMENT REPORTS – (RM-A 0:00:53-22:54)

Staff Reports will be provided by Department Heads to update the Board of Directors on current activities within their areas of responsibility.

Construction/Distribution- Barry Birge
Operations- Chris McKeage

Public Comment

Mr. David Evitt

PUBLIC COMMENT FOR MATTERS NOT ON THE AGENDA (RM- A 22:59- 53:45)

Mr. Bill Condrashoff
Mr. Thornton Consolo
Mr. Ken Berry
Ms. Judy Jebian
Mr. David Evitt

CONSENT AGENDA- (RM-A 53:47- 56:40)

MOTION: It was moved by Director Molinelli, seconded by Director Thomas and unanimously carried to approve the consent agenda.

MOTION CARRIED

AGENCY COUNSEL REPORT (RM-A 56:41- 1:35:09)
Report on Erik Christeson's February 28, 2011 email to PGE

Public Comment

Mr. Ken Berry
Mr. David Evitt
Ms. Judy Jebian
Mr. Thornton Consolo
Mr. Jack Georgette
Mr. Bill Condrashoff
Ms. Debbie Dunn

RECESS was called at 10:37 a.m. **SESSION** resumed at 10:46 a.m.

AGENCY COUNSEL REPORT continued (RM-B 0:00:05-0:07:49)

Direction was given to staff to send a letter of retraction to PG&E regarding the comments made by Erik Christeson in a February 28, 2011 email and to provide a copy of the letter to PG&E to the seven parties mentioned in Erik Christeson's email.
Direction was given to the General Manager to discuss with the labor attorney whether it is appropriate for the Agency to ask Erik Christeson to issue an apology to the members of the public.

WASTEWATER IMPROVEMENT DISTRICT #12 (MARTELL) (RM-B 12:42- 1:09:21)

Martell Wastewater Participation Fee

Discussion and Direction regarding Martell Wastewater Participation Fee

Mr. Bill Condrashoff
Mr. David Evitt
Mr. Ken Berry
Mr. John Gonzalves

MOTION: It was moved by Director Molinelli, seconded by Director Manassero to direct staff to proceed with \$9635 fee and proceed with the study for fees in the future and notify the public that might be concerned that the fee might go up.

Ayes: Directors Molinelli, Manassero and Cooper

Noes: Director Toy and Director Thomas

Absent:

Abstain:

Public Comment:

Mr. Thornton Consolo

RECESS was called at 12:00 SESSION resumed at 1:12 p.m.

AGENCY GENERAL (RM-C 0:00:01- 27:30)

Residential Fire Suppression Requirements

Discussion and possible action regarding the configuration of service connections for residential fire suppression systems.

Public Comment

Mr. Rob Aragon

Mr. Bob Reeder

MOTION: It was moved by Director Manassero, seconded by Director Thomas, and unanimously carried to accept staff's recommendation to approve the proposed configuration for residential service connections with fire sprinkler systems utilizing the City of Milpitas detail and direct staff to modify standards and specifications accordingly.

COMMITTEE REPORTS (RM-C 27:40- 37:10)

ACWA Conference

Personnel Committee

AGENCY COUNSEL REPORT (RM-C 38:00- 57:45)

Legislative Report

FUTURE AGENDA TOPICS (RM-C 1:05:06- 1:12:20)

Continuation of Standby Fees for Water and Wastewater

Sanitary Sewer Management Plan

Will Serve review for Wastewater

Budget

Sutter Creek Billing

CLOSED SESSION was called at 2:30 p.m.

Pursuant to Government Code Section 54957.6 -Conference with Labor Negotiators (Gene Mancebo, Karen Gish, Robert Manassero, Paul Molinelli) –Department Head Bargaining Unit (DHBU) Management Bargaining Unit (MBU) AWA Employee Association- Confidential Bargaining Unit Negotiations (CBU)

Pursuant to Government Code Section 54956.9 (b) - Anticipated Litigation- Conference with Legal Counsel (1case)

Pursuant to Government Code Section 54956.9(a) – Conference with Legal Counsel Existing litigation- Ken Berry vs. Amador Water Agency (Amador County Superior Court Case No. 08-CV-5592)

OPEN SESSION RESUMED at 4:11 p.m. with direction given to Agency Negotiators and Agency Counsel.

MOTION: It was moved by Director Thomas, seconded by Director Molinelli and unanimously carried to adjourn the meeting.

ADJOURNMENT- President Cooper adjourned the meeting at 4:14 p.m.

Cris L. Thompson, Clerk of the Board

Approved: _____

**AMADOR WATER AGENCY BOARD OF DIRECTORS
Special Board Meeting
June 16, 2011**

MINUTES

Directors Present: Don Cooper, President
Gary Thomas, Vice President
Robert Manassero
Paul Molinelli
Art Toy

Directors Absent: None

Staff Present: Gene Mancebo, General Manager
Michael Lee, Financial Services Manager
Chris McKeage, Operations Manager
Michael Lee, Financial Services Manager
Marvin Davis, Controller
Cris Thompson, Clerk of the Board

WORKSHOP

CALL TO ORDER President Cooper called the Special Board meeting to order at 9:04 a.m.

MOTION: It was moved by Director Thomas, seconded by Director Manassero and unanimously carried to open the special meeting.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Agency Budget (RM-A 0:00:01- RM-C 1:26:04)

Review FY 2010/2011 Budget Performance as of May 31, 2011
Review of current cash flow and projections
Review of proposed FY 2011/12 Budget
Review of proposed FY 2011/12 Capital Improvement Projects

PUBLIC COMMENT

Mr. Bill Condrashoff
Mr. Thornton Consolo

Mr. David Evitt
Mr. Sean Rabe
Ms. Debbie Dunn

RECESS was called at 10:17 a.m. **SESSION RESUMED** at 10:27 a.m.

(RM-B 0:00:01- 1:08:42)

RECESS was called at 11:50 a.m. **SESSION RESUMED** at 12:57 p.m.

(RM-C 0:00:01- 1:26:04)

MOTION: It was moved by Director Manassero, seconded by Director Cooper and unanimously carried to adjourn the meeting.

ADJOURNMENT- President Cooper adjourned the meeting at 2:26 p.m.

Cris L. Thompson, Clerk of the Board

Approved: _____

STAFF REPORT

Authorization for Ratification of Addendum to AWA Employee's Association MOU

Requested Action:

Authorize the Agency's Negotiators (Gene Mancebo, Karen Gish, Robert Manassero and Paul Molinelli, Sr.) to sign and ratify Addendum No. 2 to the Association's July 1, 2008 – June 30, 2012 Memorandum of Understanding.

Background:

Due to the fiscal condition of the Agency, the above-named negotiators were tasked with meeting and conferring with the AWA Employee's Association's representatives to reach agreement on 2011/2012 concessions. The parties have reached agreement on the terms of concessions for this fiscal year and request authorization to ratify the attached addendum. These concessions are consistent with the approved budget.

Alternatives: There are no alternatives recommended

Fiscal Impact: Estimated cost savings of **\$385,557**, as follows: \$36,272 (2% COLA), \$69,872 (estimated merit), \$35,570 (457 Deferred Compensation elimination), \$243,843 (12 Furlough Days). The Association represents 26 employees currently.

Reviewed by Committee: No – Personnel Committee members participated as part of the negotiating team

Recommendation: Authorize the Negotiating Team to sign and ratify the Addendum.

Prepared by: Karen L. Gish, HR/Office Manager

**ADDENDUM #2
TO
MOU 7/1/2008-6/30/2012**

Concessions for 2011/2012 Fiscal Year

Table of Contents

PURPOSE 3

TERM OF AGREEMENT 3

ASSOCIATION CONCESSIONS 3

 Cost of Living Adjustment..... 3

 Anniversary Date Pay Adjustments (Performance) 3

 Furlough Program..... 3

 457 Deferred Compensation Program..... 4

 CTO/Vacation Policy Revisions 4

 2nd Tier/New Hire Benefits 4

AGENCY CONCESSIONS 4

 Layoff Policy (Section 11.02)..... 4

AUTHORIZATION..... 5

EXHIBIT A..... 6

 Furlough Program..... 6

 Furloughs for 2011/2012 Fiscal Year 6

 Creation of Furlough Bank 6

 Equalized Pay Deductions for FLSA Non-Exempt Employees 6

 Furlough Deductions Non-Taxable to Employee 6

 Fringe Benefits Not Affected 6

 Separation From Service 7

PURPOSE

This Addendum describes those terms and conditions of employment of which agreement has been reached between the Board of Directors of Amador Water Agency ("Agency") and those employees designated as the AWA Employees' Association ("Association"), after meeting and conferring by the duly appointed representatives of both parties. This Addendum relates particularly to concession bargaining for the 2011/2012 Fiscal Year for the term of this Addendum and the MOU to which it is attached. This Addendum is not, however, inclusive of all employment terms, conditions, requirements, standards and other factors that may bear upon the employment relationship between the Agency and the Association. Nevertheless, should a conflict in the specific terms and conditions of this Addendum occur between the provisions contained herein to those of another Agency document, the provisions of this Addendum shall prevail during the term of this Addendum.

TERM OF AGREEMENT

Except as otherwise provided for herein, this Addendum and the MOU to which it is attached, shall be binding upon the Agency and the Association, or its successors, for the period from July 1, 2011 through June 30, 2012.

ASSOCIATION CONCESSIONS

Cost of Living Adjustment

The Cost of Living Adjustment (COLA) for the 2011/2012 fiscal year shall be forfeited. The top of the salary range for all Association classifications shall be increased by two percent (2%).

Anniversary Date Pay Adjustments (Performance)

Annual performance evaluations shall be completed. However, merit raises (pay adjustments) shall be forfeited for the 2011/2012 fiscal year.

Furlough Program

The Agency shall implement a furlough program in which the Association members shall take twelve (12) furlough days for the 2011/2012 fiscal year. The Program is attached as Exhibit A to this Addendum.

457 Deferred Compensation Program

Effective July 1, 2011, the Agency shall no longer contribute funds to employee 457 Deferred Compensation Plans. The Agency shall continue to offer the Plans on a voluntary basis.

CTO/Vacation Policy Revisions

The Agency and the Association have agreed to eliminate the practice of paying out Compensatory Time Off (CTO) and accrued Vacation hours, Section 6.11 and 7.07, respectively. Payouts will continue per the policy for employment separation or if an employee exceeds their annual allowed accruals. The Agency will also agree to discuss the opportunity to reinstate CTO pay outs on or around July 1, 2012. The policy language has been met and conferred on, with concurrence.

2nd Tier/New Hire Benefits

The Agency and the Association have met and conferred on a new benefit tier for employees hired after July 1, 2011. The Tier agreed to is as follows:

- CalPERS Retirement Plan – 2%@60
- CalPERS Retirement Premium Employee Share
 - Employee to pay their full 7% premium
 - Once employee is vested (5 years), the employee will qualify for any Agency contributions per respective MOU in place
- 457 Deferred Compensation – the Agency will continue to offer plans on a voluntary basis, but will no longer contribute any matching funds
- Dental, Vision, Life, Short and Long Term Disabilities per respective MOUs
- Health Insurance Premium Co-Payments shall be:
 - Employees hired after 7/1/11 pay 20% of respective premiums or what is negotiated in respective MOUs, whichever rate is higher

AGENCY CONCESSIONS

Layoff Policy (Section 11.02)

The Agency has agreed to change the advance written notice from 15 days to 30 days within the policy.

AUTHORIZATION

This Addendum shall become effective July 1, 2011 following approval by the Association and the Agency Board of Directors, and shall remain in effect until June 30, 2012, unless so modified by mutual agreement of both parties. The representatives of the parties to this Addendum have caused their names to be signed on this ____ day of July 2011.

AMADOR WATER AGENCY

AMADOR WATER AGENCY EMPLOYEES'
ASSOCIATION

Gene Mancebo, General Manager

Damon Wyckoff, Authorized Representative

Karen Gish,
AWA Authorized Representative

Michael Thompson, Authorized Representative

Robert Manassero, Director

Approved as to form:
ROSE LAW FIRM, P.C.

Paul Molinelli, Sr., Director

Mark A. Johnson
Representative for Rose Law Firm, P.C.

EXHIBIT A

Furlough Program

Furloughs for 2011/2012 Fiscal Year

As a temporary cost-saving measure, each represented employee shall take up to ninety-six (96) furlough hours (leave from work without pay) between July 1, 2011 and June 30, 2012.

Creation of Furlough Bank

Effective July 1, 2011, the Agency shall create and maintain for each represented employee a furlough bank of ninety-six (96) hours. Every represented employee's furlough bank shall have the same number of unpaid furlough hours. Between July 1, 2011 and June 30, 2012 each represented employee shall be required to use all hours in the employee's furlough bank, to be scheduled within each respective department/division to have the least impact on operations. Depending on each department/division, schedules may be developed that provide for scheduled days off (i.e. one Friday every month). **Scheduled furlough days must be approved in advance by Supervisors and/or Department Head.**

Employees shall be permitted to coordinate the use of their vacation and CTO with furlough days. The Agency shall ensure that each represented employee exhausts all hours in the employee's 2011/2012 furlough bank by the close of business on June 30, 2012.

Equalized Pay Deductions for FLSA Non-Exempt Employees

Each represented employee's pay will be reduced evenly through the 2011/2012 fiscal year to correspond with the ninety-six (96) furlough hours.

Furlough Deductions Non-Taxable to Employee

The furlough deductions shall not be subject to income tax, payroll tax or otherwise taxable to the employee.

Fringe Benefits Not Affected

Notwithstanding these furloughs and furlough deductions, represented employees shall continue to receive the full amount of all fringe benefits

including, without limitation and by way of illustration, Agency contribution to medical and hospital insurance, dental insurance, vision insurance and vacation.

Separation From Service

Any represented, non-exempt employee who separated from Agency service during 2011/2012 before the last incremental furlough wage deduction described in Equalized Pay Deductions for FLSA Non-Exempt Employees occurs, shall have the employee's final compensation adjusted by the difference between the number of furlough hours the employee has actually used, if any, and the number of furlough hours actually deducted from the employee's pay.

STAFF REPORT

2nd Tier/New Hire Benefits

Requested Action:

Discussion regarding status on the 2nd Tier/New Hire Benefits Package

Background:

As part of addressing the Agency's current fiscal condition, the Board tasked the Personnel Committee and Staff with developing and implementing a new benefit package for any new employees hired after July 1, 2011. The Agency's negotiating team has been meeting and conferring with each bargaining unit towards implementing the package. The 2nd Tier, as proposed, consists of the following impacts to any employee hired after 7/1/11:

- CalPERS Retirement Plan change to 2% @ 60
- CalPERS Retirement Premium – Employee to pay their 7% share
 - Once vested at 5 years, the employee would be eligible for any Agency contributions per respective Memorandum of Understanding in effect
- Health Insurance Premium Co-payments
 - Employee would pay 20% of premium; Agency would pay 80%
 - Employees hired after 7/1/2011 either pay 20% of premiums or what is negotiated in respective Memorandums of Understanding, whichever rate is greater
- 457 Deferred Compensation – the Agency will offer plans on a voluntary basis, but will no longer contribute any matching funds.

Staff will provide a verbal update on the status of bargaining unit meet and confers.

Alternatives: There are no alternatives recommended

Fiscal Impact: Varies depending on an employee's status at hire, when we hire, etc.

Reviewed by Committee: Yes – Personnel Committee and Board.

Recommendation: No recommendation at this time. Staff will be bringing additional items to the Board upon completion of the meet and confer process for approval, specifically Resolutions for CalPERS, the 2%@60 Plan and Health Insurance Premium Co-Payments.

Prepared by: Karen L. Gish, HR/Office Manager

STAFF REPORT

Adoption of Revisions to Section 3050 and 3070 of the Administrative Policy Manual

Requested Action:

Adopt the attached revisions to Section 3050 (Investment of Agency Funds) and Section 3070 (Commercial Checking Account of Agency) respecting authorized positions.

Background:

Due to the reorganization of the Agency and the elimination of the Financial Services Manager, the above policies require title/responsibility updates. The attached policies have been red-lined for ease of seeing the changes. The Investment (Policy 3050) responsibilities will be handled by the Controller, with back up by the HR/Office Manager as designee where applicable. The Checking (Policy 3070) has been updated to reflect duties assigned to both the HR/Office Manager and Controller, respectively, to segregate duties and establish checks and balances to fiscal responsibilities. There have not been any additions or deletions to the policies other than those title/responsibility updates.

Alternatives: There are no alternatives recommended

Fiscal Impact: None

Reviewed by Committee: No

Recommendation: Adopt the attached revised policies.

Prepared by: Karen L. Gish, HR/Office Manager

3050 INVESTMENT OF AGENCY FUNDS

3050.1 Introduction

3050.1.1 The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment process and to organize and formalize investment-related activities. Related activities, which comprise sound cash management, include accurate cash flow projections, control of disbursements, expedient collection of revenues, cost effective banking relations and a short term borrowing program, which coordinates investment opportunity with working capital requirements. The ultimate goal is to enhance the economic status of the Amador Water Agency while protecting its pooled cash resources.

3051.2 The investment policies and practices of the Amador Water Agency are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the authority governing investments as set forth in the California Government Code, Sections 53601 through 53659. The investment of bond proceeds are restricted by the provisions of relevant bond documents.

3050.2 Scope

3050.2.1 It is intended that this policy cover all short-term operating funds and investment activities of the Agency. These funds are accounted for in the annual audit report, and include.

3050.2.1.1 General Fund

3050.2.1.2 Water and Wastewater Enterprise Fund

3050.2.1.3 Capital Improvement Funds

3050.2.1.4 Debt Service Funds

3050.2.2 This investment policy applies to all Agency transactions involving the financial assets and related activity of the above-mentioned funds. Any additional funds that may be created from time to time shall also be administered with the provisions of this policy and comply with current State Government Code.

3050.3 Prudence (Standard of Care)

3050.3.1 The Amador Water Agency operates its pooled idle cash investments under the prudent man rule (Civil Code Section 2261, et. seq.). In addition, Government Code Section 53600.3 provides that those persons to whom investment decisions have been delegated are trustees with a fiduciary responsibility to act as a prudent investor.

3050.3.2 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. This affords a broad spectrum of investment opportunities as long as the investment is deemed prudent under current law.

3050.3.3 The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

3050.3.4 It is the Agency's intent at the time of purchase to hold all investments until maturity to ensure the return of all invested principal dollars but sales before maturity are permitted.

3050.4 Objectives

3050.4.1 Investment Criteria

3050.4.1.1 Government Code Section 53600.5 states: "When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objective of the trustee shall be to safeguard the principal of funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control".

3050.4.1.2 Simply stated, safety of principal is the foremost objective, followed by liquidity and return on investment (known as yield). Each investment transaction shall seek to first ensure the capital losses are avoided, whether they are from market erosion or security defaults.

3050.4.1.3 The primary objectives, in priority order, of the Agency's investment activities shall be:

- Safety - Safety of principal is the foremost objective of the investment program. The Agency's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. The Agency shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk. Investment decisions should not incur unreasonable credit or market risks in order to obtain current investment income.

- a. Credit Risk: Defined as the risk of loss due to failure by the issuer of a security
- b. Market Risk: Defined as the risk of market value fluctuations due to overall changes in the general level of interest rates.
- Liquidity - The Agency's investment portfolio will remain sufficiently liquid to enable the Agency to meet its cash flow requirements. An adequate portion of the portfolio should be maintained in liquid short term securities which can be converted to cash and guarantee the Agency's ability to meet operating expenditures.
- Return on Investment (Yield) - The Agency's investment portfolio shall be designed with the objective of attaining a market rate of return on its' investments consistent with the constraints imposed by its safety objective and cash flow considerations. Yield is to be a consideration only after the basic requirements of adequate safety and liquidity have been met.

3050.4.2 Market Rate of Return - The investment portfolio shall be managed to attain a market average rate of return throughout budgetary and economic cycles. This takes into account the Agency's cash flow requirements and investment risk constraints, state and local laws and ordinances or resolutions that restrict the placement of short term funds.

3050.4.3 Performance Standards - The investment portfolio shall be managed with the objective of producing a yield meeting or exceeding the average return on the one year U.S. Treasury. This index is considered a benchmark for low to moderate risk investment transactions. Therefore, they comprise a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. This benchmark will be reviewed thoroughly and may be adjusted as required by market conditions to prevent incurring unreasonable risks to attain yield.

3050.4.4 Diversification - The investment portfolio shall be diversified to prevent incurring unreasonable and avoidable risks regarding specific security types, individual financial institutions or maturity segments.

3050.4.5 Public Trust - All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

3050.5 Delegation of Authority

3050.5.1 The management and oversight responsibility for the investment program is hereby delegated to the ~~Financial Services Manager~~Controller who shall monitor and review all investments for consistency with this investment policy. The General Manager and ~~Financial Services Manager~~Controller shall jointly establish procedures to implement and monitor this investment policy. Such procedures shall include explicit delegation of persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the limits of this policy.

3050.6 Ethics and Conflict of Interest

3050.6.1 Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or that could impair their ability to make impartial decisions.

3050.7 Selection of Authorized Financial Institutions and Broker/Dealers

3050.7.1 To provide for the optimum yield in the Agency's portfolio, the Agency's procedures shall be designed to encourage multiple bids and offers on investment transactions from an approved list of broker/dealers. The ~~Financial Services Manager~~Controller shall maintain a list of authorized broker/dealers and financial institutions, which are approved for investment purposes, in the State of California, and it shall be the policy of the Agency to purchase securities only from authorized institutions or firms. The investment guidelines and procedures shall identify the criteria under which brokers and dealers may qualify to conduct business with the Agency.

3050.7.2 In order to assist in identifying qualified financial institutions, the ~~Financial Services Manager~~Controller shall forward copies of the Agency's investment policy to those financial institutions with which the Agency is interested in doing business and will require written acknowledgment of the policy. In addition, all dealers approved to do business with the Agency shall receive a copy of the Investment Policy annually. Confirmation of receipt of this policy shall signify that the dealer understands the Investment Policy and intends to present only appropriate investments.

3050.8 Permitted Investment Instruments

3050.8.1 Allowable investment instruments are defined in the California Government Code Section 53600 et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the Agency is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where Government Code Section specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

3050.8.2 Allowable investment instruments are defined in the California Government Code Section 53600 et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the Agency is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where Government Code Section specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

3050.8.2.1 Government obligations pledged by the full faith and credit of the United States for the payment of principal and interest.

3050.8.2.2 Obligations issued by Agencies or Instrumentalities of the U.S. Government.

3050.8.2.3 Repurchase Agreements used solely as short term investments not to exceed one year.

3050.8.3 The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Agency's custodian bank versus payment. 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 reviewed on a regular basis and adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investment in repurchase agreements shall be in compliance if the value of the underlying securities is brought back to 102 percent no later than the next business day.

3050.8.4 Banker's Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short term paper of which is rated in the highest category by Moody's Investors Services or by Standard & Poor's Corporation.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the Agency's surplus money. However, no more than \$1,000,000 of the Agency's surplus funds may be invested in the Banker's Acceptance of any one commercial bank.

3050.8.5 Commercial paper rated in the highest short term rating category, as provided by Moody's Investors Service, Inc. (P-1) or Standard & Poor's Corporation (A-1) provided that the issuing corporation is organized and operating within the United States, has total assets in excess of \$500 million, and has an "A" or higher rating for its long term debt, (if any, as provided by Moody's or Standard & Poor's).

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than \$1,000,000 from an issuing corporation.

Purchases of commercial paper may not exceed 15 percent of the Agency's surplus money that may be invested.

3050.8.6 Medium term corporate notes of a maximum of five years maturity 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. Medium term corporate notes shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating agency.

Investments will be limited to a maximum of 30% of the Agency's portfolio. The maximum principal amount in any one company will not exceed \$1,000,000.

3050.8.7 FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including United States branches of foreign banks licensed to do business in California. The maximum maturity of a time deposit shall not exceed 180 days. All time deposits must be collateralized in accordance with California Government Code section 53651 and 53652, either using:

- a) 150% of promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under Section 53601 (m), or
- b) 110% of eligible marketable securities listed in subsections (a) through (l) and (n).

3050.8.8 Negotiable certificates of deposit or deposit notes issued by a nationally or state chartered bank or a state or federal savings and loan association or by a state licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the Agency's surplus money.

3050.8.9 State of California's Local Agency Investment Fund. (LAIF) - Investment in LAIF may not exceed limits as set forth by the LAIF Board and adjusted from time to time. The current per account limit is \$20 million per account.

3050.8.10 CLASS - the California Pooled Investment Authority - a statewide joint powers authority (JPA), locally controlled by municipal finance professionals. CLASS is a program provided through MBIA Municipal Investors Service Corporation, backed by a letter of credit, and limited to investment practice consistent with California State Government Code Section 53600 et. al.

3050.8.11 Shares of beneficial interest issued by diversified management companies (Money Market Mutual Funds) investing in the securities and obligations authorized by sections a through l of Government Code section 53601. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of \$500,000,000.

The purchase price of shares shall not exceed 10 percent of the Agency's surplus money.

Table A summarizes the maximum percentage and maturity limits, plus other constraints, by instrument, established for the Agency's total pooled funds portfolio.

No investment shall be made in any permitted investment instruments listed above (outside of State of California's Local Agency Investment Fund-LAIF, FDIC-insured accounts in a bank or savings and loan association, and Intra-Agency fund loans and transfers authorized by Agency resolution) unless the Board of Directors of the Agency has granted express authority to make that investment either specifically or as part of an investment program.

3050.9 Safekeeping of Securities

3050.9.1 To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the Agency shall be held in safekeeping by a third party bank trust department. Designated third party's shall act as agent for the Agency under the terms of a custody agreement or PSA agreement (repurchase agreement collateral). All trades executed by a dealer will settle delivery vs. payment (DVP) through the Agency's safekeeping agent. Original copies on non-negotiable certificates of deposit and confirming copies (safekeeping receipts) of all other investment transactions must be delivered to the Agency. Investment officials shall be bonded to protect the public against possible embezzlement or malice.

3050.9.2 Securities held in custody for the Agency shall be independently audited on an annual basis to verify investment holdings.

3050.10 Maximum Maturity

3050.10.1 Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Agency to meet all projected obligations.

3050.10.2 Investments that mature more than five years from the date of purchase cannot occur without prior approval of the Agency Board of Directors. As

defined in Government Code Section 53601, "no investment shall be made in any security... that at the time of 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 approved by the legislative body no less than three months prior to the investment."

3050.11 Ineligible Investments

3050.11.1 Certain investments are prohibited under Government Code Sections 53601.6 and 53631.5. Security types, which are prohibited, include, but are not limited to the following.

3050.11.1.1 "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating rate notes, or any other complex variable rate or structured note.

3050.11.1.2 Interest only strips that are derived from a pool of mortgages or any security that could result in zero interest accrual if held to maturity.

3050.11.1.3 Reverse Repurchase Agreements.

3050.11.2 Purchasing these types of instruments does not coincide with this Policy's objectives and would require a thorough review and monitoring of the underlying security. Although some of these transactions are legal under Government Code, they do not meet the objectives contained herein.

3050.11.3 By virtue of the allowable investment in the State or CLASS Pools, the Agency is investing idle cash with a large number of government agencies. The Pools are managed by outside administrators and are subject of the Government Codes as well as polices put in place by their governing boards. Either Pool's investment policy may allow for investment in some of the prohibitions noted above for Amador Water Agency. Investment in the State and County Pools is permitted; assuming a diminutive portion of their portfolio's (10% or less) is tied to the high-risk products noted above. The ~~Financial Services Manager~~Controller is responsible to monitor and review the Pooled funds portfolios on an ongoing basis. The Agency shall take any necessary action should either Pool exceed the allowable 10% limit.

3050.12 Reporting Requirements

3050.12.1 Pursuant to Government Code Section 53646, the ~~Financial Services Manager~~Controller shall render to the Agency Board of Directors a separate quarterly investment report, which shall include, at a minimum, the following information for each individual investment:

3050.12.1.1 Type of investment instruments (i.e. treasury Bill, medium term note).

3050.12.1.2 Issuer names (i.e. General Electric)

3050.12.1.3 Purchase date (trade and settlement date)

3050.12.1.4 Maturity date

3050.12.1.5 Par value

3050.12.1.6 Current rate of interest

3050.12.1.7 Purchase price

3050.12.1.8 Current market value and the source of the valuation

3050.12.1.9 Overall portfolio yield based on cost

3050.12.1.10 Weighted average days to maturity

3050.12.2 The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the Agency's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the Agency to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

3050.12.3 Market value adjustments, as required under Government Accounting Standards Board (GASB) Statement No. 31, are treated as year-end accounting adjustments to the financial records of the Agency. Quarterly investment reports will demonstrate market fluctuations and continue to compare purchase price versus market value status. Accounting adjustments under GASB Statement No. 31, which compare changes to beginning and ending par market value in each fiscal year, are not included as part of quarterly investment reports.

3050.12.4 This quarterly report shall be submitted to the Agency Board of Directors within 30 days following the end of the quarter cover by the report. The Amador Water Agency will comply with CDIAC or any other oversight agency reporting requirements.

3050.13 Policy Adopting Changes and Updates

3050.13.1 The ~~Financial Services Manager~~Controller shall annually render to the Board a statement of investment policy, which the Board shall consider at a public meeting. The policy shall be reviewed annually by the General Manager and ~~Financial Services Manager~~Controller to ensure its consistency with the global objective of preservation of investment principal, sufficient liquidity, rate of return and relevance to current laws and financial trends. The Board of Directors must approve any modifications to the policy.

3050.14 Internal Controls

3050.14.1 The ~~Financial Services Manager~~Controller shall operate under a system of internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the Agency. Internal controls include:

- Segregation of duties
- Board approval for Investments other than LAIF, FDIC-insured bank accounts, and Intra Agency fund loans.

3050.15 Depositories

3050.15.1 The ~~Financial Services Manager~~Controller shall establish selection criteria for pre-approval of institutions that do business with the Amador Water Agency. To qualify for consideration, an institution must have an office in California and that office must perform the transactions with the Agency.

3050.16 Risk Tolerances

3050.16.1 The Agency recognizes that investment risk can result from issuer defaults, market price changes or various technical complications leading to temporary liquidity. Portfolio diversification is employed as a way to minimize and control these risks.

Glossary of Terms

Bankers' Acceptances - negotiable time drafts or bills of exchange drawn on and accepted by a commercial bank. Acceptance of the draft obligates the bank to pay the bearer the face amount of the draft at maturity. In addition to the guarantee by the accepting bank, the transaction is identified with a specific commodity. The sale of the underlying goods will generate the funds necessary to liquidate the indebtedness. Banker's Acceptances are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. Banker's Acceptances are sold at a discount from par and the amount and maturity dates are fixed. Bankers' Acceptances have the backing of both the bank and the pledged commodities with no known principal loss in over 70 years. State law permits cities to invest up to 40% in bankers' acceptances.

Certificate of Deposit - A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.

Collateral - Securities, evidences of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Corporate Medium Term Notes - Unsecured promissory notes issued by corporations operating within the United States. The notes mature in one to five year periods. Purchase of these notes may not exceed 30% of the Agency's portfolio and the notes must have at least an "A" rating by a nationally recognized rating service.

Commercial Paper - An unsecured promissory note of industrial corporations, utilities and bank holding companies having assets in excess of \$500 million and an "A" or higher rating for the issuer's debentures. Interest is discounted from par and calculated using the actual number of days on a 360-day year. The notes are in bearer form, mature from one to 270 days and generally start at \$100,000. There is a secondary market for commercial paper and an investor may sell them before maturity. Unused lines of credit back commercial paper from major banks. State law permits agencies to invest up to 30% in commercial paper.

Credit Risk - Defined as the risk of loss due to failure of the issuer of a security. This loss shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the Agency's capital base and cash flow.

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

Custody - A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Fannie Mae - Trade name for the Federal National Mortgage Association (FNMA), a United States sponsored corporation.

Federal Reserve System - The central bank of the United States which consists of a seven member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$100,000) per account.

Freddie Mac - Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a United States sponsored corporation.

Ginnie Mae - Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the United States Government.

Interest Rate - The annual yield earned on an investment, expressed as a percentage.

Liquidity - Refers to the ability to rapidly convert an investment into cash.

Local Agency Investment Fund (LAIF) Demand Deposit - Was established by the state to enable treasurers to place idle funds in a pool for investment. Each agency is currently limited by LAIF to an investment of \$30 million plus any bond proceeds.

Market Risk - Defined as market value fluctuations due to overall changes in the general level of interest rates. Adverse fluctuation possibilities shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis, and eliminating the need to sell securities prior to maturity. In addition, avoiding the purchase of long-term securities for the sole purpose of short-term speculation mitigates market risk.

Market Value - The price at which a security is trading and could presumably be purchased or sold.

Maturity - the date the principal or stated value of an investment becomes due and payable.

Portfolio - Collection of securities held by an investor.

Purchase Date - The date in which a security is purchased for settlement on that or a later date.

Rate of Return - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - Are contractual arrangements between a financial institution or dealer and an investor. The investor puts up their funds for a certain number of days at a stated yield. In return, they take title to a given block of securities as collateral. At maturity, the securities are repurchased and the funds are repaid with interest.

Reverse Repurchase Agreement (Reverse REPO) - A transaction where the seller (Agency) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Sallie Mae - Trade name for the Student Loan Marketing Association (SLMA), a United States sponsored corporation.

Treasury Bills - United States Treasury Bills which are short term, direct obligations of the United States Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

United States Government Agencies - Instruments issued by various United States Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Permitted Investments
Table A

Permitted Investments	State Code	Agency Policy	Maximum	
	Legal Limit (% or \$)	Legal Limit (% or \$)	Maturity Constraints	Agency Policy Other Constraints
U.S. Government Obligations	Unlimited	Unlimited	5 years *	None
U.S. Government Agencies & Instruments	Unlimited	Unlimited	5 years *	None
Repurchase Agreements	Unlimited	Unlimited	1 year	102% Market value on underlying securities
Bankers Acceptances	40%	40%	180 days	No more than \$1,000,000 invested in any one commercial bank
Commercial Paper	30%	30%	270 days	U.S. Corporations with assets in excess of \$500,000,000; "A" debt rating; maximum of \$1,000,000 from an issuing corporation
Medium Term Corporate Notes	30%	30%	5 years	U.S. Corporations; "A" debt rating maximum of \$1,000,000 per issuing company
Certificates of Deposit	Unlimited	Unlimited	5 years *	Must be collateralized to 110% of the CD value by other eligible securities or 150% by promissory notes secured by California Deeds & Mortgages
Negotiable Certificates of Deposit	30%	30%	5 years *	State and Federally chartered banks and savings institutions "AA" rating by one agency
LAIF State Pool	\$30,000,000 **	\$30,000,000 **	N/A	Limited to 10 transactions per month, per account, per State Policy - last changed 7/1/98
CLASS (a California Pooled Investment Authority JPA)	Unlimited***	Unlimited***	N/A	None
Mutual Funds	15%	10%	N/A	Funds invested as defined in Section 53601 (a) to (l); high debt rating from 2 of top 3 national rating services OR investment advisor registered with SEC for at least 5 years assets under management in excess of \$500,000,000.

- * Maximum terms unless the Board of Directors expressly authorizes longer maturities and within the prescribed time frame for said approval.
- ** Not set by Government Code, but instead by LAIF Governing Board.
- *** Investment limits set by California Pooled Investment Authority & MBIA Municipal Investors Services

3070 COMMERCIAL CHECKING ACCOUNT OF AGENCY

3070.1 The Agency has a need for access to its funds to carry-out the operation of its business. A commercial checking account is established with the Bank of Amador, Amador County, to enable the Agency to withdraw funds by check and to perform on-line banking transactions.

3070.2 The authorizations for this commercial checking account consist of the following:

3070.2.1 One signature is required for funds withdrawn by check up to five thousand dollars (\$5,000).

3070.2.2 Two signatures are required for funds withdrawn by check in excess of five thousand dollars (\$5,000).

3070.2.3 The authorized Agency representatives on this commercial checking account for funds withdrawn by check shall be two members of the Board of Directors, the General Manager, the ~~Financial Services Manager~~HR/Office Manager and the Executive Secretary/Clerk of the Board.

3070.2.4 The authorized Agency representatives on this commercial checking account to conduct matters such as wire transfers, stop payments, electronic fund transfers and effectively receiving and sending automated clearinghouse payments shall be the ~~Financial Services Manager~~HR/Office Manager, the Data Systems Analyst/Accounting, or their designated representatives.

STAFF REPORT

Current Top Work Priorities

Requested Action:

Discussion and direction on priority work items.

Background:

The purpose of this agenda item is to share the more immediate work items underway and provide an opportunity for the Board to provide direction on the priorities for these or items which should be added. This list is intended to cover the high priority items for the next 1-2 months. In the future a more extensive list looking farther into the future will be provided to the Board for review and comment.

Alternatives:

Adjustments to priorities.

Fiscal Impact:

Not applicable

Reviewed by Committee:

No.

Recommendation:

Provide input to the General Manager on the current priorities.

Prepared by:

Gene Mancebo, General Manager

Current Top Priority Work Items

1. Financial
 - a. Update Cash Flow Projections for fiscal year 2011-2012
 - b. Consider budget and account structure change recommendations
 - c. Evaluate 2010-2011 fiscal year performance and current reserve balances
 - d. Complete Concession process
 - e. Report on reorganizational and concession cost savings for 2011-2012 fiscal year
2. Camanche Water System
 - a. Monitor water supply (well performance) and need for conservation requests
 - b. Follow up on possible infrastructure funding from the County
 - c. Finalize the rate notice with possible revisions with County funding
 - d. Follow up on Prop. 84 Implementation grant funding
3. Urban Water Management Plan
 - a. Internal review followed by public review and adoption
4. Consolidated Rate Structure concept, GSL CFD, & AWS Transmission CFD
 - a. Preparation of cost estimates
 - b. Funding source options
 - c. Board presentation and consideration
5. Sutter Creek WW Resolution
 - a. Finalize previous year final costs and recommend payment plan
 - b. Capacity charge payments
 - c. WWTP improvement cost share agreement and payment schedule
 - d. Amend current agreements
6. County WDF GSL Loan
 - a. Discussion of options for repayment
7. GSL Project
 - a. Project direction
8. Miscellaneous
 - a. Fair booth
 - b. Information requests
 - c. Reorganization implementation

STAFF REPORT

EBMUD 2040 Water Supply Management Program Supplemental Project Environmental Impact Report Scoping Comments

Requested Action:

Discussion and possible direction to provide comments.

Background:

The purpose of this agenda item is to provide an opportunity for the Board to discuss possible comments to EBMUD on those items identified for the Supplemental Project Environmental Impact Report being discussed at the scoping sessions (July 13, 14, & 21, 2011). Comments are due on July 29, 2011. The attached Notice of Preparation provides background information.

Alternatives:

Not applicable

Fiscal Impact:

Not applicable

Reviewed by Committee:

No.

Recommendation:

Staff has no specific recommendation in advance of the scoping sessions. Discuss possible comments, if any, and provide direction for the General Manager to prepare a letter accordingly for final approval on the July 28, 2011 Board meeting.

Prepared by:

Gene Mancebo, General Manager



**NOTICE OF PREPARATION
DRAFT REVISED PROGRAM ENVIRONMENTAL IMPACT REPORT
WATER SUPPLY MANAGEMENT PROGRAM 2040**

Date of this Notice	June 23, 2011
Lead Agency/Project Sponsor	East Bay Municipal Utility District 375 11th Street Oakland, CA 94607
Agency Contact Person	Tom Francis Email: WSMP.comments@ebmud.com
Project Title	EBMUD Water Supply Management Program 2040
Project Location	Various
County	Alameda, San Francisco, Contra Costa, Sacramento, San Joaquin, Calaveras, Amador, Alpine, Yuba, Colusa, Glenn, and Plumas counties
<p>The East Bay Municipal Utility District (EBMUD) plans to prepare a supplemental Program Environmental Impact Report (PEIR), which will revise its 2009 PEIR for the Water Supply Management Program (WSMP) 2040.</p> <p>The primary purpose of WSMP 2040 was to identify possible near-term and longer-term solutions to meet EBMUD's water needs through 2040. The WSMP 2040 presents water demand projections for EBMUD's service area through 2040, and examines various supplemental water supply components available to EBMUD to meet the projected dry-year demands through 2040. The components included in the WSMP 2040 included water conservation measures, the development of recycled water projects, and certain supplemental water supplies that could be developed in the future to provide additional water to EBMUD's customers during drought periods. One component of the WSMP 2040's long-term supplemental water supply options is the Upcountry Regional Project, which includes the possibility of participating with upcountry agencies in a project enlarging Pardee Reservoir and making other improvements to facilities in the Mokelumne River watershed.</p> <p>As the project sponsor and lead agency under CEQA, EBMUD certified a Final Program Environmental Impact Report (PEIR) and approved its Water Supply Management Program (WSMP) 2040 in October 2009. The PEIR and WSMP are available on EBMUD's website at http://ebmud.com/our-water/water-supply/long-term-planning/water-supply-management-program-2040.</p> <p>The WSMP 2040 PEIR was subsequently challenged in court in Foothill Conservancy v. East Bay Municipal Utilities District, Sacramento Sup. Ct. Case No. 34-2010-80000491. While the court rejected many of the grounds for challenge, the court identified the following specific deficiencies in the PEIR's discussion of the Pardee Reservoir component of WSMP 2040:</p>	

- The failure to analyze and mitigate impacts to the “Middle Bar Run”
- The failure to adequately formulate mitigation measures for the potentially significant impact to native Miwok ancestral gathering places
- The failure to adequately identify and mitigate potentially significant safety impacts that could arise from the possible removal of the Middle Bar Bridge as an emergency evacuation route
- The failure to analyze possible alternatives in light of the full extent of possible impacts from inundation of the Middle Bar Run and Middle Bar Bridge and the failure to analyze participation in the project to expand Los Vaqueros Reservoir

The court has ordered EBMUD to supplement the environmental analysis to address these deficiencies. The supplemental PEIR will focus its evaluation on these specific areas.

THE WSMP 2040 MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. A PROGRAM LEVEL ENVIRONMENTAL IMPACT REPORT IS REQUIRED. This determination is based on the criteria of the California Environmental Quality Act (CEQA) Guidelines, including Sections 15063 (Initial Study), 15064 (Determining the Significance of the Environmental Effects Caused by a Project), and 15065 (Mandatory Findings of Significance).

PUBLIC COMMENT PERIOD. Public participation in the environmental scoping process is an important step in determining the appropriate scope of the additional analysis. EBMUD requests comments regarding the effort to revise and supplement the PEIR in the specific areas outlined above. Written comments from all interested parties are encouraged and must be received on or before July 29, 2011 [30 days]. In particular, agency or organization comments regarding the scope of the environmental review of the areas specified above should identify the organization's statutory responsibilities in connection with the WSMP 2040 (CEQA Guidelines Section 15082[b]) and whether the agency may use the PEIR when considering a permit or other approval for the project. Written comments and requests for information should be sent to Tom Francis at the mailing address or email address listed above. Written comments may also be sent by facsimile to (510) 287-1295. All comments received, including names and addresses, will become part of the administrative record and available to the public.

Email: WSMP.comments@ebmud.com

Mailing: WSMP Comments
 c/o Tom Francis
 Water Supply Improvements Division
 East Bay Municipal Utility District
 375 11th Street, M.S. 407
 Oakland, CA 94607

PUBLIC SCOPING MEETINGS. Pursuant to the State of California Public Resources Code Section 21083.9 and CEQA Guidelines Section 15206, three public scoping meetings will be held at the following locations, dates and times:

- **JACKSON, AMADOR COUNTY: July 13, 2011**
City of Jackson Civic Center Meeting facilities
33 Broadway
Jackson, CA 95642-2301
Time: 6:30 PM – 8:30 PM

- **SAN ANDREAS, CALAVERAS COUNTY: July 14, 2011**
San Andreas Town Hall
24 Church Hill Road
San Andreas, CA 95250
Time: 6:30 PM – 8:30 PM

- **OAKLAND, ALAMEDA COUNTY: July 21, 2011**
EBMUD Administrative Offices
2nd Floor Training Room
375 11th Street
Oakland, CA 94607
Time: 6:30 – 8:30 PM

The purpose of these meetings is to assist EBMUD in reviewing the appropriate scope of the additional analysis to refine the existing PEIR. The public will have the opportunity to comment and offer testimony for consideration. EBMUD encourages interested parties to provide comments in writing and written comments will also be accepted at the meetings.

Background

1. EBMUD Responsibility and Service Area

EBMUD is a publicly owned utility formed under the Municipal Utility District (MUD) Act passed by the California Legislature in 1921. EBMUD's major function is to provide water supply to its 1.3 million residential customers and industrial, commercial, and institutional water users in the East Bay region of the San Francisco Bay Area.

EBMUD's 325-square-mile service area stretches from Crockett on the north, southward to San Lorenzo (encompassing the major cities of Oakland and Berkeley), eastward from San Francisco Bay to Walnut Creek, and south through the San Ramon Valley (see Figure 1). The current service area was established during EBMUD's formation, and has been modified by annexation, detachment, or other change of organization.

The EBMUD water system serves 20 unincorporated cities and 15 unincorporated communities in Alameda and Contra Costa Counties. The cities within the EBMUD service area include Alameda, Albany, Berkeley, Danville, El Cerrito, Emeryville, part of Hayward, Hercules, Lafayette, Moraga, Oakland, Orinda, Piedmont, Pinole, part of Pleasant Hill, Richmond, San Leandro, San Pablo, San Ramon, and part of Walnut Creek. The unincorporated communities within the service area include Alamo, Ashland, Blackhawk, Castro Valley, Cherryland, Crockett, Diablo, El Sobrante, Fairview, Kensington, North Richmond, Oleum, Rodeo, San Lorenzo, and Selby.

2. The Need for Water

The District is presently midway through the Water Supply Management Program (WSMP) adopted in 1993 and on schedule to achieve water supply reliability goals for 2020. Specifically, EBMUD has completed the aqueduct security improvements, implemented the LMRMP, completed construction of the Freeport Regional Water Project allowing the use of an amended contract for supplies from the Central Valley Project, and completed the Bayside Phase 1 Project. The District has also implemented conservation and recycling projects and conducted additional studies related to groundwater storage/conjunctive use.

The primary purpose of the WSMP 2040 is to identify solutions to meet dry-year water needs through 2040. The future need for water is the additional water required at projected levels of development under the worst-case drought scenario. Future water need is the difference between the available supply during a worst-case drought and the projected water demand.

EBMUD projected water demands through 2040 using a land-use based approach. A database of existing land uses was developed based on the EBMUD service area. Then, using actual water usage data for 2005, calculations were performed to determine the water use factors for each land use category (dividing consolidated acreages of each land use by the consolidated water use data for each land use type). The water use

factors were then applied to the updated land use categories (compiled based on interpretations of existing general plans and meetings with county / city staff) to develop projected water demands through 2040. All demands were refined to account for weather patterns, geography and land use trends (e.g., changes in density, etc.). To date, despite a recession and recent declines in population growth, the demand projections are expected to be accurate for the long term, 2040 planning horizon.

3. Supplemental Supplies

To meet the need for water, supplemental water must be developed to ensure reliability during a drought year. Rationing, conservation, and recycling alone or in combination would not generate sufficient water to meet water needs through 2040 during a reasonable, worst-case drought event. There are a variety of options to provide supplemental supplies, including expansion of existing reservoirs, construction of new reservoirs, participation in the development of a regional desalination plant, groundwater banking/exchanges, and water transfers. Each supplemental supply component provides different amounts of water, and would be combined and undertaken with various levels of rationing, conservation, and recycling to meet water needs in the planning period. The subcategories of supplemental supply include surface water reservoirs, desalination, groundwater banking/exchange, and water transfers. The supplemental supply components identified in the 2009 WSMP 2040 included water transfers, a regional desalination project, Phase 2 of the Bayside Groundwater Project, Sacramento Basin groundwater banking/exchange opportunities, a regional desalination project, and a Regional Upcountry Project including enlarging Lower Bear Reservoir, the Mokelumne Inter-Regional Conjunctive Use Project (IRCUP)/San Joaquin (SJ) Groundwater Banking project, and an enlargement of Pardee Reservoir. The supplemental supply components that will be subject to further study in the revised PEIR are:

1) Enlarge Pardee Reservoir

The existing 198,000 AF Pardee Reservoir consists of a 350-foot-high concrete dam on the Mokelumne River. Enlargement of the reservoir would increase the existing pool level such that it reaches a maximum elevation of 600 feet msl, adding an estimated 127,000 AF of additional storage.

Enlargement of the reservoir would allow for year-round operation, and during times of drought, this component would serve as a source of an additional 37.5 MGD of water in each dry year up to three dry years in a row.

Enlargement of the reservoir would involve the following activities:

- Construct a replacement dam approximately 0.75 mile downstream of the existing dam;
- Construct saddle dams;
- Refurbish the existing intake structure and intake tunnel;

- Relocate Pardee Dam and Stoney Creek roads, replacing the Highway 49 bridge crossing of the Mokelumne River, and removing the existing Middle Bar Road bridge; and
- Relocate recreational facilities above the new shoreline.

In the revisions to the PEIR, EBMUD will be examining the potential impacts of the expansion of Pardee Reservoir on the Middle Bar area in further detail and will be using the information included in the PEIR to further devise means of avoiding impacts to native Miwok ancestral gathering places, to recreational uses of the "Middle Bar Run", and to the use of the Middle Bar Bridge crossing as an emergency route.

2) Program Alternatives and participation in a project enlarging Los Vaqueros Reservoir

As part of the revisions to the PEIR, EBMUD will be evaluating the participation in the Los Vaqueros Reservoir expansion and will be supplementing the consideration of alternatives in light of the new information that will be developed and set forth.

As detailed by Contra Costa Water District (CCWD) together with the Bureau of Reclamation in the Draft Environmental Impact Study / Environmental Impact Report (EIS/EIR) for the Los Vaqueros Reservoir Expansion Project, four alternatives for expanding the existing reservoir were evaluated; three alternatives would have increased the reservoir's capacity to 275,000 AF, the fourth (which was the preferred and which is currently under construction) increases capacity to 160,000 AF. EBMUD will consider how it could participate in any of the four alternatives (including the one currently under construction). Each alternative involved embankment construction, road / trail and facility relocations, and land inundation. The EIS/EIR discussed the impacts and mitigation measures in depth and will be used and incorporated in the revisions to the PEIR.

4. Impacts Analysis

EBMUD has been ordered to supplement the original WSMP 2040 PEIR analysis to address mitigation for potentially significant impacts to native Miwok ancestral gathering places that would result if the Mokelumne River is inundated by the expansion of Pardee Reservoir and to examine and analyze mitigation for impacts to the Middle Bar Run and Middle Bar Bridge. In addition, EBMUD will supplement the analysis to further examine alternatives, including the alternative of participating in the expansion of Los Vaqueros Reservoir. In its examination of participation in the expansion of Los Vaqueros, EBMUD will identify the impacts associated with using this as a supplemental water supply, including land use, biological and hydrologic impacts.