

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue Beaumont, California 92223**  
**Minutes of the Board of Directors Meeting**  
**November 6, 2017**

**Directors Present:** David Fenn, President  
Ron Duncan, Vice President  
Lenny Stephenson, Treasurer  
Blair Ball, Director  
David Castaldo, Director  
Stephen Lehtonen, Director  
Michael Thompson, Director

**Staff Present:** Jeff Davis, General Manager  
Tom Todd, Jr., Finance Manager  
Jeff Ferre, General Counsel  
Cheryle Rasmussen, Executive Assistant

1. **Call to Order, Flag Salute, Invocation, and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President Fenn at 1:30 p.m., November 6, 2017 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. President Fenn led the Pledge of Allegiance to the flag. Director Ball gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Fenn asked if there were any adjustments to the agenda. There being none, the Agenda was adopted as presented.*
3. **Public Comment:** *President Fenn asked if there were any members of the public that wished to make a public comment within the jurisdiction of the Agency that is not on today's Agenda. No members of the public commented.*
4. **Consent Calendar:**
  - A. Approval of the Minutes of the Regular Board Meeting, October 16, 2017
  - B. Approval of the Minutes of the Finance and Budget Workshop, October 23, 2017
  - C. Approval of the Finance and Budget Workshop Report, October 23, 2017

Director Stephenson made a motion, seconded by Director Duncan, to adopt the consent calendar as presented. Motion passed 7-0.

**5. Reports:**

**A. General Manager's Report:**

**(1) Operations Report: (a) SWP Water Deliveries:** The Agency delivered a total of 1404 acre-feet to the Noble Creek Connection, for the month of October (an average of 23 cfs). The Agency has delivered a little over 13,000 acre-feet of water so far this year; this is a record for the Agency and there are still two months left in this year. It is anticipated that the Agency will deliver around 16,000 acre-feet this year to our three customers. Carry over water will come in to about 4000 acre-feet, due to the CLAWA transfer and Nickel water and 85% Table A water allocation.

**(2) General Agency Updates:** **(a) Oroville Reservoir:** DWR met its deadline for the reconstruction of the collapsed Oroville Dam spillway by November 1<sup>st</sup>. **(b) Southern California Water Committee Summit:** A flyer for the SCWC Summit has been provided to each board member. The Summit will be held here at the Agency on November 17<sup>th</sup>; the subject matter is the California WaterFix. **(c) East Branch Extension:** A dedication ceremony will take place possibly in early January. DWR, SBVMWD and SGPWA will be hosting the event. The location will be at Citrus Pump Station; more information on the event will be available in the near future. **(d) DWR Allocation:** DWR's contract states that the initial allocation has to be made available to SWC by December 1<sup>st</sup>. No word yet as to what that allocation might be. **(e) SGPWA Board Meeting Schedule:** President Fenn and General Manager Davis had some discussion on the December meeting calendar, as it stands the Finance and Budget meeting would take place on December 25<sup>th</sup>. It is suggested to cancel the second Board meeting of the month and to hold the Finance and Budget meeting on December 18<sup>th</sup>; the Board was in agreement with the changes.

**B. General Counsel Report:** General Counsel Ferre deferred from reporting.

**C. Directors Reports:** **(1) Director Lehtonen** reported that he attended the Beaumont Chamber of Commerce meeting on November 3<sup>rd</sup>. The guest speaker was Lance Christiansen, Calif. Dept. Tax & Fee Administration. **(2) Director Lehtonen** reported that he attended the Banning Special City Council Meeting (Open House) on Tuesday, October 17, 2017. **(3) President Fenn** reported that the Strategic Planning Ad Hoc Committee met on October 23<sup>rd</sup>.

## 6. New Business:

**A. Public Hearing for Ordinance 15, Increasing the Number of Days per Month which will be Eligible for Director Compensation, Restating the Current Amount of Compensation, and Updating Compensation Guidelines:** A staff report, a legal Notice of Public Hearing, and three written public comments were included in the agenda packet; in addition nine additional written public comments were received after the Agenda was posted, all of which were provided to the Board and made available to the public. General Counsel Ferre briefly reviewed the staff report. President Fenn opened the Public Hearing at 1:44 p.m. to receive oral comment. Five members of the public spoke in opposition. President Fenn asked if there were any other public comments, there being none he closed the Public Hearing comments at 1:50 p.m.

**B. Discussion and Possible Action onr Ordinance 15, Increasing the Number of Days per Month which will be Eligible for Director Compensation, Restating the Current Amount of Compensation, and Updating Compensation Guidelines:** President Fenn asked for Directors comments. Director Stephenson expressed his rationale as to why additional meetings are needed, citing how he was able to come back to the Board and educate them on the importance of a much needed revised investments strategy. Because of this action the Agency has increased investment revenues by \$300k. In addition, he personally brought back a

potential water purchase deal. Director Lehtonen expressed the importance of getting an education, stating that water is a very complicated issue. He is mostly concerned that the Directors have as much knowledge and education as possible in order to make better decisions. Director Thompson is most concerned about the region and the taxpayer. He stated that his fear is based on future board members taking advantage and misusing the additional meetings in order to increase their pay. Director Ball stated that there must have been a basis for the prior board members only allowing for five paid meetings, he believes that five meetings are sufficient. He was opposed to have three additional meeting at a cost of an additional \$9k per board member, per year. He pointed out that the taxpayers that are here today are voicing their opinion asking us not to have additional meetings and are opposed to Ordinance 15. President Fenn answered a member of the public's question on what is the policy and process is on how the board members are paid. In addition, he stated that the Board has had several discussions on this particular issue. During the discussions there was general support from the board members to have eight meetings as opposed to ten. President Fenn stated that he felt that an additional three meetings would be used towards education and attending water related conferences. The thought process was if we provide an incentive to attend the Directors would attend and be a better member of the Board. Also, he has attended both water and city meetings where in his perception staff would report and give direction and the board members were not educated enough to ask questions. His reason for suggestion additional meetings is that directors get educated, understand the facts, and have a second opinion. He stated that he appreciated the comments that were given today and that he considered it very important. He asked the Board for additional comments. Directors Lehtonen, Thompson, Duncan, and Ball made additional comments. President Fenn stated that he has an additional request for public comments. General Counsel Ferre stated that should the Board wish to reopen public comment, then that reopens the public comment hearing. Director Castaldo made a motion, seconded by Director Ball, to reopen the public comment portion of the meeting. President Fenn reopened Public Comment at 2:32 p.m., four members of the public provided comment. President Fenn closed Public Comment at 2:42. Director Castaldo made additional comment on why he was in favor of having the board member having the ability to attend as many meetings as they can as it is advantageous. Director Ball provided additional comment as to why Ordinance 15 should not be adopted. Director Lehtonen made a motion, seconded by Director Castaldo to adopt Ordinance 15. President Fenn requested a roll call vote.

<b><u>Roll Call:</u></b>	<b>Aye</b>	<b>Noes</b>	<b>Absent</b>	<b>Abstain</b>
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Ball	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Lehtonen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Castaldo	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Duncan	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Thompson	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
President Fenn	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Motion failed 4-3.

**C. Discussion and Possible Action on Award of Construction Contract for Construction of Mountain View Connection and Beaumont Avenue Recharge Facility:** A staff report was included in the agenda packet. General Manager Davis reported to the Board that he conducted a mandatory pre-bid conference; of which four contractors attended. At the actual bidding, only two contractors provided a bid. One of the four contractors was disqualified, as he was late to the pre-bid meeting. The fourth contractor could not get a bid in as they had computer issues. The lower bid was about \$4 million, the higher bid came in at \$6.1 million. Staff believes that at least three bids are required in order to provide sufficient competition and to gain information on the true cost of a project. Staff recommends that the Board reject all bids received on October 26<sup>th</sup>, and rebid the project in an attempt to get a more favorable price for the proposed work. Staff will change the energy dissipation structure drawings and specifications. Director Duncan made a motion, seconded by Director Thompson, to reject the bid and to re-bid the project. General Manager Dan Jagers (BCVWD) spoke on the Agency using BCVWD recharge ponds. Director Ball stated that he is in favor of rejecting all bids, but he is not in favor of going out to re-bid immediately. He stated that there are some other understandings that need to be addressed such as seepage. President Fenn asked for a vote. Motion passed 6-1, with Director Ball opposed.

**C. Discussion of Potential Methods of funding Future Water Supplies:** A staff report was included in the agenda packet. General Manager Davis stated during past discussions the focus has only be on two primary sources of revenue to fund water supplies. The first one being a capacity fee on new development and the other is an increase in the water rate. Staff is providing this report to inform the Board that the Agency has other powers granted to it by the Legislature that it could use to fund additional water supplies. These other methods are not necessarily recommended, but will give the board members a full picture as to different funding methods. General Manager Davis provided a PowerPoint presentation on the Funding Methods for New Water Supplies. Within the presentation were a number of financial “tools” that it can use to pay for new water supplies. These ‘tools’ include the following:

- A single-component capacity fee for long-term water supplies.
- A two-component capacity fee that would pay for interim supplies as well as a permanent supply (if it can be found).
- The water rate charged to retail water customers.
- Withdrawals from reserves.
- General fund tax revenues.
- State Water Project tax (if new supplies emanate from the State Water Project).
- Creation of a standby charge for the entire service area or various Improvement Districts within the service area.
- Creation of new Improvement Districts, along with a water rate or standby charge, that would place the burden of funding new supplies on newly developed areas.

Alternatively, the Board could choose to not fund any additional water supplies at all. The Board needs to decide what funding mechanism works best for the Agency, for our region, and our retail water customers. A decision does not need to be made right away. Should the Board wish to implement a capacity fee staff needs to know what to include in the fee to either revise the existing Nexus Study or start from scratch on the Nexus Study. Should the Board wish to implement some other mechanism, again staff will need direction. This is a decision that does not need to be made right away. This is a decision that will impact this Agency, taxpayers, and retail water customers. President Fenn called upon Jeff Chambers (Pardee Homes) for his comments. He asked that the Board look into new data, citing that new development use of water is now significantly less than what was reported in the last Nexus Study, as new homes are being built with drought resistant planting and water conserving plumbing. Director Lehtonen asked Mr. Chambers to prepare a summary of new development water use. President Fenn called upon Dan Jaggars for his comments. Additional comments were provided by the public. Discussion then took place between the Board members on this issue. President Fenn closed discussion on this item with no action taken and no specific direction given to staff.

**7. Topics for Future Agendas: None.**

**8. Announcements:**

- A. Office closed November 10, 2017 in observance of Veterans Day
- B. Engineering Workshop, November 13, 2017 at 1:30 p.m.
- C. Regular Board Meeting, November 20, 2017 at 1:30 p.m.

**President Fenn requested a break at 4:13 p.m.**

**9. Closed Session (Three Items)**

**Time: 4:23 p.m.**

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
Pursuant to Government Code section 54956.8  
Property: Potential water rights/supplies offers from the Priest Valley Cattle Company  
Agency negotiator: Jeff Davis, General Manager  
Negotiating parties: Ceil Howe  
Under negotiation: price and terms of payment
- B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
Pursuant to Government Code Section 54956.8  
Property: Potential transfer of State Water Project rights/supplies among State Water Project Contractors  
Agency negotiator: Jeff Davis, General Manager  
Negotiating parties: Dudley Ridge Water District, Dale Melville, Manager-Engineer  
Under negotiation: price and terms of payment

- C. CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
Pursuant to Government Code section 54956.8  
Property: Potential water rights/supplies offers from the City of Ventura  
Agency negotiator: Jeff Davis, General Manager  
Negotiating parties: Lynn Takaichi  
Under negotiation: price and terms of payment

**The meeting reconvened to open session at 5:41 pm.**

*General Counsel Ferre stated that there was no action taken during closed session that is reportable under the Brown Act.*

**10. Adjournment**

**Time: 5:43 pm**

  
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Jeffrey W. Davis, Secretary of the Board  
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