

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
February 1, 2010 at 1:30 p.m.

1. Call to Order, Flag Salute and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment

Members of the public may address the Board at this time concerning items not on the agenda. To comment on specific agenda items, please complete a speaker's request form and hand it to the Board secretary.

4. Consent Calendar:

If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, January 19, 2010*
- B. Approval of the Minutes of the Board Finance & Budget Workshop, January 25, 2010*
- C. Approval of Recommendations from Finance & Budget Workshop*

5. Reports (Discussion and Possible Action)

- A. General Manager's Report
 - 1. Update on Water Deliveries to Retailers
 - 2. General Agency Updates
- B. Directors' Reports

6. New Business (Discussion and Possible Action)

- A. Consideration of Resolution #2010-02, Revising the Agency's Reserve Policy*
- B. Consideration of Investing a Portion of the Agency's Reserves in Government Bonds*
- C. Consideration Resolution #2010-03, Commending ACWA on Its Centennial*

7. Topics for Future Agendas

8. Announcements

- A. Board Water Conservaton & Education Workshop, February 4, 2010 at 9:00 a.m.
- B. Board Engineering Workshop, February 8, 2010 at 9:00 a.m.
- C. The office will be closed on February 15, 2010 for Presidents' Day.
- D. Regular Board Meeting, **Tuesday**, February 16, 2010 at 1:30 p.m.
- E. Board Finance & Budget Workshop, February 22, 2010 at 9:00 a.m.

9. Adjournment

*Information included in Agenda Packet

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours.

(2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at <http://www.sgpwa.com>.

(3) Any person with a disability who requires accommodation in order (1) pate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
January 19, 2010

Directors Present: John Jeter, President
Ted Haring, Vice President
Bill Dickson, Director
Ray Morris, Director
Barbara Voigt, Director
Carl Workman, Director

Directors Absent: Dave Dysart, Treasurer

Staff Present: Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager
Peg Noble, Administrative Assistant

1. **Call to Order, Flag Salute and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President John Jeter at 1:30 p.m., January 19, 2010 in the Agency Board Room at 1210 Beaumont Avenue, Beaumont, California. Director Workman led the Pledge of Allegiance to the flag. A quorum was present.

2. **Adoption and Adjustment of the Agenda:** The agenda was adopted as presented.

3. **Public Comment:** No members of the public requested to speak at this time.

4. **Consent Calendar:**

- A. Approval of the minutes of the Regular Board Meeting, January 4, 2010
- B. Approval of the minutes of the Board Employee Guide Workshop, January 7, 2010
- C. Approval of the minutes of the Board Engineering Workshop, January 11, 2010

Director Dickson moved, seconded by Director Haring, to approve the items on the consent calendar as presented. Motion passed unopposed with Director Dysart absent.

5. **Reports:**

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

1. **Update on Water Deliveries to Retailers:** General Manager Davis reported that so far this month the Agency has delivered 27 acre-feet of water to the Little San Gorgonio Creek spreading facility and about 250 acre-feet to Beaumont Cherry Valley Water District's ponds at Noble Creek for use by BCVWD and City of Banning. To date the Agency has delivered over 4900 acre-feet of state water to the Little San Gorgonio Creek facility for recharge of the Beaumont Basin.

2. **Update on East Branch Extension, Phase 2:** General Manager Davis reported that the lawsuit filed by Cherry Valley Acres & Neighbors and Cherry Valley Environmental Planning Group against the Department of Water Resources has been dismissed with prejudice. The time limit for CEQA challenges to the EBX 1 improvement project has passed with no challenges. He also reported that he attended a design review meeting in Sacramento last week. Design plans, including the 50% pipeline design plans, were reviewed. Progress on East Branch Extension, Phase 2 is going well.

3. **General Agency Updates:** (1) General Manager Davis reported that the impact of recent storms on Table A allocations will not be known for some time. DWR will conduct another snow survey February 1, 2010. (2) ACWA is holding a regional Legislative Water Package Implementation workshop on February 10, 2010 from 1:00 to 3:30 at Irvine Ranch Water District. There is no fee for the workshop but reservations are required. (3) Many resumes have been received for the Executive Assistant position. (4) The kickoff meeting with the contractor for the Noble Creek connection was held last week. A notice to proceed will be issued this week. The project is expected to take 75 days for completion. (4) General Manager Davis will make a presentation at the Beaumont Cherry Valley Water District Board of Directors meeting on January 20, 2010 on the Agency's proposed capacity fee.

B. **Directors' Reports:** There were no directors who wished to report at this time.

6. New Business:

A. **Consideration of Letter of Support for Noble Creek Channel Extension and Transition Project:** Information on the extension and transition project was included in the agenda packet. After discussion a motion was made by Director Morris, seconded by Director Dickson, that the General Manager be authorized to send a letter of support for the Noble Creek Channel Extension and Transition Project to the Riverside County Flood Control and Water Conservation District due to the Agency's interest in Noble Creek and to show support for other public agencies who are trying to improve traffic safety during and after rainfall events. The motion passed unopposed with Director Dysart absent.

B. **Consideration of Nominating a Board Member for ACWA JPIA Board of Directors Executive Committee:** Information from ACWA JPIA was included in the agenda packet. A motion was made by Director Morris to nominate President Jeter as a candidate for the Executive Committee. After discussion, Director Morris withdrew his nomination. It was the consensus of the board to make no nomination for the election.

C. **Consideration of Proposal from CDM to Provide Consulting Services to Develop Drought Allocation Principles:** A staff report and copy of the proposal from CDM was included in the agenda packet. General Manager Davis explained that drought allocation principles would represent guidelines that the Agency could use should allocations of its State Water Project supplies be needed. The proposal suggests a series of workshops with the Agency's retailers providing input required to develop the principles. He noted that this is a logical next step to producing an urban water management plan. After discussion a motion was made by Director Voigt, seconded by Director Morris, that the General Manager obtain copies of other Contractor's guidelines and present them to the board at the next Water Conservation and Education workshop if possible or at a future workshop. The motion passed unopposed with Director Dysart absent.

7. **Topics for Future Agendas:** There were no topics for future agendas requested at this time.

8. Announcements:

A. Board Finance & Budget Workshop, January 25, 2010 at 9:00 a.m.

B. Regular Board Meeting, February 1, 2010 at 1:30 p.m.

C. Board Water Conservation & Education Workshop, February 4, 2010 at 9:00 a.m.

D. Board Engineering Workshop, February 8, 2010 at 9:00 a.m.

9. **Adjournment:** The meeting adjourned at 2:10 p.m.

DRAFT – SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary of the Board

pn

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
January 25, 2010

Directors Present: John Jeter, President
Ted Haring, Vice President
Dave Dysart, Treasurer
Bill Dickson, Director
Barbara Voigt, Director
Carl Workman, Director

Directors Absent: Ray Morris, Director

Staff and Consultants Present:
Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager

1. **Call to Order, Flag Salute and Roll Call:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 9:00 a.m., January 25, 2010 in the Agency Conference Room at 1210 Beaumont Avenue, Beaumont, California. President Jeter led the Pledge of Allegiance to the flag. A quorum was present.
2. **Adoption and Adjustment of Agenda:** The agenda was adopted as presented.
3. **Public Comment:** No members of the public requested to speak at this time.
4. **New Business:**
President Jeter turned the meeting over to Director Voigt, Chair of the Finance & Budget Committee.
 - A. **Ratification of Paid Invoices and Monthly Payroll for the Month of December, 2009 by Reviewing Check History Reports in Detail:** After review and discussion, a motion was made by Director Dickson, seconded by Director Haring, to recommend that the Board ratify paid monthly invoices and payroll for the month of December, 2009, for a combined total of \$718,865.73. The motion passed unopposed with Director Morris absent.
 - B. **Review and Consideration of Pending Legal Invoices for December, 2009:** After review and discussion, a motion was made by Director Dysart, seconded by Director Dickson, to recommend that the Board approve payment of the pending legal invoices for December, 2009. The motion passed unopposed with Director Morris absent.

- C. Review December, 2009 Bank Reconciliation:** After review and discussion, a motion was made by Director Haring, seconded by Director Dickson, to acknowledge receipt of the Wells Fargo bank reconciliation for December, 2009 as presented. The motion passed unopposed with Director Morris absent.
- D. Review Budget Report for December, 2009:** After review and discussion, a motion was made by Director Haring, seconded by Director Dickson, to acknowledge receipt of the Budget Report for December, 2009 as presented. The motion passed unopposed with Director Morris absent.
- E. Review Cash Reconciliation Report for the Six Months Ending on December 31, 2009:** Finance Manager Tom Todd handed out the Cash Reconciliation Report. After review and discussion, a motion was made by Director Dysart, seconded by Director Haring to acknowledge receipt of the Cash Reconciliation Report for the Six Months Ending on December, 2009. The motion passed unopposed with Director Morris absent.
- F. Review Reserves Report for December 31, 2009:** Finance Manager Todd handed out the Reserves Report and Resolution 2009-2, the Agency reserves policy. After review and discussion, a motion was made by Director Dysart, seconded by Director Dickson to acknowledge receipt of the Reserves Report for December 31, 2009. The motion passed unopposed with Director Morris absent.
- G. Consideration of Investments in Bonds:** Finance Manger Todd reported on staff findings regarding investing in bonds. General Manager Jeff Davis and Finance Manager Todd talked to Jon Hansen who is a bond broker with Wells Fargo Institutional Securities. Finance manager Todd described various aspects related to investing in bonds. After discussion, Director Dysart moved, seconded by Director Dickson to ask staff to bring a recommendation to the next Board meeting for an investment of \$3 million. The motion passed unopposed with Director Morris absent.
- H. Consideration of Revisions to Investment Policy:** Finance Manager Todd handed out a proposed revision to the investment policy, Resolution 2010-2. The proposed change would add investments in federal financial instruments to the list of allowable investments. After discussion, Director Dickson moved, seconded by Director Dysart to recommend to the Board that Resolution 2010-2 be adopted. The motion passed unopposed with Director Morris absent.
- I. Discussion of Potential CalPERS Contribution Increases:** Finance Manager Todd handed out a spreadsheet containing various types of financial information about CalPERS retirement contribution rates and returns on investments. This information was compiled from various sources, including circular memos he has received from CalPERS as well as a webinar he

attended about potential future contribution rate increases that was broadcast in January, 2010. The information was provided for discussion purposes only, no action was taken.

5. **Announcements:** Director Voigt reviewed the following announcements:
 - A. Regular Board Meeting, February 1, 2010 at 1:30 p.m.
 - B. Water Conservation and Education Workshop, February 4, 2010 at 9:00 a.m.
 - C. Engineering Workshop, February 8, 2010 at 9:00 a.m.
 - D. The office will be closed February 15, 2010 for President's Day
 - E. Regular Board Meeting, Tuesday, February 16, 2010 at 1:30 p.m.

6. **Adjournment:** The Finance and Budget workshop of the San Geronio Pass Water Agency Board of Directors was adjourned at 10:10 a.m.

DRAFT - SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary of the Board

Finance and Budget Workshop Report

From Director Barbara Voigt, Chair of the Finance and Budget Committee

The Finance and Budget Workshop was held on Monday, January 25, 2010. The following recommendations were made:

1. Ratify payment of Invoices of \$696,152.30 and Payroll of \$22,713.43 as detailed in the Check History and Payroll Check History Reports for December, 2009 for a combined total of \$718,865.73.
2. Payment of the following vendor's amounts:

McCormick, Kidman & Behrens, LLP	\$20,487.83
Metropolitan Water District	49.14
Metropolitan Water District	222.67

The Board acknowledged receipt of the following:

1. Wells Fargo bank reconciliation for December, 2009
2. Budget Report for December, 2009
3. Cash Reconciliation report for the six months ending on December 31, 2009
4. Reserves Allocation Report for the quarter ending on December 31, 2009

RESOLUTION NO. 2010-02

SAN GORGONIO PASS WATER AGENCY INVESTMENT POLICY AND GUIDELINES RESCINDING RESOLUTION #2009-06

BE IT RESOLVED by the Board of Directors of the San Gorgonio Pass Water Agency (Agency) that the following is the policy and guidelines of the Agency for Investment of funds and that adoption of this Resolution 2010-02 does hereby revise and nullify Resolution 2009-06.

INTRODUCTION

It is the policy of the San Gorgonio Pass Water Agency to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Agency and conforming to all state and local statutes governing the investment of public funds.

The Agency operates its investment program with many federal, state and self-imposed constraints. **IT DOES NOT SPECULATE; IT DOES NOT DEAL IN FUTURES, OPTIONS, DERIVATIVES, SECURITY LOAN AGREEMENTS, OR MARGIN TRADING.**

PURPOSE

This statement is intended to provide a guideline for the prudent investment of cash not required for immediate expenditure, surplus funds and restricted monies, and to outline a policy for maximizing the efficiency of a cash management system.

PRUDENCE

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.

The prudent-person policy of safety, liquidity, yield, and diversity, in that order, will prevail at all times.

DELEGATION OF AUTHORITY

In accordance with Section 53607 of the Government Code of the State of California, the authority to invest public funds is expressly delegated to the legislative body for subsequent redelegation to the Treasurer.

The Agency has expressly delegated the investment authority of the Agency to the Treasurer and the Assistant Treasurer in Resolution Nos. 1994-09 and 2005-10.

No person may engage in an investment transaction except as provided under the terms of this policy. The Treasurer and Assistant Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

Agency funds not required for immediate expenditure may be invested in compliance with the governing provisions of law and as further limited by the Policy established in this resolution as from time to time amended.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall not engage in any personal business activity which could conflict with the proper execution of the Agency's investment program, or which could impair their ability to make impartial investment decisions. Employees and officers shall subordinate their personal investment transactions to those of the Agency, particularly with regard to the time of purchases and sales.

COMPUTATION OF INTEREST

Pursuant to Government Code Section 53645, interest shall be computed and paid by the depository as follows:

- A. For active deposits upon which interest is payable, interest shall be computed on the average daily balance for the calendar quarter.
- B. For inactive deposits, interest shall be computed on a 360-day basis

ACCEPTABLE INVESTMENT INSTRUMENTS

The Agency investment portfolio is limited to investments as specified below:

1. State of California Local Agency Fund (LAIF).
2. United States Treasury Instruments not to exceed two (2) years, purchased directly from the Federal Reserve Bank.
3. Certificates of Deposit (CDs), purchased through a major and reputable bank chartered in the United States, not to exceed two (2) years. These must be either collateralized to 110% of the invested amount or otherwise insured through CDARS or other programs.
4. Repurchase agreements through a bank specifically for interest-bearing checking accounts.
5. Medium-Term Notes of a maximum of five years maturity issued by corporations organized and operating within the United States or any state. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. No more than 15% of the market value of the portfolio may be invested in Medium-Term Notes.

6. **Bond, notes, debentures, or any other obligations of, or securities issued by, any federal government agency, instrumentality, or government-sponsored enterprise.**
7. Municipal Bonds. The Agency may invest in bonds issued by a state or local government agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.
8. Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist only of dollar-denominated securities.

Under Government Code Section 16429.1, a local agency having money in its treasury not required for immediate needs may remit the money to the Treasurer of the State of California for deposit in the Local Agency Investment Fund (LAIF).

The Board shall authorize in advance any transfer from LAIF for the purpose of purchasing any other authorized investment listed above.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Agency shall transact business only with banks and registered investment securities dealers. The dealers shall be either primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York, or regional dealers, qualifying under the Securities and Exchange Commission Rule 15c3-1. The Treasurer shall approve all dealers the Agency does business with. The Finance Manager shall send a copy of the current Investment Policy to all dealers approved to do business with the Agency. Signed Dealer/Broker Confirmation Certificates shall be kept on file documenting the dealer/broker/s understanding of the Agency's investment policy.

COMPLIANCE AND CONFLICT

All investments made by the Agency shall be in full compliance with the California Government Code that is in force at the time the investment is made. If there is a conflict between this policy and the California Government Code, the California Government Code shall prevail.

BE IT RESOLVED that the investment policy shall be reviewed by the Finance and Budget Committee annually, and as frequently as necessary, to enable the Treasurer and Assistant Treasurer to respond to changing market conditions; and

BE IT FURTHER RESOLVED that each quarter the Treasurer and Assistant Treasurer shall furnish the Board of Directors a detailed listing of the current investments. Pursuant to Government Code Section 53646, the Treasurer and Assistant Treasurer may also render a statement showing the amount of accrued interest for each investment for the preceding quarter if so required by the Board of Directors.

Resolution #2010-02 was adopted upon roll call by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

I certify that the foregoing is a true, full and correct copy of Resolution #2010-02 adopted by the Board of Directors of the San Gorgonio Pass Water Agency at a regular meeting of the board of directors held on February 1, 2010.

Jeffrey W. Davis
Secretary of the Board

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Investing a Portion of Agency Reserves in Government Bonds

DATE: February 1, 2010

Summary:

At the Finance and Budget Workshop on January 25, the Board voted to recommend that the Agency invest \$3 million of its reserve funds in US Government backed bonds in order to increase the investment yield.

Background:

At Staff's recommendation, the Board voted on January 25 to recommend revising the Agency investment policy to allow the purchase of US Government backed securities. Such investment instruments are backed by the US Government and have a higher overall yield than LAIF.

A bond broker contacted by Staff recommended that such an investment would be a good first step in moving more of the Agency's reserves to higher yields, as it would be safe and simple.

Fiscal Impact:

The impact of this action would be to increase the yield of that portion of the Agency's reserves that would be moved to this investment instrument.

Recommendation:

Staff recommends that the Board approve moving \$3 million from LAIF to an investment account, where it would be used to purchase US government backed securities (bonds).

RESOLUTION NO. 2010-03

**A RESOLUTION OF THE SAN GORGONIO PASS WATER AGENCY
CONGRATULATING THE ASSOCIATION OF CALIFORNIA WATER AGENCIES
ON ITS CENTENNIAL**

WHEREAS, the Association of California Water Agencies (ACWA) is celebrating its centennial anniversary in May 2010; and

WHEREAS, the theme for this 100th anniversary celebration is "A Century of Leadership, Vision for the Future"; and

WHEREAS, the San Gorgonio Pass Water Agency has been a member of ACWA for the past 20 years; and

WHEREAS, ACWA was formed in 1910 when a group of five irrigation districts came together to create one voice and lay the groundwork for developing California's water supply and delivery system; and

WHEREAS, their work would be reflected over the next 100 years in scores of local, regional, and statewide water projects that together have allowed California to grow and prosper; and

WHEREAS, ACWA today is the largest coalition of public water agencies in the country and is a leader on California water issues and a respected voice for its members in the legislative and regulatory arenas in both Sacramento and Washington, D.C.; and

WHEREAS, the association was established to assist its members in promoting the development, management, and reasonable beneficial use of good quality water as the lowest practical cost in an environmentally balanced manner; and

WHEREAS, to achieve this goal, the association represents the interests of its public water agency members at the state and federal levels and keeps its members and other key audiences informed on water issues of interest to them; and

WHEREAS, for a century ACWA has been a guiding force in California water policy and continues to help shape the laws, policy and regulations that affect the state's urban and agricultural water users; and

WHEREAS, ACWA and its public agency members will continue to seek a vision for California's water future.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the San Gorgonio Pass Water Agency hereby recognizes, commends, and congratulates the Association of California Water Agencies for a century of leadership on California water issues and for its role in developing the policies and regulations that have helped shape the state's growth and development.

Resolution #2010-03 was adopted upon roll call by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

I certify that the foregoing is a true, full and correct copy of Resolution #2010-03 adopted by the Board of Directors of the San Gorgonio Pass Water Agency at a regular meeting of the board of directors held on February 1, 2010.

Jeffrey W. Davis
Secretary of the Board