

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
August 3, 2015 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 relating to any matter within the Agency's jurisdiction. 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, July 20, 2015* (Page 2)
- B. Approval of the Minutes of the Finance and Budget Workshop July 23, 2015* (Page 6)
- C. Approval of the Finance and Budget Workshop Report, July 23, 2015* (Page 8)

5. Reports (Discussion and Possible Action)

- A. General Manager's Report
 - 1. Operations Report
 - 2. Update on Effort to Reduce Size of Board
 - 3. Flume Update
 - 4. General Agency Updates
- B. General Counsel Report
- C. Directors' Reports

6. New Business (Discussion and Possible Action)

- A. Consideration of Adoption of Resolution No. 2015-06, Setting the Tax Rate for FY 2015-2016* (Page 9)
- B. Approval of Debt Service Budget* (Page 15)
- C. Consideration of Contracting with Armstrong & Brooks Consulting Engineers, Inc.* (Page 18)
- D. Consideration of Resolution No. 2015-07, Recognition of Duane Burk* (Page 23)
- E. Consideration of Resolution No. 2015-08 Supporting Kathy Teigs for ACWA President* (Page 24)
- F. Consideration of New Investments* (Page 29)

7. Topics for Future Agendas

8. Announcements

- A. Special Board Meeting, **Thursday**, August 6, 2015 at 6:00 p.m.
- B. Engineering Workshop, August 10, 2015 at 1:30 p.m.
- C. Regular Board Meeting, August 17, 2015 at 1:30 p.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 1 / 3 4 records will also be made available on the Agency's Internet Web site, accessible at: www.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate 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
July 20, 2015

Directors Present: John Jeter, President
 Bill Dickson, Vice President
 Mary Ann Melleby, Treasurer
 Blair Ball, Director (arrived at 1:34 p.m.)
 Ron Duncan, Director
 Lenny Stephenson, Director

Staff Present: Jeff Davis, General Manager
 Jeff Ferre, Legal Counsel
 Tom Todd, Finance Manager
 Cheryle Rasmussen, Executive 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., July 20, 2015 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present. *President Jeter requested a roll call.*

<u>Roll Call:</u>	Present	Absent
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Ball	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Director Melleby	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Jeter	<input checked="" type="checkbox"/>	<input type="checkbox"/>

2. **Adoption and Adjustment of the Agenda:** *President Jeter asked if there were any adjustments to the agenda. There being none the agenda was adopted as published.*
3. **Public Comment:** *President Jeter requested comments from the public. No members of the public requested to speak at this time.*
4. **Consent Calendar:** *President Jeter requested approval of the Consent Calendar.*
 - A. Approval of the Minutes of the Regular Board Meeting, July 6, 2015
 - B. Approval of the Minutes of the Engineering Workshop, July 13, 2015

Director Melleby moved, seconded by Director Dickson, to approve the consent calendar as presented. Motion passed 5-0, with Director Ball absent.

5. **Reports:**
 - A. **General Manager's Report:**
 - (1) **Operations Report:** General Manager Davis reported on the following: **SWP Deliveries:** a) General Manager Davis reported that the Agency delivered 174 acre-feet to the Noble Creek connection so far this month. b) **Precipitation:** Southern California received some precipitation over the weekend.

(2) General Agency Updates: a) **State of the Supply:** The State of the Supply event was phase one of a two phase effort. Phase 2 consists of arranging a meeting or series of meetings with the retail water agencies. General Manager Davis is working on some ideas and will provide recommendations to the Board in the near future. b) **Board Vacancy:** General Manager Davis announced that the Agency has received seventeen letters of interest for the at large position. He asked the Board their preferred date and time to schedule the meeting to interview the candidates. After discussion, it was the consensus of the Board to hold a Special Board Meeting at the Agency's Administrative office on August 6th at 6:00 p.m.

B. General Counsel Report: General Counsel Ferré reported to the Board on the following items: a) **State Water Resources Control Board:** The State Board had previously issued water curtailment orders to those that have pre-1914 water rights. Since that time there have been a number of lawsuits. The State Board has now come out with a revised notice stating that they didn't mean to curtail or order people to stop using their pre-1914 water rights; however, it may be mandated in the future. b) **Model Landscape Ordinance:** The California Water Commission voted Wednesday to adopt more stringent water rules for new lawns. The new rules would essentially eliminate grass from new office and commercial buildings and reduce turf at new homes to a quarter of landscaping. The revised ordinance will limit grass to about 25% of a home's combined front, back and side yards in all new construction. Owners of existing homes who initiate significant renovations of outdoor areas with more than 2,500 square feet of landscaping also face cutbacks. State law requires all land-use agencies to adopt a water-efficient landscape ordinance that is at least as stringent as the one approved Wednesday.

C. Directors Reports: (1) **Director Duncan** reported on the following: Director Duncan attended the Banning Chamber of Commerce meeting on July 9th and the Beaumont Cherry Valley Water District meeting on July 8th. Director Duncan read a statement pertaining to the July 8, 2015 BCVWD Board meeting in which he stated his opinion that statements made at the BCVWD Board meeting about the Agency were without merit and relayed information that was incomplete or not true. (2) **Director Dickson** reported that he too attended the BCVWD Board meeting and that, in his opinion, the statements made by the BCVWD General Manager placed the BCVWD board members in a difficult position. He also stated his opinion that such statements included untruths. (3) **Director Ball** reported that he had attended the BCVWD Board meeting on July 8th. He reported that BCVWD, along with the Riverside County Flood Control and Water Conservation District, are working together on the Grand Avenue Storm Drain Project for water recapture. He stated that he had a different opinion on the statements made at that meeting and that in his opinion, BCVWD's General Manager was updating the new board members on some of the frustrations that have occurred between BCVWD and SGPWA. (4) **President Jeter** stated that unless there were any objection from the Board, he would request that a transcript or recording of the BCVWD meeting be obtained and provided to counsel. Counsel would then review it to see if there is any further action that the Agency should take. It was the general consensus of the Board that staff and legal counsel should proceed on that basis.

6. New Business: (Discussion and Possible Action)

A. Consideration of CSDA Board Election: A staff report and related materials were included in the agenda packet. General Manager Davis stated that this item was tabled from the last board meeting. As mentioned at the last Board meeting this Agency is a member of CSDA. There are two candidates to choose from, Jo MacKenzie and Gloria Dizmang. The Board has the option to support one of these candidates, or to not support either one of them. Director Melleby made a motion, seconded by Director Duncan, to support Jo MacKenzie as the Agency's representative for the CSDA Board of Directors Southern Network Seat A position. Motion passed 6-0.

B. Consideration of Audit Engagement Letter: A staff report and a copy of Ahern Adcock Devlin (AAD) engagement letter were included in the agenda packet. General Manager Davis stated that the auditor works for the Board of Directors and only the Board can hire the auditor. Each year the Agency hires an accounting firm to audit its books. The hiring of the same auditing firm cannot exceed five years in succession. AAD has audited the Agency's books for the past three years. After discussion, Director Ball made a motion, seconded by Director Duncan, authorizing the President to sign the engagement letter with AAD, thus engaging ADD to perform the fiscal year 2014-2015 Agency audit. *President Jeter requested a roll call.*

<u>Roll Call:</u>	<i>Present</i>	<i>Absent</i>
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Ball	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Melleby	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Jeter	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Motion passed 6-0.

C. Discussion on Potential Radio Show – KMET 1490: A staff report and related material were included in the agenda packet. General Manager Davis gave a briefing on how the request for the Agency to buy into a radio show on KMET came about. He expressed that although there is a small fee it would involve a lot of time on his behalf, which would not be cost effective. After discussion, it was the consensus of the Board to not engage in a radio show at this time.

D. Consideration of Revised MOU for SGPRWA: General Manager Davis referred to Director Melleby for information on the topic. Director Melleby reviewed the minimal changes that occurred in the MOU. An invoice for the SGPRWA membership will be forthcoming in the amount of \$500. The Board directed the General Manager to pay the invoice upon receipt. Director Dickson made a motion, seconded by Director Duncan, to approve the revised MOU for the SGPRWA. Motion passed 6-0.

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

8. Announcements: *President Jeter reviewed the following announcements:*

- A. San Gorgonio Pass Regional Water Alliance, July 22, 2015
 - 1. Technical Committee at 4:30 p.m. – Banning City Hall Conference Room
 - 2. Regular Board Meeting at 6:00 p.m. – Banning City Council Chambers
- B. Finance and Budget Workshop, **Thursday**, July 23, 2015 at 1:30 p.m.
- C. Special Board Meeting – Public Hearing, Facility Capacity Fee
 - Date:** Monday, July 27, 2015
 - Location:** SGPWA Board Meeting Room
1210 Beaumont Avenue, Beaumont
 - Time:** 7:00 p.m.

John Halliwill (Beaumont resident) commented on the meetings that take place through the CSDA. *President Jeter announced that the Board will now convene to closed session. Legal Counsel Ferré stated that he would presume that there will be no reportable action from the Closed Session.*

9. Closed Session (1 Item)

Time: 2:04 pm

- A. Public Employee Performance Evaluation (Government Code Section 54957)
Title: General Manager

The meeting reconvened to open session at **Time:** 3:28 pm

President Jeter asked Chairman Dickson (General Manager's Performance Evaluation Ad Hoc Committee) if there is anything to report. Chairman Dickson stated that there is nothing to report. President Jeter adjourned the meeting.

10. Adjournment

Time: 3:28 pm

Draft – Subject to Board Approval

Jeffrey W. Davis, Secretary of the Board

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
July 23, 2015

Directors Present: Bill Dickson, Vice President
Mary Ann Melleby, Treasurer
Blair Ball, Director
Leonard Stephenson, Director

Directors absent: John Jeter, President
Ron Duncan, 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 Vice President Bill Dickson at 1:30 p.m., July 23, 2015, in the Agency Conference Room at 1210 Beaumont Avenue, Beaumont, California. Director Blair Ball led the Pledge of Allegiance to the flag. A quorum was present.

Vice President Dickson turned the meeting over to the Chair of the Finance & Budget Committee, Director Mary Ann Melleby.

2. **Adoption and Adjustment of Agenda:** The agenda was adopted as published.
3. **Public Comment:** No members of the public wished to make any comment at this time.
4. **New Business:**
 - A. Lyle Defenbaugh, Client Relations Director of CalTRUST, made a presentation about CalTRUST, a potential investment option. He answered a number of questions from the Board.
 - B. Ratification of Paid Invoices and Monthly Payroll for the Month of June, 2015 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Dickson, seconded by Director Director Ball, to recommend that the Board ratify paid monthly invoices of \$803,313.08 and payroll of \$31,345.68 for the month of June, 2015, for a combined total of \$834,658.76. The motion passed 4 in favor, no opposed, with President Jeter and Director Duncan absent.
 - C. Review and Consideration of Pending Legal Invoices for June, 2015: After review and discussion, a motion was made by Director Ball, seconded by Director Dickson, to recommend that the Board approve payment of the pending legal invoices for June,

2015. The motion passed 4 in favor, no opposed, with President Jeter and Director Duncan absent.

- D. Review of June, 2015 Bank Reconciliation: After review and discussion, a motion was made by Director Dickson, seconded by Director Stephenson, to recommend that the Board acknowledge receipt of the Wells Fargo bank reconciliation for June, 2015 as presented. The motion passed 4 in favor, no opposed, with Director President and Director Duncan absent.
- E. Review of Budget Report for June, 2015: After review and discussion, a motion was made by Director Ball, seconded by Director Dickson, to recommend that the Board acknowledge receipt of the unaudited Budget Report for June, 2015. The motion passed 4 in favor, no opposed, with President Jeter and Director Duncan absent.
- F. Review of Proposed Debt Service Fund Budget for FY 2015-16: General Manager Jeff Davis presented the Debt Service Fund budget by reviewed expected expenses and projected income. The budget was presented in detail and summary forms. He next presented and reviewed spreadsheets prepared by Finance Manager Tom Todd that estimated EBX expenses, Statement of Charges expenses, total Debt Service Expenses, projected Debt Service income and a summary of expenses and income and their net effect on reserves from now until 2035. After review and discussion, a motion was made by Director Dickson, seconded by Director Stephenson, to recommend that the Board set the tax rate for FY 2015-16 at 18.5 cents per \$100 of assessed valuation. The motion passed 4 in favor, no opposed, with President Jeter and Director Duncan absent. Next, a motion was made by Director Dickson, seconded by Director Ball, to recommend that the Board approve the proposed Debt Service Fund Budget for FY 2015-16. The motion passed 4 in favor, no opposed, with President Jeter and Director Duncan absent.
- G. Review of Investment Strategies: Finance Manager Todd passed out a set of graphs showing where the Agency's surplus money was currently invested, and what rate of return it was earning. After review and discussion, the consensus of the Board was to direct staff to make some suggestions for investments that would provide a better rate of return, to be presented at a future Board meeting.
5. **Announcements:** Chair Melleby reviewed the following announcements:
- A. Special Board Meeting, Public Hearing, Facility Capacity Fee, Monday, July 27, 2015, at 7:00 p.m.
 - B. Regular Board Meeting, August 3, 2015 at 1:30 p.m.
 - C. Special Board Meeting, Thursday, August 6, 2015, at 6:00 p.m.
 - D. Engineering Workshop, August 10, 2015 at 1:30 p.m.
6. **Adjournment:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was adjourned at 3:20 p.m.

Draft - Not Approved

Jeffrey W. Davis, Secretary of the Board

Finance and Budget Workshop Report

From Treasurer Mary Ann Melleby, Chair of the Finance and Budget Committee

The Finance and Budget Workshop was held on July 23, 2015. The following recommendations were made:

1. The Board ratify payment of Invoices of \$803,313.08 and Payroll of \$31,345.68 as detailed in the Check History Report for Accounts Payable and the Check History Report for Payroll for June, 2015 for a combined total of \$834,658.76.
2. The Board authorize payment of the following vendor's amounts:

Best, Best & Krieger LLP	\$8,919.59
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3. The Board acknowledge receipt of the following:
 - A. Wells Fargo bank reconciliation for June, 2015
 - B. Budget Report for June, 2015

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Adoption of Resolution 2015- 06 Setting the Ad Valorem Tax Rate for 2015-2016

DATE: August 3, 2015

Summary:

After reviewing financial and budgetary data at the July Finance and Budget workshop, the Board voted on July 23 to recommend that the Agency's tax rate remain at \$0.185 per \$100 of assessed valuation for fiscal year 2015-2016. The purpose of this Board action is to implement that recommendation.

Detailed Report:

The Burns-Porter Act of 1960 authorized residents of California to vote on a \$1.75 billion bond that would fund construction of the State Water Project. The bill explicitly stated that the State's General Fund would not pay off the bonds sold for the Project, but that any water agencies who contracted with the State to purchase the water would have to back the bonds by levying property taxes within their service areas or through other revenue streams. The bond issue passed.

This is the purpose of the Agency's ad valorem tax levied by the Board each year—to pay the Agency's share of the debt service on the State Water Project, along with miscellaneous other costs associated with operating and maintaining the Project.

When the Agency constructed Phase 1 of the East Branch Extension (EBX 1) in the 1990's, the Board raised the tax rate significantly to pay the additional debt service (from 8.83 cents in 1992 to 17 cents in 2000). In return, the region was finally able to receive State Water Project water to begin offsetting the groundwater overdraft that had been occurring for decades.

The Board decided to phase the construction of the EBX partly to reduce costs and partly because it recognized that water demands at the time were not high enough to justify paying a higher amount for a pipeline that would be only partially utilized for a number of years. Now that the Agency is moving forward with EBX 2, debt service payments have increased significantly.

EBX 2 is needed at this time so that the Agency can import all available water in wet years. With only Phase 1 of the pipeline installed, the Agency cannot import all the water available in any year with an allocation greater than 60%. With EBX 2 online, and with additional facilities to store the water, the future of the area will be more secure, as the Agency will be able to import and store more water in wet years to help offset lesser amounts of water available in dry and average years. The 58% reliability of the State Water Project is reduced even more if the Agency cannot take all available water in wet years. The construction of EBX 2 and the ability to convey the additional water out of the pipeline and into storage are absolute necessities for the region. The long-term regional water supply depends on it.

In order to prepare for paying off EBX 2 bonds, the Board voted four years ago to increase the ad valorem tax rate from \$0.17 to \$0.185 after eleven years at the same rate. As discussed at the Finance and Budget workshop, debt service reserves increased by approximately \$3 million this past year because the bulk of the additional debt service payments for EBX 2 will not begin until later this year.

As discussed at the workshop, staff does not see a reason to increase the tax rate any further to fund EBX 2, and the Agency may be able to start reducing the rate as soon as next year. This is partly due to the Board's action in requesting that the Department of Water Resources sell the bulk of the remaining bonds required for EBX 2 two years ago, when interest rates were at generational lows. This action saved the Agency millions of dollars in debt service payments between now and 2035.

Fiscal Impacts:

By maintaining the current tax rate for the upcoming year, it is anticipated that the Agency's debt service revenue will meet

anticipated debt service expenditures, with a slight surplus. In future years, as debt service payments for EBX 2 grow, this reserve will gradually decrease as the Agency uses its reserve to gradually reduce the tax rate.

Strategic Plan:

This action relates to the strategic plan through Goal 3—Regional Capital Facilities Plan. By setting the tax rate as recommended, the Board is providing continuing funding for EBX 1 and EBX 2, which are required as part of a regional capital facilities plan.

Recommendation:

Staff recommends that the Board adopt its recommendation from the Finance and Budget workshop to adopt Resolution 2015-06 maintaining the ad valorem tax rate at its current level for fiscal year 2015-2016.

RESOLUTION NO. 2015-06

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY DETERMINING THE AMOUNT OF MONEY NEEDED TO MAKE ANNUAL PAYMENTS FOR THE INTEREST AND PRINCIPAL ON GENERAL OBLIGATION BONDS AND FOR OTHER INDEBTEDNESS APPROVED BY THE VOTERS PRIOR TO JULY 1, 1978, AND/OR FOR WHICH A TAX LEVY IS REQUIRED UNDER ARTICLE 1, SECTION 10 OF THE UNITED STATES CONSTITUTION AND MAKING A TAX LEVY THEREOF.

WHEREAS, the Attorney General of the State of California has ruled in his opinion No. CV 78/90 that property taxes levied by local water districts necessary to provide for payments to the state under the state water supply contract fall within Section 1 (b) of Article XIII A of the California Constitution; now therefore,

BE IT RESOLVED by the Board of Directors of the San Gorgonio Pass Water Agency, as follows:

1. That said Board of Directors has determined that the amount of money needed to make annual payments during the fiscal year beginning July 1, 2015, and ending June 30, 2016, for the interest and principal on general obligation bonds and other indebtedness approved by the voters prior to July 1, 1978, and/or required by Article 1, Section 10 of the United States Constitution is **\$21,017,644.00** for payments on the Contract between the State of California Department of Water Resources and San Gorgonio Pass Water Agency for a water supply dated November 16, 1962, and hereby fixes the rate of tax which will raise the amount of money required by said Agency at the following amounts per hundred dollars of assessed valuation of taxable property within said Agency:

\$ 0.185 State Water Contract

2. That the Board of Directors of the San Gorgonio Pass Water Agency does hereby certify the rate so fixed, and as herein before set forth, to the Board of Supervisors of the County of Riverside, State of California, and to the County Auditor of said County.

3. That pursuant to California Water Code - Appendix Section 101-27 the determination of the amount necessary to be raised by taxation for such purpose during the fiscal year and the order fixing the rate of tax made herein shall constitute a valid assessment of the property within the Agency and a valid levy of the taxes so fixed. Said levy is permitted by California Revenue and Taxation Code Section 93 and/or required by Article 1, Section 10 of the United States Constitution.

4. That a certified copy of this resolution be transmitted to the County Auditor of said County, and that when so transmitted, said certified copy shall constitute the certification required in Section 101-27 of the California Water Code - Appendix.

5. That funds received by the San Gorgonio Pass Water Agency pursuant to the aforesaid tax levy shall be placed in a separate fund identified for such indebtedness set forth above and shall be disbursed only for lawful payments on such indebtedness.

Said Resolution was adopted by roll call vote as follows:

AYES:
NOES:
ABSTAIN:
ABSENT:

I certify that the foregoing is a true and correct copy of Resolution No. 2015-06, adopted by the Board of Directors of the San Gorgonio Pass Water Agency at its regular meeting held on August 3, 2015.

Jeffrey W. Davis, Secretary to the Board

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Fiscal Year 2015-2016 Debt Service Budget

DATE: August 3, 2015

Summary:

The Board passed the General Fund Fiscal Year 2015-2016 budget at the July 6 board meeting. The Board cannot adopt a debt service budget until it adopts a tax rate for the fiscal year. The purpose of this Board action is to approve a debt service budget for fiscal year 2015-2016. The Board reviewed the proposed debt service budget in detail and recommended it for approval at the Finance and Budget workshop on July 23.

Background:

The Agency has two funds that it adopts budgets for each year—a General Fund, which is used to operate the Agency, and a Debt Service Fund, used to pay annual debt service and other costs associated with the State Water Project. The Debt Service Fund is funded with ad valorem tax dollars. The General Fund is funded with what is commonly referred to as 1% tax dollars, as well as revenues from water sales. The 1% tax dollars are tax revenues from the County and are not tied to the Agency's ad valorem tax.

Detailed Report:

Staff reviewed the proposed debt service budget with the Board on July 23. The expenditures were detailed at that time. Revenues were identified based on a tax rate of \$0.185 per \$100.

As the budget shows, total debt service expenditures are expected to be \$21,076,200, based on the information available today. At a tax rate of 18.5 cents, total debt service revenues (including bond cover refunds and interest) are expected to be \$21,273,000. This leaves a small budgeted debt service surplus of approximately \$196,800 for

the year. With debt services reserves at their current level, and projections of expenses decreasing for the next 2-3 years, it is anticipated that the Board may be able to reduce the ad valorem tax rate slightly as soon as next year.

Fiscal Impact:

The impact of adopting this budget will be to increase debt service reserves slightly. The Board's plan of maintaining a constant or slightly reduced tax rate should be able to sustain debt service payments well into the future, assuming that property values do not undergo a radical decrease similar to the one from 2008 to 2012.

Strategic Plan:

This action is related to the strategic plan under Goal 4—Regional Funding Plan. This budget allows for tax revenues sufficient to continue to make payments on EBX 1 and to allow the Board to start making higher payments on EBX 2, which is required to meet the future water demands of the region.

Recommendation:

Staff recommends that the Board adopt the attached debt service budget, discussed in detail and recommended for approval at the Finance and Budget workshop July 23.

DRAFT

**SAN GORGONIO PASS WATER AGENCY
 PROPOSED GENERAL FUND BUDGET FY 2015-16
 ESTIMATED TOTAL EXPENSES FY 2014-15 VS. PROPOSED BUDGET FY 2015-16
 APPROVED: GENERAL FUND 7/6/15 - DEBT SERVICE FUND (X/X/XX)**

	FISCAL YEAR JULY 1, 2014 - JUNE 30, 2015				PROPOSED FY 2015-16	
	1 TOTAL BUDGET FY 2014-15	2 ACTUAL APRIL 2015	3 EST. ACTUAL AT JUNE 30	4 REMAINING % ACTUAL TO BUDGET	5 PROPOSED BUDGET FY 2015-16	6 % PROPOSED BUDGET TO EST. ACTUAL
DEBT SERVICE FUND - INCOME						
INCOME						
TAX REVENUE	14,419,358		17,745,420	-23.1%	18,300,000	3.1%
INTEREST	60,000		71,080	-18.5%	73,000	2.7%
GRANTS	0		0	0.0%	0	0.0%
DWR CREDITS - BOND COVER, OTHER	2,097,576		2,176,756	-3.8%	2,900,000	33.2%
TOTAL DEBT SERVICE FUND INCOME	16,576,934	0	19,993,255	-0.45	21,273,000	6.4%
DEBT SERVICE FUND - EXPENSES						
EXPENSES						
SALARIES	49,000		49,925	-1.9%	50,000	0.2%
PAYROLL TAXES	4,000		3,819	4.5%	4,000	4.7%
BENEFITS	60,000		48,048	19.9%	25,000	-48.0%
STATE WATER CONTRACTOR DUES	44,000		44,662	-1.5%	44,000	-1.5%
STATE WATER CONTRACT PAYMENTS	17,149,793		16,700,503	2.6%	20,700,000	23.9%
PURCHASED WATER	0		2,839	over	0	-100.0%
STATE WATER PROJECT LEGAL SERVICES	0		7	over	0	
USGS - Agreement #23100	0		0	0.0%	60,000	
CONTRACT OPERATIONS AND MAINTENANCE	210,000		84,156	59.9%	100,000	18.8%
SWP ENGINEERING	25,000		25,883	-3.5%	40,000	54.5%
DEBT SERVICE UTILITIES	9,000		9,035	-0.4%	9,200	1.8%
TAX COLLECTION CHARGES	45,000		40,153	10.8%	44,000	9.6%
TOTAL DEBT SERVICE FUND EXPENSES	17,595,793	0	17,009,029		21,076,200	23.9%
TRANSFERS FROM RESERVES	1,018,859					
DEBT SERVICE FUND NET INCOME YEAR TO DATE	0	0	2,984,226		196,800	

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Transfer of Design Contract to Armstrong & Brooks

DATE: August 3, 2015

Summary:

The service connection associated with the Beaumont Avenue Recharge Facility is being designed by the firm of Atkins Global. The engineer on the project has recently changed jobs and is working for a different firm. In order to minimize costs and delays, staff wishes to transfer the design contract to the new firm in order to have the same engineer complete the project.

Background:

Last year, the Agency completed construction of Phase 1 of the Beaumont Avenue Recharge Facility. The actual facility and the service connection still need to be constructed. While design of the recharge facility is complete, design of the connection, which requires approval by DWR, is not. The Agency contracted with Atkins Global to perform this design, but the with the project engineer recently moving to the firm of Armstrong and Brooks, the Agency would be best served financially to transfer the contract so that the work is performed by the same engineer.

Detailed Report:

The project engineer, Erik Howard, designed the Noble Creek connection and got it approved by DWR. He has been involved in the preliminary and final design of the Mountain View connection for at least three years. As the project has moved to final design from preliminary design, Mr. Howard has changed jobs. Staff wishes to maintain continuity on the project by continuing to work with Mr. Howard. Thus the proposed Board action is to contract with Armstrong and Brooks to complete the design and to perform

construction services. The contract with Atkins Global will be canceled.

Fiscal Impact:

There will be no fiscal impact to the Agency. The costs will be identical to what they would have been had Atkins Global performed the design. This work is in the General Fund budget for 2015-2016.

Relationship to Strategic Plan:

This work is part of a regional water supply plan that is recommended in the strategic plan and is thus an integral part of that plan.

Recommendation:

Staff recommends that the Board authorize the General Manager to contract with Armstrong and Brooks to complete the design and to perform construction services for the Mountain View connection, for a cost not to exceed \$170,000.

J.N. 115.1379
July 15, 2015

Armstrong & Brooks Consulting Engineers

San Geronio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223

Planning-Infrastructure-Site Development-Water Resources

Attn: Mr. Jeff Davis, PE
General Manager / Chief Engineer

Regarding: Mountain View EBX - Turnout and Control Facilities
Proposal for Professional Engineering Services

Dear Mr. Davis:

Thank you for the opportunity to provide SGPWA with an updated proposal to assume professional engineering responsibilities for design and construction services for subject project with my new company, Armstrong & Brooks Consulting Engineers, Inc. (A&B).

Stemming from my previous company's design proposal dated October 29, 2014, the intent of a replacement contract with A&B is to simply pick up where those services left off, and minimize any transitional project delays. As you are already aware, my experience with the Agency dates back to 2005 with the design and construction of the sister Turnout and Control Facilities at Noble Creek, and more recently with the design and construction of the 24-inch Beaumont Avenue Recharge Facility Pipeline.

For some background on A&B, they began as Armstrong Development Services in October 1997, with A&B formally being established (by Dennis Armstrong and Bill Brooks) in September of 2000 with the purpose of providing dependable and affordable professional engineering services to both the public and private sectors. As such, A&B has nearly 18 years of experience with the preparation and processing of studies, reports, improvement plans and estimates for sewer and water facilities, reservoirs, pumping facilities, and related public works facilities.

We look forward to the opportunity of working with SGPWA on this matter. If you have any questions or require additional information, please call me at 951.372.8400 (X-119). Thank you.

Sincerely,



Erik T. Howard, PE, PLS
Principal Engineer

EXHIBIT "A"

**Mountain View EBX - Turnout and Control Facilities
Proposal for Professional Engineering Services**

SECTION I - Scope of Work and Fees

- Task 1: Project Management, Coordination and Meetings – Provide technical support including as-needed conferences, correspondence and meetings with Agency staff, DWR and other involved public agencies. Services may also include review and participation in any additional CEQA documentation matters and potential follow-up coordination with the recharge basin design consultant.
- Task 2: Detailed (60%) Design Phase – Using the Agency’s base drawings (prepared during previous conceptual/preliminary design phases), develop a detailed design for review and approval by Agency staff. Upon developing an approved layout, prepare a review package for submittal, review and comment by involved public entities, including necessary electrical and instrumentation designs to be compatible with the existing EBX infrastructure.
- Task 3: Final (100%) Design Phase – Based on interaction with and comments from Agency and involved public and private entities on the Project’s detailed design drawings, prepare final (100%) drawings and specifications for the bidding and construction of same. We will also prepare and submit encroachment permit applications on behalf of the Agency to DWR, RCTD and RCFC&WCD as needed.
- Task 4: Pre-Construction Services – Preconstruction services include: attending/running the pre-bid meeting and responding to questions, issuing any addenda, attending/running the bid opening, evaluation of bids, and recommending an award. We will also follow-up with any permitting agencies to ensure the permits are in place to facilitate a notice-to-proceed to the contractor.
- Task 5: Construction Services – Construction services include: project management and meetings, contract administration and submittals review, construction staking, part-time field observation services, PLC and equipment programming and testing, and compaction testing. Using the previous Noble Creek Turnout construction project duration (actual), all construction labor estimates were based upon an assumed construction duration of 78 working days (109 calendar days).

EXHIBIT "A"

**Mountain View EBX - Turnout and Control Facilities
Proposal for Professional Engineering Services**

Based on the above described items we propose to accept the Agency's original contract, less the amounts previously expended:

Task	Original Budget	* Estimate of Budget Expended	Estimate of Budget Remaining (A&B)	Comments
1	\$15,600	\$131	\$15,469	PM, Coord and Mtgs
2	\$42,000	\$19,484	\$22,516	Detailed (60%) Design
3	\$27,500	\$0	\$27,500	Final (100%) Design
4	\$11,700	\$0	\$11,700	Pre-Construction Svc
5	\$79,200	\$0	\$79,200	Construction Svc
Direct Costs	\$5,300	\$102	\$5,198	
Total :	\$181,300	\$19,717	\$161,583	

- * The "Estimate of Budget Expended" is based on last known / best available accounting as of the end of June 2015, and we believe no further project effort was performed. However, we understand that some incidental charges may have occurred since then and will adjust our budget if needed and at the request of Agency Staff.

RESOLUTION NO. 2015-07

A RESOLUTION OF THE SAN GORGONIO PASS WATER AGENCY BOARD OF DIRECTORS RECOGNIZING DUANE BURK FOR HIS YEARS OF SERVICE TO THE CITY OF BANNING AND THE REGION

WHEREAS, Duane Burk worked for 26 years for the City of Banning, working his way up from Crew Foreman, with the last ten years as Director of Public Works; and

WHEREAS, prior to that, Duane Burk worked for the Beaumont Cherry Valley Water district for five years; and

WHEREAS, Duane Burk worked tirelessly for many years to keep the City of Banning's water supply from the Whitewater River safe and secure; and

WHEREAS, Duane Burk was a member of the Beaumont Basin Watermaster for six years, the last three as Chairman; and

WHEREAS, Duane Burk has a Bachelor's Degree and a Master's Degree in Public Administration, the latter with a concentration in water resources management; and

WHEREAS, Duane Burk has been recognized by Mount San Jacinto College as its 2012 Alumnus of the Year; and

WHEREAS, Duane Burk has always exhibited professionalism, good humor, and common sense in all of his dealings with this Agency.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of the San Gorgonio Pass Water Agency does hereby recognize and Duane Burk for his many years of service to the water industry in the pass area.

We certify that this is a true, full and correct copy of the Resolution No. 2015-07 adopted by the San Gorgonio Pass Water Agency Board of Directors at its meeting August 3, 2015.

JOHN JETER, BOARD PRESIDENT

DATE