

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
September 2, 2014

Directors Present: John Jeter, President
Bill Dickson, Vice President
Ron Duncan, Director (arrived at 1:43 p.m.)
Ted Haring, Director
Mary Ann Melleby, Director
Barbara Voigt, Director

Directors Absent: Ray Morris, Director

Staff Present: Jeff Davis, General Manager
Thomas Todd, Finance Manager
Ken Falls, Operations and Maintenance Manager
Cheryle Rasmussen, Executive Assistant
Russ Behrens, Legal Counsel

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., September 2, 2014 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson 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, August 18, 2014
 - B. Approval of the Minutes of the Finance and Budget Workshop, August 25, 2014
 - C. Approval of the Finance and Budget Workshop Report, August 25, 2014

Director Dickson moved, seconded by Director Melleby, to approve the consent calendar as presented. Motion carried 6-0, with Director Morris absent.

5. **Reports:**

A. General Manager's Report:

(1) Operations Report: General Manager Davis reported on the following: **(a) SWP Water Deliveries:** The Agency delivered a total of 701 acre-feet to Beaumont Cherry Valley Water District ponds for the month of August. **(b)** A scheduled shut down by DWR took place last Monday and the first half of Tuesday at Cherry Valley Pump Station which inhibited the delivery of SWP water. **(c)** On Wednesday, Cherry Valley Pump Station had a maintenance issue on the Uninterrupted Power System, which also inhibited the delivery of SWP water; the issue was resolved the next day. **(d)** Crafton Hills Reservoir refilling of water began today.

(2) EBX 2: (a) General Manager Davis provided pictures and commentary on EBX 2 construction. The presentation included the ongoing construction projects for Citrus Reservoir, Mentone Pipeline, Crafton Hills Pump Station and Crafton Hills Reservoir.

(3) Construction Update: (a) General Manager Davis provided pictures and commentary of the Beaumont Avenue Recharge Facility pipeline. (b) He informed the Board that an act of vandalism occurred on the construction site. A white male driving a white Nissan Murano was seen late at night drilling holes into the pipe; a police report was filed that evening. The Agency is following-up with the police department and would like to see this individual prosecuted. Construction had to be delayed in order to video the pipe that had already been laid. (c) Digging of the trench line in the area of Beaumont Avenue and Orchard St. was slowed down due to extremely rocky terrain and an excessive amount of large boulders.

(4) Whitewater Flume Update: (a) General Manager Davis reported on the Whitewater Flume meeting that was held at Southern California Edison on August 25th in Rancho Cucamonga. The U.S. Forest Service is willing to participate in a FERC dispute resolution process. The date as to when this process will begin will be forthcoming. (b) The participating parties will hold a strategy session on September 3rd at the Agency's office. (c) Julie Hutchinson (Board President - Banning Heights Mutual Water Company) met with Jody Noiron (Forest Supervisor of the US Forest Service - San Bernardino National Forest) last week. General Manager Davis invited Ms. Hutchinson to provide comments regarding the informal meeting. Ms. Hutchinson stated that it was a good opportunity for both sides to discuss the issues and to come away with a better understanding of the different viewpoints. She informed the Board there is absolutely no water available from the flume at this time. The City of Banning is supplementing Banning Heights Mutual Water Company with additional water during this crisis. (d) The Agency, BHMWC, City of Banning and consultants will be participating in strategy meetings to prepare for the dispute resolution process.

(5) General Agency Updates: (a) **Cap-and-Trade:** General Manager Davis reported that the bill to delay the Cap-and-Trade on oil refineries did not pass; therefore, it will go into effect January 1st, 2015. (b) **Groundwater Management:** A three-bill package aimed at advancing sustainable groundwater management throughout California was approved by the legislature on Friday. The bills are largely based on recommendations by ACWA's Groundwater Task Force. (c) **CalPERS:** General Manager Davis reported on the financial sustainability of CalPERS. CalPERS reported excellent returns for this past fiscal year as follows:

- Fiscal year ending June 30: Total return of 18.4% (their discount rate, or long-term average that benefits are calculated on, is 7.5%).
- Investment return over past 20 years is 8.5% annually.
- Current funding level: 76%.
- CalPers assets are at an all-time high (\$290 billion as of April 30).
- In 2009, assets shrunk from \$239 billion to \$181 billion in one year (25% loss). CalPERS is up over \$100 billion since that time.

B. Directors Report:

1) **Director Haring** reported on the Yucaipa Valley Water District Workshop that he attended on August 26th. He stated that staff had provided an overview on the status of the recycled water permit and potential future recycled water customers. 2) **Director Voigt** reported that she attended the YVWD Workshop. 3) **Director Melleby** reported that she attended the San Bernardino County Water Conference that was held on August 22nd at Cal State University, San Bernardino. Dr. Bill Patzert (Oceanographer, California Institute of Technology's NASA Jet Propulsion Laboratory) spoke on the amount of rainfall to expect this winter. Director Melleby reported on the number of different sessions that she attended at the conference. She also attended the YVWD Workshop on August 26th and the SGPRWA Technical Committee meeting on August 27th. Director Melleby informed the Board that ACWA Regions 8, 9 & 10 will be hosting a Joint Tour & Program "Local Paths to Reliability" from October 26th through October 27th in Del Mar/San Diego. 4) **Director Duncan** reported that he traveled on Beaumont Avenue this past weekend and that there were no traffic issues from the construction project. He also reported that he attended Cabazon Water District's Board meeting on August 18th.

6. New Business: (Discussion and Possible Action)

A. Consideration of Resolution No. 2014-06, Confirming Intended Use of Beaumont Avenue Recharge Facility and Pipeline Project: A staff report and a copy of Resolution No. 2014-06 were included in the agenda packet. (A replacement copy of the resolution was provided, due to a typographical error on the copy that was included in the agenda packet). General Manager Davis stated that the Agency is currently attempting to obtain grant funding for construction of the Beaumont Avenue Recharge Facility. In order to include the facility in the Upper Santa Ana Integrated Regional Water Management Plan, which will make the project eligible for grant funding, the Basin Technical Advisory Committee (BTAC) must approve the project. BTAC has requested that the Agency provide a resolution stating the Agency's intent is to have the Beaumont Avenue Recharge Facility serve as a conjunctive use facility. President Jeter called upon Dr. Blair Ball for his comments. Dr. Ball asked for clarification on the last paragraph of the first page of the resolution. General Manager Davis explained that it relates to water that is available and is not purchased by any of the water retailers. After discussion, Director Voigt made a motion, seconded by Director Melleby, to approve Resolution No. 2014-06 – Reconfirming the Agency's use of the Beaumont Avenue Recharge Facility and Pipeline Project in Connection with Potential Funding Opportunities. Motion passed 6-0, with Director Morris absent.

B. Consideration of PERS Side Fund Payoff: A staff report and a draft copy of CalPERS Retirement Side Fund Projection of Payments were included in the agenda packet. General Manager Davis reviewed steps that the Board has implemented since the 2008 recession to ensure that the Agency remains in solid financial condition. The Board has reduced the general fund budget and has invested reserves to receive a better return. In 2010, the Board authorized the installation of solar panels on its property at a cost of \$120,000, going from a 0.5% to a 9% return on investment. In February of 2014 the Board directed staff to make a \$300,000 prepayment towards the Other Post Employment Benefit Trust Fund, thereby receiving a 7.75% return. Today's action of paying off the PERS side fund will equate to an 8% return on the estimated \$280,000 prepayment, plus a savings of \$75,000 in interest. General Manager Davis noted that the Agency is ridding itself of long-term debt. Director Dickson made a motion, seconded by Director Duncan, to authorize staff to pay off the PERS side fund using budgeted funds from the Agency's reserves in the amount of approximately \$205,000. Motion carried 6-0, with Director Morris absent.

C. Discussion on 2014 Bond Issue and Possible Resolution of Support:

Materials relating to the 2014 Water Bond were included in the agenda packet. General Manager Davis reviewed the materials with the Board. He informed the Board that ACWA is asking its members to adopt a formal resolution supporting the \$7.545 billion water bond. General Manager Davis also reviewed the Guidelines for Public Agencies Regarding Ballot Measures. Legal Counsel Russ Behrens provided input on this matter, stating that he agreed with ACWA's guidelines. General Manager Davis stated that should any board member have any questions on what a board member can or cannot say, they are to contact Legal Counsel Behrens for clarification. General Manager Davis requested direction from the Board as to whether or not he is to provide a resolution for consideration at a future board meeting. Director Dickson made a motion, seconded by Director Melleby, directing staff to draft a formal resolution of support for the 2014 Water Bond, which will be considered for adoption at a future board meeting. Motion carried 6-0, with Director Morris absent.

7. **Topics for Future Agendas:** No topics were requested for future agendas.

8. **Announcements:**

- A. Engineering Workshop, September 8, 2014 at 1:30 p.m.
- B. Regular Board Meeting, September 15, 2014 at 1:30 p.m.
- C. Finance and Budget Workshop, September 22, 2014 at 1:30 p.m.

President Jeter adjourned the meeting to closed session at 2:46 p.m.

9. **Closed Session (1 Item)**

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code Section 54956.9 (One case).

President Jeter reconvened the meeting to open session at 3:11 p.m.

Legal Counsel Russ Behrens reported that the Board met in closed session and discussed the matter listed. No action was taken that is reportable under the Brown Act.

10. **Adjournment:** *President Jeter adjourned the meeting at 3:11 p.m.*



Jeffrey W. Davis, Secretary of the Board