

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223

Minutes of the
Board of Directors Meeting
June 19, 2017

Teleconference Location: AmericInn Lodge & Suites Hampton
702 Central Ave W, Hampton, IA 50441

Directors Present: David Fenn, President
Blair Ball, Director
David Castaldo, Director
Steve Lehtonen, Director
Leonard Stephenson, Director
Michael Thompson, Director

Directors Absent: Ron Duncan, Vice President

Staff Present: Jeff Davis, General 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 7:40 p.m., June 19, 2017 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Stephenson led the Pledge of Allegiance to the flag. Director Thompson led the invocation. President Fenn 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 Lehtonen	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Castaldo via Teleconference	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Duncan	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Director Thompson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Fenn	<input checked="" type="checkbox"/>	<input type="checkbox"/>

A quorum was present.

2. **Statement Regarding Teleconferencing:** General Counsel Jeff Ferré stated that Director Castaldo is attending this meeting via teleconferencing. In accordance with the Brown Act, the teleconference location has been identified in the Notice and Agenda for this meeting. General Counsel Ferre confirmed with Director Castaldo that the meeting agenda was posted at or near the location that was stated on the agenda. He asked if there was anyone at his location that wished to speak during public comment. Director Castaldo responded that the agenda is posted and that there are no members that wished to speak.
3. **Adoption and Adjustment of the Agenda:** There were no changes to the agenda.
4. **Public Comment.** President Fenn asked if there was any public comment. No members of the public wished to speak at this time.

4. Consent Calendar:

- A. Approval of the Minutes of the Regular Board Meeting, June 5, 2017
- B. Approval of the Minutes of the Engineering Workshop, June 12, 2017
- C. Approval of the Minutes of the Special Board Meeting, June 12, 2017

Director Stephenson made a motion, seconded by Director Lehtonen, to adopt the consent calendar as presented.

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

Motion passed 6-0, with Director Duncan absent.

5. Reports:

A. General Manager's Report:

(1) Operations Report: (a) High Valleys Water District: General Manager Davis reported to the Board that he has been a participant in a number of meetings between HVWD's General Manager and Board President over the past 2-3 years. He explained how HVWD is charged a tiered rate by Banning and why HVWD is looking to reduce its costs by purchasing water from the Agency. He also reviewed a number of different ways that the Agency could provide water to HVWD. He stated that a meeting between HVWD and the City of Banning Director of Public Works took place about a year ago. The outcome of the meeting was for HVWD to submit a letter to the City of Banning pertaining to wheeling and receiving a portion of the water; no response was received from the City of Banning. Another option is for the City of Banning to spread its water at the Agency's ponds, once built. Because there was no response from the City, HVWD came to the Agency to request an application to receive water directly. HVWD is taking the application to its Board for approval. There will be details that will have to be worked out once the application is received.

B. General Counsel Report: General Counsel Jeff Ferré deferred from reporting.

C. Directors Reports: (1) Director Stephenson reported that he attended the YVWD Board meeting on June 6 and June 13. He also attended Beaumont Chamber of Commerce on June 9, Calimesa Chamber of Commerce on June 13, and South Mesa Chamber of Commerce on June 14. **(2) Director Castaldo** reported on the Beaumont Cherry Valley Water District Board meeting in which the Agency's Beaumont Basin Watermaster water account application was discussed. **(3) Director Ball** also reported on the Beaumont Cherry Valley Water District Board meeting stating that BCVWD was appreciative of the Agency's efforts of moving forward with the modification to the Noble Creek connection. **(4) Director Thompson** reported that he attended the Beaumont Basin Watermaster meeting. He stated that Paeter Garcia did a phenomenal job in advocating on the Agency's behalf. **(5) Director Lehtonen** reported that he attended

the Beaumont Basin Watermaster meeting. He stated that he could not recall in his career where a motion was made and seconded and all of the discussion happened without an introduction of the motion, which made it difficult to understand the ending of the meeting. **(6) President Fenn** reported that he also attended the Beaumont Basin Watermaster meeting. President Fenn and General Manager Davis will be traveling on July 11th to meet with a water broker to discuss another potential water deal.

6. New Business:

A. Public Hearing: Consideration and Possible Action to enter into Water Supply Agreement with Antelope Valley – East Kern Water Agency (AVEK): A staff report, Water Supply Agreement, and related materials were included in the Agenda Packet. General Counsel Ferre recommended that President Fenn declare the Public Hearing open, to receive the Staff report, and any public comments. *President Fenn opened the Public Hearing at 7:48 pm.* General Manager Davis reported that the Agency has been seeking out water supplies for some time. General Manager Davis reviewed the steps that were taken that led to contacting AVEK to discuss leasing 1700 acre feet of water that was available through the Nickel deal. He informed the Board that the effective date of the agreement is January 1, 2017. He stated that the actual cost to the Agency to lease the water for the next twenty years would be \$1268.00 per acre foot for this year, and would escalate in future years. After the twenty-year period, AVEK will reevaluate to see if they would like to renew for another twenty-years; however, the Agency has the first right of refusal. The cost of the Nickel Water is identified in an original agreement between AVEK and Nickel Farms LLC. There is an annual price escalator, based on either 3% or the Consumer Price Index for Los Angeles, Orange County, and Riverside County, whichever is greater. This year the water cost is \$716.29. A copy of the invoice from Nickel Farms LLC for this year is available for review by anyone who wishes a copy of the invoice. At this time, the Agency has not determined how to fund this potential water deal. In the staff report General Manager Davis recommended holding a workshop in July with stakeholders present to discuss how the Board would like to fund this. General Manager Davis reviewed the agreement and answered questions from the Board. General Counsel Ferre stated that AVEK's board has requested a change pertaining to attorney fees, wherein each party would pay for its own attorney fees. General Counsel Ferre stated that from his perspective this request is not out of the ordinary and is legally acceptable. His advice to the Board is that this one change is something that the Board could accept. General Manager Davis stated that AVEK Board's did not approve the agreement at its last board meeting, specifically due to the legal fee clause on paragraph 30. General Manager Davis suggested that should the Board vote to approve this item tonight that it be subject to legal counsel review of any revisions in paragraph 30. General Counsel Ferre stated that there is not a need to go through CEQA, other than the Notice of Exemption, which is explained in the staff report. General Manager Davis concluded his report for the public hearing. President Fenn requested comments from the public. John Covington (BCVWD Board Member) spoke on section 9C – Delivery of Water - pertaining to suspension of water under a Declaration of Emergency declared by AVEK. He suggested that the agreement defines what AVEK considers a Declaration of Emergency. He also had questions pertaining to the Take or Pay clause, which were answered by General Manager Davis. Joe Zoba (YVWD General Manager) spoke on a potential rate increase or a facility capacity fee. He also spoke on the contract term. General Manager Davis stated that AVEK has never declared an emergency, and that is the reason that the agreement was not specific. General Counsel Ferre provided the Public Contract Code definition for a Declaration of Emergency. He suggested taking this definition to AVEK to inquire

if the Public Contract Code definition is acceptable. Director Ball inquired if there were some willing customers at the present time. General Manager Davis responded that he believes there is. Director Stephenson made a motion, seconded by Director Thompson, to approve the Water Supply Agreement with AVEK, with language changes regarding to the definition of a Public Emergency; subject to legal counsel approval. Also, a review by legal counsel pertaining to the change in the attorney fees clause. President Fenn requested a roll call vote. Director Castaldo question if the agreement needs to be answered tonight. President Fenn stated that it could jeopardize the potential deal itself should there be a delay. He also stated that a future workshop would need to be set in order to discuss how this would be paid for and other details. Director Lehtonen stated that there are funds in the Reserve that could be used for this year should the Board be indecisive on how to fund the water lease. President Fenn requested a roll call vote.

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

Motion passed 6-0, with Director Duncan absent.

B. Consideration and Possible Action on Exchange Agreement with Crestline-Lake Arrowhead Water Agency for 2000 Acre-Feet of Water in 2017 and to Authorize Filing a Notice of Exemption: A staff report and a Water Exchange Agreement were included in the agenda packet. General Manager Davis stated that this subject was reviewed during the Engineering workshop last week. This would be the fourth exchange agreement with CLAWA. This proposed unbalanced transfer between the Agency and CLAWA is for 2000 acre-feet this year, with 1000 acre-feet to be returned to CLAWA over the next ten years. General Manager Davis provided the general terms of the agreement. The purpose of this proposed Board action is to determine if the Board wishes to approve this proposed exchange. Director Stephenson made a motion, seconded by Director Thompson, approving the agreement with CLAWA for 2000 acre-feet of water. Director Ball noted that due to prior exchanges the Agency would owe CLAWA a total of 3400 acre-feet. After discussion President Fenn requested a roll call vote on the motion.

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

Motion passed 6-0, with Director Duncan absent.

C. Consideration and Possible Action on Resolution 2017-10 Nominating Director David Castaldo to ACWA's Region 9 Board of Directors: Director Ball made a motion, seconded by Director Duncan, to approve. President Fenn requested a roll call vote on the motion.

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

Motion passed 6-0, with Director Duncan absent.

D. Consideration and Possible Action to Change Date of the July 3rd Board Meeting: General Manager Davis stated that July 3rd is not a holiday, and that the office will be closed on Tuesday, July 4th. President Fenn stated that the concern is that normally the Agency would hold a Board meeting on July 3rd and the potential for the public, customers, and/or board members of having a four days weekend is likely. After discussion, Director Lehtonen made a motion, seconded by Director Thompson, to cancel the July 3, 2017 Regular Board meeting and to hold both a Special Board Meeting and the Engineering workshop on July 10th. A Notice of Cancellation for the July 3, 2017 Regular Board meeting will be posted. President Fenn requested a roll call vote on the motion.

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

Motion passed 6-0, with Director Duncan absent.

7. Topics for Future Agendas: Director Ball requested discussion on how to get water deal information out to the Agency's customers in an earlier fashion. He suggested that joint closed sessions take place with the Agency's customer board members to see if there is interest when a potential water deal comes about. General Counsel Ferre stated that it is not possible to have a closed session with another public agency; however that does not inhibit the Agency to get information out to the retailers. General Manager Davis stated that he will be scheduling meetings with water retailers pertaining to the other water deal that has been discussed in closed session, to inquire if there is any interest. No other topics were suggested by Board members.

8. Announcements:

- A. Finance and Budget Workshop, June 26, 2017 at 4:00 p.m.
- B. San Geronio Pass Regional Water Alliance, June 28, 2017
 - 1. Regular Meeting at 5:30 pm— Banning City Hall

9. Adjournment

Time: 8:38 pm



Jeffrey W. Davis, Secretary of the Board