

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
October 16, 2017

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

Staff Present: Jeff Davis, General Manager
Jeff Ferre, General Counsel
Thomas Todd, Finance Manager
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 David Fenn at 1:30 p.m., October 16, 2017 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. President Fenn led the Pledge of Allegiance to the flag. Director Duncan gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Fenn asked if there were any adjustments to the agenda.* General Manager Davis requested that 6A take place after item 3 of the Agenda - Public Comment. The Board was in agreement with the change. The Agenda was adopted as amended.
3. **Public Comment:** *President Fenn asked if there were any members of the public that wished to make a public comment on items that are within the jurisdiction of the Agency.* Ernest Wright (President, High Valleys Water District) thanked the Board for all of its efforts on bringing additional water to the region. He also thanked the Board for retaining Jeff Davis as the Agency's General Manager as he has shown to be very successful in the past and is sure to be in the future with the support of the Board. He stated that General Manager Davis has been very helpful in efforts to secure water for HVWD.
6. **New Business:**
 - A. **Consideration of and Possible Action on Agency's Annual Financial Audit (Eden Casareno – Eadie & Payne):** A staff report and a copy of the Financial Statements and Supplementary Information with Independent Auditors' Report for the Years Ended June 30, 2017 and 2016 were included in the agenda packet. General Manager Davis introduced Eden Casareno of Eadie & Payne. General Manager Davis informed the Board that the Auditor's Report will be uploaded to the Agency's website. Ms. Casareno introduced her co-worker, Don Eckert – Risk Management Director. She informed the Board that the Audit for the Agency was completed on October 12, 2017. Ms. Casareno provided a PowerPoint presentation and spoke on the financial highlights, internal control, management comments, and additional required

auditor communications. A review of the Statement of Net Position showed a net position for 2017 at \$173.67 million. The Statement of Revenues, Expenses and Changes Net Position chart reflected a change in Net Position for 2017 at \$6.70 million. A review of the Internal Control and Management Comments was provided, as well as a review on the required Auditor Communications. Ms. Casareno answered questions from the Board and staff. Ms. Casareno concluded her presentation. After discussion, Director Castaldo made a motion, seconded by Director Duncan, to accept the Agency's June 30, 2017 and 2016 Annual Financial Audit. Motion passed 7-0.

4. Consent Calendar:

- A. Approval of the Minutes of the Regular Board Meeting, October 2, 2017
- B. Approval of the Minutes of the Engineering Workshop, October 9, 2017

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

5. Reports:

A. General Manager's Report:

(1) Operations Report: (a) SWP Water Deliveries: The Agency has delivered 700 acre-feet of water to the Noble Creek Connection, so far this month. DWR did a brief shutdown last week, and there were a few issues at Citrus Reservoir. The Agency is delivering as much water as possible to minimize carryover.

(2) General Agency Updates: (a) Cal WaterFix: Eleven Contractors have passed resolutions supporting the Cal WaterFix, including Metropolitan Water District and Kern County Water Agency. **(b) Noble Connection:** General Manager Davis met with General Manager Jagers (BCVWD) last week to set a schedule for implementing expansion of the Noble Connection. The goal is to have the design done by January and then decide how and when to advertise for construction. **(c) IERCD** is sponsoring its annual "speak off" for high school students. This competition is a three to five minute speech on Resource Conservation Districts. Several Beaumont High students are registered. Regional competition is this Thursday night. The winner will go to Sacramento for a statewide contest. **(d) Lake Oroville Spillway Ceremony:** Director Grant Davis (DWR) has decided to not hold a ceremony as previously announced at the last Board meeting; instead he will be holding a press conference on November 1st. **(e) Beaumont Avenue Recharge Facility:** the mandatory Pre-bid meeting was held on October 12th, with five contractors in attendance.

B. General Counsel Report: A written report was included in the Agenda packet.

(a). General Counsel Ferre stated that since his submission of his written report, AB 313 had been vetoed by the Governor. The bill would transfer the responsibility for conducting adjudicative hearings of certain water rights enforcement action from the State Water Resources Control Board to a new Water

Rights Division in the Office of Administrative Hearings. Governor Brown stated that administrative law judges can be effective in complex adjudicative matters. He is directing the Environmental Protection Agency to evaluate the potential role for administrative law judges and provide a recommendation on improvements to the Board's hearing process by January 1, 2018.

C. Directors Reports: (1) **Director Stephenson** reported that he attended the YVWD Board workshop on October 10th; he also attended the Calimesa Planning Commission meeting last week. (2) **Director Duncan** reported that he attended the City of Banning - State of the City event on October 11th. It was noted during the event that 7300 new homes will be built in the Banning area. (3) **Director Thompson** reported that he attended the Agency's Finance and Budget Committee meeting on October 5th. He stated that in attendance were the auditors. He reported on the discussion that took place during the meeting. In particular, should there be any discrepancy that the auditors found they would try to resolve it first with staff. If a discrepancy could not be resolved, then the auditors would bring the matter before the board. (4) **Director Castaldo** reported on the Beaumont Chamber of Commerce luncheon that he attended on October 12th. Dr. John Husing was the guest speaker and spoke on the economic forecast for the Pass area. (5) **President Fenn** reported that he also attended the Beaumont Chamber of Commerce luncheon. President Fenn spoke on the conforming loan limit that Dr. Husing addressed. President Fenn also reported on the BCVWD Engineering workshop. (6) **Director Ball** reported on the Capacity Fee Ad-Hoc Committee meeting, stating that discussion took place on various alternatives for a capacity fee. The Committee will be bringing up for discussion at a future board meeting other options that are available to the Agency. (7) **Director Castaldo** reported that Dan Jagers was awarded the position of General Manager for BCVWD.

D. Water Conservation and Education Committee Report: A Committee report was included in the agenda packet. Director Thompson (Chair) informed the Board that discussion took place on the purchase of groundwater models which would be provided to both Banning High School and Beaumont High School. It would involve partnering with Inland Empire Resource Conservation District, where IERCD would be in charge of teaching the educators on how to use the model and provide presentations to their students. Another thought is to do a large ad in the local newspapers on water conservation. Director Lehtonen added that the committee would like to discuss this idea with the local water retailers on how to make the ads more effective.

6. New Business:

A. Consideration of and Possible Action on Agency's Annual Financial Audit (Eden Casareno – Eadie & Payne): This item was discussed after item 3 of the agenda packet.

B. Consideration of and Possible Action on Resolution 2017-15 Authorizing Agency to Apply for Two SGMA Grants Under Proposition 1: A Staff report and Resolution No. 2017-15 were included in the agenda packet. General Manager Davis stated that during the Engineering workshop last week, staff informed the Board that the San Geronio Pass Sub-basin GSA decided to apply for two grants from the Department of Water Resources to support the effort to produce a GSP for the San Geronio Pass sub-basin. The Agency was asked by the participants to proceed with the Grant proposal. It is understood by the participants in the GSA that the Agency will recover its costs for the proposal at some later date. There will be a small impact on the Agency's overall budget when cost recovery is applied to the cost of the proposal of \$37,023. He explained that before an application can be submitted for the grants a resolution has to be passed by the governing body of the applying entity. Director Stephenson made a motion, seconded by Director Duncan, to approve Resolution No. 2017-15. Motion passed 7-0.

C. Consideration of and Possible Action on Joint Funding Agreement with United States Geological Survey for 2017-2018: A Staff report and a copy of the Joint Funding Agreement were included in the agenda packet. General Manager Davis stated that each year the Agency works with the USGS on various tasks and projects. The purpose of this proposed Board action is to approve the USGS work plan and joint funding agreement for the period of October 2017 through November 2018. The proposed work in the work plan under consideration is for the monitoring of groundwater wells for water level and water quality. The total cost to the Agency for this work will be \$116,200, with the USGS providing matching funds of \$9500.00. After discussion, Director Stephenson made a motion, seconded by Director Duncan, authorizing the General Manager to sign the proposed cooperative agreement with the USGS for a maximum expenditure of \$116,200. Motion passed 7-0.

D. Consideration of and Possible Action on Surplus Water Sale Agreement with San Bernardino Valley Municipal Water District (District): A Staff report and a draft redlined copy of the Surplus Water Sale Agreement were included in the agenda packet. General Manager Davis stated the Board had asked to review changes that were made to a previous draft of the agreement. The redlined draft copy that is included in the agenda packet has been reviewed by General Counsel Ferre and there were non-substantive changes made to the agreement. General Manger Davis stated that for a number of years, staff has engaged in discussions with Valley District to obtain wet-year yield when it is available. There were two issues that needed to be resolved prior to any type of an agreement. The first issue was that the District had to renegotiate its agreement with Metropolitan, asking them if it was acceptable to name SGPWA as the first recipient of District surplus water; Met agreed. The second issue was to adopt an ordinance defining conditions to declare a surplus. These steps have now been completed. The Board also discussed the principles of this agreement a number of months ago at an Engineering workshop. General Manager Davis and the Board discussed the price of the surplus water and how it would be paid for. General Counsel Ferre explained that this agreement specifies that the Agency will have the right of first refusal for the surplus water up to 5,000 acre-feet. President Fenn, made a motion, seconded by Director Castaldo, to approve the Surplus Water Sale Agreement with the

District, and authorized the General Manager or President to sign the Agreement on behalf of the Agency. Motion passed 7-0.

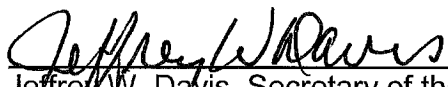
7. Topics for Future Agendas: President Fenn requested a review of the current rate structure at a Finance and Budget Workshop. Director Thompson requested discussion on rules and goals for Retail Manager meetings. Director Stephenson stated that discussion on Nickel water and District water will need to be discussed during the water rate structure. Director Lehtonen reminded the Board that a Strategic Planning meeting will take place next week after the Finance and Budget meeting.

8. Announcements:

- A. Finance and Budget Workshop, October 23, 2017 at 1:30 p.m.
- B. San Geronio Pass Regional Water Alliance, October 25, 2017 at 5:00 p.m. – Banning City Council Chambers
- C. Regular Board Meeting, November 6, 2017 at 1:30 p.m.

9. Adjournment

Time: 2:41 p.m.



Jeffrey W. Davis, Secretary of the Board
c/nr