

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
December 3, 2018

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
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., December 3, 2018, 2018 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. President Fenn led the Pledge of Allegiance to the flag. Director Thompson gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Fenn asked if there were any adjustments to the agenda.* There being none the Agenda was adopted as presented.
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.* There were no members of the public that wished to comment at this time.
4. **Consent Calendar:**
 - A. Approval of the Minutes of the Regular Board Meeting, November 13, 2018
 - B. Approval of the Minutes of the Finance and Budget Workshop, November 26, 2018
 - C. Approval of the Finance and Budget Workshop Report, November 26, 2018

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

5. Reports:

A. General Manager's Report:

(1) Operations Report: **a)** The Agency delivered 1090 acre-feet of water to the Noble Creek Connection for the month of November. **b)** Delivery of Nickel water will continue until the middle of this month.

(2) Water Supply Report: **a)** Initial allocation—10%. Additional SGPWA water supplies include carryover water and Nickel water. The Agency has a lot of carryover water due to the City of Ventura water deal this year. **b)** General Manager Davis reviewed DWR's precipitation and storage graphs for Lake Oroville, Northern Sierra,

San Joaquin Valley, and Tulare Lake Basin. **c)** General Manager Davis informed the Board that Finance Manager Tom Todd is currently serving on jury duty. Finance Manager Todd attended a Water Operations workshop in Sacramento last week. General Manager Davis read Finance Manager Todd's report in which he stated that the main speakers at the Water Operations Workshop sponsored by the State Water Contractors were DWR staff. The topics included how water deliveries are scheduled, the status of State Water Project reservoirs, how various precipitation, snow level and snow content indexes are calculated, as well as reports by various climate and hydrology experts. He indicated that the experts believe that there is a higher than average chance of a wet December, January, and February, and a good chance of a drier than normal March.

(3) General Agency Updates: **a)** The Agency's intern (Casmir Joy Olivair) will start later this week. She will be focused on building and maintaining a social media platform. **b)** The SGMA grant for well monitoring and a GSP for the San Geronio Pass Sub-Basin has been signed by General Manager Davis and was sent back to Sacramento for final signatures. There will be a grant kickoff meeting with the grant administrator sometime this month. **c)** DWR contract extension amendment has been received. Discussion on the amendment will take place at the next Engineering workshop. This item will be brought to the Board for action at our next Board meeting. Because there are opponents to the contract extension DWR will be filing a Reverse Validation next Tuesday, starting a 60-day clock for opponents to file. **d)** ACWA Report – Topics included: 1) Karla Nemeth, Director of DWR spoke about the future at DWR—hiring employees and embracing technology. 2) Groundwater recharge as a beneficial use (higher priority), this is a controversial subject. Compromises are being worked out at the State Board. 3) Bill Crowfoot, Head of Water Foundation spoke on collaboration in all areas in order to move forward on water issues in the state.

B. General Counsel Report: General Counsel Ferre provided a written report on SB 966 – Onsite Treated Nonpotable Water Systems.

C. Directors' Report: **1) Director Stephenson** attended the ACWA/JPIA Director's meeting last week. He reported on the following: **a)** During the 2017 ACWA/JPIA Conference the Executive Committee set a 2018 organizational goal for JPIA staff to research and evaluate the possibility of creating a Captive Insurance Company. At its 2018 Fall Director's meeting ACWA/JPIA Directors voted to initiate the Captive Insurance; the projected date is October 2019. **b)** The Agency has been awarded the ACWA/JPIA President's Special Recognition Award, which is given to agencies that have less than 20% loss for liability, property and workers' compensation. **2) Director Lehtonen** reported on the ACWA conference. He stated that the content of Karla Nemeth's keynote was excellent. **3) President Fenn** also reported on the ACWA conference. He stated that ACWA's goal is to advocate to educate. He spoke on Karla Nemeth's keynote and the seven goals of ACWA. He reported on the various sessions that he attended.

D. Committee Reports: None.

6. New Business:

A. Discussion and Possible Action to Join Pass EDA: A staff report was included in the agenda packet. General Manager Davis informed the Board that the Pass EDA is an organization that this Agency was a member of previously. The past Board found that there were a lot of events with useful educational speakers and the meetings provided the Board members with opportunities to network with other leaders in the region. Pass EDA is a public-private partnership with the goal of working towards the economic health of the region. The Pass EDA board of directors recognizes that water supply is a key issue for the economic health of the region, and has discussed the concept of a water supply-related event in the second quarter of 2019. Pass EDA has communicated with staff its desire to partner with the Agency on this event, bringing funds and a wider audience. Membership dues for this regional organization are \$1000 per year for public agencies. Director Ball spoke on his concerns relating to how joining this organization would benefit the Agency, and if this would be considered a gift of public funds. Director Castaldo explained that it allows agencies to collaborate in applying for funding from county, state, and/or federal levels. In addition, it brings all of the cities within the Agency's region together to discuss the needs of the region. General Counsel Ferre stated that it is not a gift of public funds as water events is part of what the sponsorship would be related to. He reminded the Board that sponsorship for any event would have to have some type of connection to this Agency. General Manager Davis informed the Board of the governance of the Pass EDA board. Director Castaldo made a motion, seconded by Director Fenn, to join Pass EDA for a one-year term for the amount of \$1000. Motion passed 7-0.

B. Discussion and Possible Action to Contract with Pro-Craft for the Beaumont Avenue Recharge Facility Fencing: A staff report and a copy of the Agency's Beaumont Avenue Recharge Facility map were included in the agenda packet. President Fenn referenced staff's report stating that there are two alternatives for the Beaumont Avenue Recharge Facility fencing. Director Thompson recused himself from this Board action. The remaining Directors discussed the different options provided by staff. After discussion, Director Duncan made a motion, seconded by Director Castaldo, opting for Alternative 2 and to authorize staff to sign a construction change order with Pro-Craft for an amount of up to 10% higher than the recommended Alternative 2. After further discussion, Directors Duncan and Castaldo rescinded their motion. Director Duncan made a motion, seconded by Director Castaldo, opting for Alternative 1 (chain link along Beaumont Avenue) and to authorize staff to sign a construction change order with Pro-Craft for an amount of up to 10% higher than the recommended Alternative 1, with a submitted estimate of \$98,300. Motion passed 6-0-1, with Director Thompson abstaining.

C. Discussion of Reserves Policy and its Correlation with Agency's Water Rate: Resolution No. 2009-2 was included in the agenda packet. President Fenn stated that he had requested this item for today's agenda, due to information that he had received from Kathy Cortner (CFO - Mojave Water Agency) during her presentation at the ACWA conference. She noted that there is a direct relationship between a Reserve policy and Agency Water Rates, and when making changes to a Water Rate it may warrant changes to the Reserves policy. President Fenn commented that the Reserves for Additional Water was created with \$2.5 million funding, with a goal of adding \$250k per year thereafter, which staff was able to do up until recently when the costs exceeded our revenue on water sales. In addition, a Rate Stabilization Reserve was created to appropriate unrestricted Agency revenues with \$150k. Additional funds earmarked for

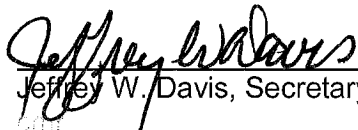
this reserve above \$150k were allocated to the reserve for new water. He asked the Board to consider setting a board policy where the Agency would not increase the rate by a certain percentage each year; the Agency has seen costs from DWR that have exceeded 12% in energy fees. He asked the Board if we want to continue subsidizing the water rate. General Manager Davis stated that for a number of years during the month of January staff provided the Board with the numbers from the previous year. Staff has reported to the Board that there was no new money to put into reserves, as there were no funds to do so; the Agency has been withdrawing funds from reserves to cover the cost of sales since 2015. President Fenn opened this item up to the Board for discussion. General Manager Davis stated that once a new rate structure is decided upon staff will come back with recommendations to change the Reserves Policy.

7. Topics for Future Agendas: Director Thompson stated that Pass EDA will be a point of discussion during the next Water Conservation and Education workshop. Director Lehtonen requested a list of who is involved with the Pass EDA and to discuss the partnership with Pass EDA for the Water Supply event.

8. Announcements:

- A. Engineering Workshop, including discussion of a Water Rate Methodology, December 10, 2018 at 1:30 p.m.
- B. Regular Board Meeting, December 17, 2018 at 1:30 p.m.
- C. Finance and Budget Workshop, Thursday, December 20, 2018 at 1:30 p.m.

9. Adjournment: *President Fenn adjourned the meeting at: 2:47 p.m.*



Jeffrey W. Davis, Secretary of the Board