

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
August 5, 2019

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

Staff Present: Jeff Davis, General Manager
General Counsel Jeff Ferre
Thomas Todd, Finance Manager
Cheryle Stiff, 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 Duncan at 1:30 p.m., August 5, 2019 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. President Duncan led the Pledge of Allegiance to the flag. Director Fenn gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Duncan asked if there were any adjustments to the agenda. There being none the agenda was adopted as published.*
3. **Public Comment:** *President Duncan 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 that are not on today's agenda. 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, July 19, 2019
 - B. Approval of the Minutes of the Finance and Budget Workshop, July 19, 2019
 - C. Approval of the Finance and Budget Workshop Report, July 19, 2019

President Duncan asked for a motion on the Consent Calendar. Director Stephenson made a motion, seconded by Director Lehtonen, to adopt the consent calendar. Motion passed 7-0.

5. **Reports:**
 - A. **General Manager's Report:**
 - (1) **Operations Report:** General Manager Davis provided a written report on the Agency's Operations and General Updates. He also provided a verbal report on deliveries of SWP water, stating that the Agency has delivered a total of 1647 acre-feet to the Noble Creek Connection, for the month of July. He also spoke on the Delta Conveyance project. He noted that the agenda packet included information on the project.

B. General Counsel Report: None.

C. Directors Reports:

1) **Director Thompson** reported that he attended the BCVWD Board Engineering workshop on July 25th. The Agency's ad valorem tax rate was discussed. 2) **Director Stephenson** reported that he attended the Yucaipa SGMA meeting on July 24th. They approved its public outreach plan, which is available at www.yucaipasgma.org. 4) **Director Ball** reported that he also attended the BCVWD Board Engineering workshop on July 25th.

D. Committee Reports: 1) **Director Castaldo** reported that the Board Handbook Committee met on 7/17 and 7/24. Discussions took place on the Agency's Social Media Policy, Email Policy, and rules for requesting items for the Board agenda. It was also discussed, and it is recommended, that the Agency adopts the Rosenberg Rules of Order. The committee will incorporate all four of these items in the proposed handbook. Once the committee has a finished draft of the handbook it will call for a Board workshop for discussion and possible revisions. 2) **Director Ball** reported on the Capacity Fee stating that the City of Banning and City of Beaumont has provided the requested demographic information, however we are still waiting on others to provide its data. The next Capacity Fee meeting will take place on August 12th at 12:30 p.m. 3) **Director Lehtonen** reported that the Water Conservation and Education Committee will be meeting this Thursday, August 8th at 1:30 p.m. 4) **Director Thompson** stated that the Water Education and Conservation Committee will be providing a report at the next Board meeting.

6. New Business:

A. Consideration of Adoption of Resolution No. 2019-07, Setting the Tax Rate for FY 2019-2020. A staff report and related materials were included in the agenda package. President Duncan called upon members of the public that wished to speak during this item. Jon Usher (Calimesa resident) spoke on his property tax bill and the amount that he has been paying on the Debt Service charge for the State Water Project. Joyce McIntire (Calimesa resident and representing Yucaipa Valley Water District) stated that she was in agreement with Director Fenn's statement that was made during the Finance and Budget workshop to lower the tax. General Manager Davis presented background information on the ad valorem tax. He noted that the debt service tax is based on a number of factors including the annual property assessment by the Riverside and San Bernardino County Assessor. He stated that this item was discussed extensively at the Finance and Budget workshop that was held on July 19th and that no board member or staff member requested that the tax rate be increased. The Board directed staff to show what the impact would be depending on what action that the Board takes. General Manager Davis reviewed the different tax rate scenarios with the Board. He also explained that the revenue projection is possibly on the conservative side; however, the expense projection is not conservative, as there are three sets of costs that are going to be incorporated into the statement of charges from DWR that have not been accounted for, the increase of bond payments due to compression, should the contract extension not be approved; the cost for paying the Oroville Spillway repair; and the cost of dealing with subsidence issues in the San Joaquin Valley. Staff is recommending that the tax rate stay the same for at least one more year, as next year we will have more information to base the tax rate on. Director

Thompson made a motion, seconded by Director Fenn, to reduce the rate from 0.1825 to 0.1750. After discussion, President Duncan requested a roll call vote. Ayes: Directors Thompson, Fenn and Ball. Noes: Directors Stephenson, Lehtonen, Castaldo and President Duncan. The motion failed. 3-4. Director Castaldo made a motion to reduce the tax rate to 0.1800, motion seconded by President Duncan. General Counsel stated that the agenda provided four different options, of which 0.1800 was not one of them; he advised against making a motion on this proposed rate. Director Castaldo made a motion to set the tax rate at 0.1775, seconded by Director Thompson. President Duncan requested a roll call vote. Ayes: Directors Thompson, Fenn, Castaldo. Noes: Directors Stephenson, Lehtonen, Ball and President Duncan. The motion failed 3-4. Director Stephenson made a motion to leave the tax rate at 0.1825, seconded by Director Lehtonen. President Duncan requested a roll call vote. Ayes: Directors Stephenson and Lehtonen. Noes: Directors Thompson, Fenn, Ball, Castaldo and President Duncan. The motion failed 2-5. General Counsel Ferre stated that since the Board is not able to make a decision and the fact that this is not a Prop. 218 issue and the proposed 0.1800 is not going over the current rate that the Board could consider the 0.1800 tax rate. Director Castaldo made a motion, seconded by Director Duncan to set the tax rate at 0.1800. After board comments President Duncan requested a roll call vote. Ayes: Directors Stephenson and Castaldo. Noes: Directors Thompson, Fenn, Lehtonen, Ball, and President Duncan. The motion failed 2-5. Director Ball made a motion to set the tax rate at 0.1775, seconded by President Duncan. After Board comment President Duncan requested a roll call vote. Ayes: Directors Thompson, Fenn, Ball, Castaldo and President Duncan. Noes: Directors Stephenson and Lehtonen. The motion passed 5-2.

B. Consideration and Adoption of Debt Service Budget for 2019-2020. A staff report and related material were included in the agenda package. General Manager Davis stated that the Debt Service Budget was reviewed at the last Finance and Budget workshop. Projected expenses for the debt service budget come in at approximately \$27 million. With the tax rate of \$0.1775 the projected surplus this year will be \$642,000. General Manager Davis recommended that the Board adopt the debt service budget with a tax rate of \$0.1775. Director Thompson made a motion, seconded by Director Stephenson, to adopt the debt service budget with a tax rate of \$0.1775. Motion Passed 6-0-1 with Director Lehtonen abstaining.

C. Consideration and Possible Action to Enter into an Exchange Agreement with the City of Ventura and Casitas Municipal Water District. A staff report and an Agreement for the Exchange of 2019 State Water Project Table A Water (2000 Acre-Feet) were included in the agenda package. General Manager Davis stated that this proposed action is to determine if the Board wishes to enter into an exchange agreement with the City of Ventura and the Casitas Municipal Water District to obtain 2000 acre-feet of water this year in exchange for 1000 acre-feet returned over the next ten years. The exchange would enable the Agency to meet all retailer requests for this year, with about 500 acre-feet left over for the Agency's use. General Manager Davis reviewed the key points of the exchange agreement. He stated that the Agency's General Counsel has reviewed the contract and is in agreement with the exception of some non-substantive changes in paragraph 8. The Agency would pay a net cost of \$660 per acre foot. General Manager Davis informed the Board that

DWR contacted him and has concerns about the Agency paying \$660 per acre-foot. They are requesting that the Agency only pay 20% of the fixed costs, instead of requested 40%. The negotiator stated that he would speak to DWR and to his clients (City of Ventura & Casitas Municipal Water District) to discuss the acceptable purchasing terms. General Manager Davis recommended to the Board to approve the exchange agreement for a maximum payment of the \$660,000. However, it is conceivable that the cost will be less. Director Stephenson made a motion, seconded by Director Lehtonen, to authorize the General Manager to sign both agreements and to take all steps necessary to implement the exchange, including CEQA compliance with a maximum amount not to exceed \$660,000, based on information from DWR. After discussion, President Duncan requested a roll call vote. Ayes: Directors Thompson, Fenn, Stephenson, Lehtonen, Castaldo, and President Duncan. Noes: Director Ball. Motion passed 6-1, with Director Ball voting no.

D. Consideration and Possible Action to Transfer 2019 Nickel Water to Los Angeles Department of Water and Power. A staff report, Memorandum of Understanding, and a letter from DWR were included in the agenda package. General Manager Davis stated that the Board has directed staff to market the Nickel water. The proposed action is to determine if the Board wishes to transfer (sell) 100 acre-feet to the Los Angeles Department of Water and Power. If approved, the transaction would decrease the net amount of money that the Agency expends this year on Nickel water by approximately \$112,622, reducing the amount that would be taken out of reserves by this amount. General Manager Davis reviewed the key points of the exchange agreement. Director Stephenson made a motion, seconded by Director Fenn, to authorize the General Manager to finalize the MOU with LADWP, to sign both the MOU and the agreement, assuming no substantive revisions, and to take all steps necessary to implement the 100 acre-foot transfer with the DWP, including CEQA compliance. Director Ball noted a misprint in the agreement on item 2 where it refers to section 3(b), which should state 4(b). General Counsel Ferre noted the non-substantive change, stating that it will be corrected. After discussion, President Duncan requested a vote. Motion passed 7-0.

E. Consideration and Possible Action to Contract with Provost & Pritchard to Perform an Infrastructure Planning Study. A staff report and Provost & Pritchard's proposal were included in the agenda package. Staff has been working with the Capacity Fee Ad hoc Committee on this issue for quite some time. The Committee recognizes that, in order to adopt a capacity fee, the Agency must decide on the fee on a per-unit basis. This involves calculating the total amount of dollars the Agency requires for the water and facilities, as well as the number of units that will be constructed. The fee is the total dollars required divided by the number of units to be constructed. The purpose of the infrastructure study is to help provide the numerator, or total dollars required, portion of the fee calculation. Provost & Pritchard is familiar with groundwater banks and will be able to determine what is best for the Agency. General Manager Davis reviewed the proposal with the Board. After discussion, Director Fenn made a motion, seconded by Director Stephenson, to authorize the General Manager to contract with Provost & Pritchard to perform an infrastructure study at an amount not to exceed \$50,000. Motion passed 7-0.

F. Consideration and Possible Action on Policy Related to Appointment of Committee on the Evaluation and Performance of the General Manager. An email submitted by Director Ball was included in the agenda package. Director Ball stated that after hearing concerns by some members of the Board he drafted this policy concerning the appointment of the General Manager Ad-hoc Committee members. After discussion, Director Ball made a motion, seconded by Director Thompson, to implement a General Manager Ad-hoc Committee appointment policy as follows: Notwithstanding the President of the Board's privilege to select directors to serve on various Agency committees, it shall be the policy of the San Geronio Pass Water Agency that the Committee on the Evaluation and Performance of the General Manager may include the immediate past President, but the immediate past President may not serve as the Committee chair. The Committee shall not include the sitting President. Any exception to this policy can be made at a regular Board meeting by a two-thirds vote on a case by case basis. President Duncan requested a roll call vote. Ayes: Directors Thompson, Fenn, Stephenson, and Ball. Noes: Directors Lehtonen, Castaldo and President Duncan. Motion passed 4-3.

7. Topics for Future Agendas: 1. Director Thompson requested that the General Manager Ad-Hoc Committee be restructured at the next Board meeting. Update on all Pro-Craft Construction expenses for the Fiesta Recharge Facility and Noble Creek turn-out enlargement, what was spent to date, and any other related expenses.

8. Announcements:

- A. Water Conservation and Education Committee Meeting, August 8, 2019 at 1:30 p.m.
- B. Engineering Workshop, August 12, 2019 at 1:30 p.m.
- C. Regular Board Meeting, August 19, 2019 at 1:30 p.m.

9. Closed Session (1 Item)

Time: 3:50 p.m.

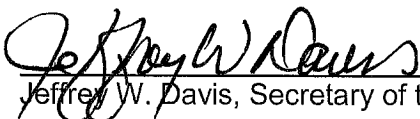
- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) and initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code Section 54956.9 - One potential case -

The meeting reconvened to open session at: Time: 4:51 pm

General Counsel Ferre stated that there was no action taken during closed session that is reportable under the Brown Act.

10. Adjournment

Time: 4:51 pm



Jeffrey W. Davis, Secretary of the Board

cmf