

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
January 4, 2016 at 7:00 p.m.

1. Call to Order, Flag Salute and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment

Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary.

4. Consent Calendar:

If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, December 21, 2015*
(Page 2)

5. Reports (Discussion and Possible Action)

- A. General Manager's Report
 - 1. Operations Report
 - 2. Update on Sustainable Groundwater Management Act (SGMA)
 - 3. General Agency Updates
- B. General Counsel Report
- C. Directors' Reports

6. New Business (Discussion and Possible Action)

- A. Consideration of Memorandum of Understanding for Cooperative use of State Water Project Water* (Page 5)
- B. Consideration of Eliminating Finance and Budget Workshops* (Page 12)

7. Topics for Future Agendas

8. Announcements

- A. Engineering Workshop, January 11, 2016 at 4:00 p.m.
- B. The office will be closed January 18, 2016 in observance of Martin Luther King, Jr. Day
- C. Regular Board Meeting, Tuesday, January 19, 2016 at 7:00 p.m.

9. Adjournment

***Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: www.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board of Director Meeting
December 21, 2015

Directors Present: John Jeter, President
Mary Ann Melleby, Treasurer
Blair Ball, Director
Ron Duncan, Director
David Fenn, Director
Leonard Stephenson, Director

Directors Absent: Bill Dickson, Vice President

Staff and Consultants Present:
Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager
Jeff Ferre, General 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., December 21, 2015, in the Agency Board Room at 1210 Beaumont Avenue, Beaumont, California. Director Ron Duncan led the Pledge of Allegiance to the flag. A quorum was present.

2. Adoption and Adjustment of Agenda: General Manager Jeff Davis asked to have item 6A, the presentation of the financial audit, be moved to item 4 of the agenda. President Jeter asked the Board if there were any objections to the requested adjustment of the agenda. There being none the agenda was adopted as amended.

3. Public Comment: No members of the public wished to make any comment at this time.

4. New Business: Consideration of Acceptance of FY 2014-15 Financial Audit of the Agency: General Manager Davis reminded the Board that this is one of the most important presentations that the board will act upon, as stewards of the public trust the Board is responsible for how the taxpayer's money is spent and/or invested, and that monies are not misappropriated. General Manager Davis introduced Linda Devlin, partner in the independent accounting firm of Ahern Adcock Devlin LLP, the firm that performed the financial audit of the Agency for fiscal year 2014-15. The Total Net Position (Assets less Liabilities) for FY 2014-15 is \$155.36 million, a net increase of \$8.99 million. Ms. Devlin reported on the Significant Audit Findings and reviewed the Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, and Supplementary Information with the Board. Ms. Devlin explained in detail the new requirements for pension reporting. She reported on the solvency of the Agency. After review and discussion, a motion was made by Director Melleby, seconded by Director Duncan, to accept and file the financial audit of the San Gorgonio Pass Water Agency for FY 2014-15. The motion passed 6-0, with Director Dickson absent.

5. Consent Calendar:

- A. Approval of the Minutes of the Regular Board Meeting, December 7, 2015
- B. Approval of the Minutes of the Engineering Workshop, December 14, 2015

A motion was made by Director Duncan, seconded by Director Melleby to approve the consent calendar as presented. The motion passed 6-0, with Director Dickson absent.

6. Reports (Discussion and Possible Action):

A. General Manager's Report

(1) Operations Report: General Manager Davis reported on the following: **1) SWP Deliveries:** Report on deliveries was unavailable. **2) Noble Creek Connection Flow Test:** BCVWD requested that a flow test be performed at the Noble Creek connection to ensure that the connection would hold 20 cfs. The test was performed this past week over the course of forty-eight hours.

(2) General Agency Updates: **1) Southern California Water Committee** has scheduled a quarterly lunch for January 22, 2016. It will be held at the headquarters of Western Municipal Water District in Riverside. Information has been put in the mail boxes of the directors. **2) Water Conservation Regulations:** General Manager Davis attended an ACWA conference call this morning regarding the informal "Framework" presented by the staff of the State Water Resources Control Board. The water industry has proposed further refinement to the conservation tiers to reflect a range of factors that contribute to water use. The State Water Board has agreed to three accommodations to retail water agencies: climate adjustment, growth adjustment and drought resilient sources of supply from 2013. He reviewed a number of proposals that were rejected. An informal public comment period is between December 21st and January 4th. A formal public comment period will take place later. General Manager Davis will forward to the agencies retail customers, as well as the SGPRWA Water Conservation Committee, the State Board's proposed regulatory framework for the extended Emergency Regulation for Urban Water Conservation.

B. General Counsel Report: General Counsel Jeff Ferre reported on the following items:

1. Language on a proposed ballot measure was sent to the Attorney General's office dealing with water conservation and flood control and storm water management that would allow water providers to reestablish so-called tiered pricing as a means of encouraging conservation. The measure was crafted after a state appeals court ruled that the tiered water rate structure used by the city of San Juan Capistrano was unconstitutional because it violated voter-approved Proposition 218, which prohibits government agencies from charging more for a service than it costs to provide it. The court ruled that tiers must be set based on the actual cost of providing the service at each level of usage, not predetermined usage budgets. The ballot measure would allow agencies to set rates that encourage water conservation and charge fees for stormwater management and flood control projects. It would also allow the agencies to impose fees to reduce water and sewer bills for low-income customers. **2. Reimbursement of State Mandated Costs Court Case:** The State Reimbursement Commission reviewed mandated costs reimbursement requests and has stated that the State of California Laws no longer has the funds to reimburse costs. The reason for the court case is that the commission is mandating that local governments seek reimbursement for actual costs by raising rates.

C. Directors Reports: **(1) Director Duncan** reported on the Cabazon Water District Board Meeting Officer Installation; Banning City Council meeting; Banning Unified School District meeting; Banning Chamber of Commerce meeting. In addition, Director Duncan reported on his involvement regarding bees removed from EBX property. **(2) Director Fenn** thanked General Manager Davis for his time in touring Agency facilities; he reported on the BCVWD Board meeting where a reorganization of the board took place. **(3) Director Ball** attended the BCVWD meeting; he also reported on the meeting with Assemblyman Mays requesting his support to reduce the board from seven to five members. Assemblyman Mays did not commit to the request. **(4) President Jeter** reported on the meeting with Assemblyman Mays.

President Jeter turned the meeting over to the Chair of the Finance & Budget Committee, Director Mary Ann Melleby.

7. New Business:

A. Ratification of Paid Invoices and Monthly Payroll for November, 2015 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Duncan, seconded by Director Stephenson, to ratify paid monthly invoices of \$576,928.55 and payroll of \$32,015.22 for the month of November, 2015, for a combined total of \$608,943.77. The motion passed 6 in favor, no opposed, with Director Dickson absent.

B. Review Pending Legal Invoices: After review and discussion, a motion was made by Director Fenn, seconded by Director Duncan, to approve payment of the pending legal invoices for November, 2015. The motion passed 6 in favor, no opposed, with Director Dickson absent.

C. Review of November, 2015 Bank Reconciliation: After review and discussion, a motion was made by Director Duncan, seconded by Director Stephenson, to acknowledge receipt of the Wells Fargo bank reconciliation for November, 2015 as presented. The motion passed 6 in favor, no opposed, with Director Dickson absent.

D. Review of Budget Report for November, 2015: After review and discussion, a motion was made by Director Duncan, seconded by Director Ball, to acknowledge receipt of the Budget Report for November, 2015. The motion passed 6 in favor, no opposed, with Director Dickson absent.

8. Topics for Future Agendas: Director Ball asked for a presentation from retail agencies related to their recharge capacity.

9. Announcements: *President Jeter reviewed the following announcements:*

A. The office will be closed December 24th and 25th in observance of Christmas.

B. The office will be closed December 31st and January 1st in observance of New Year's Day.

C. Regular Board Meeting, January 4, 2016 at 7:00 p.m. – Note new time

D. Engineering Workshop, January 11, 2016 at 4:00 pm. – Note new time

Director Melleby asked that a press release announcing the new meeting times be sent out.

10. Adjournment: *President Jeter adjourned the meeting at 2:55 p.m.*

Draft – Subject to Board Approval

Jeffrey W. Davis, Secretary of the Board

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: MOU For Cooperative Use of State Water Project Water

DATE: January 4, 2016

Summary:

State Water Project Contractors on the East Branch, known collectively as Class 8 Contractors, have discussed cooperating to enhance water supply reliability of the State Water Project. The purpose of this proposed Board action is for the Board to consider participation in a Memorandum of Understanding to that effect.

Background:

East Branch Contractors, with the exception of the Metropolitan Water District of Southern California, have been meeting on a quarterly basis for about a year to discuss a number of water management issues of common interest. One of these issues is how the members can work together to keep surplus Table A supplies “in the family” by use of exchanges, transfers, and storage agreements among themselves. A draft Memorandum of Understanding was discussed with the Board at the October Engineering workshop.

The primary purpose of the MOU is to commit to working with other Contractors to make the most efficient use of Table A water belonging to the Class 8 Contractors collectively.

Detailed Report:

Since the October workshop, Class 8 Contractors have met again to discuss the MOU. Two of the Class 8 Contractors have indicated a reluctance to sign, since they have a side agreement with Metropolitan, who gets all of their Table A water (Desert Water Agency and Coachella Valley Water District). At a recent meeting, this issue was discussed with Metropolitan, who supports the concept behind the MOU. Metropolitan is currently working with Desert Water

Agency and Coachella Valley Water District to determine if they can sign the MOU without breaching their own agreement.

In the meantime, the other Class 8 Contractors support this concept and are prepared to bring it to their Boards for a vote. The MOU at present is still in "DRAFT" form; however, it is not anticipated that any substantive revisions will be suggested by any of the Class 8 Contractors.

The MOU anticipates Class 8 Contractors hiring a consultant to review each Contractor's water supply situation. This in turn is expected to lead to two or more Contractors developing some sort of exchange or storage agreement(s).

Fiscal Impact:

It is expected that there will be a small fiscal impact of signing this MOU. The impact would be the Agency's share of costs for the consultant hired to review water supply issues of the Class 8 Contractors. This is expected to be a very small amount and would not have a significant impact on the Agency's finances.

Relationship to Strategic Plan:

The Strategic Plan calls for the Agency, serving as the regional water supplier, to develop a regional water supply plan. This MOU, if adopted, would play a significant role in augmenting opportunities for the Agency to acquire additional sources of water, either in the long term or the short term. Thus, it is consistent with the strategic plan.

Recommendation:

Staff recommends that the Board authorize the General Manager to sign the MOU in its current form, as long as no substantive revisions are made to the draft prior to being finalized, subject to the approval of the General Counsel.

1 **Memorandum of Understanding**
2 **For the**
3 **Cooperative Use of State Water Project Water**
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6 This Memorandum of Understanding for the Cooperative Use of State Water Project
7 Water (“**MOU**”) is entered into and effective this 1st day of October, 2015 by and among the
8 Class 8 East Branch Aqueduct Contractors: Antelope Valley-East Kern Water Agency,
9 Coachella Valley Water District, Desert Water Agency, Littlerock Creek Irrigation District,
10 Mojave Water Agency, Palmdale Water District, San Bernardino Valley Municipal Water
11 District, San Gabriel Valley Municipal Water District, and San Geronio Pass Water Agency.
12 Each of the aforementioned public agencies is referred to in this MOU as a “**Party**” and these
13 agencies are collectively referred to as the “**Parties**.”
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15 Recitals
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17 A. The Parties have all contracted with the California Department of Water
18 Resources (“**DWR**”) to receive water from the State Water Project, with contractual Table A
19 Amounts ranging from 2,300 acre-feet/year to 144,844 acre-feet/year.

20 B. Due to the continuing drought, during 2014 DWR allocated 5% of contract
21 amounts to the Parties and in 2015, DWR allocated only 20% of contract amounts to the Parties.
22 Even if 2016 brings some relief from the drought, the Parties believe that they still are not likely
23 to obtain full contractual allocations in the near future.

24 C. DWR, working with the U.S. Bureau of Reclamation, has proposed the California
25 WaterFix, which is intended to improve water supply reliability for the Parties and other public
26 agencies that receive water from the State Water Project.

27 D. The Parties, individually and collectively, are working on a number of projects
28 that are also intended to improve water supply reliability for their respective service areas,
29 including but not limited to, making the greatest use of State Project Water when it is available
30 but also relying on other sources (local surface water supplies, groundwater, recycled water,
31 stormwater and rainwater capture, and the like) while increasing water conservation efforts.

32 E. The Parties wish to cooperate to share resources where feasible and cost-effective
33 so as to ensure the greatest degree of water supply reliability for their respective ratepayers. As
34 part of that effort, the Parties wish to ensure that, collectively, they receive the greatest possible
35 allocation of water developed through the California WaterFix and other statewide initiatives that
36 may result in additional water or additional water supply reliability to State Water Project
37 contractors.

38 F. The Parties intend to develop a plan for such a cooperative effort by DATE and
39 intend to enter into a definitive agreement to implement that plan by DATE, which agreement
40 will be fully consistent with the Parties' respective agreements with DWR for water from the
41 State Water Project and other legal requirements.

42 G. The Parties wish to memorialize their mutual understandings by means of this
43 MOU.

44 Understandings

- 47 1. *Term.* This MOU shall be deemed to have become effective on October 1, 2015 or
48 whenever two Parties have executed this MOU, whichever is earlier. This MOU shall
49 terminate on the earlier of the date upon which two or more Parties enter into a definitive
50 agreement to enhance water supply reliability based on the plan referred to in Recital F or
51 December 31, 2016, whichever is earlier.
- 52 2. *Cooperative Efforts.* The Parties agree that they will explore ways to improve water
53 supply reliability for water received from the State Water Project, including but not
54 limited to the California WaterFix, as follows:
- 55 a. Analyzing whether the Parties may pool their respective allocations of water from
56 the State Water Project, either on an annual or long-term basis, for the purpose of
57 more efficient and effective operations.
- 58 b. Analyzing whether the Parties may seek to obtain a single "pooled" right to any
59 improved water supply reliability or increased water quantities resulting from the
60 California WaterFix.
- 61 c. Analyzing whether the Parties may shift State Water Project capacity and/or
62 deliveries among themselves in order to make more effective use of water.
- 63 d. Analyzing whether some Parties may advance funds for the acquisition of
64 improved water supply reliability or increased water quantities resulting from the
65 California WaterFix.
- 66 e. Analyzing other strategies, such as wet-year water transfers, the conjunctive use
67 of surface water and groundwater, the additional use of recycled water (especially
68 for groundwater replenishment) that could generate improved regional water
69 supply reliability.
- 70 f. Other studies, as may be determined by the Parties.

- 71 3. *Planning Report.* The Parties agree that they will attempt to complete a planning report
72 that identifies and evaluates the effectiveness of the water supply strategies identified in
73 paragraph 2 above, including the cost of water from each strategy, the yield, and other
74 information needed to make prudent decisions relating to the investment of public
75 monies, no later than DATE TBD.
- 76 4. *Definitive Agreement.* The Parties agree that they will attempt to enter into one or more
77 definitive agreements to implement the recommendations in the planning report by
78 DATE TBD.
- 79 5. *Cost-Sharing.* Each Party agrees that it will act in good faith by actively participating in
80 the development of the planning report and by contributing a pro-rata share, based on
81 Table A allotments, to the cost of the planning report. If a Party wishes to involve counsel
82 in the review of the planning report, all such costs will be borne only by that Party.
- 83 6. *Books and Records.* Each Party shall have access to and the right to examine any of the
84 other Party's books, documents, papers or other records (including, without limitation,
85 records contained on electronic media) relating to the performance of that Party's
86 obligations pursuant to this Agreement, *provided that* nothing in this paragraph shall be
87 construed to provide a Party with access to records dated on or before the effective date
88 of this MOU, and *provided further that* nothing in this paragraph shall be construed to
89 operate as a waiver of any applicable privileges.
- 90 7. *Withdrawal.* Any Party may withdraw by providing the other Parties with thirty days'
91 written notice of withdrawal. Such Party's withdrawal shall be conditioned upon the
92 Party's payment of its proportionate share of the costs of this effort, as described in
93 paragraph ___ above, up through and including the date of its notice of withdrawal.
- 94 8. *General Provisions*
- 95 a. *Authority.* Each signatory of this MOU represents that s/he is authorized to
96 execute this MOU on behalf of the Party for which s/he signs. Each Party
97 represents that it has legal authority to enter into this MOU and to perform all
98 obligations under this MOU.
- 99 b. *Amendment.* This MOU may be amended or modified only by a written
100 instrument executed by each of the Parties to this MOU.
- 101 c. *Jurisdiction and Venue.* This MOU shall be governed by and construed in
102 accordance with the laws of the State of California, except for its conflicts of law
103 rules. Any suit, action, or proceeding brought under the scope of this MOU shall
104 be brought and maintained to the extent allowed by law in the County of San
105 Bernardino, California.

- 106 d. *Entire Agreement.* This MOU constitutes the entire agreement of the Parties with
107 respect to the subject matter of this MOU and supersedes any prior oral or written
108 agreement, understanding, or representation relating to the subject matter of this
109 MOU.
- 110 e. *Partial Invalidity.* If, after the date of execution of this MOU, any provision of
111 this MOU is held to be illegal, invalid, or unenforceable under present or future
112 laws effective during the term of this MOU, such provision shall be fully
113 severable. However, in lieu thereof, there shall be added a provision as similar in
114 terms to such illegal, invalid or unenforceable provision as may be possible and
115 be legal, valid and enforceable.
- 116 f. *Necessary Actions.* Each Party agrees to execute and deliver additional
117 documents and instruments and to take any additional actions as may be
118 reasonably required to carry out the purposes of this MOU.
- 119 g. *Compliance with Law.* In performing their respective obligations under this
120 MOU, the Parties shall comply with and conform to all applicable laws, rules,
121 regulations and ordinances.
- 122 h. *Third Party Beneficiaries.* This MOU shall not create any right or interest in any
123 non-Party or in any member of the public as a third party beneficiary.
- 124 i. *Counterparts.* This MOU may be executed in one or more counterparts, each of
125 which shall be deemed to be an original, but all of which together shall constitute
126 but one and the same instrument.
- 127 j. *Notices.* All notices, requests, demands or other communications required or
128 permitted under this MOU shall be in writing unless provided otherwise in this
129 MOU and shall be deemed to have been duly given and received on: (i) the date
130 of service if served personally or served by electronic mail or facsimile
131 transmission on the Party to whom notice is to be given at the address(es)
132 provided below, (ii) on the first day after mailing, if mailed by Federal Express,
133 U.S. Express Mail, or other similar overnight courier service, postage prepaid, and
134 addressed as provided below, or (iii) on the third day after mailing if mailed to the
135 Party to whom notice is to be given by first class mail, registered or certified,
136 postage prepaid, addressed as follows:

137 **Notice Information**

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Jim Barrett, General Manager
Coachella Valley Water District

Roxanne Holmes, General Manager
Crestline-Lake Arrowhead Water Agency

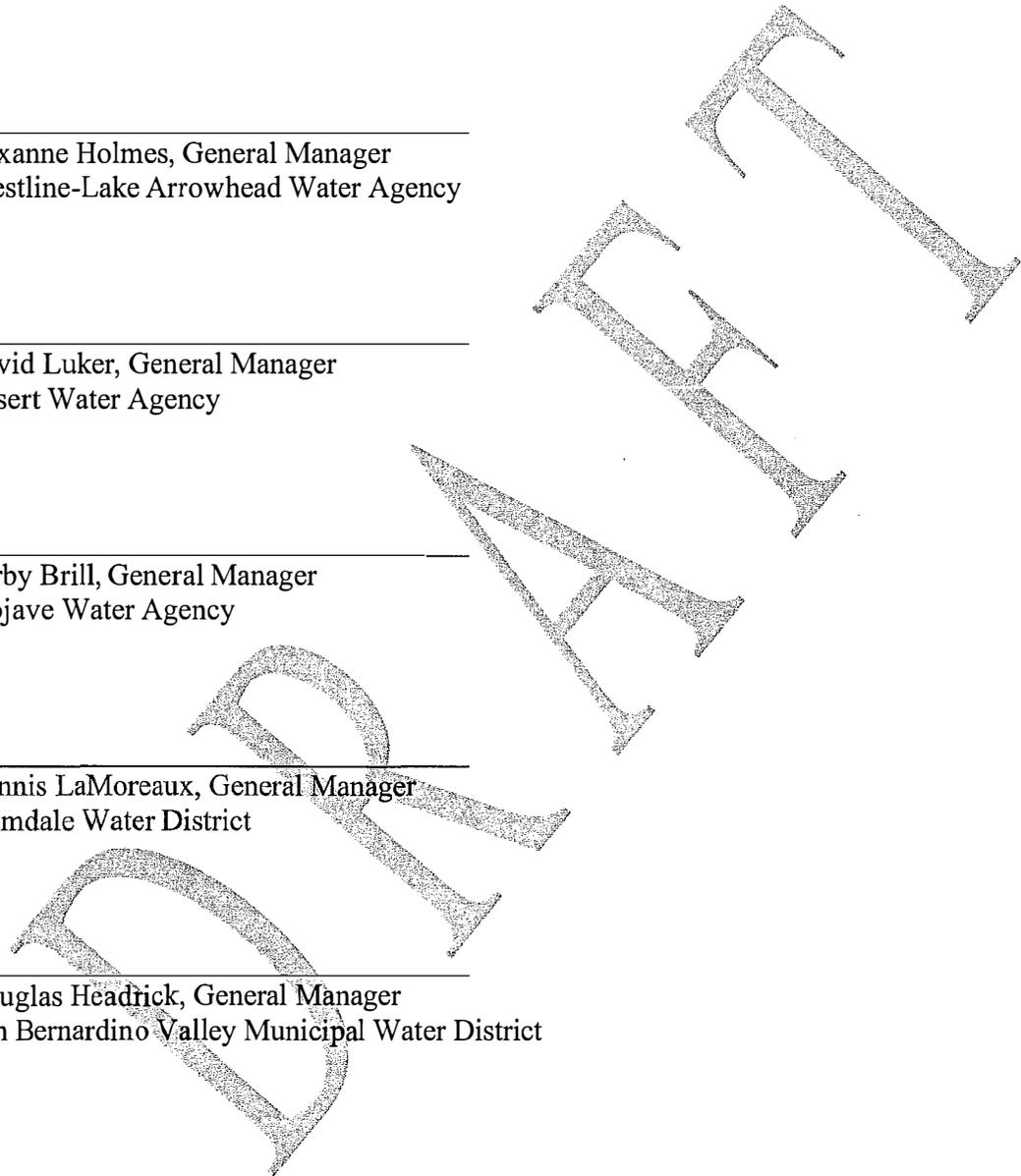
David Luker, General Manager
Desert Water Agency

Kirby Brill, General Manager
Mojave Water Agency

Dennis LaMoreaux, General Manager
Palmdale Water District

Douglas Headrick, General Manager
San Bernardino Valley Municipal Water District

Jeff Davis, General Manager
San Gorgonio Pass Water Agency



MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Possible Elimination of Finance and Budget Workshops

DATE: January 4, 2016

Summary:

A Board member recently inquired about eliminating monthly Finance and Budget workshops and taking care of the business typically done at those workshops at a Board meeting, as is done by other special districts. The purpose of this proposed Board action is to have a discussion and possibly a vote on this issue.

Recommendation:

This is an issue for the Board to decide. Staff has no recommendation.