

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA**  
**Board of Directors Meeting**  
**Agenda**  
**June 15, 2020**  
**Closed Session at 12:30 p.m.**  
**Open Session at 1:30 p.m.**

IN AN EFFORT TO PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND  
IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDER N-29-20, **THERE WILL  
BE NO PUBLIC LOCATION FOR ATTENDING THIS BOARD MEETING IN  
PERSON.** MEMBERS OF THE PUBLIC MAY LISTEN AND PROVIDE PUBLIC COMMENT  
TELEPHONICALLY BY CALLING THE FOLLOWING NUMBER: 669-900-6833  
OR JOIN BY ZOOM: <https://us02web.zoom.us/j/85812336786>  
MEETING ID 858 1233 6786

**Closed Session – 12:30 p.m.**

**Closed Session will take place through separate call-in procedures for the Board. Upon completion of Closed Session and upon commencement of Open Session, any required report will be made.**

**PUBLIC EMPLOYMENT**

Pursuant to Government Code Section 54957  
Title: General Manager

**CONFERENCE WITH LABOR NEGOTIATORS**

Pursuant to Government Code Section 54957.6  
Agency designated representative: Board Member Lenny Stephenson  
Unrepresented employee: General Manager

**Open Session – 1:30 p.m.**

**Report out of Closed Session**

- 1. Call to Order, Flag Salute, Invocation, and Roll Call**
- 2. Adoption and Adjustment of Agenda**
- 3. Public Comment**

As permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment telephonically, all public comments, on items on or off the agenda, will be taken during the Public Comment portion of this meeting. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up.

**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 Special Board Meeting, May 20, 2020\* (p. 3)
- B. Approval of the Minutes of the Special Board Meeting, May 27, 2020\* (p. 5)
- C. Approval of the Minutes of the Board of Directors Meeting, June 1, 2020\* (p. 7)
- D. Approval of the Minutes of the Engineering Workshop, June 8, 2020\* (p. 12)

**5. Reports (Discussion and Possible Action)**

- A. General Manager's Report
- B. General Counsel Report
- C. Directors' Reports
- D. Committee Reports

**6. New Business (Discussion and Possible Action)**

- A. Consideration of and Possible Action on Fourth Joint Facilities Agreement with San Bernardino Valley MWD\* (p. 15)
- B. Consideration of and Possible Action on YVWD/SBVMWD Principles of Agreement on Calimesa\* (p. 30)
- C. Consideration of Payment for Candidate Statement for 2020 Election\*(p. 35)
- D. Approval of Employment Agreement with Lance Eckhart for the Position of General Manager/Chief Hydrogeologist\* (p. 37)

**7. Topics for Future Agendas**

**8. Announcements -**

- A. Finance & Budget Workshop, June 22, 2020 at 1:30 p.m.  
 – Teleconference/Zoom
- B. Office closed Friday, July 3, 2020 in observance of Independence Day
- C. Regular Board Meeting, July 6, 2020 at 1:30 p.m.

**9. Adjournment**

**Pending Agenda Items:**

<b><i>Request</i></b>	<b><i>Requester</i></b>	<b><i>Date of Request</i></b>	<b><i>Tentative Meeting Date Agenda</i></b>
Final costs of: Fiesta Recharge; Noble Creek Connection & Temp Connection; Mtn. View Connection	Thompson	12/02/2019	02/03/2020 or 02/18/2020
Water Delivery – discussion on moving water deliveries until the second half of the year.	Thompson	04/06/2020	

**\*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](http://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 accommodation.

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, California 92223**  
**Minutes of the**  
**Board of Directors Special Meeting**  
**May 20, 2020**

IN AN EFFORT TO PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDER N-29-20, **THERE WILL BE NO PUBLIC LOCATION FOR ATTENDING THIS BOARD MEETING IN PERSON.** MEMBERS OF THE PUBLIC MAY LISTEN AND PROVIDE PUBLIC COMMENT TELEPHONICALLY BY CALLING THE FOLLOWING NUMBER: (669) 900-6833 OR VIA ZOOM. MEETING ID 872 7204 2705.

**Directors Present:** Ron Duncan, President  
 Board members attended telephonically Lenny Stephenson, Vice President  
 Michael Thompson, Treasurer  
 David Castaldo, Director  
 David Fenn, Director  
 Steve Lehtonen, Director

**Directors Absent:** Blair Ball, Director

**Staff Present:** Tom Todd, Jr., Finance Manager  
 Staff attended telephonically

- Call to Order, Flag Salute, Invocation, and Roll Call:** The Special meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President Duncan at 12:01 p.m., May 20, 2020 via teleconference. President Duncan led the Pledge of Allegiance to the flag. Director Fenn gave the invocation. President Duncan requested a roll call:

<u><b>Roll Call:</b></u>	<b>Present</b>	<b>Absent</b>
Director Ball	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Castaldo	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Thompson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Fenn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Lehtonen	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>

A quorum was present.

- Public Comment:** *President Duncan made the following statement: As permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment telephonically, all public comments, on items on or off the agenda, will be taken during the Public Comment portion of this meeting. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up. President Duncan asked for public comments from the public. There were no members of the public that spoke at this time.*

- 3. Closed Session (1 Item) Time: 12:05 pm**  
PUBLIC EMPLOYMENT –  
Pursuant to Government Code Section 54957  
Title: General Manager

**The meeting reconvened to open session at: Time: 5:33 pm**

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

- 4. Adjournment Time: 5:33 pm**

***Draft - Subject to Board Approval***

Jeffrey W. Davis, Secretary of the Board

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, California 92223**  
**Minutes of the**  
**Board of Directors Special Meeting**  
**May 27, 2020**

IN AN EFFORT TO PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDER N-29-20, **THERE WILL BE NO PUBLIC LOCATION FOR ATTENDING THIS BOARD MEETING IN PERSON.** MEMBERS OF THE PUBLIC MAY LISTEN AND PROVIDE PUBLIC COMMENT TELEPHONICALLY BY CALLING THE FOLLOWING NUMBER:  
(669) 900-6833 OR VIA ZOOM. MEETING ID 869 6732 0447.

**Directors Present:** Ron Duncan, President  
Lenny Stephenson, Vice President  
Michael Thompson, Treasurer  
Blair Ball, Director  
David Castaldo, Director (arrived 1:40 pm)  
David Fenn, Director  
Steve Lehtonen, Director

**Staff Present:** General Counsel Jeff Ferre

**Consultants Present:** Valerie Roberts & Norm Roberts (Roberts Consulting Group, Inc.)

1. **Call to Order, Flag Salute, Invocation, and Roll Call:** The Special meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President Duncan at 1:30 p.m., May, 27, 2020 by teleconference. President Duncan led the Pledge of Allegiance to the flag. Director Ball gave the invocation. President Duncan requested a verbal roll call. A quorum was present.

2. **Public Comment:** *President Duncan made the following statement: President Duncan made the following statement: As permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment telephonically, all public comments, on items on or off the agenda, will be taken during the Public Comment portion of this meeting. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up. President Duncan asked for public comments from the public. There were no members of the public that spoke at this time.*

3. **Closed Session (1 Item)** **Time: 1:32 pm**  
PUBLIC EMPLOYMENT  
Pursuant to Government Code Section 54957  
Title: General Manager

CONFERENCE WITH LABOR NEGOTIATORS  
Pursuant to Government Code Section 54957.6  
Agency designated representative: President Ron Duncan  
Unrepresented employee: General Manager

**The meeting reconvened to open session at: Time: 4:50 pm**

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

**4. Adjournment**

**Time: 4:50 pm**

*Draft - Subject to Board Approval*

Jeffrey W. Davis, Secretary of the Board

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, California 92223**  
**Minutes of the**  
**Board of Directors Meeting**  
**June 1, 2020**

IN AN EFFORT TO PREVENT THE SPREAD OF COVID-19 (CORONAVIRUS), AND IN ACCORDANCE WITH THE GOVERNOR'S EXECUTIVE ORDER N-29-20, **THERE WILL BE NO PUBLIC LOCATION FOR ATTENDING THIS BOARD MEETING IN PERSON.** MEMBERS OF THE PUBLIC MAY LISTEN AND PROVIDE PUBLIC COMMENT TELEPHONICALLY BY CALLING THE FOLLOWING NUMBER: (669) 900-6833 OR VIA ZOOM - MEETING ID: 830 5509 0733

**Directors Present:**

All Board members attended by video conferencing/teleconferencing

Ron Duncan, President  
Lenny Stephenson, Vice President  
Michael Thompson, Treasurer  
Blair Ball, Director (arrived at 1:35 pm)  
David Fenn, Director  
David Castaldo, Director  
Steve Lehtonen, Director

**Staff Present:**

All Staff members attended by video conferencing/teleconferencing

Jeff Davis, General Manager  
Jeff Ferre, General Counsel  
Thomas Todd, Finance Manger  
Cheryle Stiff, Executive Assistant  
Casmir Joy Olaivar, Student Intern

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., June 1, 2020 by video/teleconference. President Duncan led the Pledge of Allegiance to the flag. Director Thompson gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Duncan asked if there were any adjustments to the agenda.* General Manager Davis stated that there is no adjustment to the agenda.
3. **Public Comment:** *President Duncan stated that: As permitted under the Brown Act, and in order to provide an equal opportunity for members of the public to provide comment telephonically, all public comments, on items on or off the agenda, will be taken during the Public Comment portion of this meeting. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up. President Duncan asked for public comments from the public.* There were no members of the public that spoke at this time.
4. **Consent Calendar:**
  - A. Approval of the Minutes of the Regular Board Meeting, May 18, 2020

- B. Approval of the Minutes of the Finance and Budget Workshop, May 26, 2020
- C. Approval of the Finance and Budget Workshop Report, May 26, 2020

*President Duncan asked for a motion on the Consent Calendar. Director Stephenson made a motion, seconded by Director Lehtonen, to adopt the consent calendar. President Duncan requested a roll call vote.*

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

Motion passed 6-0, with Director Ball not yet arrived.

**5. Reports:**

**A. General Manager’s Report:** A written report was not provided in the agenda packet. General Manager Davis verbally reported on the following:

**1. Operations Report – a)** General Manager Davis reported that the Agency delivered 1024 acre-feet of Table A water to the Noble Creek Connection for the month of May. Approximately 560 acre-feet went to BCVWD. Fiesta Recharge Facility received about 464 acre-feet, of which 250 acre-feet will be sold to Banning and about 214 acre-feet will be put in our storage account with the Beaumont Basin Watermaster. **b)** Delivery to Fiesta Recharge Facility has stopped as we received all of our carryover water. **c)** State Water Project allocation was increased from 15% to 20%, which results being able to serve all requested water this year plus a little more which we can either carry over or sell to BCVWD for banking.

**2. Other Agency Updates -**

**a. COVID-19 Update:** General Manager Davis provided the current statistics for the number of cases and deaths within the Agency’s service area. There are a number of sites within Riverside County where residents can get tested, including Noble Creek Park.

**b. UWMP –** General Manager Davis reported that he has been seeking out additional proposals to compare to Kennedy Jenks proposal. He noted that Kennedy Jenks proposal included seismic vulnerability assessment of the distribution system, which is a new requirement and is an added cost of \$30k. General Manager Davis reported on his efforts and seeking out other proposals. Due to not being able to procure new proposals as of this time this item will need to be undertaken by the new General Manager.



c. Ventura Agreement – All three parties have approved and signed the three party agreement for the Ventura and Casitas exchanges. DWR has been contacted and is to begin work on the implementation agreement.

**B. General Counsel Reports:** General Counsel Ferre provided a written report that was included in the agenda packet.

**C. Directors Reports:** 1) **Director Ball** reported on BCVWD’s May 28<sup>th</sup> meeting.

**D. Committee Reports: None.**

**6. New Business:**

**A. Consideration and Possible Action on Cost of Living Allowance for Agency Staff.** A staff report and a copy of a memorandum from Finance Manager Thomas Todd was include in the agenda packet. General Manager Davis noted that the Board discussed this item during the May 26<sup>th</sup> Finance and Budget workshop, at which time the Board voted to bring this item to the Board for a vote. The Staff report provided three different scenarios should the Board decide to provide staff with a COLA. Director Stephenson made a motion, seconded by Director Castaldo, to approve 2.4% COLA increase for staff. President Duncan opened this item for discussion. A lengthy discussion ensued on the current state of the economy. Directors Fenn, Thompson and Ball were in favor of deferring this item until January. Directors Stephenson, Lehtonen and Castaldo were in favor of providing a COLA due to staff’s hard work and also the rising prices of consumer products. Director Lehtonen called for the original question to end the debate. President Duncan called for a vote.

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

Motion failed 3-4, with Directors Ball, Thompson, Fenn and President Duncan opposed. President Duncan asked if anyone wished to make another motion on this item. Director Fenn asked that this item be revisited at a later date. Director Castaldo made a motion, seconded by Director Stephenson to bring this item to the Board at the July 20<sup>th</sup> Board meeting. President Duncan opened this item for discussion. President Duncan asked for a roll call vote.

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

Motion passed 4-3, with Directors Ball, Thompson & Fenn opposed.

**B. Discussion and Possible Action on Second Amendment to 2019 Sites Reservoir Project Agreement and Phase 2 Participation and Funding.** A staff report and related materials were included in the agenda packet. General Manager Davis stated that this item before the Board could have a huge impact on this region. The Board needs to decide if the Agency wants to continue its participation in the Sites Reservoir project and to what level. This is a commitment for Phase 2 beginning November 1, 2020 through December 31, 2021. General Manager Davis summarized the status of the project. The project is largely a dry year storage project, which works well with the Agency's portfolio. He spoke to the Board on what the Agency participation level should be. He recommended that the Board participate in Phase 2 at the current level of 10k acre-feet. This may change if additional capacity becomes available in the next two months; staff may come back to the Board and recommend a slightly higher participation level. General Manager Davis reviewed the Second Amendment to 2019 Reservoir Project Agreement. He noted that General Counsel Ferre has reviewed the agreement. At this time General Manager Davis answered questions from the Board. Director Castaldo asked for a recess to speak to Counsel, noting that it was needed in order to continue with discussion on this item as it involves a financial interest. President Duncan permitted the recess at 2:50 p.m. President Duncan reconvened the meeting at 2:57 p.m. Director Castaldo noted that General Manager Davis will soon be retiring and that he is currently a member of the Sites Reservoir Committee. He asked General Manager Davis if he is now or will he in the future be a paid employee/consultant for the Sites Reservoir Project. General Manager Davis stated that he is not now nor will be in the future become a paid employee/consultant to the Sites Reservoir Project. Director Thompson made a motion, seconded by Director Lehtonen, to move forward with the Sites Reservoir Phase 2 plan, and to contact BCVWD to confirm their level of participation prior to signing the agreement. President Duncan requested a roll call.

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

Motion passed 7-0.

**7. Topics for Future Agendas:** President Duncan stated that under *Pending Agenda Items* the topic of: Continued discussion on the update/revised calculations on water rate, is to be removed since this will be a quarterly discussion. He also asked General Manager Davis to speak to BCVWD on the topic of water delivery discussion to move water deliveries until the second half of the year. There were no additional topics for future agendas.

**8. Announcements:**

- A. Engineering Workshop, May 11, 2020 at 1:30 p.m.
- B. Water Conservation and Education Committee, May 14, 2020 at 1:30 p.m. - Cancelled
- C. Regular Board Meeting, May 18, 2020 at 1:30 p.m.

**9. Adjournment**

**Time: 3:12 pm**

**Draft - Subject to Board Approval**

Jeffrey W. Davis, Secretary of the Board

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA 92223**  
**Minutes of the**  
**Board of Directors Engineering Workshop**  
**June 8, 2020**

**Directors Present:** Ron Duncan, President  
All Board members Leonard Stephenson, Vice President  
Attended by video Blair Ball, Director (arrived 1:32 pm)  
conferencing/ Steve Lehtonen, Director  
teleconferencing Mike Thompson, Director

**Directors Absent:** David Castaldo, Director

**Staff Present:** Jeff Davis, General Manager  
All staff members Jeff Ferre, General Counsel  
Attended by video Cheryle Stiff, Executive Assistant  
conferencing/ Tom Todd, Finance Manager  
Teleconferencing Casmir Olaivar, Student Intern

**1. Call to Order, Flag Salute and Roll Call:** The Engineering workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by Vice President Stephenson at 1:30 p.m., June 8, 2020 via videoconference/teleconference. Vice President Stephenson led the Pledge of Allegiance to the flag. Vice President Stephenson requested a roll call.

<u><b>Roll Call:</b></u>	<b>Present</b>	<b>Absent</b>
Director Ball	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Castaldo	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Thompson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Fenn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Lehtonen	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>

A quorum was present.

**2. Public Comment:** Vice President Stephenson noted that, due to the Coronavirus, members of the public may listen and provide public comment telephonically or via videoconferencing. No members of the public wished to address the Board at this time.

**3. Discussion of Draft Principles of Agreement with YVWD and SBVMWD on Issues Relating to Calimesa.** A draft document summarizing basic principles of an agreement, including benefits to the Agency and commitments required from the Agency, was included in the agenda package. After some introductory remarks, General Manager Davis turned the meeting over to Tim Moore of Risk Sciences, who was the facilitator for these issues. Mr. Moore reviewed the benefits to and commitments required from the Agency that have been developed by the three General Managers and reviewed by three ad hoc committees. He noted that an agreement would come later if and only if all three Boards approved of the principles, and would be drafted by an outside counsel. In general, advantages to the Agency of such an agreement would include a customer for a portion of the Nickel water at

full price and a storage account for the Agency in the Bunker Hill Basin. Commitments required of the Agency would include maintaining the Agency's current policy of making direct delivery water the highest priority in dry years and providing Valley District right of first refusal to purchase Nickel water at full price if and only if the Agency were to desire to sell it outside the Agency's service area. After discussion and questions, it was the consensus of the Board to begin drafting an agreement based on the principles. Mr. Moore indicated that he would work with David Aladjem on the drafting. Mr. Aladjem has worked with Mr. Moore previously on other issues.

**4. Discussion of Draft Fourth Joint Facilities Agreement with San Bernardino Valley Municipal Water District.** A copy of the draft agreement was included in the agenda package. General Manager Davis explained the reason for the agreement—to set the price and finalize the sale of capacity in local facilities. Some capacity would be purchased by the Agency from the District, and some capacity would be purchased by the District from the Agency. In particular, the Agency would purchase 32 cfs of capacity in the upper reaches of the Foothill Pipeline, bringing its total capacity in the line to 64 cfs. The Agency would sell its capacity in the Tate Pipeline and Tate Pump Station to the District, as it has no need of these facilities. The net price is approximately \$3.1 million, which the Agency would pay to the District over the next 13 months, at the Agency's discretion. After discussion, it was the consensus of the Board to bring this agreement to the Board for consideration at the next Board meeting.

**5. Presentation on Draft Infrastructure Study.** A copy of the PowerPoint was included in the agenda package. General Manager Davis shared a PowerPoint summarizing the draft study, including purpose of the study, goals of the study, study methodology, key findings, recommendations, and next steps. He indicated that he wanted the next General Manager to have a chance to review this before bringing the final version to the Board, which he guessed would be this summer. He noted that two key findings and recommendations are that the Agency participate in Sites Reservoir and that the Agency participate in an upstream groundwater bank.

**6. Follow Up on Current Version of Phase 2 Work Plan for the Approved Sites Participation Agreement Amendment No. 2.** A copy of the work plan, Exhibit B to the Second Amendment to the Sites Participation Agreement, was included in the agenda package. General Manager Davis noted that this was included in the agenda package since it was inadvertently left out of last week's board agenda package, and he wanted to include it in this agenda package for purposes of completeness and transparency. There was no discussion on the exhibit.

**7. Announcements:**

- A. Water Conservation and Education Committee, June 11, 2020 at 1:30 pm – Cancelled.
- B. Regular Board Meeting, June 15, 2020 at 1:30 pm – Teleconference/Zoom.
- C. Finance and Budget Workshop, June 22, 2020 at 1:30 pm – teleconference/Zoom.

8. **Adjournment:** Vice President Stephenson adjourned the meeting at 3:00 p.m.

**Draft - subject to Board approval**

Jeff Davis, Secretary to the Board

## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Fourth Joint Facilities Agreement with Valley District

**DATE:** June 15, 2020

**Summary:**

At the June 8 Engineering Workshop, the Board discussed the draft Fourth Joint Facilities Agreement with the San Bernardino Valley Municipal Water District (Valley District). It was the consensus of the Board at that meeting that the agreement be brought forward for consideration. The purpose of this proposed Board action is to consider that agreement and determine if the Board wishes to approve it and authorize the General Manager to sign it.

**Background:**

As noted at the Engineering workshop, the Agency has a long history of jointly owning and maintaining facilities with Valley District. This is due to the fact that both parties needed to move State Water Project east from Devil Canyon when the State Water Project was completed in the early 1970's. It was agreed to jointly begin an extension of the East Branch towards the Pass that eventually became the East Branch Extension (EBX). However, a number of individual facilities were completed by the two parties prior to the Department of Water Resources deciding, in the 1990's, to complete the project.

These jointly owned facilities are the focus of three previous Joint Facilities Agreements between the two parties. These agreements define the capacity ownership of each reach and the financial commitments made by each party to the facilities. The Third Joint Facilities Agreement, executed by both parties in 2015, stated that the Agency would purchase 32 cfs of capacity in certain portions of the Foothill Pipeline, and that the District would purchase back from the Agency all of its capacity in the Tate Pump Station and Pipeline.

The only step left to complete this transfer of capacity rights was an agreement on the price. The Fourth Joint Facilities Agreement, discussed at the Engineering workshop and included in this agenda package, does exactly that.

**Detailed Report:**

The agreement itself is relatively simple. It states the purchase price of the three facilities involved and the net purchase price, which is approximately \$3.1 million (\$3,129,634). The Agency would pay this amount to Valley District over the next 13 months. The payment could be made all at once, in installments, or monthly, at the Agency's discretion.

The methodology used to set the purchase price for each facility is straightforward. The Engineering News-Record construction index is used to bring the construction cost for each facility up to December 2019 from the date it first went online. Then each facility is depreciated on a straight-line basis over 75 years, which is the life span that Valley District uses for all of its water facilities. A summary of this methodology is presented in Exhibit A to the agreement, which was discussed at the Engineering workshop. This methodology was agreed to by both parties. It is simple, straightforward, and reasonable.

The additional capacity in the Foothill Pipeline will enable the Agency, when capacity is available upstream and when water is available, to import high quantities of water for banking in the Beaumont Basin (and, in the future, the Cabazon Basin as well). This situation would be more likely to occur in wet years when plenty of water is available for weeks or months at a time.

In downstream reaches of the EBX, the Agency already has 64 cfs of capacity—48 cfs in the Mentone Pipeline, and 16 cfs in the Greenspot system. The additional capacity upstream would enable the Agency to be able to take advantage of investments made previously in the two downstream reaches. These were constructed in the two phases of the East Branch Extension.

**Financial Impact:**



The \$3.1 million would be paid from the Debt Service fund, as the capacity is part of the aqueduct system that conveys water to the Agency and is part of the State Water Project. Sufficient funds are available in the debt service fund to make the payment at this time. However, the agreement allows the Agency 13 months to pay the funds, so the Agency, at its discretion, could make the payment in this fiscal year, in fiscal year 20-21, or in the first month of the 21-22 fiscal year. This would enable staff to budget the payment in one of the two latter fiscal years. The debt service budget for fiscal year 20-21 will be developed by the new General Manager in July and presented to the Board at the July Finance and Budget workshop.

Since this additional capacity is required due to ongoing and future projected development in the Agency's service area, the Board could choose to recover the cost of this agreement through a facility capacity fee. Doing so would add less than \$100 per EDU to the fee. The ad hoc capacity fee committee is currently working on this issue.

**Recommendation:**

Staff recommends that the Board approve the final agreement, included in the agenda package, and authorize the General Manager to sign it.

## FOURTH JOINT FACILITIES AGREEMENT

### BETWEEN

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT AND

SAN GORGONIO PASS WATER AGENCY

**THIS FOURTH JOINT FACILITIES AGREEMENT** (“*Fourth Agreement*”) is made as of the Fourth Agreement Effective Date by and between the SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT, a municipal water district (“*District*”), and the SAN GORGONIO PASS WATER AGENCY, a public agency (“*Agency*”). The District and Agency may be referred to herein individually as “*Party*” and collectively as “*Parties*.”

### RECITALS

A. **Water Supply Contract.** The Parties, and the Department of Water Resources of the State of California (“*DWR*”), in 1961 and 1962, entered into long-term water supply contracts providing that DWR will supply certain quantities of water from the State Water Resources Development System terminus at the Devil Canyon Power Plant (“*East Branch*”) to District and Agency on certain terms and conditions (collectively, “*Water Supply Contract*”).

B. **Joint Facilities Agreements.** On July 16, 1970, District and Agency executed an agreement entitled “Joint Facilities Agreement” (“*First Agreement*”) which provides for their joint participation in the construction of certain pipeline facilities. The Parties entered into an additional agreement entitled “Second Joint Facilities Agreement”, dated February 10, 1986 (“*Second Agreement*”), which provides for the participation by Agency in additional facilities already constructed by District and in future additional facilities to be constructed by District. The Second Agreement further provides that Agency shall be entitled to the use of District facilities for the transmission of State Water Project water and Agency’s capacity rights in said facilities as set forth in the First Agreement and in the Second Agreement. The Parties entered into an additional agreement entitled “Third Joint Facilities Agreement”, dated February 17, 2015 (“*Third Agreement*”), which transferred capacity rights for some local facilities, subject to later agreement confirming the purchase price and terms and conditions of such transfers. For purposes of convenience, these three agreements are referred to as the “*First, Second, and Third Agreements*” herein.

C. **East Branch Extension.** In 1995 and 1996, the Parties and DWR entered into Agreements to extend the East Branch to a point near the Agency’s northern boundary. These agreements are entitled the California Aqueduct East Branch Extension To San Gorgonio Pass Participation Agreement [Preliminary Design], dated November 27, 1995, and the California Aqueduct East Branch Extension To San Gorgonio Pass Participation Agreement [Final Design], dated August 17, 1996, as well as amendments thereto (collectively, “*Participation Agreement*”). The Participation Agreement provides for the extension of the State Water Project Facility, Edmund G. Brown California Aqueduct, and the East Branch from Devil Canyon Power

Plant through District's service area to Agency's service area near Little San Gorgonio Creek and South Noble Creek Spreading Grounds ("**East Branch Extension**"). In 1998, pursuant to the Participation Agreement, the Parties agreed to participate in Phase 1 of the East Branch Extension and for District and Agency to assign and lease certain facilities to DWR ("**EBX 1**"). District and Agency entered into an agreement with DWR entitled Agreement to Assign Capacity Rights and Rights of Way in Existing Facilities, dated July 14, 1998, to assign capacities in existing facilities ("**Capacity Rights Agreement**"). DWR agreed to proceed with design and construction of Phase 2 facilities ("**EBX 2**") upon request of District and Agency.

**D. Capacity Rights in Local Owned Facilities.** Pursuant to the First, Second, and Third Agreements, the Parties currently own the following capacity rights in the following facilities, as quantified by cubic feet per second ("**cfs**"):

1. *Foothill Pipeline.* District - 224 cfs; Agency - 64 cfs; Total - 288 cfs.
2. *Santa Ana River Crossing ("**SARC**") Pipeline.* District - 56 cfs; Agency - 16 cfs; Total - 72 cfs.
3. *Greenspot Pump Station.* District - 54 cfs; Agency: 16 cfs; Total - 70 cfs
4. *Morton Canyon Pipeline.* District - 542 cfs; Agency - 16 cfs; Total - 70 cfs.
5. *Greenspot Pipeline I, II & III.* District - 54 cfs; Agency - 16 cfs; Total - 70 cfs.
6. *Yucaipa Pipeline.* District - 44 cfs; Agency - 16 cfs; Total - 60 cfs
7. *Tate Pump Station.* District - 42 cfs; Agency - 0 cfs; Total - 42 cfs
8. *Tate Pipeline.* District - 48 cfs; Agency - 0 cfs; Total - 48 cfs

**E. Capacity Rights.** As a result of the completion of the EBX 2 project and execution of the Third Agreement, the Parties seek to formalize and finalize the purchase and sale of certain capacity rights and the purchase price and terms and conditions thereof in certain local owned facilities ("**Local Facilities**"). The Local Facilities are detailed in Exhibit A to the Third Agreement. Recital D of this Fourth Agreement sets forth the capacity rights of each Party in the Local Facilities as a result of the Third Agreement and as of the Fourth Agreement Effective Date.

**F. Coordination and Support; EBX Joint Powers Agreement Relating to the Operation and Maintenance of the East Branch Extension.** District and Agency recognize that they each have beneficial interests in the East Branch Extension and each desires to coordinate and support the efforts of the other in meeting the retail water demands within their respective service areas. District, Agency, and DWR have recently approved an agreement to define and provide the responsibilities for the operation, maintenance, communication, and control of the entire East Branch Extension ("**EBX Joint Powers Agreement**"). This Fourth

Agreement is separate and independent of the EBX Joint Powers Agreement and does not modify or amend the EBX Joint Powers Agreement.

G. **Purchase Price for Third Agreement Capacity Rights Purchases.** As required under the Third Agreement, the Parties desire to enter into this Fourth Agreement in order to finalize the purchase price of, and set forth the terms and conditions of payment for, purchase and sale of certain capacity rights and principles related to ownership, operation, and maintenance costs of the Local Facilities as they relate to the transportation of State Water Project water through the East Branch Extension from the Devil Canyon Hydroelectric Plant in San Bernardino to the terminus of the East Branch Extension in Cherry Valley.

H. **Methodology.** The Parties have agreed to use the allocation of costs and valuation methodology in *Exhibit A* attached hereto and incorporated herein by reference. The adjusted cost of the Local Facilities was indexed using the Engineering News Record Construction Cost Index and annual depreciation was calculated using the straight-line method of depreciation and the estimated useful life of the Local Facilities. The Parties have agreed that all purchase prices in this Fourth Agreement shall be calculated as of December 2019, as shown on Exhibit A to this Fourth Agreement.

## AGREEMENT

1. **Incorporation of Recitals.** The Recitals set forth above are incorporated herein and made an operative part of this Fourth Agreement.

2. **Purchase of Capacity Rights in Local Facilities.**

a. *Foothill Pipeline Phase 1 and Portion of Phase 2 (from Devil Canyon Power Plant to station 745+59).* Pursuant to Section 2(a)(i) of the Third Agreement, Agency is deemed to have purchased from District thirty-two (32) cfs of capacity rights in the above-described reach of the Foothill Pipeline. Agency shall pay to District the purchase price of Three Million Nine Hundred Ten Thousand One Hundred Eleven Dollars and Ninety-Four Cents (\$3,910,111.94) for such capacity rights, calculated as shown on Exhibit A to this Fourth Agreement and payable as described in Section 3 of this Fourth Agreement.

b. *Foothill Pipeline Portion of Phase 2 (from station 745+59 to SARC Pipeline).* Pursuant to Section 2(b)(i) of the Third Agreement, District is deemed to have purchased from Agency sixteen (16) cfs of capacity rights in the above-described reach of the Foothill Pipeline. District shall pay to Agency the purchase price of Two Hundred Fifty-Two Thousand One Hundred Seventy-Six Dollars and Forty-Five Cents (\$252,176.45) for such capacity rights, calculated as shown on Exhibit A to this Fourth Agreement and payable as described in Section 3 of this Fourth Agreement.

c. *Tate Pump Station.* Pursuant to Section 2(h) of the Third Agreement, District is deemed to have purchased from Agency ten (10) cfs of capacity rights in the above-described pump station. District shall pay to Agency the purchase price of Ninety-Five Thousand Five Hundred Forty-Eight Dollars and Forty-Four Cents (\$95,548.44) for such capacity rights,

calculated as shown on Exhibit A to this Fourth Agreement and payable as described in Section 3 of this Fourth Agreement.

d. *Tate Pipeline.* Pursuant to Section 2(i) of the Third Agreement, District is deemed to have purchased from Agency sixteen (16) cfs capacity in the above-described pipeline. District shall pay to Agency the purchase price of Four Hundred Thirty-Two Thousand Seven Hundred Fifty-Three Dollars and Five Cents (\$432,753.05) for such capacity rights, calculated as shown on Exhibit A to this Fourth Agreement and payable as described in Section 3 of this Fourth Agreement.

3. **Terms of Purchase.** The net purchase price of all purchases set forth in Section 2 of this Fourth Agreement is Three Million One Hundred Twenty-Nine Thousand Six Hundred Thirty-Four Dollars and Zero Cents (\$3,129,634.00) ("*Net Purchase Price*"), with Agency owing this amount to District. Agency shall pay the Net Purchase Price to District within thirteen (13) months after the Fourth Agreement Effective Date. Payment may be made in one or more installments, at the discretion of Agency.

4. **Use of Available Capacity.**

Pursuant to Section 6(b) of the Third Agreement, the Parties hereby agree that the wheeling rate to be paid by the requesting Party for water wheeled through the other Party's unused capacity shall be Zero Dollars (\$0.00) per acre-foot. Except as expressly modified in this Fourth Agreement, all other provisions of Section 6 of the Third Agreement shall remain in full force and effect.

5. **Ownership.**

Title to the Local Facilities shall be vested exclusively in District, subject to the contractual rights of Agency and the rights of DWR, as described herein. The rights and obligations of the Parties to the Local Facilities as set forth herein shall run with and bind the facilities designated herein for joint use.

6. **Shutdown.**

District may temporarily discontinue or reduce the delivery of water to Agency hereunder for the purposes of necessary investigation, inspection, maintenance, repair or replacement of any facilities pertaining to this Fourth Agreement. District shall notify Agency as far in advance as feasible of any such discontinuance or reduction, except in cases of emergency for which advance notice need not be given but District shall provide Agency with notice of the situation as soon as reasonably feasible. District shall make reasonable attempts to coordinate scheduled shutdown with Agency in order to minimize interruptions to Agency's delivery of State Water Project water.

7. **General Provisions.**

a. *Fourth Agreement Effective Date.* This Fourth Agreement shall be effective on the date of full execution of this Fourth Agreement by both parties ("*Fourth Agreement Effective Date*").

b. *Compliance with Legal, Regulatory, and Permit Requirements.* The Parties shall perform their respective activities under this Fourth Agreement in a skillful and workmanlike manner, in compliance with all applicable laws, regulations, permits, and agreements, and consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Each Party shall be liable to the other Party for all violations of laws and regulations in connection with the respective activities.

c. *Term and Termination.* The term of this Fourth Agreement shall extend from the Fourth Agreement Effective Date for a term that is coterminous with the Water Supply Contract. This Fourth Agreement shall remain in effect during the term unless earlier terminated under the following procedures:

i. If either Party to this Fourth Agreement believes that the other Party has failed to perform any obligation of that Party in accordance with the terms of this Fourth Agreement (“*Default*”), the Party alleging the Default shall provide written notice (“*Default Notice*”) to the other Party, setting forth the nature of the alleged Default. Unless otherwise provided by a specific term of this Fourth Agreement, the Party claimed to be in Default shall have:

A. with respect to a Default involving the payment of money, ten (10) days after its receipt of the Default Notice to completely cure such Default; and

B. with respect to any other type of Default, thirty (30) days from the receipt of the Default Notice to completely cure such Default or, if such Default cannot reasonably be cured within such thirty (30) day period, to commence the cure of such Default within the thirty (30) day period and diligently prosecute the cure to completion thereafter.

ii. If the Party claimed to be in Default does not cure such Default within the time periods and procedures as set forth herein, the Party alleging Default may then pursue the applicable legal and equitable remedies.

d. *Indemnification.* Pursuant to Government Code section 895.4, each Party (“*Indemnitor*”) shall indemnify, defend, and hold harmless the other Party and the other Party’s directors, officers, employees, contractors, agents, and representatives of each of them (collectively, “*Indemnitees*”) from and against any and all claims, demands, losses, fines, penalties, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies of whatever nature (including reasonable attorneys’ fees) (collectively, “*Claims*”) arising out of or related to the performance of, or failure to perform, Indemnitor’s obligations under this Fourth Agreement, except to the extent that such Claims are caused by the sole negligence or willful misconduct of Indemnitees. The provisions of this Section 7.d shall survive the expiration or other termination of this Fourth Agreement.

e. *Relationship of the Parties.* Nothing contained in this Fourth Agreement shall be deemed or construed by the Parties or by any third person to create the relationship of principal and agent, or partnership or joint venture, or any association between the Parties, and none of the provisions contained in this Fourth Agreement or any act of the Parties shall be deemed to create any relationship other than as specified herein, nor shall this Fourth Agreement

be construed, except as expressly provided herein, to authorize any of the Parties to act as the agent for the other.

f. *Jurisdiction.* This Fourth Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding any choice of laws provision that would apply the laws of any other jurisdiction.

g. *Entire Agreement.* This Fourth Agreement is intended by the Parties as a complete and exclusive statement of the terms of their agreement and it supersedes all prior agreements, written or oral, as to this subject matter. This Fourth Agreement may be modified only upon the mutual written agreement of the Parties hereto.

h. *Further Acts.* Each Party agrees to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Fourth Agreement.

i. *Notices.* All notices, requests, demands or other communications required or permitted under this Fourth Agreement shall be in writing unless provided otherwise in this Fourth Agreement and shall be deemed to have been duly given and received on: (i) the date of service if served personally on the Party to whom notice is to be given at the address(es) provided below, (ii) on the first day after mailing, if mailed by Federal Express, U.S. Express Mail, or other similar overnight courier service, postage prepaid, and addressed as provided below, or (iii) on the third day after mailing if mailed to the Party to whom notice is to be given by first class mail, registered or certified, postage prepaid, addressed as provided below. Except as provided otherwise in this Fourth Agreement, email addresses are provided for courtesy copies only, and notice may not be given by email. Either Party may change the place for the giving of notice to it by thirty (30) days prior written notice to the other Party as provided herein.

If to Agency: San Geronio Pass Water Agency  
Attn: General Manager  
1210 Beaumont Avenue  
Beaumont, CA 92223  
(951) 845-2577

If to District: San Bernardino Valley Municipal Water District  
Attn: General Manager  
380 East Vanderbilt Way  
San Bernardino, CA 92408  
(909) 387-9211

with a copy to: Varner & Brandt, LLP  
Attn: Brendan W. Brandt  
3750 University Avenue, Suite 610  
Riverside, CA 92501  
(951) 274-7777

j. *Representation of Authority.* Each Party represents to the other that it has the authority to enter into this Fourth Agreement and that the individual signing this Fourth Agreement on behalf of their respective Parties has the authority to execute this Fourth Agreement and to bind their respective Parties to the terms and conditions of this Fourth Agreement.

k. *Invalidity and Severability.* If any portion of this Fourth Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

l. *Counterparts.* This Fourth Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Signatures may be delivered electronically or by facsimile and shall be binding upon the Parties as if they were originals.

**[Signature Page Follows]**



**IN WITNESS WHEREOF**, each of the Parties has caused this Fourth Agreement to be executed by its respective duly authorized officers.

Dated: \_\_\_\_\_, 2020.

**SAN GORGONIO PASS WATER AGENCY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 2020.

**SAN BERNARDINO VALLEY MUNICIPAL  
WATER DISTRICT**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

*[Signature Page for Fourth Joint Facilities Agreement]*

**FOURTH JOINT FACILITIES AGREEMENT**  
**EXHIBIT A**  
**CAPACITY RIGHTS PURCHASE PRICE CALCULATIONS**

**EXHIBIT A**  
**CAPACITY RIGHTS PURCHASE PRICE CALCULATIONS**

<b>Foothill Pipeline Phase 1</b>	<b>Cost Associated with Section 2a</b>
Original costs of pipeline	\$ 3,793,130.02
Adjusted cost of pipeline (Dec 1974 to Dec2019) <sup>1</sup>	\$ 24,088,257.15
Amount of Depreciation of pipeline based on adjusted costs (yrs of service x yearly depreciation) <sup>2</sup>	\$ 14,774,131.05
Final Adjusted cost of pipeline (Adjusted Cost - Depreciation)	\$ 9,314,126.10
Value of pipeline per flow rated capacity (Cost (\$)/ RFC (CFS))	\$ 32,340.72
<b>Cost of addition capacity in pipeline for SGPWA</b>	<b>\$ 1,034,902.90</b>
Year pipeline placed in operation	1974
Estimated Useful Life (Years)	75
Years in service	46
Annual Depreciation per Year (Cost/75 years)	\$ 321,176.76
Rated Flow Capacity (RFC) of pipeline	288
Additional flow capacity to be purchased by SGPWA	32
<b>Foothill Pipeline Phase 2 (From Foothill Pipeline Phase 1 to Station 745+59)</b>	<b>Cost Associated with Section 2a</b>
Original costs of pipeline	\$ 14,576,335.98
Adjusted cost of pipeline (Dec 1977 to Dec2019) <sup>1</sup>	\$ 68,095,650.91
Amount of Depreciation of pipeline based on adjusted costs (yrs of service x yearly depreciation) <sup>2</sup>	\$ 37,679,593.50
Final Adjusted cost of pipeline (Adjusted Cost - Depreciation)	\$ 30,416,057.40
Adjusted cost of pipeline per LF	\$ 507.72
Cost for portion of pipeline SGPWA to purchase additional capacity	\$ 25,876,881.36
Value of pipeline per flow rated capacity (Cost (\$)/ RFC (CFS))	\$ 89,850.28
<b>Cost of addition capacity in pipeline for SGPWA</b>	<b>\$ 2,875,209.04</b>
Year pipeline placed in operation	1977
Estimated Useful Life (Years)	75
Years in service	41.5
Annual Depreciation per Year (Cost/75years)	\$ 907,942.01
Rated Flow Capacity (RFC) of pipeline	288
Total lineal feet (LF) of pipeline	59907.0
LF of pipeline SGPWA to purchase 32 cfs additional capacity	50966.7
Additional flow capacity to be purchased by SGPWA	32

**EXHIBIT A**  
**CAPACITY RIGHTS PURCHASE PRICE CALCULATIONS**

<b>Foothill Pipeline Phase 2 (Station 745+59 to SARC Pipeline)</b>	<b>Cost Associated with Section 2b</b>
Original costs of pipeline	\$ 14,576,335.98
Adjusted cost of pipeline (Dec 1977 to Dec2019) <sup>1</sup>	\$ 68,095,650.91
Amount of Depreciation of pipeline based on adjusted costs (yrs of service x yearly depreciation) <sup>2</sup>	\$ 37,679,593.50
Final Adjusted cost of pipeline (Adjusted Cost - Depreciation)	\$ 30,416,057.40
Adjusted cost of pipeline per LF	\$ 507.72
Cost for portion of pipeline SGPWA to purchase additional capacity	\$ 4,539,176.04
Value of pipeline per flow rated capacity (Cost (\$)/ RFC (CFS))	\$ 15,761.03
<b>Cost of addition capacity in pipeline for SBVMWD</b>	<b>\$ 252,176.45</b>
Year pipeline placed in operation	1977
Estimated Useful Life (Years)	75
Years in service	41.5
Annual Depreciation per Year (Cost/75years)	\$ 907,942.01
Rated Flow Capacity (RFC) of pipeline	288
Total lineal feet (LF) of pipeline	59907.0
LF of pipeline SGPWA to purchase 32 cfs additional capacity	8940.3
Additional flow capacity to be purchased back from SGPWA by SBVMWD	16

<b>Tate Pump Station</b>	<b>Cost Associated with Section 2c</b>
Original costs of pipeline	\$ 1,464,225.00
Adjusted cost of pipeline (Dec 1991 to Dec2019) <sup>1</sup>	\$ 2,672,886.46
Amount of Depreciation of Pump Station based on adjusted costs (yrs of service x yearly depreciation) <sup>2</sup>	\$ 855,323.67
Final Adjusted cost of pipeline (Adjusted Cost - Depreciation)	\$ 1,817,562.80
Value of pipeline per flow rated capacity (Cost (\$)/ RFC (CFS))	\$ 43,275.30
<b>Cost of capacity in Tate pump station purchased from SGPWA by SBVMWD</b>	<b>\$ 432,753.05</b>
Year pipeline placed in operation	1991
Estimated Useful Life (Years)	75
Years in service	28
Annual Depreciation per Year (Cost/75years)	\$ 35,638.49
Rated Flow Capacity (RFC) of Pump Station	42
Capacity to be purchased from SGPWA by SBVMWD	10

**EXHIBIT A**  
**CAPACITY RIGHTS PURCHASE PRICE CALCULATIONS**

<b>Tate Pipeline</b>	<b>Cost Associated with Section 2d</b>
Original costs of pipeline	\$ 231,482.00
Adjusted cost of pipeline (Dec 1991 to Dec2019) <sup>1</sup>	\$ 457,412.72
Depreciation of pipeline based on adjusted costs (yrs of service x yearly depreciation) <sup>2</sup>	\$ (170,767.42)
Final Adjusted cost of pipeline (Adjusted Cost - Depreciation)	\$ 286,645.31
Value of pipeline per flow rated capacity (Cost (\$)/ RFC (CFS))	\$ 5,971.78
<b>Cost of capacity in pipeline purchased from SGPWA by SBVMWD</b>	<b>\$ 95,548.44</b>
Year pipeline placed in operation	1991
Estimated Useful Life (Years)	75
Years in service	28
Annual Depreciation per Year (Cost/75years)	\$ 6,098.84
Rated Flow Capacity (RFC) of pipeline	48
Capacity to be purchased from SGPWA by SBVMWD	16

<b>SUMMARY OF ADDITIONAL CAPACITY PURCHASE BY SGPWA AND CAPACITIES PURCHASED BACK FROM SGPWA</b>	
Price of additional 32 CFS capacity in Foothill Pipeline Phase 1 for SGPWA	\$ 1,034,902.90
Price of additional 32 CFS capacity in Foothill Pipeline Phase 2 (from Phase 1 to Sta 745+59) for SGPWA	\$ 2,875,209.04
Price of additional 16 CFS capacity in Foothill Pipeline Phase 2 (Station 745+59 to SARC Pipeline) purchased back from SGPWA by SBVMWD	\$ (252,176.45)
Price of additional 10 CFS capacity in Tate Pump Station purchased back from SGPWA by SBVMWD	\$ (432,753.05)
Price of additional 16 CFS capacity in Tate Pipeline purchased back from SGPWA by SBVMWD	\$ (95,548.44)
<b>Net purchase price of new capacity to be paid by SGPWA</b>	<b>\$ 3,129,634.00</b>

Note 1: Cost Escalation increase was calculated utilizing the Engineering News Record Construction Cost Index

Note 2: Depreciation was calculated using straight line depreciation method and Estimated Useful Life.

## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Approval of Principles of Agreement for Calimesa Water Issues

**DATE:** June 15, 2020

### **Summary:**

At the Engineering workshop, Tim Moore of Risk Sciences presented and reviewed the principles of an agreement between the Agency, Valley District, and Yucaipa Valley Water District. It was the consensus of the Board that an agreement be drafted based on those principles for the Board's consideration. Since the other parties are getting formal Board approval to do this, staff feels that formal Board approval is required from the Agency as well. The purpose of this proposed Board action is to formally accept the principles and to direct Risk Sciences to work with an attorney to draft a three-party agreement based on those principles.

### **Background:**

The Yucaipa Valley Water District, in a very unusual situation, serves communities in both San Bernardino and Riverside Counties (Yucaipa and Calimesa). Because of this, it has to purchase imported water for its filtration plan from two State Water Contractors. Over the years, this has led to dissatisfaction and frustration on the part of YVWD, which must deal with two different water rates, two sets of rules, etc, for one filtration plant.

Because of this, YVWD has on occasion considered applying to LAFCO to de-annex from the Agency and to annex its Riverside County portion to Valley District. This issue came up again in late 2018, and it was decided at that time to try to address the issues directly in order to put this issue to rest. Consequently, Risk Sciences was contracted with by all three parties to facilitate discussions with the intention of finding some common ground to end

some of the dissatisfaction and frustration among the parties. These discussions began in April 2019.

**Detailed Report:**

The principles focus on each party's needs and assets. In the Agency's case, our main asset is Nickel water, which is a 100% reliable water source that has no restrictions on where it can be used. Table A water, on the other hand, must be used in the County in which it was purchased. YVWD would like the flexibility to have non-Project water in storage that it can use in either County in the event of a drought or extended Aqueduct outage.

In order to gain this flexibility, YVWD agrees under the principles to purchase at least 300 AF of Nickel water from the Agency per year for the next five years, at full cost. Under the principles, Valley District pays a portion of the conveyance cost for this water as an incentive to add water to its basin.

In addition, as a recognition by YVWD that the Agency's policies put YVWD first in line for water in a dry year, YVWD agrees to purchase at least 100 AF of Table A water each year for the next five years, paying the cost up front, with a true-up at the end of the year.

Under the principles, should the Agency wish to sell any Nickel water outside its service area, Valley District would have the right of first refusal to purchase this water to put in in its groundwater basin.

Also, the Agency could store any of its water (including Nickel water) in the Bunker Hill Basin for later retrieval from storage (the Agency would get a 20,000 AF storage account in the basin). Should the water stay in the basin for at least five years, Valley District would pay the cost to convey the water (currently about \$300 per AF).

These are the key principles. There are others, including the Agency having the right to pay to install meters on YVWD lines that cross the County Line, and YVWD acknowledging that it is currently using capacity fees to pay for at least part of the Nickel water.

Overall, the principles provide the Agency with a revenue source for a portion of its Nickel water, provide YVWD with stored water in the

Bunker Hill Basin that it can use anywhere in its service area, and provide Valley District with additional water in its basin and the water quality credits that go with that water. These are tangible, valuable assets to each party. The agreement would be for five years, renewable for additional five-year intervals if all parties concur. It is projected that the agreement, if approved by all three parties, would go into effect January 1, 2021.

**Fiscal Impact:**

The fiscal impact to the Agency is a net positive. It would enable the Agency to pay for a portion of its Nickel water each year, thus reducing its losses from water sales. It would reduce the amount that the Agency needs to raise its rate in order to recover its costs related to water procurement and delivery.

**Recommendation:**

Staff recommends that the Board approve the principles and direct Risk Sciences to work with an attorney to draft an agreement based on the principles that would be brought back to all three Boards later this year for consideration.





## Summary of Revised Principles of Agreement for San Geronio Pass Water Agency

### What are the benefits to SGPWA?

- 1) YVWD commits to purchase a minimum of 100 acre-feet/year of State Project water to support the Pass Agency's existing policy to prioritize water deliveries to existing drinking water treatment plants. Payment will be made annually and in advance based on Pass Agency's published rate in effect when the payment is due.
- 2) YVWD commits to purchase a minimum of 300 acre-feet/year of Nickel Water from Pass Agency. Payment will be made annually and in advance based on same cost that Pass Agency agreed to pay in the AVEK contract. Conveyance costs will be shared between YVWD and Valley District.
- 3) Groundwater storage account in the Bunker Hill basin for up to 20,000 acre-feet subject to the normal terms and conditions established by the SBBA Watermaster. Pass Agency may store water from any source (e.g. State Project water, Nickel Water, recycled water, etc.) provided it meets federal and state regulatory requirements. Pass Agency may use or exchange the water in its storage account at its discretion.
- 4) Valley District will pay the conveyance cost for any Nickel Water that Pass Agency elects to purchase and store in the Bunker Hill Groundwater Basin provided that such water remain in storage for a period of not less than 5 years after it is initially recharged to the aquifer.
- 5) Pass Agency may install flow meters on any water, wastewater or recycled water pipeline owned or controlled by YVWD that crosses the county line. These meters will be integrated with YVWD's SCADA system and the resulting data will be shared with Pass Agency.
- 6) YVWD and Valley District will refrain from advocating or engaging in any activity that seeks to realign the existing jurisdictional boundaries for the service areas of all three agencies.



## Summary of Revised Principles of Agreement for San Geronio Pass Water Agency

### What commitments must SGPWA make?

- 1) Affirm and maintain Pass Agency's existing policy to prioritize water deliveries to drinking water treatment plants for as long as this Agreement remains in effect.
- 2) Nickel water purchased by YVWD may be stored in Bunker Hill groundwater basin and used, or exchanged for use, anywhere in YVWD's service area. Nickel water purchased by YVWD is subject to the same terms and conditions specified in the AVEK contract; however, SGPWA will not impose additional constraints beyond those specified in the final 3-party agreement.
- 3) Agree to replace YVWD's monthly billing process with an annual billing process.
- 4) Coordinate with Valley District to facilitate YVWD's ability to prepare and submit a single Urban Water Management Plan that meets the requirements of, and is satisfactory to, both wholesale water agencies.
- 5) Provide Valley District a right of first refusal to purchase any amount of Nickel Water that Pass Agency is willing to make available, under the same terms and conditions specified in the AVEK contract, before offering to sell, exchange or transfer those rights to another Party outside of the Pass Agency's service area.
- 6) Pay all direct capital and O&M costs to connect and maintain any new flow meters that Pass Agency elects to install on pipelines owned or controlled by YVWD. However, Pass Agency will not be required to pay any service fees related to routine data acquisition, storage and reporting.
- 7) Acknowledge that YVWD is relying, in part, on the proceeds from capacity fees that it collects to cover some or all of the expense associated with purchasing a minimum amount of State Project water and Nickel Water under this agreement.
- 8) Initial agreement will be for 5 years, commencing on 1/1/2021 and ending on 12/31/2025. Agreement shall be automatically extended for up to three additional 5 year terms unless one of the parties provides written notice declining the extension no later than 180 days prior to the date on which the Agreement would otherwise be automatically extended.

## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Cost of Printing Candidate Statements

**DATE:** June 15, 2020

**Summary:**

This year, four seats on the Agency's Board of Directors are up for re-election. As always, the Board must decide who will pay for candidate's statements—the Agency, or individual candidates.

**Detailed Report:**

In past years the Agency's Board has always voted to have individual candidates running for election to the Board pay for their own candidate statements. As in past years, the Agency must tell the Registrar of Voters who will pay in order to complete the appropriate documentation to hold the election.

**Fiscal Impact:**

Should the Board vote to have the Agency fund these statements, it would have a significant impact on the Agency, since this was not budgeted. In the past, the Board has voted to have individuals fund their own candidate statement.

**Recommendation:**

Staff recommends that the Board follow its past practice of having individuals fund their own candidate statements for the November election.

**NOTICE TO THE REGISTRAR OF VOTERS  
(ELECTIONS CODE §§ 10509, 10522; W.C. § 71451)  
GENERAL DISTRICT ELECTION, NOVEMBER 3, 2020**

**DISTRICT:** San Gorgonio Pass Water Agency **PHONE:** 951.845.2577  
**ADDRESS:** 1210 Beaumont Ave. Beaumont, CA **FAX:** 951.845.0281  
**MAILING ADDRESS:** Same **E-MAIL:** Cstiff@sgpwa.com

**LIST NAMES OF DISTRICT DIRECTORS WHOSE TERMS EXPIRE ON DECEMBER 4, 2020**

NAME OF DIRECTOR	DIVISION NUMBER (IF APPLICABLE)
Ronald Duncan	Division 1
Michael Thompson	Division 2
Leonard Stephenson	Division 5
David Castaldo	At Large 1

The following section applies only if a Director(s) was/were appointed to fill a vacancy in an office, which is not normally scheduled to be voted on this year (Short term).

NAME	DIVISION (If applicable)	DATE APPOINTED	DIRECTOR REPLACED

**STATEMENT OF ECONOMIC INTERESTS:** The Government Code now requires all candidates to file a Form 700 with the Registrar of Voters by the nomination period deadline. If the candidate has previously filed an initial, assuming office, or annual statement for the same office sought within 60 days before the nomination deadline then the candidate does not have to file the Form 700 again.

**CANDIDATE'S STATEMENT:** Who is to pay the cost of the printing and handling of statement?  
Please check appropriate box. **CANDIDATE**  **DISTRICT**

**NOTICE OF ELECTION** published by Registrar of Voters in Press Enterprise  
(Insert name of Local Newspaper)

**CANDIDATES** may obtain nomination documents from the Registrar of Voters, 2720 Gateway Drive, Riverside, CA 92507, or from the District Secretary located at:

(Insert Location Name, Address, and Business Hours)

**DISTRICT MAP:** Attach 34" x 42" map showing district boundaries and divisions, if applicable.

**Enclosed Map Contains Boundary/Division Changes** YES  NO

I certify that the enclosed map of the district boundaries and divisions is true and correct as of this date, and is submitted in compliance with Section 10522 of the California Elections Code for use in the General District Election to be held on November 3, 2020, or that there have been no changes to the boundaries as of the last General District Election.

**Dated:** \_\_\_\_\_ **Contact Person:** Jeffrey Davis

**Sign:** \_\_\_\_\_  
(District Secretary)

## MEMORANDUM

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**TO:** Board of Directors

**FROM:** Legal Counsel

**RE:** Approval of General Manager Employment Agreement

**DATE:** June 15, 2020

**Summary:**

With the impending retirement of Jeff Davis, the Board initiated the recruitment for a new General Manager. As a result of that recruitment process and following interviews, the Board would now like to consider entering into a General Manager Employment Agreement with Lance Eckhart. Mr. Eckhart has indicated that he is willing to enter into the Agreement as it is set forth in this agenda packet (“Agreement”).

**Recommendation:**

It is recommended that the Board approve entering into the enclosed Agreement with Lance Eckhart to become the next General Manager of the Agency.

**Detailed Report:**

If the Board elects to enter into the enclosed Agreement, then pursuant to requirements of Government Code Section 54953(c)(3), prior to taking action, the following report must be made: (1) the Agreement would become effective July 13, 2020; (2) the term would continue until June 30, 2023, unless sooner terminated or extended by the parties as set forth in the Agreement; (3) compensation would be at the rate of \$192,500 annually; (4) Mr. Eckhart would be entitled to a certain vacation accrual and automobile allowance, as well as benefits available to Agency employees under the applicable Agency policies.

**Fiscal Impact:**

The Agreement would provide for payment of compensation, benefits and reimbursement of expenses, all as set forth in the enclosed Agreement.

**SAN GORGONIO PASS WATER AGENCY  
EMPLOYMENT AGREEMENT – GENERAL MANAGER/CHIEF  
HYDROGEOLOGIST**

This Employment Agreement (herein “Agreement”) is made and entered into as of the 13th day of July 2020, by and between SAN GORGONIO PASS WATER AGENCY (“Agency”) and LANCE ECKHART (“Employee”).

**RECITALS**

WHEREAS, Agency wishes to engage the services of Employee as the General Manager/Chief Hydrogeologist of Agency and to induce Employee to remain in such position on the terms and conditions set forth in this Agreement;

WHEREAS, Employee is familiar with the position’s legal requirements, industry standards and responsibilities and duties set forth in the job description as adopted by Agency and as described in “The Position” section of the recruitment brochure utilized during the recruitment of Employee (collectively the “Job Description“); and

WHEREAS, Employee represents and warrants that he has the skill and ability to serve in such position and wishes to accept such employment on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the above recitals and the mutual covenants herein contained, the parties hereto agree as follows:

**AGREEMENT**

**SECTION 1. EMPLOYMENT.**

A. Agency hereby offers and Employee hereby accepts the position of General Manager of Agency. Employee shall perform the duties and responsibilities imposed by law, industry standards, and responsibilities and duties as specified in the Job Description, and such legally permissible further duties and functions as shall, from time to time, be assigned by the Board of Directors.

B. Employee shall devote such time, interest, and effort to the performance of his duties as may be reasonably necessary to fulfill the above requirements. Employee agrees to perform such services to the best of his ability, in an efficient and competent manner consistent with the standards of the profession. Without limiting the generality of the foregoing, Employee understands and agrees that this position is an exempt, salaried, full-time position with regular required office hours Monday through Friday and weekend hours when required in the best interests of Agency.

SECTION 2. TERM AND RENEWAL.

A. This Agreement shall be effective as of July 13, 2020 (the “Anniversary Date”). The term of this Agreement shall be for three (3) years, through June 30, 2023, unless sooner terminated or extended by the parties as set forth in this Agreement.

B. In the event that the Board determines that the Employee is not to be reemployed upon expiration of this Agreement, he shall be given written notice thereof by the Board at least four (4) months in advance of the expiration of the term of this Agreement. Should the Board fail to re-employ Employee and the written notice provided for in this Section 2 has not been given at least four (4) months prior to the initial term of this Agreement, it shall be extended on the same terms for additional periods of one (1) year on each renewal.

SECTION 3. TERMINATION AND SEVERANCE PAY.

A. It is expressly understood that Employee, in his capacity as General Manager, is a contracted employee serving at the pleasure of the Board, subject to termination pursuant to the terms of this Agreement, and with no right to any hearing or appeal, including any so-called *Skelly* conference, other than the rights expressly provided in this Agreement.

B. This Agreement shall automatically terminate upon Employee’s death, retirement, or permanent incapacity.

C. The Employee serves at the will and pleasure of the Board. At any time during the term of this Agreement or any extension thereof, the Board reserves the right to terminate the employment of Employee and determine his last day of employment upon the vote of four or more Board members at a duly called and noticed Board meeting. The Agency agrees, however, to refrain from voting on the issue of Employee’s termination in any sixty (60) day period immediately following a new Board member’s installation so that said new Board member may have sufficient time to apprise his or herself with Employee’s performance prior to vote.

1. In the event that this Agreement is terminated before the end of its term “for cause” as defined below, no further compensation or benefit shall be made to the Employee. Upon any allegation that Employee has engaged in conduct that would result in his termination “for cause” as defined below, Employee is entitled to address and attempt to rebut those allegations before the Board in a closed session prior to the Board making any final determination regarding the veracity of those allegations. In the event the Board, in its discretion, still finds merit to the allegations and terminates, the Employee shall not be entitled to any severance and will be owed no further compensation. Termination shall be “for cause” if the Employee: (1) acts in bad faith and to the detriment of the Agency; (2) refuses or fails to act in accordance with any legal requirement or specific direction or order of the Board; (3) exhibits in regard to his employment unfitness or unavailability for service, unsatisfactory performance, misconduct, dishonesty,

habitual neglect, or incompetence; (4) is involved in crime involving dishonesty, breach of trust, or public conduct reflecting negatively on the Agency (no pending criminal prosecution need be in effect for termination due to fraud, embezzlement or public conduct reflecting on the Agency; rather the Board must only have a good faith belief based on a good faith investigation); (5) creates physical or emotional harm to any person; or (6) breaches any material term of this Agreement.

2. In the event Agency terminates Employee's employment for a reason other than those set forth in Section 3(C)(1), Employee shall be entitled to the following severance in accordance with the terms of California Government Code sections 53260, *et seq.*: An amount equal to six (6) months of the Employee's then base monthly salary or the remainder of the term of this Agreement, whichever is less. This severance is contingent upon Employee irrevocably executing a release of all claims as drafted and submitted to Employee by Agency legal counsel and including a waiver pursuant to Civil Code Section 1542. Contributions to the Public Employees' Retirement System ("PERS") for such severance pay shall be made in accordance with Agency's PERS contract and the PERS law and regulations. The Employee shall be entitled to this severance pay either in a lump sum or, if he so elects, in a reasonable number of installments.

D. Employee may terminate this Agreement upon written notice to the Board and shall endeavor to give sixty (60) days prior notice. Agency shall have the option, in its complete discretion, to terminate Employee any time prior to the end of such notice period, provided Agency pays Employee all compensation due and owing through the last day actually worked, plus an amount equal to the base salary the Employee would have earned through the remainder of the notice period. Thereafter, all of Agency's obligations under this Agreement shall cease.

#### SECTION 4. COMPENSATION.

A. Agency agrees to pay Employee for services rendered pursuant hereto at a rate of One Hundred and Ninety Two Thousand Five Hundred Dollars (\$192,500.00) annually, pursuant to the procedures regularly established and as they may be amended by Agency in its sole discretion. The Employee may receive annual increases in salary as may be determined by the Board in its sole discretion. Any agreed salary increase must be expressly memorialized in a subsequent written and executed Amendment to this Agreement. All compensation and comparable payments to be paid to Employee shall be less withholdings required by law.

B. The Board shall consider a Cost of Living Adjustment ("COLA") increase annually. Any COLA increases are at the discretion of the Board and not a guarantee.

#### BENEFITS.

In addition to the compensation set forth in Section 4, Employee shall be entitled to the following benefits:



A. Medical. Employee and eligible dependents shall be fully covered as provided by Agency's California Public Employees Retirement System ("PERS") benefits and per Agency policy.

B. Dental Insurance. Employee and eligible dependents shall be fully covered as provided by Agency's Association of California Water Agencies ("ACWA") Health Benefits Authority and per Agency policy.

C. Life & Disability Insurance. Agency shall pay one-half of the premium for a basic group term life insurance policy. Per Agency policy, the coverage amount is equal to the current annual salary of the applicable Agency employee with a cap of One Hundred and Fifty Thousand Dollars (\$150,000.00)

D. Retirement. Agency participates in PERS. Agency shall pay costs related to the Employee's membership in PERS on the same basis as for other classic, executive-level employees.

E. Vacation. Employee shall accrue One Hundred and Twenty (120) hours of vacation time annually. Such vacation may be carried over, if not used, and may accumulate to a cap of Two Hundred and Forty (240) hours. Once the accrual cap is reached, Employee will not accrue additional vacation hours until such time as he reduces his accrued hours below the cap. *The Employee's vacations shall be scheduled in coordination with the Board.* The Board encourages employees to take regular vacation time, but recognizes that job demands may not make this possible for top management employees. In recognition of a potential inability to take vacation, Employee may cash out up to Sixty (60) hours of vacation per year. Employee shall receive a review by the Board after Three (3) years of service with a request to increase vacation to Four (4) weeks per year. The increase is subject to approved by the Board in its discretion.

F. Sick Leave. Employee will annually accrue Ninety Six (96) hours of sick leave, to be used during illness or injury. Sick Leave accrues 1 day per month. Sick Leave hours may be used per Agency policy.

G. Personal Time Off. Employees shall be granted Five (5) Personal Time Off ("PTO") days per year. As per Agency policy, PTO days shall not accrue.

H. Job-Related Expense Reimbursement. Agency will pay Employee's business expenses incurred in connection with Agency business as provided by Agency policy, as it may be amended from time to time in Agency's sole discretion.

I. Technical Equipment. Upon commencement of employment, Agency shall provide Employee with a cell phone, lap top computer, and such other technical equipment as may be

necessary for the performance of his duties. Employee may choose to use a personal cell phone and submit receipts for reimbursement.

J. Dues and Subscriptions. Agency shall budget and pay for Employee's professional dues and subscriptions necessary for his continued full participation in approved national, regional, state and local associations and organizations necessary and desirable for continued professional growth and advancement and for the good of Agency.

K. Professional Development. Agency shall budget and pay for travel and subsistence expenses for Employee (as set out by applicable Agency policy, as it may be amended from time to time in Agency's sole discretion) for Board approved professional and official travel, meetings and similar necessary functions, including, but not limited to, Board approved groups and committees of which Employee is a member, as well as short courses, institutes and seminars necessary for the Employee's professional development and the good of Agency.

L. Automobile Allowance. Employee agrees to use his personally owned vehicle for travel to and from the Agency office. As consideration for use of his personal vehicle to perform work-related duties, Agency shall provide Employee with a Two Thousand Dollar (\$2,000.00) annual automobile allowance. An Agency vehicle shall be provided for all Agency business during normal business hours. The Agency vehicle shall be kept at the Agency's premises.

M. Other Benefits. Where not in conflict with the provisions of this Agreement, Employee shall be eligible and participate in the same benefits offered to executive-level employees at Agency, including but not limited to paid holidays and other such ancillary benefits. Nothing about the provision of such other benefits shall be interpreted to prevent the performance of any duty set forth in this Agreement.

## SECTION 5. PERFORMANCE EVALUATION.

A. The Board shall review and evaluate the performance of Employee in writing on an annual basis at the second Board meeting of every June (Employee's anniversary month), or as soon thereafter as practicable. The evaluation will also set forth mutually defined goals to be achieved by Employee in the subsequent year. Employee will be provided an adequate opportunity to discuss his evaluation with the Board at the Board meeting. Employee shall be eligible, if warranted in the Board's sole discretion, to receive a salary adjustment at the conclusion of such evaluation. Any agreed salary increase must be expressly memorialized in a subsequent written and executed Amendment to this Agreement. Failure of the Board to conduct a performance evaluation shall not prohibit the Board from terminating this Agreement in accordance with Section 3 of this Agreement

B. The performance review and evaluation process set forth herein is intended to provide review and feedback to Employee so as to facilitate a more effective management of Agency. Nothing herein shall be deemed to alter or change the employment status of Employee, nor shall

this Section be construed as requiring “cause” to terminate this Agreement or the services of Employee hereunder.

SECTION 6. OFFICE HOURS.

Employee shall report to Agency’s offices during normal business hours consistent with the Agency’s executive team schedule and at such other times as may be necessary to discharge his duties, except when away on approved business for the Agency, as otherwise excused by use of approved leave, during Agency-granted holidays, or when Employee’s presence at other location or times is necessary to fully and completely perform his duties. Employee agrees and understands that he will report to work when necessary to Agency operations, regardless of regularly scheduled office hours, scheduled leave, or holiday, to the extent such attendance is reasonably possible. After One (1) year of service, the Board shall consider, in its discretion, granting a modified work schedule, such as a “9/80” work schedule.

SECTION 7. GENERAL PROVISIONS.

A. Integration. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and this Agreement supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. This Agreement wholly supersedes and replaces the terms of any prior agreements, and any rights contained in such agreement.

B. Governing Law. This Agreement shall be governed by the laws of the State of California. The parties agree that venue for any dispute is appropriate in the Superior Court of Riverside County, California.

C. Waiver. A waiver of any term or condition of this Agreement shall not be construed as a general waiver by either party to this Agreement, and either party shall be free to reinstate any such term or condition, with or without notice, to the other.

D. Amendment. This Agreement may be amended from time to time, as mutually agreed by the parties in writing. No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by Employee and approved by the Board.

E. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the heirs at law and executors of Employee, but nothing herein shall be construed as an authorization or right of any party to assign his/her/its rights or obligations hereunder. Any assignment of the rights or obligations of Employee hereunder without the express written approval of Agency shall be void.

F. Partial Invalidity. If any provision or any portion thereof, contained in this Agreement is held to be unconstitutional, invalid, or unenforceable, the remainder of this Agreement or portion thereof, shall not be affected, and shall remain in full force and effect.

G. Legal Consultation. Employee acknowledges that he has had the opportunity to consult legal counsel in regard to this Agreement, that he has read and understands this Agreement, that he is fully aware of its legal effect, and that he has entered into it freely and voluntarily and based on his own judgment and not on any representations or promises other than those contained in this Agreement.

IN WITNESS WHEREOF, the SAN GORGONIO PASS WATER AGENCY has caused this Agreement to be signed and duly executed by its President, and the Employee has signed and executed this Agreement, both in duplicate, as of the day and year first above written.

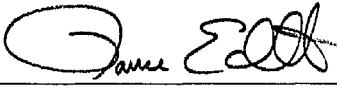
AGENCY:

SAN GORGONIO PASS WATER  
AGENCY

By: \_\_\_\_\_  
President of the Board of Directors

EMPLOYEE:

LANCE ECKHART

By:  \_\_\_\_\_