

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
July 17, 2017

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

Director(s) Absent: David Castaldo, Director

Staff Present: Jeff Davis, General Manager
Jeff Ferre, General Counsel
Cheryle Rasmussen, Executive Assistant

1. **Call to Order, Flag Salute, Invocation, and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President David Fenn at 7:00 p.m., July 17, 2017 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Thompson led the Pledge of Allegiance to the flag. Director Duncan gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Fenn asked if there were any adjustments to the agenda.* There being none the Agenda was adopted as presented.
3. **Public Comment:** *President Fenn asked if there were any members of the public that wished to make a public comment on items that are within the jurisdiction of the Agency.* There were no members of the public that wished to comment at this time.
4. **Reports:**
 - A. **General Manager's Report:**
 - (1) **Operations Report: (a) SWP Water Deliveries:** The Agency has delivered 871 acre-feet of Table A water to the Noble Creek Connection, so far this month. Flows were reduced for one day; otherwise flows were consistent at 24 cfs or higher.
 - (2) **General Agency Updates: (a) Flume Update:** A meeting took place with the Regional Forester on July 14th. Art Vela (Director of Public Works, City of Banning) informed General Manager Davis that the meeting went well. The Regional Forester will renew SCE's permit for the Burnt Canyon facilities for a period of one year. There was also some discussion on a cost sharing agreement between three parties. (b) **Beaumont State of the City:** Beaumont State of the City address will take place on August 24th. (c) **Cal Water Fix:** The Notice of Determination (NOD) is being issued by DWR this week. The Record of Decision (ROD) will be issued sometime later this month. Once the NOD and ROD have been filed it is then officially a legally project.

B. General Counsel Report: (a) General Counsel Jeff Ferré deferred from reporting due to the length of the agenda.

C. Directors Reports: (1) **Director Thompson** reported on the Beaumont Chamber of Commerce Breakfast. (2) **Director Ball** reported on the BCVWD Board meeting that he attended. (3) **Director Stephenson** attended the Beaumont Chamber of Commerce Breakfast, Calimesa Breakfast, and South Mesa Board meeting. He reported on the YVWD Board meeting that he attended. During the meeting the Board spoke on the Capacity Fee between YVWD & SGPWA. YVWD's Board indicated that they may propose to the Agency a joint meeting to discuss capacity fee issues. YVWD also talked about collecting its own capacity fee at \$4900 per EDU. (4) **Director Lehtonen** reported on the City of Banning Council meeting that took place on July 11th. (5) **President Fenn** reported that he and General Manager Davis traveled to central California for a potential water deal; comments will be provided during closed session.

6. New Business:

A. Consideration a of Resolution 2017-12 Setting the Appropriation Limit for Fiscal Year 2017-2018: A staff report, a copy of Resolution 2017-12, and a copy of the posted Appropriation Limits Calculation Report were included in the agenda packet. General Manager Davis stated that this item is an annual house-keeping issue. The Agency is required by the California Constitution to set an appropriations limit and it must be posted in a public place for at least 15 days prior to the Board adopting the resolution. The Agency has complied with this directive. The limit is based on a formula, and is not related to the Agency's budget for the year. For this fiscal year, the formula amount is \$58,200,998. Director Duncan made a motion, seconded by Director Stephenson, to adopt Resolution 2017-12 in accordance with California law. Motion passed 6-0, with Director Castaldo absent.

B. Consideration and Possible Action to Approve Amendment No. 3 to the Employment Agreement of the General Manager: A staff report and a copy of the SGPWA Third Amendment to Employment Agreement – General Manager/Chief Engineer were included in the agenda packet. General Counsel Ferre reported that the Board had conducted a General Manager's performance evaluation and based on the evaluation the Board would like to consider adoption of the Third Amendment to Employment Agreement. General Counsel Ferre read directly from the Staff Report paragraph 3, as follows: The Third Amendment would also provide for an increase in salary to reflect a seven percent (7%) adjustment as of July 1, 2017 and a three percent (3%) adjustment on July 1, 2018. As a result, effective July 1, 2017, the salary would be \$190,205.34 per year and effective July 1, 2018, the salary would be \$195,911.50 per year. Taking into account the term of the Employment Agreement, which is based on July 1 of each year, the first adjustment would be retroactive to July 1, 2017. Director Thompson made a motion, seconded by Director Stephenson, to approve the Third Ament to the Employment Agreement for General Manager Jeff Davis. Motion passed, 6-0 with Director Castaldo absent.

C. Discussion of Potential Funding Mechanisms for Water acquired from Antelope Valley East Kern Water Agency: A Staff Report was included in the agenda packet. General Manager Davis stated that the Board approved on June 19th a twenty-year lease of "Nickel" water of an amount of 1700 acre-feet, for a total of 34,000 acre-feet of reliable water over a twenty-year period. Upon approval of the agreement finalizing this deal, the

Board directed staff to set up a workshop in order for the Board to discuss potential funding mechanisms for this water. General Manager Davis proposed two ways to fund a long-term water agreement, future homeowners or current and future homeowners pay for it. The mechanisms would be different. Future homeowners would pay via developer fees. Current and future homeowners would pay via the water rate. General Manager Davis stated that during the last Finance and Budget workshop there was discussion and concerns about an increased water rate. General Manager Davis provided a PowerPoint on Water Costs and Financing that was handed out at the meeting. General Manager Davis concluded his presentation and introduced Consultant Steve Runk (David Taussig & Associates). Mr. Runk presented a mathematical model that the Agency requested. The model revealed the present worth of annual water purchased over 20 years at various escalators and various costs. Mr. Runk and General Manager Davis answered questions from the Board pertaining to the model. Discussion took place on how the Nickel water be used, would it be for development, for new supplies, or blend the two, and how to fund accordingly. Discussion also took place on water retailer long-term needs. President Fenn stated that the general direction from the water retailers (BCVWD, YVWD & City of Banning) is that they do not look at the water lease as permanent water rights, and perhaps we may be looking at making the current supplies more reliable. General Manager Davis stated that they Agency will be receiving an invoice from AVEK for \$1.7 million, most likely within the next week, come January 1, 2018 another \$1.7 million will be due. After discussion, the Board requested that General Manager Davis contact each of the water retailers to discuss specifically the Nickel water to see if they want the water, how it will be used, and what they are willing to pay for it. General Manager Davis will report back after he has contacted the water detailers, most probably in the end of August or early September.

7. Topics for Future Agendas: Director Thompson requested discussion on Disaster preparedness in case of an emergency.

8. Announcements:

- A. Finance and Budget Workshop, July 24, 2017 at 4:00 p.m.
- B. San Gorgonio Pass Regional Water Alliance, July 26, 2017
 - 1. Regular Meeting at 5:30 p.m. – Banning City Hall
- C. Regular Board Meeting, August 7, 2017 at 7:00 p.m.

9. Closed Session (3 Items)

Time: 8:27

- A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Pursuant to Government Code Section 54957
Title: General Counsel
- B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to Government Code section 54956.8
Property: Potential water rights/supplies offers from the South Mesa Water Company
Agency negotiator: Jeff Davis, General Manager
Negotiating parties: David Armstrong, General Manager, South Mesa Water Company
Under negotiation: price and terms of payment

C. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code section 54956.8

Property: Potential water rights acquisition regarding Westlake Farms,
Kings County APN's 036-070-007-000, 036-070-014-000, 036-070-004-
000,

036-070-013-000

Agency negotiator: Jeff Davis, General Manager

Negotiating parties: Ceil Howe

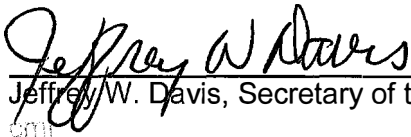
Under negotiation: Price and terms of payment

The meeting reconvened to open session at: Time: 9:23 pm

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

10. Adjournment

Time: 9:23 pm



Jeffrey W. Davis, Secretary of the Board