

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS MEETING

MINUTES OF March 9, 2016
1:30 P.M.

Vice President McDonald called the Board Meeting of the Board of Directors to order at 1:30 p.m. All present stood for the pledge of allegiance, led by Vice President McDonald. It was announced that pursuant to Board Policy Manual policy section 4020.1 that President Corneille's' absence today is excused.

ROLL CALL:

BOARD MEMBERS PRESENT:

Melody McDonald, Vice President
David E. Raley, Director
Manuel Aranda, Director
John Longville, Director (Arrival 1:36 p.m.)

BOARD MEMBERS ABSENT:

Richard Corneille, President-Excused

GENERAL COUNSEL PRESENT:

David Cosgrove, Rutan & Tucker, LLP

STAFF PRESENT:

Daniel Cozad, General Manager
Jeff Beehler, Land Resource Manager
Athena Monge, Administrative Services Specialist

GUESTS PRESENT:

Charles Roberts, Highland Community News
Michelle Diamond, Tetra Tech
Nanette Shelton, East Valley Water District

1. PUBLIC PARTICIPATION

Vice President McDonald announced this as the time for any persons present, who so desire, to make an oral presentation to the Board of Directors. Hearing none, the meeting continued with published agenda items.

2. ADDITIONS/DELETIONS TO AGENDA

There were none.

3. CONSENT CALENDAR

It was moved by Director Aranda and seconded by Director Raley to approve Consent Calendar Item A: Board Minutes, February 10, 2016, Item B: Expenditure Report, February 2016, Item C: Groundwater Assessment Report #45 07/01/2015-12/31/2015 and Item D: Top Five Groundwater Producers List for GWA #45. The motion carried 3-0 with all Directors present voting in the affirmative and President Corneille and Director Longville noted absent from the vote.

President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Absent
Director Raley: Yes
Director Aranda: Yes

4. COMMITTEE REPORTS/ACTION ITEMS

B. UNAUDITED FINANCIAL REPORTS, FEBRUARY 2016

Mr. Cozad spoke on this item stating that the District is just past the ½ year point. Expenses are below those forecasted. He indicated that on page 66 where it shows mining income was below budget, but it has since been paid.

It was moved by Director Aranda and seconded by Director Raley to approve the Unaudited Financials for February 2016 as presented. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes

C. GROUNDWATER LATE PAYER AND NON-RESPONDENTS AND INVESTIGATION LIST FOR GWA #45

Mr. Cozad introduced this item for discussion. He referred to package page 71 which includes groundwater producers that have not reported or paid to date. Mr. Cozad stated that there are two that need to be investigated further #6) Greenspot Mutual Well Co. and #7) AHD Limited. Greenspot will likely pay soon, but AHD Limited is a second tier lease on the property and staff has had a difficult time finding the right contact person. If by next month AHD is still non-responsive staff will need to perform a site visit to verify that well is still there on operational. If it is still operational staff will need to estimate usage and bill them. Mr. Cozad noted that most of Inland Valley Development Agency's water is provided by the City of San Bernardino and that they still have the well and may not be using but still need to report. San Bernardino County has a small well that is not utilized very much and they have to wait until expenditure exceeds a certain amount before they can process for payment. Discussion ensued on later payers and enforcement process. Mr. Cosgrove noted that there is an exemption based on Prop 218 that

alleviates the need for payment for production less than two acre feet for purely domestic use. He indicated that although potential revenue may exceed cost to investigate and enforce it benefits the District to show consistency and follow statute and identify production with the basin. This item was received and filed.

It was moved by Director Aranda and seconded by Director Longville to direct staff to investigate late payers and non-respondents for the period of July 1, 2015-December 31, 2015. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

**President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes**

D. FINAL 2016 ENGINEERING INVESTIGATION REPORT

Mr. Cozad presented a PowerPoint on the Final 2016 Engineering Investigation (EI) Report. At the February 10th Board of Directors meeting the Draft 2016 EI was presented. The final has been posted to the District's website for review and comment. The purpose of the EI is to collect data from the basin and surrounding areas to report to our constituents the status of the groundwater basin. Each year an EI Plan is prepared and comments are solicited. Data from other entities was requested and received and analysis has been performed. Ms. Scholte, Part-Time District Engineer performed data management, calculations, prepared draft report, maps and draft EI preparation. She requested GIS locations for all of the wells so the maps have been updated based on this information. Mr. Cozad said that based on the GIS locations obtained there have been a few wells that have been relocated. This report will likely be presented to BTAC in April since meetings are now bi-monthly. It has been sent out to partner agencies and posted on web for review. Ms. Scholte prepared a slide which shows a comparison on groundwater elevation levels for annual change in storage is a -47,570 AF (decrease). Ms. Scholte and interns created a story board using ESRI's software where you can shift back and forth between two separate periods to see the change in levels. The accumulated change in storage in the Bunker Hill Basin from 1993 is -583,447 AF (decrease). The groundwater production from the basin is 169,866 AF. The annual change in storage is -84,647 AF decrease and -94,727 AF (previous year). The precipitation for current water year is 11.41 inches; 50.8% of normal and the estimated annual production at for the ensuing year is 212,546 AF. The annual change in storage with average precipitation for ensuing water year (2016-2017) is +2701 AF (increase) and +1351 AF (previous). The average annual change in storage is -36,461 AF over ten years. The estimated production from District Boundaries for the ensuing water year (2016-2017) is 11,098 AF (agricultural) and 103,183 AF (non-agricultural). The estimated surface diversion is 66,338 AF (Basin) and 53,704 AF (District); this is the water for direct use. The replenishment required for constant storage is 144,425 AF (Basin) and 111,580 AF (District). It would take 812,519 AF to bring the basin back to full (1993 level). Mr. Cozad concluded PowerPoint and said that the time for EI is also time for rate setting and that the Board authorized staff to utilize the Groundwater Stabilization Fund for FY 2016-2017 rather than increase rates. Staff sent out letters to producers to advise them of this and the need for a potential increase next year. The Public Meeting on the groundwater charge will be held on April 13th and Public Hearing and consideration of adoption of the Resolution establishing the groundwater charge for 2016/2017 on April 27th. Mr. Cozad stated that staff received no

substantive questions, comments or changes and is requesting the Board approve the EI as presented.

It was moved by Director Aranda and seconded by Director Raley to approve the Final 2016 Engineering Investigation Report. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

**President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes**

E. ADVANCE TO WASH PLAN FOR FINALIZATION AND CONTRACT CHANGES

Mr. Beehler provided a PowerPoint presentation. He provided a summary on the Wash Plan Process. He stated that the avoidance and minimization method has been finalized. The original Plan B was built on to produce a draft HCP; which was then presented for comment. The California Department of Fish and Wildlife (CDFW) provided two sets of comments and the District responded. CDFW have taken a proactive roll which is appreciated. There is a draft Implementation Agreement (IA) and Memorandum of Understanding (MOU). The IA is the agreement between the District and United States Fish and Wildlife Service (FWS); the District will be the permit holder. The MOU is with the Wash Plan partners that have covered activities. Staff has an Endowment and Easement Plan that will be managed by the San Bernardino Valley Conservation Trust (Conservation Trust). A screen check EIR/EIS has been completed. All 250+ issues have been addressed and are at FWS for solicitor review. The Land Transfer with the United State Bureau of Land Management (BLM) is moving forward; Congressman Cook and Aguilar are pushing the bill forward to Committee. Senator Feinstein is considering introducing a companion bill which would put the federal process for Land Transfer on a parallel track. Future items that will occur once ongoing items are completed are 1) Publish Federal Register Notice, 2) Respond to Public Comments and 3) Biological Opinion/Take Permit. FWS and CDFW have agreed to allocate staff time to work on the Biological Opinion during the formal public review period. Staff has clarified the Certificate of Inclusion (COI) issuance process which has now become more of an administrative process. Staff will be performing a feasibility study to identify whether or not the Greenspot Levee is needed for flood control purposes since the Seven Oaks Dam (SOD) has been built. Part of the feasibility study is to identify if it is possible to notch the levee to improve habitat for endangered species. It would cost around \$175,000 to notch it. Land slated to go to the District after Robertson's transferred the land to San Bernardino County Flood Control District (FCD) but will now go to FCD as part of the WSPA. The District will provide management of those lands through an MOU. Federal Consultation through the Wash Plan HCP is an option for partners they need an additional permit, such as an United States Army Corps of Engineers (COE) permit or federal funding. The Section 7 assessment for federal action will be based on the Wash Plan Biological Opinion's analysis. FCD land dedication; land for mitigation and future projects is being clarified. Mr. Beehler reviewed the change to the Wash Plan original versus modified plan.

Mr. Cozad reviewed the PowerPoint on combined costs to complete the Wash Plan The primary reasons for the cost increase are for changes to the Wash Plan requested by the regulatory agencies and the Task Force. The total combined costs are: 1) EIR/EIS-\$200,000; 2) Final

HCP-\$100,000, 3) BLM Land Transfer-\$65,000, 4) Comm. Contingency-\$35,000, and 5) Initial Review/Mgt.-\$100,000 for a total cost of \$500,000. Staff is asking for authorization to advance funds to complete the Wash Plan under the terms of the MOU not to exceed \$500,000. The Wash Plan Task force was briefed on this cost increase and approved this recommendation at their meeting on March 1. He indicated that funds would be repaid when partners receive their COI. Mr. Cozad presented a detailed cost analysis based on the land use changes associated with included projects. The bottom line result for all costs was presented and broken out by entity totaling \$12,498,855 over 30 years. The \$500,000 advance will essentially be a loan from the Land Enterprise to the Wash Plan Enterprise which will be paid back over time with interest. The District would like to obtain feedback from partners on what they intend to pay in the next fiscal year to figure out the total amount the Endowment will receive.

It was moved by Director Raley to advance funds to complete the Wash Plan under the terms of the MOU not to exceed \$500,000; modify the MOU to include repayment of these funds at the ratio and timing of the Endowment funding and authorize the General Manager to execute change orders to ICF and RBF for the completion of Wash Plan documents to include final comment response and changes from FWS, BLM and CADFW in an amount not to exceed \$276,000. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

**President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes**

F. PER DIEM FOR BOARD OF DIRECTORS FOR 2016-2017

Vice President McDonald introduced this item for discussion. She stated that the per diem rate setting is done in December otherwise the rate stays the same for following year per Ordinance 2014-1. Vice President McDonald said that she would like for a potential 5% increase to be included in the budget so that if the Board opts for an increase it will already be within the budget each year. Director Raley spoke in opposition of including the additional \$3,758 in the FY 2016-2017 budget.

It was moved by Director Longville and seconded by Director Aranda to include the \$3,758 which constitutes a 5% increase for Fiscal Year 2016-2017. The motion carried 3-1 with Director Longville, Aranda and Vice President McDonald voting in the affirmative and Director Raley in opposition and President Corneille noted absent from the vote.

**President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: No
Director Aranda: Yes**

A. ENDOWMENT AND DISTRICT RESERVE INVESTMENT POLICIES

This item was taken out of order.

Vice President McDonald introduced this item for discussion. The Finance & Administration Committee met February 29th to review the Endowment and District Reserve Investment Policies. Mr. Cozad said that the materials for this item are included beginning page 39. These are two separate policies 1) Investment Policy Statement for Wash Plan Habitat Conservation Plan Endowment Fund and 2) San Bernardino Valley Water Conservation District Statement of Investment Policy. The Endowment Fund is related to the Conservation Trust that will be created to manage endowment funds of the Wash Plan. The other is related to investments of District funds. These are completely different investment policies. PFMAM Asset Management (PFMAM) presented a detailed PowerPoint at the February 10th Board meeting where they presented the various investment opportunities for Conservation Trust and the District allowable by code. PFMAM recommended the Board consider a 70% Stock and 30% Bond allocation model or a 60% Stock and 40% Bond allocation model. The 70/30 had the highest return. Mr. Cozad gave a brief overview of possible investments and why a Trust was put into place. He indicated that the District is exercising some of its responsibility through the Conservation Trust. On page 45 of the packet it gives more detail on investments and allocations. This will tell the investment manager what they are supposed to be buying on behalf of the Board.

It was moved by Director Raley and seconded by Director Aranda to adopt the Investment Policy Statement for Wash Plan Habitat Conservation Plan Endowment Fund. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

**President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes**

Mr. Cozad presented the District's Statement of Investment Policy for the reserves of the District located on page 53. Language has been added delegation, ethics, authorized investments etc. It is dictated by state law what the District can invest in. PFMAM reviewed in depth what we can and cannot invest in. The updated Investment Policy includes investment pools and a glossary. PFMAM recommended the District move some funds from CalTrust into CD's and bonds. Additional language added was limiting language where the District and Committee work closely for any significant changes that have to be approved by the Board.

It was moved by Director Raley and seconded by Director Aranda to adopt the San Bernardino Valley Water Conservation District Statement of Investment Policy. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes

5. INFORMATION ITEMS

A. BOARD COMMITTEE REPORTS-WITHOUT ACTION

There were none discussed.

B. WASH PLAN REPORT

This item was discussed previously. The written Wash Plan Report is included in the Board package on page 82 along with the Wash Plan financial spreadsheet. This item was received and filed.

C. GENERAL MANAGER'S REPORT AND MONTHLY RECHARGE REPORT

Mr. Cozad indicated that the written General Manager's Report is included in the Board Package on pages 86. He said that we received .5 inch locally and .6 inches in the mountains. The District has recharged approximately 162 AF from the last storm. There is approximately 10 CFS in both Mill Creek and Santa Ana. Staff is preparing for the audit in July; which will be the 3rd audit year. The District will need to put out an RFP for a new audit firm. The District changes every three years. Mr. Cozad noted that we have a 30% design for Plunge Creek 60% design for Mill Creek. He noted that the first Conservation Trust meeting will be held tomorrow morning here at the District and thanked District Counsel for his firm's support. Director Aranda asked about the Redlands Plaza signage and whether or not we were going to change it. Mr. Cozad said that the cost for new signage would be included in the CAM fees that our tenants pay and they unanimously spoke against paying for new signage. Staff is working on refurbishing existing signage. Mr. Cozad noted that related to the Groundwater Sustainability Council (GSC) item that staff met with Assemblyman Freddie Rodriguez who agreed to sponsor AB-938. This bill allows those exempt from SGMA to be able to opt into some of the elements of SGMA to specifically be able to charge a charge to purchase water to refill the basins. Staff is also meeting with the Farm Bureau to address any concerns they may have related to AB-938 and SGMA. The GSC MOU for development of the framework agreement has been approved by several entities and is on the Advisory Commission Agenda for March 16th. This item was received and filed.

D. FUTURE AGENDA ITEMS & STAFF TASKS

Vice President McDonald noted the performance review implementation for General Manager is coming up and the need to assign an Ad Hoc Committee for the General Manager's Review.

6. MONTHLY BOARD MEMBER COMMITTEE ACTIVITY REPORTS, AND/OR COMMENTS BY BOARD MEMBERS

Director Raley attended Wash Plan Task Force meeting on March 1st.

Director Aranda stated all written reports are included in Board Package. He requested reimbursement for the costs of paying for ASBCSD scholarship winner dinner along with director and teacher dinners. Mr. Cosgrove indicated that Board Policy does not allow for this. Mr. Aranda noted that he has an upcoming meeting for the CSDA Professional Development Committee on March 11th but will be attending by conference call rather than incur the travel expense.

Director Longville made no report.

Vice President McDonald attended the SBVMWD Board of Directors Meeting on February 16th where they adopted Resolution No. 1036 in support of HR 4024 and Resolution No. 1037 in support of the Sustainable Groundwater Management Act. She also attended the Board of Directors Workshop on February 25th at SBVMWD. Vice President McDonald asked District Counsel about SB-1026 (Alteration of Streambed) and whether it is of significance to the District. She said that ACWA State Leg Committee will review on March 18th and asked how that would affect the District. Mr. Cosgrove stated that he will review the material and get back to the Board on this legislation. Additional written reports are included in Board Package.

Director Aranda presented a handout on his requested travel expenses for the ACWA Spring Conference; estimated costs are \$3623.45. It was noted that the cost for Director Aranda to drive to Monterey is cheaper than the cost to fly directly into Monterey.

It was moved by Vice President McDonald and seconded by Director Longville to approve Director Aranda's travel expenses in the amount of \$3623.45 to attend the ACWA Spring Conference. The motion carried 4-0 with all Directors present voting in the affirmative and President Corneille noted absent from the vote.

**President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes**

7. UPCOMING MEETINGS

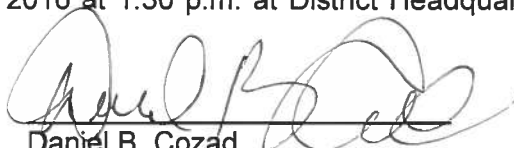
Vice President McDonald noted that the next Advisory Commission on Water Policy will be held on March 16th at Valley District, 6:30 p.m. Director Longville will attend the ASBCSD March 21st Dinner as well as Vice President McDonald and Director Aranda.

8. ADJOURN MEETING

It was moved by Director Aranda and seconded by Director Longville to adjourn. The motion carried 4-0 with all Directors present voting in the affirmative.

President Corneille: Absent
Vice President McDonald: Yes
Director Longville: Yes
Director Raley: Yes
Director Aranda: Yes

At 3:49 p.m. the meeting adjourned to the next regular Board Meeting scheduled and Groundwater Public Meeting for April 13, 2016 at 1:30 p.m. at District Headquarters, 1630 W. Redlands Blvd., Redlands, CA.



Daniel B. Cozad
General Manager