

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

MINUTES OF May 15, 2013
1:30 P.M.

President Corneille 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 President Corneille.

ROLL CALL:

BOARD MEMBERS PRESENT:

Richard Corneille, President
Melody McDonald, Vice President
Bob Glaubig, Director
David E. Raley, Director
Manuel Aranda, Director
Clare Henry Day, Director
John Longville, Director (1:36 p.m. arrival)

BOARD MEMBERS ABSENT:

None.

GENERAL COUNSEL PRESENT:

Jeremy Jungreis, Rutan & Tucker, LLP

STAFF PRESENT:

Daniel Cozad, General Manager
Angie Quiroga, Administrative Services Specialist

GUESTS PRESENT:

Charles Roberts, Highland Community News
Christine Jones, Cemex
Don Lee, Tetra Tech

1. PUBLIC PARTICIPATION

President Corneille 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

Director Longville requested the Board add, "Resolution for Anthony "Butch" Araiza's 50 Years of Service with West Valley Water District" to the agenda. Director Longville stated he just learned of the information today and requires action prior to the next regular Board meeting.

It was moved by Director Longville and seconded by Vice President McDonald to add "RESOLUTION FOR ANTHONY "BUTCH" ARAIZA'S 50 YEARS OF SERVICE" to the agenda as Action Item G. The motion carried unanimously.

3. CONSENT CALENDAR

A. Approval of the Board Minutes from April 29, 2013

It was moved by Director Day and seconded by Vice President McDonald to approve Board Minutes. The motion carried 6-0 with Director Longville noted absent from vote.

B. Approval of Check Register, April 2013

It was moved by Director Day and seconded by Vice President McDonald to approve the Check Register for April 2013. The motion carried 6-0 with Director Longville noted absent from vote.

4. ACTION ITEMS

A. UNAUDITED FINANCIALS, APRIL 2013

General Manager Daniel Cozad commented briefly on the financials and reported holding about \$700,000 in budgeted expenses toward originally anticipated expenses but which may not be needed. The District is not anticipating these costs to be incurred by the end of the fiscal year. The cash status from the beginning of Fiscal Year 2012-2013 reflects an increase from approximately \$1.2 million to just over \$2.2 million. This indicates that we are significantly better off than last year and that most of the revenue has been received for this period. It is likely that groundwater production will continue to increase due to the dry weather and lack of rain.

Director Longville arrived at 1:36 p.m.

President Corneille requested clarification on air fare expenses for the directors. Mr. Cozad agreed spreadsheet formula was erroneously subtracting out an expense rather than adding and Staff would make that correction. President Corneille also asked about Wash Plan expenses in "expected remaining costs". Mr. Cozad explained they are part of the \$700,000 that is reflected in the budget but not likely to be expended. These expenses will likely not be expended until next Fiscal Year 2013-2014. President Corneille suggested zeroing these costs out and only showing them on the upcoming budget. He urged all directors to stay current with their expense reports. The District will be slightly over budget in the area of Director's Expenses and it is important for the District to know where we stand.

It was moved by Director Aranda and seconded by Director Raley to approve the Unaudited Financials for April 2013 with corrections. The motion carried unanimously.

B. DISTRICT AND ENTERPRISE BUDGET FOR 2013-2014 AND PROJECTION OF 2014-2015

Mr. Cozad reported a correction on package page 28, the estimated total revenue for the District is \$2,450,162 and the estimated costs including contributions to reserves should be \$2,401,466 as reflected in the 2013-2014 Budget. Some reserves may come from the proceeds of reimbursement of the San Bernardino Valley Municipal Water District (SBVMWD) Enhanced Recharge Agreement and East Branch Extension (EBX) Easement Agreement. The

District is expecting the payment from DWR in this fiscal year. As part of the budget memo, a risk section was included and added election costs were discussed. The largest unknown in the budget is the full implementation of the Wash Plan. At the last meeting the Board requested assessment of the budget without the Plunge Creek project and the Wash Plan; the outcome is shown on package page 29. It shows estimated District revenue at \$1.84 million and District expenses at \$1.83 million. If implemented we have asked RAMS to assist with separating these items as clearly as possible to allow tracking and reporting.

President Corneille inquired where money had been budgeted for water conservation programs that are mentioned in the Strategic Plan. Mr. Cozad stated this is reflected within the Outreach Budget for Fiscal Year 2013-2014. President Corneille feels it should have a separate line item. The private water users we are attempting to reach out to are a niche we need to explore further. Vice President McDonald suggested links on the District website with other websites for conservation information. President Corneille proposed looking for additional recharge opportunities to increase revenue. He also stated that effective the next year fiscal year the District will have one less director and the budget should reflect a decrease in Director Expenses. Mr. Cozad stated Staff will verify the costs shown and make corrections as needed. Director Raley asked when the District will receive the \$190,000 from the Plunge Creek project. Mr. Cozad indicated that it may not be until closer to the end of FY 2013-2014 and that the Board will have to approve the contract that is offered first. Director Raley noted overall District expenses are well below budget. Mr. Cozad stated a dry year is one of the main reasons expenses are under budget due to the lack of field and basin maintenance needed. He will follow Reserve Policy and propose deposits to reserve accounts to the Board for final approval. Discussion ensued.

It was moved by Director Longville and seconded by Director Aranda to approve the District and Enterprise Budget for FY 2013-2014 with changes and the Draft Budget for FY 2014-2015. The motion carried unanimously.

C. CALPERS CONTRIBUTIONS FOR EMPLOYEES INCREASE TO 2%

This item was taken out of order to allow complete approval of the budget.

President Corneille requested to take Item C before Item B because it impacts the budget. President Corneille requested clarification as to when the

employee's contribution rate increased to 8% as opposed to 7%. Mr. Cozad stated he did not know the exact date but confirmed it is now 8% and this change is reflected in the resolution. Employees will pay 2% of the Employee's contribution in FY 2013-2014 and the District will pay 6%. The 1/2 percent increase to the employee's share each year will need to continue until 4% is reached due to the employee's contribution rate going up. The District will pay the employers share as well as the portion of the employee's share. Discussion ensued.

It was moved by Director Longville and seconded by Director Aranda to approve CalPERS Employee Contribution Rates to 2% in accordance with Resolution No. 495. The motion carried unanimously.

D. COMMUNITY STRATEGIC PLAN

Mr. Cozad stated the District received positive feedback from Stakeholders and Partners who reviewed the Community Strategic Plan (Plan). Most were supportive and Staff has incorporated any comments received into the draft document. Director Glaubig and President Corneille provided helpful comments upon their review of the Plan as well. Appreciation was indicated from the other agencies who reviewed the Plan. President Corneille requested the District revise the tense from present to past in the Plan for the items or activities that have been approved. He also noted the map for the Wash Plan showing the Woolly Star preservation area is from 2007. He would like it noted as preliminary until it can be replaced with an updated map that has been approved by US Fish and Wildlife Service (USFWS) and the Task Force Committee as Mr. Cozad stated is necessary. President Corneille complimented Mr. Cozad on the development of the Community Strategic Plan.

It was moved by Director Raley and seconded by Director Longville to approve the Community Strategic Plan with suggested revisions. The motion carried unanimously.

E. CEQA NOTICE OF EXEMPTION FOR SPHERE OF INTEREST REINSTATEMENT/MODIFICATION

Mr. Cozad stated this is one of the last steps required by LAFCO before the District is able to move forward and file for the Sphere of Influence (SOI) reinstatement. General Counsel David Cosgrove prepared the California

Environmental Quality Act (CEQA) Notice of Exemption and Resolution No. 496. Resolution No. 496 requests that the SOI be exempt from CEQA. Staff will be submitting the application by the end of May 2013. President Corneille asked if the Municipal Service Review (MSR) will proceed concurrently or prior to the SOI process. Mr. Cozad verified it would proceed concurrently. Discussion ensued.

It was moved by Vice President McDonald and seconded by Director Aranda to approve Resolution No. 496 and the CEQA Notice of Exemption to Reinstate the District's Sphere of Influence. The motion approved unanimously.

F. RATE STUDY APPROACH

Mr. Cozad explained the District has money in the budget to complete a rate study for setting our groundwater production rates. The United Water Conservation District (United Water) was challenged by the City of Ventura for their groundwater production rates and the city won. United Water was said to not have followed all necessary steps to be in compliance with Proposition 218 and their Act. From the ruling, Staff has a process to follow on how to possibly set the District's rate structure. Mr. Cozad suggested the District work in conjunction with United Water for cost savings to follow the methodology for determining rates and to be sure the District is in compliance with Prop 218 and the Act. Discussion ensued.

Mr. Cozad stated Staff is looking for maximum defensibility. Mr. Cosgrove agrees it is needed and will help if the District is challenged in the future. The challenge was mostly about the difference between agricultural and non-agricultural rates. The agricultural rate has significant characteristics such as higher return flows to the groundwater which justify the lower rate. The District will be able to use findings from United Water's studies as support for its rate determinations. Director Glaubig inquired about the cost. The cost is undetermined at this point. If the Board is in favor, Mr. Cozad will begin work and come back to the Board for approval of costs. Discussion ensued.

The Board gave unanimous consensus for Mr. Cozad to begin exploring the costs of the rate study and begin working with United Water.

G. RESOLUTION FOR ANTHONY "BUTCH" ARAIZA'S 50 YEARS OF SERVICE WITH WEST VALLEY WATER DISTRICT

This item was added to the agenda as an urgency item due to the item coming to the attention of the directors after the publication of the agenda and requiring action before the next meeting

Due to time constraints and just learning of Anthony "Butch" Araiza's 50 years of service, Director Longville requested the Board approve Staff preparation of a resolution recognizing him for 50 years of service and that the District may present it to him at West Valley Water District's next Board meeting to be held on June 6, 2013. Director Longville also requested no one mention the resolution to Mr. Araiza before the meeting.

It was moved by Director Longville and seconded by Vice President McDonald to approve Staff preparation of a resolution recognizing Anthony "Butch" Araiza for 50 years of service with West Valley Water District to be presented by Director Longville at West Valley Water District's Board of Directors meeting to be held on June 6, 2013. The motion carried unanimously.

5. INFORMATION ITEMS

A. GENERAL MANAGER'S REPORT

The written General Manager's Report prepared by Mr. Cozad is found on package page 62. It included information regarding the recent fuel spill in Cold Creek stating that the Orange County Flood Control District was draining the basin at the time for maintenance and has gone from about 2000 af. in storage to about 300 af. The District sank most of that water. Field Staff closed District facilities and Seven Oaks Dam (SOD) has stopped releasing. The Regional Water Quality Control Board has taken multiple composite samples of the water currently behind SOD, which shows non- detect for hydro-carbon compounds. Within the next couple of days, the District will recharge this water preferably into the river; if necessary, into the basins. The Department of Health does not want this water to be used as surface water yet. Redlands and East Valley Water District (EVWD) have the first call for surface water. Multiple meetings have taken place to discuss this issue. More than 300 cubic yards of contaminated soil were removed from the spill site. Cold Creek was inspected for 7 days and SCE's penstock water, thought to be contaminated, is being tested and treated as needed. Any gasoline floating on top of the water would have likely evaporated. The District and others are looking for better communication in the future with similar situations from first responders.

The District had the opportunity to work with EVWD to put in a crossing on District property, near EVWD's new headquarters. The crossing facilitates transportation for EVWD to get to their well and for the District to use or store vehicles securely. The District also continues to accept the rock EVWD needs to remove from the construction site. This results in a cost savings for EVWD and potentially additional revenues for the District if the material can be sold in the future.

Engineering Intern Ryan Hejka designed the crossing at the main canal. EVWD's Contractor Jacinto Construction performed the work which saves them travel and allows them to use larger trucks. The material will be stored on the rim of the borrow pit. EVWD may also buy backfill material from the borrow pit if needed for the grading. SBVMWD will also be storing rock on District property which they need for a project in City Creek in about 18 months under an access permit.

B. MONTHLY RECHARGE REPORT

Mr. Cozad reported that it continues to be a dry year. The District did capture the water released from the SOD before the fuel spill. The District's annual recharge total will be approximately 7000 af. for the year.

C. TASK FORCE/WASH PLAN WRITTEN UPDATE

Mr. Cozad provided a map handout. The map will be updated soon for the Task Force meeting on June 4th. Seven land management areas are identified for conservation, habitat, mining, etc. This is half of the conservation strategy. The second half is determining how much mitigation is necessary to protect the San Bernardino Kangaroo Rat (SBKR), Santa Ana Woolly Star, and Slender Horned Spine Flower. The treatment needed is listed in order from least expensive and invasive to most expensive. One method of removing non-native grasses that is beneficial to the SBKR is hand spraying of an herbicide; others require removal of the plant. The cost impacts are quite different with each method. If cost is reasonable, the District can provide excellent habitat for the SBKR. An estimate of costs will be determined in the next few days by Tom McGill from RBF Consulting (RBF) using a PARS system. RBF is doing the leg work and working closely with USFWS. Cost is a deciding significant factor in the decision about how the District moves forward. The District is anticipating having that decision by the end of July 2013. A detailed work plan will be provided to the Board. President Corneille inquired about the budgeted numbers. Mr. Cozad stated a lot of the initial work has already been done which should lower costs. ICF Jones and Stokes (ICF) completed most of the work on the Habitat Conservation Plan (HCP); their scope should be smaller as well. President Corneille cautioned against committing to costs that are not in agreement with the District's desires. The Board has not made a decision on moving forward yet.

D. FUTURE AGENDA ITEMS & STAFF TASK REQUESTS FROM DIRECTORS

There was no discussion.

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

Director Glaubig made no report.

Director Longville reported he will not be able to stay for the entire June 12th Board of Directors meeting.

Director Day reported he will be out of the country from May 16-July 3 and will not be present at June 12th Board of Directors meeting.

Vice President McDonald attended the ACWA State Legislative Committee meeting, the ACWA Spring Conference, and a Region 9 meeting in Sacramento. She attended the attorney panel programs and a presentation on what effects earthquakes can have on our water supply. While there, she also attended a JPIA meeting wherein she and all incumbents were re-elected to the ACWA/JPIA Executive Committee. Vice President McDonald reported she will be out of town from May 22nd-May 28th.

Director Raley attended the Water master for San Bernardino Valley; new conservation water is being calculated to permit SBBA and Riverside entities to pump additional water made available by new conservation.

Director Aranda attended the ACWA Spring Conference. ACWA is creating a Power House Science Center in Sacramento to teach children the value of water. He reminded the Board that ACWA is an excellent resource for information they can use in their presentations.

President Corneille attended the first two days of the ACWA Spring Conference. He attended the Groundwater and Water Management Committee meetings. Status was given on Water Bond for 2014. It is not expected to be approved by voters unless it is reduced in cost and earmarks, and specific projects are eliminated. The bond is currently \$11 billion. A Strategic Plan is being prepared for California for Integrated Regional Water Management. DWR's California Water Plan 5 year update will be coming out soon. President Corneille encouraged the Board to try to attend the next ACWA Conference in December for the valuable information and education it provides. He also reported he will be out of the country from May 18th to June 8th.

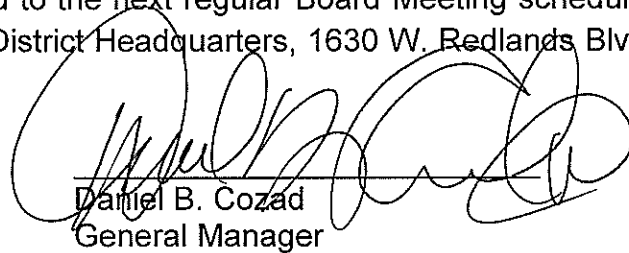
7. UPCOMING MEETINGS

President Corneille noted the next SBVMWD Advisory Commission Meeting will be July 11th.

8. ADJOURN MEETING

It was moved by Director Day and seconded by Director Longville to adjourn to the next scheduled meeting. The motion carried 7-0.

At 3:45 p.m. the meeting adjourned to the next regular Board Meeting scheduled for June 12, 2013 at 1:30 p.m., at District Headquarters, 1630 W. Redlands Blvd., Redlands, CA.



Daniel B. Cozad
General Manager