

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

MINUTES OF September 11, 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
John Longville, Director (Departed at 3:42 p.m.)
Clare Henry Day, Director

BOARD MEMBERS ABSENT:

None

GENERAL COUNSEL PRESENT:

David Cosgrove, Rutan & Tucker, LLP

STAFF PRESENT:

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

GUESTS PRESENT:

Charles Roberts, Highland Community News
Don Lee, Tetra Tech
Steve Montgomery, SJM Biological Consulting

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. Steve Montgomery of SJM Biological Consulting brought in a San Bernardino Kangaroo Rat (SBKR) to show the Board. He gave a brief

presentation on the history and details about the species and his field activities supporting East Branch Extension 2 (EBX2) construction project. Mr. Montgomery is relocating SBKR through an Access Permit with the District for the Department of Water Resources EBX2 project. He has approximately 100 burrows built in the field to relocate the trapped SBKR. So far Mr. Montgomery has relocated 8 SBKR. He stated that the animals are tagged and relocated and some are found up to 2 years later.

2. ADDITIONS/DELETIONS TO AGENDA

There were no additions or deletions.

3. CONSENT CALENDAR

- A. Approval of the Board Minutes from August 7, 2013
- B. Approval of Check Register, August 2013

It was moved by Vice President McDonald and seconded by Director Aranda to approve the Consent Calendar, Items A & B. The motion carried unanimously.

- C. Groundwater Assessment Report, GWA #40

President Corneille requested that item 3C be pulled for discussion. He noted that on the In-Process Collection Report that Staff is following up with emails and phone calls to those who have not reported their production in accordance with the Water Code requirements.

President Corneille requested that Staff plan to audit some groundwater wells within District boundaries. This could be done by going out for a field visit and identifying if a well is being used or if it is abandoned. Mr. Cozad stated that some producers have experienced staff turnover, and some are unaware of the process used to determine their production. President Corneille stated that the District needs to consider performing audits, particularly on those who have not filed a groundwater production statement or where the reported production may be inaccurate. Mr. Cosgrove stated that there are a series of tools the District may use including estimating production and up to installing meters. Director Raley asked about getting permission to access private property. Discussion ensued. Mr. Cozad stated that Staff will review the existing collections policy and if required propose revisions for expanding site audits or field inspections. The District should not expend significant funds to perform field visits where the amount of production and revenue is low. The Board was in concurrence regarding the performance of groundwater auditing.

It was moved by Director Longville and seconded by Vice President McDonald to approve Consent Calendar, Item C. The motion carried unanimously.

4. ACTION ITEMS

Action Items were not discussed in order.

- A. UNAUDITED FINANCIALS, AUGUST 2013

Mr. Cozad noted that a budget amendment can be anticipated in November after the Administrative Committee reviews the budget in October. He also clarified that General Ledger (GL) 4036 is for aggregate access permits and monies received for purchase of aggregate materials. The GL 5080 for LAFCO Contribution includes the mandatory fees paid for the District's Sphere of Influence filing.

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

B. INVESTMENT STATUS AND CHANGES TO INVESTMENT DURATIONS

Mr. Cozad reviewed the status and amounts of District cash in CalTrust investments. He stated that previously the Medium-Term fund interest rate was over 1.25% and had dropped since last reported. Mr. Cozad reviewed the investment options available to the District in greater detail. The District has also invested some funds in CalTrust Short-Term fund. He reviewed the portfolio for both Short-Term and Medium-Term investment funds. The Medium-Term matures in an average of 18 months and Short-Term in an average of less than 12 months. The District has a term in its royalty agreement with Robertson's Ready Mix (Robertson's) requiring that their \$5 million prepaid royalty must be able to be repaid to Robertson's (if requested) within 12 months. If the District invested that money in Medium-Term they run the risk of having to cash out early and could incur a loss in capital investment. Mr. Cozad explained the Net Asset Value which combines the capital investment plus the earned interest. Discussion ensued. The Administrative Committee, which met on August 26th, recommends splitting investments into approximately equal shares between short and medium term investment funds.

It was moved by Vice President McDonald and seconded by Director Raley to approve the approximately equal split of the money in the investments funds between short and medium term investment accounts. The motion carried unanimously.

C. RESERVE POLICY YEAR END REPORT AND CHANGES FOR 2013-2014

Mr. Cozad reviewed revisions to the Reserve Policy (Policy) that were recommended by the Administrative Committee. He noted that one revision to the Policy is the consolidation of two separate groundwater recharge reserves for the groundwater enterprise. Another is a change in description to clarify that the Prepaid Royalty Reserve is specifically unearned Prepaid Royalties from Robertson's, not a reserve of funds that can be expended as needed until the Wash Plan is completed. The District has kept these funds separate as they are restricted funds by Board Practice. President Corneille thanked Director Raley for identifying the need to reclassify the Prepaid Royalty Reserve as it appears that the District has more cash reserves available than it actually can spend. The \$5 million is a restricted pre-payment by Robertson's which can be called at any time and if called, the District will need to make these funds available within 12 months. Discussion ensued. President Corneille stated that the CSDA Special District's Reserve Guidelines is a useful tool in helping establish proper reserves and is available to any of the Board members for review. He stated that the District has generally followed the Guidelines and has an excellent detailed reserve policy.

It was moved by Director Longville and seconded by Director Day to approve the revisions to the Reserve Policy as recommended. The motion carried unanimously.

Mr. Cozad reviewed the reserves, the balances, contributions, uses and loans in one spreadsheet. He indicated where a balance is left in the enterprise fund it was credited to the appropriate fund reserve. Mr. Cozad reviewed the balances in reserves noting that Redlands Plaza Enterprise Reserves shows a negative \$8,000 after depreciation is applied due to the building depreciation expense. Additionally the Land Resource Enterprise is overfunded and the General Fund Enterprise is underfunded compared to the target or maximum under policy. Therefore, Staff recommends moving \$400,000 from Land Resources Enterprise Reserve to the General Fund Enterprise Reserve to fall in line with the limits set in policy.

It was moved by Director Longville and seconded by Director Aranda to approve the Reserve Balances, Contributions, Uses and Loans and the transfer of \$400,000 between the Land Resource Enterprise to the General Fund Enterprise. The motion carried unanimously.

D. OVERHEAD RATE IMPLEMENTATION AND ADJUSTMENT

This item was tabled until the October 9, 2013 Board of Directors meeting.

It was moved by Vice President McDonald and seconded by Director Aranda to table this item until the next board meeting to be held October 9, 2013. The motion carried unanimously.

E. EXPENDITURE PROCESSING AND APPROVAL POLICY

The Administrative Committee presented the proposed expenditure processing and approval policy. This change would streamline the process and reduce duplicative processing and time consuming work where it is not needed to safeguard District fiduciary responsibilities. President Corneille inquired as to why the \$5,000 threshold was selected for co-signature. The policy indicates that checks for expenditures under \$5,000 do not need a second signature. Mr. Cozad stated that this amount was suggested by the current CPA assisting the District. Director Raley stated that banks do not check for dual signatures and that by removing the requirement for a dual signature on small checks it streamlines the expenditure process. He also went on to state that since the Board reviews and approves all expenditures along with the expenditure/check detail report at monthly meetings that it does not take away anything from the internal controls process. Brief discussion ensued. President Corneille agreed with Director Raley that since those reports and expenditure sheets are brought to the Board for approval that \$5,000 is an acceptable amount. He complimented the Administrative Committee on their recommendations and efforts at their recent meeting.

It was moved by Director Raley and seconded by Vice President McDonald to approve the Expenditure Processing and Approval

Policy with a \$5,000 threshold for dual signatures on checks. The motion carried unanimously.

F. INTERIM BIOLOGICAL CONSULTING SERVICES SUPPORTING THE WASH PLAN

Mr. Cozad presented a brief PowerPoint presentation for this item. He noted that this contract is related to work performed for interim Wash Plan efforts to answer questions raised by the United States Fish & Wildlife Services (USFWS). Mr. Cozad reviewed the Wash Plan Covered Activities with the Board and the Schedule. He also indicated that the Covered Activities map is not in final format yet. The District has asked the Bureau of Land Management (BLM) and the USFWS to be the co-lead agencies on the NEPA requirements through an MOU. The proposed Wash Plan budget is at \$787,500 over two years and has added San Bernardino Valley Municipal Water District (SBVMWD) to the agreement. USFWS has given the District a 24 month schedule and the District is ready to move forward with permitting to prepare a Habitat Conservation Plan (HCP) and revise the EIS. Director Aranda asked when the 24 month schedule will begin. Mr. Cozad stated that will be determined at the next Task Force meeting planned for September after approvals of all Task Force Members of the Amendment to the Agreement. Director Aranda asked if we needed authorization for future activities. Mr. Cozad stated that for any activity not included in the Covered Activities map they would require authorization from the Task Force and that the impact that activity would have on the habitat would need to be identified prior to requesting approval. Discussion ensued.

Mr. Cozad reviewed the Federal Government sequestration that USFWS and BLM may experience. He also reviewed the additional funds that may need to be budgeted to cover the costs for these agencies due to sequestration. Mr. Cozad stated that funding regulatory agencies is becoming more common as they lose state and federal funding; you will see another example of this occurrence through the SBVMWD River HCP. Director Raley asked if any funds have been received to cover the costs for consultants. Mr. Cozad stated that once agreements are approved that partner agencies will be invoiced. President Corneille stated that part of the back costs will be covered by SBVMWD with their one-time fee included in the Amendment to Task Force agreement.

It was moved by Vice President McDonald and seconded by Director Aranda to approve the Interim Biological Consulting Agreement with RBF Consulting subject to minor revisions by Legal Counsel in the amount not to exceed \$34,000. The motion carried unanimously.

G. REINITIATING WASH PLAN ACTIVITIES

Mr. Beehler introduced this item for discussion. He indicated that the total cost for ICF Jones & Stokes for redrafting of the HCP is \$74,575. The District will only be responsible for their cost share with other Task Force members paying their shares. Director Raley voiced concern over the cost share breakout and collection of funds. He inquired as to what the District's remedy will be if any of the partners did not pay their cost share. Mr. Cosgrove stated that funds will be collected prior to paying the agreements. Mr. Beehler stated that another remedy is to remove the non-paying party from the covered activities and the mitigation measures. He went on to state that the ICF Jones & Stokes contract will get us to an HCP and this work will be completed within 90 days.

It was moved by Director Raley and seconded by Director Longville to approve the agreement with ICF Jones & Stokes in the amount of \$74,575 for the redrafting of the HCP subject to minor revisions approved by Legal Counsel. The motion carried unanimously.

Mr. Beehler presented the RBF Consulting contract that is to complete a draft EIS for the Task Force. This contract is for the environmental documentation needed to implement the HCP. He stated the EIS will be required for the Wash Plan and potentially for any CEQA or NEPA requirements. If the CEQA or EIR were to be revised this would be approved in a separate task order. Director Aranda asked when the EIS will be done. Mr. Beehler stated that the work will be completed within 90 days. He will be the Project Manager for this and Mr. Cozad will be the Contract Administrator. Mr. Cozad stated that in October he will bring back a detailed schedule on the Wash Plan. President Corneille and Vice President McDonald stated that they believe that Staff will coordinate and manage these tasks with the utmost efficiency.

It was moved by Vice President McDonald and seconded by Director Aranda to approve the contract with RBF Consulting in an amount not to exceed \$250,000 related to HCP and EIS subject to minor revisions approved by Legal Counsel. The motion carried unanimously.

H. CONTINUE MSR/LAFCO CONSULTANT SUPPORT

Mr. Cozad stated that the Sphere of Influence (SOI) application processing has taken longer than anticipated and indicated the need to extend the California Strategies contract. The additional funds of \$32,000 for 8 months of services are estimated to be the final amount needed to process the SOI. Director Raley stated that he is in support of the extension; however, if this item were to come up again, he is not inclined to support extending it further. Brief discussion ensued.

It was moved by Director Raley and seconded by Vice President McDonald to approve the agreement extension with California Strategies for MSR/LAFCO support in an amount not to exceed \$32,000 with John Withers as primary consultant. The motion carried unanimously.

I. RIVER HABITAT CONSERVATION PLAN PARTICIPATION

Mr. Cozad stated that the River HCP was discussed at the August 7th meeting in brief and that this is a follow-up from that discussion. There are eight agencies including SBVMWD and the District that would be involved in obtaining an HCP on the river. Mr. Cozad is requesting authorization to obligate \$20,000 to assist in covering the cost for the HCP scoping, payable to SBVMWD, with work to be performed by ICF Jones & Stokes. The total cost for the HCP scoping is

\$160,000. President Corneille confirmed the schedule that would take us through to summer 2014. Mr. Cozad stated that the actual schedule is to be determined. Director Raley asked if this is a budgeted item. Mr. Cozad stated that it does not exceed the Land Resource budget, but there is no specific line item for this HCP.

It was moved by Director Longville and seconded by Vice President McDonald to obligate \$20,000 of District Funds for participation in the Habitat Conservation Plan for Santa Ana River. The motion carried 6-0 with Director Aranda noted absent from the vote.

J. BOARD POLICY HANDBOOK

It was moved by Vice President McDonald and seconded by Director Aranda to table this item until the next board meeting to be held October 9, 2013. The motion carried unanimously.

K. ACWA STANDING COMMITTEE APPOINTMENTS FOR 2014-2015 TERM

President Corneille introduced this item for discussion noting that current ACWA Committee Members are as follows:

- Director Aranda-Communications Committee
- President Corneille-Groundwater Committee
- Vice President McDonald-State Legislative Committee and Water Management Committee
- Daniel Cozad-Aquatic Species Subcommittee

The estimated costs for Committee's are as follows:

- Communications Committee, \$3,788
- Groundwater Committee, \$988
- State Legislative Committee, \$11,364
- Water Management Committee, \$988
- Aquatic Species Committee, \$0 (teleconference)

Director Aranda said he encourages all Board Members to get involved in ACWA committees. He feels it is an educational tool that is beneficial to the District. Vice President McDonald spoke in reference to the State Legislative Committee (Leg Committee) stating that it is one of the most active committees, but it saves the District money. In previous years, the District paid up to \$96,000 for state and federal lobbyists. She stated that it keeps the District abreast of current legislative issues. Brief discussion ensued regarding the committees importance. President Corneille stated that he is active on the Groundwater Committee and is involved in the recharge element of that and it is directly pertaining to the District's primary function. Director Aranda is in support of Vice President McDonald continuing to serve on the Leg Committee. He also stated that he is on Communications Committee and that he would like to continue to serve.

It was moved by Director Raley and seconded by Director Aranda to approve the nomination of Director Aranda to the Communications Committee, President Corneille to the Groundwater Management Committee, and Daniel Cozad to the Aquatic Species Subcommittee. The motion carried unanimously.

Director Glaubig asked if the cost estimates presented are the same or similar to last year. Mr. Cozad stated they were, except for the air fare which has increased since the budget was approved. Director Glaubig confirmed that these costs were estimated within the budget. President Corneille expressed his appreciation towards Vice President McDonald for her willingness to serve on the Leg Committee, but from a financial viewpoint he does not see the value to the District and does not support the need to expend this amount of funds. Director Raley also noted his opposition to supporting Vice President McDonald's continuation on the Leg Committee noting the cost was about 10% of the entire Board of Director's budget.

It was moved by Director Aranda and seconded by Director Longville to nominate Vice President McDonald to the State Legislative Committee. The motion was carried 4-3 with Director Raley, President Corneille and Director Day in opposition.

L. EAST VALLEY WATER DISTRICT SHARED SERVICES AGREEMENT

Mr. Cozad stated that this agreement has been in the works for the past year. He indicated it's a permissive agreement; which is if the District has a need and they can fulfill it they will assist us with staff and equipment and vice versa. In the past EVWD has provided the District with Human Resources Manager assistance. Mr. Cosgrove noted that the revisions to the East Valley Water District (EVWD) Shared Services Agreement were primarily in the indemnification section. President Corneille requested that a line item be added to Exhibit A, 5. Cost Estimate for Services; except in the cases of emergencies. He stated that Staff should be aware of any estimated costs associated with this agreement, prior to approval. Mr. Cozad stated that for any large issues, anything over \$25,000, or any policy related issues they would come back to the Board. Director Raley asked if Exhibit A would be filled out every time the District wanted to borrow equipment or staff. Mr. Cozad stated that only if the District were to borrow; for example, a loader to perform work, that is where the form would come in to play. If the requested activity is not a significant cost the form would not be filled out. Mr. Cosgrove said that the agreement is a legal structure to cover any potential liability issues and provides staff a mechanism for recording shared activities if needed. Brief discussion ensued.

It was moved by Director Raley and seconded by Director Aranda to approve the East Valley Water District Shared Services Agreement with nonsubstantive changes including an addition to Exhibit A by President Corneille. The motion carried unanimously.

5. INFORMATION ITEMS

A. GENERAL MANAGER'S REPORT

Mr. Cozad presented the Board with a short video on the field activities during the storms that were recently experienced. The water that came through during the storm was poor quality and

the District was unable to capture it. Field Staff were diligent in keeping the debris from building up at the diversion points. They returned to the creek between 110-115 CFS. Mr. Cozad stated that another issue that will need to be discussed is the evasive plant species known as Tamarisk and the potential removal of it. The year continues to be a dry year despite short thunderstorms.

B. MONTHLY RECHARGE REPORT

This item was covered within the General Manager's report.

C. FUTURE AGENDA ITEMS & STAFF TASK REQUEST FROM DIRECTORS

Director Raley expressed his intent to write a paper on additional stormwater capture. He discussed the process. Director Raley also asked District staff to investigate the possibility of using solar panels and/or wind mills to operate its facilities in the field and at the office. Mr. Cozad stated that the District did participate in a SANBAG survey regarding solar for the office facility and will bring this item back when complete. Director Glaubig asked for the Wash Plan Enterprise budget to be brought back to the Board for review at the November meeting Mr. Cozad stated that Staff is working with the CPA to extract the Wash Plan GL's from the Land Resource Enterprise. He stated that a rough draft may be presented to the Admin Committee in October and later for Board review. President Corneille asked for a status update on the District Website, District Priorities and Districts of Distinction Certification. He reviewed the requirements to obtain the Districts of Distinction Certification. Discussion ensued.

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

- A. Association of California Water Agencies Fall Conference meeting attendance request for approval

President Corneille introduced this item for discussion noting that the requests for approval are as follows:

- President Corneille, \$1,183.71
- Vice President McDonald, \$1,768.75
- Director Aranda, \$2,284.75

It was moved by Vice President McDonald and seconded by Director Aranda to approve the requests to attend the ACWA Fall Conference. The motion carried 6-0 with Director Longville noted absent from the vote.

The Board discussed their monthly Board Member activities as follows:

Director Day attended the Administrative Committee meeting on August 26th.

Director Glaubig attended the Ad Hoc Audit Committee meeting.

Vice President McDonald attended the Administrative Committee meeting, ACWA State Legislative Committee, SBVMWD Board of Directors meeting, and SBVMWD Board Workshop.

Director Raley attended the Highland City Council meeting, Ad Hoc Audit Committee, SBC Water Conference and the Advisory Commission on Water. He commended Mr. Cozad on his presentation on the Wash Plan to Highland City Council.

Director Aranda made a presentation to the Loma Linda Chamber of Commerce on "The Crisis of Water". He has another upcoming presentation at the San Bernardino Area Chamber of Commerce. Director Aranda attended the Eagle Scout Project Dedication as Chair of the Outreach Committee and presented Devin McGloin a Certificate of Appreciation for his efforts on the project noting the event was shown in most local newspapers. He also attended the ACWA Regulatory Summit and SBC Water Conference.

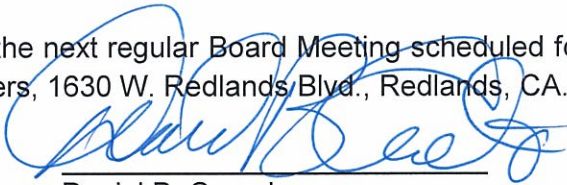
President Corneille said the next Advisory Commission meeting will be held on October 3rd. He attended the Groundbreaking Ceremony for East Valley Water District's new headquarters. Additionally, President Corneille attended the ACWA Groundwater Committee meeting, ACWA Regulatory Summit and SBC Water Conference. He complimented Mr. Cozad on his Salt and Nutrient Management Planning presentation at the Regulatory Summit saying that it was the best presentation there. President Corneille also attended the Eagle Scout Project Dedication, the Ad Hoc Audit Committee meeting, and the Redlands City Council meeting for their approval of the Amendment to the Wash Plan Task Force Agreement.

7. UPCOMING MEETINGS

There were none discussed.

8. ADJOURN MEETING

At 4:24 p.m. the meeting adjourned to the next regular Board Meeting scheduled for October 9, 2013 at 1:30 p.m. at District Headquarters, 1630 W. Redlands Blvd., Redlands, CA.



Daniel B. Cozad
General Manager