

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS MEETING

MINUTES OF October 14, 2015
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
David E. Raley, Director
Manuel Aranda, Director
John Longville, Director (Arrival 1:34 p.m.)

BOARD MEMBERS ABSENT:

None

GENERAL COUNSEL PRESENT:

David Cosgrove, Rutan & Tucker, LLP

STAFF PRESENT:

Daniel Cozad, General Manager
Athena Monge, Administrative Services Specialist

GUESTS PRESENT:

Don Lee, Tetra Tech
Charles Roberts, Highland Community News
Deborah Crowley, Eadie & Payne, LLP.

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

There were none.

3. CONSENT CALENDAR

It was moved by Director Aranda and seconded by Vice President McDonald to approve Consent Calendar Item A: Board Minutes, September 9, 2015 and Item B: Expenditure Report, September 2015. The motion carried 4-0 with all Directors present voting in the affirmative and Direct Longville noted absent from the vote.

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

4. COMMITTEE REPORTS/ACTION ITEMS

A. 2014-2015 AUDIT REPORT PRESENTATION

Director Raley, chair of the Ad Hoc Audit Committee introduced Deborah Crowley of Eadie & Payne who will be presenting the Audited Financial Statements for the 2014-2015 fiscal year. Ms. Crowley stated that her firm did not find any issues with internal controls. She indicated that all deficiencies noted in the last audit were corrected. There were two issues that her firm noted within the Management Letter:

"1) Recording of Accounts Payable – During our audit, we noted that a contractor had not billed for services rendered prior to June 30, 2015, and no accrual had been made for estimated costs incurred. We recommend that expenses incurred, but not yet invoiced, by the vendor be reviewed and that an estimate of costs incurred or fees earned be accrued at year-end. This ensures that all expenditures for which the District is liable are captured and the financial statements presented include all financial transactions for the year.

2) Board Member Compensation – The District currently reports compensation to Board members on Form 1099. The IRS guidance states, "Generally, any individual who serves as a public official is an employee of the government for whom he or she serves. Therefore, the government entity is responsible for withholding and paying Federal income tax, social security and Medicare taxes, and issuing Form W-2, Wage and Tax Statement, to a public official." We recommend that the District consider withholding social security and Medicare taxes and issuing Form W-2 to Board members. "

Ms. Crowley said this year the only change is to the District's adoption of Governmental Accounting Standards (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. This change required a prior period adjustment related to GASB 68 causing a decrease of \$685,334 leaving the end of year net position at \$5,060,644. The incorporation of this new standard added two categories to the financial statements 1) Deferred inflows of resources (not liabilities) and 2) Deferred outflows of resources-contributions (not an asset).

It was moved by Director Raley and seconded by Director Aranda to accept the 2014-2015 Audit Report as presented by Eadie & Payne and Direct the General Manager to file the Audit with the County Clerk and for General Counsel to review the W-2 issue noted within Management Letter and bring back any recommendations to the Board by January 2016. The motion carried 5-0 with all Directors present voting in the affirmative.

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

B. UNAUDITED FINANCIAL REPORTS, SEPTEMBER 2015

Mr. Cozad introduced this item for discussion. He reviewed the Wash Plan accrual issue briefly; noting that a contractor has not billed the District for services rendered yet. Another item the auditor noted is the payment made for the CalPERS Unfunded Liability and opening of OPEB Trust. The cash balance on package page 21 reflects the change in cash position after these payments/transfers. The cash position as of 9/30/2015 is \$3,810,596.50; a decrease of \$517,805.53.

It was moved by Director Aranda and seconded by Vice President McDonald to approve the Unaudited Financials for September 2015. The motion carried 5-0 with all Directors present voting in the affirmative.

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

C. BOARD MEMBER MEETING REPORTS POLICY PRESENTATION AND DISCUSSION

President Corneille introduced this item for discussion. Mr. Cozad presented a PowerPoint on current policy and procedures related to written reports. He gave an overview of history and indicated written reports are only required for those in Appendix C where it indicates "WRR". However, if full Board is in attendance at any function there is no report required even if indicated in Appendix C. Vice President McDonald stated that the requirement for written reports is cumbersome. She spoke in support of eliminating the written reports. Vice President McDonald stated that if a majority of the Board is in attendance there should not be a requirement for a written report. President Corneille stated that the purpose of the written report is to bring information back to the Board without spending a lot of time in Board meetings on verbal reports. He indicated his support of keeping the written reports not only because they are informative but also because it alleviates the need for lengthy verbal reports. President Corneille stated that valuable information is attached to written reports. Director Raley stated that each Director should be aware of what meetings other Directors are attending. He would like for Staff or counsel to come up with a way that this can be done easily. President Corneille

indicated that the monthly meetings Director's attend are listed on their Director's reimbursement reports they submit. Mr. Cosgrove stated that there are four purposes to the written report: 1) fulfill statutory requirement, 2) track Director activity, 3) shorten meetings and 4) serve as internal auditing mechanisms related to expense reports. He indicated that when contemplating revisions to this policy the Board should consider which of these four are important to the Board before making any changes. Director Raley stated that rather than attach a lot of information to the written reports that there should be a discussion of the most relevant information instead. Director Aranda indicated his support for the written reports. Staff recommended this item be brought back in January 2016 where the Board should identify a policy in which they can make exceptions on a case by case basis. President Corneille asked that additional clarification be added to the Board Policy Manual that defines what a "local meeting" is. It was the consensus of the Board to bring this item back for discussion in January 2016.

D. LAFCO SPHERE OF INFLUENCE UPDATE AND ALTERNATIVES

Mr. Cozad presented a PowerPoint presentation on this item. LAFCO hearing is scheduled for October 21, 2015 at 9:00 a.m. The recommendation of LAFCO Staff is that the Commission takes the following actions:

1. *"For environmental review, certify that LAFCO 3173 is statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.*
2. *Approve the sphere of influence expansion for the San Bernardino Valley Water Conservation District to encompass the jurisdictional boundary of the San Bernardino Valley Municipal Water District within San Bernardino County along with additional surrounding areas to clarify the water basin boundary and the use of parcel lines to define the area.*
3. *Affirm the description of the functions and services for San Bernardino Valley Water Conservation District as identified in the LAFCO Policy and Procedure Manual, Section VI, Chapter 3: Listing of Special Districts within San Bernardino LAFCO Purview – Authorized Functions and Services.*
4. *Adopt LAFCO Resolution No. 3204 reflecting the Commission's findings and determinations"*

Mr. Cozad reviewed all four options for setting a sphere of influence. President Corneille assigned Vice President McDonald as the alternate for the Ad Hoc Sphere of Influence Committee in his absence; Director Longville is also a member on this Committee. Director Longville suggested that the District indicate their position that the zero sphere causes difficulties and would like its sphere restored and that it is the District's most important goal. He said that the District has worked with partners within the basin to develop a joint proposal to regain its sphere agreed upon by all water partners of what boundaries they should have. Staff is disappointed that LAFCO has not taken the requested sphere into consideration however if the District's only choice is between its recommended sphere and LAFCO Staff's recommended sphere it would rather have a sphere than no sphere. Vice President McDonald showed concern over the size of the sphere of influence that LAFCO is recommending. Mr. Cozad

explained that most of the time District will not have to do anything differently. Occasionally the District may be asked to help serve in another agency' that is within the District's sphere. Mr. Cozad agreed with Director Longville that the District should support the people who are supporting our request and want that statement clearly stated for LAFCO records. Mr. Cozad added should the LAFCO Commission take Staff's recommendation, the District would look to implement any boundary changes or annexations, through the Groundwater Sustainability Council (GSC) which concurs with the statements and policy indicated all along. Everyone in the area will be a part of the GSC. President Corneille requested these points to be put into a formal letter and asked Director Longville to present it at the LAFCO meeting. It was agreed that the District prefers any sphere vs. no sphere at all.

E. QWEL PROGRAM PRESENTATION

Mr. Cozad gave an overview of the QWEL (Qualified Water Efficient Landscaper) program presentation provided to participants in their first class of becoming QWEL certified. The QWEL program begins with teaching landscapers how to reduce water usage. It educates them on CA water laws, explains where their water comes from, provides resources of where to find locally available water conservation programs, advises them of mandatory water restrictions and teaches them how to read water meters.

President Corneille asked about the program's status. Mr. Cozad explained Sonoma County Water Agency started the program. As others became aware and wanted to use the program, they started a separate 501 (c) 3 non-profit to manage the program which is recognized by EPA's Water Sense Program. Efficient information has been included in the program to help us get that information out too. Mr. Cozad provided additional details of the program. He noted anyone who passes the program will be listed as QWEL certified in a statewide database viewable on the QWEL and Efficient websites. It provides a central location to find water conservation rebates that landscapers can offer to their customers. The program includes learning about soil types, irrigation options, and drought tolerant plants. At the end of each class, attendees are required to take a test. Planning is underway to teach this course in January 2016. Director Longville believes to maintain interest and to make the program succeed; we need to be sure participants perceive to have derived benefit both in knowledge and financially. With this certification, we need to emphasize the landscapers are able to provide a service to their customers that is attested to by a knowledgeable entity. He also suggested providing the program on a smaller scale to "mom and pop type" operators in the future to save even more water. He commended the program. Mr. Cozad stated the advertising value of the program is definitely a major factor in why landscapers take the program.

5. INFORMATION ITEMS

A. BOARD COMMITTEE REPORTS-WITHOUT ACTION

President Corneille addressed there was an Ad Hoc Wash Plan Committee meeting to begin discussions on some major decisions that need to be made regarding the non-wasting endowment fund. Discussion included in the Wash Plan report.

B. WASH PLAN REPORT

Jeff Beehler provided some background and the current status of the Wash Plan. He reminded the Board of the three components of the Wash Plan: HCP document, EIR/EIS, and the Implementing Agreement (IA). The second phase of our HCP is contingent on a land transfer between District and BLM. After we received and addressed USFWS comments, the HCP and IA are now on the desk of the FWS solicitor. Some changes had to be made in the database to properly report temporary and permanent habitat impacts. In the Environmental Species Act (ESA), there are three components: 1. avoid, 2. minimize, and 3. mitigate unavoidable impacts. Our HCP document contained avoidance and minimization measures but after USFWS, CFWS, and BLM review, they requested more detail prior to review by the solicitor.

The EIR/EIS completion has to lag the review of the other documents because the solicitor will comment on the HCP, changes may have to be made, and the analysis included in the EIR/EIS. Land transfer draft legislation has been written and sent out for comment. Final calls for comments will be made this week by Congressman Cook's office and then they intend to move forward with the legislation which will allow BLM to do the transfer. In November the Agreement to Initiate, an agreement between District and BLM to do the land transfer will be provided. BLM is diligently moving forward. The next step is title searches and phase one environmental assessment.

The District must identify for the Service and the participants how it will manage Wash Plan funds and land and demonstrate that the land/habitat is protected in perpetuity. Mr. Cozad reminded the Board Staff has been looking at governance and organizational issue with the Ad Hoc Wash Plan committee's review. We are working to determining who will be the best easement holder, who will best manage the investments to make that 4 % cap rate with inflation, and who will best manage the activities of the WP. Mr. Cozad provided a list of who could potentially satisfy these roles and discussed pros/cons and possibilities that need more work. Staff has provided options in each of the category needs which offers a suite of solutions that the Board could absolutely implement now. These options don't fully allow the local control and flexibility in implementation that a publicly elected Board would usually hold, so Staff will continue to work toward the best solution. These pros/cons will be provided in November/December timeframe. The Board can then direct Staff on the best public policy. President Corneille commended Staff for their work.

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 beginning on page 39. He included pictures of the dirty water received from Santa Ana River and from Mill Creek, due to the fire, and noted clean-up activities ongoing in the field. Due to the NOAA's high confidence in an El Nino this year, Mr. Cozad provided their three month precipitation probability outlook. We are expecting about twice as much rain (approximately 24 inches) as we would have in a normal year. Field staff is now performing final cleaning of basins to prepare for this rain. In order to end the drought, we would need this level

of rain for about 3 years according to NOAA. Because of the possibility of consecutive El Nino years and opportunities to increase water capture Flood Control is doing heavy pre-flood maintenance as well. Bill Boggan won the Wellness Challenge. Daniel commended Staff for the work completed while he was out on vacation. Some recharge occurred but not in much volume. We are monitoring the 5 cfs or up to 2000 acre feet of water Big Bear is releasing, owned by SBVMWD, for delivery to North Fork and Bear Valley.

FUTURE AGENDA ITEMS & STAFF TASKS

President Corneille requested an Operations Committee meeting possibly in November to discuss Plunge Creek. Mr. Cozad stated the Plunge Creek item was delayed due to the regulatory agency meeting and he suggested meeting after Thanksgiving. Director Aranda requested the sponsorship of a CA Special Districts Dinner in March 2016 be put on the next agenda.

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

Director Longville was invited to attend without cost the Planning and Conservation League training at UCLA on October 10th. Statewide issues including water conservation were discussed.

Vice President McDonald attended ACWA Region 9 Meeting on Sept 18th, San Bernardino Chamber After Hours event on Sept 24th, and ACWA Water Management Committee meeting on Sept 30th. She also attended San Bernardino Valley Municipal Water District's meetings on Sept 15th, Sept 22nd, Oct 6th and Oct 13th. SBVMWD is working on the regional recycled water conservation study update as well as the active recharge project. She provided a PowerPoint presentation to be distributed. She attended the BTAC meeting on Oct 12th. She provided the Conjunctive Use guidelines from September's BTAC meeting. She also included additional written reports shown in the Board Package.

Director Raley attended the SBVMWD Workshops on July 13th and July 30th. He also attended the Redlands Chamber meeting.

Director Aranda attended the CSDA Annual Conference in Monterey Bay, CA Sept 21st-24th. Additional written reports are included in Board Package.

President Corneille met with Supervisor Ramos' Chief of Staff on Oct 9th. Supervisor Ramos is very interested in the Mentone Community Garden and his office has funds they could contribute toward the project. He attended the Board's Ad Hoc Committee Wash Plan meeting on Sept 30th, the ACWA Region 9 meeting on Sept 18th, and the Wash Plan meeting on Oct 13th. Additional written reports are included in Board Package.

6. UPCOMING MEETINGS

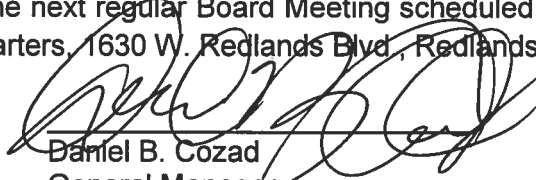
President Corneille noted that the next Advisory Commission on Water Policy will be held on December 11th at Valley District.

7. ADJOURN MEETING

It was moved by Director Aranda and seconded by Director Raley to adjourn. The motion carried 5-0 with all Directors present voting in the affirmative.

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

At 4:27 p.m. the meeting adjourned to the next regular Board Meeting scheduled for November 10, 2015 at 1:30 p.m. at District Headquarters, 1630 W. Redlands Blvd, Redlands, CA.



Daniel B. Cozad
General Manager