

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS MEETING

MINUTES OF February 8, 2017
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
T. Milford Harrison, Director
John Longville, Director (Arrival 1:47 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
Jeff Beehler, Land Resources Manager

GUESTS PRESENT:

Michelle Diamond, Tetra Tech
Socorro Pantaleon, Representative of Assemblyman Marc Steinorth
Charles Roberts, Highland Community News
David E. Smith, East Valley Water District

1. PUBLIC PARTICIPATION

President Corneille announced this as the time for any persons present, who so desired, 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 Harrison and seconded by Director Raley to approve Consent Calendar Item A: Board Minutes, January 11, 2017, Item B: Expenditure Report, January 2017 and Groundwater Assessment Report for July 1,2016-December 31, 2016. The motion carried 4-0 with all Directors present voting in the affirmative and Director Longville noted absent from the vote.

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

4. COMMITTEE REPORTS/ACTION ITEMS

A. LEGISLATIVE AND REGULATORY PLATFORM

Mr. Cozad stated that there was consensus from the Outreach & Communications Committee to approve the recommended revisions to Legislative and Regulatory Platform and Resolution No. 544. On page 34 of the Board Meeting package the memo gives a summary of items discussed at the Committee meeting. Mr. Cozad stated that there were minor revisions proposed to Resolution No. 544 by Director Harrison in Section 19 of resolution for clarifications which are included in package in redline for review. Director Harrison said that his changes were proposed because there may be specific legislation that requires more of a definitive response rather than a comment from the General Manager. Vice President McDonald asked how the Committee envisions the District obtain and keep up with changes in and new legislation that may affect the District. Director Harrison indicated that the Committee looks to staff and member agencies such as ACWA for that information. Director Raley said that CSDA sends out legislative updates via email regularly which are helpful.

It was moved by Director Harrison and seconded by Vice President McDonald to approve the Legislative and Regulatory Platform and adopt Resolution No. 544 as presented. The motion carried 4-0 with all Directors present voting in the affirmative with Director Longville noted absent from the vote.

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

B. 2ND QUARTER UNAUDITED FINANCIAL REVIEW FOR 2016-2017

Mr. Cozad presented this item for discussion noting its inclusion in the Board Meeting package on pages 42-43. He stated that these items will be reviewed in greater detail as we work on the budget for next year. Director Raley indicated he reviewed the Quarterly Investment Report. He proposed that the District separate Citizens checking account from the status of investments. He was also concerned because of the payoff of PERS unfunded liability and

property purchases, the investment appears to show a significant loss of the invested funds. Mr. Cozad said that the -2% is the balance not the return on investments, but a change in total cash from the last fiscal year. He said that this report includes cash and investments but staff will move the Citizens checking account under a separate subheading.

By unanimous consent the Board approved the 2nd Quarter Unaudited Financials for 2016-2017 with proposed revisions to Quarterly Investment Report. The motion carried 4-0 with all Directors present voting in the affirmative and Director Longville noted absent from the vote.

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

C. UNAUDITED FINANCIAL REPORTS, DECEMBER 2016

Mr. Cozad stated that the City of Riverside has paid their groundwater charge since the Board Packet was published. The Groundwater Top Five Producers list was provided as a handout at the meeting. He reviewed the financials briefly noting that the expenses are under budget and income is also slightly under budget. Revenue is under budget because not all groundwater charge payments have been received yet. Director Raley asked if it is cash or accrual accounting basis. Mr. Cozad stated cash basis until the end of the year when we do the audit, then it is shown as accrual.

It was moved by Director Raley and seconded by President Corneille to approve the Unaudited Financial Reports for January 2017 as presented. 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 Harrison: Yes**

D. DRAFT ENGINEERING INVESTIGATION REPORT FOR 2017

Mr. Cozad presented a PowerPoint presentation on this item. He said that Article 1, Section 75560 of California Water Code requires the District to prepare and present annually Engineering Investigation Report on groundwater conditions of the District. In December 2016, the Engineering Investigation Plan was approved by the Board. The draft EI Report is completed in February and circulated to partner agencies and posted on District website for review and comment. Katelyn Scholte, Assistant Engineer, collected the data and was primarily responsible for preparation of report. Jennifer Zhou, Engineering Intern assisted with data management. There will be small revisions to the data because one agency did not submit data in time for the draft report and it will be included in the final. Mr. Cozad thanked Ms. Scholte for her efforts and basin producers who reported data in time for draft. He reviewed the list of collaborators and producers. The change in groundwater storage increased by 20,933 AF since

last year primarily because of recharge of imported groundwater. The accumulated change in storage of the basin is a decrease of -562,444 AF from 1993. If the basin did not receive State Water Project (SWP) water, the decrease would have been significantly more. The District is expecting this year to be a significant water year for recharge. The current allocation for SWP water is 60%. Mr. Cozad reviewed the changes in water elevations between 2015 and 2016. He also presented a map which shows what water elevations would have look like if SWP was not purchased by producers such as East Valley Water District. The current production for the basin is 183,355 AF compared to last year's 169,866 AF. The estimated annual change in storage is -32,326 AF which is less than last year's estimate of -84,647 AF; this is based on average production and rainfall, and does not take into account current year rainfall. Staff estimated the annual change in storage based on average rainfall at -176 AF. If rainfall was 150% of average the change in storage would increase by approximately 85,000 AF. The average annual change in storage over 10 years is estimated to be -27,883 AF. The estimated production from within District boundaries is 14,597 AF for agricultural and 92,947 AF for non-agricultural. The estimated surface diversion from the basin and District for ensuing water year, 2017-2018 is 67,613 AF for the basin and 52,754 AF for District. The estimated replenishment required for constant storage for the ensuing water year is 143,792 AF for the basin and 107,719 AF for the District. The total amount required to reach the 1993 full level is 738,559 AF. President Corneille thanked staff for their presentation and work on the report. He stated that it is available on the District website for reviewing. Mr. Cozad stated that copies are also available upon request. The link to the report has been emailed to those who produce from the basin and pay the groundwater charge. This item was received and filed.

E. BUDGET PLANNING FOR GROUNDWATER ENTERPRISE FOR FY 2017-2018 AND ADVERTISED GROUNDWATER CHARGE

Mr. Cozad presented a PowerPoint presentation on this item. He said that the process the District utilizes to set the groundwater charge each year begins with the preparation of the annual Engineering Investigation Report summarizing production for the basin and preparation of a preliminary groundwater budget. These are used to identify a potential water charge for the ensuing year for agricultural and non-agricultural use that supports the Groundwater Enterprise Operations and Maintenance costs. Staff accomplishes this work to provide the Board a Groundwater Charge that can be advertised and noticed to the groundwater producers. There will be a public meeting on April 12th to review proposed water charge and groundwater budget. On April 26th there will be a public hearing where the Board will set the Groundwater Charge for July 2017-June 2018. The current agricultural rate is \$3.23 and for non-agricultural is \$11.62 per acre foot. He reviewed groundwater usage from 2014 to the current year; which decreased significantly in 2016 after the Governor's mandatory conservation order went into effect. Mr. Cozad reviewed preliminary groundwater charge revenue estimates. He also reviewed sources of revenue and groundwater related expenses. Several years ago the Board established a rate stabilization fund to help reduce fluctuations in the rates for the groundwater enterprise. The contribution to capital for this year has been reduced and there will not be a contribution to the rate stabilization fund as it is being used to dampen the increase needed. Staff proposes using funds from the rate stabilization fund as well as recommending a 4% increase in Ag and Non-Ag rates. The result will be total groundwater revenue estimated to be \$1,005,654.99 for 2017-2018 and expenses estimated to be \$1,005,659.53. Without this increase a larger rate increase will be needed in the future. Vice President McDonald asked if there are plans to replenish the rate stabilization fund. Mr. Cozad said that if the District is able to save any money throughout the year it can put it to the rate stabilization fund under existing policy and the rest would go directly to the groundwater reserve fund. Director Raley stated that the more water the District replenishes the more expenses increase and in a dry year expenses are lower but revenue

goes up. We need to have the Groundwater reserve and rate stabilization fund. The Finance & Administration Committee reviewed this item and concurs with staff's recommendation since the District has not had a groundwater charge increase in three years. Staff forecasted when the rate was not raised last year that it would not be able to avoid an increase this year and made the producers aware in the public meeting and public hearing. Director Longville said that not having an increase on an annual basis is difficult on the District because expenses increase each year. He said that each year we should have a modest increase because the reality is that we are not putting as much into capital as we should be.

It was moved by Director Raley and seconded by Director Longville to direct staff to advertise a 4% increase in the groundwater charge and approve the budget plan. 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 Harrison: Yes**

F. INITIAL IMPLEMENTATION STEPS FOR THE WASH TRAILS PLAN

Mr. Beehler presented a PowerPoint on this item for discussion. The Board adopted the Trails Master Plan in November 2016 and requested at its last Board meeting that staff review the Plan. On package page 63 there is a table that shows the next steps and on page 64 it goes over in more detail how to move from Phase I to Phase II. Staff recommends that the District staff meet with the Cities of Redlands and Highlands' planning staff and the community and then the Board hold a joint workshop with the Cities. Once that is accomplished staff is recommending meeting with elected officials to develop governing body, agreement and implementation. President Corneille appointed Director Harrison and Director Raley to the Ad Hoc Trails Plan Committee. Staff will bring back to the Committee the rules and purpose. This item was received and filed.

5. INFORMATION ITEMS

A. WASH PLAN REPORT

Mr. Beehler indicated that the Wash Plan Report is included on Board Package on pages 66. The Implementation Agreement has been reviewed and forwarded to the solicitor at CADFW. The first two chapters of the EIR/EIS are currently at BLM and CADFW for review. The biological resources section will be completed this week and sent to resource agencies for review. Resource agencies have held preliminary meetings to discuss the notice in the Federal Register. The Land Transfer, HR-497 was introduced early in the month and referred to the House Resources Committee. The regional office has approved the Conservation Trust to hold endowments and conservation easements, but still has to go to Sacramento office for final review and approval. Staff is working with IERCD on invasive grass management to test herbicides and are reviewing long term effects. This item was received and filed.

B. 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 68-72. The District held a field tour on January 26, 2017 in Santa Ana to view operations and water received by recent storms as well as imported water. In January there was around 230 AF/day; the District is recharging as much as it can. San Bernardino Flood Control District staff attended the tour as well as Susan Longville of Valley Municipal, Charles Roberts of Highland Community News, District Directors Longville and Harrison, and staff. The total recharge through January 31st is 9,687 AF. President Corneille requested an Operation Committee meeting and field tour. Mr. Cozad noted that updated Board Priorities are included in package on page 71. This item was received and filed.

C. CALPERS INFORMATION UPDATE

Mr. Cozad introduced this item noting the CalPERS circular letter on package page 73. This item was discussed and reviewed by Finance & Administration Committee. CalPERS reduced its discount rate and staff was asked by the Board to identify the effect on the District. Since the District paid off its unfunded liability its future rates will increase by 0.5%-3%.

D. ROBERTSON'S LEASE AGREEMENT VERBAL OVERVIEW

Mr. Cosgrove gave an overview of the Robertson's Lease (Lease). The Robertson's Lease Area is 240 acres in section 10 east of Inland Feeder Pipeline. The lease had an original 10 year term with four five year options. The District could terminate at the end of the third option making it either a 25 year lease or continuing with lease would make it a 30 year lease. Robertson's paid in 1992 a pre-paid royalty of \$5 million dollars to the District. The District has held that \$5 million in short term investment accounts because there is a possibility that the District would have to repay it if the Wash Plan is not completed. The \$5 million covers the first 12 million tons; 2 million tons per year approximately 6 years of excavated materials (approximately \$0.42/ton). The royalty rate adjusts after the first 12 million tons are excavated; it then changes to a per ton rate of \$0.50-\$0.55 a ton. The rate increased with CPI, but there is a cap on the CPI to prevent from increasing more than 10% per year. The Agreement has minimum annual guarantee rental provision after the first 12 million tons is excavated which requires Robertson's to pay the District \$1 million per year in royalties. It is credit against any actual excavation that occurs. Discussion ensued. Mr. Cosgrove reviewed 2003 amendment. If the Wash Plan did not go through the District would have had to refund the \$5 million. This item was received and filed.

E. FUTURE AGENDA ITEMS & STAFF TASKS

President Corneille requested a Field Tour and Operations Committee meeting, date to be determined. Director Longville noted that the State of the County and ACWA State Legislative Symposium are the same day as the next Board meeting which would be a conflict for those attending. Vice President McDonald proposed changing the Board meeting to March 15th. Discussion ensued regarding scheduling. It was the consensus of the Board to move the regularly scheduled March 8th Board meeting to March 15th at 9:00 a.m.

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

Director Harrison attended a meeting with the General Manager on January 12th and Valley Municipal Board Meeting on January 17th where they discussed GSC. He attended the San Bernardino Chamber on January 18th and January 25th, ASBCSD on January 23rd. Director Harrison also attended an ASBCSD Board meeting on January 27th, District Field Tour on January 26th, Loma Linda Chamber on February 1st and Valley Municipal Board Meeting on February 7th.

Director Raley attended the Redlands Chamber Installation Dinner on January 24th, Valley Municipal Board Meeting on January 17th and Redlands Rise N Shine on February 3rd.

President Corneille attended the MACA (Mentone Area Community Association) meeting on January 10th and Ad Hoc GSC Meeting on January 13th.

Vice President McDonald attended the Ad Hoc GSC Meeting on January 13th, District Field on January 26th, Highland Chamber Luncheon on January 24th, and Finance & Administration Committee on January 25th. She attended the BTAC on February 6th, Valley Municipal Board Meeting on February 7th, and ACWA/JPIA on February 6th.

Director Longville attended the Valley Municipal Board meeting on January 17th and District Field Tour on January 26th.

7. UPCOMING MEETINGS

President Corneille said that March 9th is the next Advisory Commission on Water Policy meeting at Valley Municipal. He requested that the 2017 Board Calendar be updated to reflect March 15th Board Meeting at 9:00 a.m. and March 23rd Strategic Planning Workshop at 10:30 a.m..

8. CLOSED SESSION

It was moved by Vice President McDonald and seconded by Director Harrison to adjourn to Closed Session. 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 Harrison: Yes**

General Counsel announced that the meeting will adjourn to closed session under all items posted on the published agenda.

At 4:34 p.m., the meeting reconvened into Open Session. Mr. Cosgrove noted pursuant to 54957.1 (a) (2) that the Board took no reportable action.

9. ADJOURN MEETING

It was moved by Director Raley and seconded by Director Longville 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 Harrison: Yes**

At 4:35 p.m. the meeting adjourned to the next regular Board Meeting March 15, 2017 at 9:00 a.m. at District Headquarters, 1630 W. Redlands Blvd., Redlands, CA.

Daniel B. Cozad
General Manager