



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
560 Magnolia Avenue, Beaumont, CA 92223
Board Member Nathan Douglass participated telephonically
From the Business Center at the Holiday Inn
300 "J" Street, Sacramento, Ca 95814
Wednesday, February 10th, 2016
Regular Session 7:00 p.m.**

Call to Order, President Cottrell

President Cottrell began the meeting at 7:02 p.m.

Pledge of Allegiance, Director Hoffman

Director Hoffman led the pledge.

Invocation, Director Covington

Director Covington led the invocation.

Roll Call

Present at the meeting were President Cottrell, Directors Covington, Hoffman, and Director Douglass via telephonically, Director Slawson was absent. Legal Counsel: James Markman. District Staff: General Manager: Eric Fraser, Director of Engineering: Dan Jagers, Director of Operations: Anthony Lara and Director of Finance and Administrative Services: Yolanda Rodriguez.

Public who registered their attendance were John Jeter, Calvin Louie, David Romberg, Steve Romberg, Steve Anderson, Mark Swanson, Fran Flanders, Lloyd White, Nancy Carroll, Benjamin Keller, Pam Lindgren, Judy Bingham, and David Duron.

Public Comment

There was no public comment.

ACTION ITEMS

1. Adjustments to the Agenda

There were no changes to the Agenda.

- 2. Consent Calendar:** All matters listed under the Consent Calendar are considered by the Board of Directors to be routine and will be enacted in one motion. There will be no discussion of these items prior to the time the Board considers the motion unless members of the Board, the administrative staff, or the public request specific items to be discussed and/or removed from the Consent Calendar.

- a. December 2015 Budget Variance Report Review** (pages 3-7)

- b. December 30th, 2015 Cash/Investment Balance Report** (page 8)
- c. January 2016 Check Register Review** (pages 9-24)
- d. January 2016 Invoices Pending Approval** (pages 25-27)
- e. Minutes of the Regular Meeting January 13th, 2016** (pages 28-30)

Director Covington requested item 2e be pulled for discussion. Director Covington motioned to approve items 2a through 2d of the Consent Calendar. The motion was seconded by President Cottrell and passed 4-0 by roll call: Director Covington - Aye; Director Hoffman - Aye; President Cottrell - Aye; Director Douglass - Aye; Director Slawson was absent.

Director Covington requested that item 2e, item 4a of the January 13th, 2016 minutes, be corrected to state he attended a meeting of the Beaumont Cherry Valley Recreation and Park District to discuss Bogart Park. President Cottrell motioned to approve the minutes as amended. The motion was approved 4-0 by roll call: Director Covington - Aye; Director Hoffman - Aye; President Cottrell - Aye; Director Douglass - Aye; Director Slawson was absent.

3. Presentation and Discussion of the San Gorgonio Pass Water Agency Capacity Fee.

General Manager Jeff Davis, of the San Gorgonio Pass Water Agency, shared a PowerPoint presentation on the SGPWA's proposed Capacity Fee and the SGPWA long term water supply plan for the region.

Some of the highlights Mr. Davis shared were the SGPWA's revenue plan which includes: creating a Capacity Fee on new construction sufficient to purchase available water and construct the Beaumont Avenue Recharge Facility (BARF), use a portion from water rates, use General tax revenue, and use contributions from reserves. He shared that the water would come from sources such as State Water Contractors, surface water/groundwater from public water agencies in the Central Valley, and from private entities such as farmers or other entities. He also discussed the plan for the water procurement process as well as the cost. He shared that the cost would be approximately \$6,000 per Acre Foot (AF), or \$6 million for 1,000 AF. Mr. Davis shared SGPWA's intent of creating cooperative agreements and went on to discuss what that cooperative agreement would look like. Mr. Davis stated that SGPWA's options include negotiating cooperative agreements with retail water agencies or land use planning agencies.

In conclusion Mr. Davis shared BGVWD's options could be to sign a cooperative agreement with SGPWA or, if BGVWD doesn't sign, then SGPWA would enter into a cooperative agreement with the City of Beaumont, but he stated his concern with this agreement would be that BGVWD would collect fees from the developers for the same thing. He concluded that the SGPWA's ultimate goal of the proposed fee is to ensure adequate long-term supplies for the region. He stated fees have been adopted by their Board, but such fees are typically collected by agencies such as BGVWD or a City entity.

General Manager Fraser had questions regarding the funding, capacity, reliability and the frequency usage of the proposed recharge facility. He asked if any alternatives were explored prior to making the decision of building an \$8.6 million facility that would only be used to recharge water during wet years such as when Article 21 water was available. He also asked for confirmation of the availability of Article 21 water, which he understands has historically only been available for two weeks to one month, every five years. Also he asked for

confirmation that the only infrastructure the Capacity Fee only pays for is the pipeline to the Beaumont Avenue Recharge Facility (BARF) and the BARF Recharge basins. Additionally General Manager Fraser stated the basis used for the justification to construct the BARF in the SGPWA "Findings Supporting the Adoption of Facility Capacity Fees" is inaccurate with respect to the need for recharge capacity identified in SGPWA's Urban Water Management Plan due to the omission of the total capacity of BCVWD's Noble Creek Recharge Phase I & II.

Mr. Davis shared that SGPWA did explore alternatives such as in-stream recharge and leasing capacity from BCVWD. He stated in 2010, he worked with BCVWD at the staff level, but the agreement never was finalized. Mr. Davis went on to explain what Article 21 Water is and that it is typically only available for short periods every few years during very wet periods when the State anticipates needing reservoir capacity for stormwater protection.

General Manager Fraser raised the questions of how the water determination calculation is being done since it appears to omit the reliability factor of State Project Water and should be nearly double (~1 AF per EDU) vs. what the Capacity Fee identifies (0.548 AF per EDU). He also questioned how does a retail water agency determine the amount of supplemental water needed? What assumptions do we have as it relates to the existing 17,300 acre feet of State Project Water allocated to the SGPWA? How much water do we assume we can get from SGPWA?

Mr. Davis responded by saying that General Manager Fraser is a smart guy and he will probably find a way to calculate the allocation. Mr. Davis shared that there are water agencies throughout California that are doing this. At this point Mr. Markman, BCVWD Legal Counsel, interjected and shared that possible exposure exists and issues will come up with how the existing entitlement is allocated. Mr. Davis made a suggestion that to stay ahead of the game on the demand curve, it's best to assume new development will need new supplemental water.

General Manager Fraser asked who gets the 17,300? What does he tell the customer?

Mr. Davis responded by saying to send them to his office, he will talk to them. Jeff Ferre, attorney for the SGPWA interjected and stated that SGPWA is not asking for BCVWD to be responsible for the liability, but is just asking to collect the fee. He assured the Board that an agreement will be created to have SGPWA take full responsibility in case of a lawsuit.

When asked by Mr. Davis how does BCVWD allocate fees for new water, General Manager Fraser explained that we subscribe to the allocation plan that was developed by many of the retail agencies and assume those allocations as a part of our Urban Water Management Plan. He explained at least we had something to work with. He shared that BCVWD purchases about 75-80% of the water delivered by the SGPWA every year, but assumes that at some point other agencies will utilize a portion of that water and therefore he has to be proactive to make sure plenty of water is available to meet demand.

Public Comment on the Item:

Ms. Luwana Ryan expressed her confusion on this proposition and said it would probably slow down building.

Joe Zoba, General Manager of Yucaipa Valley Water District (YVWD), expressed he was pleased there was dialogue between BCVWD and SGPWA. He proposed in an effort towards a solution on the capacity fees, that YVWD assuming the \$6,000 per AF, would commit \$12,000,000 for 2,000 AF, to jump start and move forward with a solution, YVWD would take care of the financing and asked if that would be something the agencies would be interested in.

President Cottrell responded and stated the Board will take that in consideration.

- 4. Consideration of Request for Update of Will Serve Letter for Previously Approved Development – Tract 27971 (Parcel Map 34880)**** (pages 31-54)
General Manager Fraser provided an overview of the request for an update of the "Will Serve Letter". He shared the applicant has made significant investment in the property and has a buyer.

Public Comment on Item:

Ms. Judy Bingham expressed her concerns regarding Heartland Area 5 and the bond debt attached to the property.

Ms. Luwana Ryan shared her concerns regarding the expiration of the Will Serve Letter, and recommended that due to the drought it was better to refund the monies the developer has invested rather than approve the Update of Will Serve Letter.

Doctor Blair Ball shared his concerns regarding the current drought, DWR regulations and the District's availability to serve the developer's project. He suggested item be tabled and the General Manager request additional information to ensure all information on the water requirements for the project are provided.

Ms. Lisa Gordon, applicant for the project, made herself available for any questions.

After discussion, Director Hoffman motioned to have the item tabled for a future discussion after additional information has been provided. The motion was seconded by Director Douglass and passed 3-1 by roll call: Director Hoffman - Aye; President Cottrell – Aye; Director Douglass – Aye; Director Covington-Nay; Director Slawson was absent.

- 5. Update on State of California Department of Water Resource Emergency Drought Regulations – Oral Report****(pages 55-78)

Director of Operations Lara provided an update on the drought conditions and the status of the Emergency Conservation Regulations. He shared that the State Water Board extended the emergency regulation to continue until October 2016. He shared that in December BCVWD's conservation efforts were at 18%, and reminded the Board due to the cooler weather it is getting more and more difficult to meet our 36% water use restriction. Director Lara shared that the State's overall statewide water conservation rate was at approximately 25%. He shared that the State will re-assess the current conditions in April to see if any adjustments need to be made based on weather conditions.

Director Cottrell commended General Manager Fraser for the letter he wrote to the State Water Board and asked if there was any response from the State, to which General Manager Fraser shared there was no response.

6. Consider Resolution 2016-02: Supporting Changes to the Governance Structure of the San Geronio Pass Water Agency to Improve the Efficiency and Effectiveness of the Organization (pages 79-84)**

Public Comment on the Item:

Mr. John Jeter, President of the SGPWA, shared his knowledge of the past agreements between SGPWA and BCVWD. He shared his concerns regarding how the SGPWA is being viewed by the public.

Mr. Steve Anderson, Attorney for the Cabazon Water District, shared Cabazon's concerns regarding possible re-governance of the SGPWA Board, and asked BCVWD's Board to follow suit as Yucaipa Valley Water District Board and delay a decision for 60 days so a series of meetings with elected officials may take place and address all issues. He explained that Cabazon Water District's concerns in restructuring the governance derives from as it stands currently in which the SGPWA is a regional agency making regional decisions for the entire region, not just the elected representatives from different Districts.

Mr. Steve Romberg, representative for Banning Heights Mutual Water Co, stated they do not support Resolution 2016-02 because it would be taxation without representation.

Mr. David Fenn, Director of SGPWA, shared that he does not support Resolution 2016-02 because it would be taxation without representation. He recommended the Board reject the Resolution and continue working together.

Dr. Blair Ball, Director of SGPWA, shared SGPWA's plan to seek legislative action to eliminate the Directors at Large. This would reduce the Board of Directors members from seven to five, Dr. Ball stated that SGPWA is taking this action to create savings. Dr. Ball shared his opposition to adopt Resolution 2016-02, for several reasons, one being taxation without representation. Dr. Ball recommended the Board reject Resolution 2016-02 and encourage the Board to have BCVWD's General Manager Fraser write a letter to Senator Morrell in support of SGPWA's Board reduction from seven to five.

Ms. Julie Hutchinson, President of Banning Heights Mutual Water Co. Board of Directors, shared their Board does not support this resolution. She states the Resolution divides people instead bringing people together and recommended the Board rejects Resolution 2016-02.

Mr. John Halliwill, Beaumont resident, stated he did not support Resolution 2016-02 because there will not be an adequate representation of the community.

After discussion, Director Covington motioned to table Resolution 2016-02 and recommended that BCVWD create an Ad Hoc committee of two Board representatives to meet with other elected officials from other agencies regarding policy issues described in the staff report. Director Hoffman seconded the motion and pass 4-0 by roll call: Director Covington - Aye; Director Hoffman - Aye; President Cottrell - Aye; Director Douglass - Aye; Director Slawson was absent.

7. Reports For Discussion

a. Ad Hoc Committees

No reports were made.

b. General Manager

No reports were made.

c. Directors Reports

No reports were made.

d. Legal Counsel Report

No reports were made.

8. Announcements

- District Offices will be closed on February 15th, 2016 in observance of President's Day.
- Finance & Audit Committee meeting, March 3rd, 2016 at 3:00 p.m.
- Regular Board meeting, March 9th, 2016 at 7:00 p.m.

President Cottrell made the announcements above.

9. Action List for Future Meetings

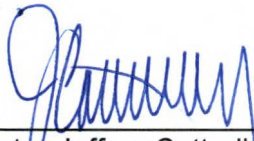
- Solar System Update
- Grand Avenue Storm Water Capture Project
- Proposition 1 Bond Opportunities
- Sustainable Groundwater Management Act: BCVWD impact

President Cottrell made the announcements above.

10. Adjournment

President Cottrell adjourned the meeting at 10:00 p.m.

Attest:



Director Jeffrey Cottrell, President
to the Board of Directors of the
Beaumont-Cherry Valley Water District



Director Daniel Sawson, Secretary to
the Board of Directors of the
Beaumont-Cherry Valley Water District

** Information included in the agenda packet