Call to Order: President Covington

President Covington began the meeting at 6:14 p.m.

Roll Call:

<table>
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<th>Directors present:</th>
<th>Directors Covington, Ramirez, Slawson</th>
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<td>Directors absent:</td>
<td>Hoffman (one vacancy)</td>
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<td>Staff present:</td>
<td>General Manager Dan Jaggers, Director of Finance and Administrative Services Yolanda Rodriguez, Senior Finance and Administrative Analyst William Clayton; Assistant Director of Operations James Bean, Senior Engineer Mark Swanson, Administrative Assistant Erica Gonzales</td>
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Members of the public who registered their attendance: Fran Flanders, David Castaldo, Steve Lehonten, Lona Williams, Blair Ball.

Public Comment: Ms. Fran Flanders said she did not understand the need to pay for a public relations consultant. She told the Board that few seem to care about the Sites Reservoir, and folks she knows do not seem to want to know about the huge price of future water. They comment on the houses being built and lack of water, but only care when their bill increases. She suggested that few would care about the 100-year history of the water district. She requested the Board consider the value and asked the Board to be specific about job duties and costs.

ACTION ITEMS

1. Consideration of Options for Filling the Division 2 Vacancy on the Board of Directors per Government Code Section 1780

Administrative Assistant Erica Gonzales reported that the Riverside County Registrar of Voters has been notified of the vacancy and the Board must appoint a Board member within 60 days of the August 9 resignation, as there is no time to call a special election. If the Board takes no action, the Board of Supervisors will make an appointment.

Director Ramirez indicated support for appointment of a member. Director Slawson confirmed that the 60-day deadline is Oct. 8. Ms. Gonzales noted the vacancy must be advertised. General Manager Jaggers noted that there is a candidate on the ballot for the Division 2 seat who may be interested in applying for the vacancy.

Director Slawson suggested posting the vacancy as required, but not advertising.

*The Board approved filling the vacancy by appointment, authorized the General Manager to notify the County Registrar of Voters of the determination, and directed...*
staff to post the Notice of Vacancy on or before August 28, 2018 by the following vote:

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<td>Slawson</td>
<td>Ramirez</td>
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AYES: Covington, Ramirez, Slawson
NOES: None.
ABSTAIN: None.
ABSENT: Hoffman

2. Consideration of Proposed Changes to the District’s Conflict of Interest Code and Approval of Notice of Intent and 45-day Comment Period

Director of Finance and Administrative Services Yolanda Rodriguez advised the Board that two new positions approved in the last budget, the Assistant Director of Operations and the Senior Engineer must be added to the District’s Conflict of Interest Code. General Manager Jaggers added this is a housekeeping item to include the positions on the list of those that must prepare certain documents.

President Covington asked about previous updates. Ms. Rodriguez indicated the last update was in 2016, the last Board approval was in 2010.

The Board approved the Notice of Intent and conduct of a 45-day comment period regarding the proposed changes to the District’s Conflict of Interest Code by the following vote:

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<td>Ramirez</td>
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AYES: Covington, Ramirez, Slawson
NOES: None.
ABSTAIN: None.
ABSENT: Hoffman

3. Consideration of Utilization of a Public Relations Consultant

Mr. Jaggers acknowledged the public comment by Ms. Flanders. He explained that the District has a number of significant activities happening, including recycled water, area water supply, and the District’s centennial celebration. Although the District has done a lot to get the word out about what is coming, Mr. Jaggers said he believes it is time to consider an even more proactive approach.

President Covington indicated agreement and stressed communication with the District’s customers. He noted the ongoing capital improvements and the potential for a rate increase as messages that must be delivered. Staff has worked to get the information out, including on social media, but the District is still short-staffed. President Covington requested a scope of work and subsequent proposal. He said it is important for the public to understand what is being done and that the District is a good steward of their money. When the District goes to the public and asks for more, it takes an effective communication plan.

Director Slawson indicated that both Ms. Flanders and President Covington made some good points. Other Districts have public relations people who seem expensive, and he would like to see a more detailed outline. He said he could see the importance.
Director Ramirez said he sees this as a positive for the District. He said outreach and education are important and suggested also taking a water conservation message to the schools and suggested an award of some type. Director Ramirez indicated he is against hiring additional staff but supported using an outside firm as a more cost effective effort, and suggested moving forward.

President Covington directed staff to prepare a scope of work and determine a not-to-exceed amount.

4. Update: Sites Reservoir Project

General Manager Jaggers advised that the District must make some significant decisions in the near future to participate in the Sites Reservoir project. Some considerations are whether it can be funded with tax-based strategies or if it must be funded on a rate-based strategy.

The District’s replenishment needs were 8,800 acre feet last year. The District purchased an additional 1,000 AF for banking, and additional water for conjunctive use. Also, growth projections and associated water supply needs are reviewed based on White Paper No. 6 projections.

With increased pumping in Edgar Canyon, Mr. Jaggers explained, these needs will decline. The addition of recycled water in 2020 or 2021, potential stormwater capture and mining in San Timoteo Canyon will also create reduction in need of 1,900 to 2,100 acre feet over the next four to five years. Without banking, and considering these activities, the District’s replenishment needs hold steady or actually decline.

When the San Gorgonio Pass Water Agency (SGPWA) did their capacity fee study a couple of years ago, it did not register the Sites Reservoir, or the California Water Fix as long-term water supplies. There is a new horizon, which provides significant water supply and has different funding strategies, Mr. Jaggers explained.

President Covington requested clarification. Mr. Jaggers explained drought-proof water banking: adding water in storage beyond the actual need. He reminded the Board that money was taken from reserves to purchase additional water and banking needs have been met for the next few years. He indicated that buying water at the current rate is desirable, as the upcoming SGPWA rate study is believed to indicate a significant rate increase, up to $500 per AF from the current price of $317. This translates to a 150 percent increase to the District’s pass-through number: from 46 cents to 70 - 80 cents.

Before the California Water Fix or Sites Reservoir were on the horizon, BCVWD advised the SGPWA that additional water supplies would need to be secured. The SGPWA obtained the Nickel Water deal, which must be paid without State Water Project debt service tax funding and creates a hardship for the District. The Sites Reservoir may or may not be able to be paid with the debt service taxes. The Pass Agency is working on additional water transfers. Currently the SGPWA billing from the Department of Water Resources is about $22 million per year, and collects about $27 million in debt service tax activities so puts approximately $5 million in reserves for future funding.
The BCVWD will have to decide to move forward with the Sites Reservoir by January 1, which will mean a $2.1 or $2.2 million per year commitment for the next 30 years or so. Staff is examining how this will affect water rates to the District and other agencies in the region who participate in purchasing SGPWA water.

5. Presentation of Funding Strategies for New and Existing Regional Water Supplies - White Paper No. 7

Mr. Jaggers drew attention to the White Paper, which includes a significant calculator. Many things the SGPWA is working on will create cost to the District. The District must participate in upcoming workshops of the SGPWA. The District must have a very clear vision to move forward with the Sites Reservoir.

The White Paper identifies a number of water sources available. Without the California Water Fix, existing Table A water is expected to degrade in the future due to global warming and environmental constraints. Mr. Jaggers pointed out the table, which sums up the current and anticipated water deals to show the state of the water supply moving forward, and explained the several sources. With funding and various other constraints, Mr. Jaggers explained the actual SGPWA long-term imported water availability would be 24,900 to 35,880 AF per year. If the Sites Reservoir and the California Water Fix do not happen, those numbers decline.

Mr. Jaggers expressed hope for all agencies working together and stated the agencies are doing a good job of basin management.

Mr. Jaggers pointed out that the California Water Fix and the Sites Reservoir represent a $350 to $450 million commitment to the region over 30 to 40 years, should those projects move forward. In addition, the local region will have paid approximately $660 million for the East Branch Extension of the State Water Project.

If other agencies in the region do not participate, the costs to the BCVWD will increase, Mr. Jaggers explained. Rates will increase, BCWVD customers will conserve, total sales will go down and rates will not be recovered by the SGPWA, and the District will not be able to manage with the reduced revenue. It is important to understand.

President Covington pointed out potential local water supplies and those to which the SGPWA has already committed, noting that to eliminate the Sites Reservoir is 9,000 AF per year. If BCVWD could be the only buyer of this water, and if the need goes down due to development of local supplies, the District cannot mislead the SGPWA in buying these large amounts of water, which may not have buyers.

Mr. Jaggers explained that prior to the last couple of years the BCVWD was not considering supply from Sites Reservoir or the California Water Fix. These projects, although moving forward, still may not happen. There will be challenges to overcome, and this dilemma period will last two to four years before certainty. This area needs water right now, because the District cannot miss the boat in the short term and must make the best decision for the near term and secure the opportunities in the long term. This region will need water; it is shortsighted to think the area will not continue to fill in with development out to 100 years from now. In the southwest, water is a commodity that needs to be secured when available and these two projects are the last two of their kind for the near future.
President Covington noted this is a proactive approach, forecasting this with the SGPWA; the BCWVD is the largest purchaser of imported water. Mr. Jaggers warned that as the SGPWA raises rates, there is no mechanism to pass the rate along to the constituents without a rate study.

Director Ramirez asked about the current assessment on property tax bills for the debt service for SGPWA. Mr. Jaggers confirmed the average house contributes $600 per year to State Water Project (SWP) debt service. Director Ramirez suggested that some might say there is already a lot being spent; now due to increases from SGPWA there are potential increases to the customer.

Mr. Jaggers emphasized the need to create a regional plan for funding. He pointed out the uncertainty about large future projects and the need for supply, and that the higher cost of water will cause everyone to take a new look and reach a holistic understanding of the region’s needs. He pointed to White Paper #1, which identified that in 2040, using the Urban Water Management Plans of the area agencies, the SGPWA projected a water need of 27,696 AF. Of that, 5,000 AF was from other activity, not currently purchasing water. In addition, it was based on 30,000 to 40,000 homes and it is uncertain if that will be the case. BCWVD actual demands are declining; the 2015 numbers in the UWMP will likely be revised lower in 2020. Mandatory conservation will draw the numbers even lower.

The overall trend in California has always been an increase in property value but can be affected by recession, so conservative projections were used in the White Papers. The best funding source for new supply is tax-based, as the new houses are funding that as they come in. Existing residences are not paying for water supply entirely; new development is paying quite a bit due to the higher tax base.

General Manager Jaggers continued. He reminded the Board about information in prior White Papers and reviewed funding options for the Sites Reservoir and explained Figure 3 in the White Paper #7, SGPWA Imported Water Supply vs Actual Projected Demand. In response to President Covington, Mr. Jaggers noted the BCWVD storage account is limited to 80,000 AF. Currently, the District has approximately 32,700 and expects to put another 3,500 to 4,000 AF in storage.

Mr. Jaggers explained water rates with funding for Sites, and without. He pointed out there is not a large base to spread the cost, as this is a rate to existing people. If it cannot be funded with tax base, it is funded through rates: however, the group does not change, but the size of the pie to be divided becomes larger. If no one else buys water, BCWVD will be paying it all. It is expected that the Department of Water Resources will make a decision as to whether Sites water can be funded through SWP debt service before the bigger decision must be made. However, it may not hold true based on any environmental challenges. If it cannot go onto taxes, it presents a significant problem.

BCWVD could absorb its 4,000 AF, but it may increase rates by about $7 per month per connection.

Mr. Jaggers stated that the goal in the next few months is to continue to refine information and make the Board comfortable by doing the work and answering any questions. He explained the content of the spreadsheet used to provide the information.
6. **Consideration of BCVWD 2019 Water Order Quantity from the San Gorgonio Pass Water Agency**

Mr. Jaggers explained this year’s water order is due. Last year, the District ordered 9,600 AF of replenishment and 6,123 of additional supply. Historically, the District has bought additional supply to get water into storage. Available this year is 17,464 AF. President Covington asked if there was a staff recommendation. Mr. Jaggers noted there is uncertainty based on availability of SWP water. As much as 20,000 AF may be available if it is a wet year; equating to a cost of $6,340,000. He noted it is a "blind order," as it is unknown how much will ultimately be available.

President Covington suggested bringing a draft letter with order quantity to the Sept. 12 meeting.

7. **Discussion of Existing District Rate Study and Consideration of Future Required Rate Study**

General Manager Jaggers indicated this is to keep the item on the radar. BCVWD will have to do a rate study in order to adjust the pass-through component to collect any increased rate of the SGPWA. The District cannot by law increase the pass through, as the current rate study expired. It is at the point where there should be an RFP for a rate consultant.

President Covington asked if this would include a facilities fees study. Mr. Jaggers noted there is a facilities fees study contract already out; however, the facility fees component is being held up by the capacity fees component. It cannot be finished until some components of the recycled water are worked out with the City.

Mr. Jaggers recommended soliciting for a rate study consultant, consolidating the components and moving forward. Director Ramirez suggested proceeding and bringing it back to the Board. Director Slawson agreed it must go forward.

Mr. Jaggers said he expects the process to take four to six months.

8. **Discussion of Facilities Fees Payment Schedule**

Mr. Jaggers indicated this item stems from questions from the Board regarding collection of facilities fees. Currently, the District collects at the front end of the development as do most other agencies. The idea is to collect in advance in order to build needed wells, reservoirs, and help fund future facilities. In the last economic downturn, facilities fees were paid but the District is still trying to close some of those projects out. Agreements must be structured to allow an opportunity to go back and collect.

President Covington noted Option 4 in the staff report might be the path forward. Mr. Jaggers agreed. It would allow renegotiation of the contract with the current fees and offer the ability to pick up anything that is new. President Covington suggested that if some developments paid fees 20 years ago and then go to build today; those dollars are not of the same value and the District is picking up the shortfall.

Mr. Jaggers indicated this would be vetted with legal counsel.
9. Discussion of Application for Water Service for Riverside County Assessor’s Parcel Nos. 401-190-035, 401-190-034 and 401-190-033 located on Nonie Court in the Community of Cherry Valley

General Manager Jaggers explained that a subdivision of four parcels was created in the 1980s. In the early to mid-2000s, the District was approached to service the properties and an agreement was reached to extend the water main. The District plan-checked the main but thereafter the project went defunct. A new owner has purchased three properties and wants to build one house.

Mr. Jaggers explained the options. President Covington indicated he would like to see options. He indicated that the District must take the opportunity to clean up facilities on the mesa whenever possible. He asked staff to look at the section of the mesa holistically and bring back at least two recommendations including some District participation, and potentially other landowners being responsible. Directors Ramirez and Slawson concurred.

10. Discussion of Proposed Well Rehabilitation Projects – Wells 4A, 10, and 18

Mr. Jaggers advised that with the activities related to increased cost of water supply, staff has been restoring capacity of the Edgar Canyon wells. One well has the potential for production of up to 450 AF per year. Staff believes it is important to get started on that work. The plan is to send an RFP for the well rehabilitation work on these last three wells to get the supply that does not have to be replenished with imported water.

President Covington asked about funding; Mr. Jaggers indicated these are capital replacement reserves projects.

11. Update: Status of District Wells, Capital Improvements, and Engineering Projects

Mr. Jaggers drew attention to the staff report. There were no questions.

12. Update: Legislative Action and Issues Affecting BCVWD

Mr. Jaggers noted this is a running list. There were no questions.

13. General Manager’s Report

General Manager Jaggers advised of a line break and water loss in Edgar Canyon.

At 7:54 p.m., due to loss of quorum, the meeting was effectively adjourned.

[Signature]
Director John Covington, President
to the Board of Directors of the
Beaumont-Cherry Valley Water District

[Signature]
Director Daniel Slawson, Secretary
to the Board of Directors of the
Beaumont-Cherry Valley Water District