



**Beaumont-Cherry Valley Water District
Regular Board Meeting
April 8, 2020**

Emergency
Item

STAFF REPORT

TO: Board of Directors

FROM: Dan Jagers, General Manager

SUBJECT: **San Gorgonio Pass Water Agency's April 6, 2020 Discussion regarding a Possible Temporary Rate Reduction**

Staff Recommendation

Consider preparation of a letter to the San Gorgonio Pass Water Agency (SGPWA) identifying a commitment by Beaumont-Cherry Valley Water District (BCVWD) to pass through any associated savings due to a temporary (or possibly permanent) water rate reduction provided by the San Gorgonio Pass Water Agency (SGPWA) to the local area water retailers as follows:

Option 1:

Set forth commitment by BCVWD to pass through any temporary water rate reduction offered by the SGPWA and clearly identify the proposed BCVWD rate structure necessary to pass through any proposed savings generated by a proposed SGPWA Temporary Rate reduction to BCVWD customers.

and/or

Option 2

Set forth BCVWD's desire to set a holistic rate for 2020 moving forward that would include rate credit opportunities collected in 2019 by the SGPWA while also considering wholesale water rate recovery needs of the SGPWA for 2020. The intent of this item would provide the SGPWA an opportunity to establish an updated water rate for 2020 based upon final water delivery projections and associated income and expenditure projections.

Background

At the April 6, 2020 Regular Board of Directors Meeting of the SGPWA the Agenda included Item 6. New Business (Discussion Only), A. Discussion of Possible Temporary Rate Reduction. This Item was subsequently changed to Discussion and Possible Action by a Vote of 4 to 3 of the Board of Directors.

No Staff Report regarding this item was included nor handed out by the SGPWA. However the topic of discussion at the meeting included discussion of a possible temporary wholesale water rate reduction in the imported water rate in order to provide some economic relief to the SGPWA constituents.

Several factors of concern were identified by the SGPWA Board Members related to any proposed temporary rate reduction which might be considered, including the following items:

1. Establishment of a time limit of Water Delivery
2. Establishment of a limit on the amount of AF that might be delivered during the reduced rate period,
3. And a desire by the SGPWA's Board to ensure that any possible temporary wholesale water rate reduction considered by the SGPWA would be passed along by



the various Retail Water Agencies currently asking for water deliveries in 2020. This and the requirement of retailers to pass the savings on to their customers.

It should be noted that BCVWD General Manager Jagers made an initial comment identifying that BCVWD was appreciative of the SGPWA Board of Directors considering this item, however no further comment was allowed by the SGPWA while actual discussion of this item was taking place.

Specifically, it was identified at the actual time of discussion by the SGPWA Board President that *“this is a discussion item for the Board only, there will be no public comments on this so if you have comments, you can put them in a letter and send them to the Board.”*

Based upon this fact and the need to possibly provide a written response offering any commitment by the BCVWD Board of Directors, Staff has recommended this item be added as an Emergency Item to the April 8, 2020 Board Meeting.

Background

On April 15, 2019 the SGPWA adopted Resolution 2019-02 setting a Water Rate, which increased the price of imported water from \$317 per acre-foot (AF) to \$399 per AF. On February 27, 2020 BCVWD adopted Resolution 2020-04 amending Part 5 of the Rules and Regulations for Water Service and adjusting BCVWD’s water rates. This adjustment included the pass-through rate charged to customers by BCVWD to pay for the imported water purchased from SGPWA.

On March 13, 2020, the President of the United States declared a national emergency due to the COVID-19 novel coronavirus outbreak. Subsequently, in order to slow the spread of COVID-19, the Governor of California issued Executive Order N-33-20 on March 19, 2020 ordering all Californians to shelter in place except for essential activities.

At the March 16, 2020 Regular Board of Directors Meeting of the SGPWA, BCVWD’s General Manager Jagers identified the following (per the SGPWA’s Approved March 16, 2020 Meeting Minutes):

Dan Jagers (General Manager – BCVWD) expressed concern about the ongoing COVID-19 state of emergency and its impact on the economy. He asked that if the Board was going to make any decision on the water rate to do it soon, so he knows what to pass through to his customers. He asked the Board to have General Manager Davis correspond with him on this issue.

At that meeting, Mr. Jagers further identified that per BCVWD Staff review of information provided by the SGPWA in their Board of Directors Meeting of February 18, 2020, *Item 6. New Business, B. Review of Costs and Revenues Related to 2019 and 2020 Water Deliveries*; it appears that the SGPWA achieved more revenue than was anticipated by the new water rate established by Resolution 2019-02 of \$399 perAF.

Additionally, on March 24, 2020 BCVWD General Manager requested that the SGPWA suspend imported water deliveries to BCVWD’s Noble Creek Recharge Facility in order to limit BCVWD Staff exposure to work activities deemed non-critical (at least in the short term) by BCVWD Management due to on-going COVID-19 concerns. That correspondence further identified that BCVWD Management would reassess this suspension in mid-April and coordinate with SGPWA at that time to determine if restoring deliveries would be desired by BCVWD or if further delivery suspension would be desired by BCVWD.



Based upon current Riverside County COVID-19 statistics, Management identifies that a continuation of water deliveries suspension should be considered until at least April 30, 2020.

At this time, BCVWD Staff would further request that SGPWA Board and Staff consider evaluating in depth actual revenues generated by the Resolution 2019-02 Rate Structure and desires necessary to determine a clear path forward for the next year or so.

This activity would ensure that the actual activity desired by the SGPWA Board is passed through to retailers and ultimately the end user and assist in alleviating some of the economic hardship felt by the COVID-19 Pandemic.

Fiscal Impact

The Fiscal impact is undetermined at this time

Attachment(s)

- A. SGPWA Resolution 2019-10
- B. SGPWA Board of Directors Agenda for February 18, 2020 and Staff Report for Item 6.B. (with BCVWD highlights shown in Red)

SGPWA

Staff Report prepared by Dan Jagers, General Manager

RESOLUTION NO. 2019-02

**A RESOLUTION OF THE
SAN GORGONIO PASS WATER AGENCY
ADOPTING AN INCREASED RATE FOR
WHOLESALE WATER DELIVERY**

WHEREAS, the San Gorgonio Pass Water Agency (“Agency”) is a wholesale water agency formed under the San Gorgonio Pass Water Agency Law set forth in Water Code Appendix 101 (“Act”);

WHEREAS, the Agency entered into a contract with the California Department of Water Resources (“DWR”) in 1962 for a Table A amount of water capacity in the California State Water Project (“SWP”) which is currently 17,300 acre feet per year (“AFY”) to bring supplemental water to the Agency’s service area; and

WHEREAS, Section 16(7) of the Act provides that the Agency Board of Directors (“Board”) has the power to fix the rates at which water will be sold; and

WHEREAS, Section 25 of the Act provides that the Board, so far as practicable, shall fix a rate or rates for water in the Agency as will result in revenues which will pay the operating expenses of the Agency, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due; and

WHEREAS, the Agency has adopted Rules And Regulations For SGPWA Water Service (“Rules and Regulations”) which set forth the terms and conditions by which retail water purveyors (“Purchasers”) may apply for service, connect to the Agency system, and receive delivery of water. Section 4.01 of the Rules and Regulations provides that the Agency shall establish and charge rates for delivery of water sufficient to cover the Agency’s variable costs for delivery of water, internal Agency costs, and other amounts as determined by the Board which are reasonably related to the cost of delivery; and

WHEREAS, the current rate charged to Purchasers for wholesale water deliveries (“Water Rate”) is \$317 per acre foot (“AF”) which was set in February of 2009. Over the past 10 years, the costs of water delivery have increased including, but not limited to, costs related to the following:

- (a) Salary overhead for operations (50%) and non-operations staff (5%);
- (b) Pass through costs for operation and maintenance of the East Branch Extension;
- (c) DWR Variable Charge - power costs to convey water through the SWP;
- (d) Yuba Water - obtained through the SWP under the “Yuba Accord;”
- (e) Chemical costs for water quality purposes as imposed by DWR; and
- (f) Nikel Water obtained from Antelope Valley-East Kern Water Agency (“AVEK”);

WHEREAS, since the Water Rate has not been increased since 2009, there is a need to adopt a multi-year rate structure in order to begin to cover water delivery costs which have out-paced the current Water Rate of \$317 per AF. However, in a series of public rate workshops/meetings involving the public, residents and Purchasers, the Board has received a

number of comments, suggestions, and objections to proposals for a multi-year, or one-time, increase in the Water Rate; and

WHEREAS, due to the need to begin to cover the escalating costs of water delivery, the Board desires to adopt this Resolution in order to adopt an increase in the Water Rate. The proposed Water Rate increase will only cover a portion of the increased costs described in this Resolution. It is the goal of the Board to then continue to consider additional or multi-year rate increases in the future in order to have a Water Rate for the delivery of water which is sufficient to cover the Agency's variable costs for delivery of water, internal Agency costs and other amounts as determined by the Board which are reasonably related to the cost of delivery; and

WHEREAS, in accordance with the California Environmental Quality Act ("CEQA") and the CEQA Guidelines, Agency staff has determined that the increases in water service fees are exempt from CEQA pursuant to Section 15378 and Section 15273 of the CEQA Guidelines and Public Resources Code section 21080(b)(8) because: (i) the increased fees are for the purpose of meeting operational and maintenance expenses of the aforementioned services; and (ii) the fees constitute the creation of a funding mechanism/other governmental fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AS FOLLOWS:

1. Incorporation Of Recitals All of the foregoing Recitals are true and correct based on current information and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

2. Increased Water Rate The Water Rate is hereby increased from \$317 per AF to \$399 per AF. This increased Water Rate shall be effective as of April 1, 2019.

3. Application Of Increased Water Rate To Deliveries The increased Water Rate shall be applied to water deliveries made on or after April 1, 2019 for which Purchasers have not already made payment. The increased Water Rate, and its effective date, shall be applied pursuant to the procedures and timing in the Rules and Regulations for orders, billing, payment and delivery. Nothing in this Resolution shall be deemed to provide a Purchaser with the right to change or otherwise alter its orders, billing, payment or deliveries with the goal of obtaining water deliveries at the previous Water Rate amount.

4. Authority Of The General Manager The General Manager is hereby authorized and directed to take all actions necessary to effectuate and implement the increased Water Rate.

5. Increased Water Rate Does Not Exceed Agency's Costs For Water Delivery The Board hereby determines that the increased Water Rate does not exceed the Agency's costs which are reasonably related to the delivery of water. The Board hereby makes that determination based on evidence presented to the Board in the form of: (a) the Staff Report and analysis provided during the meeting where this Resolution was considered; and (b) Staff Reports, presentations, and other documents and analysis provided at a number of previous meetings and workshops.

6. Costs To Be Funded By The Increased Water Rate The amount of the increased Water Rate does not exceed the cost of water delivery and in fact, will not fund all of the costs of water delivery. Specifically, only the following costs, and only to a certain extent, will be funded by the increased Water Rate of \$399 per AF:

- (a) Salary overhead for operations (50%) and non-operations staff (5%);
- (b) Pass through costs for operation and maintenance of the East Branch Extension;
- (c) DWR Variable Charge - power costs to convey water through the SWP;
- (d) Yuba Water - obtained through the SWP under the "Yuba Accord;"
- (e) Chemical costs for water quality purposes as imposed by DWR; and
- (f) 50% of cost for Nikel Water obtained from AVEK in 2018.

7. Authority To Adopt New Water Rate In The Future The Board intends to continue to review the Water Rate and may adopt a new, adjusted or increased Water Rate at any time within its discretion.

8. CEQA The Board is adopting the wholesale water rate herein to meet the Agency's operating expenses. Therefore, the Board finds and determines, based upon substantial evidence, that the establishment of the wholesale water rate is exempt from CEQA, pursuant to Section 21080(b)(8) of the Public Resources Code and Section 15273(a) of the State CEQA Guidelines because the establishment of water rates is for the purpose of meeting operating expenses and purchasing materials (e.g., water).

9. Controlling Effect - All ordinances, resolutions, minute orders, or administrative actions by the Board, or parts thereof, that are inconsistent with any provision of this Resolution are hereby superseded only to the extent of such inconsistency.

10. Effective Date - The President of the Board shall sign this Resolution and the Secretary of the Board shall attest thereto, and this Resolution shall be in full force and effect immediately upon adoption.

11. Severability - If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

ADOPTED AND APPROVED this 15th day of April, 2019.



President, Board of Directors
San Geronio Pass Water Agency

ATTEST:



Secretary, Board of Directors
San Geronio Pass Water Agency

**SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
February 18, 2020 at 1:30 p.m.**

- 1. Call to Order, Flag Salute, Invocation and Roll Call**
- 2. Adoption and Adjustment of Agenda**
- 3. Public Comment:** Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary. Speakers are requested to keep their comments to no more than five minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up.
- 4. Consent Calendar:** If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.
 - A. Approval of the Minutes of the Regular Board Meeting, February 3, 2020* (p. 3)
 - B. Approval of the Minutes of the Engineering Workshop, February 10, 2020* (p. 7)
- 5. Reports:**
 - A. General Manager's Report
 - B. General Counsel Report
 - C. Directors Reports
 - D. Committee Reports
- 6. New Business:**
 - A. Consideration of Sponsorship of 2020 Inland Solar Challenge* (p. 9)
 - B. Review of Costs and Revenue Related to 2019 and 2020 Water Deliveries* (p. 20)
- 7. Topics for Future Agendas**
- 8. Announcements:**
 - A. Finance & Budget Workshop, February 24, 2020 at 1:30 p.m.
 - B. Regular Board Meeting, March 2, 2020 at 1:30 p.m.
 - C. Engineering Workshop, March 9, 2020 at 1:30 p.m.
- 9. Closed Session (2 Items)**
 - A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) and initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code Section 54956.9
One potential case
 - B. PUBLIC EMPLOYEE APPOINTMENT –
Pursuant to Government Code Section 54957
Title: Executive Recruitment Firm/Recruiter
- 10. Adjournment**

Pending Agenda Items:

<i>Request</i>	<i>Requester</i>	<i>Date of Request</i>	<i>Tentative Meeting Date Agenda</i>
Updated/revised calculations on new rate	Ball	11/18/2019	02/03/2020
Final costs of: Fiesta Recharge; Noble Creek Connection & Temp Connection; Mtn. View Connection	Thompson	12/02/2019	02/03/2020 or 02/17/2020

***Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: www.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Review of Costs and Revenues for 2019 Water Deliveries and Projections for 2020

DATE: February 18, 2020

Summary:

Each year, staff reviews the revenues and costs associated with water delivery the previous year. The purpose of this information item is to review the costs and revenues related to water deliveries in 2019, and to make projections for the same in 2020. Two tables included in the agenda package summarize this financial data.

Background:

On April 15, 2019, the Agency Board of Directors adopted a new water rate, the first increase in ten years. That rate went into effect May 1, 2019. In adopting the new rate, the Board attempted to recover costs for water operations, a small amount of overhead, funds to purchase Yuba water, DWR variable power costs, and one-half the cost of the Agency's Nickel water for the year. The Board, in adopting this rate, agreed to pick up one half of the Nickel water cost, or nearly \$1 million, from Agency reserves.

Detailed Report:

The attached table for 2019 shows that the Agency did recover the costs it intended to recover, plus an additional \$585,982. The primary reason for this was the fact that the overall power cost for the year (\$253 per AF) was less than the projected power cost (\$289 per AF). This occasionally happens with SWP power costs in wet years. Also, being a wet year, there was no Yuba water to purchase. These two items alone account for nearly all of the difference between projected costs and actual costs.

The Agency was helped in 2019 by the Board's decision to sell 100 AF of its Nickel water supply to an outside party at cost, thereby reducing losses by approximately \$90,000.

The table also shows that, when all costs related to purchase and delivery of water are accounted for (including 100% of the Agency's Nickel water supply), the Agency had to withdraw \$385,882 from reserves for the year. Over the past three calendar years (2017-2019), the Agency has withdrawn \$3.2 million from reserves in order to deliver Agency water to retail water agencies. Most of this is from 2017 and 2018, when the old water rate was in effect. As noted above, \$385,882 of that (12%) is from 2019.

The other table included in the agenda package projects costs and revenues for water deliveries in 2020, assuming a 15% final allocation. There is no rain or snow in the immediate forecast in Northern California.

That table indicates that, if the Agency takes no action, it will need to withdraw approximately \$1.8 million from reserves to cover water delivery costs. This is in addition to the \$3.2 million withdrawn over the past three years. Due to current energy trends, staff is expecting a much higher DWR variable power rate this year than last year. This table also summarizes the overall cost/revenue projection assuming the Agency were to sell 50% of its Nickel water to an outside party or 100% of its Nickel water to an outside party (both at cost). Staff is not recommending this but is merely providing information to the Board.

Recommendation:

This is an information item only, and staff has no recommendation. However, staff believes that this information may cause a discussion at the Board level that could lead to further discussion and potential action items later this year.

San Geronio Pass Water Agency		
Water Rate 2019		
Projected vs. Actual		
Item	Projected	Actual
Delivery Amount (AF)	15,000	14,220
SGPWA Operations	\$288,000	\$290,982 (est.)
Yuba Water	\$180,000	\$0
DWR Variable	\$4,335,000	\$3,651,644
Nickel Water (50% of cost)	\$966,000	\$971,864
Total Expense for Items Included in Rate Projections	\$5,769,000	\$4,914,490
Total Income	\$5,985,000	\$5,500,471
Actual Total Expense		\$5,886,353
Difference - Income vs Expense, recover Nickel at 50%		\$585,982
Difference - Income vs Expense, recover Nickel at 100%		-\$385,882
Assumptions:		
Average DWR Variable Power Rate	\$289 per AF	
Agency pays for \$966,000 of Nickel water from reserves		

SGPWA Water Rate Income above shared 50% cost identified from Nickel Water 50/50 share anticipated to be \$966,000

Delivery Amount does not reflect additional water delivered to SGPWA storage account that can be sold in future by the SGPWA to recover cost part of 2019 costs

San Geronio Pass Water Agency
Water Rate 2020
Projections

2020 Projected Yuba Water Cost at \$107,800
Resolution 2019-02 identified this cost as \$180,000 for 2019 (actually was \$0 in 2019)

		Projected		
		Nickel: don't sell	Nickel: sell 50%	Nickel: sell 100%
Delivery Amount (AF)		8,195	7,345	6,495
Carry over:	4,200			
Table A:	2,595			
Nickel Water:	1,700			
Yuba Water:	200			
CLAWA Exch	-500			
SGPWA Operations		\$270,000	\$270,000	\$270,000
Yuba Water	539	\$107,800	\$107,800	\$107,800
Nickel Water	2,018,500	\$2,018,500	\$2,018,500	\$2,018,500
DWR Variable	325	\$2,663,375	\$2,387,125	\$2,110,875
Projected Expenses		\$5,059,675	\$4,783,425	\$4,507,175
Projected Income	399	\$3,269,805	\$2,930,655	\$2,591,505
Sell Nickel		\$0	\$1,009,250	\$2,018,500
Potential Income		\$3,269,805	\$3,939,905	\$4,610,005
Gain/Loss		-\$1,789,870	-\$843,520	\$102,830
Contributed from Reserves		\$1,789,870	\$843,520	
Added to Reserves				\$102,830
Retailer Requests: 10,200 AF				

Presumed 100% Expense for Nickel Water in 2020 water rate - no General Fund Contribution (i.e. 50% Split as shown in Resolution 2019-02)

Presumed 2020 water rate

Presumes 100% cost of Nickel Water is not recovered