

THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF STOCKTON EAST WATER DISTRICT WAS HELD AT THE DISTRICT OFFICE
6767 EAST MAIN STREET, STOCKTON, CA
ON TUESDAY, JUNE 12, 2018 AT 12:00 NOON

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

President McGurk called the regular meeting to order at 12:25 p.m., and Director Cortopassi led the Pledge of Allegiance.

Present at roll call were Directors Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti and Watkins. Also present were Manager Moody, Assistant Manager Johnson, Finance Director Vega, Administrative Services Manager Carido, Administrative Clerk Curtis, Legal Counsel Zolezzi and Consultant Barkett.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. Minutes 06/05/18 Regular Meeting

A motion was moved and seconded to approve the May 29, 2018 Regular Meeting Minutes, as presented.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

2. Warrants

- a. Fund 01 – General Fund
- b. Fund 67 – Agricultural Fund
- c. Fund 68 – Municipal & Industrial Groundwater Fund
- d. Fund 70 – Administration Fund
- e. Fund 71 – Water Supply Fund
- f. Fund 91 – Vehicle Fund
- g. Fund 94 – Municipal & Industrial Fund
- h. Fund 97 – Water Fund
- i. SEWD Checking
- j. Payroll
- k. Summary
- l. Short Names/Acronym List
- m. SEWD Vehicles & Heavy Equipment

Director Cortopassi inquired on the expenses on page 9, line items 4 & 5 for the US Bureau of Reclamation-Mid Pacific Region for CVP NM Water-March 2018-800 AF-GW in the amount of \$35,984.00 and CVP NM Water-April 2018-500 AF-GW in the amount of \$22,490.00. Finance Director Vega replied those are the composite charges.

Director Cortopassi inquired on the expense on page 18, line item 42 for US Bureau of Reclamation-Mid Pacific Region for CVP NM Water-March 2018-3,700 AF-M&I in the amount of \$178,858.00. Finance Director Vega replied these costs are split between Ag and groundwater, this is the groundwater portion.

Director Cortopassi inquired on the expense on page 17, line item 4 for CA State Water Resources Control Board for principal payment #6 Safe Drinking Water State Revolving Fund in the amount of \$286,522.19. Manager Moody replied that cost is an annual charge for the new clear well.

Director Cortopassi inquired on the expense on page 13, line item 11 for Holt of CA for 2nd dozer rental for repairs to McGurk earth dam in the amount of \$3,714.25. Manager Moody replied two dozers were needed to complete the job this year. Manager Moody advised staff will research the reason and bring back to the Board.

Director Cortopassi inquired on the expense on page 13, line item 12 for Maxim Crane Works, L.P. for crane and rigger rental to place gates at 8 Mile Road dam in the amount of \$1,935.00. Manager Moody replied 8 Mile Dam is ~2 miles east from Highway 99 and then ~1 mile further down a side road. Manager Moody added there are a couple areas that the District's boom truck will not physically reach so a crane company must be hired in order to complete the work.

Director Atkins inquired on the expense on page 17, line item 23 for Mars Burnside Engineering for Arc Flash study for Engineering Services thru 03/31/18 in the amount of \$14,133.72. Assistant Manager Johnson reported this cost was for the final report and payment for the Study. The District just received the invoice from last fiscal year. Director Atkins inquired if there is continuous work done for this Study. Assistant Manager Johnson replied roughly every 5 years the Study needs to be redone.

Director Cortopassi inquired on the expenses on page 11, line items 16-18 for April 2018 Consulting Calaveras HCP in the amount of \$9,428.10, April 2018 Consulting Bellota Fish Ladder in the amount of \$1,800.00 and April 2018 Consulting Calaveras Redds in the amount of \$10,247.06. Finance Director Vega replied these are Habitat Conservation Plan (HCP) expenses that Legal Counsel Harrigfeld reviews and sends her approval for payment to us. The invoices that are sent to the District is work performed on the HCP, there is no specific timeline.

A motion was moved and seconded to approve the June 12, 2018 Warrants, as presented.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

3. Central San Joaquin Water Conservation District Discussion

Richard Wagner addressed the Board and introduced himself as a Director of the Central San Joaquin Water Conservation District (CSJWCD) and landowner within CSJWCD's boundary lines. Mr. Wagner reported he was Director for CSJWCD prior to 2000 for several years and has since rejoined the Board ~1 ½ years ago. Mr. Wagner expressed he was not here to represent his Board, rather speaking on behalf of himself as a landowner.

Mr. Wagner reported the May 22, 2018 Regular Board Meeting minutes mentioned two Directors from CSJWCD are not interested in a potential merge with the District. Mr. Wagner mentioned CSJWCD is a six member Board, and two uninterested Directors do not preclude the Districts from merging. Mr. Wagner reported he made a motion at a CSJWCD Board Meeting regarding merger discussions and reported CSJWCD Board is open for discussions. Director Sanguinetti replied the District is open for discussion as well.

Mr. Wagner inquired if the District has received CSJWCD's financials. Manager Moody reported Reid Roberts advised last year's audit had not been completed. The District has also not received the amortization schedule for the loan with the Bank of Stockton.

Mr. Wagner reported CSJWCD has wheeled water every year since 1995 except for this year noting everyone on the Board realizes the severity of the situation. Mr. Wagner reported last year CSJWCD sold water for \$50/AF, which encompassed USBR costs, wheeling rate costs and District operating costs. The \$50/AF was a loss to CSJWCD. This year, between the USBR increase and the wheeling rate structure provided by the District, CSJWCD came up with their new rate of \$127/AF. Mr. Wagner added the recalculation of the 2014 and 2017 costs and the fixed component portions are two major pieces that led to the increased water cost for CSJWCD customers.

Director Watkins inquired why CSJWCD's water cost increased so dramatically if the District is only charging \$17 more for the wheeling rate this year. President McGurk added the District did not come up with these figures in house, Raftelis Financial Consultants, Inc. was hired to calculate and determine these figures.

Mr. Wagner stated there are no winners in this situation. The District missed out on money that CSJWCD could have paid to wheel water and CSJWCD lost out on water.

Manager Moody reported the committee from CSJWCD that met with District staff discussed CSJWCD's 30% loss and that they have to cover that loss. Manager Moody reported the latest rate study was pulled and concluded that CSJWCD is calculating a much larger loss than necessary, as SEWD takes that loss, not CSJWCD.

Director Sanguinetti reported the District is putting more water than necessary into the system to get water to CSJWCD's customers who have entered into Out of District agreements with the District, because CSJWCD will not allow SEWD to install weirs.

Director Atkins reported he appreciates Mr. Wagner addressing the Board, but CSJWCD should convene and come back to address the District's Board when everyone is on the same page.

Mr. Wagner inquired if there was a merger would the District raise the water rates. Director Sanguinetti replied all financials would have to be evaluated before providing a future rate.

President McGurk inquired if Mr. Wagner would be following up with CSJWCD's Board at their next meeting. Mr. Wagner replied yes, however, he will take the information to Chairman Thompson and Mr. Roberts first.

Manager Moody reported the District last heard from Mr. Roberts during a public record request exchange. The last discussion was that after all financial information had been exchanged

between the two Districts and once both sides are comfortable, they would convene for another meeting for further discussions.

4. Out of District Non-Potable Water Service Agreement & Request – Growers Choice (Evan Longstreth)

Manager Moody provided the Board with an Out of District Non-Potable Water Service Agreement & Request for Growers Choice (Evan Longstreth). Manager Moody reported this agreement is being brought back to the Board as staff has now calculated the losses of sending water to Longstreth, per direction of the Board.

Manager Moody reported the District is running 25 cfs down the canal for Mr. Longstreth to take 8 cfs, which is a loss of 17 cfs.

Director Atkins inquired if Mr. Longstreth can pump water without a weir in place. Mr. Longstreth replied yes, but a weir would make it easier and significantly reduce our water losses.

A motion was moved and seconded to approve the Out-of-District Non-Potable Water Service Agreement between Stockton East Water District and Growers Choice (Evan Longstreth) for the 2018 water year.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: None

5. Stockton East Water District –Raw Water Reliability and Improvement Project Soil & Concrete Testing

Manager Moody provided the Board with a memorandum for soil and concrete tests for the Raw Water Reliability Improvements Project. Assistant Manager Johnson reported hiring Kleinfelder as an independent contractor would allow them to affirm or dispute Gateway Pacific Contractors, Inc. (GPC) services that may identify unforeseen field conditions or constructability challenges.

Assistant Manager Johnson reported Kleinfelder’s services would only be used on an as needed basis in an amount not to exceed \$25,000.

President McGurk inquired if GPC will be conducting nuclear compaction tests in addition to their standard tests. Assistant Manager Johnson reported it is part of the testing GPC performs, but he is unclear on the details as to why.

Director Atkins inquired if something were to go wrong during this project, who is liable. Manager Moody reported GPC. If Kleinfelder disputes their testing, GPC will have to take a second look and adjust as necessary.

A motion was moved and seconded to procure the services of Kleinfelder for independent geotechnical testing. Concrete and laboratory services on an as needed basis for the Raw Water Reliability Improvement Project in an amount not to exceed \$25,000, as presented.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins

Nayes: None
Abstain: None
Absent: None

After discussion about the Raw Water Reliability and Improvement Project concluded, Director Cortopassi inquired on the District's commitment to installing the solar panels in the area that has been designated for the solar panels. Manager Moody replied the plot map has already been changed and the lot line adjustments have been approved, it is currently fully designed to be installed in the designated location.

Director Cortopassi reported he believed that the location was selected for the solar panels because of the proximity to the power lines, however, if the power line location is not an issue and they can be moved so that the District could gain 15 acres of more ~~recharge area~~ raw water storage in the first phase.

Director Watkins reported the location for the solar panels was selected because there was less percolation in that area and it was a less desirable location for recharge.

Director Cortopassi inquired if the solar panels can be moved to the west of the building on the property. Manager Moody replied staff will contact the solar company and inquire on the ability to do this and what would be required to change the location and bring the information back to the Board. Legal Counsel Zolezzi added another lot line adjustment would have to be done.

Director Atkins inquired when this project is scheduled to begin. Manager Moody replied Fall 2018 was the last start date provided to District staff.

6. Stockton East Water District – SCADA Standards Development Services

Manager Moody provided the Board with a memorandum for SCADA standards development services. Assistant Manager Johnson reported in March 2018 the District received the draft SCADA Predesign Report and the next step in the process is to develop the standards for the SCADA system.

Assistant Manager Johnson reported the SCADA standards include; tag naming, control panels, PLC programming, HMI programming and control objects. Development of these standards is foundational to implementing the SCADA system over the next 20-years and critical to implementing the first application in the Raw Water Reliability Improvements Project.

Assistant Manager Johnson reported Nick Peros has been the Project Manager for both the IT/SCADA Master Plan and SCADA Predesign Report. President McGurk inquired how the District found Mr. Peros. Assistant Manager Johnson replied Mr. Peros initially worked with Kennedy Jenks when they were hired for the IT/SCADA Master Plan. Mr. Peros left Kennedy Jenks and started his own consulting business and has continued to work on the project since as an independent consultant.

Assistant Manager Johnson reported the system that is currently in place is patchwork and difficult to maintain or add to. Currently the system only monitors the Plant, but does not control it. In order to operate automatic valves, a SCADA system that works for the entire Plant needs to be in place.

Director Atkins inquired if there are any fail-safe systems once SCADA is fully operational. Assistant Manager Johnson replied staff will determine how it is programmed and will program specific fail-safes. If the programs need to be adjusted, staff will have the ability to do so. Assistant Manager Johnson added both the Operations and Maintenance departments are involved with creating the foundation to ensure it is functional for all staff.

A motion was moved and seconded to procure the services of Nicholas J. Peros for SCADA standards development services in an amount not to exceed \$236,400, as presented.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

7. California Public Employees' Retirement System – Yearly Unfunded Accrued Liability (UAL) Payment Options

Manager Moody provided the Board with a memorandum outlining the California Public Employees' Retirement System (CalPERS) Unfunded Accrued Liability (UAL) – Pre-Payment vs. Monthly Payment. Finance Director Vega reported CalPERS performs annual valuations of the District's pension plans and provides one valuation for classic members and a separate valuation for PEPRA members.

Finance Director Vega reported the District has the option to pay the UAL monthly or in one lump sum. The lump sum options provides the District some savings. Finance Director Vega reported if paid in a lump sum the District would save \$13,956.20 for classic members and \$14.12 for PEPRA members.

Director Cortopassi inquired why the PEPRA amount is so much smaller than the classic. Finance Director Vega replied that CalPERS determined rates based on figures from 2016, when the District only had a couple of employees that were PEPRA members. Finance Director Vega added the District now has about the same number of classic members vs. PEPRA members.

Director Cortopassi inquired on the unfunded liability costs, stating he believed it to be more. Finance Director Vega replied that the unfunded liability is amortized. Finance Director Vega also reported what the Board sees every other week in the warrants is the amount that is paid based on payroll, while the UAL is calculated by an actuary and was prepaid last year.

Director Cortopassi inquired how much the District paid for the lump sum last year. Finance Director Vega replied the District paid \$315,079.00 for Classic Members and \$29.00 for PEPRA.

A motion was moved and seconded to pay the full amount of the California Public Employees' Retirement System (CalPERS) Unfunded Accrued Liability in lump sum; and, in the amounts of \$385,336.00 for Classic Members and \$391.00 for PEPRA.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

E. COMMITTEE REPORTS

1. Delta Coalition Committee Meeting, 06/11/18

Consultant Barkett attended the June 11, 2018 Delta Coalition Committee Meeting. Consultant Barkett reported the Delta Coalition has been temporarily disbanded and will only meet on an as needed basis. Consultant Barkett reported instead of dissolving the Committee in its entirety and splitting the ~\$16,000 in the Committee account between all members, they decided to keep the money in an account and use it should the need arise. President McGurk inquired which entity houses the money. Consultant Barkett replied the City of Stockton. Director Panizza inquired if the funds are deposited within the City's budgeting process or in a side account. Consultant Barkett replied he believes the funds are in a side account. The next meeting is scheduled for July 9, 2018.

2. San Joaquin County & Delta Water Quality Coalition Meeting, 06/11/18

Director Atkins reported he went to the meeting location; however, the building was dark and no one was present.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 06/11/18

Manager Moody provided a handout of the Water Supply Report for information only that included storage, release, and production data collected from various sources as of midnight last night.

There is 207,838 AF in storage at New Hogan Reservoir. Current releases are set at 231 cfs. There is 1,938,632 AF in storage at New Melones Reservoir. Current release at Goodwin Dam to Stanislaus River are set at 1,182 cfs and release to all water users are set at 2,575 cfs. There are currently 26 irrigators on New Hogan, 5 irrigators on New Melones and 2 Out-of-District irrigators. The water treatment plant is currently processing 32 mgd. The City of Stockton is currently processing 21 mgd.

2. Information Items:

Manager Moody noted items: F2a-1, F2a-2, F2a-3 and F2a-4.

3. Report on General Manager Activities

a. ACWA State Legislative Committee Meeting, 06/08/18

Manager Moody attended the June 8, 2018 ACWA State Legislative Committee Meeting. Manager Moody reported the Senate cancelled their August recess to work on appropriations and nominations. ACWA is working with Congressman Denham to resurrect the Farm Bill he had been working on, which was temporarily halted due to the Water Tax Bill. Manager Moody reported it was decided not to make this a budget trailer bill this year. Because SB 623 (Monning) will not be moving forward this year, AB 401 (Dodd) will be resurfacing and ACWA is gearing up to fight back. Manager Moody reported there was discussion on AB 2649, which deals with beneficial use language. The southern state interests worked with the author and essentially stripped the bill down completely. Southern interests now sit neutral and will not fight the bill because it has been reduced down so dramatically. The Northern interests mentioned they would support if amended, however, there was push back from a handful of agencies. The Chair of the State Legislative Committee recommended forming an Ad-Hoc Committee. The Ad-Hoc Committee was formed and met directly following the State Legislative Meeting. Manager Moody reported that ACWA helped write the SGMA, however, they will not help support the bare minimum that this bill addresses. Director Atkins

inquired if there was a motion on the bill. Manager Moody reported it stayed in “Watch” status. The next meeting is scheduled for June 29, 2018.

Manager Moody reported he will be out of the office from beginning Friday June 15 – 22, 2018.

G. DIRECTOR REPORTS

1. Greater Stockton Chamber of Commerce Monthly Mixer – Hilton Stockton, 06/07/18
Director Watkins attended the June 7, 2018 Greater Stockton Chamber of Commerce Monthly Mixer at the Hilton. Director Watkins reported Stockton area businesses were in attendance promoting their services and there was a large crowd.

Director McGaughey reported the Greater Stockton Chamber of Commerce’s Port of Call magazine, June 2018 issue recognized members that have supported the Chamber and its events. The District was listed twice for being sponsors for the Taking Care of Business and the Installation Dinner events.

H. COMMUNICATIONS

1. Greater Stockton Chamber of Commerce – State of the City Thank You, 05/29/18
Manager Moody provided the Board with the Greater Stockton Chamber of Commerce – State of the City Thank You dated May 29, 2018. This item was for information only.

I. AGENDA PLANNING/UPCOMING EVENTS

1. Groundwater Sustainability Plan Advisory Committee (PAC) Meeting, 9:00 a.m., 06/13/18
2. Eastern San Joaquin Groundwater Authority Joint Exercise of Powers Authority Meeting, 10:30 a.m., 06/13/18
3. Central Valley Project Water Association – Executive & Financial Affairs Committee, 10:00 a.m., 06/15/18

J. REPORT OF THE COUNSEL

1. Closed Session - Existing Litigation
Stockton East Water District vs. City of Stockton, et al.
Government Code 54956.9 (a)
2. Closed Session - Existing Litigation
California Water Service Company,
City of Stockton & Stockton East Water District vs. Central San
Joaquin Water Conservation District
Government Code 54956.9 (a)
3. Closed Session - Personnel
Government Code 54957

President McGurk adjourned the meeting to closed session at 2:20 p.m. to discuss closed session agenda items. The regular meeting reconvened at 2:31 p.m., with no reportable action.

K. ADJOURNMENT

President McGurk adjourned the meeting at 2:32 p.m.

Respectfully submitted,



Scot A. Moody
Secretary of the Board

tbc

