

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 25, 2019 AT 12:00 NOON

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

President Panizza called the regular meeting to order at 12:23 p.m., and Director McGaughey 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 Lee, Finance Director Vega, Administrative Services Manager Carido, Administrative Assistant Curtis and Legal Counsel Harrigfeld.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. Minutes 06/18/19 Regular Meeting

A motion was moved and seconded to approve the June 18, 2019 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 68 – Municipal & Industrial Groundwater Fund
- b. Fund 70 – Administration Fund
- c. Fund 71 – Water Supply Fund
- d. Fund 91 – Vehicle Fund
- e. Fund 94 – Municipal & Industrial Fund
- f. Summary
- g. Short Names/Acronym List
- h. SEWD Vehicles & Heavy Equipment

A motion was moved and seconded to approve the June 25, 2019 Warrants, as presented.

Roll Call:

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

3. Governmental Accounting Standards Board (GASB) 75 Valuation

Manager Moody provided the Board with information on the Governmental Accounting Standards Board (GASB) 75 Valuation. Manager Moody reported due to GASB 75

implementation, post-retirement benefit funding is evaluated. Under government standards, unless funds are placed in irrevocable trusts, they will not be recognized. The District has not adopted an irrevocable trust for the pre-funding of retiree healthcare benefits.

Manager Moody reported the information shows a \$4,893,489 deficit; however, the District has \$3.1 million in reserves for this purpose and adds \$336,000 annually to the same fund.

Director McGurk inquired what DFA, LLC stands for. Finance Director Vega replied Demsey Filliger & Associates. This item was for information only.

4. Bank of Stockton Loan

a. Change In Terms Agreement

Manager Moody provided the Board with information on the Change In Terms Agreement for the Bank of Stockton loan. Manager Moody reported, per Legal Counsel Zolezzi, Water Code 74950 requires the District renew the loan for the North Site Property every 5-years.

Manager Moody reported the change of terms includes a revised interest rate from a fixed rate of 3.25% to 3.95%. The District will have to pay interest on the gap between the expiration date and renewal date.

Director Cortopassi inquired on the principal amount. Finance Director Vega replied the ~~land was purchased for~~ original principal balance was \$3,325,000 and there is a current principal balance of \$2,694,103.84.

Director Watkins inquired if 3.95% is Bank of Stockton's bottom line. Manager Moody replied yes.

There was a motion and second to approve the Change in Terms Agreement for the Bank of Stockton loan.

Director McGurk inquired if there is a penalty for refinancing the loan before the 5-year term has expired. Manager Moody replied no.

Director Cortopassi inquired when this information is due back to the Bank of Stockton. Manager Moody replied the deadline is July 15th. Finance Director Vega added if the information is not submitted by July 15th the District will need to pay the full amount owed.

Director Cortopassi inquired on the cost difference with the increase interest rate. Finance Director Vega replied it is ~\$3,000 per quarter.

A motion was moved and seconded to approve President Panizza and Manager Moody to execute the Change in Terms Agreement on behalf of the District, as presented.

Roll Call:

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

b. Governmental Certificate

Manager Moody presented this information and it was approved.

5. Stockton East Water District Policy Manual – Establishing Program Incentives for Encouraging the Use of Surface Water Policy No. 3085, 06/25/19

Manager Moody provided the Board with information on the policy for Establishing Program Incentives for Encouraging the Use of Surface Water Policy No. 3085. Director McGurk reported he thought the overall content was satisfactory; however, there was some wording and structure that could be updated. Within Section C – Program Incentives, Director McGurk suggested editing the last sentence that states, “The Agreement terminates upon full repayment of the installation costs in accordance with the Policy.” Director Cortopassi replied the word agreement should be replaced with incentive.

Director McGurk added his concern would be that those who were incentivized would start using groundwater as soon as their agreement terminates. Director Sanguinetti replied under Section C – Program Incentives, there is a bullet point that explains if users have the ability to use surface water and they do not then they can be penalized by 10 times the amount of the then going groundwater rate. Director McGurk suggested that there should be a description for how long the penalty will apply, whether it is indefinite or until compliance with terms of the agreement.

Director Cortopassi reported the intent of the Policy is for staff to apply the incentive program through a contract. The hope is that once landowners have been incentivized and use surface water that they will not go back to using groundwater.

Director Sanguinetti reported by reading the Policy it is unclear if landowners can begin to use groundwater after 7 years. Director Watkins replied the Policy is for staff to follow, landowners will be provided with a contract to outline the requirements.

There was discussion on the Indirect Costs section of the Policy, specifically as it pertains to stating legal assistance will be provided. Director Cortopassi commented that this section is in the Policy to inform landowners that the District will assist them through the process of applying for permits and the administrative side, as it is often difficult for people applying without a lead agency listed.

Director Atkins inquired since this Program has been in existence, has there been any landowners that have used groundwater when surface water was available. Manager Moody replied there are a few diversions that were paid for or assisted by the District to install the diversion and are not currently or never were being used for surface water.

Director Atkins inquired how many landowners are waiting for this Policy to be approved. Manager Moody replied there is one customer who has been waiting and a few others that have inquired, but have nothing solid as of yet.

Director McGurk inquired on President Panizza mentioning the urgency to get this Policy approved. Manager Moody replied the GSP will be submitted in January 2020. From there GSAs have 20 years to reach sustainability. The biggest contribution to sustainability to this point to get more users on the system to use surface water.

Director Atkins reported landowners on the Calaveras will not use surface water because of their belief that phytophthora exists in the water. He further inquired if the District can test the water for this disease. Manager Moody replied staff will look into the cost and specifications of the test.

Director McGurk inquired if landowners will also be incentivized for rehabilitating or upgrading current equipment they may have. Director Watkins replied the criteria is to use surface water, so the recovered costs would be based on receipts submitted for work done.

President Panizza suggested staff, the Agricultural Operations Committee and Legal Counsel review the Policy further and bring back to the Board at a future Board Meeting.

- a. Surface Water Diversion Application
Nothing to report.
- b. Surface Water Sale and Amortization Agreement
Nothing to report.

6. Central Valley Salinity Coalition – 2019 Board Level Membership

Manager Moody provided the Board with information on the Central Valley Salinity (CV Salts) Coalition – 2019 Board Level Membership. Manager Moody reported it is time to renew the District’s membership with CV Salts. The cost has come down from \$25,000 to \$18,750.

Director Atkins inquired if the District is required to participate. Legal Counsel Harrigfeld replied no, however, participation is highly encouraged. There is potential for ramifications on irrigated lands if there is no participation.

Legal Counsel Harrigfeld added participation in CV Salts assists in funding the Salinity Management Plan.

Manager Moody reminded the Board that this is a budgeted item.

A motion was moved and seconded to approve paying the 2019 contribution to the Central Valley Salinity Coalition in the amount of \$18,750.

Roll Call:

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

B. COMMITTEE REPORTS

1. Agriculture Operations Committee Meeting, 06/19/19

Directors Atkins, Cortopassi and Watkins attended the June 19, 2019 Agricultural Operations Committee Meeting. Director Cortopassi reported there was discussion on the Surface Water Incentives and a presentation was provided on agricultural meters. Kathy Richards from National Meter & Automation provided the Committee with information on meter reading. There has been discussion about how the District will record meter information and Ms. Richards did a good job explaining the product. This device would transfer data to a cloud storage and would allow the District and growers to tap in and check on their pumps. Director Cortopassi replied the

consensus of the Committee was to move forward with the Badger information system. Manager Moody reported the device attaches to a digital meter and costs \$125 to purchase and costs \$0.89 per month for recording. Director Watkins reported the current device works with only one wireless carrier, at the end of the year; it will be compatible with four carriers. Director Sanguinetti inquired how long the batteries last. Director Watkins replied 20 years, with 100% replacements at 10 years and pro-rated costs for replacement for another 10 years. Director Cortopassi added if the device is vandalized, it only costs \$125 to replace and all the information will already be stored in the cloud. Director Cortopassi reported there was discussion on making a standard set of drawings to show where the meter should be installed so each installation is as close to the last as possible. Director Watkins reported the Committee had no preference as to what meter was used as long as it is compatible with the unit. Manager Moody added staff will find the most comparable and best priced meters. Currently only two models are compatible with the Badger Device technology.

2. San Joaquin County Flood Control and Water Conservation District Advisory Water Advisory Commission Meeting, 06/19/19

Director McGurk attended the June 19, 2019 San Joaquin County Flood Control and Water Conservation District Advisory Water Commission Meeting. Director McGurk reported Andrew Chesley, San Joaquin Council of Governments (COG) provided a presentation for the Commission to compare what COG has done with the half-cent sales tax for transportation and what could be done for water with a half-cent sales tax. Director McGurk reported the upfront costs for Major K were provided by private companies, totaling ~\$90,000. COG projects \$60 million in revenue annually from this tax increase. Director McGurk reported there was discussion on the lack of funding for flood conveyance and levee maintenance. A presentation was provided by Kim Floyd, Kim Floyd Communications on this topic and the analysis that has been completed. The County will need to convince the public of the need for the sales tax increase and the consultant will help create that message and how the funds will be used. Director McGurk reported there was a flaw in the map that was presented to the Commission of what is a project levee or a non-project levee. The consultant will be working to develop other maps. Director McGurk reported Channel Operations & Maintenance is short \$2 million dollars in their budget this year. Legal Counsel Harrigfeld inquired on what is being funded. Director McGurk replied; O&M, Engineering, State & Federal Coordination, Admin & Compliance and Legal & Insurance Burden. Director McGurk reported Zone 9 generates \$2.7 million in funding. Director McGurk reported there was discussion on the Integrated Regional Water Management Plan (IRWMP) Governance MOU Development. Public Works is requesting feedback from water entities that are affected by the IRWMP. They are requesting feedback within the next 2-weeks. The County is not in compliance with State requirements for the IRWMP. If you do not comply, you do not qualify for grant money. There was an update provided on drilling that is being done on Victoria Island and Venice Island by the State of California, which was not permitted. The next meeting is scheduled for July 17, 2019.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 06/24/19

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 206,571 AF in storage at New Hogan Reservoir. Current releases are set at 597 cfs. There is 2,230,317 AF in storage at New Melones Reservoir. Current release at Goodwin Dam

to Stanislaus River are set at 2,058 cfs and release to all water users are set at 3,438 cfs. There are 13 irrigator(s) on New Hogan, 6 irrigator(s) on New Melones and 1 irrigator(s) Out-of-District. The water treatment plant is currently processing 34 mgd. The City of Stockton is currently processing 26 mgd.

2. Information Items:
Manager Moody noted items: F2a-1, F2a-2, F2a-3 and F2a-4.
3. Report on General Manager Activities
 - a. Stockton East Water District Activities Update
Nothing to report.

Manager Moody advised the Board he would like to take a vacation day on Friday, June 28th. There was no objection.

G. DIRECTOR REPORTS (None)

H. COMMUNICATIONS (None)

I. AGENDA PLANNING/UPCOMING EVENTS

1. San Joaquin Farm Bureau Federation – Water Committee Meeting, 5:30 p.m., 06/25/19
2. Greater Stockton Chamber of Commerce – Annual Installation Dinner, 6:00 p.m., 06/27/19

J. REPORT OF THE COUNSEL

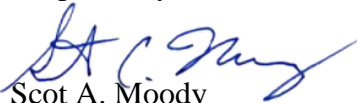
1. Closed Session - Potential Litigation
Government Code 54956.9 (c) – one case

President Panizza adjourned the meeting to closed session at 1:35 p.m. to discuss closed session agenda items. The regular meeting reconvened at 1:54 p.m., with no reportable action.

K. ADJOURNMENT

President Panizza adjourned the meeting at 1:55 p.m.

Respectfully submitted,


Scot A. Moody
Secretary of the Board

tbc

