

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, AUGUST 25, 2020 AT 12:00 NOON

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

President Panizza called the regular meeting to order at 12:30 p.m. and Director Watkins led the Pledge of Allegiance.

Present at roll call at the District were Directors Atkins, Cortopassi, Sanguinetti and Watkins. Also present were Manager Moody, Assistant Manager Hopkins, Finance Director Vega, Administrative Services Manager Carido and Administrative Assistant Curtis. Consultant Barkett arrived to the Meeting at 12:39 p.m. Present at roll call via teleconference were Directors McGaughey, McGurk and Panizza. Also present via teleconference was Legal Counsel Zolezzi.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. Minutes 08/18/20 Regular Meeting

A motion was moved and seconded to approve the August 18, 2020 Regular Meeting Minutes, as presented.

Roll Call:

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

Nays: None

Abstain: None

Absent: None

2. Warrants – California Public Employees’ Retirement System

A motion was moved and seconded to approve the August 25, 2020 Warrants – California Public Employees’ Retirement System, as presented.

Roll Call:

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

Nays: None

Abstain: None

Absent: None

3. Stockton East Water District – Lower Farmington Canal Easement from McCurley Farms, LLC and Westech Industries, Inc. Memo, 08/25/20

Manager Moody provided the Board with information on Lower Farmington Canal Easements from McCurley Farms, LLC and Westech Industries, Inc. Manager Moody reported that Mr. McCurley is the President of Westech Industries, so this easement is for the same parcel.

Mr. McCurley stopped by the District last week to sign the documents and have them notarized.

Director Cortopassi inquired if Mr. McCurley is agreeable to the terms of this easement given previous fencing and access road issues. Manager Moody replied yes.

A motion was moved and seconded to authorize the Board President and General Manager to execute the Grant of Easement and direct staff to record the Grant of Easement with the San Joaquin County Recorder, as presented.

Roll Call:

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

Nays: None

Abstain: None

Absent: None

4. Resolution No. 20-21-05 – Authorizing Filing Of Notices; Execution Of The Contract and Approval, Execution, Delivery Of The Contract Between The United States And Stockton East Water District Providing For Project Water Service And Facilities Repayment (Converted Contract No. 4-07-20-W0329)

Manager Moody provided the Board with Resolution No. 20-21-05. Legal Counsel Zolezzi reported a lot of the information within the Resolution is for litigation purposes so all the correct recitals regarding the WIIN Act and no change to the contract are included.

Legal Counsel Zolezzi reported that this Resolution allows authorization of filing Notices of Exemption with San Joaquin and Calaveras Counties and the State Clearinghouse. Agreeing to the terms of the Resolution is the only action that needs to be taken before it goes before the United States for completion.

Director McGurk inquired if other counties outside of San Joaquin and Calaveras need to be included. Legal Counsel Zolezzi replied no, it is only for the Counties in which the District lies.

Manager Moody reported that once this has been approved completely it will also eliminate the District's need to go through the RRA process.

A motion was moved and seconded to approve Resolution No. 20-21-05 – Authorizing Filing Of Notices; Execution Of The Contract and Approval, Execution, Delivery Of The Contract Between The United States And Stockton East Water District Providing For Project Water Service And Facilities Repayment (Converted Contract No. 4-07-20-W0329), as presented.

Roll Call:

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

Nays: None

Abstain: None

Absent: None

5. Stockton East Water District – County Costs and Alternative Options Memo & Presentation, 08/13/20

Finance Director Vega provided a presentation to the Board on County services provided to the District alternative options for those services. Manager Moody reported that the County will be increasing costs by 245% by the end of Fiscal Year 2022. The Board directed staff to

research like services from outside vendors and what the costs would be compared to that of the County.

Manager Moody reported this process was complicated in that each bank has its own methodology for how they charge for certain services. There was a lot of back and forth between staff to determine the best route before recommending a bank.

Manager Moody reported it will be cheaper to conduct business with a private bank when looking at basic services. However, staff would like to have the ability to process credit cards, which may make it more costly overall.

Finance Director Vega reported there are 5 categories and services that the County offers, they are; banking, accounts payable, investment, payroll and collections.

Finance Director Vega reported some of the need for making this change include; cost, with A/P and banking costs increasing by over \$17,077 over a 3-year period; flexibility, staff can react more quickly to emergencies or unexpected events; independence, this move would eliminated the dependence on County staff and schedules and eliminates a layer of human error; and value, the District will maintain or enhance all of its current banking, A/P and payroll capabilities while adding the ability to accept credit cards as a form of payment.

Finance Director Vega reported that in order for a potential move from the County to make sense the District would have to have a viable alternative for interest earnings. The Local Agency Investment Fund (LAIF) is meant as an investment alternative for California's local governments and special districts. The ultimate earnings should be similar since the yield on County funds is calculated using the full amount of funds held there. Separating from the County means that some reserves have to remain in the chosen bank in operating accounts to pay for A/P and payroll expenses; excess funds can be invested in LAIF.

Director Sanguinetti inquired if doing more of this work in-house will require adding additional staff and how everything will work regarding payroll taxes and such. Finance Director Vega replied he is not expecting the need to add any more staff. Currently, there are extra steps that each member of Finance staff has to take to compile information for the County in addition to what they present the Board. The additional steps would be eliminated with a move away from the County. As far as payroll and timesheets, each employee would be responsible for entering their time electronically and ADP would be responsible for processing, tax filing (including assuming liability), electronic reports, garnishment pay service, EDD and IRS. Staff will also be able to sign-in and view payroll information and sick and vacation accruals. Finance Director Vega reported the most time consuming part for staff will be getting used to new procedures and processes, after those hurdles they should be more efficient with work processes.

Director Cortopassi inquired if the banks have payroll services. Finance Director Vega replied no, the banks do not. In the case of payroll, this would be run through ADP with an account that money is taken directly out of for paychecks. Director Sanguinetti inquired if staff will be advised each time a deposit is made to the account for payroll processing. Finance Director Vega replied yes, ADP will advise each time and provide a report every time a change is made. Reports are a current issue the District has with the County as they are unable to expedite

certain reports when needed or send reports via e-mail; Additionally, District staff do not have permission to run certain reports themselves in the County system.

Director Cortopassi inquired if private banks can schedule fund transfers and ACH in advance. Finance Director Vega replied yes, that was a previous issue with the County as well. They were hesitant to process ACH payments and did not want to work with the District to switch over to ACH until staff advised that this is a mandate from CalPERS, at which time the County complied.

Director Cortopassi inquired if the recommendation is to move all services from outside the County to other entities. Finance Director Vega replied yes, except for collections as the County would still be the cheapest way to collect unpaid balances from customers.

Director Atkins inquired if staff reached out to other entities to see if they use the same process of working with a private bank versus Counties. Finance Director Vega replied staff requested proposals from 4 banks and received 3; from Bank of the West, Farmers & Merchants Bank (F&M Bank) and Oak Valley Community Bank. Finance Director Vega reported Bank of the West deals with a lot of treasury; F&M Bank is used by the San Joaquin Council of Governments and other special districts and Oak Valley Community Bank is used by special districts as well. All banks are capable of doing the work, the only difference came down to the earned credit rate. All banks give credit to offset fees based on the funds you deposit within that bank. F&M Bank as a return rate of .65%. Bank of the West and F&M Bank were very close in determining which would be best for District business, and it came down to F&M Bank having the better credit return rate.

Finance Director Vega explained that when researching credit card payment options, staff found that the Costco payment processing was the preferred service as it uses Elavon at a reasonable rate, which is compatible with staff's recommended bank-- F&M Bank.

Director Cortopassi inquired what the bottom line charge would be in this recommendation. Finance Director Vega replied with staff recommendation and with applying a surcharge for using credit card payment method it would be \$14,080. If a surcharge was not applied and the District covered those charges, than the bottom line cost would be \$35,103. However, actual costs will not be known until a credit card system is initiated and staff can see how many customers are using this avenue for payment.

Director Cortopassi inquired which bank is the best option for the District. Finance Director Vega replied F&M Bank, as they have the better return rate. Director Sanguinetti inquired if they have a guarantee on return. Finance Director Vega replied no, but none of the banks have a guaranteed return rate.

Director Sanguinetti inquired how many customers ask about paying with credit card. Manager Moody replied more than one would think, staff is asked regularly about online payment options, especially during the time of COVID.

Finance Director Vega reported the recommendation from staff is to move all funds away from the County with the exception of the collections.

Director Atkins inquired if there are contract terms with F&M Bank. Finance Director Vega replied they have a 1-year contract term, Bank of the West did not have a contract term.

Manager Moody inquired for the funds that are going to be kept in the bank itself instead of in a LAIF account, will staff have to manage money in separate accounts to avoid exceeding the FDIC limit. Finance Director Vega replied the Government Finance Officers Association (GFOA) recommends that you ask what collateral the bank will have as they are required to keep collateral. F&M Bank would have enough to cover the District's funds.

Director Watkins inquired if there is a time-frame for making this change. Manager Moody replied no. Director Watkins suggested bringing this item back at a future Board Meeting for consideration.

Director Sanguinetti advised he would like to look over this information more thoroughly, as it is a big change that will be made.

Director Sanguinetti inquired if Finance Director Vega can create a spreadsheet and send to the Board to show all figures with all the information he provided within the presentation. Manager Moody advised staff will work on putting together more information and will bring it back to the Board for further consideration.

E. COMMITTEE REPORTS

1. San Joaquin County Flood Control and Water Conservation District Advisory Water Commission Meeting, 08/19/20

Director McGurk attended the August 19, 2020 San Joaquin County Flood Control and Water Conservation District Advisory Water Commission Meeting. Director McGurk reported there was an update provided on the Lower San Joaquin River Phase 1, which consists of 40 miles of levee in north and central Stockton, RD-17 and RD-2074. Phase 1 is estimated to cost ~\$1.2 billion of federal funds and encompasses 80,000 structures and ~160,000 people. Phase 1 is currently in-design. Phase 2 is currently in-study. Director McGurk reported there was an updated provided on the Smith Canal, which is currently in construction and is estimated to take ~3-years to complete. Director McGurk reported that there was discussion on grant funding. There is grant money available from the Bay Area Council and SJAFCA is positioning themselves to apply for money for climate change resiliency up to year 2065. There were project updates provided on the GWA. Director McGurk reported there was discussion on the upper Mormon Slough Erosion Repair Project, just below Escalon Bellota Road. The Department of Water Resources will be funding this Project. This Project is to assist with erosion protection on both banks on each side of Mormon Slough. Construction will run June through November 2021 and it is estimated that it will cost ~\$5.5 – \$7 million. Manager Moody added that the County requested and the Board agreed to allow them to stage equipment for this Project at Bellota. The next meeting is scheduled for September 16, 2020.

2. ACWA Region 4 Board of Directors Meeting, 08/24/20

Director McGurk attended the August 24, 2020 ACWA Region 4 Board of Directors Meeting. Director McGurk reported all Directors were present for the meeting. ACWA headquarters is pushing each region to host a virtual event of some sort. They are suggesting the Regions either host a multiple topic virtual event and each week there is a new speaker; or the Region finds an agency to sponsor the event and produce and present; or host virtual tours of different

facilities within the specific Region. Director McGurk reported that headquarters suggested agencies pay a minimum of \$25 to attend and participate. Region 2 has already declined hosting any virtual event. Region 4 has decided to sit on this topic and see if headquarters decides to do anything different. Director McGurk suggested at the Region 4 meeting that perhaps it would be better if headquarters assigned each Region to a new topic for the week instead of making them responsible for multiple topics across a number of weeks. Ana Javaid will take the Region 4 meeting outcome to ACWA headquarters. Director McGurk reported that ACWA sent a letter to all General Manager's requesting that they identify distressed communities or systems within the boundaries of their Districts and send back to ACWA, as there is grant money for the California Alliance for Jobs to help distressed communities. Manager Moody advised he did not receive the letter. Director McGurk replied that he will scan him a copy of the information. Director McGurk asked the Board to email or call him with any suggestions they may have for ACWA as the Region 4 Chairman will be taking all suggestions to the full ACWA Board for review.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 08/24/20

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 153,348 AF in storage at New Hogan Reservoir. Current releases are set at 174 cfs. There is 1,585,554 AF in storage at New Melones Reservoir. Current release at Goodwin Dam to Stanislaus River are set at 203 cfs and release to all water users are set at 1,555 cfs. There are 8 irrigator(s) on New Hogan, 2 irrigator(s) on New Melones and 3 Out-of-District irrigator(s). The water treatment plant is currently processing 35 mgd. The City of Stockton is currently processing 20 mgd.

2. Information Items:

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

3. Report on General Manager Activities

a. Greater San Joaquin County Regional Water Coordinating Committee Meeting, 08/19/20
Assistant Manager Hopkins attended the August 19, 2020 Greater San Joaquin County Regional Water Coordinating Committee Meeting. Assistant Manager Hopkins reported the Disadvantaged Community Outreach was completed in June and July. The Disadvantaged Community task force made two project recommendations at the August 19th meeting and the Committee did not object to the task force's recommendations. The next meeting is scheduled for September 16, 2020.

b. Stockton East Water District Activities Update

Manager Moody reported staff is organizing a trip to Sacramento next week, either Thursday or Friday to look at a fish screen. Manager Moody asked the Board to email himself of Administrative Services Manager Carido if they would like to attend. Director McGurk inquired if someone can take pictures or a video during the tour and send the information to the Board who does not attend. Manager Moody replied yes.

G. DIRECTOR REPORTS (None)

H. COMMUNICATIONS (None)

I. AGENDA PLANNING/UPCOMING EVENTS

1. Agricultural Operations Committee Meeting, Noon, 08/27/20

J. REPORT OF THE COUNSEL

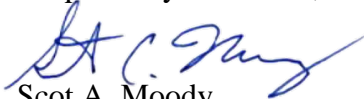
1. Closed Session - Existing Litigation
Stockton East Water District vs. City of Stockton, et al.
Government Code 54956.9 (a)
2. Closed Session - Personnel
Government Code 54957

President Panizza adjourned the meeting to closed session at 1:45 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

