

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, OCTOBER 25, 2022 AT 12:30 P.M.

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

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

Present at roll call at the District were Directors Cortopassi, McGaughey, Panizza, Sanguinetti and Watkins. Also present were Manager Hopkins, Assistant Manager Vega, District Engineer Evensen, Finance Director Ram, Administrative Assistant McKinney, Administrative Clerk Feliciano, Legal Counsel Zolezzi and Consultant Barkett. Directors Atkins and McGurk were absent.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. JWT and Associates, LLP – Certified Public Accountants – Audited Financial Statements
Presentation for Fiscal Year 2021-2022

Manager Hopkins provided information to the Board on the Audited Financial Statements for Fiscal Year 2021-2022. President Watkins introduced Jeremy Ware from JWT and Associates, LLP. Mr. Ware was present to give the yearly audit presentation to the Board. Mr. Ware noted he works directly for the Board of Directors and the main role of Staff is to answer questions and provide data during the audit process.

Mr. Ware gave a presentation on the District's draft Fiscal Year 2021/2022 Audited Financial Statements. Mr. Ware stated he has been servicing this account for a few years, and mentioned this year has been a big year of transition within the management team. He reminded the Board, that the financial statements are a big responsibility of the management team. Mr. Ware reported JWT performs audit procedures and issues the audit report. They are hired to represent the Board and the public as certified public accountants. Mr. Ware commented he appreciates this time on the agenda to present this report.

Mr. Ware gave a summary to the Board of the four (4) required communications (1. The Independent Auditors' Report and explanation of the Basis for Qualified Opinions; 2. Managements' Discussion and Analysis; 3. Statement of Net Position; 4. District's Statement of Revenues, Expenses and Changes in Net Position). Mr. Ware noted the District received an unmodified (unqualified) opinion, the highest rating to receive on the financial statements. He stated, while working with management, there were no audit adjustments, disagreements or difficulties.

Overall, Total Assets for the fiscal year are \$142 million, the Net Position is ~ \$90 million, with an increase in Net Position of about \$13.8 million. Mr. Ware reviewed the balance sheet, and stated the actual financial statements are on page 13. The Statement of Net Position is organized by assets, cash or benefits to our organization as of March 31, 2022, as compared to March 31, 2021. Overall, the District is in a very healthy position. Mr. ware noted cash balances are strong, investments increased over the year, which caused assets to be at \$142 million, up from \$134 million last year. Liabilities and Net Position are very consistent from year to year. Mr. Ware indicated these liabilities are dollars

owed to vendors, debtors, and to personnel for vacation and payroll. Other Post-Employment Benefits (OPEB) decreased from \$6.1 to \$5.7 million. These are benefits being paid to retired employees. Since the District doesn't have a trust set up for funds being put aside for OPEB, the full amount of the liability is reflected on the balance sheet. Even though, there is some cash and assets available to pay these liabilities, a trust hasn't established the way GAAP requires it to offset the liability. Thus, the full liability is reflected on the financials.

Mr. Ware indicated the Net Pension Liability with CalPERS decreased substantially this past fiscal year, but the decrease was partially offset by some accounting adjustments to Deferred Outflows of Resources. Thus, overall, net pension liability did not change dramatically. Mr. Ware continued by noting the net position is the net assets (reserve), and this did increase from \$76 million to \$89 million in the fiscal year ending March 2022.

Mr. Ware indicated the Statement of Revenues works in tandem with the balance sheet. This is a recording of everything that has happened over the past 12 months. This has been unique with staffing, COVID and shutdowns, and it is impressive to have these results for the 12-month period ending March 31, 2022. In brief, revenues increased from \$29 million to \$31 million, operating expenses were consistent from \$22-\$23 million with a net operating profit of \$7.9 million. Interest expense and developer fees increased non-operating revenues, which in turn helped increase the net position by \$13.89 million. Mr. Ware reiterated, the fiscal year started with a reserve of \$76 million, and ended with a reserve of \$89 million.

Mr. Ware closed his summary with final thoughts stating the District is on solid footing, and the transition of management has been commendable with Manager Hopkins making himself available. He stated the audit could not have happened without the opportunities offered by Assistant Manager Vega and Finance Director Ram.

Director Cortopassi asked if net pension liability is the Unfunded Accrued Liability CalPERS normally reports. Mr. Ware stated there are assets CalPERS takes into consideration to pay off retirement liabilities which leaves the unfunded accrued liability. Mr. Ware stated the net amount has decreased.

Assistant Manager Vega stated if the Board is comfortable with the financial statements, they can approve them as they are, or if the Board wants more time to review the financial statements, they can follow previous precedent and Staff can bring the audit back for approval the following week. After a brief discussion, President Watkins stated it was the Board's preference to allow for a week's review of the statements, and bring the item back the following week.

2. Minutes 10/25/22 Regular Meeting

Manager Hopkins commented he was incorrect last week by stating the 42-gallon per day per capita water use bill, SB222, was vetoed. SB222 is actually the bill for water rate assistance, and not the 42-gallon per day per capita water use bill (SB1157).

A motion was moved and seconded to approve the October 25, 2022 Regular Board Meeting Minutes, as amended.

Roll Call:

Ayes: Cortopassi, McGaughey, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: Atkins, McGurk

3. Warrants
 - a. Fund 68 – Municipal & Industrial Groundwater Fund
 - b. Fund 70 – Administration Fund
 - c. Fund 71 – Water Supply Fund
 - d. Fund 89 – Fish Passage Improvements Fund
 - e. Fund 91 – Vehicle Fund
 - f. Fund 94 – Municipal & Industrial Fund
 - g. Summary
 - h. Payroll
 - i. Short Names/Acronym List
 - j. SEWD Vehicles & Heavy Equipment

A motion was moved and seconded to approve the October 25, 2022 Warrants as presented.

Roll Call:

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

4. Association of California Water Agencies – Notice of General Session Membership Meeting on November 30, 2022 Memo, 10/05/22
Manager Hopkins provided the Board with a memo regarding Association of California Water Agencies – Notice of General Session Membership Meeting on November 30, 2022.
Manager Hopkins stated ACWA is looking for our district to nominate one of our Board members to vote on November 30th for the Amended and Restated Bylaws approved by the ACWA Board. Manager Hopkins asked for a delegate to be nominated who will be present at the ACWA meeting on November 30th. President Watkins nominated Director Atkins or Director McGurk. It was decided by the Board to nominate Director McGurk.

A motion was moved and seconded to designate Director McGurk as the District’s voting representative with the ACWA convention.

Roll Call:

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

5. Stockton East Water District – Agreement Amendment for Bellota Project 100% Design Memo, 10/25/22
Manager Hopkins provided the Board with a memo regarding an Agreement Amendment for Bellota Project 100% Design. Manager Hopkins reported back on November 5, 2019, the Board approved a professional services agreement with KSN for \$2.9 million for the design of the Bellota Weir project. As reported last week from ECORP, the project ended up being larger and more complex than initially proposed by KSN. On September 29th, the district received a request for an amendment to the professional services agreement for an additional \$117,781 to cover consulting costs for KSN and their sub-consultant HDR. Manager Hopkins stated discussion with Department of Fish and Wildlife (Grantor) agreed to move some money around to cover the additional cost.

A motion was moved and seconded to approve the amendment to the Professional Services Agreement with Kjeldsen, Sinnock & Neudeck (KSN) Inc. for an amended amount of \$117,781, for a total revised not to exceed cost of \$3,065,699.

Roll Call:

Ayes: Cortopassi, McGaughey, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: Atkins, McGurk

6. Stockton East Water District – Peters Pipeline Constant Head Vault Gate Memo, 10/25/22

Manager Hopkins provided the Board with a memo regarding Peters Pipeline Constant Head Vault Gate.

Manager Hopkins introduced Assistant Manager Vega to report. Assistant Manager Vega set forth that as part of the fiscal year 2022-23 budget, the Board approved \$55,000 to address the constant head vault (CHV) at Peters Pipeline. In order to provide maintenance access and for safety concerns, a gate is needed to stop flow. Currently, there is no way to stop flow if someone is working on the constant head vault. Staff received quotes, and a discounted quote was received from Fresno Valve for \$28,343 which is recommended by Staff and which is well under the budgeted amount of \$55,000.

President Watkins asked if the gate is on the 66" pipe, the center wall, or the 78" pipe. District Engineer Evensen stated that the gate would be placed on the 66" outlet pipe. President Watkins clarified the CHV vault is a square building with a 66" pipe at the outlet end, a 48" out the bottom to the Bellota Pipeline which is 54", and a 78" pipe coming into it with a center wall. The center wall has an overflow over the top. It was the opinion of President Watkins if you put pressure on the CHV, the pipe would blow out. President Watkins asked if the valve is going to hold water behind it? District Engineer Evensen stated yes. Director Sanguinetti asked how many leaks the Peters Pipeline has sustained. There have been complaints in the past regarding leaks at Dietrich Road. President Watkins stated that Peters Pipeline has been relined from Potter Creek to the CHV. District Engineer Evensen stated that the condition of the Peters Pipeline is his same concern, and the pipeline assessment is added to next year's preliminary budget. Manager Hopkins stated there was a safety concern with Staff working in the 66" Vault downstream while water flowing from the CHV. Manager Hopkins mentioned that there was no way to control water flow except at the Copperopolis gates on the south side of Copperopolis Road in the canal which is quite a distance away. The Peters Pipeline builds up enough head to flow over the railroad track bridge at Vault 66 but flow is limited. President Watkins commented the Peters Pipeline vault was originally designed to have 18 feet of head. Director Cortopassi suggested Staff have discussions with President Watkins and Director Sanguinetti to do the right thing as they know the history of the vault.

A motion was moved and seconded to authorize the purchase of the Fresno Valve & Casting slide gate in the amount \$28,343, plus a 10% contingency of \$2,835, for a total cost of \$31,178.

Roll Call:

Ayes: Cortopassi, McGaughey, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: Atkins, McGurk

7. Stockton East Water District – Duck Creek Traveling Water Screen Improvements Memo, 10/25/22

Manager Hopkins provided the Board with a memo regarding Duck Creek Traveling Water Screen Improvements. Manager Hopkins introduced Assistant Manager Vega to report. Assistant Manager Vega stated the Duck Creek screen is the first one in the Lower Farmington Canal system, being the first screen, it typically handles more debris than the other screens. Back in 2008, a screen was installed with chain gear drive, a conveyor, and elevator that have issues with corrosion and operations, Staff recommends that the chain drives be replaced with direct drive gear boxes and a new drive motor, elevator and conveyors. The request for improvements is under the budget for this fiscal year which is \$130,000.

President Watkins asked if the conveyors are being rebuilt or installing new ones. Assistant Manager Vega replied chains and elevators are being taken out and replaced with new ones. Manager Hopkins clarified the screens placed in the water are staying, and have been retrofitted with gear drives, but the chains dump onto a conveyor which lift up to an elevator. The pieces out of the water are being replaced.

A motion was moved and seconded to authorize the purchase of the Duck Creek traveling water screen improvements and installation from IWS for \$88,136.25, plus a 10% contingency of \$8,813.63, for a not to exceed amount of \$96,949.88.

Roll Call:

Ayes: Cortopassi, McGaughey, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: Atkins, McGurk

8. Statement of Consistency Pursuant to Execute Order N-7-22 and Findings of Fact Stockton East Water District Groundwater Sustainability Agency Statement of Consistency Pursuant to Executive Order N-7-22 – Well Permit Application for 7403 State Route 4, Stockton, CA

Manager Hopkins provided the Board with the Statement of Consistency Pursuant to Execute Order N-7-22 and Findings of Fact Stockton East Water District Groundwater Sustainability Agency Statement of Consistency Pursuant to Executive Order N-7-22 – Well Permit Application for 7403 State Route 4, Stockton, CA. Manager Hopkins reported he received a new well application from San Joaquin County for a property located on State Route 4. Manager Hopkins added the County requires a Statement of Consistency stating the new well aligns with our groundwater sustainability plan.

President Watkins reported the new well is being applied for by the previous owners. President Watkins stated the County requires a Statement of Consistency stating the new well aligns with our groundwater sustainability plan.

A motion was moved and seconded to approve the Statement of Consistency Pursuant to Execute Order N-7-22 and Findings of Fact Stockton East Water District Groundwater Sustainability Agency Statement of Consistency Pursuant to Executive Order N-7-22 – Well Permit Application for 7403 State Route 4, Stockton, CA, as presented.

Roll Call:

Ayes: Cortopassi, McGaughey, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: Atkins, McGurk

E. COMMITTEE REPORTS

1. San Joaquin County Flood Control and Water Advisory Commission Meeting, 10/19/22
Director McGurk is absent. Manager Hopkins stated he did not attend the October 19, 2022 San Joaquin County Flood Control and Water Advisory Commission Meeting. President Watkins directed Manager Hopkins to bring the item back to next week's meeting.
2. Eastern San Joaquin Groundwater Authority Technical Advisory Committee (TAC) Meeting, 10/20/22
Manager Hopkins attended the October 20, 2022 Eastern San Joaquin Groundwater Authority Technical Advisory Committee (TAC) Meeting. Manager Hopkins reported the committee reviewed all groundwater projects that were submitted for SGMA, round two grant funding. There were eight or nine projects presented to those in attendance. The projects were reviewed and the committee considered ways to rank them consistent with the grant solicitation package. Six projects were selected for recommendation to the steering committee for recommendation to the Board. Stockton East Water District has two projects on the list. One is the infrastructure to connect the west groundwater recharge basin to our water supply facilities, with a budget of \$1.5 million and the Bellota project for a budget of \$14 million. The overall packet will be \$20 million. The concession with the Bellota project is if DWR does not have a full budget (\$20 million) for the basin, the fraction of money will come from the Bellota, and the other remaining five projects get funded in the whole. A special meeting for the Eastern San Joaquin Groundwater Authority Steering Committee has been scheduled for November 3, 2022.

Director Cortopassi asked if funding of the design for Bellota \$14 million. Manager Hopkins stated this is first phase of construction. The next scheduled meeting is to be determined.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 10/17/22
Manager Hopkins 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 51,904 AF in storage at New Hogan Reservoir. Current releases are set at 74 cfs. Current release at Goodwin Dam to Stanislaus River are set at 437 cfs and release to all water users are set at 0 cfs. There are 0 irrigators on New Hogan, 0 irrigators on New Melones, and 0 irrigators out of District. The water treatment plant is currently processing 41 mgd. The City of Stockton is currently processing 13 mgd. Manager Hopkins reported the District wells total water extraction is 6,885 gpm (~9.9 mgd).

2. Information Items:
Manager Hopkins noted item: F2a-1, F2a-2 and F2a-3.

Director Cortopassi asked about water supply, can we ask for water from the Bureau of Reclamation. Manager Hopkins stated if we ran out of New Hogan supply, we could request. President Watkins stated they have always denied it.

3. Report on General Manager Activities
 - a. San Joaquin County Office of Emergency Services – Agricultural Drought Task Force Meeting, 10/19/22
Assistant Manager Vega attended the October 19, 2022 San Joaquin County Office of Emergency Services – Agricultural Drought Task Force Meeting. Assistant Manager Vega offered an update

from The National Weather Service with the year ending in September. In the Sierras, an average year is 39.9" of precipitation while this year was only 25.3 inches. Most of the precipitation happened in October and December of 2021, everything else was pretty much dry. The Stockton Airport has a measuring device where precipitation was measured at 9.87" which is 73% of normal which is 13.45". The future outlook is still seen as a weak La Niña, which means either a dry year or normal year, but never a wetter than expected year. The expectation is above normal temperatures through December and then no clear signal for precipitation for the upcoming calendar year although they expect dryer than normal conditions.

- b. Central Valley Project Water Association – Executive & Financial Affairs Committee Meeting, 08/19/22. Finance Director Ram attended the October 21, 2022 Central Valley Project Water Association – Executive & Financial Affairs Committee Meeting. Finance Director Ram reported the 2022 CVP water rates have been posted online for review. These rates are estimates because they have used the seven-year water delivery average. Finance Director Ram stated CVP contractors advised us to keep this into consideration when transferring water. For example, the storage and water marketing rate is listed at \$31 per AF, but could go up to \$122 per AF since it's going to be a dry year.
- c. Stockton East Water District Activities Update
Manager Hopkins reported stated we are ordering SEWD apparel and a catalog is available for interested directors. Yesterday, President Watkins, Manager Hopkins, Legal Counsel Zolezzi and Consultant Barkett, met with LAFCo regarding consolidation. The new executive officer seems to have a clear plan to move forward, and hopeful to have the MSR on the January 12th or February 9th Board agenda for approval. Tomorrow Manager Hopkins has a meeting with the NRCS to coordinate District projects with funding that will be coming in. Lastly, a DWR pre-flood workshop was held today. As far as water is concerned through with low rainfall through February, and February through May will be normal

G. DIRECTOR REPORTS

- 1. Greater Stockton Chamber of Commerce – 2022 San Joaquin Agricultural Hall of Fame Awards Dinner, 10/20/22
Directors Cortopassi, Sanguinetti and Manager Hopkins attended the October 20, 2022 Greater Stockton Chamber of Commerce – 2022 San Joaquin Agricultural Hall of Fame Awards Dinner. Director Cortopassi stated he knew all honorees. Jim Tanaka who is 96 years old and his brother Sam. Director Sanguinetti said it was a sold-out crowd, very nice, a lot of people from Lodi. Very nice function. Bruce Fry who was a good agricultural teacher, very involved with kids.

H. COMMUNICATIONS (None)

I. AGENDA PLANNING/UPCOMING EVENTS

- 1. San Joaquin Farm Bureau Federation – Water Committee Meeting, 10/25/22
- 2. ACWA State Legislative Committee Meeting, 10/28/22

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 - Potential Litigation
Government Code 54956.9 (c) – one case

President Watkins adjourned the meeting to closed session at 1:18 p.m. to discuss closed session agenda items. The regular meeting reconvened at 1:56 p.m., with the no reportable action.

K. ADJOURNMENT

President Watkins adjourned the meeting at 1:57 p.m.

Respectfully submitted,



Justin M. Hopkins
Secretary of the Board

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