



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
560 Magnolia Avenue, Beaumont, CA 92223
Tuesday, October 2, 2018 at 6:00 p.m.**

Call to Order: President Covington

President Covington began the meeting at 6:05 p.m.

Roll Call:

Directors present:	President Covington Directors Hoffman, Slawson, Williams
Directors absent:	Ramirez
Staff present:	General Manager Dan Jagers, Director of Finance and Administration Yolanda Rodriguez, Assistant Director of Operations James Bean, Senior Engineer Mark Swanson, Senior Finance and Administrative Analyst William Clayton, Administrative Assistant Erica Gonzales

Members of the public who registered attendance: Fran Flanders, Dr. Blair Ball, Lona Williams, Jeff, Davis, Trey Sivardd, Jack Williams, and Hank Williams.

Public Comment:

Mr. Jeff Davis, General Manager of the San Gorgonio Pass Water Agency (SGPWA), advised that he is available for questions during items regarding the SGPWA.

ACTION ITEMS

1. Consideration of Appointment of a Director to the Division 2 Vacancy on the Board of Directors, term ending Dec. 7, 2018

Director of Finance and Administrative Services Yolanda Rodriguez reminded the Board that at its meeting on August 23, 2018 it was voted to fill the vacancy by appointment. Notice of the vacancy was posted and advertised. One application was received from Ms. Lona Williams.

Ms. Williams reviewed her background and responded to director questions. Mr. Jagers added that Ms. Williams is also running unopposed in the November election, and will be appointed in lieu of election.

The Board approved the appointment of Ms. Lona Williams to the Division 2 vacancy by the following vote:

MOVED: Hoffman	SECONDED: Slawson	APPROVED 3-0
AYES:	Covington, Hoffman, Slawson	
NOES:	None.	
ABSTAIN:	None.	
ABSENT:	Ramirez	

2. Consideration of Appointment of Director(s) to serve as an Alternate to Standing and Ad Hoc Committees: Finance and Audit Committee, Personnel Committee, and Bogart Park Ad Hoc Committee

President Covington made the following appointments of committee alternate members:

- Finance and Audit Committee: Director Williams
- Personnel Committee: Director Hoffman
- Bogart Park Ad Hoc Committee: President Covington

3. Consideration of Authorization of General Manager to enter into a Contract for Grant Writing Consulting Services

Director of Finance and Administrative Services Yolanda Rodriguez explained that five proposals were received in response to the RFP. Staff scored the proposals based on technical experience, cost and reference. She said staff is comfortable with the top three and requested direction from the Board.

Mr. Jagers added that the bid platform included some robust activities. The intent will be to negotiate the final contract based on services. The first task is to do an assessment and determine available opportunities, he said.

President Covington commented that this is a lot of money and asked about the other bids. Mr. Jagers said he believes the costs were all similar. President Covington suggested going back to all five respondents with a more detailed scope of work and bringing back results at a future meeting.

Director Slawson noted this is “dipping a toe into a big pool,” and that other agencies have grant writing teams working year round. He was not surprised with the amount of money. Director Hoffman recalled his paperwork-intensive experience with the California Air Resources Board, and noted the work was worth the effort based on the results.

Director Williams asked about the term of the contract and termination clause. Mr. Jagers explained it was bid as a three-year term with a period of analysis then three to four grants per year. Ms. Rodriguez noted there is an option after year one whether to renew.

President Covington requested further information and tabled the item in order to include Director Ramirez in the discussion.

4. Discussion Regarding Early Shutdown of the East Branch Extension

Mr. Jagers explained that the District was notified two weeks ago by the San Geronio Pass Water Agency that there would be a December 2018 shutdown. SGPWA General Manager Jeff Davis advised the San Bernardino Valley Municipal Water District that did not work well for SGPWA or BCWVD. The Yucaipa Valley Water District also required coordination. The December 2018 shutdown was delayed until December of 2019.

Neither will there be a shutdown in February 2019. The District must make a decision as to when to complete the Noble Creek turnout enlargement. Mr. Davis reported that signed drawings have been received from the Department of Water Resources and the project would be advertised this week with potential bid openings and Board consideration in November.

Mr. Jagers advised he has updated the schedule and a one-week or two-week shutdown may be anticipated between February and April. Mr. Jagers noted that BCWVD would not be adversely impacted once the additional recharge capacity is gained; the District will quickly catch up.

BCWVD's facility, Jagers continued, currently has two ponds online, receiving 8,500 gallons per minute.

Director Slawson said he is glad this project is moving forward. President Covington thanked the SGPWA for their work in pushing the shutdown to December 2019.

5. Discussion Regarding the Draft 2018 San Geronio Pass Water Agency Imported Water Rate

Mr. Jagers explained that the SGPWA held its second rate workshop on September 13 addressing a rate recovery item. A three-year model (2019-2021) with a goal to be revenue neutral was presented. The SGPWA Board identified that they wanted to create a method and rate that would work for everyone.

There was significant cost difference between different activities. Mr. Jagers explained that it is hoped to come to a recommendation at the management level to present at a rate workshop. He noted the conversations have so far been positive. The group is meeting bi-weekly in order to move forward quickly.

Mr. Jagers drew attention to a September 19 paper detailing a preliminary examination of the rates.

President Covington asked Mr. Davis for a brief overview of SGPWA's position. Mr. Davis said he has strong direction from the SGPWA Board to capture in the rate only costs directly associated with procuring and delivering water. He explained that the SGPWA sought additional water supplies and identified the reliable Nickel Water supply, which is primarily paid through tax rate.

Mr. Davis indicated the process is just beginning. The model looks at various options, but the additional water supply must be paid for. The law does not allow SGPWA to set a developer fee on its own; it must cooperate with BCWVD or other public agencies to do so therefore it cannot yet be determined whether there will

or will not be a fee. Additionally, if the cost of water is going up, Mr. Davis posited, it may be an incentive for people to conserve.

Director Hoffman indicated that there are longtime area residents who believe rates should stay as low as possible, but acknowledged that everything is going up, so there will be unavoidable additional costs for operations as well as bringing in new water. He hopes the majority of the new residents can absorb a good share or it, but ultimately it is a burden that all will share. President Covington concurred. There are many factors driving the water rate, Covington said, including laws and regulations passed in Sacramento. Director Hoffman added that it is often taken for granted that the water can be trusted to be good, clean and pure.

6. Discussion Regarding Sites Reservoir Phase 2 Participation Agreement

General Manager Jagers advised that at a recent SGPWA meeting a draft copy of the Sites Reservoir Phase 2 participation agreement was presented. He noted that BCWVD has participated for 4,000 AF of the total 14,000 AF of the SGPWA request from the Sites Reservoir.

He reminded the Board of discussions regarding spreading the cost into the rates, and if Sites may become an activity allowed to be funded by the State Water Project as a tax-based strategy. This would have to be supported by the Department of Water Resources, and may be challenged. If allowed, the tax base collected via new and existing residents would help provide a vehicle for funding.

The BCWVD wants to do its part to provide water supply for its ratepayers, and this is a long-term, permanent supply. There is always uncertainty, however, whether the project will be built. Mr. Jagers reiterated the project phases. Once committed to Phase 2, if the agency does not exit at Phase 2A, it is in for the duration paying for project completion, or the expense if the project is not completed.

The project is moving very fast, Jagers noted. He advised that BCWVD would have to make a decision in the next few months as to whether to move forward. There are associated costs. As the final decision point approaches (approximately early January 2019), he suggested requesting a presentation from Mr. Davis to detail options. President Covington asked Mr. Davis for comment.

Mr. Davis echoed Mr. Jagers' advice that final decisions (Board action) must be ready to go by the first half of January, as Phase 2A requires obtaining permits which is a years-long process costing millions. The receipt of Prop. 1 funds triggers a deadline for completion of permits, pressuring officials to make decisions. Financing must be arranged by mid-February. Mr. Davis indicated that there are still many uncertainties related to the project, but if the two agencies stay with it, the community will applaud them in the future. He recommended being prepared to make a decision in early December, holding a special meeting if necessary.

Mr. Davis pointed out the Phase 2 participation agreement in the agenda packet. The SGPWA must have an agreement with BCWVD for participation. The SGPWA has directed the agency's general counsel to draft an agreement between SGPWA and BCWVD, which would be similar to the Phase 2 agreement.

President Covington asked about the spread of costs. Mr. Davis explained it is over three calendar years and four fiscal years, gradually ramping up with the first

payment in January 2020. He said the first payment for the region's share would be roughly \$600,000 to \$650,000. There will also be a cost of \$60 per acre foot when Class 2 shares convert to Class 1.

President Covington confirmed with Mr. Jaggars that BCVWD's participation would be \$3.69 million for Phase 2. Mr. Jaggars explained the interest only payments and financing bond strategy. If spread over 18,000 connections, it results in \$110 to \$112 per year. However, if the project fails, the BCVWD would still be responsible for \$3.7 million.

Mr. Jaggars warned there would be a lot of information at the last minute. This is a fluid project. President Covington expressed concern with spending more than \$3 million with no guarantee and how that cost would be passed on to customers. Mr. Jaggars noted that the current facility fee collected for new water is less than what it should be, but staff is waiting for all information in order to make recommendations. This is the cost of bolstering the water portfolio with long-term supply. The District has collected monies to obtain these supplies, which is the cost of doing business; how to distribute the costs if it fails is something to strategize. This is one of the last large reservoir projects with the potential to be built in California, Jaggars said, and he believes it is too early to get out. In response to President Covington, Mr. Jaggars clarified the interest-only payments and the cost of withdrawal from the project during Phase 2A.

President Covington said he can see the benefit down the road, but wants to understand the risk, and whether he is willing to risk \$3.5 million of ratepayer money to fund the project. Director Slawson pointed out there are others in the risk pool; and although it is scary, it is needed. Director Hoffman expressed concern that decisions are out of the Board's control, and it must be hoped that things happen in a way favorable to the District. The opportunity for potential good is also attractive, balanced with the unnerving, he said.

Director Williams commented on the changing nature of the project and asked about notification of the Phase 2 deadline. Mr. Jaggars indicated staff is paying close attention, will keep the Board informed and present all options to be able to make the best decision possible. Mr. Jaggars gave the example of the State Water Project: if that project had not been built in the 1960s, where would the region be today? This is the same type of project, he said.

President Covington requested a matrix of milestones and funding deadlines.

7. Discussion regarding Request for Proposals for Public Relations and Outreach Services

Director of Finance and Administrative Services Yolanda Rodriguez requested Board direction. At its September 12 meeting, the Board discussed the benefits of implementing a public relations and outreach program. She pointed out the draft scope of work.

President Covington reminded members that the Board has been discussing this for quite some time. The trend for public outreach seems to be the use of consulting firms. The Board wants to make sure the District's message gets out and President Covington indicated there is value to the District in terms of any Prop. 218 process.

President Covington asked if development of a strategic communication plan would be part of the scope of work. Mr. Jagers said the idea was to generate dialog based on the lengthy list provided. He reminded the Board that Director Ramirez was also interested in this and he is absent.

President Covington stated it is a great scope of work and suggested that when composing the RFP to create alternate bid items for separate dollar amounts from which the Board can choose. With that, he said he felt the project could proceed.

Mr. Jagers explained he spoke to other agencies using PR firms and there are different ways to approach the work. A retainer based plan means the agency is proactively helping, or the District can create a cafeteria style plan as suggested. President Covington compared the District's list to the recent RFP from Yucaipa Valley WD, and Mr. Jagers noted staff had gone through that RFP. Jagers said that ultimately, a minimum service will be needed, and the firm will help define the approach moving forward and deliver a robust message.

Directors Slawson and Hoffman concurred with a cafeteria-style approach. Director Williams pointed out that Spanish marketing collateral would be helpful. President Covington offered the option of hiring a person in-house to do the work if bids come back higher than the Board feels appropriate.

8. Consideration of Well 22 Pumping Facility Improvements

Assistant Director of Operations James Bean updated the Board on the repair and rehabilitation project at Well 22. Staff has identified additional work and upgrades at the facility.

The District entered a contract with Legend Pump and Well for \$74,709. After video inspection of the well, some items on the scope of work were eliminated based on the condition of the well, saving \$20,551. As identified at the Sept. 12 Board meeting, all of the down-hole well equipment was damaged and has reached the end of its service life, Bean explained. Staff solicited an estimate from Legend Pump and Well for the additional work. Mr. Bean explained options and recommended column replacement at \$29,760.

Staff also recommended facility improvements to comply with Department of Water Resources (DWR) standards. For realignment of discharge (also eliminating a confined space entry issue), electrical, and extension of well casing, the estimated cost is \$37,137. At the same time, staff recommended xeriscaping and replacement of 280 feet of fence for \$16,200.

President Covington noted this could be a good start and set a standard for the site improvements at other locations.

In conclusion, Mr. Bean explained the total additional cost for Board consideration is \$181,639, plus the fencing at \$11,200 and xeriscape at \$5,000 and a recommended 10 percent contingency for a total of \$217,623.

Discussion ensued regarding potential use of used column pipe. Directors Slawson and Hoffman supported use of new equipment. Director Williams concurred.

President Covington explained the Board vote would be regarding the increase in contract cost with Legend Pump and Well. Mr. Jagers noted that these costs would be capitalized.

The Board approved proceeding with all of the improvements as listed in the staff report for Well 22, with a 10 percent contingency by the following vote:

MOVED: Covington	SECONDED: Slawson	APPROVED 4-0
AYES:	Covington, Hoffman, Slawson, Williams	
NOES:	None.	
ABSTAIN:	None.	
ABSENT:	Ramirez	

9. Review and Discussion of Landscape Services Request for Proposals, Bid Results, and Landscaping Strategies Moving Forward

Mr. Jagers explained that development has been consuming the available time of many employees and there is a current near-term need to fix up District property. In addition, the Cal Fire crews that have been used in the past have dwindled. He explained the request for proposal, which included all District property except Edgar Canyon. Two bids were received: \$93,790 and \$246,000.

Staff considered these bids high, and began examining alternative strategies for a hybrid approach. Cal Fire crews are available and do a good job on larger facilities. The cost per day is \$235 for a 14-person crew. The California Conservation Corps cost per person is \$22 per hour, or approximately \$2,200 for a crew of 10. There is also a charge for travel time.

Another alternative is to add facilities maintenance personnel. This would have to be supported as a reorganization with related additional costs. Jagers indicated that funds are available. He expects this to be a one or two year strategy to improve the look of the District in the community, while determining a more long-term solution such as conversation of sites to low maintenance activities. A hybrid solution may be the most feasible.

President Covington pointed out that the 80-acre Noble Creek facility is probably a large portion of the bid. It could probably be managed by Cal Fire when available, but the others are general sites in residential areas. He indicated support for moving forward. Assistant Director of Operations James Bean noted that due to the year-round fire season and fewer crews available, it has been difficult to get Cal Fire here. When they are able to come, they focus on Noble Creek.

President Covington asked about Edgar Canyon. Mr. Bean noted both Cal Fire and CCC are able to do the work. Mr. Jagers noted the alternative solution would be to augment the Cal Fire crew with the CCC for Edgar Canyon. In response to President Covington, Mr. Jagers estimated that the addition of two staff members would be between \$70,000 to \$100,000. Director Slawson asked for clarification. Mr. Jagers reiterated that new development has impacted the workload of staff. When development slows, staff time will be freed for other tasks such as valve maintenance. The District is on a very lean staff but field operations must improve facilities maintenance.

Director Slawson posited that bidder Urban Habitat appears to be the only option, but cautioned that the District must retain a way out in case the work is not satisfactory. He agreed that this work is important. Director Hoffman noted the large difference between the two bids and suggested there may be other companies out there, but which may be currently busy. He also noted the potential difficulty of hiring new staff with an unemployment rate at 4 percent. President Covington advocated hiring locally and reminded that this can be a pathway to a job in the water industry.

President Covington tabled the item to allow staff to bring back options.

10. Discussion regarding Request for Upgrade of Service at 10600 Highland Springs Avenue (Highland Springs Resort)

Senior Engineer Mark Swanson explained that the Resort contacted the District on August 29 and he and Mr. Bean went to the site to understand the pressure problems described by the Resort. The existing meter is located off Chisolm Trail, not on Resort property, with an easement running past a home to the Resort's small facility. Water is received at the north end of the resort into their system.

Staff began research and discovered a letter issued in the late 1980s / early 1990s by former a General Manager stating the Resort was able to use the connection for its needs, and dating it back to the 1950s. Staff has determined that service was provided in 1955 as an emergency service. Nothing has been found beyond that, and currently it appears that based on the resort's consumption, they are using the connection for general domestic use plus fire flow. They were supplementing irrigation with a natural supply as well.

Staff will bring back the issue with a more robust timeline of events to understand what was approved and what is currently being used. Staff anticipates a disconnect between actual use and approved use.

Mr. Jagers advised of concerns. So far, there is a fair amount of literature that suggests this was an emergency-only service, primarily for fire flow. The use converted either with or without approval to the Resort's basic domestic supply. There are fundamental problems with the way it was converted, including meter size and the location of connection to the District's system. Additionally, staff does not believe that facilities fees were paid for the use, and in a recent run of Beaumont customers, the Resort appeared as one of the District's top 20 water consumers.

This is a significant issue, and there is a significant cost to pay the facilities fees today for each dwelling unit, Jagers said. The second problem is fire flow and the needed facilities upgrade to provide it, including potentially increasing storage at the Highland Springs Reservoir to meet requirements.

This is the first introduction for the Board's information, and it will be an ongoing process. President Covington asked if there were fire hydrants on the property. Staff did not have that information. Resort management told staff that in the 1970s one of their main buildings burned down and that triggered the requirement for sprinklers. Now they are asking for domestic use with a larger meter.

In response to President Covington, Mr. Swanson confirmed the Resort is paying the outside meter rate. President Covington suggested that at a minimum, the District should advise the Resort that it is unable to provide required fire flow and will continue research. Director Hoffman suggested requesting input from legal counsel. Director Slawson said he understood the Resort would have a hard time, and looks forward to seeing the solutions. Director Williams concurred.

11. Update: Potrero Bridge Domestic and Recycled Waterlines Status

Mr. Jagers advised that the City has pushed forward the Potrero overpass project. The District advised the developer of a 2.8 million square foot warehouse that water lines would be needed to support his and some of the projects in the south end of the city. The developer prepared plans to include facilities within the bridge. At this point, it is time to make a decision, whether developer funded or not. There is a fair amount of facilities to include in the bridge. The City also has plans for 4th Street improvements, Jagers said.

Mr. Swanson explained the City is the lead agency for the 6-lane bridge project, which will cross the 60 freeway and connect to 4th Street. He explained the construction phases and current status. Construction is on schedule for completion in February 2019. Mr. Swanson described the area and uses.

Within the bridge itself, three water lines are identified: two domestic, one recycled. Coming into the bridge, the cells for the 24-inch transmission mains require some robust design. In addition, there is the City's proposed brine line. SCE and Verizon have indicated that they are also contracted to include facilities. For future development to occur in the area, those transmission lines will be necessary. This helps loop the commercial needs with large fire flow requirements.

Staff has brought this to the Board now as the contractor-required lead time to order the flexible couplings that are in the abutments. The first option is to allow the developer to continue the design plans and have them finish it and the contractor order the materials and get it installed while the bridge deck is open. The other option is on the back side of the abutments, the bridge designer has already designed cutouts so that if something does not go through, it can be added later; however, the contractor does not have scope to make those changes to the original plans. The City has requested the developer provide funding to move this forward. If the developer does not make this happen, the District will have to work with the developer to provide new plans through the District and Cal Trans for boring under the 60.

Mr. Jagers assured the Board that the District is doing its part and has made no guarantee of service to the developer. It has been made clear in the conditions of approval that there is work that must be done related to District activities. A letter was written to the developer in 2016 and has been clear that this is not a District need and is an expense borne by the developer. The developer has indicated he would like to the opportunity to get across the freeway.

12. Discussion regarding Request for Temporary Service to Property located at 37534 Cherry Valley Boulevard in the Community of Cherry Valley

Mr. Jagers explained that the applicants' well ran dry and a five-year temporary service has been requested. The District's regulations allow temporary service, typically for 180 days. The future Sunny Cal development would extend a line

along Cherry Valley Boulevard that could provide some service pressure to the property. There is an existing 2650 pressure zone line but it is not capable of providing service. The applicants have been buying water and filling an existing tank that was part of their well and booster system.

The District could offer the typical temporary service, provide an interim condition, or do the five-year solution, Mr. Jaggars posited. The long-term plan would be that when the water line is extended across their property, they could then pick up service. He requested Board direction.

President Covington suggested advising the owners of the LAFCO process (annexation) which is costly, but if they wait for the development to occur, they will be burdened with a reimbursement agreement by the person who paid for the water line down Cherry Valley Boulevard. These are huge expenses, he noted. His advice to the applicants would be to lower the well or drill another well, which would be less expensive than any other option. He said he is not opposed to a six-month extension for a temporary service to allow time to figure out true options and costs. There are not very good options here, he observed.

Mr. Jaggars noted that a temporary service does not necessarily incur facilities fees. There would be an out-of-service premium cost plus all installation costs. However, the \$10,122 for service would not be collected. Staff had a frank discussion with the applicants. Mr. Swanson added that they did drill deeper some time ago and understand the cost.

President Covington indicated there does not appear to be information that would allow a variation from the rules and regulations. At the minimum, this will have to come back for Board action, he said. Mr. Jaggars reiterated the six-month temporary service with LAFCO annexation process.

Director Slawson asked about the applicants' current water. Mr. Swanson said the applicant stated he is trucking it in on his own. Mr. Jaggars assured that the applicant would be required to cover all costs for the temporary meter and service.

Mr. Jaggars confirmed that Board direction is to offer the temporary service within current policy and advise the applicants of the LAFCO process to annex. At the end of six months, if the annexation process is ongoing, perhaps the Board would consider an extension, he noted. That would give the Board a basis for a variance to the policy, noted Covington.

Mr. Swanson added that the District would provide water to the property, but facilities to get it to their tank at 2700 feet elevation are the responsibility of the applicant. Mr. Jaggars added that they were advised that a backflow device would be needed.

13. Consideration of Scheduling a District Facilities Tour

President Covington noted this event has had setbacks for various reasons. Director Hoffman noted other things are taking priority and the tour is not a priority. President Covington suggested that if an individual director or two directors wanted to see some of the facilities or have a tour it could be scheduled with the general manager.

14. Consideration of Attendance at the Association of California Water Agencies annual Fall Conference in San Diego, Nov. 27 – 30, 2018

Mr. Jagers suggested the upcoming conference in San Diego would be convenient to attend. It is a place for Board or staff to network. He has listened to the SGPWA identify a number of opportunities and strategies they have picked up at these conferences, so there is value, he said.

President Covington added that the ACWA conventions are extremely high level and deal with items affecting the entire state. It is a 30,000-foot view of significant issues and he suggested interested directors choose which days they would like to attend. This is definitely a conference for Board members and being local in San Diego is more convenient than traveling north. Based on policy, any director may attend these conferences, Covington noted.

Director Williams indicated she is interested in attending. Staff will contact Director Ramirez for his interest.

President Covington tabled the item.

15. Update: Status of District Wells, Capital Improvements, and Engineering Projects

General Manager Jagers drew attention to the list and gave highlights. There were no questions from the Board.

16. Update: Legislative Action and Issues Affecting BCVWD

Mr. Jagers drew attention to the report. There were no questions from the Board.

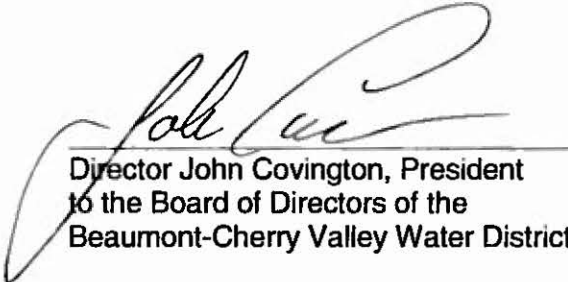
17. General Manager's Report:


Mr. Jagers reported that the recharge facility is running at about 30 percent. There have been some chemical additions by the San Bernardino Valley Municipal Water District that have improved percolation rates.

18. Topics for Future Meetings: None.

19. Adjournment

President Covington adjourned the meeting at 9:07 p.m.


Director John Covington, President
to the Board of Directors of the
Beaumont-Cherry Valley Water District

ATTEST:

Director Daniel Slawson, Secretary
to the Board of Directors of the
Beaumont-Cherry Valley Water District