

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 23, 2016 AT 12:00 NOON

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

President Sanguinetti called the regular meeting to order at 12:28 p.m., and Director Watkins 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, District Engineer Lee, Finance Director Naray, Administrative Assistant Lopez, Administrative Clerk Curtis and Legal Counsel Zolezzi.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. Minutes 08/16/16 Regular Meeting

Director Panizza made the following corrections to the minutes:

- Page 5, first paragraph following section J-1 – strike “12:26 p.m.” and replace with “1:03 p.m.”.

A motion was moved and seconded to approve the August 16, 2016 Regular Meeting Minutes, as amended.

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 23, 2016 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. **JWT and Associates, LLP – Certified Public Accountants – Audited Financial Statements**

Presentation For Fiscal Year 2015/2016

Jeremy Ware with JWT and Associates, LLP presented the District’s draft Fiscal Year 2015/2016 Audited Financial Statements. Mr. Ware presented the Board with a handout of the four (4) required communications (Audit Results) which included a modified (qualified) audit opinion on financial audit; no audit adjustments; no disputes or disagreements with District staff during the course of the audit and total assets (\$236,717,240).

Mr. Ware provided a summary of the Independent Auditors' Report and explanation of the Basis for Qualified Opinions; Management's Discussion and Analysis; Statement of Net Position as of March 31, 2016 to include assets. Mr. Ware also provided a review of the District's Statement of Revenues, Expenses and Changes in Net Position as of March 31, 2016. Mr. Ware reported on the net pension liability, stating it is new this year; it is the District's pension liability as administered by California Public Employees' Retirement System (CalPERS).

Mr. Ware reported GASB 68, Accounting and Financial Reporting for Pensions is "one-time item", as discussed last year, in the amount of \$4,041,354. Mr. Ware also reported GASB 71 Pension Transition for Contributions becomes effective in 2018 and will also influence the District's Financial Statements.

In closing, Mr. Ware reported being pleased to work with management and commended staff on their effort to assist in a transparent and smooth audit process.

Director Cortopassi inquired on the net pension liability amount; and, if the District had not received the numbers prior to this year. Mr. Ware replied this information had been reported in the notes of the Audited Financials prior to this year.

Director Cortopassi inquired whether pension liability is included as an expense within the annual budget. Manager Moody replied this expense is included in the monthly bill paid to CalPERS; it is an annual expense, however, it is not listed on its own line, but is listed under CalPERS.

Director Watkins inquired if this amount assumes the District will make payments throughout the future years. Mr. Ware replied this amount assumes contributions.

A motion was moved and seconded to approve the draft Audited Financial Statements for Fiscal Year 2015/2016, as presented.

Roll Call:

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

4. Lower Farmington Canal Rock Creek Diversion: Radial Gates Rehabilitation Project
Manager Moody provided the Board with information on the contract approval for the Lower Farmington Canal Rock Creek Diversion: Radial Gates Rehabilitation Project. District Engineer Lee reported the Radial Gates at Rock Creek Diversion were installed in 1994 and some gate components are at the end of their useful life. District Engineer Lee reported Bids were due on August 10, 2016 and all Bidders met the Bid Specification requirements. Staff conducted research on the three (3) bidders; BLASTCO Inc., Certified Coatings Inc., and F.D. Thomas Inc., and determined that Certified Coatings, Inc., of Fairfield, California is the most responsive low bidder with a Bid amount of \$206,810. District staff recommended awarding the contract to the lowest responsible overall bidder, Certified Coatings, Inc.

Manager Moody reported staff determined the difference in Bid Proposal amounts were due to the location of each Bidder and their travel expenses increased their Bid amount.

Director Cortopassi inquired if Certified Coatings, Inc. will be sand blasting the Radial Gates in place; and, if they are coated in lead based paint. District Engineer Lee replied yes, they will sand blast in place and the paint was tested and results indicated no traces of lead were found. District Engineer Lee reported of the environmental requirement to dispose paint chips properly and the bidder will tent the Project area. The environmental requirements were included in the Contract Bid Documents for the Project.

Director Cortopassi inquired if the cost of this Project can be added to the cost of wheeling water to Central San Joaquin Water Conservation District (CSJWCD). Legal Counsel Zolezzi replied the cost will be categorized. Manager Moody added this Project needs to be tracked in the maintenance costs, for the wheeling water discussions with CSJWCD.

Director Atkins inquired on the amount of loss from the Radial Gates leaking. District Engineer Lee replied staff has not quantified the amount because the area has been dry for the last couple of years; however, because the rubber seals are cracking and recommendation was also made by the manufacturer to replace.

A motion was moved and seconded to award the contract to the lowest responsible bidder, Certified Coatings, Inc., for Lower Farmington Canal Rock Creek Diversion: Radial Gates Rehabilitation Project in the amount of \$206,810.00.

Roll Call:

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

E. COMMITTEE REPORTS

1. San Joaquin County Flood Control and Water Conservation District Advisory Water Commission Meeting, 08/17/16

Director McGurk and Manager Moody attended the August 17, 2016 San Joaquin County Flood Control and Water Conservation District Advisory Water Commission Meeting. Director McGurk reported Kris Balaji, Director of San Joaquin County Public Works presented information on the Demonstration Recharge Extraction & Aquifer Management (DREAM) Project; recommending the Commission make a motion and approve recommendation to adopt of the Initial Study and Mitigated Negative Declaration to the San Joaquin County (SJC) Board of Supervisors. Manager Moody added the SJC Board of Supervisors approved the Initial Study and Mitigated Negative Declaration at the 9:00 a.m. meeting on August 23, 2016. Manager Moody reported Anders Christensen, Woodbridge Irrigation District, insisted on making the motion for the Commission to move this forward.

Director McGurk reported SJC wants to enter into a Memorandum of Understanding (MOU) with Stanislaus County for an Economic Analysis of the Impacts of Reallocating Unimpaired Flows from Tributaries to the Lower San Joaquin River. Director McGurk reported Rod Smith, Principal of Stratecon, Inc., provided a presentation of his services for the analysis. SJC's financial responsibility for the Analysis is ~\$20,000 of the \$90,000 for the Analysis. The Commission voted in favor for SJC to participate with Stanislaus County.

Director McGurk reported Mike Cockrell provided on update on 2016 drought conditions.

Manager Moody reported Commissioner Hartmann inquired if a condition of a well permit is that the owners must allow the County to monitor. Manager Moody added as of June 14, 2016, it is now a condition of a well permit that you must allow the SJC to monitor that well. Manager Moody also reported the City of Stockton via Stockton East Water District should be added to the Economic Analysis Proposal as a potential economic impact as part of the Study of Unimpaired Flows.

Director McGurk reported a handout was provided on the September 17, 2016 Coastal Cleanup Day. Director McGurk reported the 12 areas listed for cleanup around the County. Director McGurk reported ~16,000 pounds of trash was removed last year's event. The next meeting is scheduled for September 21, 2016.

2. Stockton Area Water Suppliers Meeting, 08/22/16

Manager Moody and staff attended the August 22, 2016 Stockton Area Water Suppliers (SAWS) Meeting. Manager Moody reported Kristin Coon, Water Conservation Coordinator kicked the meeting off by presenting new poster boards for use this school year. Water Conservation Coordinator Coon and her staff will be starting back in the schools next week. Manager Moody reported the group discussed the Total Organic Carbon (TOC) levels when switching from New Melones to New Hogan water source. Manager Moody also reported on DREAM Project discussions noting once the parties are closer to finalizing discussion with Woodbridge Irrigation District and East Bay Municipal Utilities District, Project changes will be routed to the Eastern Water Alliance before the Export Permit is presented before the Board of Supervisors. Manager Moody reported there was a brief discussion on Groundwater Sustainability Agencies; the City of Stockton, Cal Water, San Joaquin County and Stockton East Water District are finalizing individual boundary maps to assemble into one comprehensive map (outlining all boundaries) to provide to the Department of Water Resources. The next meeting is scheduled for September 19, 2016.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 08/15/16

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

Assistant Manager Johnson reported there is 95,861 AF in storage at New Hogan Reservoir. Current releases are set at 219 cfs. There is 549,662 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 1,199 cfs. The water treatment plant is currently processing 28 mgd. The City of Stockton's water treatment plant is currently processing 24 mgd. Assistant Manager Johnson reported the District Wells are offline.

Assistant Manager Johnson reported there are 26 irrigators on the New Hogan system and there are no irrigators pumping on New Melones system.

Assistant Manager Johnson reported staff was recently notified the submersible pumps for both the District's North and South Wells are in and installation should occur in the upcoming weeks.

2. Information Items:

Manager Moody noted items: F2a-1, F2a-2, F2a-3, F2a-4, F2a-5, F2a-6, F2a-7, F2a-8 and F2a-9.

Director Watkins inquired on F2a-9, reporting The Linden Herald incorrectly referenced the "Cortopassi Initiative" as Proposition 33; however, it is Proposition 53.

3. Report on General Manager Activities (None)

G. DIRECTOR REPORTS

1. Greater Stockton Chamber of Commerce Summer Diversity Mixer – Port of Stockton Commander’s House, 08/17/16
Nothing to report.

H. COMMUNICATIONS (None)

I. AGENDA PLANNING/UPCOMING EVENTS

1. San Joaquin Farm Bureau Federation – Water Committee Meeting, 5:30 p.m., 08/23/16
2. Sustainable Groundwater Management Act Workgroup AD HOC Technical Review Committee Meeting, 2:00 p.m., 08/24/16

J. REPORT OF THE COUNSEL

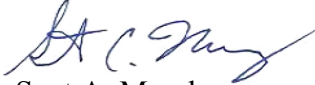
1. Closed Session - Potential Litigation
Government Code 54956.9 (c) – four cases

President Sanguinetti adjourned the meeting to closed session at 1:27 p.m. to discuss closed session agenda items. The regular meeting reconvened at 1:59 p.m., with no reportable action.

J. ADJOURNMENT

President Sanguinetti adjourned the meeting at 2:00 p.m.

Respectfully submitted,



Scot A. Moody
Secretary of the Board

tbc

