

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF
WESTLANDS WATER DISTRICT

May 16, 2017

A regular meeting of the Board of Directors of Westlands Water District was called to order by President Peracchi at the District's Fresno Office, 3130 Fresno Street, Fresno, California at 1:00 p.m.

Directors present:

Don Peracchi, President
Jim Anderson
William Bourdeau
Frank Coelho
Larry Enos
Dan Errotabere
Gary Esajian
Todd Neves
Sarah Woolf

Staff present:

Thomas Birmingham, General Manager
Dan Pope, Chief Operating Officer
Bobbie Ormonde, Director of Finance & Administration
Philip Williams, General Counsel
Jose Gutierrez, Deputy General Manager – Resources
Johnny Amaral, Deputy General Manager – External Affairs
Shelley Ostrowski, Associate General Manager – Water Policy
Russ Freeman, Supervisor of Resources
Gayle Holman, Public Affairs Representative
Steve Farmer, Supervisor of Customer Accounting
Karen Clark, Executive Assistant
Jeff Mitchell, Special Counsel, Kronick, Moskovitz, Tiedemann & Girard

ADDITIONS TO AGENDA

Mr. Pope reported that there was a matter that had come to staffs' attention since the posting of the noticed agenda. He requested the item, Review and Consider Amendment to the City of Coalinga Water Conveyance Agreement, to add a delivery turnout on the Coalinga Canal, be added to the agenda as Item 7c under the Water Policy Committee.

Director Anderson recused himself from discussion and left the meeting. Director Errotabere noted that the item had not previously been considered by the Water Policy Committee.

A motion was duly made and seconded to add Item 7c to the agenda. After the vote, Mr. Birmingham announced that the Board approved the action, with the vote as follows:

President Peracchi: Aye
Director Anderson: Recused/Absent
Director Bourdeau: Aye
Director Coelho: Aye
Director Esajian: Aye
Director Enos: Aye
Director Errotabere: No
Director Neves: Aye
Director Woolf: Aye

Mr. Birmingham reported that another matter had come to staffs' attention since the posting of the noticed agenda that warranted addition to the agenda. He learned on May 12 that Mr. Ciapponi resigned as the District's Secretary, and he recommended that the matter of Appointment of District Secretary be added to the agenda at Item 8b, Composition of District Officers, under the Finance & Administration Committee.

A motion was duly made and seconded to add the appointment of the District Secretary to Item 8b of the agenda. After the vote, Mr. Birmingham announced that the Board approved the action, with the vote as follows:

President Peracchi: Aye
Director Anderson: Aye
Director Bourdeau: Aye
Director Coelho: Aye
Director Esajian: Aye

Director Enos: Aye

Director Errotabere: Aye

Director Neves: Aye

Director Woolf: Aye

President Peracchi stated that the Board would move up Item 8a on the agenda to consider, Update on Assessment Methodology, after which the Board would take up the equalization hearing.

FINANCE & ADMINISTRATION COMMITTEE

Update on Assessment Methodology

Mr. Pope introduced Allan Highstreet of CH2MHill who gave an update on alternative assessment methodologies for the Board to consider. Mr. Highstreet gave an overview of the 1965 Repayment Contract obligation to the U.S. Government being repaid by the current assessment, the expected completion of the repayment next year, and explained the current assessment approach and how it would not fit the requirements for an new assessment, however was subject to proposition 218 requirements as it was implemented prior to the enactment of Proposition 218. He elaborated by stating that the assessment was the basis for District voting and without an assessment, each voter will be entitled to one vote for each acre owned. He continued to outline the Proposition 218 basics illustrating the history of Proposition 218 and explained that Proposition 218 distinguished between fees for services such as water, sewer and refuse and property related fees because one owns property.

Mr. Highstreet stated that the fees for service were subject to a public hearing and majority protest procedure with a majority of the owners of the parcels (50% plus one) were required to stop the fee increase from being adopted. Property related fees were also subject to a public hearing but require an affirmative vote. Proposition 218 substantive limitations require that revenues from fees shall not exceed the funds necessary to provide the service; revenues derived from the fee must not be used for any purpose other than which the fee is proposed; fees shall not exceed the proportional cost of

providing the service attributable to the parcel on which it is imposed and the fee may not be imposed for a service unless the service is used by, or immediately available to, the owner of the property subject to the fee. Mr. Highstreet continued to state the process of the procedural requirements of Proposition 218 which includes a written notice by mail to the owner of each parcel in which the notice contains 1) the proposed amount of the fees, 2) the basis upon which the fee was calculated (for property related fees an Engineer's Report is required), 3) an explanation of the need for the new or increased fee, 4) the date, time and location of the public hearing at which the agency will consider the new fee. He also stated that the public hearing must be held no sooner than 45 days after the mailing of the notice and the fee may not be imposed if a majority submit written protests. He then reviewed the possible costs that could be repaid by assessments and elaborated that generally fixed costs that are relatively stable are considered for an property based assessment. Ultimately, there could be several costs that are combined in the final assessment and the final assessment should involve a majority of the District. The cost allocation parameters should be set over the life of the assessment and there needs to be a strong nexus between cost and allocation methodology. Mr. Highstreet referred the Board to charts of possible cost to be repaid by assessments, water allocation methodology, acreage methodology and fixed O&M with rate methodology.

Mr. Highstreet stated that there were several scenarios that the Board could consider which include 1) doing nothing, 2) Scenario 1, which included using the water allocation methodology to apportion costs and include long term water supply debt service and water rights fees and 3) Scenario 2, which would also include some costs spread over acreage and include fixed O&M.

Mr. Jason Pucheu addressed the Board and stated that as a grower, he felt that the value the District provides to the growers was water, and did not consider costs to repair pipeline as a service.

After considerable discussion, the Board directed staff and the District's consultant to prepare and present to the Board prior to the end of the month at a Special Board Meeting,

a revised methodology that would be based on appropriate fixed O&M costs without making distinctions between land with system and land without system and add with and without allocation as a factor to determine how costs are allocated among different classifications of property, and the methodology needed to consider providing assessment valuations for all lands within the District.

EQUALIZATION HEARING FOR THE DISTRICT'S 2017 REPAYMENT CONTRACT
BENEFIT ASSESSMENT

President Peracchi opened the hearing. Mr. Birmingham stated that in light of the recent discussion concerning the update on assessment methodology, it would be appropriate to continue the hearing to a time and date certain to avoid the necessity of providing a 30-day notice of a new hearing date after the next report from the consultant on a new assessment.

A motion was duly made and seconded to move the hearing to June 2 at 8:30 a.m. After the vote, Mr. Birmingham announced that the Board approved the action, with the vote as follows:

- President Peracchi: Aye
- Director Anderson: Aye
- Director Bourdeau: Aye
- Director Coelho: Aye
- Director Esajian: Aye
- Director Enos: Aye
- Director Errotabere: Aye
- Director Neves: Aye
- Director Woolf: Aye

The hearing was adjourned and the Board proceeded with the regular agenda.

APPROVAL OF MINUTES

Mr. Birmingham stated that both the Special Board Minutes of April 12, 2017 and Regular Board Minutes of April 18, 2017 needed correction to reflect his job title as General Manager. The minutes of the Special Board Meeting of April 12, 2017 and Regular Board Meeting of April 18, 2017 stood approved as amended.

GENERAL MANAGER'S REPORT

Water Supply

Mr. Gutierrez reported on the following with respect to water use and supply for the water year, through April, 2017:

1. Total supply was 1,424,645 acre-feet (AF).
2. Total use was 117,677 AF.
3. Total remaining supply was 1,306,968 AF.

Mr. Gutierrez directed the Board and attendees to his monthly staff memorandum.

2017-18 Groundwater Pumping Summary

Mr. Gutierrez reported that in January, Groundwater Management Program wells pumped approximately 1,150 AF, which was 6% of the historical average and less than last year's total of 19,700 AF. Non-GWMP wells pumped approximately 3,300 AF. Total District-wide groundwater pumping was estimated at 13,000 AF through April, which was 79,800 AF less than last year's total of 92,800 AF. For the 2017-18 water contract year, staff was forecasting that 71,000 AF of groundwater may be pumped District-wide.

Delta Operations

Mr. Gutierrez reported that Jones Pumping Plant averaged 1,505 cfs in April for the Central Valley Project, 2,500 cfs for the State Water Project under JPOD while repairs were made at Clifton Court Fore Bay, and operated at maximum allowable capacity all month. Intermittent storms in April, snow melt and reservoir releases into the Kings and San Joaquin Rivers sustained high Delta inflows, allowing the sustained pumping at maximum levels. Old & Middle River limits under the Delta Smelt Biological Opinion were inactive due to high flows on the Sacramento and San Joaquin River. Total Jones

pumping in April was 90,000 AF for the Central Valley Project and 144,000 for the State Water Project. San Luis Reservoir started the month at 963,000 AF, increased storage by about 3,000 AF, and finished the month at 966,000 AF.

Mr. Gutierrez reported that beginning April 1, 2017, the San Joaquin River Inflow/Export (I/E) ratio for salmon was in effect, but had been suspended due to high San Joaquin River flows. The off-ramp to the I/E ratio is a river stage of 24.5 feet, which is equivalent to about 20,700 cfs measured at Vernalis. On May 15, 2017, river stage dropped below 24.5 feet and the I/E ratio started governing Central Valley Project and State Water Project operations. Since San Joaquin River flows at Vernalis measure about 20,700 cfs and since the export rate is limited to a 4:1 I/E ratio under this year's wet hydrologic year type, the combined export rate is about 5,000 cfs, which is split 50/50 between the Central Valley Project and State Water Project. Thursday, Jones PP was scheduled to drop to three units and pump approximately 2,400 cfs.

Mr. Gutierrez also reported that Reclamation representatives stated that increased releases on the Stanislaus River and other rivers that flow tributary to the San Joaquin River could increase water levels at Vernalis and relax the I/E pumping restriction. There was still enough pumping at Jones to meet all canal-side demands and limit drawdown at San Luis Reservoir. However, there would be a sustained drawdown period and it could affect rescheduled water. The Authority was working with Central Valley Project Operations to give CVP Contractors all year to use their rescheduled water. Reclamation had not made a final determination regarding the issue but it is possible it would allow for this option.

DHCCP

Mr. Birmingham stated that significant progress in discussions had been made between the state and federal agencies concerning the construction of the tunnels associated with the California Water Fix. The principal issue for the District had been the criteria that would limit the operation of the tunnels. Agencies had agreed on criteria that would not be any more restrictive than the existing criteria. Upcoming discussions would be over

the structure that would result in the facility being constructed on time and within budget. Multiple meetings would continue with various agencies and the Governor's office. Mr. Birmingham also stated he anticipates special Board meeting and workshops will need to be scheduled in the upcoming months to present to present new information on the construction and financing processes being considered.

Coordinated Operations Agreement

Ms. Ostrowski stated that there was no report.

HR 23

Mr. Amaral reported that edits and amendments received for HR 23 had been finalized. Sponsors of the bill planned to move the bill off the House floor before the end of July.

Drainage Legislation

Mr. Amaral reported that the House Resources Committee marked up the legislation on April 27 and District staff would work with Congressman Valadao to move it through the House also. Meetings continue with Senator Feinstein, Senator Harris and their staffs to keep them apprised of the benefits of the bill.

Opinion Editorial

Mr. Amaral reported that President Peracchi penned an opinion editorial in the Fresno Bee concerning the late water allocation and its impact on farmers.

Chamber of Commerce

Mr. Amaral reported that he had been asked to speak at a panel discussion at the Fresno Chamber of Commerce concerning water issues.

Acknowledgment

Mr. Birmingham stated that Ms. Ormonde and her staff worked tremendously hard to persuade the Bureau of Reclamation to reduce its annual water rate and commended her for a job well done.

OUTSIDE AGENCY ACTIVITIES

- FFA Director Errotabere reported on the activities of the Alliance.
- ACWA Director Errotabere stated that the ACWA Conference was held in Monterey May 9-12 and reported on the activities of the Conference.
- SLDMWA Mr. Pope reported that the Authority revised its O&M rates and staff implemented those changes. The Authority also began O&M budget planning for the upcoming water year.
- SFCWA Ms. Ostrowski reported on the activities of the Agency.

LEGAL AFFAIRS COMMITTEE

No report was given.

OPERATIONS & MAINTENANCE COMMITTEE

Director Coelho stated that the Committee met to review the aquatic growth remedies in the Coalinga Canal. It was noted that aquatic growth was a continual issue and to remedy the issue the Committee approved a chemical treatment of the aquatic growth. It was hopeful this would be a long-term solution to the problem.

PERSONNEL COMMITTEE

No report was given.

WATER POLICY COMMITTEE

Ratification of a Cooperative Agreement for the Use of Los Vaqueros Reservoir for a One-Time Storage and Exchange Demonstration Project between Westlands Water District and Contra Costa Water District

Mr. Gutierrez reported that the purpose of this item was to seek the Board's ratification of District staff's execution of an agreement signed with Contra Costa Water District. Contra

Costa Water District and Westlands, with the support of the San Luis & Delta-Mendota Water Authority and the Bureau of Reclamation, are jointly evaluating the feasibility of storing Central Valley Project water in Los Vaqueros Reservoir for the benefit of Central Valley Project contractors by implementing a pilot storage and conveyance project. The agreement would allow the District to store up to 5,000 acre-feet of its 2017 Central Valley Project water in Los Vaqueros Reservoir with the intent of returning water back to the District in 2018 or 2019. The agreement could also be extended for two years if the water cannot be returned to the District in 2018 or 2019. Staff executed the agreement because of the opportunity to store surplus supplies in 2017, to optimize available storage in Los Vaqueros Reservoir and to augment future supplies. In addition, successful demonstration of the pilot project will benefit Westlands in the future by diversifying our storage portfolio.

Mr. Gutierrez stated that the District's cost for the program include conveyance costs of \$154 per acre foot paid to Contra Costa Water District and this year's Bureau of Reclamation rate and there would be no storage costs until a call was placed on the water. Storage costs would be approximately \$79 per acre foot per year, prorated to the number of months in storage.

A motion was duly made and seconded to ratify staff's execution of the Cooperative Agreement. After the vote, Mr. Birmingham announced that the Board approved the action, with the vote as follows:

President Peracchi: Aye

Director Anderson: Aye

Director Bourdeau: Aye

Director Coelho: Aye

Director Esajian: Aye

Director Enos: Aye

Director Errotabere: Aye

Director Neves: Aye

Director Woolf: Aye

Sustainable Groundwater Management Act Update

Mr. Gutierrez reported that the Fresno County Board of Supervisors met on May 2, 2017 and agreed to serve as the GSA outside the District's jurisdictional boundaries. The Fresno County Board of Supervisors ratified a Memorandum of Understanding on October 24, 2016 with the District. He also stated that the District continues to work with its consultant to complete the groundwater model with results expected at the end of the week. Preliminary results would be presented to the Board at its next meeting and a workshop for growers who had volunteered to be on the technical committee to review groundwater results would be scheduled.

Review and Consider Amendment to the City of Coalinga Water Conveyance Agreement

Director Anderson recused himself from discussion and left the meeting.

Mr. Freeman reported that the City of Coalinga was going to have a council meeting in the next two days in which it was anticipated that the City would approve use of some surplus agriculture water it has for water users within its service area. In order to get the water to them, the conveyance agreement the City of Coalinga has with the District regarding use of the Coalinga Canal needs to be amended to add an additional delivery for this purpose.

After discussion, several Directors requested that staff prepare additional information for analysis and precise amendment language necessary to implement the agreement and requested that this item be presented to the Water Policy Committee. It was expected that the Water Policy Committee would review the information and a recommendation would be made to the Board at a future meeting.

FINANCE & ADMINISTRATION COMMITTEE

Composition of District Officers/Appointment of District Secretary

Mr. Birmingham stated that during the April 18, 2017 Board meeting, Director Bourdeau inquired as to the District's officers and the process by which officers are appointed. Staff prepared a memo with a roster of the appointed officers and their appointment dates for information as well as the District's Bylaws for reference.

Mr. Birmingham stated that prior to the board meeting, he was informed that Mr. Ciapponi, who serves as Secretary of the District, resigned effective immediately, a replacement for the position was necessary, and it was his recommendation that Ms. Ormonde be appointed as Secretary of the District.

A motion was duly made and seconded to appoint Ms. Ormonde as Secretary of the District. After the vote, Mr. Birmingham announced that the Board approved the action, with the vote as follows:

President Peracchi: Aye

Director Anderson: Aye

Director Bourdeau: Aye

Director Coelho: Aye

Director Esajian: Aye

Director Enos: Aye

Director Errotabere: Aye

Director Neves: Aye

Director Woolf: Aye

Ratify Reduction to the Westlands Water District 2017-2018 Revised Water Rates and Charges

Ms. Ormonde reported that on May 4, 2017, the San Luis & Delta-Mendota Water Authority reduced its O&M water rate. District staff implemented the new rate which dropped from \$73.74 to \$25.79 per acre-foot, and applied it to April water user deliveries. It was noted that this rate reduction did not include Reclamation's recent water rate

adjustment, which would be implemented next month. Staff recommended that the Board ratify implementation of the revised rate retroactive to March 1, 2017.

A motion was duly made and seconded to ratify staff's implementation of revised Westlands Water District 2017-18 Water Rates and Charges, retroactive to March 1, 2017. After the vote, Mr. Birmingham announced that the Board approved the action, with the vote as follows:

- President Peracchi: Aye
- Director Anderson: Aye
- Director Bourdeau: Aye
- Director Coelho: Aye
- Director Esajian: Aye
- Director Enos: Aye
- Director Errotabere: Aye
- Director Neves: Aye
- Director Woolf: Aye

Resolution No. 112-17, Adding Unpaid Charges to the 2017 Repayment Contract Benefit Assessments

This item was deferred to the next Board meeting.

Budget Transfers & Augmentations

Ms. Ormonde reported that the Finance & Administration Committee recommended approval of a budget transfer for the Coalinga Canal Aquatic Growth Treatment as follows:

<u>Budget Code</u>	<u>Description</u>	<u>Incr Exp/ Decr Rev</u>	<u>Incr Rev/ Decr Exp</u>
<u>EXPENSE</u>			
52200 03310225	Dist. System – Outside Services	\$ 70,000	
15420 04219899	Contingency Reserve		\$ 70,000

Subtotal	<u>\$ 70,000</u>	<u>\$ 70,000.00</u>
TOTAL EXPENSE	<u>\$ 70,000</u>	

REVENUE

		\$
		-
Subtotal	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUE		<u>\$ -</u>

A motion was duly made and seconded to approve the budget transfer. After the vote, Mr. Birmingham announced that the Board approved the action above, with the vote as follows:

- President Peracchi: Aye
- Director Anderson: Aye
- Director Bourdeau: Aye
- Director Coelho: Aye
- Director Esajian: Aye
- Director Enos: Aye
- Director Errotabere: Aye
- Director Neves: Aye
- Director Woolf: Aye

Accounts Payable Reports

Director Enos reported that the Committee had reviewed the cash disbursements after the April 2017 meeting and the May 2017 payables and found that they were in order and recommended payment.

A motion was duly made and seconded to approve the accounts payable reports. After the vote, Mr. Birmingham announced that the Board approved the accounts payable reports, with the vote as follows:

President Peracchi: Aye
Director Anderson: Aye
Director Bourdeau: Aye
Director Coelho: Aye
Director Esajian: Aye
Director Enos: Aye
Director Errotabere: Aye
Director Neves: Aye
Director Woolf: Aye

Investments and Financial Reports

Ms. Ormonde reported on the District's investments and financial statements.

CLOSED SESSION

Mr. Birmingham requested that an item be added to Closed Session under Conference with Legal Counsel – Existing Litigation; Turk Station, LLC v. Westlands Water District. He stated that this issue arose because the District was served with a Petition for Writ of Mandate. Mr. Mitchell stated that the item would be added.

Upon returning from closed session, Mr. Birmingham reported that while in Closed Session the Board authorized the General Manager or his designee to execute a grant of easement to Pacific Gas and Electric on approximately 0.65 acres of District's land, south of the San Luis Drain, in the NE ¼ of Section 24, in T.16S, R.16E., M.D.B.&M.

Bobbie Ormonde, Secretary