

GOVERNING BOARD



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REGULAR MEETING OF THE BOARD OF DIRECTORS JUNE 8, 2018 FRESNO IRRIGATION DISTRICT OFFICE 2907 South Maple Avenue, Fresno

MINUTES

CALL TO ORDER

The regular meeting of the San Joaquin Valley Water Infrastructure Authority (SJVWIA) was called to order at 9:02 a.m. on June 8, 2018, by President Steve Worthley.

PRELIMINARY MATTERS

The board and audience members joined in the Pledge of Allegiance, led by President Worthley.

At the request of President Worthley, Recording Secretary J. Randall McFarland called the roll of Board members. The following directors were present: President Worthley, Vice President Mendes, Directors Rogers, O'Banion, Verboon, Lopez, Preciado, Chedester, Phillips, Silva and Michael. Staff present: Executive Director Mario Santoyo.

Others present (*from roll signatures*): Recording Secretary J. Randall McFarland, SJVWIA; Sonexay Sopha, office of the Fresno County Auditor-Controller; Julianne Phillips, Kings County; Patrick Cavanaugh, *California Ag Today* radio; John Anderson, Senator Cannella's staff; and Gloria Preciado, Avenal.

President Worthley asked for consideration of the Minutes for the regular Board meeting held on April 13, 2018. Director Rogers moved, seconded by Director Verboon, that the minutes be approved as mailed. The motion carried unanimously.

President Worthley then asked for consideration of the Minutes for the special Board meeting held on May 31, 2018. Director Verboon moved, seconded by Director O'Banion, that the minutes be approved as mailed. The motion carried unanimously.

PUBLIC COMMENT

President Worthley stated that at this time, members of the public could speak about any item of concern not appearing on the agenda, provided it was



within the jurisdiction of the SJVWIA. He said the total amount of time allocated for this public comment period would be determined by the Chair and each individual would be limited to three minutes. It was noted that matters presented during this public comment period may not be discussed or acted upon by the board at this time. There were no public comments.

WATER STORAGE INVESTMENT PROGRAM (WSIP)

President Worthley opened a discussion of the numerous events and decisions that had taken place in the preceding two months, expressing the view that the California Water Commission's staff recommendation and commission action had been predetermined. Adding to the SJVWIA's frustration was that the Authority's application and presentation demonstrated the best project return on state investment by 2½ times. As a result of a Department of Fish and Wildlife staff recommendation, accepted by the Water Commission, the Temperance Flat Project received no CWC credit at all for crucial public ecological benefits, with the exception of water for refuges. President Worthley said that perhaps the greatest frustration for Temperance Flat was the absence of two long-time Commission supporters for the project and the appearance of a vote swap that occurred within the CWC during its final vote on the matter. Had all previous supporters been present and voted, it appeared the SJVIA application might have prevailed. As it stands, the preliminary eligibility for Temperance Flat stands at \$171 million — the amount for which the SJVWIA revised its application after the vote to potentially stay in the running for at least some funding — instead of the more than \$1 billion in state bond funding that had been sought for Temperance Flat. As a result of these developments, much more of the burden will of necessity shift to the federal government and local investors if the project is to stay alive.

Executive Director Santoyo said the key factor in the Water Commission action was the Department of Fish and Wildlife staff's decision and steadfast position to not accept, or even review, the model used in the SJVWIA application to calculate the decisive ecological benefits. This Department of Fish and Wildlife posture prevailed even though use of the model in question was included in the Water Commission's own regulations adopted for the WSIP application process, and was the exact same model used by the San Joaquin River Restoration Program and federal government agencies in relation to the San Joaquin River. President Worthley observed, "This is not what the voters were intending" in their approval of Proposition 1, the state bond measure authorized in 2014. He said people are being "left out of the equation" in the CWC's actions favoring environmental "public benefits" over "benefits for people."

Mr. Santoyo reported that under the Commission's WSIP schedule, a letter to the CWC is being prepared regarding the application scoring adjustment matter. The Water Commission will meet June 27-29 to act upon scores. On July 6, 2018, final scores and application ranks are to be posted online. Maximum conditional funding eligibility will be determined by the Water Commission when it meets July 24-26. If the SJVWIA application ultimately qualifies for the \$171 million now established in Temperance Flat's preliminary eligibility, the door would be opened to apply for approximately \$8 million in early evaluation funding. Such funds could be utilized for Temperance Flat permitting work and environmental review. It remains to be determined if conditions would exist to repay such funds if the project did not proceed.

Also, by September or October, the U.S. Bureau of Reclamation's amended feasibility study for Temperance Flat — including the project operational scenario agreed upon in 2017 by project



proponents as an alternative — is expected to be completed. Within the same time frame, the Temperance Flat investors group organized under a memorandum of understanding is expected to be presented with modeling results needed to determine and demonstrate project benefits for potential investors.

FINANCIAL

Sonexay Sopha, office of the Fresno County Auditor-Controller (which serves as the JPA Treasurer), presented the financial report. He said as of June 3, 2018, the SJVWIA had received administrative revenue in the amount of \$470,413 (out of \$506,012 in budgeted anticipations), and had administratively expended \$336,322 (out of \$475,322 in the administrative budget). FY 2018 engineering revenues as of June 3, 2018, were \$447,414 (compared with \$300,000 in budgeted anticipations; engineering expenditures amounted to \$233,322, (compared with \$543,319 in budgeted expenditures). The SJVWIA's cash balance on June 3, 2018, was \$515,946. Remaining engineering services appropriations for FY 2018 as of June 3, 2018, amounted to \$309,997. The SJVWIA's cash balance as of June 3, 2018, was \$515,946, with total budgeted cash remaining of \$78,354. *(A copy of the financial report is on file.)*

Executive Director Santoyo said a letter of thanks is to be prepared for the Fresno Irrigation District for its contribution of \$10,000.

Mr. Sopha reported Price Waterhouse has agreed to conduct the Authority's audit on a bi-annual basis. A schedule of fees has been provided. The Tulare County Counsel's office is reviewing changes that would of necessity need to be made to the Joint Powers Agreement to permit an every-other-year audit.

Mr. Santoyo opened discussion on the proposed SJVWIA 2018-19 budget. He reported that he had been involved in budget discussions with President Worthley and Vice President Mendes and had reviewed prior board actions and discussions, including discussions with the member water agencies, including the possibility that those agencies might "depart from the JPA." (The member water agencies include the San Joaquin River Exchange Contractors Water Authority, the San Luis & Delta-Mendota Water Authority and the Friant Water Authority.) "We decided we would trim the budget down significantly in order to keep the wheels turning," Mr. Santoyo said. A quartile approach to the budget was also proposed. As a result, substantial changes have been made in the draft budget from what the Board of Directors reviewed at its April 2018 meeting. These include eliminating the SJVWIA's staff temporary assistant position, most public relations activities and all engineering. All SJVWIA engineering activities are now completed. Engineering will henceforth be paid by the water agencies. In all, the proposed budget has been reduced by approximately \$125,000.

President Worthley reported he had discussed the situation with Steve Chedester, Exchange Contractors Executive Director. "He wanted to give me a heads-up that things were changing with the water agencies," Mr. Worthley said, adding, "He wanted to let us know in advance, so I communicated that to Mario so we could make adjustments to the proposed budget." Mr. Chedester affirmed he had spoken with President Worthley and also recalled having related to Mr. Santoyo, that the investor group or the folks who would probably be building the project and are doing some other work and analysis understood "this authority, as I viewed it, was to get Temperance through the Prop. 1 application process;



get it through, and always had envisioned some sort of different organization that was going to implement, finish the studies and build the project.” Mr. Chedester further reported the new organization formation process has begun through a memorandum of understanding process being administered by the Friant Water Authority. “There is a lot of good work going on there and the West Side is part of it,” Mr. Chedester said. “We are trying to understand if we had 100,000 acre-feet how we would manage it and pay for it.” He said such activities are separate from the SJVWIA. “It just seems that this is a transition time...wrapping up the Infrastructure Authority-Prop. 1 part of it and go to the next level. So, we didn’t want to come up all of a sudden and say, ‘We’re sorry; we’re done.’ Besides, like you, I work for a public agency and we only have so much money, and I need to figure out where to put the dollars and it seems to me a better use for the dollars is to get to the next step of the project. It’s not that we’re leaving the Authority because we’re unhappy. I’m not saying we are leaving the Authority; a full budget just didn’t seem appropriate because of I didn’t know what was the goal of this Infrastructure Authority if it’s not Temperance.” He said there may be issues the SJVWIA could address but that he was unaware of what the SJVWIA’s goal was or how funds were intended to be used in the coming budget year. Speaking only for the Exchange Contractors, Mr. Chedester said the agency was not “bailing out” but asked that the SJVWIA prepare a transition plan. President Worthley said the budget “depends on what you all decide.” Looking forward to crucial decisions that are to be made by September or October in connection with the project, how it may progress and by what means, “if the ultimate decision is it’s a no-go, well then there is no reason for our organization to move forward.” The SJVWIA now knows state funding will be limited. If the project investors determine a lack of benefits precludes their desire to participate, “then we can all fold up our tents and go home.” He said he appreciated the “advance warning,” adding it was known a transition was going to occur at some point. However, the President added, “This entity can’t cease to exist for a period of time because we have to finish the whole process” of the WSIP funding matter.

Director Michael stated, “I think there is an additional component. If we are going to get the Temperance project done at all there has to be a core group speaking for the construction phase; it’s going to be a hard enough thing to get done.” He said, “The buck is going to have to stop with somebody” and the investors believe their group is the appropriate place. He believes opportunities remain for the SJVWIA to be a valuable vehicle for other activities and application for other bond money for other projects.

Director Phillips said the SJVWIA might wish to become involved in issues related to the San Joaquin Valley’s annual average water supply deficit of two million acre-feet, including groundwater shortages and water conveyance infrastructure. He spoke about opportunities presented by potential funding in the November general election water bond. “We think with Temperance, my board told me, let’s put our money as it relates to Temperance with the investor studies-investors group moving forward and we need to try to solve...the investor MOA, which is to get the water agencies together, to say this is probably going to be the starting point, frankly, within the next month. This is the group that will be kind of speaking for how we move forward with Temperance and in the October time frame we’ll see what comes out but it’s probably not going to be until next year at this point until we really have answers on whether this project is going to move forward, and that’s OK. I mean there’s no deadlines at this point. We need to just get the project moving. There’s no need politically to get more people behind us. It’s going to be private money and we have got the federal folks who are lined up for the project anyway.”

Director Verboon said when the SJVWIA was established 3½ years ago, its formation was in part a response to the lack of a single organization speaking and acting on behalf of the entire valley on water



and storage issues and needs. “We didn’t have investors, Mr. Verboon said. “We just want to make sure everybody got together in one room.” He said he would prefer to have the Authority stay together.

Director O’Banion said the public perception and news reports suggest that “Temperance is done.” He said the SJVWIA’s purpose was to assist water agencies “in an issue that is important to this Central Valley. And we’ve done that. I think that Temperance is closer than it has ever been to being a reality.” He said the state’s interpretation and implementation of Proposition 1’s voter intent may well erode support for future such water bond efforts. “It’s going to be very difficult to convince the [Merced County] Board of Supervisors on funding a project which in their eyes or minds possibly could be dead,” Mr. O’Banion said. “I’m not saying the County of Merced is not going to be part of it.” He said the Temperance Flat effort must be undertaken on a valley-wide basis if it is to have a hope of success. Mr. O’Banion added he did not want to stand in the way of other entities wishing to move ahead with the lead in making Temperance Flat a reality.

Director Rogers agreed that “separately, we are pigeons waiting to be picked off. Together, we are a much more powerful organization, a bigger voice.” He expressed concern that the state might ultimately “grab” the Temperance Flat effort. He described a view of a future in which agencies work together more effectively to address regional water needs and develop additional infrastructure. He said thought must be given to how the valley is going to operate in the absence of Temperance Flat development. Such projects could become the SJVWIA’s focus.

President Worthley said, “The continuation of this organization — again, we had a singular focus when we were organized which was seeking funding from the commission to build this particular reservoir — whether or not the cities and counties continue to participate is what is the value in this?...Unless we can demonstrate a value, our counties are not going to want to put money up.”

After other discussion, Vice President Mendes said he was “in this for the long haul.” He noted Fresno County includes important Central Valley Project contractors on both sides of the valley and added, Fresno County “is in this no matter what.” Mr. Mendes asked the water agencies, “Are you guys right now interested at all in staying on a quarterly basis until the investor group is fully formed and ready to run, and that’s something you guys have to tell us.”

President Worthley again pointed out the question is considering an annual budget broken into quarterly segments in terms of billing. “We don’t necessarily have to plan for the whole year because we may not be around for the whole year,” he said.

Director Phillips, saying he understood the cynicism about water bonds in the wake of what the state has done to storage projects in the wake of Proposition 1, asked for support of the November bond issues because it carefully defines funding intended for restoring capacity to the Friant Division’s largest conveyance, the Friant-Kern Canal.

Director Phillips, in connection with the SJVWIA budget issue, said, “I was not told [by the Friant Water Authority Board of Directors] to leave the Water Infrastructure Authority. People understand the value of that...what people are saying is that it would be good if they [SJVWIA] continue that we be part of that. But I was told that as it relates to Temperance, we want to put our money on the investor side of it, so what we would like to see, if there is an openness for the scope of this, to focus on other things that are helpful to the valley. To the extent that this organization is going to work on anything for Temperance, we



would like to see it be a kind of support role, not an out-in-front role. And that would be a shift that would need to take place in the way that business is done.” He said there may be times when the investors need “a big push” and the SJVWIA could be a big help.

Executive Director Santoyo said the SJVWIA is not limited by its Joint Powers Agreement to considering and working in support of Temperance Flat but has a mission consistent with exploring other infrastructure development. He suggested a committee might be formed and operate over the next three months to consider other infrastructure projects, beyond Temperance Flat, that could be pursued by the SJVWIA in the near term.

President Worthley said if it is the Board’s intent to adopt a budget with significant reductions in activities and expenditures, it is possible all member assessments could be reduced. “But we can’t just cut and run right now,” Mr. Worthley said. “We still have to finish this process.” Vice President Mendes suggested a committee be formed of a few SJVWIA directors and representatives of the investors group to discuss ways the SJVWIA can move the investor group forward. Director Verboon said such a committee would also serve to keep the investors talking to one another. Director Rogers said it would help in keeping a “win-win” attitude among all parties.

At the request of President Worthley, Mr. Sopha presented the scaled-down budget proposal (*a copy of which is attached*), including a quarterly approach. Mr. Worthley said a quarterly approach would make it possible for a water agency to obligate itself to one-fourth of the usual \$50,000 commitment per member assessment at a time, or that the three water agencies might wish to fund only one board seat in order to maintain SJVWIA representation. Mr. Worthley said the proposal is to consider an annual budget with quarterly reassessments. The Board would revisit the budget and the SJVWIA’s situation as the fiscal year progresses.

Executive Director Santoyo said there are actually three budget options on the table, with only Option 1 and Option 2 having been prepared in advance of the meeting. Option 1 would include all agencies. Option 2 would include all agencies except the three water agencies. Option 3 would reflect one water agency remaining as a member on behalf of the other water agencies.

After considerable further wide-ranging discussion, President Worthley said, “What I am hearing is that we need to adopt a budget that does not include the water agencies and move forward on a quarterly basis because, I mean, if they want to come back in they can do that. They’re not out; they’re in now. I mean, [if] you don’t pay dues you’re not a member of the organization but that doesn’t mean you’re not going to be involved in our technical committee or whatever. My point is, we have to move forward on this budget.”

Mr. Santoyo again listed the proposed budget options—Option 1 being all agencies; Option 2 being all except the water agencies. He did not mention Option 3.

It was the motion of Director O’Banion, seconded by Vice President Mendes that Option 2 be adopted. Under discussion, Director Phillips said, “The scope of the work going forward, those dollars, was made for Temperance Flat going forward. And my board does not want to spend any more money on Temperance Flat in this organization right now. And if the question is there’s a scope of activities moving forward to formulate like what Director Rogers was talking about [identification of various infrastructure



projects] that I could go back and say, ‘Hey, do we want to be part of that?’ And so we’ll need to understand if that’s what we’re supposed to go back and talk about or not.”

There was brief further discussion by Director O’Banion regarding possible identification of future projects that the water agencies could report back to their boards. He added, “But if they want to be part of it [the SJVWIA], I want them to be part of it.” Mr. Worthley said, “We’re not excluding them; we’re just adopting a budget based on the information we have.”

After more discussion, the question having been called for by Director Rogers, the yeas and nays were called for by President Worthley on the proposal to adopt budget Option 2. There were no objections and the motion, by voice vote, carried unanimously. Option 2 was adopted.

Mr. Sopha will move ahead with invoicing under Option 2.

EXECUTIVE DIRECTOR’S REPORT

A number of legislative letters were sent to the Water Commission suggesting that the Temperance Flat funding proposal under WSIP be reconsidered. There were suggestions by some legislators of attempting to schedule an accountability hearing to examine the Water Commission bond funding application review and eligibility process.

The SJVWIA will meet with the Water Commission in Sacramento at a time to be announced June 27-29. It will be an important meeting for the Temperance Flat applicants to attempt to maintain the application’s remaining eligibility position.

The SJVWIA has received a letter from the U.S. Bureau of Reclamation confirming the cost-sharing agreement under a memorandum of understanding. Reclamation was scheduled to have completed its internal review of the amended Temperance Flat feasibility report. The SJVWIA is to receive the draft final feasibility study for review and Chris White has been asked to notify the investors group so that it may participate in the review process.

In another letter, Reclamation has stated it does not believe it is necessary to enter into a new cost-sharing agreement with the Friant Water Authority as Friant had requested. Mr. Santoyo has contacted Director Phillips of the FWA and Megan Marks of the Fresno County Auditor-Controller’s Office to ensure they coordinate information so Friant receives credit for its share of costs.

Mr. Santoyo had an opportunity to discuss Temperance Flat and other water issues with Senator Feinstein at a June 1 meeting in Fresno. She expressed interest in rewriting the Water Infrastructure for Improvements to the Nation (WIIN) Act.

PUBLIC RELATIONS

The SJVWIA and City of Fresno hosted a well-attended news conference at Fresno City Hall following the Water Commission’s decision on the Temperance Flat Project.

An editorial board meeting was held by the SJVWIA and Fresno *Bee* editors in the wake of the Water Commission decision and an unflattering and inaccurate article by a newspaper columnist who did



not contact the SJVWIA or other water agencies with questions or for comments. Nor was basic research carried out by the columnist, who conceded that failure. Vice President Mendes said it was “an interesting meeting.”

Mr. Santoyo was invited to participate in a panel discussion at Fresno State’s Madden Library on Temperance Flat and water issues. Most of those attending were eco-friendly advocates.

DIRECTORS REPORTS

Director O’Banion contributed funds to a Madera County for a land subsidence study.

NEXT MEETING

The next board meeting, a regular session, is scheduled to begin at 9:00 a.m. Friday, July 13, 2018, at the board chambers of the Fresno Irrigation District, 2907 South Maple Avenue, Fresno, California.

ADJOURNMENT

There being no further business to come before the meeting, the same was adjourned by President Worthley at 10:34 a.m.

Respectfully submitted,

A handwritten signature in blue ink, which appears to read "J. Randall McFarland". The signature is fluid and cursive.

J. Randall McFarland
Recording Secretary