

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, SEPTEMBER 14, 2021 AT 12:30 P.M.

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

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

Present at roll call at the District were Directors Atkins, Cortopassi, McGaughey, McGurk, Sanguinetti and Watkins. Also present were Manager Moody, Assistant Manager Hopkins, Finance Director Vega, Administrative Services Manager Carido Legal Counsel Zolezzi and Consultant Barkett. Present at roll call via teleconference was Director Panizza.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. JWT and Associates, LLP – Certified Public Accountants – Audited Financial Statements Presentation for Fiscal Year 2020-2021

Manager Moody provided information to the Board on the Audited Financial Statements for Fiscal Year 2020-2021 and reported Jeremy Ware from JWT and Associates, LLP was here to give a presentation to the Board. Manager Moody noted Jeremy works directly for the Board of Directors and the only role of staff is to answer questions and provide data during the audit process.

Mr. Ware mentioned what a year 2020-2021 was, beginning April 1st he began his presentation with the Independent Auditor's Report, noting the District financial statements and finances are in really good order and in a really good position. Mr. Ware indicated the auditor works independently from management and for the Board of Directors in accordance with Generally Accepted Auditing Procedures.

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, 2021 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, 2021. Mr. Ware noted as in years past there is an Accounts Receivable balance from the City of Stockton and it is the basis for the Qualified Opinion.

Mr. Ware noted the auditor was on-site multiple days and reported there were no audit adjustments to the financial adjustments, therefore the Statement of Net Position are the financial statements of the District and the Auditor did not have any changes proposed. Mr. Ware also noted the most significant changes from year to year was the cash balances went down from last year but a new line for investments was added because some cash was transferred into LAIF and the Auditor supports the methodology of this decision. In addition, as a result of some of the banking changes, the Auditor was consulted with, was aware of and agreed with managements change to a different banking service and banking provider. Mr. Ware highlighted the modified loan to pay off the Certificates of Participation (COP) and has a new loan in place; as the other loans payable continues to decrease as payments are made.

Mr. Ware gave an overview of the Post-Employment benefits which had a slight increase based on actuarial numbers, he noted it was a good year for investment earnings which is offsetting a lot of the changes as of March 31, 2021. Mr. Ware added the total liabilities have actually decreased by over \$4 Million, putting the District in a better financial position for the year.

Mr. Ware gave an overview of Statement of Revenues, Expenses and Changes in Net Position and highlighted the main item of an overall increase in water revenues, noting there was nothing significant to report. Mr. Ware reported an operating profit of ~\$6.9 Million for the year and also noted the interest expense continues to decrease as a result of the refinance and recommends management continue to optimize debt management as a low interest rate environment remains. Mr. Ware also noted there was an increase in Developer Fees from last year which was the highest seen since working with the District and is an interesting note considering the economic and property values in this area.

Mr. Ware reported there were no difficulties working through this audit and had one recommendation to management about Human Resources/Payroll related function. Manager Moody reported the recommendation made was to have the Finance Director or Administrative Services Manager be a second signature on the General Manager's payroll record. Mr. Ware reported the Finance Director is now signing off on the payroll records and expressed appreciation of this review of internal controls.

Mr. Ware reported at a high level the District had a positive year and made the best out of a really unique 2020-2021 year, noting it ended even better than when it started and welcomed any questions the Board may have.

Director Cortopassi inquired on the Statement of Cash Flows, specifically the cash payments to employees figure being less than the year before. Mr. Ware replied this figure represents actual cash dollars that went out of the organization during the year but it does take into account accruals, that is as of March 31, 2020 the organization probably accrued bonuses, payouts, PTO, things of that nature that basically was not cash. Mr. Ware also added this is probably due to timing that would adjust this number (in & out). Mr. Ware noted on Statement of Revenues, Expenses and Changes in Net Position under General and Administrative expenses have most of the salaries; and across the board the expenses actually did increase from last year to this year which includes the salary increase.

Director Cortopassi commented this is a line item on cash flow but not a line item on Statement of Revenues, Expenses and Changes in Net Position. Mr. Ware confirmed that is correct. Finance Director Vega added on the Statement of Revenues, Expenses and Changes in Net Position the salaries are divided and accounted for in the appropriate expense lines; Transmission and Distribution, Water Treatment and General and Administrative and those increases are based on the Memorandum of Understanding (MOU) and schedule increases based on merit. Finance Director also added the Cash Payments to Employees as listed on the Statement of Cash Flows also takes into account pension expense and the pension portion in Fiscal Year Ending (FYE) 2020 was really high compared to a much smaller number in FYE 2021. The pension expense in FYE 2020 had a large accrual and things did a lot better in FYE 2021 based on actuarial reports.

Mr. Ware added in conclusion, the number amount of the pension expense could be separated by each year which would show the trend more smoothly and highlight figures of the last two years.

A motion was moved and seconded to accept the Draft Audited Financial Statements for Fiscal Year 2020/2021, as presented.

Roll Call:

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

2. Minutes 09/07/21 Regular Meeting

A motion was moved and seconded to approve the September 7, 2021 Regular Board Meeting Minutes, as presented.

Roll Call:

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

3. Warrants

- a. Fund 56 – Construction Fund
- b. Fund 67 – Agricultural Fund
- c. Fund 68 – Municipal & Industrial Groundwater Fund
- d. Fund 70 – Administration Fund
- e. Fund 71 – Water Supply Fund
- f. Fund 89 – Fish Passage Improvements Fund
- g. Fund 91 – Vehicle Fund
- h. Fund 94 – Municipal & Industrial Fund
- i. Summary
- j. Short Names/Acronym List
- k. SEWD Vehicles & Equipment

Director Akins inquired on the expense on page 59, line item 57 for Jesse The Tree Guy, Inc., for clean and haul away tree and debris for Gotelli (prj 2233) in the amount of \$8,000. Assistant Manager Hopkins a big tree had to be removed from bank of the crossing. Assistant Manager Hopkins added staff competitively bid the job with multiple contractors.

A motion was moved and seconded to approve the September 14, 2021 Warrants, as presented.

Roll Call:

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

4. Stockton East Water District – Draft 2021/22 Fall/Winter Newsletter

Manager Moody provided the Board with a draft of the District's 2021/22 Fall/Winter Newsletter. The Board pointed out there was a misspelling on the dam removal schedule and Board Meeting – 09/14/21

Director McGaughey suggested changing the background of “Contact Us” in order to read it better. Manager Moody requested the Board submit any suggested edits to staff by the end of day tomorrow.

E. COMMITTEE REPORTS

1. Eastern San Joaquin Groundwater Authority Joint Exercise of Powers Authority Meeting, 09/08/21

President Watkins, Director Panizza and Manager Moody attended the September 8, 2021 Eastern San Joaquin Groundwater Authority Joint Exercise of Powers Authority Meeting. Manager Moody reported the Board took action on two items; approving the minutes and adopting the Resolution Approving Submittal of a Policy Statement to the State Water Resources Control Board Administrative Hearings Office in Support of San Joaquin Water Right Permit Application A029657. Manager Moody also reported Stockton East Water District was the only District that gave an update on GSA Project status reports and was the only District with actual project efforts to get surface water. President Watkins reported Request for Qualification (RFQ) went out for the Basin Accounting Framework and Funding/Financing Alternatives and that will be closing September 25, 2021. Director Panizza inquired if they provided numbers on funding and financing alternatives. President Watkins replied the RFQ submittals are not back from prospective consultants. Director Panizza commented these meetings have items like this and it is not captured in the minutes and do not provide information on anything. The next meeting is scheduled for December 8, 2021.

2. San Joaquin County & Delta Water Quality Coalition Meeting, 09/13/21
Nothing to report.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 09/06/21

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

There is 94,085 AF in storage at New Hogan Reservoir. Current releases are set at 149 cfs. Current release at Goodwin Dam to Stanislaus River are set at 350 cfs and release to all water users are set at 195 cfs. There are 7 irrigator(s) on New Hogan and 4 irrigator(s) on New Melones. There are currently no Out-of-District irrigator(s). The water treatment plant is currently processing 32 mgd. The City of Stockton is currently processing 23 mgd.

Director Watkins inquired if the District notified all New Melones irrigators that there will be no water available after September 30th. Manager Moody replied yes, staff notified all surface water users on New Melones and also notified Tri-Dam and Reid Roberts, Central San Joaquin Water Conservation District.

2. Information Items:

- a. Material Included, but Bound Separately from Agenda Packet:

1. SEWD Moves Water To Other Districts, San Joaquin Farm Bureau News, 09/07/21

2. Scorched Earth: California’s Growing Water Crisis, www.abc.com, 09/02/21

3. Madera County Residents And Farmers Face Groundwater Challenge Of A Lifetime, The Fresno Bee, 08/29/21

4. California Directs San Joaquin Valley City To Extend Water Service To Neighbors In Need, The Sacramento Bee, 08/27/21

3. Report on General Manager Activities
 - a. Stockton East Water District Activities Update
Nothing to report.

G. DIRECTOR REPORTS (None)

H. COMMUNICATIONS (None)

I. AGENDA PLANNING/UPCOMING EVENTS

1. ACWA Federal Affairs Committee Meeting, 10:00 a.m., 09/15/21
2. San Joaquin County Flood Control and Water Conservation District Advisory Water Advisory Commission Meeting, 1:00 p.m., 09/15/21
3. Greater San Joaquin County Regional Water Coordinating Committee Meeting, 3:00 p.m., 09/15/21
4. Greater Stockton Chamber of Commerce – Meet Your Chamber Leaders Dinner, 6:00 p.m., 09/16/21
5. Central Valley Project Water Association – Executive & Financial Affairs Committee, 10:00 a.m., 09/17/21

J. REPORT OF THE COUNSEL


1. Closed Session - Potential Litigation
Government Code 54956.9 (c) – one case
2. Closed Session – Personnel
Government Code 54957

President Watkins adjourned the meeting to closed session at 12:57 p.m. to discuss closed session agenda items. The regular meeting reconvened at 1:42 p.m., with no reportable action.

K. ADJOURNMENT

President Watkins adjourned the meeting at 1:43 p.m.

Respectfully submitted,


Scot A. Moody
Secretary of the Board

kmc

