

# **SAN GORGONIO PASS WATER AGENCY**

1210 Beaumont Ave, Beaumont, CA 92223

**Board Finance & Budget Workshop**

**Agenda**

**March 28, 2016, at 4:00 p.m.**

**1. Call to Order, Flag Salute**

**2. Adoption and Adjustment of Agenda**

**3. Public Comment**

Members of the public may address the Board at this time concerning items not on the agenda. To comment on specific agenda items, please complete a speaker's request form and hand it to the Board secretary.

**4. New Business (Discussion and possible recommendations for action at a future regular Board meeting)**

- A. Ratification of Paid Invoices and Monthly Payroll for February, 2016 by Reviewing Check History Reports in Detail\*
- B. Review of Pending Legal Invoices\*
- C. Review of February, 2016 Bank Reconciliation\*
- D. Review of Budget Report for February, 2016\*
- E. Proposed Budget Revision\*
- F. Discussion of Increasing Costs of DWR\*

**5. Announcements**

- A. Regular Board Meeting, April 4, 2016 at 7:00 p.m.
- B. Engineering Workshop, April 11, 2016 at 4:00 p.m.

**6. Adjournment**

\*Information Included In Agenda Packet

1. Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Ave., Beaumont, CA 92223 during normal business hours. 2. Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, during regular business hours. When practical, these public records will also be available on the Agency's Internet website, accessible at <http://www.sgpwa.com>. 3. Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951-845-2577) at least 48 hours prior to the meeting to make a request for a disability-related modification or accommodation.

**San Geronio Pass Water Agency**  
**Check History Report**  
February 1 through February 29, 2016

ACCOUNTS PAYABLE
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Date	Number	Name	Amount
02/01/2016	117807	BDL ALARMS, INC.	78.00
02/01/2016	117808	BEST BEST & KRIEGER	6,693.55
02/01/2016	117809	CALPERS HEALTH	6,909.28
02/01/2016	117810	WILLIAM E. DICKSON	101.93
02/01/2016	117811	ROY McDONALD	4,675.00
02/01/2016	117812	NICOLAY CONSULTING GROUP	3,700.00
02/01/2016	117813	SOUTHERN CALIFORNIA EDISON	181.02
02/01/2016	117814	UNDERGROUND SERVICE ALERT	22.50
02/01/2016	117815	VALLEY OFFICE EQUIPMENT, INC.	165.12
02/08/2016	117816	ACWA BENEFITS	773.82
02/08/2016	117817	ALBERT WEBB ASSOCIATES	4,118.25
02/08/2016	117818	CHERRY VALLEY CHAMBER OF COMMERCE	25.00
02/08/2016	117819	GOPHER PATROL	48.00
02/08/2016	117820	JON'S FLAGS & POLES, INC.	451.44
02/08/2016	117821	KENNEDY JENKS CONSULTANTS	249.60
02/08/2016	117822	SCOTT KINNEY	206.70
02/08/2016	117823	MARY ANN HARVEY-MELLEBY	106.00
02/08/2016	117824	UNLIMITED SERVICES BUILDING MAINT.	295.00
02/08/2016	117825	WASTE MANAGEMENT INLAND EMPIRE	94.37
02/11/2016	117826	SEE PAYROLL CATEGORY, JOHN R. JETER	
02/12/2016	117827	CALPERS RETIREMENT	5,380.94
02/12/2016	117828	FRANCHISE TAX BOARD	196.91
02/16/2016	117829	INCONTACT, INC.	132.99
02/16/2016	117830	KENNEDY JENKS CONSULTANTS	2,836.60
02/16/2016	117831	SOUTHERN CALIFORNIA GAS	188.31
02/16/2016	117832	WELLS FARGO REMITTANCE CENTER	1,328.30
02/18/2016	117833	I. E. RESOURCE CONSERVATION DISTRICT	200.00
02/22/2016	117834	CALPERS HEALTH	6,909.28
02/22/2016	117835	I. E. RESOURCE CONSERVATION DISTRICT	2,600.00
02/22/2016	117836	MATTHEW PISTILLI LANDSCAPE SERVICES	325.00
02/22/2016	117837	MARY ANN HARVEY-MELLEBY	283.92
02/22/2016	117838	VERIZON	1,123.43
02/22/2016	117839	WEST VALLEY WATER DISTRICT	4,000.00
02/25/2016	117840	AT&T MOBILITY	273.71
02/25/2016	117841	SOUTHERN CALIFORNIA EDISON	130.04
02/25/2016	117842	THOMAS W. TODD, JR.	1,598.39
02/27/2016	117843	CALPERS RETIREMENT	5,298.25
02/27/2016	117844	STANDARD INSURANCE COMPANY	396.20
02/27/2016	501260	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	6,723.51
02/12/2016	509815	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	6,523.04
02/12/2016	522335	EMPLOYMENT DEVELOPMENT DEPARTMENT	1,004.27
02/27/2016	522420	EMPLOYMENT DEVELOPMENT DEPARTMENT	1,000.18
02/13/2016	900116	DEPARTMENT OF WATER RESOURCES	2,960.00
02/29/2016	900117	DEPARTMENT OF WATER RESOURCES	369,121.00
TOTAL ACCOUNTS PAYABLE CHECKS			449,428.85

**San Gorgonio Pass Water Agency**  
**Check History Report**  
February 1 through February 29, 2016

PAYROLL
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CHECKS			
Date	Number	Name	Amount
02/11/2016	117826	JOHN R. JETER	724.41
TOTAL PAYROLL CHECKS			724.41
DIRECT DEPOSIT			
Date	Number	Name	Amount
02/11/2016	801164	JEFFREY W. DAVIS	4,316.25
02/11/2016	801165	WILLIAM E. DICKSON	942.50
02/11/2016	801166	KENNETH M. FALLS	2,710.94
02/11/2016	801167	CHERYLE M. RASMUSSEN	2,054.32
02/11/2016	801168	THOMAS W. TODD, JR.	3,105.70
02/26/2016	801169	BLAIR M. BALL	1,139.41
02/26/2016	801170	JEFFREY W. DAVIS	4,316.25
02/26/2016	801171	KENNETH M. FALLS	2,473.62
02/26/2016	801172	DAVID L. FENN	689.41
02/26/2016	801173	MARY ANN HARVEY-MELLEBY	1,139.41
02/26/2016	801174	CHERYLE M. RASMUSSEN	2,054.32
02/26/2016	801175	LEONARD C. STEPHENSON	1,139.41
02/26/2016	801176	THOMAS W. TODD, JR.	3,165.70
TOTAL PAYROLL DIRECT DEPOSIT			29,247.24
TOTAL PAYROLL			29,971.65
TOTAL DISBURSEMENTS FOR FEBRUARY, 2016			479,400.50

SAN GORGONIO PASS WATER AGENCY

New Vendors List

March, 2016

Vendor - Name and Address	Expenditure Type
Griswold Industries 1701 Placentia Ave., Costa Mesa, CA 92627-4416	Filed Maintenance
CalPERS Supplemental Income Plans P O Box 942713, Sacramento, CA 94229	Payroll

**SAN GORGONIO PASS WATER AGENCY**

**LEGAL INVOICES  
ACCOUNTS PAYABLE INVOICE LISTING**

<u>VENDOR</u>	<u>INVOICE NBR</u>	<u>COMMENT</u>	<u>AMOUNT</u>
BEST, BEST & KRIEGER	160229	LEGAL SERVICES FEB16	19,974.20

TOTAL PENDING INVOICES FOR MARCH 2016

19,974.20

**SAN GORGONIO PASS WATER AGENCY  
BANK RECONCILIATION  
February 29, 2016**

BALANCE PER BANK AT 02/29/2016 - CHECKING ACCOUNT 307,890.47

LESS OUTSTANDING CHECKS

CHECK NUMBER	AMOUNT	CHECK NUMBER	AMOUNT
117517	VOID	117839	4,000.00
117644	67.85	117840	273.71
117812	3,700.00	117843	5,298.25
117833	200.00	117844	396.20
117835	2,600.00		
	6,567.85		9,968.16

TOTAL OUTSTANDING CHECKS (16,536.01)

BALANCE PER GENERAL LEDGER 291,354.46

BALANCE PER GENERAL LEDGER AT 01/31/2016 253,619.49

CASH RECEIPTS FOR FEBRUARY 216,993.95

CASH DISBURSEMENTS FOR FEBRUARY

ACCOUNTS PAYABLE - CHECK HISTORY REPORT	(449,428.85)	
NET PAYROLL FOR FEBRUARY	(29,971.65)	(479,400.50)

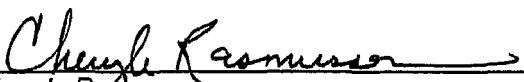
BANK CHARGES (58.48)

TRANSFERS FROM WELLS FARGO 300,000.00

VOIDED CK # 117517 200.00

BALANCE PER GENERAL LEDGER AT 02/29/2016 291,354.46

REPORT PREPARED BY:

  
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 Cheryl Rasmussen

**SAN GORGONIO PASS WATER AGENCY  
DEPOSIT RECAP  
FOR THE MONTH OF FEBRUARY 2016**

<u>DATE</u>	<u>RECEIVED FROM</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>TOTAL DEPOSIT AMOUNT</u>
<b>DEPOSIT TO CHECKING ACCOUNT</b>				
2/16/16	RIVERSIDE COUNTY	PROPERTY TAXES	139,060.51	139,060.51
2/16/16	RIVERSIDE COUNTY	PROPERTY TAXES	39,187.84	39,187.84
2/26/16	TVI	CD AND BOND INTEREST	38,745.60	38,745.60
TOTAL FOR FEBRUARY 2016			216,993.95	216,993.95

**SAN GORGONIO PASS WATER AGENCY**  
**FISCAL YEAR BUDGET 2015-16**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE EIGHT MONTHS ENDING ON FEBRUARY 29, 2016**

FOR THE FISCAL YEAR JULY 1, 2015 - JUNE 30, 2016

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - INCOME</b>					
<b>INCOME</b>					
WATER SALES	1,400,000		1,400,000	711,859.84	49.15%
TAX REVENUE	2,000,000		2,000,000	1,285,479.23	35.73%
INTEREST	29,000		29,000	36,596.53	-26.19%
CAPACITY FEE	0		0	0.00	0.00%
GRANTS	0		0	0.00	0.00%
OTHER (REIMBURSEMENTS, TRANSFERS)	110,000		110,000	28,041.94	74.51%
<b>TOTAL GENERAL FUND INCOME</b>	<b>3,539,000</b>	<b>0</b>	<b>3,539,000</b>	<b>2,061,977.54</b>	<b>41.74%</b>
<b>GENERAL FUND - EXPENSES</b>					
<b>COMMODITY PURCHASE</b>					
PURCHASED WATER	1,200,000		1,200,000	205,873.00	82.84%
<b>TOTAL COMMODITY PURCHASE</b>	<b>1,200,000</b>	<b>0</b>	<b>1,200,000</b>	<b>205,873.00</b>	<b>82.84%</b>
<b>SALARIES AND EMPLOYEE BENEFITS</b>					
SALARIES	420,000		420,000	276,398.00	34.19%
PAYROLL TAXES	36,000		36,000	22,768.59	36.75%
RETIREMENT	105,000		105,000	71,099.12	32.29%
OTHER POST-EMPLOYMENT BENEFITS (OPEB)	21,000		21,000	15,871.22	24.42%
HEALTH INSURANCE	48,000		48,000	36,121.43	24.75%
DENTAL INSURANCE	6,000		6,000	3,366.00	43.90%
LIFE INSURANCE	1,000		1,000	792.89	20.71%
DISABILITY INSURANCE	4,200		4,200	2,852.97	32.07%
WORKERS COMP INSURANCE	4,000		4,000	1,908.00	52.30%
SGPWA STAFF MISC. MEDICAL	9,000		9,000	4,714.22	47.62%
EMPLOYEE EDUCATION	2,000		2,000	0.00	100.00%
<b>TOTAL SALARIES AND EMPLOYEE BENEFITS</b>	<b>656,200</b>	<b>0</b>	<b>656,200</b>	<b>435,892.44</b>	<b>33.57%</b>

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**SAN GORGONIO PASS WATER AGENCY**  
**FISCAL YEAR BUDGET 2015-16**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE EIGHT MONTHS ENDING ON FEBRUARY 29, 2016**

FOR THE FISCAL YEAR JULY 1, 2015 - JUNE 30, 2016

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - EXPENSES</b>					
<b>ADMINISTRATIVE &amp; PROFESSIONAL</b>					
<b>DIRECTOR EXPENDITURES</b>					
DIRECTORS FEES	104,000		104,000	66,231.68	36.32%
DIRECTORS TRAVEL & EDUCATION	20,000		20,000	8,313.05	58.43%
DIRECTORS MISC. MEDICAL	31,000		31,000	10,157.97	67.23%
<b>OFFICE EXPENDITURES</b>					
OFFICE EXPENSE	15,000		15,000	13,072.00	12.85%
POSTAGE	1,200		1,200	802.74	33.11%
TELEPHONE	9,000		9,000	6,406.65	28.82%
UTILITIES	4,500		4,500	3,000.66	33.32%
<b>SERVICE EXPENDITURES</b>					
COMPUTER, WEB SITE AND PHONE SUPPORT	16,000		16,000	11,132.38	30.42%
GENERAL MANAGER & STAFF TRAVEL	17,000		17,000	12,546.69	26.20%
INSURANCE & BONDS	23,000		23,000	19,265.00	16.24%
ACCOUNTING & AUDITING	21,000		21,000	18,000.00	14.29%
STATE WATER CONTRACT AUDIT	5,000		5,000	4,866.00	2.68%
DUES & ASSESSMENTS	33,000		33,000	27,705.67	16.04%
SPONSORSHIPS	10,000		10,000	1,000.00	90.00%
OUTSIDE PROFESSIONAL SERVICES	3,000		3,000	3,700.00	-23.33%
BANK CHARGES	1,200		1,200	934.46	22.13%
MISCELLANEOUS EXPENSES	1,000		1,000	0.00	100.00%
<b>MAINTENANCE &amp; EQUIPMENT EXPENDITURES</b>					
TOOLS PURCHASE & MAINTENANCE	3,000		3,000	3,109.56	-3.65%
VEHICLE REPAIR & MAINTENANCE	8,000		8,000	5,756.07	28.05%
MAINTENANCE & REPAIRS - BUILDING	12,000		12,000	6,856.12	42.87%
MAINTENANCE & REPAIRS - FIELD	6,500		6,500	3,286.52	49.44%
CONTRACT OPERATIONS AND MAINTENANCE	90,000		90,000	0.00	100.00%
<b>COUNTY EXPENDITURES</b>					
LAFCO COST SHARE	4,500		4,500	4,694.59	-4.32%
ELECTION EXPENSE	0		0	0.00	0.00%
TAX COLLECTION CHARGES	8,000		8,000	6,664.46	16.69%
<b>TOTAL ADMINISTRATIVE &amp; PROFESSIONAL</b>	<b>446,900</b>	<b>0</b>	<b>446,900</b>	<b>237,502.27</b>	<b>46.86%</b>

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**SAN GORGONIO PASS WATER AGENCY**  
**FISCAL YEAR BUDGET 2015-16**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE EIGHT MONTHS ENDING ON FEBRUARY 29, 2016**

FOR THE FISCAL YEAR JULY 1, 2015 - JUNE 30, 2016

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - EXPENSES</b>					
<b>GENERAL ENGINEERING</b>					
RECHARGE					
B.A.R.F. DESIGN + CONSTRUCTION: REPORTED IN CAPITAL EXPENDITURES					
B.A.R.F. ENVIRONMENTAL MITIGATION	65,000		65,000	0.00	100.00%
FERC/FLUME					
ALTERNATIVE WATER SUPPLY BANNING/BHMWC	0		0	0.00	0.00%
NOTICE OF PREPARATION + EIR	50,000		50,000	9,722.97	80.55%
WHITewater FLUME TUNNEL	90,000		90,000	56,418.57	37.31%
ENVIRONMENTAL JUSTICE	27,000		27,000	0.00	100.00%
BALANCE HYDROLOGICS		10,802	10,802	10,799.30	0.03%
STUDIES					
USGS - Agreement #96710	125,000		125,000	96,317.87	22.95%
WATER RATE NEXUS STUDY	45,000		45,000	0.00	100.00%
WATER RATE FINANCIAL MODELING	20,000		20,000	0.00	100.00%
CAPACITY FEE NEXUS STUDY UPDATE	0		0	15,026.48	0.00%
SUPPORT - CAPACITY FEE & AGREEMENTS	0		0	999.50	0.00%
EMERGING CONTAMINANTS TASK FORCE	0		0	0.00	0.00%
UPDATED UWMP	50,000		50,000	27,186.90	45.63%
OTHER PROJECTS					
BASIN MONITORING TASK FORCE	15,000		15,000	13,924.00	7.17%
MODELING 15.5 ANALYSIS	25,000		25,000	0.00	100.00%
GENERAL AGENCY - CEQA AND GIS SERVICES	15,000		15,000	8,452.66	43.65%
<b>TOTAL GENERAL ENGINEERING</b>	<b>527,000</b>	<b>10,802</b>	<b>537,802</b>	<b>238,848.25</b>	<b>55.59%</b>

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**SAN GORGONIO PASS WATER AGENCY  
FISCAL YEAR BUDGET 2015-16  
BUDGET VS. REVISED BUDGET VS. ACTUAL  
FOR THE EIGHT MONTHS ENDING ON FEBRUARY 29, 2016**

FOR THE FISCAL YEAR JULY 1, 2015 - JUNE 30, 2016

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>GENERAL FUND - EXPENSES</b>					
<b>LEGAL SERVICES</b>					
LEGAL SERVICES - GENERAL	175,000		175,000	82,507.16	52.85%
<b>TOTAL LEGAL SERVICES</b>	<b>175,000</b>	<b>0</b>	<b>175,000</b>	<b>82,507.16</b>	<b>52.85%</b>
<b>CONSERVATION &amp; EDUCATION</b>					
SCHOOL EDUCATION PROGRAMS	14,000		14,000	6,600.00	52.86%
ADULT EDUCATION PROGRAMS	5,000		5,000	1,000.00	80.00%
OTHER CONSERVATION, EDUCATION AND P. R.	10,000		10,000	2,984.36	70.16%
<b>TOTAL CONSERVATION &amp; EDUCATION</b>	<b>29,000</b>	<b>0</b>	<b>29,000</b>	<b>10,584.36</b>	<b>63.50%</b>
<b>GENERAL FUND CAPITAL EXPENDITURES</b>					
BUILDING	15,000		15,000	0.00	100.00%
FURNITURE & OFFICE EQUIPMENT	5,000		5,000	0.00	100.00%
OTHER EQUIPMENT	0		0	0.00	0.00%
TRANSPORTATION EQUIPMENT	48,000		48,000	44,947.00	6.36%
B.A.R.F. CONSTRUCTION	4,635,000		4,635,000	48,595.41	98.95%
<b>TOTAL GENERAL FUND CAPITAL EXPENDITURES</b>	<b>4,703,000</b>	<b>0</b>	<b>4,703,000</b>	<b>93,542.41</b>	<b>98.01%</b>
<b>TRANSFERS TO OTHER FUNDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	
<b>TOTAL GENERAL FUND EXPENSES</b>	<b>7,737,100</b>	<b>10,802</b>	<b>7,747,902</b>	<b>1,304,749.89</b>	<b>83.16%</b>
<b>TRANSFERS FROM RESERVES</b>	<b>4,700,000</b>		<b>4,700,000</b>		
<b>TOTAL TRANSFERS FROM RESERVES</b>	<b>4,700,000</b>	<b>0</b>	<b>4,700,000</b>	<b>0</b>	
<b>GENERAL FUND NET INCOME YEAR TO DATE</b>	<b>501,900</b>	<b>-10,802</b>	<b>491,098</b>	<b>757,227.65</b>	

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**SAN GORGONIO PASS WATER AGENCY**  
**FISCAL YEAR BUDGET 2015-16**  
**BUDGET VS. REVISED BUDGET VS. ACTUAL**  
**FOR THE EIGHT MONTHS ENDING ON FEBRUARY 29, 2016**

FOR THE FISCAL YEAR JULY 1, 2015 - JUNE 30, 2016

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
<b>DEBT SERVICE FUND - INCOME</b>					
<b>INCOME</b>					
TAX REVENUE	18,300,000		18,300,000	10,336,118.99	43.52%
INTEREST	73,000		73,000	111,109.87	-52.21%
GRANTS	0		0	0.00	0.00%
DWR CREDITS - BOND COVER, OTHER	2,900,000		2,900,000	1,252,948.00	56.79%
<b>TOTAL DEBT SERVICE FUND INCOME</b>	<b>21,273,000</b>	<b>0</b>	<b>21,273,000</b>	<b>11,700,176.86</b>	<b>45.00%</b>
<b>DEBT SERVICE FUND - EXPENSES</b>					
<b>EXPENSES</b>					
SALARIES	50,000		50,000	33,406.00	33.19%
PAYROLL TAXES	4,000		4,000	2,555.56	36.11%
BENEFITS	25,000		25,000	18,491.60	26.03%
SWC CONTRACTOR DUES	44,000		44,000	41,390.00	5.93%
STATE WATER CONTRACT PAYMENTS	20,700,000		20,700,000	14,768,680.00	28.65%
PURCHASED WATER	0		0	2,042.00	0.00%
STATE WATER PROJECT LEGAL SERVICES	0		0	0.00	0.00%
USGS - <i>Agreement #23100</i>	60,000		60,000	8,418.84	85.97%
CONTRACT OPERATIONS AND MAINTENANCE	100,000		100,000	6,148.82	93.85%
SWP ENGINEERING	40,000		40,000	0.00	100.00%
DEBT SERVICE UTILITIES	9,200		9,200	6,070.81	34.01%
TAX COLLECTION CHARGES	44,000		44,000	37,765.27	14.17%
<b>TOTAL DEBT SERVICE FUND EXPENSES</b>	<b>21,076,200</b>	<b>0</b>	<b>21,076,200</b>	<b>14,924,968.90</b>	<b>29.19%</b>
<b>TRANSFERS FROM RESERVES</b>			0	0.00	
<b>DEBT SERVICE NET INCOME YEAR TO DATE</b>	<b>196,800</b>	<b>0</b>	<b>196,800</b>	<b>-3,224,792.04</b>	

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**SAN GORGONIO PASS WATER AGENCY**  
**FISCAL YEAR JULY 1, 2015 - JUNE 30, 2016**  
**BUDGET REVISION FOR BOARD APPROVAL**  
**DATE OF PROPOSAL: MARCH 28, 2016**

	<b>A</b>	<b>B</b>	<b>A+B</b>		<b>C</b>	<b>A+B+C</b>
LINE ITEM	AMOUNT IN ORIGINAL ADOPTED BUDGET	BOARD APPROVED PRIOR BUDGET REVISIONS	REVISED BUDGET BEFORE NEW REVISIONS		CURRENT BUDGET REVISIONS FOR APPROVAL	REVISED BUDGET AFTER CURRENT REVISIONS
<b>GENERAL FUND</b>						
<b>Administrative &amp; Professional</b>						
Accounting & Auditing	21,000	0	21,000	+	1,000	22,000
<b>General Engineering</b>						
Notice of Preparation + EIR	50,000	0	50,000	-	-50,000	0
Environmental Justice	27,000	0	27,000	-	-27,000	0
New Item: Flume Support	0	0	0	+	22,000	22,000
<b>Total General Engineering Revisions</b>					-55,000	22,000
<b>Conservation &amp; Education</b>						
Other Conservation, Education and P.R. For Elected Official Education and Messaging	10,000	0	10,000	+	15,000	25,000
<b>GENERAL FUND TOTALS</b>	<b>108,000</b>	<b>0</b>	<b>108,000</b>		<b>-39,000</b>	<b>69,000</b>

13/17



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

March 1, 2016

Mr. Mark Cowin  
Director, California Department of Water Resources  
1416 - 9th Street, Room 1115-1  
Sacramento, CA 95814

Management of State Water Project Costs

Dear Mr. Cowin,

The Metropolitan Water District of Southern California (Metropolitan) and the Kern County Water Agency (Agency), along with other State Water Project (SWP) contractors, are writing this letter requesting that the California Department of Water Resources (Department) reduce 2016 Statement of Charges billings and actively manage costs associated with the SWP to a level that is affordable for our ratepayers and member units while maintaining reliable deliveries of water to all areas served by the SWP. Over the past 10 years, charges for the SWP have risen consistently faster than the rate of inflation. For example, since 2005, charges for the conservation minimum have risen at an annual rate of 7.25 percent, while the transportation minimum charges have risen at a rate of 7.75 percent. Increases over the last 5 years are even steeper, in the 10 percent to 11 percent range. At the same time, four years of drought, coupled with the Governor's executive order to conserve 25 percent, have resulted in reduced deliveries from the SWP which lead to either reduced revenues or greater costs for our customers to develop replacement water supplies; thus, further compounding fiscal challenges. Our Boards, member units, and the general public are increasingly questioning the affordability of the SWP. It is critical to immediately address this situation in advance of other decisions requiring commitments to further invest in the SWP.

Looking ahead, SWP costs will become an even greater proportion of our annual costs if the California WaterFix becomes a reality. In Metropolitan's case, SWP costs are projected to increase from a current 35 percent of our annual budget to 48 percent by FY ending 2026. The stakes are even higher for the Agency's member units, who are required to pay all SWP fixed costs for water they are not receiving, and compete for limited replacement water supplies. Other contractors are experiencing similar seemingly unconstrained growth in their SWP charges. Managing costs is a paramount concern to us as we contemplate moving forward to modernize the SWP facilities. In planning for future activities, Metropolitan has targeted rate increases to 4 percent in the next two years, and 4.5 percent through 2026. This level of rate increases underscores the importance of managing SWP costs over the next decade. Without the Department demonstrating effective fiscal management and cost reductions, our ability to secure

Mr. Mark Cowin  
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March 1, 2016

support for future investments in the SWP, including the California WaterFix, will be jeopardized.

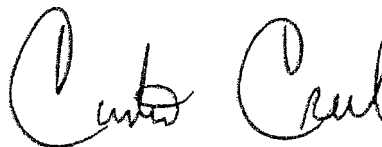
Metropolitan and the Agency applaud the Department for the cost containment efforts that have been instituted under the Operations & Maintenance and Division of Engineering functions. Carrying that discipline to other areas will help achieve the goal of cost containment and efficient operations. We look forward to immediate implementation of cost containment strategies to manage cost increases within the rate of inflation and corresponding bill reductions in order to preserve a cost effective and reliable water supply that meets the needs of all Californians. Specific discussion of our recommendations can be found in Attachment 1 to this letter.

JS:rr

Very truly yours,

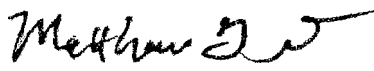


Jeff Kightlinger  
Metropolitan Water District



Curtis Creel  
Kern County Water Agency

The following agencies are in concurrence with this letter:



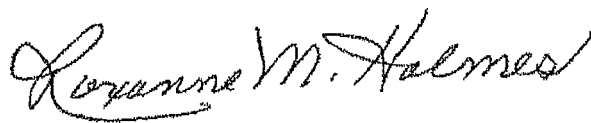
Matthew Stone  
Castaic Lake Water Agency



Jim Barrett  
Coachella Valley Water District



Ray Stokes  
Central Coast Water Authority

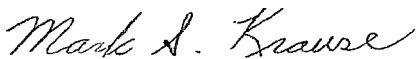


Roxanne Holmes  
Crestline-Lake Arrowhead Water Agency

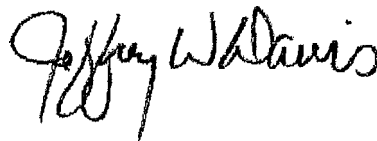
Mr. Mark Cowin

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March 1, 2016



Mark Krause  
Desert Water Agency



Jeff Davis  
San Geronio Pass Water Agency



Dale Melville  
Dudley Ridge Water District



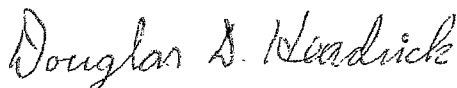
Roland Sanford  
Solano County Water Agency



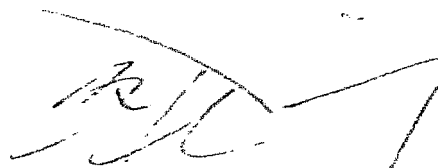
Kirby Brill  
Mojave Water Agency



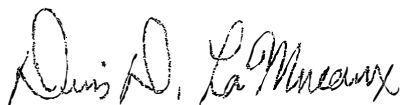
Mark Gilkey  
Tulare Lake Basin Water Storage District



Douglas Headrick  
San Bernardino Valley Municipal Water  
District



Jill Duerig  
Alameda Zone 7 Water Agency



Dennis LaMoreaux  
Palmdale Water District



Coleen Carlson  
County of Kings

Enclosure

Cc: Carl Torgerson  
Mark Anderson  
Terry Erlewine



### *Delta Compliance Program*

The Department proposes to significantly increase spending on elements of the Delta Compliance Program (DCP). Some of the larger projects include Yolo Bypass, Prospect Island and regulatory compliance efforts that benefit both the SWP and the Central Valley Project (CVP). In total, these projects would cost over \$100 million, with Prospect Island estimated to cost over \$71 million alone. It is not clear today that the SWP is responsible for all the costs identified in the Department's proposed budget, or that current SWP operations should bear the entire cost of these programs. The proposed budget appears very optimistic in terms of the amount of work that can be accomplished with the resources available to the Department.

### *Department staffing*

The Department proposes to authorize 38 new positions to begin work on the California WaterFix. These positions have been working under a temporary basis and we believe this action is premature at this juncture, as the final project has not been approved.

### *Temporary barriers*

The Department has included \$12.7 million in CY 2017 and \$11.3 million in CY 2018 for installation and removal of temporary salinity barriers in the Delta. The SWP contractors are footing all costs while not receiving water supply benefits from the barriers. The federal beneficiaries have not reimbursed the Department for any costs.

### *Recommendations*

Metropolitan and the Agency recommend the Department take the following actions to control SWP costs prior to the development of a comprehensive financial plan by the Department's future Chief Financial Manager:

1. Manage future Delta Water Charges within 3 to 4 percent annual increases (or rate of inflation) prior to implementation of the California WaterFix;
2. Stop work on Prospect Island, and focus habitat restoration efforts on more cost effective locations;
3. Prioritize the projects that need to be completed in the DCP and focus on those required immediately for the Project;
4. Defer work on DCP elements that are cost-shared with the CVP until reimbursement agreements are executed; and,
5. Defer authorizing and hiring additional permanent positions until the California WaterFix project has received final approval and cost sharing has been defined;
6. Eliminate temporary barriers that have no federal cost share from the budget.
7. Provide a matrix of projects related to the DCP that indicates which agencies are responsible for each project, cost estimates, and cost-sharing agreement status, so the Department can budget for work in an efficient manner;