

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
May 6, 2019 at 1:30 p.m.

1. Call to Order, Flag Salute, Invocation and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment: Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary. Speakers are requested to keep their comments to no more than five minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up.

4. Consent Calendar: If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, April 15, 2019* (p. 3)
- B. Approval of the Minutes of the Finance and Budget Workshop, April 22, 2019* (p. 7)
- C. Approval of the Finance and Budget Workshop Report, April 22, 2019* (p. 10)

5. Reports:

- A. General Manager's Report
 - 1. Operations Report
 - 2. Update on Delta Conveyance* (p. 29)
 - 3. Legislative Report
 - 4. General Agency Updates
- B. Directors Reports
- C. Committee Reports

6. New Business:

- A. Consideration and Possible Adoption of Resolution 2019-03 Setting a Policy for Sale of Water in Agency Storage Account * (p. 33)
- B. Consideration and Possible Action to Approve 2019 Strategic Plan* (p. 37)
- C. Consideration and Possible Action to Approve Auditor for FY 2018-2019 * (p. 47)
- D. Consideration and Possible Action to Authorize General Manager to Execute DWR Authorization Letter to Place Sites Reservoir Phase 2 Charges on DWR Statement of Charges, and Election of a Payment Schedule in the Event the Agency Moves Forward With Phase 2* (p. 62)

7. Topics for Future Agendas

8. Announcements:

- A. Water Conservation and Education Workshop, May 9, 2019 at 1:30 p.m.
- B. General Manager Performance Evaluation Committee Meeting, May 13, 2019 at 12:30 p.m.
- C. Engineering Workshop, May 13, 2019 at 1:30 p.m.
- D. Regular Board Meeting, May 20, 2019 at 1:30 p.m.

9. Closed Session (2 Items)

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to Government Code section 54956.8
Property: Potential water rights/supplies offers from the City of Ventura
Agency negotiator: Jeff Davis, General Manager
Negotiating parties: Lynn Takaichi
Under negotiation: price and terms of payment

- B. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Pursuant to Government Code Section 54957
Title: General Manager

10. 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 Avenue, Beaumont 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, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: 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 in order to make a request for a disability-related modification or accommodation.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
April 15, 2019

Directors Present: Ron Duncan, President (arrived at 1:49)
Lenny Stephenson, Vice President
Stephen Lehtonen, Treasurer
Blair Ball, Director
David Fenn, Director
David Castaldo, Director
Michael Thompson, Director

Staff Present: Jeff Davis, General Manager
Thomas Todd, Finance Manager
Cheryle Stiff, Executive Assistant
Jeff Ferre, General Counsel

1. **Call to Order, Flag Salute, Invocation, and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board Vice President Stephenson at 1:30 p.m., April 15, 2019 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Vice President Stephenson led the Pledge of Allegiance to the flag. Director Thompson gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *Vice President Stephenson asked if there were any adjustments to the agenda.* General Manager Davis requested that item 6B move ahead of item 6A. There being no objection by the Board the agenda was adopted as amended.
3. **Public Comment:** *Vice President Stephenson asked if there were any members of the public that wished to make a public comment on items that are within the jurisdiction of the Agency that are not on today's agenda.* Dan Jaggars (General Manager – BCVWD) stated that the April 1, 2019 Board meeting agenda listed two closed session items relating to water right/supplies and a potential water exchange; along with a rate activity with scheduled sales of 15k acre-feet. He stated that last week he had asked General Manager Davis for an update on water conditions for 2019, and what we might anticipate with the loss of the 4k acre-feet in San Luis Reservoir. Mr. Jaggars remarked that he has yet to receive this information; adding that it is needed for financial planning for the year. There were no other members of the public that wished to comment at this time.
4. **Consent Calendar:**
 - A. Approval of the Minutes of the Regular Board Meeting, April 1, 2019
 - B. Approval of the Minutes of the Engineering Workshop, April 8, 2019

Vice President Stephenson asked for a motion on the Consent Calendar. Director Thompson made a motion, seconded by Director Lehtonen, to adopt the consent calendar. Motion passed 6-0, President Duncan not yet arrived.

5. Reports:

A. General Manager's Report:

(1) Operations Report: General Manager Davis reported that the Agency has delivered 545 acre-feet of water to Noble Creek ponds so far this month. The delivery rate was changed from 10 cfs to 20 cfs, beginning April 1st.

(2) General Agency Updates: General Manager Davis reported on the following:

- a. This Thursday there are two events going on virtually simultaneously:
 - i. Riverside County Special Districts meeting with Jeff Hewitt at BCV Parks and Rec District from 11:00 to 12:30. RSVP deadline is today.
 - ii. SGP MAC meeting in our Board room at noon. Jeff Hewitt is also going to attend this meeting. No RSVP required.
- b. Construction has just begun on a new dental office next door. They have asked to use our parking lot for overflow and handicap parking while they are under construction. Permission was given and we informed them that during board meetings, parking may be harder to find. Construction is to continue through January 2020.
- c. Legislative update.
 - i. AB 1194 (Frazier) to increase membership on Delta Stewardship Council to 11 with a majority of them from the Delta—failed in committee.
 - ii. SB 69 (Weiner)—comprehensive fish restoration bill. Substantially amended in committee to remove one of three issues of concern to the Contractors. This related to imposing requirements at Thermalito Afterbay outside of the FERC process. The other two items are fish related science activities that would have to be funded by the Contractors. We are working with the proponents on these issues.
 - iii. SB 1 (Atkins) would roll back regulations to before Trump became President and would likely kill voluntary agreements. This was heard in committee and we did a good job articulating our concerns specifically related to impacts to the SWP. No specific action yet.

B. Directors Reports:

1) Director Fenn informed the Board that that San Geronio Pass Regional Water Alliance will meet next Wednesday at 5:00 p.m., at Banning City Hall. He informed the Board that he has acted as the Alliance Chair for almost a year. The Alliance is seeking candidates to assume the Chair and Co-Chair positions; it is preferable that candidates are elected officials. **2) Vice President Stephenson** reported that he attended South Mesa Water Company's Board meeting on April 3rd. He also reported that he attended YVWD's workshop on April 9th.

C. Committee Reports: Director Fenn stated that his committee report will be discussed during agenda item 9. No other committees reported having met since the previous Board meeting.

6. New Business:

B. Consideration and Possible Action on Inland Solar Challenge Sponsorship. A copy of the staff report was included in the agenda package. Jennifer Ares, past Chair of the Inland Solar Challenge, introduced this year's Chair Janett Robledo (East Valley Water District) and Co-Chair Devin Arciniega (San Bernardino Municipal Water Department). Ms. Robledo thanked the Board on its support for prior years. She presented a detailed explanation on the 2019 Inland Solar Challenge student activities and presentations, which includes a newly added water conservation component. The number of student participation is anticipated to be over 200. She explained that the process of a 501 (c) (3) was still ongoing, but they anticipate that one will be acquired prior to the 2020 event. They encouraged Board members to participate as judges again this year. Ms. Robledo and Ms. Arciniega received suggestions and answered questions from the Board. After discussion, Director Thompson made a motion, seconded by President Duncan, to sponsor the 2019 Inland Solar Challenge for the amount of \$4,000. Motion Passed 6-1; with Director Ball voting no.

A. Consideration and Possible Action on Resolution 2019-02, Setting a Water Rate. A staff report, Water Rate information sheet dated April 15, 2019, and Resolution No. 2019-02 were included in the agenda package. General Manager Davis explained that the staff report summarizes the activities of the Board on this issue for the last 15 months. At the last workshop the Board agreed that some action would need to be taken sometime this year to increase the water rate, which has not been increased since 2009. The Board directed Staff to return with two options for a water rate increase, one of which would exclude the cost of Nickel water for this year, and the other rate that would recover 50% of the Nickel water for this year. General Manager Davis reviewed with the Board the water rate Information sheet that was included in the agenda packet. He responded to the Board's questions on the water rate information sheet. It was noted that an increase is needed as the Agency has used approximately \$4 million in general fund reserves over the past two years to pay for Nickel water; this is not sustainable in the long term. It was also noted that had a capacity fee been implemented the water rate increase would be lower than what was presented today. General Manager Dan Jaggars (BCVWD) and General Manager Joe Zoba (YVWD) spoke in opposition of the water rate increase and objected to both options. Director Stephenson moved, seconded by Director Ball, to approve option 1 and adopt Resolution 2019-02. After discussion President Duncan requested a roll call vote.

<u>Roll Call:</u>	Aye	Noes	Absent	Abstain
Director Ball	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Castaldo	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Fenn	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Lehtonen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Director Thompson	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
President Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Motion passed 5-2.

7. Topics for Future Agendas: 1. Director Ball commented that it was reported during a previous Board meeting and today during public comment that the Agency had a loss of 4k acre-feet of water which was stored at the San Luis Reservoir. He asked that staff report back to the Board in a written and oral report to give all of the facts on how this occurred. He also requested any written documentation, emails, etc. from water retailers and DWR that showed an attempt was made to recover it, prior to losing it. 2. Director Castaldo asked that staff report on the Agency's water retailer requisition process, as well as how other SWC process its water retailer requisitions. 3. Director Thompson asked for a workshop on the 2020 retail water rate; to include how much funds have been collected for the \$33 up-to-date. Also, how much has been received from the 1% Riverside County tax from 2012 to date. 3. Director Fenn asked to discuss Ordinance 8, as related to Director Castaldo's request.

8. Announcements:

- A. Finance and Budget Workshop, April 22, 2019 at 1:30 p.m.
- B. San Geronio Pass Regional Water Alliance, April 24, 2019 at 5:00 p.m. – Banning City Hall
- C. Regular Board Meeting, May 6, 2019 at 1:30 p.m.

9. Closed Session (1 Item)

Time: 3:22 p.m.

A. CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code Section 54957

Agency designated representative: Board President Ron Duncan

Unrepresented employee: General Manager

The meeting reconvened to open session at: Time: 4:20 pm

General Counsel Ferre stated that there was no action taken during closed session that is reportable under the Brown Act.

10. Adjournment

Time: 4:20 pm

Draft - Subject to Board Approval

Jeffrey W. Davis, Secretary of the Board

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SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
April 22, 2019

Directors Present: Ron Duncan, President (arrived at 1:44 pm)
Lenny Stephenson, Vice President
Steve Lehtonen, Treasurer
Blair Ball, Director
David Castaldo, Director
David Fenn, Director
Mike Thompson, Director

Staff and Consultants Present:
Jeff Davis, General Manager
Tom Todd, Jr., Finance Manager

1. **Call to Order, Flag Salute and Roll Call:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by Chair Steve Lehtonen at 1:30 pm, April 22, 2019, in the Agency Board Room at 1210 Beaumont Avenue, Beaumont, California. Chair Lehtonen led the Pledge of Allegiance to the flag. A quorum was present.
2. **Adoption and Adjustment of Agenda:** The agenda was adopted as published.
3. **Public Comment:** No members of the public requested to speak at this time.
4. **New Business:**
 - A. Ratification of Paid Invoices and Monthly Payroll for March, 2019 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Stephenson, seconded by Director Castaldo, to recommend that the Board ratify paid monthly invoices of \$6,084,311.49 and payroll of \$34,759.80 for the month of March, 2019, for a combined total of \$6,119,071.29. The motion passed 6 in favor, no opposed, with Director Duncan not yet present.
 - B. Review Pending Legal Invoices: After review and discussion, a motion was made by Director Stephenson, seconded by Director Thompson, to recommend that the Board approve payment of the pending legal invoice for March, 2019 for \$9,729.59. The motion passed 6 in favor, no opposed, with Director Duncan not yet present.
 - C. Review of March, 2019 Bank Reconciliation: After review and discussion, a motion was made by Director Castaldo, seconded by Director Ball, to

recommend that the Board acknowledge receipt of the Wells Fargo bank reconciliation for March, 2019 as presented. The motion passed 6 in favor, no opposed, with Director Duncan not yet present.

- D. Review of Budget Report for March, 2019: After review and discussion, a motion was made by Director Stephenson, seconded by Director Ball, to recommend that the Board acknowledge receipt of the Budget Report for March, 2019. The motion passed 7 in favor, no opposed.
- E. Review of Cash Reconciliation Report for March 31, 2019: After review and discussion, a motion was made by President Duncan, seconded by Director Stephenson, to recommend that the Board accept the Cash Reconciliation Report for March 31, 2019. The motion passed 7 in favor, no opposed.
- F. Review of Reserve Allocation Report for March 31, 2019: After review and discussion, a motion was made by Director Fenn, seconded by President Duncan, to recommend that the Board accept the Reserve Allocation Report for March 31, 2019 as presented. The motion passed 7 in favor, no opposed.
- G. Review of Investment Report for March 31, 2019: After review and discussion, a motion was made by Director Ball, seconded by Director Castaldo, to recommend that the Board accept the Investment Report for March 31, 2019 as presented. The motion passed 7 in favor, no opposed.
- H. Discussion of Sites Reservoir Project Phase 2 Financing: General Manager Jeff Davis introduced this topic while Finance Manager Tom Todd handed out two documents that presented financing choices for fund expenditures for the Sites Reservoir Project for 2020, 2021 and 2022. The Board discussed whether the Agency would like the charges for these expenditures to be added to the Agency's Statement of Charges, and whether the Agency should pay only the interest on the expenditures, or pay its allocated portion of the total expenses in two years, 2020 and 2021. After review and discussion and input from the public, the consensus of the Board was that the Agency should have the expenditures added to the Statement of Charges, and that the Agency should pay interest only.

5. Announcements

- A. San Gorgonio Pass Regional Water Alliance, originally scheduled for April 24, 2019 has been canceled.
- B. Regular Board Meeting, May 6, 2019, 1:30 pm
- C. Engineering Workshop, May 13, 2019, 1:30 pm

6. Adjournment: The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was adjourned at 2:49 pm.

Draft - Not
Approved

Jeffrey W. Davis, Secretary of the Board

Finance and Budget Workshop Report

From Treasurer Steve Lehtonen, Chair of the Finance and Budget Committee

The Finance and Budget Workshop was held on April 22, 2019. The following recommendations were made:

1. The Board ratify payment of Invoices of \$6,084,311.49 and Payroll of \$34,759.80 as detailed in the Check History Report for Accounts Payable and the Check History Report for Payroll for March, 2019 for a combined total of \$6,119,071.29.

2. The Board authorize payment of the following vendor's amounts:

Best, Best & Krieger LLP	\$9,729.59
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3. The Board acknowledge receipt of the following:
 - A. Wells Fargo bank reconciliation for March, 2019
 - B. Budget Report for March, 2019

4. The Board accept the following:
 - A. Cash Reconciliation Report for March 31, 2019
 - B. Reserve Allocation Report for March 31, 2018
 - C. Investment Report for March 31, 2019

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Ave, Beaumont, CA 92223
Board Finance & Budget Workshop
Agenda
April 22, 2019 at 1:30 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 relating to any matter within the Agency's jurisdiction. To comment on a specific agenda item, please complete a speaker's request form and hand it to the Board secretary. Speakers are requested to keep their comments to no more than five minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up.
- 4. New Business (Discussion and possible recommendations for action at a future regular Board meeting)**
 - A. Ratification of Paid Invoices and Monthly Payroll for March, 2019 by Reviewing Check History Reports in Detail*
 - B. Review of Pending Legal Invoices*
 - C. Review of March, 2019 Bank Reconciliation*
 - D. Review of Budget Report for March, 2019*
 - E. Review of Cash Reconciliation Report for March 31, 2019*
 - F. Review of Reserve Allocation Report for March 31, 2019*
 - G. Review of Investment Report for March 31, 2019*
 - H. Discussion of Sites Reservoir Project Phase 2 Financing
- 5. Announcements**
 - A. San Gorgonio Pass Regional Water Alliance, April 24, 2019, 5:00 pm
Banning City Hall
 - B. Regular Board Meeting, May 6, 2019, 1:30 pm
 - C. Engineering Workshop May 13, 2019, 1:30 pm
- 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
March 1 through March 31, 2019

ACCOUNTS PAYABLE

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
03/04/2019	119175	ACWA BENEFITS	866.41
03/04/2019	119176	BEAUMONT-CHERRY VALLEY WATER DISTRICT	424.54
03/04/2019	119177	BDL ALARMS, INC.	78.00
03/04/2019	119178	BEST BEST & KRIEGER	9,234.11
03/04/2019	119179	KENNETH M. FALLS	3,384.60
03/04/2019	119180	GOPHER PATROL	51.00
03/04/2019	119181	UNDERGROUND SERVICE ALERT	35.43
03/04/2019	119182	WASTE MANAGEMENT INLAND EMPIRE	97.06
03/11/2019	119183	ALBERT WEBB ASSOCIATES	8,579.33
03/11/2019	119184	AUTOMATION PRIDE	100.00
03/11/2019	119185	BEAUMONT HOME CENTER	5.79
03/11/2019	119186	ERSC	17,038.45
03/11/2019	119187	FRONTIER COMMUNICATIONS	1,322.70
03/11/2019	119188	OAK VALLEY PHOTOGRAPHY	222.71
03/11/2019	119189	UNLIMITED SERVICES BUILDING MAINT.	295.00
03/11/2019	119190	U. S. GEOLOGICAL SURVEY	35,839.29
03/11/2019	119191	VALLEY OFFICE EQUIPMENT, INC.	148.31
03/11/2019	119192	WATER RESOURCES CONSULTING	2,251.19
03/16/2019	119193	McCROMETER INC	519.83
03/16/2019	119194	NICE GRAPHIX	652.50
03/16/2019	119195	PRO-CRAFT CONSTRUCTION, INC.	62,628.75
03/16/2019	119196	PROVOST & PRITCHARD	2,730.00
03/16/2019	119197	SITES PROJECT JPA	615,291.00
03/16/2019	119198	SOUTHERN CALIFORNIA GAS	272.80
03/16/2019	119199	THOMAS W. TODD, JR.	677.48
03/16/2019	119200	VISIONARY LOGICS	1,084.00
03/16/2019	119201	WELLS FARGO ELITE CREDIT CARD	2,694.17
03/15/2019	537371	EMPLOYMENT DEVELOPMENT DEPARTMENT	990.41
03/15/2019	545970	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	5,948.92
03/28/2019	541651	EMPLOYMENT DEVELOPMENT DEPARTMENT	990.41
03/28/2019	547355	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	7,179.44
03/15/2019	900228	CALPERS RETIREMENT	6,719.53
03/17/2019	900229	CALPERS HEALTH	8,057.33
03/29/2019	900230	DEPARTMENT OF WATER RESOURCES	5,287,901.00
		TOTAL ACCOUNTS PAYABLE CHECKS	6,084,311.49

San Geronio Pass Water Agency
Check History Report
March 1 through March 31, 2019

PAYROLL

Date	Number	Name	Amount
03/14/2019	801687	JEFFREY W. DAVIS	4,998.40
03/14/2019	801688	KENNETH M. FALLS	2,902.58
03/14/2019	801689	CHERYLE M. STIFF	2,246.71
03/14/2019	801690	THOMAS W. TODD, JR.	3,518.51
03/27/2019	801691	BLAIR M. BALL	1,237.90
03/27/2019	801692	JEFFREY W. DAVIS	4,998.40
03/27/2019	801693	RONALD A. DUNCAN	1,237.90
03/27/2019	801694	KENNETH M. FALLS	2,902.58
03/27/2019	801695	DAVID L. FENN	1,237.90
03/27/2019	801696	STEPHEN J. LEHTONEN	1,237.90
03/27/2019	801697	LEONARD C. STEPHENSON	1,237.90
03/27/2019	801698	CHERYLE M. STIFF	2,246.71
03/27/2019	801699	MICHAEL D. THOMPSON	1,237.90
03/27/2019	801700	THOMAS W. TODD, JR.	3,518.51
TOTAL PAYROLL			34,759.80
TOTAL DISBURSEMENTS FOR MARCH, 2019			6,119,071.29

SAN GORGONIO PASS WATER AGENCY
New Vendors List
April, 2019

Vendor - Name and Address	Expenditure Type
Americas Security Professionals 3517 Marconi Ave, Suite 201; Sacramento, CA 95821 Payments mailed to: American Funding Solutions; P O Box 572; Blue Springs, MO 64014	Security, USGS well-drilling
K-Vac Environmental Services, Inc. P O Box 1505; Rancho Cucamonga, CA 91729	USGS well-drilling
East Valley Water District 31111 Greenspot Road; Highland, CA 92346	Sponsorship; Solar Boat

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	190331	LEGAL SERVICES MAR19	9,729.59

TOTAL PENDING INVOICES FOR MARCH 2019

9,729.59

**SAN GORGONIO PASS WATER AGENCY
BANK RECONCILIATION
March 31, 2019**

BALANCE PER BANK AT 03/31/2019 - CHECKING ACCOUNT 948,272.17

LESS OUTSTANDING CHECKS

CHECK NUMBER	AMOUNT	CHECK NUMBER	AMOUNT
119197	615,291.00		
	615,291.00		0.00

TOTAL OUTSTANDING CHECKS -615,291.00

BALANCE PER GENERAL LEDGER 332,981.17

BALANCE PER GENERAL LEDGER AT 02/28/2019 266,481.29

CASH RECEIPTS FOR MARCH 235,811.37

CASH DISBURSEMENTS FOR MARCH

ACCOUNTS PAYABLE - CHECK HISTORY REPORT	-6,084,311.49
PAYROLL TRANSFER - BANK OF HEMET	-35,000.00
	-6,119,311.49

BANK CHARGES 0.00


TRANSFER TO LAIF -500,000.00

TRANSFER FROM LAIF 5,200,000.00

TRANSFERS FROM TVI 1,250,000.00

BALANCE PER GENERAL LEDGER AT 03/31/2019 332,981.17

REPORT PREPARED BY:



Cheryle M. Stiff

**SAN GORGONIO PASS WATER AGENCY
DEPOSIT RECAP
FOR THE MONTH OF MARCH 2019**

<u>DATE</u>	<u>RECEIVED FROM</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>TOTAL DEPOSIT AMOUNT</u>
DEPOSIT TO CHECKING ACCOUNT				
3/5/19	RIVERSIDE COUNTY	PROPERTY TAXES	123,545.48	123,545.48
3/5/19	RIVERSIDE COUNTY	PROPERTY TAXES	0.04	0.04
3/25/19	RIVERSIDE COUNTY	PROPERTY TAXES	90,882.45	90,882.45
3/26/19	TVI	CD - BOND INTEREST	21,383.40	21,383.40
TOTAL FOR MARCH 2019			235,811.37	235,811.37

SAN GORGONIO PASS WATER AGENCY
BUDGET REPORT FY 2018-19
BUDGET VS. REVISED BUDGET VS. ACTUAL
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019

FOR THE FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
GENERAL FUND - INCOME				Comparison:	25%
INCOME					
WATER SALES	5,600,000		5,600,000	2,679,548.22	52.15%
TAX REVENUE	2,650,000		2,650,000	1,763,162.78	33.47%
INTEREST	200,000		200,000	283,614.67	-41.81%
DESIGNATED REVENUES	1,750,000		1,750,000	0.00	100.00%
CAPACITY FEE	0		0	0.00	
OTHER (REIMBURSEMENTS, TRANSFERS)	29,000		29,000	812,698.92	-2702.41%
TOTAL GENERAL FUND INCOME	10,229,000	0	10,229,000	5,539,024.59	45.85%
GENERAL FUND - EXPENSES					
COMMODITY PURCHASE					
PURCHASED WATER	6,000,000		6,000,000	1,927,204.23	67.88%
TOTAL COMMODITY PURCHASE	6,000,000	0	6,000,000	1,927,204.23	67.88%
SALARIES AND EMPLOYEE BENEFITS					
SALARIES	470,000		470,000	353,102.44	24.87%
PAYROLL TAXES	41,000		41,000	28,344.29	30.87%
RETIREMENT	312,000		312,000	103,209.21	66.92%
OTHER POST-EMPLOYMENT BENEFITS (OPEB)	22,000		22,000	16,431.78	25.31%
HEALTH INSURANCE	67,000		67,000	53,700.14	19.85%
DENTAL INSURANCE	4,800		4,800	4,015.00	16.35%
LIFE INSURANCE	1,600		1,600	1,322.36	17.35%
DISABILITY INSURANCE	5,000		5,000	3,250.44	34.99%
WORKERS COMP INSURANCE	3,700		3,700	1,854.76	49.87%
SGPWA STAFF MISC. MEDICAL	10,000		10,000	6,369.69	36.30%
EMPLOYEE EDUCATION	1,000		1,000	0.00	100.00%
TOTAL SALARIES AND EMPLOYEE BENEFITS	938,100	0	938,100	571,600.11	39.07%

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SAN GORGONIO PASS WATER AGENCY
BUDGET REPORT FY 2018-19
BUDGET VS. REVISED BUDGET VS. ACTUAL
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019

FOR THE FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
GENERAL FUND - EXPENSES				Comparison:	25%
ADMINISTRATIVE & PROFESSIONAL					
DIRECTOR EXPENDITURES					
DIRECTORS FEES	111,000		111,000	71,148.28	35.90%
DIRECTORS TRAVEL & EDUCATION	15,000		15,000	5,569.62	62.87%
DIRECTORS MISC. MEDICAL	23,000		23,000	7,306.14	68.23%
OFFICE EXPENDITURES					
OFFICE EXPENSE	22,000		22,000	10,612.51	51.76%
POSTAGE	600		600	609.84	-1.64%
TELEPHONE	12,000		12,000	7,961.77	33.65%
UTILITIES	4,000		4,000	3,590.55	10.24%
SERVICE EXPENDITURES					
COMPUTER, WEB SITE AND PHONE SUPPORT	9,000		9,000	3,118.64	65.35%
GENERAL MANAGER & STAFF TRAVEL	20,000		20,000	13,448.49	32.76%
INSURANCE & BONDS	24,000		24,000	19,819.00	17.42%
ACCOUNTING & AUDITING	21,000		21,000	19,900.00	5.24%
STATE WATER CONTRACT AUDIT	5,500		5,500	5,315.00	3.36%
DUES & ASSESSMENTS	31,500		31,500	58,846.17	-86.81%
OUTSIDE PROFESSIONAL SERVICES	10,000		10,000	2,846.00	71.54%
BANK CHARGES	1,500		1,500	562.84	62.48%
MISCELLANEOUS EXPENSES	500		500	40.45	91.91%
MAINTENANCE & EQUIPMENT EXPENDITURES					
TOOLS PURCHASE & MAINTENANCE	500		500	46.30	90.74%
VEHICLE REPAIR & MAINTENANCE	7,000		7,000	2,410.48	65.56%
MAINTENANCE & REPAIRS - BUILDING	15,000		15,000	13,899.23	7.34%
MAINTENANCE & REPAIRS - FIELD	4,000		4,000	938.58	76.54%
CONTRACT OPERATIONS AND MAINTENANCE	150,000		150,000	24,403.68	83.73%
COUNTY EXPENDITURES					
LAFCO COST SHARE	7,000		7,000	5,286.99	24.47%
ELECTION EXPENSE	125,000		125,000	0.00	100.00%
TAX COLLECTION CHARGES	12,500		12,500	4,338.95	65.29%
TOTAL ADMINISTRATIVE & PROFESSIONAL	631,600	0	631,600	282,019.51	55.35%

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**SAN GORGONIO PASS WATER AGENCY
 BUDGET REPORT FY 2018-19
 BUDGET VS. REVISED BUDGET VS. ACTUAL
 FOR THE NINE MONTHS ENDING ON MARCH 31, 2019**

FOR THE FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
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GENERAL FUND - EXPENSES

Comparison: 25%

GENERAL ENGINEERING

GRANT WRITER	20,000		20,000	0.00	100.00%
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NEW WATER

PROGRAMATIC EIR	0		0	0.00	
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UPDATED STUDY ON AVAILABLE SOURCES	7,500		7,500	2,730.00	63.60%
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SGMA SUPPORT	200,000		200,000	1,296.85	99.35%
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STUDIES

USGS	115,000		115,000	61,954.31	46.13%
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WATER RATE NEXUS STUDY	25,000		25,000	19,864.23	20.54%
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WATER RATE FINANCIAL MODELING	12,000		12,000	4,850.00	59.58%
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CAPACITY FEE NEXUS STUDY UPDATE	25,000		25,000	0.00	100.00%
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WHEELING RATE STUDY	10,000		10,000	0.00	100.00%
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OTHER PROJECTS

BASIN MONITORING TASK FORCE	18,000		18,000	13,712.00	23.82%
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EAST BRANCH MEETINGS	18,000		18,000	8,821.38	50.99%
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GENERAL AGENCY - CEQA AND GIS SERVICES	10,000		10,000	3,911.00	60.89%
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TOTAL GENERAL ENGINEERING	460,500	0	460,500	117,139.77	74.56%
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LEGAL SERVICES

LEGAL SERVICES - GENERAL	190,000		190,000	86,914.83	54.26%
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TOTAL LEGAL SERVICES	190,000	0	190,000	86,914.83	54.26%
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CONSERVATION & EDUCATION

SCHOOL EDUCATION PROGRAMS	14,000		14,000	4,450.00	68.21%
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ADULT EDUCATION PROGRAMS	5,000		5,000	0.00	100.00%
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OTHER CONSERVATION, EDUCATION AND P. R.	35,000		35,000	10,000.00	71.43%
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TOTAL CONSERVATION & EDUCATION	54,000	0	54,000	14,450.00	73.24%
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SAN GORGONIO PASS WATER AGENCY
BUDGET REPORT FY 2018-19
BUDGET VS. REVISED BUDGET VS. ACTUAL
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019

FOR THE FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
GENERAL FUND - EXPENSES				Comparison:	25%
GENERAL FUND CAPITAL EXPENDITURES					
BUILDING & EQUIPMENT					
BUILDING	10,000		10,000	0.00	100.00%
FURNITURE & OFFICE EQUIPMENT	10,000		10,000	0.00	100.00%
OTHER EQUIPMENT	0		0	0.00	
TRANSPORTATION EQUIPMENT	0		0	0.00	
FIESTA RECHARGE FACILITY					
POST DESIGN	450,000		450,000	247,635.25	44.97%
CONSTRUCTION	3,950,000		3,950,000	1,953,168.82	50.55%
FENCING	100,000		100,000	0.00	100.00%
MITIGATION	15,000		15,000	0.00	100.00%
LANDSCAPING/POWER/WATER	60,000		60,000	0.00	100.00%
BUNKER HILL CONJUNCTIVE USE PROJECT	10,000		10,000	0.00	100.00%
NOBLE TURNOUT EXPANSION					
DESIGN	25,000		25,000	13,840.48	44.64%
CONSTRUCTION	295,000		295,000	213,256.25	27.71%
POST DESIGN	30,000		30,000	6,319.30	78.94%
SITES RESERVOIR	0		0	615,291.00	
MONITORING WELLS USGS	1,020,000		1,020,000	24,185.13	97.63%
TOTAL GENERAL FUND CAPITAL EXPENDITURES	5,975,000	0	5,975,000	3,073,696.23	48.56%
TRANSFERS TO OTHER FUNDS	0		0	0.00	
TOTAL GENERAL FUND EXPENSES	14,249,200	0	14,249,200	6,073,024.68	57.38%
WITHDRAWALS FROM RESERVES	4,575,000		4,575,000		
TOTAL TRANSFERS TO/FROM RESERVES	4,575,000		4,575,000	0.00	
GENERAL FUND NET INCOME YEAR TO DATE	554,800	0	554,800	-534,000.09	

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SAN GORGONIO PASS WATER AGENCY
BUDGET REPORT FY 2018-19
BUDGET VS. REVISED BUDGET VS. ACTUAL
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019

FOR THE FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019

	ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	REMAINING PERCENT OF BUDGET
DEBT SERVICE FUND - INCOME				Comparison:	25%
INCOME					
TAX REVENUE	23,586,539		23,586,539	13,951,517.06	40.85%
INTEREST	415,000		415,000	625,068.11	-50.62%
GRANTS	0		0	0.00	
DWR CREDITS - BOND COVER, OTHER	2,977,993		2,977,993	1,459,773.37	50.98%
TOTAL DEBT SERVICE FUND INCOME	26,979,532	0	26,979,532	16,036,358.54	40.56%
DEBT SERVICE FUND - EXPENSES					
EXPENSES					
SALARIES	58,000		58,000	43,724.44	24.61%
PAYROLL TAXES	4,500		4,500	3,344.81	25.67%
BENEFITS	33,000		33,000	25,632.93	22.32%
SWC CONTRACTOR DUES	75,000		75,000	65,122.00	13.17%
STATE WATER CONTRACT PAYMENTS	19,200,000		19,200,000	17,465,120.00	9.04%
WATER TRANSFERS	2,250,000		2,250,000	2,249,470.50	0.02%
STATE WATER PROJECT LEGAL SERVICES	0		0	105.73	
USGS	0		0	0.00	0.00%
CONTRACT OPERATIONS AND MAINTENANCE	150,000		150,000	24,403.68	83.73%
SWP ENGINEERING	75,000		75,000	226,958.76	-202.61%
DEBT SERVICE UTILITIES	11,000		11,000	7,640.68	30.54%
TAX COLLECTION CHARGES	70,000		70,000	37,357.49	46.63%
TOTAL DEBT SERVICE FUND EXPENSES	21,926,500	0	21,926,500	20,148,881.02	8.11%
TRANSFERS FROM RESERVES	0		0	0.00	
DEBT SERVICE NET INCOME YEAR TO DATE	5,053,032	0	5,053,032	-4,112,522.48	

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**SAN GORGONIO PASS WATER AGENCY
CASH RECONCILIATION REPORT
FY 2018-19
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019**

DEBT SERVICE FUND - RESTRICTED

BEGINNING BALANCE - JULY 1, 2018		
RESERVE FOR STATE WATER PROJECT	44,426,814	
DEBT SERVICE ACTIVITY		
DEBT SERVICE DEPOSITS		
PROPERTY TAX - DEBT SERVICE DEPOSITS	13,951,517	
INTEREST INCOME	625,068	
DWR REFUNDS	1,459,773	
DEBT SERVICE DISBURSEMENTS	(20,148,881)	
ENDING RESTRICTED FUNDS BALANCE - - - 3/31/19	40,314,291	40,314,291

GENERAL FUND - UNRESTRICTED

BEGINNING BALANCE - JULY 1, 2018		
GENERAL FUND ACTIVITY		
GENERAL FUND DEPOSITS		
WATER SALES	2,679,548	
PROPERTY TAX - GENERAL PURPOSE DEPOSITS	1,763,163	
INTEREST INCOME	283,615	
OTHER INCOME	812,699	
CHANGE IN RECEIVABLES	595,212	
GENERAL FUND DISBURSEMENTS		
CHANGE IN LIABILITIES	(2,113,323)	
CHANGE IN CAPITAL ASSETS	(3,277,015)	
OPERATING EXPENDITURES	(2,790,868)	
ENDING UNRESTRICTED FUNDS BALANCE - - - 3/31/19	16,647,682	16,647,682
<u>TOTAL CASH - - - 3/31/19</u>		56,961,973

LOCATION OF CASH - - - 3/31/19

PETTY CASH	100
CASH IN WELLS FARGO CHECKING ACCOUNT	332,981
CASH IN BANK OF HEMET CHECKING ACCOUNT	20,991
BANK OF HEMET LOCAL AGENCY MONEY MARKET ACCOUNT	513,706
LOCAL AGENCY INVESTMENT FUND	12,617,212
CALTRUST	20,442,983
TIME VALUE INVESTMENTS	23,034,000

<u>TOTAL - - - 3/31/19</u>	56,961,973
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SAN GORGONIO PASS WATER AGENCY

CASH RECONCILIATION REPORT

FY 2018-19

BY QUARTER

	SEP 30, 18	DEC 31, 18	MAR 31, 19	JUN 30, 19
<u>DEBT SERVICE FUND - RESTRICTED</u>				
BEGINNING BALANCE - JULY 1, 2018				
RESERVE FOR STATE WATER PROJECT	44,426,814	44,426,814	44,426,814	
DEBT SERVICE ACTIVITY				
DEBT SERVICE DEPOSITS				
PROPERTY TAX - D. S. DEPOSITS	1,172,878	5,933,665	13,951,517	
INTEREST INCOME	220,596	394,360	625,068	
DWR REFUNDS	29,037	1,459,773	1,459,773	
DEBT SERVICE DISBURSEMENTS	(12,252,526)	(13,250,274)	(20,148,881)	
<u>ENDING RESTRICTED FUNDS BALANCE</u>	33,596,799	38,964,338	40,314,291	-
<u>GENERAL FUND - UNRESTRICTED</u>				
BEGINNING BALANCE - JULY 1, 2018	18,694,651	18,694,651	18,694,651	
GENERAL FUND ACTIVITY				
GENERAL FUND DEPOSITS				
WATER SALES	773,291	1,912,747	2,679,548	
PROPERTY TAX - GENERAL DEPOSITS	199,398	912,110	1,763,163	
INTEREST INCOME	94,541	196,023	283,615	
OTHER INCOME	27,241	27,521	812,699	
CHANGE IN RECEIVABLES	595,212	595,212	595,212	
GENERAL FUND DISBURSEMENTS				
CHANGE IN LIABILITIES	(2,096,763)	(2,107,820)	(2,113,323)	
CHANGE IN CAPITAL ASSETS	(88,730)	(1,729,305)	(3,277,015)	
OPERATING EXPENDITURES	(744,751)	(2,097,733)	(2,790,868)	
<u>ENDING UNRESTRICTED FUNDS BALANCE</u>	17,454,091	16,403,406	16,647,682	-
<u>TOTAL CASH - END OF QUARTER</u>	51,050,890	55,367,744	56,961,973	-
<u>CASH AND INVESTMENTS</u>				
PETTY CASH	100	100	100	
CASH IN W. F. CHECKING ACCOUNT	219,391	142,548	332,981	
CASH IN B. OF H. CHECKING ACCOUNT	13,898	17,216	20,991	
BANK OF HEMET L A M A	512,045	512,902	513,706	
LOCAL AGENCY INVESTMENT FUND	12,085,157	11,328,913	12,617,212	
CALTRUST	20,212,299	20,327,065	20,442,983	
TIME VALUE INVESTMENTS	18,008,000	23,039,000	23,034,000	
<u>TOTAL - END OF QUARTER</u>	51,050,890	55,367,744	56,961,973	-

**SAN GORGONIO PASS WATER AGENCY
RESERVE ALLOCATION REPORT
FY 2018-19
FOR THE NINE MONTHS ENDING MARCH 31, 2019**

	JUN 30, 18	SEP 30, 18	DEC 31, 18	MAR 31, 19	JUN 30, 19
RESTRICTED					
STATE WATER CONTRACT FUND	44,426,814	33,596,799	38,964,338	40,314,291	
UNRESTRICTED					
OPERATIONS	1,500,000	1,500,000	1,500,000	1,500,000	
NEW INFRASTRUCTURE	11,213,867	11,213,867	10,978,200	9,177,901	
Additions or Adjustments	1,004,893	-235,667		244,276	
Expenditures			-1,800,299		
Ending Balance	12,218,760	10,978,200	9,177,901	9,422,177	0
ADDITIONAL WATER	2,500,000	2,500,000	3,425,891	4,175,505	
Adjustments from Other Sources	925,891	925,891	749,614		
Ratepayer - Balance Forward	0				
Ratepayer - Current Contribution					
Rate Stabilization - Balance Forward	0				
Excess Rate Stabilization - Current					
Expenditures	0				
Ending Balance	3,425,891	3,425,891	4,175,505	4,175,505	0
RATE STABILIZATION					
Taxpayer Contribution	0	0			
Previous Ratepayer Balance	150,000	150,000			
Ratepayer Contribution					
Excess Contribut.-To Addnl. Water					
Expenditures					
Ending Balance	150,000	150,000	150,000	150,000	0
REPLACEMENTS	1,250,000	1,250,000	1,250,000	1,250,000	
UNEXPECTED LEGAL SERVICES	150,000	150,000	150,000	150,000	
TOTAL UNRESTRICTED RESERVES	18,694,651	17,454,091	16,403,406	16,647,682	0
TOTAL RESERVES	63,121,465	51,050,890	55,367,744	56,961,973	0

CASH LOCATION

Petty Cash	100	100	100	100	
Wells Fargo Checking Account	287,171	219,391	142,548	332,981	
Bank of Hemet Checking Account	4,774	13,898	17,216	20,991	
Bank of Hemet L A M M A	511,216	512,045	512,902	513,706	
LAIF	24,234,434	12,085,157	11,328,913	12,617,212	
CalTRUST	20,107,339	20,212,299	20,327,065	20,442,983	
Time Value Investments	17,961,000	18,008,000	23,039,000	23,034,000	
Wells Fargo M.M. Savings	15,432	0			
TOTAL CASH	63,121,465	51,050,890	55,367,744	56,961,973	0

**SAN GORGONIO PASS WATER AGENCY
INVESTMENT REPORT
FY 2018-19
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019**

Accounting convention defines Current Assets as assets that can be liquidated within 1 year. By this definition, funds invested in Wells Fargo accounts, Bank of Hemet accounts, LAIF and CalTRUST accounts would all be considered Current Assets, or short-term investments.

The Agency categorizes its investments into three groups: Short-Term (can be liquidated or mature in 1 year); Medium-Term (mature in more than 1 year up to 5 years) and Long-Term (mature after 5 years).

For the purposes of this report, a "Hybrid" category is included for investments that can be liquidated in a year, but whose underlying securities may mature in more than one year. LAIF and CalTRUST both fall into this category.

This report includes a summary of cash and investments, and a detail of investments by category. The summary can be compared to the Cash Reconciliation Report. The detail of investments may differ slightly from the summary, due to rounding differences. This report also includes charts to show graphically the different investment categories, and what they are earning.

CASH AND INVESTMENT SUMMARY

LOCATION - INSTITUTION

PETTY CASH	100
CASH IN CHECKING ACCOUNTS	353,972
BANK OF HEMET LOCAL AGENCY MONEY MARKET ACCOUNT	513,706
LOCAL AGENCY INVESTMENT FUND	12,617,212
CALTRUST SHORT-TERM	5,231,236
CALTRUST MEDIUM-TERM	15,211,747
TIME VALUE INVESTMENTS	23,034,000
US TREASURY	-

<u>TOTAL</u>	56,961,973
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ALL INVESTMENTS LISTED ON THE INVESTMENT REPORT AND HELD BY THE SAN GORGONIO PASS WATER AGENCY ARE IN COMPLIANCE WITH THE AGENCY'S STATEMENT OF INVESTMENT POLICY.

THE AGENCY CAN MEET ITS EXPENDITURE REQUIREMENTS FOR THE NEXT SIX MONTHS.

Thomas W. Ford, Jr.

April 18, 2019

**SAN GORGONIO PASS WATER AGENCY
INVESTMENT REPORT
FY 2018-19
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019**

INVESTMENT DETAIL

SHORT-TERM

INSTITUTION	Account	YIELD RATE	STATEMENT DATE	CURRENT VALUE
Bank of Hemet	Local Agency Money Market	0.65%	3/31/19	513,706.47

BROKER: TIME VALUE INVESTMENTS T-BILLS

ISSUER	PURCHASE AMOUNT	YIELD RATE	MATURITY DATE	FACE VALUE	CURRENT VALUE
US Treasury	4,999,826.77	2.35%	7/5/19	5,029,000.00	5,062,614.13

HYBRID

INSTITUTION	Account	YIELD RATE	STATEMENT DATE	BOOK VALUE	CURRENT VALUE
State of California	LAIF	2.44%	* 3/31/19	12,617,211.83	12,617,211.83
CalTRUST	Short-Term	2.53%	* 3/31/19	5,231,235.92	5,236,574.19
CalTRUST	Medium-Term	2.34%	* 3/31/19	15,211,746.58	15,135,519.41

*Average for March, 2019

MEDIUM-TERM

BROKER: TIME VALUE INVESTMENTS BONDS

ISSUER	TYPE	PURCHASE AMOUNT	YIELD to Maturity	MATURITY DATE	FACE VALUE	CURRENT VALUE
FFCB	Callable*	1,001,474	1.00%	7/12/19	1,000,000	995,860.00
FFCB	Callable*	1,000,770	1.36%	3/2/20	1,000,000	990,810.00
FNMA	Callable*	1,050,000	1.40%	11/25/20	1,050,000	1,034,418.00
FHLB	Callable*	1,998,676	2.50%	8/20/21	2,000,000	2,000,220.00
FHLB	Callable*	1,995,298	2.13%	6/29/22	2,050,000	2,034,153.50
FHLB	Callable*	973,769	2.63%	10/11/23	1,000,000	979,620.00
TOTALS		8,019,987	1.95%		8,100,000	8,035,081.50

* Can be redeemed before maturity date.

BROKER: TIME VALUE INVESTMENTS CDs

ISSUER	PURCHASE AMOUNT	YIELD RATE	MATURITY DATE	FACE VALUE	CURRENT VALUE
Various banks	9,904,000	2.25%	2-22 months	9,904,000	9,911,917.06

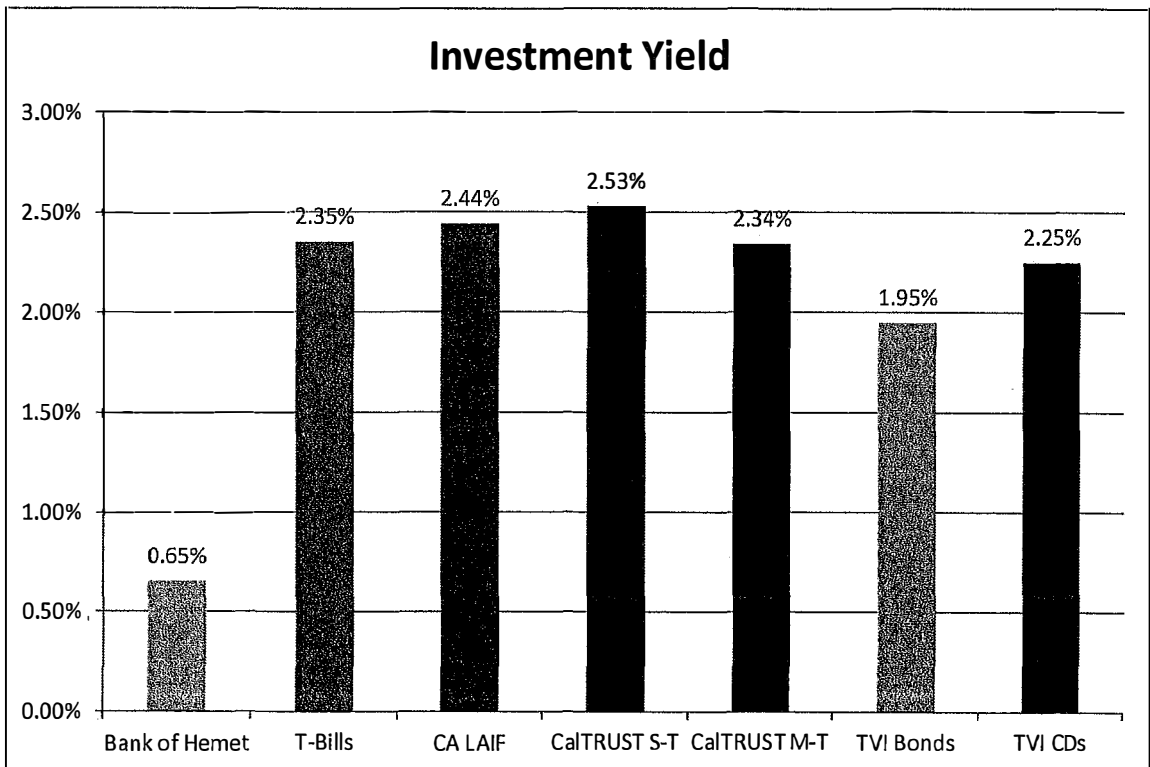
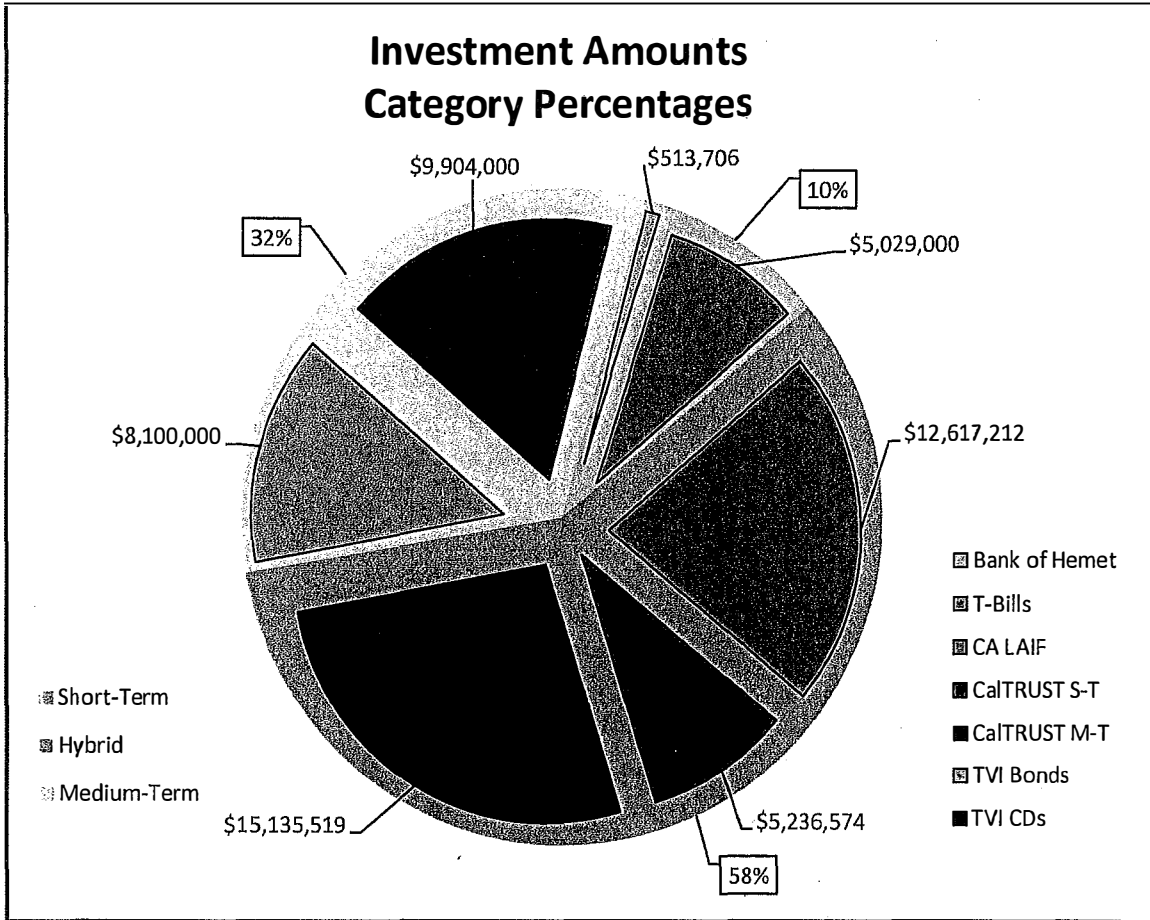
LONG-TERM

The Agency has no Long-Term investments at the date of this report.

PERCENTAGE OF PORTFOLIO

LAIF	US Treasury	CDs	Bonds	Money Market
22%	9%	17%	14%	36%

**SAN GORGONIO PASS WATER AGENCY
INVESTMENT REPORT
FY 2018-19
FOR THE NINE MONTHS ENDING ON MARCH 31, 2019**



DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



May 2, 2019

To: State Water Project Contractors

Subject: New Delta Conveyance Planning Activities

On April 29, 2019, Governor Newsom announced a major new initiative for water, including how to make California's water supplies more climate resilient for people and the environment. This strategy includes modernizing the State Water Project's infrastructure and careful consideration of a strategically designed single tunnel to deliver water through the Delta.

This water policy vision for California reinforces the need to modernize our water supply infrastructure. The State Water Project in particular must be updated to respond to climate change, protect against potentially calamitous effects of an earthquake, and reliably, safely, and cost-effectively serve two-thirds of all Californians and hundreds of thousands of acres of agricultural lands.

Governor Newsom's policy directive provides DWR with an opportunity to take a fresh look at Delta conveyance and to advance a project with a renewed focus. The Newsom Administration has high esteem for the good work that has been done to help solve the problems facing the state's water system, and the Administration brings a new vision to modernize the Delta in a way that is coordinated with other water actions. This approach provides the greatest opportunity to deliver a cost-effective project informed by multiple stakeholder input and careful environmental review.

To align our work with the Governor's vision for Delta conveyance, I have issued a project memorandum today that withdraws the approval of the California WaterFix Project and rescinds the accompanying notice of determination (NOD) that was filed pursuant to the requirements of the California Environmental Quality Act (CEQA) with the State Clearinghouse on July 21, 2017. I also rescinded the adoption of the findings of fact, statement of overriding considerations, and mitigation monitoring and reporting program that accompanied approval of the California WaterFix Project on July 21, 2017. Although DWR stands behind the science that supported the analysis in the Final EIR and the finding that the Final EIR was completed in compliance with CEQA, I withdrew the accompanying certification of the California WaterFix Final Environmental Impact Report (EIR) because there is no longer an underlying project approval for which the Final EIR was reviewed and considered. Because of the withdrawal of the WaterFix Project approval and rescinding the NOD, all other DWR approvals related to the California WaterFix Project, based on the NOD filed on July 21, 2017, were rescinded.

The project memorandum also announces that DWR will develop a Notice of Preparation (NOP) under CEQA to begin a new transparent environmental review process in compliance with CEQA. The NOP will emphasize proposals to address climate change resiliency and protect the State Water Project Delta conveyance from earthquake risk, in consideration of a one tunnel conveyance facility consistent with Governor Newsom's Executive Order N-10-19. As DWR embarks on a new environmental review process and pursues new environmental permits, it will do this in tandem with design and engineering work needed. This work will occur in close partnership with the State Water Project Contractors (Contractors) funding the project. This approach provides the greatest opportunity to deliver a project ready for construction with minimal delay. It also allows for a more realistic understanding of potential impacts and mitigation that can be incorporated through careful project planning and design, consistent with CEQA.

While a new planning effort may make use of past studies and analyses, new conceptual engineering and other planning activities will be needed to adequately define a Delta conveyance project that will be evaluated in the new environmental documentation, including certain field work and site investigations. Some of these investigations, such as additional geotechnical work, were already planned for California WaterFix and will still be needed for the environmental analysis and engineering and design of alternatives for a new Delta conveyance project, as those are necessary regardless of the specific configuration. As appropriate, these investigations will continue and, subject to further discussion and agreement, be managed by the Delta Conveyance Design and Construction Authority (DCA) with oversight from DWR.

DWR is evaluating the extent to which a new planning effort will require new or amended planning and funding agreements between DWR, participating Contractors, and the DCA. In addition, DWR is evaluating how this affects the current process of amending the Water Supply Contracts, related to water management actions and financial provisions and related costs of Delta conveyance. This includes provisions to ensure that modernization of Delta conveyance will be funded by the participating public water agencies.

DWR looks forward to working with the participating Contractors and the DCA in the new planning effort.

Sincerely,



Karla A. Nemeth
Director

cc: Kenneth M. Bogdan, Office of Chief Counsel
Joel Ledesma, Deputy Director, State Water Project
Gary Lippner, Deputy Director, Delta Conveyance
Kathryn Mallon, Executive Director, DCA



**STATE WATER
CONTRACTORS
FOUNDED 1982**

State Water Contractors' Response to Statement on Conveyance as Critical Part of the California Water Supply Solution

Sacramento, CA – As directed by Governor Newsom, the California Natural Resources Agency today announced that the California Department of Water Resources plans to cease pursuit of permits for a twin tunnel conveyance project and instead advance a single-tunnel conveyance project for the Sacramento San Joaquin Bay Delta. The Newsom Administration recognizes that conveyance is a critical part of a forward-thinking, portfolio approach to managing California's water supply, ensuring climate resiliency and protection against seismic risks.

"We're grateful that the Newsom Administration recognizes that a modern, conveyance solution in the Delta that moves forward now is a necessary part of the equation — ensuring that California's water supply management is responsive to the imminent impacts of climate change and devastating threats of earthquake. California now has a renewed sense of urgency to advance the design and planning of a tunnel project that addresses what we've all known for decades: the status quo is completely unacceptable.

The State Water Contractors have developed successful local and regional projects to diversify and build out our water supply, but these projects are not a replacement for a statewide solution that will create a more resilient and sustainable California. We need to do it all, and we stand by the Newsom Administration in its commitment and dedication to implementing a multi-faceted solution that includes a Delta tunnel."

**Jennifer Pierre
General Manager
State Water Contractors**



State Withdraws WaterFix Approvals, Initiates Planning and Permitting for a Smaller Single Tunnel

The Department of Water Resources (DWR) today is taking formal steps to withdraw proposed permits for the WaterFix project and begin a renewed environmental review and planning process for a smaller, single tunnel project that will protect a critical source of water supplies for California.

Today's actions implement Governor Gavin Newsom's direction earlier this year to modernize the state's water delivery infrastructure by pursuing a smaller, single tunnel project through the Sacramento-San Joaquin Delta. The project is needed to protect water supplies from sea-level rise and saltwater intrusion into the Delta, as well as earthquake risk. It will be designed to protect water supply reliability while limiting impacts on local Delta communities and fish.

For additional information, visit the [Delta Conveyance page](#) on DWR's website.

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Policy on Sale of Water in Storage Account

DATE: May 6, 2019

Summary:

The Board has twice discussed key elements of a policy on sale of water in its storage account (March and April Engineering workshops). While the storage account does not have any water in it at the present time, it could by the end of the year. The purpose of this proposed Board action is to adopt a policy on sale of water in the Agency's storage account.

Background:

The Agency has policies for many issues, including the delivery and sale of its water. However, the Board has long recognized that any water purchased by the Agency and placed in its Beaumont Basin storage account should be treated separately, and thus a policy would need to be adopted governing sale of this water.

The Board discussed this at the March and April Engineering workshops. During those two discussions, the Board narrowed down the list of issues to consider in such a policy to four. The Board expressed a desire to keep such a policy simple for now, recognizing that it could be changed in the future if the need arises.

Detailed Report:

The four issues that the Board wanted incorporated into a policy on sale of water from the Agency's storage account are as follows:

- Water sold from the storage account would be at the water rate in effect at the time of the sale, including any storage or other fees adopted by the Board.

- Water sold from the storage account would be in accordance with the Settlement Agreement in the SGPWA vs. Beaumont Basin Watermaster litigation.
- Water sold from the storage account would only be in response to written requests from retail water agencies.
- The Board could change the policy at any time.

These points have been incorporated into the attached Resolution 2019-03. The resolution as drafted would put into effect a policy that includes the key elements agreed to by the Board at the April Engineering workshop.

Fiscal Impact:

The policy includes selling water at the rate in effect at the time the water is sold, not at the rate in effect when the water was imported and placed into the Agency's storage account. Any fiscal impact of this is unknown at this time, since it is not known what impact any future water rate would have on the Agency's fiscal state. Were water to be put into the Agency's storage account this year and sold this year or next at the current water rate, the fiscal impact would be negative since the Agency does not recover all its costs in the current water rate. This could change in the future if the Board adopts a water rate that recovers all Agency costs associated with procuring and delivering water.

Recommendation:

Staff recommends that the Board adopt Resolution 2019-03, which sets forth a policy on sale of water in the Agency's storage account that is consistent with key elements agreed to by the Board at the April Engineering workshop.

RESOLUTION 2019-03

A RESOLUTION OF THE SAN GORGONIO PASS WATER AGENCY ESTABLISHING A POLICY FOR THE SALE OF WATER WHICH AGENCY MAY HAVE IN GROUNDWATER STORAGE

WHEREAS, the San Gorgonio Pass Water Agency ("Agency") is a wholesale water agency formed under the San Gorgonio Pass Water Agency Law set forth in Water Code Appendix 101 ("Act"); and

WHEREAS, Section 15 the Act provides the authority for the Agency to take a number of actions including, but not limited to, the following: (i) to acquire water rights and supplies and to construct and operate works and facilities for the storage and conveyance of water; (ii) to sell water under the control of the Agency to retail water purveyors; and (iii) to acquire, control, distribute, store, and sink any water; and

WHEREAS, the Agency has a Groundwater Storage Agreement and Groundwater Storage Account (collectively, "Account") with the Beaumont Basin Watermaster. The Beaumont Basin Watermaster was created pursuant to the Judgment establishing the Beaumont Basin Watermaster (Riverside Superior Court Case No. 389197) ("Judgment"); and

WHEREAS, many of the Agency's water sources depend on annual hydrology, thus making them subject to fluctuation from year to year. As a result, the Agency has taken actions to acquire and store imported water supplies in wet years in order to plan for drought years ("Groundwater Storage"). Such actions include, but are not limited to, the construction of the Fiesta Recharge Facility and Mountain View Connection; and

WHEREAS, the Board desires to adopt this Resolution in order to establish a policy by which it may sell water which the Agency may have in Groundwater Storage.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AS FOLLOWS:

1. Incorporation Of Recitals All of the foregoing Recitals are true and correct based on current information and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

2. Policy For Sale Of Water From Groundwater Storage

(a) Water from Groundwater Storage will be sold at the applicable rates charged to retail water purveyors, as said rates are set forth in the Agency's Rules And Regulations For SGPWA Water Service ("Rules and Regulations"). The rates for the sale of water from Groundwater Storage will also include applicable storage fees and other fees and charges as may be established by the Agency from time to time. Said Rules and Regulations, rates, fees and charges are subject to revision from time to time.

(b) The sale of water from Groundwater Storage shall be subject to any requirements which may apply as set forth in, or pursuant to, the Agency's Account with the Beaumont Basin Watermaster and/or the Judgment.

(c) The sale of water from Groundwater Storage shall be subject to an application process as established and implemented by the General Manager.

(d) The approval of a sale of water from Groundwater Storage shall be subject to the procedures set forth in the Agency's Rules and Regulations which apply to the sale of water to retail water purveyors.

3. No Rights Created By This Resolution This Resolution does not bind the Agency to make any amount of water available and shall not be deemed to be any representation or warranty as to the quantity of water which may be available from any of the Agency's sources.

4. Controlling Effect - All ordinances, resolutions, minute orders, or administrative actions by the Board, or parts thereof, that are inconsistent with any provision of this Resolution are hereby superseded only to the extent of such inconsistency.

5. Effective Date - The President of the Board shall sign this Resolution and the Secretary of the Board shall attest thereto, and this Resolution shall be in full force and effect immediately upon adoption.

6. Severability - If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

ADOPTED AND APPROVED this 6th day of May, 2019.

President, Board of Directors
San Gorgonio Pass Water Agency

ATTEST:

Secretary, Board of Directors
San Gorgonio Pass Water Agency

MEMORANDUM

TO: Board of Directors

FROM: General Manager/Strategic Plan Committee

RE: Adoption of Final Strategic Plan

DATE: May 6, 2019

Summary:

The Board discussed the draft strategic plan at the April Engineering workshop. At that time, Board members were invited to submit their written comments on the draft to the ad hoc Strategic Plan Committee. The Committee reviewed all written comments and met on April 25 to finalize the plan. The result is the version in the agenda package. The Committee will review it with the Board at the Board meeting.

Recommendation:

The ad hoc Strategic Plan Committee recommends that the Board adopt the 2019 Strategic Plan as presented.



San Geronio Pass Water Agency

STRATEGIC PLAN

March 2019

DRAFT

A MESSAGE FROM THE BOARD OF DIRECTORS AND GENERAL MANAGER

The San Geronio Pass Water Agency (Agency) is one of 29 State Water Project (SWP) contractors, and was established by the State Legislature in 1961. Our mission is to import supplemental water and to protect and enhance local water supplies for use by present and future water users. We sell imported water to local water agencies within the SGPWA service area that extends from Calimesa to Cabazon and includes the Beaumont-Cherry Valley Water District, the City of Banning and the Yucaipa Valley Water District as its retail service providers.

Since its inception the Agency has worked diligently to provide the regional leadership necessary to meet the water supply needs of a growing region. By undertaking this strategic planning process, we are looking to the future and how the Agency prepares itself to meet the challenges of today as well as through the next decade. The water supply situation throughout the entire State is less than clear for the foreseeable future and a key goal of the Strategic Planning process is to prepare ourselves and take advantage of opportunities when they present themselves to enhance the long-term water supply for our region.

The Board of Directors and General Manager developed this Strategic Plan with the goal in mind of developing a planning tool to guide future decisions from both a water supply and a financial perspective to meet the needs of our customers.

The Board of Directors

Ron Duncan, President
Lenny Stephenson, Vice President
Blair Ball, Director
David Castaldo, Director
David Fenn, Director
Steve Lehtonen, Director
Mike Thompson, Director

General Manager

Jeff Davis, P.E.

Executive Summary

This 2019 Strategic Plan is an update of the 2012 strategic plan. The Agency did not undertake a completely new process, but rather decided that the 2012 plan was robust enough that its general outline could be used, with some of the goals updated and some new goals added.

The five goals in the 2019 strategic plan are as follows:

Goal 1 Regional Water Supply Plan

Goal 2 Effective Communication of Agency's strategy and mission

Goal 3 Sustainable Groundwater Management Act Implementation

Goal 4 Infrastructure Plan

Goal 5 Financial Plan

Goals 2 and 3 are new to this version of the strategic plan. Goals 1, 4, and 5 are similar to goals in the previous plan. As an update, the infrastructure plan goal is now geared towards infrastructure both inside and outside the Agency's service area, whereas previously it was geared strictly towards new infrastructure within the Agency's service area.

Since goals 1 and 4, and to a lesser extent, goal 5, are related to meeting future water demands, the Agency of necessity will need to complete its 2020 Urban Water Management Plan (UWMP) in order to finalize and implement those goals. Due to actions taken by the Agency Board over the past two years, the Agency expects the 2020 UWMP to look very different from the 2015 plan, in that adequate water supplies will likely be available at least through 2025, and perhaps through 2030, at least for average years. This was not the case for the 2012 plan. In effect, goal 1, Regional Water Supply Plan, will be an update of the previous plan, reflecting those actions taken by the Board over the past two years to secure additional short-term and long-term supplies.

Goal 2 reflects the Agency's desire to initiate a social media footprint, bringing it abreast of the times with regard to direct communication from public agencies to their stakeholders. Goal 3 recognizes that the Agency, based on its mission, must play a significant role in implementing a new state law passed in 2014 that mandates that all groundwater basins in the state be managed sustainably by 2042 and have a plan for doing so by 2022.

The Agency Board and management will base major decisions in the next few years on this plan and the accomplishment of the goals and objectives set therein.

2019 Strategic Plan

It has been seven years since the Agency Board adopted a strategic plan (previous 2006 and 2012 strategic plans may be found on the Agency's web site). In the intervening years, the Agency has survived a five year drought; found a new water supply; has invested in Sites Reservoir, and is invested in the California Water Fix.

In addition, the Agency is completing construction of a new, independent recharge facility in the Beaumont Basin, and has obtained a 10,000 AF storage account in the Basin with the Watermaster.

These actions are an indication that the Agency has made great progress since its 2012 strategic plan in upgrading its water supply portfolio and its infrastructure—but there is more work to be done. There are still a number of strategic goals that the Agency must set and accomplish. These are listed below.

Goal 1: Regional Water Supply Plan

Goal 2: Effective Communication of Agency's Strategy and Mission

Goal 3: Sustainable Groundwater Management Act Implementation

Goal 4: Infrastructure Plan

Goal 5: Financial Plan

Some of these goals are similar to those identified in the 2012 plan, while others are vastly different or even new. The Sustainable Groundwater Management Act, passed in 2014, was obviously not included in the 2012 plan.

These goals are discussed in more detail below.

Goal #1: Regional Water Supply Plan

It is critical for the financial health of the Agency that the Agency obtain additional water supplies through the State Water Project and/or State Water Project Contractors, supplies that would be covered under the Agency's SWP tax authority. A Regional Water Plan prepared by the Agency is important in that it will have impact beyond its immediate service area boundaries. This plan will constantly change and be adapted to the times. For example, the 2012 strategic plan included this goal, but Sites Reservoir was not an option at that time. Other water supply opportunities that were not available in 2012 are on the Agency's radar screen at

this time. The Agency's 2015 Urban Water Management Plan (UWMP) indicates current and future water demands on the Agency will be met through a combination of existing State Water Project deliveries, projected new supplies, local groundwater production, recycled water production and demand-side measures through and beyond the year 2025. The Agency needs to meet its existing supply deficit by securing new water supplies through 2035 as reflected in Table 5-2 of the UWMP as follows:

Planning Year	Add'l Supplies Req'd
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

The Agency is well on its way to fulfilling this goal based on its procurement of 1700 AF of 100% reliable water for 20 years, as well as a one-time exchange with the City of Ventura and Casitas MWD that yielded an additional 5,250 AF in 2018. Because of these, the Agency's 2020 UWMP will show that average year regional demands will be met at least through 2025, with additional water supplies needed as early as the late 2020s. The Agency is also in a position to strike deals with other State Water Contractors for additional long-term supplies if the Cal Water Fix is constructed, and is an investor in Sites Reservoir another potential long-term supply. Should these two projects be constructed, the Agency will garner additional long-term water supplies starting in the early 2030s that will go a long way toward meeting the ultimate demands of the region. Even with these projects, the Agency has a need for dry-year supplies in the near term, based on the 2015 UWMP.

An important element of developing a Regional Water Supply Plan is to anticipate and take delivery of new water supplies prior to the actual need existing. The process of identifying and securing a water supply often does not directly correlate to the actual timing of the need for delivery of the water. However, it is important that the Agency take advantage of water supply opportunities and potentially lock in favorable long-term pricing as available when financially supported by retail water agencies it serves.

Part of any strategy to purchase water is determining the most cost-effective method to either store the water for future use or allow for directly utilizing existing infrastructure. Storage opportunities presently exist in the region and the Agency is adding to these opportunities; these may prove to be the most cost effective, although should delivery of the new water supply source be an issue, the Agency should look to off-site storage opportunities outside the Agency's service area as a temporary measure.

It is recommended that the Agency do the following:

1. Acquire permanent water rights, when available, that are associated with the State Water Project.

2. Seek out dry year supplies to have available as needed in the short term.
3. Utilize existing and planned financial resources for all water purchases as discussed in Goal 5, Financial Plan.
4. Develop financial mechanisms for future water purchases in advance of the need for the water.

Goal #2: Effective Communication of Agency's Strategy and Mission

Effective communication to stakeholders and the public is key to the success of any public agency. The Agency must utilize the necessary resources to communicate its mission and its long-term strategies involved in meeting that mission with the public, with retail water agencies, and with other key regional leaders. This communication should occur on an ongoing basis but should begin with a communications offensive geared toward key constituencies and encompassing key issues such as the need for raising wholesale water rates, the current and future water supply situation, key infrastructure required to meet regional demands in the future, and a funding mechanism to make the plans and strategies a reality.

Communication strategies for wholesale water agencies are historically difficult, since these entities are not well known to the public or well understood by it. Lacking a consistent direct communication with the public (such as a monthly or bi-monthly water bill), these public agencies frequently struggle with a methodology to explain their mission and their presence on the tax bill to the voting public.

However, the importance of the Agency to the Pass region became clear during the 2012-2016 drought and the importance of its mission became clear when development in the region was temporarily stalled in 2015 and 2016 due to a lack of clarity in the water supply picture. As water supplies become even more scarce in the future due to regulatory actions, and as the region grows even more, the importance of the Agency, as well as its ability to effectively communicate its mission and its strategy to the public, will become apparent.

With major infrastructure projects looming in the near future that will cost the Agency hundreds of millions of dollars in the long term (specifically the California WaterFix and Sites Reservoir), the Agency must be able to communicate to the public why these facilities are important to Pass residents and why the Agency must invest tax dollars or ratepayer dollars in them. With the completion of its Fiesta Recharge Facility on Beaumont Avenue at hand, the Agency's visibility in the community will increase. Residents will wonder what the facility does, who owns it, how it was funded, and how it will improve the long-term water supply of the region.

The Agency has made some attempts to better communicate with the public in the past. It held two "State of the Water Supply" events during the drought, one in 2014 and the other in 2016. Attendance by the public was excellent for the first but not the second one. The Agency attempted a newsletter over a decade ago, but the cost

of postage to mail it out to all residents in the Pass proved prohibitive. Without a mailing list, the newsletter was sent to "Resident." Most homeowners discard such mail without ever reading it. Attempts were made to ask if retail water agencies would include an Agency mailer in their bills to customers, but this too did not pan out.

In an effort to reach out using newer technologies, the Agency recently began a social media platform to underscore the importance of clear and honest communication. As the Agency has progressed through a rate-setting process, its first in a decade, it has attracted media attention and questions from the public about the Agency's role in the region and how its mission impacts the lifestyle of residents and businesses in the region.

Clear and honest communication is important to the Agency, and it will continue to update and inform the public through these activities.

It is recommended that the Agency do the following:

1. Continue to use social media to inform and educate the public on the Agency's activities.
2. Use local newspapers to announce significant changes (such as new water rates) and/or accomplishments
3. Have Directors and staff participate actively in public agency board and council meetings and other community meetings to ensure that accurate information is communicated.
4. Consider initiating a government relations campaign to get to know local elected officials at the federal, state, county, and local level.
5. Consider contracting with a strategic communications firm to help successfully implement these objectives.
6. Work collaboratively with retail water agencies to plan and obtain new water supplies and construct new infrastructure.

Goal # 3: Implementation of Sustainable Groundwater Management Act

In 2014, the Legislature passed the Sustainable Groundwater Management Act, which requires virtually all groundwater basins in California to be managed sustainably by 2042, and to have a plan to do so by January 31, 2022. As the regional water importer and supplier for its service area, the Agency shall play a critical role in activities related to this legislation, since it is responsible for bringing supplemental water to the region. Supplemental water will play a critical role in ensuring groundwater sustainability in the basins within the Agency's service area.

Implementation of the goal will be accomplished through the following objectives:

1. Play an active role in formation of Groundwater Sustainability Agencies (GSA's) in groundwater basins within the Agency's service area.
2. Membership of GSA's in groundwater basins within the Agency's service area.
3. Actively participate in formation of Groundwater Sustainability Plans (GSP's) in groundwater basins in the Agency's service area.

Goal #4: Regional Infrastructure Plan

Water supplies are needed for the future but construction of and investment in infrastructure are also required to ensure that future demands can be met throughout the service area. The Agency needs to develop a plan to distribute its imported water to key areas that will have need of it in the future, and to find adequate storage to take advantage of future wet years. Construction of the California WaterFix and Sites Reservoir, if constructed, will lead to large volumes of water being available in certain years; the Agency needs to have a plan to store this water so that it is available in dry years. With the capacity of the East Branch Extension limited to 64 cfs, the Agency may need to seek storage opportunities outside its service area. Since these tend to be quite costly, the Agency should carefully define its needs and then find a storage program that meets those needs for the lowest cost.

Development of new facilities should accommodate new water supply to offset the impending supply deficit as shown in Table 5-2 of the 2015 UWMP through 2035, while remembering that these numbers will be very different in the 2020 UWMP and will show adequate supplies through at least 2025 and possibly longer. It is recommended that the Agency identify the infrastructure needs to accommodate the supply deficit for the following three planning horizons, or as shown in the 2020 UWMP:

<u>Planning Year</u>	<u>Add'l Supplies Req'd</u>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

The agency has 10,000 AF of storage capacity in the Beaumont Basin. Additional storage facilities may be necessary to ensure future water deliveries to residents within the service area. From Calimesa to Cabazon, the Agency will develop a plan for completing the required infrastructure. This plan will depend on the rate of growth in the region as well as implementation of SGMA. For example, if the GSP for the San Gorgonio Pass Subbasin identifies the need to import supplemental water to the subbasin as a management tool, the Agency would have to construct the infrastructure to implement that tool.

It is recommended that the Agency do the following:

1. Begin identifying all possible infrastructure that will be required to meet the region's needs in the long term, including storage, conveyance, distribution, and treatment infrastructure, along with cost estimates for each.
2. Upon completion of the 2020 Urban Water Management Plan, identify which of the facilities identified above will be required in the foreseeable future, along with the approximate time frame that each will be required.
3. Develop more detailed cost estimates for each facility identified above.

Goal #5: Financial Plan

In 2011, the Agency authorized the preparation of a Capacity Fee Study as a means of developing a revenue stream to offset future infrastructure and water acquisition costs with fees placed on new development. Existing revenue sources such as the Agency's Water Rate will continue to be used to fund existing development impacts on water demand.

Implementation of a Capacity Fee type mechanism assures users of the water delivery system that the cost will be apportioned based on development and water demand activity. Prior to full implementation of any new Capacity Fee structure the Agency will need to look to existing revenues or reserve funds to fund the acquisition of available new water supplies due to the nature of identifying, acquiring and transporting new water supplies into the region.

Implementation of this goal will be accomplished through the following objectives:

1. Implement a Capital Capacity Fee designed to offset the cost of developing new infrastructure and new water supplies resulting from growth in demand.
2. Develop a long-range financial plan that correlates to the need for new infrastructure as identified in the Regional Infrastructure Plan resulting from Goal 4 above.
3. Review the current water rate to ensure that revenues are adequate to fully fund the purchase of new water for existing development.

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Engagement of Auditor for FY 2018-2019

DATE: May 6, 2018

Summary:

Each year the Agency hires an accounting firm to audit its books. With our fiscal year ending next month, it is time to engage our auditor for this year. Staff recommends retaining the accounting firm of Eadie & Payne, who performed the Agency's audit the last two years.

Background:

By California law, public agencies (with a few exceptions) must be audited every year. Each year, the Agency begins its audit in August and it is typically completed in October. A final report is made to the Board at that time.

Detailed Report:

One of the key responsibilities of the Board of Directors is to ensure that all Agency expenditures are in line with adopted policies, that adequate policies exist to cover the collection, management, and expenditure of tax funds, and that all funds are properly accounted for. Thus, the auditor is hired by the Board and reports directly to the Board. Staff works with the auditor during the audit to provide information and answer questions, but the ultimate authority for all Agency financial activities is the Board of Directors.

Fiscal Impact:

It is anticipated that the cost of this year's audit will be slightly more than last year's audit (approximately \$21,000). This is included in the Agency's general fund budget.

Recommendation:

Staff recommends that the Board of Directors authorize the President to sign the engagement letter with Eadie & Payne, thus engaging that firm to perform the fiscal year 2018-2019 Agency audit.

March 19, 2019

Board of Directors
San Gorgonio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223

Dear Members of the Board:

We are pleased to confirm our understanding of the services we are to provide to San Gorgonio Pass Water Agency (Agency) for the year ended June 30, 2019. This letter, and the attached *Terms and Conditions Addendum* and any other attachments incorporated herein (collectively, "Agreement"), confirms our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Engagement Objective and Scope

We will audit the financial statements and the related notes to the financial statements, which collectively comprise the basic financial statements of the San Gorgonio Pass Water Agency for the year ended on June 30, 2019. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the San Gorgonio Pass Water Agency's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the San Gorgonio Pass Water Agency's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis;
2. Schedule of Proportionate Share of the Net Pension Liability and Related Ratios;
3. Schedule of Plan Contributions – Pension Plan
4. Schedule of Changes in Net OPEB Liability and Related Ratios;
5. Schedule of contributions – OPEB; and



EADIE + PAYNE

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www.eadiepaynellp.com

6. Notes to required supplementary information.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Organizational Information; and
2. Schedule of Board of Directors and Insurance Coverage.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole. The objective also includes reporting on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The report will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Minimum Audit Requirements for California Special Districts issued by the State Controller's Office; and will include tests of the accounting records of San Gorgonio Pass Water Agency and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our audits of San Gorgonio Pass Water Agency's financial statements. Our reports will be addressed to the Board of Directors of San Gorgonio Pass Water Agency. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Geronio Pass Water Agency's compliance with provisions of applicable laws, regulations, contracts, agreements and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the basic financial statements, required supplementary information, and related notes of San Geronio Pass Water Agency in conformity with U.S. generally accepted accounting principles based on information provided by you.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, and supporting documentation, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date of the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, or attestation engagements performance audits or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

Eadie and Payne, LLP meets the independence requirements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and Rules 101 and 102 of the American Institute of CPAs Code of Professional Conduct with respect to the audit of the San Gorgonio Pass Water Agency for the year ended June 30, 2019.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to San Gorgonio Pass Water Agency; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, we understand that copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Eadie and Payne, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to regulators or designees, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Eadie and Payne, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

Based on our discussions, we expect to begin fieldwork at a mutually convenient date in August 2019 and issue our reports no later than the 1st Monday of November 2019. Eden Casareno is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

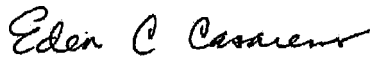
Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter or comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2016 peer review accompanies this letter (Attachment A).

Our fees for these services will be \$19,900. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this letter and return it to us.

Very truly yours,

EADIE AND PAYNE, LLP



Eden C. Casareno

Attachment: Attachment A Peer Review Letter
Terms and Conditions Addendum

RESPONSE:

This letter correctly sets forth the understanding of San Gorgonio Pass Water Agency

Management signature: _____
Title: _____
Date: _____

Governance signature: _____
Title: _____
Date: _____



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System Review Report

To the Partners of Eadie & Payne, LLP
& the California Society of CPAs Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Eadie & Payne, LLP (the Firm) in effect for the year ended April 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards* and an audit of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Eadie & Payne, LLP in effect for the year ended April 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Eadie & Payne, LLP has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads 'Postlethwaite & Netterville'.

Donaldsonville, Louisiana
December 16, 2016

Eadie and Payne, LLP's Terms and Conditions Addendum

Overview

This addendum to the engagement letter describes our standard terms and conditions ("Terms and Conditions") related to our provision of services to you. This addendum and the accompanying engagement letter comprise your agreement with us ("Agreement"). If there is any inconsistency between the engagement letter and this *Terms and Conditions Addendum*, the engagement letter will prevail to the extent of the inconsistency.

For the purposes of this *Terms and Conditions Addendum*, any reference to "we," "us," or "our" is a reference to Eadie and Payne, LLP, and any reference to "you," or "your" is a reference to the party or parties that have engaged us to provide services. References to "Agreement" mean the engagement letter or other written document describing the scope of services, any other attachments incorporated therein, and this *Terms and Conditions Addendum*.

Billing and Payment Terms

We will bill you for our professional fees and out-of-pocket costs monthly as work progresses. Payment is due upon receipt. If payment is not received within 30 days, you will be assessed interest charges of 1% per month on the unpaid balance.

We reserve the right to suspend or terminate our work for non-payment of fees. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

Electronic Data Communication and Storage

In the interest of facilitating our services to you, we may send data over the Internet, or store electronic data via computer software applications hosted remotely on the Internet or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data, such as providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards. We require our third party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us or our third party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third party service providers during this engagement.

Client Portals

To enhance our services to you, we will utilize a client portal, a collaborative, virtual workspace in a protected, online environment. The client portal permits real-time collaboration across geographic boundaries and time zones and allows Eadie and Payne, LLP and you to share data, engagement information, knowledge, and deliverables in a protected environment. In order to use the client portal, you will be required to execute a client portal agreement and agree to be bound by the terms, conditions and limitations of such agreement.

You agree that Eadie and Payne, LLP has no responsibility for the activities of the client portal and agree to indemnify and hold Eadie and Payne, LLP harmless with respect to any and all claims arising from or related to the operation of the client portal. While the client portal backs up your files to a third party server, we recommend that you also maintain your own backup files.

Items placed on the client portal will be deleted periodically according to firm policy.

Newsletters and Similar Communications

We may send newsletters, emails, explanations of technical developments or similar communications to you. These communications are of a general nature and should not be construed as professional advice. We may not send all such communications to you. These communications do not continue a client relationship with you, nor do they constitute advice or an undertaking on our part to monitor issues for you.

Records Management

Record Retention and Ownership

We will return all of your original records and documents provided to us at the conclusion of the engagement. Your records are the primary records for your operations and comprise the backup and support for your work product. Our copies of your records and documents are not a substitute for your own records and do not mitigate your record retention obligations under any applicable laws or regulations.

Workpapers and other documents created by us are our property and will remain in our control. Copies are not to be distributed without your written request and our prior written consent. Our workpapers will be maintained by us in accordance with our firm's record retention policy and any applicable legal and regulatory requirements.

Our firm destroys workpaper files after a period of 7 years. Catastrophic events or physical deterioration may result in damage to or destruction of our firm's records, causing the records to be unavailable before the expiration of the retention period as stated in our record retention policy.

Working Paper Access Requests by Regulators and Others

State, federal and foreign regulators may request access to or copies of certain workpapers pursuant to applicable legal or regulatory requirements. Requests also may arise with respect to peer review, an ethics investigation, or the sale of our accounting practice. If requested, access to such workpapers will be provided under the supervision of firm personnel. Regulators may request copies of selected workpapers to distribute the copies or information contained therein to others, including other governmental agencies.

If we receive a request for copies of selected workpapers, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such request as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit the disclosure of information. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Summons or Subpoenas

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis.

If we receive a summons or subpoena which our legal counsel determines requires us to produce documents from this engagement or testify about this engagement, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such summons or subpoena as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Disclaimer of Legal and Investment Advice

Our services under this Agreement do not constitute legal or investment advice unless specifically agreed to in the *Engagement Objective and Scope* section of this Agreement. We recommend that you retain legal counsel and investment advisors to provide such advice.

Brokerage or Investment Advisory Statements

If you provide our firm with copies of brokerage (or investment advisory) statements and/or read-only access to your accounts, we will use the information solely for the purpose described in the *Engagement Objective and Scope* section of the engagement letter. We will rely on the accuracy of the information provided in the statements and will not undertake any action to verify this information. We will not monitor transactions, investment activity, provide investment advice, or supervise the actions of the entity or individuals entering into transactions or investment activities on your behalf. We recommend you receive and carefully review all statements upon receipt, and direct any questions regarding account activity to your banker, broker or investment advisor.

Other Income, Losses and Expenses

If you realized income, loss or expense from a business or supplemental income or loss, the reporting requirements of federal and state income tax authorities apply to such income, loss or expense. You are responsible for complying with all applicable laws and regulations pertaining to such operations, including the classification of workers as employees or independent contractors and related payroll tax and withholding requirements.

Limitations on Oral and Email Communications

We may discuss with you our views regarding the treatment of certain items or decisions you may face. We may also provide you with information in an email. Any advice or information delivered orally or in an email (rather than through a memorandum delivered as an email attachment) will be based upon limited research and a limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts may affect our analysis and conclusions.

Due to these limitations and the related risks, it may or may not be appropriate to proceed with any decision solely on the basis of any oral or email communication. You accept all responsibility, except to the extent caused by the gross negligence or willful misconduct of Eadie and Payne, LLP, for any loss, cost or expense resulting from your decision (i) not to have us perform the research and analysis necessary to reach a more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this paragraph will not apply to an item of written advice that is a deliverable of a separate engagement. If you wish to engage us to provide formal advice on a matter on which we have communicated orally or by email, we will confirm this in a separate engagement letter.

Management Responsibilities

While Eadie and Payne, LLP can provide assistance and recommendations, you are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge or experience to oversee any services that Eadie and Payne, LLP provides. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are ultimately responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Conflicts of Interest

If we, in our sole discretion, believe a conflict has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services without issuing our work product.

Alternative Dispute Resolution

If a dispute arises out of or relates to the Agreement including the scope of services contained herein, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under the *AAA Professional Accounting and Related Services Dispute Resolution Rules* before resorting to arbitration, litigation, or some other dispute resolution procedure. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the AAA. Any mediator so designated must be acceptable to all parties. The mediation will be conducted in California.

The mediation will be treated as a settlement discussion and, therefore, will be confidential. The mediator may not testify for either party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceedings. The costs of any mediation proceedings shall be shared equally by all parties. Any costs for legal representation shall be borne by the hiring party.

Proprietary Information

You acknowledge that proprietary information, documents, materials, management techniques and other intellectual property we use are a material source of the services we perform and were developed prior to our association with you. Any new forms, software, documents or intellectual property we develop during this engagement for your use shall belong to us, and you shall have the limited right to use them solely within your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements and other documents which we make available to you are confidential and proprietary to us. Neither you, nor any of your agents, will copy, electronically store, reproduce or make available to anyone other than your personnel, any such documents. This provision will apply to all materials whether in digital, "hard copy" format or other medium.

Statute of Limitations

You agree that any claim arising out of this Agreement shall be commenced within one (1) year of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against Eadie and Payne, LLP.

Termination and Withdrawal

We reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, your failure to comply with the terms of this Agreement or as we determine professional standards require.

Assignment

All parties acknowledge and agree that the terms and conditions of this Agreement shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

Severability

If any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this Agreement.

Entire Agreement

The engagement letter, including this *Terms and Conditions Addendum* and any other attachments, encompasses the entire agreement of the parties and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this Agreement must be made in writing and signed by both parties.

MEMORANDUM

TO: Board of Directors

FROM: General Manager/General Counsel

RE: Sites Reservoir Phase 2 - Action to Authorize General Manager To Execute DWR Authorization Letter to Place Phase 2 Charges On DWR Statement Of Charges, And Election Of A Payment Schedule, in the Event the Agency Moves Forward With Phase 2.

DATE: May 6, 2019

Summary:

The Department of Water Resources (“DWR”) has inquired of State Water Project (“SWP”) Contractors who are participating in the Sites Reservoir Project, whether they wish to include their Phase 2 charges in DWR’s annual Statement of Charges (“SOC”). DWR is making this inquiry since it is in the process of developing the 2020 SOC which will be sent out July 1 (in addition to a “May Estimate” to be issued this month).

DWR has also requested information as to whether the Agency plans to pay for its participation in the Sites Reservoir Project Phase 2 through a Line of Credit (“Interest Only”) or a “Pay-Go” payment schedule.

Responses to DWR’s requests are not binding commitments to continue with the Sites Reservoir Project itself. Any such commitments have been, or will be, made by way of agreements between the Agency and the Sites Reservoir Authority or the Sites Reservoir Committee.

Recommendation:

It is recommended that the Board take action to authorize the General Manager to execute the attached DWR Authorization Letter to formally indicate that, in the event the Agency proceeds with participation in the Sites Reservoir Project beyond 2019, that: (a)

Phase 2 charges are to be included on the SOC; and (b) the Agency would elect the Interest Only payment schedule.

Detailed Report:

At the April 22, 2019 Board Finance and Budget Workshop, the Board received information regarding DWR's request for feedback as to whether the Agency wished to have Phase 2 charges included on the SOC and if so, which payment option the Agency plans to use.

The request was for a preliminary verbal or email response to DWR staff by April 19 since DWR staff is in the process of preparing the May Estimate. No Agency decision will be official unless or until all of the following actions take place:

1. Execution by the Agency of a formal DWR Authorization Letter by June 3, 2019. The format for said Letter is enclosed;
2. Execution of an agreement between the Agency and DWR which formally elects the use of the SOC for Phase 2 charges. DWR is developing this agreement and anticipates having it prepared and executed by the parties in September of 2019. This agreement will include procedures for stopping such payment obligations in the event the Agency later decides to not proceed with participation in the Project; and
3. Execution of an agreement between DWR and the Sites Reservoir Authority for the forwarding of payments made through the SOC to the Sites Reservoir Authority. DWR is developing this agreement and anticipates having it prepared and executed by the parties in December of 2019.

At the April 22 Board Finance and Budget Workshop, it was the consensus of the Board to proceed with including the Phase 2 charges on the SOC and to utilize the Interest Only payment schedule. The purpose of this proposed Board action is to take official action on such recommendations by way of authorizing execution of the DWR Authorization Letter.

Fiscal Impact:

Should the Agency Board decide to proceed with Phase 2 of the Sites Reservoir project, today's proposed action would provide the Board with another option to finance Phase 2, namely, the Agency's State Water Project tax. The Agency would not be obligated to use the tax, but would have the option of doing so. As pointed out at the April 22 Finance and Budget workshop, the estimated Phase 2 costs for Sites Reservoir (interest only option) for the Agency are \$910,000. For the Pay-go option, these costs are estimated to be \$24.1 million. These costs would be spread over two years—2020 and 2021.

The fiscal impact of taking the proposed action is to provide the Agency with an option to use the Agency's tax rate to help pay for Phase 2. Absent this action, the Agency would have to fund Phase 2 using current reserves, which are being depleted by reason of having a water rate that does not recover all of the Agency's costs.

This proposed action covers only Phase 2 of the Sites Reservoir project. Decisions as to whether the costs for future phases of the project can be included on the Statement of Charges have not been made, and may require an amendment to the Agency's Long-Term Water Supply Contract with DWR.

April XX, 2019

Draft#3 – Sample - April 18, 2019

Mr. Pedro Villalobos
Chief, State Water Project Analysis Office
Department of Water Resources
P.O. Box 942836 Sacramento, CA 94236-0001

From: Sites Project Participant's name here

RE: Authorization for the Department of Water Resources to include Sites Phase 2 charges in the Statements of Charges beginning in 2020.

Dear Mr. Villalobos:

This letter hereby authorizes the Department of Water Resources (DWR) to include (Sites Project Participant's name here) (District) allocation of costs, beginning in calendar year 2020, for the District's participation in the Sites Project – Phase 2 as outlined in the attached payment schedule prepared by the Sites Project Authority (Authority). Phase 2 of the Sites Project started on April 1, 2019 and is currently scheduled to be completed on June 30, 2022, but this end date could be amended within the District's agreement with the Authority. The District will pay the District's share of 2019 Sites Project charges directly to the Authority because it was not possible to include them in the Statements of Charges in time.

Costs should be displayed as a separate line item on the Transportation Minimum Cost Component (Attachment 4B) and collected revenues will be used to pay for invoices directly from the Authority for Phase2 - planning costs.

The Authority will bill DWR Quarterly, January, April, July, and September of each year for cost expected that year. DWR will bill the District monthly, consistent with the Transportation Minimum Cost Component. This will cause a cash flow issue for DWR. Therefore, the District understands that in order to properly collect and pay cost outlined and eventually billed by the Authority for 2020, 2021, and 2022, and possibly longer if the District's agreement is amended to provide for more future years, each year's billing will include the first half of the succeeding year's charges. For example: year 2020 will include the collection of Sites Project charges for the first 6 months of 2021 charges. This is necessary so DWR can collect the required funds necessary to make the payment to the Authority in January of that year. This will be done in each year under the agreement.

This authorization is contingent upon the District remaining a participant in the Sites Project after 2019 and beyond. The District has the option to exit participation in the Sites Project consistent with its agreement, as may be amended, with the Authority. If this District opts out of its agreement with the Authority, as authorized and consistent with said agreement, some future payments will no longer be due and payable consistent with said agreement. In this case, DWR understands that the District will no longer be required to make future payments to DWR under this specific line item as provided within the

District's agreement with the Authority. The Authority will then no longer bill DWR on the District's behalf because the District would no longer be a Sites Project Participant. If the District opts out of participation in the Sites Project, the District will notify DWR at the same time the District notifies the Authority of its intention to opt out. In this case, the District will work with DWR and the Authority to coordinate final payment(s) to the Authority consistent with the District's agreement with the Authority.

DWR will enter into an agreement with each Sites Project Participant before such payments can be accepted. DWR will enter into an agreement with the Sites Project Authority before DWR can send these payments to the Authority.

Please do not hesitate to contact me at (XXX) XXX-XXXX, if you have any questions.

Sincerely,

XXXXXXXXXX, General Manager

Cc:

Jim Watson, General Manager

Sites Project Authority

Maxwell, Ca