

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
July 15, 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, July 1, 2019* (p. 2)
- B. Approval of the Minutes of the Engineering Workshop, July 8, 2019* (p. 8)

5. Reports:

- A. General Manager's Report* (p. 9)
- B. Directors Reports
- C. Committee Reports

6. New Business:

- A. Consideration and Possible Action on Contracting with Ernst & Young to Provide Department of Water Resources (DWR) Audit for Independent Audit Association* (p. 10)
- B. Consideration and Possible Action on Adoption of Resolution 2019-06 Authorizing the General Manager to enter into a Funding Agreement with DWR for Preliminary Planning and Design Costs Related to a New Potential Delta Conveyance Option* (p. 40)
- C. Consideration and Possible Action to Approve Amendment No. 4 to the Employment Agreement of the General Manager* (p. 44)

7. Topics for Future Agendas

8. Announcements:

- A. Finance and Budget Workshop, July 19, 2019 at 6:00 p.m.
- B. Regular Board Meeting, August 5, 2019 at 1:30 p.m.
- C. Engineering Workshop, August 12, 2019 at 1:30 p.m.

9. 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
July 1, 2019

Teleconference Location: London Bridge Resort
Business Center Room
1477 Queens Bay
Lake Havasu City, AZ

Directors Present: Lenny Stephenson, Vice President
Stephen Lehtonen, Treasurer
Blair Ball, Director
David Fenn, Director
David Castaldo, Director
Michael Thompson, Director

Directors Absent: Ron Duncan, President

Staff Present: Jeff Davis, General Manager
Jeffrey Ferre, General Counsel
Thomas Todd, Finance Manager
Cheryle Stiff, Executive Assistant
Casmir Olaivar, Social Media Intern

- 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., July 1, 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 Vice President Stephenson requested a roll call.

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

- 2. Statement Regarding Teleconferencing:** (In accordance with the Brown Act, the teleconference location has been identified in the Notice and Agenda for this meeting). Vice President Stephenson announced that Director Castaldo was attending today's Board meeting via teleconferencing. General Counsel Jeff Ferré confirmed with Director Castaldo that the audio was clear and that he had an agenda packet.
- 3. Adoption and Adjustment of Agenda:** *Vice President Stephenson asked if there were any adjustments to the agenda.* There being none the agenda was adopted as published.

4. **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. There were no members of the public that wished to comment at this time.*

5. **Consent Calendar:**

- A. Approval of the Minutes of the Regular Board Meeting, June 17, 2019
- B. Approval of the Minutes of the Finance and Budget Workshop, June 24, 2019
- C. Approval of the Finance and Budget Workshop Report, June 24, 2019* (p. 10)

Vice President Stephenson asked for a motion on the Consent Calendar. Director Fenn made a motion, seconded by Director Lehtonen, to adopt the consent calendar as published. Vice President Stephenson asked for a roll call vote:

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

Motion passed 6-0, with President Duncan absent.

6. **Reports:**

A. **General Manager's Report:**

(1) Operations Report: **a)** General Manager Davis reported that the Agency delivered 1754 AF to Noble in June; this represents an average flow rate in the range of 29 cfs. **b)** San Bernardino Valley Municipal Water District (Valley District) informed the Agency that they are investigating a small leak (5-10 gallons per minute) located in the parking lot of the San Manuel Casino, which could possibly be part of the EBX Foothill pipeline. Valley District will perform non-destructive testing to see if they can hear a leak from our pipe. **c)** On June 20th DWR increased the SWP water allocation to 75 percent from 70 percent. **d)** There have been reports of algae blooms across the state. We are not seeing it in our water because we are adding a chemical to minimize this.

(2) Legislative Update: **a)** General Manager Davis stated that SB 1 is going to pass; however, the question is whether or not opponents to the bill (including SWC) can get the two most objectionable sections removed before it passes. Both relate to water and would require the State Water Project and Central Valley Project to perpetually operate under the current Biological Opinion. **b)** Governor Newsome signed a new state budget, which excluded a controversial tax to pay for clean water in disadvantage communities. Instead the budget provides funding for the Safe and Affordable Drinking Water Fund program.

(3) General Agency Updates: General Manager Davis shared information on the following:

- a. Delta Conveyance Status — Contract amendment negotiations are to begin next week. This will lead to an Agreement in Principal (AIP). The Notice of Preparation for the California Environmental Quality Act (CEQA) will be based on the AIP, so negotiations will be very important as far as defining the project.
- b. Managers Meeting - A managers meeting took place last week; common issues were shared.
- c. Engineering workshop - The July 8th Engineering workshop will be a field trip to the Agency's third SGMA grant monitoring well site location in Cabazon, which is currently under installation by USGS.
- d. A recommendation will be made to the Board next week (or the week after) to reschedule the Finance & Budget workshop from the set date of July 22nd to another date, as the Finance Manager will be on vacation the week of July 22nd.

Vice President Stephenson noted that a public comment request was received from General Manager Dan Jagers (BCVWD). He called upon Mr. Jagers for his comment. Mr. Jagers noted that the Board members were in receipt of materials that were not included in the agenda packet. He requested that said materials be available. General Manager Davis stated that the Board was provided a General Manager's report and agreed to provide a copy to anyone who wished to have one. General Counsel Ferre stated that the General Manager's report will also be made available to the public in the future, possibly as part of the agenda packet.

B. General Counsel Report: None.

C. Directors Reports: 1) Director Ball reported on the BCVWD Engineering meeting that was held on June 25th. Director Ball handed out to each Board member a copy of BCVWD's Water Supply Delivery Analysis with Raised Rates spreadsheet that was provided at that meeting. He also handed out BCVWD's estimation on how much water would be needed to test the Fiesta recharge facility. He stated that copies would be available to any member of the public that requests it. Director Ball informed the Board that the meeting topics included BCVWD's water order for the remainder of this year, and BCVWD's rate study. Director Ball also reported on the Riverside County Water Task Force meeting that he attended on June 28th. **2) Director Fenn** reported on the SGPRWA meeting that was held on June 26th. A request was made to review the Agency's water rate structure at the end of the year, as the water rate is based on how much water is sold. High Valleys Water District reported that they may be a new customer, they are looking to order 72 acre-feet of SWP water. During the meeting it was noted that BCVWD has been in existence for 100 years. Daniel Slawson of BCVWD has agreed to be the SGPRWA Chair and Director Fenn will take on the role as Co-Chair. It was mentioned that Mission Springs Water District may become the 30th SWC. There will be no meeting in July. The next SGPRWA meeting will take place on August 28th.

D. Committee Reports: 1) Director Ball did not have anything to report on the capacity fee. He mentioned that he has been in contact with the General Manager for an update from Taussig. **2) Director Lehtonen** stated that the Water Conservation and Education committee will be requesting a revision to the budget to allow additional Inland Empire Res. 4 / 5 / 7 Conservation District presentations, which Director Thompson will report on. **3) Director Fenn** stated that there is a closed

session item on today's agenda pertaining to the General Manager's Performance Evaluation. 3) **Director Thompson** stated that the Water Conservation and Education committee will be reporting during 7B of the agenda.

7. New Business:

A. Consideration of Adoption of General Fund Budget for Fiscal Year 2019-2020. A staff report, a draft copy of the 2019-2020 General Fund Budget, and copies of the Proposed General Fund Sources of Revenue and Expenditures for FY 2019-2020 color pie charts were included in the agenda packet. General Manager Davis reported that the Board had discussed in detail the 2019-2020 General Fund budget during the June 24th Finance and Budget workshop. General Manager Davis provided a summary of the proposed budget with the Board. After discussion, Director Fenn made a motion, seconded by Director Thompson, to approve the General Fund Budget. *Vice President Stephenson requested a roll call vote.*

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

Motion passed 6-0, with President Duncan absent.

B. Consideration and Possible Action to Contract with Inland Empire Resource Conservation District (IERCD). Director Thompson (Water Education and Conservation Committee Chair) stated that the Agency has contracted with IERCD to train teachers to educate high school students in groundwater with the use of groundwater models that the Agency purchased. IERCD also provides PREZI presentations on water education and conservation to school children (kindergarten through twelfth grade) at local schools within the Agency's boundaries. IERCD and the Water Education and Conservation Committee would like to increase the number of presentations from 36 to 50. Director Thompson made a motion, seconded by Director Lehtonen, to approve the cost of \$11,740 to be used to produce water conservation programs for school children and workshops for high school teachers this year, and to authorize the General Manager to sign the agreement with IERCD. *Vice President Stephenson requested a roll call vote.*

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

Motion passed 6-0, with President Duncan absent.

C. Consideration of Adopting Resolution No. 2019-04, Fixing Employer Contribution under the Public Employees’ Medical and Hospital Care Act, Rescinding Resolution No. 2007-15. A staff report and a copy of Resolution No. 2019-04 were included in the agenda packet. General Manager Davis stated that this item was discussed at the June 24th Finance and Budget workshop. The purposed of this proposed Board action is to revise the Agency’s resolution defining the employer contribution to employee health insurance premiums to reflect the fact that CalPers has revised its regions. The previous resolution defined rates in “Riverside County;” the new resolution defines rates in “Region 3.” Director Thompson made a motion, seconded by Director Fenn, to adopt Resolution 2019-04. *Vice President Stephenson requested a roll call vote.*

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

Motion passed 6-0, with President Duncan absent.

D. Consideration of Adopting Resolution No. 2019-05, Setting the Appropriation Limit for Fiscal Year 2019-2020. A staff report, a copy of the San Geronio Pass Water Agency Appropriations Limit for Fiscal Year 2019-2020, and a draft copy of Resolution No. 2019-05 were included in the agenda packet. General Manager Davis explained that the California Constitution requires all public agencies in California to set an appropriations limit. The limit is calculated based on a formula, and is not related to the Agency’s budget for the year. For this fiscal year, the formula amount is \$64,280,573. Director Ball made a motion, seconded by Director Thompson, to approve Resolution No. 2019-05, setting the Appropriation Limit for fiscal year 2019-2020. *Vice President Stephenson requested a roll call vote.*

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

Motion passed 6-0, with President Duncan absent.

8. Topics for Future Agendas: Director Ball requested that in the future the General Manager's report be included in the agenda packet.

9. Announcements:

- A. Office closed in observance of Independence Day, Thursday, July 4, 2019
- B. Engineering Workshop, July 8, 2019 at 1:30 p.m.
- C. Cancelled – Water Conservation & Education Committee Meeting, July 11, 2019

10. Closed Session (3 Items)

Time: 2:28 pm

- 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

- C. CONFERENCE WITH LABOR NEGOTIATORS
Pursuant to Government Code Section 54957.6
Agency designated representative: Ron Duncan, President of
the Board of Directors
Unrepresented employee: General Manager

The meeting reconvened to open session at: Time: 3:55 pm

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

10. Adjournment

Time: 3:55 pm

Draft – Subject to Board Approval

Jeffrey W. Davis, Secretary of the Board

0417

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223
Minutes of the
Board of Directors Engineering Workshop
July 8, 2019

Directors Present: Ron Duncan, President
Leonard Stephenson, Vice President
Blair Ball, Director
David Castaldo, Director
David Fenn, Director
Steve Lehtonen, Director
Mike Thompson, Director

Staff Present: Jeff Davis, General Manager
Tom Todd, Finance Manager

1. Call to Order, Flag Salute and Roll Call: The Engineering workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by Vice President Stephenson at 1:30 p.m., July 8, 2019 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Vice President Stephenson led the Pledge of Allegiance to the flag. A quorum was present.

2. Public Comment: There were no members of the public who wished to speak at this time.

3. Field Trip – Monitoring Well Site: General Manager Davis handed out a photo of a previously completed well site as well as a typical daily report from the current well site. Director Stephenson then reviewed the announcements. After that, the Board drove to the well site near Whitewater where they met Adam Kjos and Allen Christensen from the USGS. Each discussed the work at the site, the general geologic conditions, and the well drilling process. They showed the Board some of the equipment used in data gathering as well as samples of cuttings.

4. Announcements:

- A. Canceled – Water Conservation and Education Committee, July 11, 2019 at 1:30 pm.
- B. Regular Board Meeting, July 15, 2019 at 1:30 pm
- C. The Board decided to move the July 22 Finance and Budget workshop to Friday, July 19 at 6:00 pm.

5. Adjournment: Vice President Stephenson adjourned the meeting at the drill site at 2:57 pm.

Draft - subject to Board approval

Jeff Davis, Secretary to the Board

General Manager's Report

July 15, 2019

Operations Report—Due to increased temperatures, upstream demands increased, and deliveries to the Noble connection have decreased from approximately 34 cfs to approximately 25 cfs for now. It is not known how long this will continue. It is dependent on various upstream demand conditions. If additional capacity becomes available, we will increase deliveries after checking with BCVWD to see if they can take them.

General Updates

- A. Southern California Edison had originally indicated that it would be able to energize the Mountain View Connection during the week of August 12. New indications are that it could do this sooner, which would be good for the Agency. We first applied for service from Edison for the site in 2014. However, subsequent Boards changed their mind a number of times regarding whether to move forward with construction, and the primary liaison with SCE has changed jobs in the interim, so it has been difficult to get Edison to make energizing this site a priority. For this go around, the Agency approached Edison in February regarding this site. Edison has not been communicative with the Agency until recently. Once energy is provided to the site, the Agency can test the electronic equipment, and then we will be ready for operational tests. Startup testing procedures are being developed.
- B. Negotiations with the Department of Water Resources regarding cost and benefit allocation for the proposed Delta conveyance project will officially begin Wednesday, July 24. The parties are scheduled to meet weekly for at least six weeks, through August. It is hoped that an Agreement in Principle will result shortly thereafter.
- C. A June 30 deadline was met for the Department of Water Resources and Department of Fish and Wildlife to report progress on Voluntary Agreements to the State Water Resources Control Board. Much progress has been made on these agreements, and the current administration fully supports their development. The passage of SB 1, or certain portions of it, will play a large role in whether these agreements can be finalized or not.

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Contracting for Auditing Services on Behalf of the State Water Contractors

DATE: July 15, 2019

Summary:

Each year the State Water Contractors hire an auditing firm to perform audits of DWR (not the formal audit that we perform on our own books). EY has performed this work for several years in a row. The same firm has been selected to perform the work again this year. The Agency's share of this cost will range from \$5,471 to \$6,839, unless the Agency wishes EY to perform additional tasks at our request. This is slightly more than last year (about \$200 more). The purpose of this proposed Board action is to determine if the Board wishes to continue participating in this effort this year.

Background:

As detailed in the attached letter, EY performs an auditing function but does not perform an actual audit on DWR. The purpose of this work is to ensure that DWR is making efficient use of the Contractors' funds and that Contractors are being billed the proper amount. The scope of work is described in detail in the attached memo from the Independent Audit Association and the EY contract. The cost of performing this work is shared by 25 Contractors based on Table A allocations.

Detailed Report:

The Contractors, through the Independent Audit Association, of which the Agency is a member, develop the scope of the audit annually. The scope of this year's audit is similar to last year's. The purpose of the audit is to determine if DWR's business practices are acceptable and reasonable. This is not an audit in the traditional sense of ensuring that all funds are accounted for.

The auditing work is important for the Contractors so that we may be assured that DWR is using our funds efficiently and that funds paid to DWR from the Contractors do not end up in the state general fund.

The type of work included in the scope of work includes, but is not limited to, the following:

- Determine that all SOC amounts are internally consistent and agree with Bulletin 132-19 for five Contractors selected for testing.
- Recalculate the Delta Water Charge used in the SOC.
- Determine how costs are being allocated among and recovered from Contractors.
- Obtain the rate management allocation schedule used for the 2019 SOC and review the allocation methodology for sample selected.

Last year, the Agency budgeted \$5,500 for this audit. Our actual costs were \$5,315.

Fiscal Impact:

This year (FY 19-20), the Agency has again budgeted \$5,500 for this work from the General Fund. Correspondence from EY indicates that actual costs will range from \$5,471 to \$6,839, but are likely to be on the lower end of this range. Because this is budgeted, there is no appreciable fiscal impact of approving this contract.

Recommendation:

Staff recommends that the Board approve contracting with EY to provide this work, and authorize the General Manager to sign the attached Statement of Work.



Ernst & Young LLP
Sacramento Office
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661

Tel: +1 916 218 1900
Fax: +1 916 218 1999
ey.com

June 28, 2019

Mr. Jeff Davis
San Geronio Pass Water Agency
1210 Beaumont Ave.
Beaumont, California 92223

Dear Mr. Davis:

In coordination with the Independent Audit Association (IAA), we have developed the Statement of Work (SOW) for the 2019-2020 Procedures to be performed related to the 2020 Statement of Charges. This SOW is pursuant to the Master Services Agreement (MSA) by and between EY and San Geronio Pass Water Agency dated May 31, 2017, which describes the annual approval process of each SOW performed under the MSA.

Please return the signed SOW to EY via mail at 2901 Douglas Boulevard, Suite 300, Roseville, CA 95661 (Attn. Scott Enos) or email to scott.enos@ey.com. We have also enclosed your copy of the support letter from Craig Wallace, IAA Secretary, recommending the approval of the SOW by San Geronio Pass Water Agency.

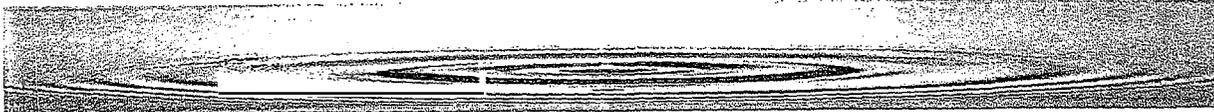
If you have any questions about the enclosed SOW, please feel free to call me at (916) 218-1960.

Very truly yours,

Joe Pirnik
Managing Director

Enclosures

INDEPENDENT AUDIT ASSOCIATION



MEMORANDUM

Date: June 28, 2019
To: Members of the Independent Audit Association (IAA)
From: Craig Wallace, IAA Secretary
Subject: Ernst and Young 2019/20 State Water Project Professional Services Contract –

13/57

Enclosed is the 2019/20 Statement of Work (SOW) which includes the State Water Project procedures to be performed in relation to the Department of Water Resources' (DWR) Statement of Charges.

The Exhibit B budget limit is only billed by Ernst and Young if additional work is reviewed and approved by the IAA and remains at \$50,000. Exhibit C allows individual IAA Members to request Ernst and Young to undertake additional services beyond those included in Exhibit A of the SOW.

The IAA team has reviewed Ernst and Young's proposed procedures and recommends that IAA Members approve and execute the 2019/20 SOW. If you have any questions, please contact me at (916) 407-7617 or cwallace@kcwa.com.

Sincerely,

Craig Wallace
Kern County Water Agency

CC: Joe Pirnik, EY



Ernst & Young LLP
Sacramento Office
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661

Tel: +1 916 218 1900
Fax: +1 916 218 1999
ey.com

Statement of Work

This Statement of Work with the attached Exhibits, dated June 28, 2019 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and San Geronio Pass Water Agency on behalf of itself (“you” or “Client”), pursuant to the Master Services Agreement, dated May 31, 2017 (MSA), between EY and San Geronio Pass Water Agency (the Agency).

The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other SOW pursuant to the MSA. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to “you” or “Client” shall be deemed references to you.

Scope of Services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the MSA. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described in Exhibit A (the Services) for Agency, a member of the State Water Contractors (the “Contractors” or “SWC”) Independent Audit Association (IAA), for the twelve months ending June 30, 2020.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA). As part of your review of the terms of this Agreement, please refer to the enclosed letter from Mr. Craig Wallace of the IAA Audit Contract Negotiating Committee.

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.



Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to this SOW. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and



Building a better
working world

(iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY's partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency's execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties' obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources (the "Department") should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

Fees and billing

The General Terms and Conditions of the Agreement address our fees and expenses generally.

The total fees for these Services to be rendered to the Agency, as well as an allocation of the total fees for each member Agency of the IAA, appear in Exhibits A and B attached (no procedures or fees have been allocated to Exhibit B in this contract). Our total fees pursuant to Exhibit A to be charged to all members of the IAA entering into agreements with us shall not exceed \$524,000 for the twelve months ending June 30, 2020. This agreement will not be effective unless, in addition to the Agency, a sufficient number of other IAA agencies enter into agreements with us for such Services whose combined allocated fee would represent not less than 80% of \$524,000 based on the 100% participation fee allocation (see column 2 at A-4). If all agencies who are presently participating in the Services rendered by our firm enter into agreements with us for this twelve-month period, the maximum fees for our Services to your Agency will not exceed \$5,471 for Exhibit A. However, if not all of the participating agencies enter into agreements with us for services during the twelve-month period ending June 30, 2020, the maximum fees to your Agency will vary between the above-mentioned amount and \$6,839, which represents the maximum fees should sufficient agencies enter into agreements with us with a combined allocated fee of not less than 80%, as stated above.

In addition to the maximum fees under Exhibit A, maximum fees under Exhibit B shall not exceed a total of \$50,000 or \$522 for the Agency unless agreed to by the IAA. As noted above, no procedures have been allocated to Exhibit B. Prior to any expenditures under Exhibit B, said work must be specifically requested in writing in advance of any work being performed. Areas of potential focus for Exhibit B projects could



include procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A. In prior years Exhibit B special projects have included projects such as assessing implementation and billing issues relating to the new SAP-based Cost Allocation and Repayment Analysis System (CARA), and studies to evaluate a pay-as-you-go system for funding conservation related operating costs incurred by the Department.

We have also included Exhibit C as part of this contract, which provides the opportunity for individual Contractors to enter into separate agreements for additional services with EY. There are currently no fees related to Exhibit C included herein.

The results of our procedures will include a presentation of our findings, observations and recommendations to be held in Sacramento, California for any interested Contractors. Any presentations requested at individual Contractor locations will be negotiated with the individual Contractor under Exhibit C and will be paid for by that Contractor.

Invoices for time and expenses will be billed monthly and are due upon receipt.



In witness whereof, the parties have executed this SOW as of the date set forth above.

San Geronio Pass Water Agency

Ernst & Young, LLP

Representative

Representative

Signature



Signature

Printed Name

Joe Pirnik
Printed Name

Title

Authorized Signatory
Title

Address

Ernst & Young LLP
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661
Address

Date

June 28, 2019
Date

EXHIBIT A

I. SCOPE OF ENGAGEMENT

A-1 EY will work with the IAA, the SWC Audit/Finance Committee, and any subcommittees thereof, and the Department during the twelve months ending June 30, 2020 relating to matters currently being discussed between the SWC and the Department.

EY's Services to be rendered as described in this Exhibit shall be determined by the IAA at its discretion. These Services shall include:

1. Completion of the 2019/2020 procedures as outlined further below
2. Participation in all meetings of the SWC Audit/Finance Committee, which is a basic forum for communications between the State Water Project Contractors and the Department's staff on financial and accounting matters.
3. Cooperation with any subcommittees of the IAA assigned to study and resolve specific problem areas, such as the dispute resolution work group.
4. Review of reports and other documents prepared by the Department and disseminated at these meetings.
5. Provide an annual report setting forth the findings, comments, and recommendations related to our Services.

Report definitions

The assessment of risk of future occurrence, included in the findings summary tables in the report, provides the IAA with a meaningful measurement of the likelihood of similar findings in subsequent years if this issue is not addressed by the appropriate parties. This assessment of risk of future occurrence is based on knowledge obtained during discussions with the Department personnel and performance of procedures under this Exhibit A. Below are the definitions used in the report of findings and recommendations for the twelve months ending June 30, 2020 and we concur with these definitions.

Risk of Future Occurrence:

- A. High – it is highly likely (or probable) that the error or process failure will be repeated
- B. Medium – it is more likely than not that the error or process failure will be repeated
- C. Low – it is possible that the error or process failure will be repeated

During the twelve months ending June 30, 2020, the Services will include the following procedures.

2019/2020 Procedures

The procedures for the fiscal year ended June 30, 2020 were designed using estimated budgeted hours of 3,000. We will perform all procedures included in items 1-6 below. We will perform the procedures in items 7-8 if time permits. As a part of these procedures, we will regularly meet with the IAA to discuss the progress under this engagement. We will also submit the Report to each Agency setting forth the findings, observations, and recommendations related to our Services.

The following items represent the risks, risk factors, and procedures requested and determined by the IAA for the Contractors to be performed for the 2020 Statement of Charges (SOC) engagement:

Primary Procedures (Items 1-6)

1. Statement of Charges Testing

Risk:

- Incorrect amounts billed to Contractors for each component by the Department.

Risk Factors:

- Manual adjustments made to SAP data to arrive at amounts billed. Manual processes create opportunities for errors.
- High importance of accurate Contractor bills.
- Actual costs reported in the bills can be misstated.

Areas of Focus:

- Determine that all SOC amounts are internally consistent and agree to the Bulletin 132-19 for the Contractors selected for testing (to be provided by the IAA).
- Agree the debt service amounts in the SOC Attachments to the appropriate debt service schedule.
- Comparison of the current year SOC Attachments to the prior year SOC Attachments.
- Assessment of manual adjustments.
- Assess the actual costs charged to various areas of the project.
- Assess the factors for distributing reach capital and minimum costs among the Contractors.

2. Delta Water Charge

Risk:

- Incorrect amounts charged to Contractors for conservation based on actual and estimated costs.

Risk Factors:

- Calculation of Delta Water Charge is a manual process.
- Tracking of Oroville Spillway costs and reimbursement and segregation between response and recovery costs is a manual process.
- Potential for high dollar impact (\$288 million in Delta Water Charge in 2017 per Table B-21)

Areas of Focus:

- Recalculate the Delta Water Charge used in the SOC.
- For prior year actual costs included in the calculation, compare costs in SAP to the Department's calculation and investigate variances.
- Obtain an understanding of future estimates included in the calculation and perform appropriate procedures to assess such estimates.
- Test the Hyatt-Thermalito credit to the Delta Water Charge.

3. Alpha Allocation Cycles

Risk:

- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:

- The F-series and SAA alpha allocation cycles update performed on an annual basis is a manual process. Manual processes create opportunities for errors.
- Potential for errors in determining work performed that falls under direct to reach, field division, and state-wide allocations.
- Potential for high dollar impact (\$246 million allocated by alpha allocation cycles in 2017).

Areas of Focus:

- Examine all cost centers from SAP to determine which cost centers represent alpha cost centers.
- Select alpha cost centers with the largest total annual costs.
- Review costs being posted to selected alpha cost centers based on activities charged to the alpha cost center through examination of invoices posted and discussions with the project managers, as necessary.
- Review the current year alpha standardization activity performed by the Department.
- Review the current year alpha update performed by the Department.
- Review the F-series and S-series updates performed by the Department.

4. Transportation Minimum and Capital Direct and Indirect Analysis

Risk:

- Incorrect amounts billed to Contractors for the transportation minimum and capital component by the Department.

Risk Factors:

- Direct and indirect costs may be allocated incorrectly through corresponding reaches.
- Judgment involved in selecting internal orders and work breakdown structures for billing to the Contractors create opportunities for incorrect allocations.
- Project manager's and employee's lack of understanding of importance of accurate time charging to correct internal orders and work breakdown structures create opportunities for incorrect allocations.

Areas of Focus:

- Obtain a listing of internal orders associated with costs for selected reaches and group like internal orders to perform a fluctuation analysis to the prior year.
- Assess or obtain the Department's grouping of like internal orders to assess if the Department is able to group information for managerial reporting. This could include internal order hierarchies in SAP that could be used to group like internal orders.
- Assess a sample of internal orders with the largest increase in costs from group like internal orders for direct and indirect cost allocations.
- Obtain supporting documentation to assess the work was performed for the selected reaches.

5. Reconciliation between PR5 and UCABS

Risk:

- Costs and revenues are not accurately billed to the Contractors based on inconsistencies between PR5 and UCABS.

Risk Factors:

- Costs and revenues do not accurately match between both systems.
- Manual process of moving costs between systems create opportunities for errors.
- Lack of review and approval of reconciliation process.

Areas of Focus:

- Gain an understanding of the reconciliation process performed by the Department.
- Reconcile all SWRDS PR5 costs and revenues included in the Bond Fund (0502), the Construction Fund (0506), and the Revenue Fund (0507) to the UCABS System for CY2017 and CY2018.
- Identify, document, and investigate all variances between the two systems (PR5 and UCABS).
- Assess and classify all variances into two categories, (1) Valid Variance – cost/revenue data should not be included in the cost recovery system and (2) Errant Variance – cost/revenue data should be included in the cost recovery system.
- Provide final assessment on the Department's recovery of all SWRDS costs. Is the Department either (1) including the SWRDS cost in a customer invoice or (2) receiving an appropriation to pay for the cost or (3) including in the 51(e) Revenue/Rate Management Credit Calculation which would disclose that the cost is using 51(e) Revenues as a funding source.

6. Rate Management Calculation Including Revenue and Cost Data

Risk:

- Rate Management Credits are improperly allocated among the Contractors.
- Rate Management Credits are improperly calculated based on the revenue and expenditure data in the funds available for rate management credits statement prepared by the Department.

Risk Factors:

- Calculation of Rate Management Credits is a manual process.
- Lack of review and approval process for the Rate Management Credit calculation.
- Outdated information used to calculate credits due to the Contractors.

Areas of Focus:

- Obtain the rate management allocation schedule used for the 2020 SOC and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and assess a sample of the largest balances.
- Compare the figures selected to the future forecasts, and investigate any significant differences.
- Perform a review of revenues including systems revenue and 51e (amount in excess of Rate Management Credits).
- Perform a review of revenues and related cash funds.
- Assess the impact of audit findings on the revenues available for Rate Management Credits.

Other Procedures (Items 7-8)

These procedures will only be performed as time permits after completion of items 1-6 above and consideration of the estimated 3,000 hour time budget.

7. System Power Costs – Variable Transportation

Risk:

- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:

- Calculation of the power allocation factors is a manual process. Manual processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact (\$345 million net system power costs in 2017 per Table B-3).

Areas of Focus:

- Vouch power costs and power revenues from SAP and assess the classification of costs.
- Reconcile the 2018 Preliminary Allocation of Power Costs (PALPOC) to UCABS (SAP). Recalculate appropriate inputs to the 2018 PALPOC (e.g., Value of Recovery Generation credits, direct-to-plant transmission, etc.).
- Recalculate the 2018 calendar year power allocation factors used in UCABS (SAP) to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost component for 2018 for the Contractors selected (to be provided by the IAA).

8. Debt Service Procedures

Risk:

- Incorrect bond debt service charged to the Contractors.

Risk Factors:

- Water System Revenue Bond Surcharge (WSRB) calculation is a manual process. Manual processes create opportunities for errors.
- Cost/debt reconciliation project ongoing adjustments to the calculation creates opportunities for errors.
- WSRB Surcharge currently does not reflect the results of the cost/debt reconciliation project.

Areas of Focus:

- Reconcile any new bond offerings to the debt service schedules.
- Assess changes made to the cost/debt reconciliation project from previous versions.

II. FEES FOR EY SERVICES

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$524,000, including reasonable and necessary out-of-pocket expenses, which represent an estimated 3,000 hours to be incurred.

III. ALLOCATION OF FEES

- A-3. The maximum aggregate fee set forth in paragraph A-2 shall be apportioned among the agencies named in paragraph A-4 based on a basis consistent with prior years.

IV. MAXIMUM AGGREGATE FEE FOR EACH AGENCY

A-4. The portion of the maximum aggregate fee set forth in paragraph A-2 applicable to each Agency in conformity with the methodology set forth in paragraph A-3 is shown below:

<u>Agency</u>	<u>Maximum fee for each Agency, provided all agencies listed below enter into agreements with EY</u>	<u>Maximum fee for each Agency, provided 80% of agencies listed below enter into agreements with EY</u>	<u>Percent of total</u>
Alameda County Flood Control and Water Conservation District, Zone No. 7	\$ 25,497	\$ 31,870	4.9%
Alameda County Water District	13,284	16,604	2.5
Antelope Valley-East Kern Water Agency	45,809	57,260	8.7
Casitas Municipal Water District	6,326	7,907	1.2
Central Coast Water Authority	14,385	17,981	2.7
City of Yuba City	3,036	3,795	0.6
Coachella Valley Water District	43,754	54,693	8.4
County of Kings	2,943	3,679	0.6
Crestline-Lake Arrowhead Water Agency	1,834	2,293	0.4
Desert Water Agency	17,631	22,039	3.4
Dudley Ridge Water District	14,342	17,928	2.7
Empire West Side Irrigation District	949	1,186	0.2
Kern County Water Agency	131,000	163,750	25.0
Littlerock Creek Irrigation District	727	909	0.1
Mojave Water Agency	27,135	33,919	5.2
Napa County Flood Control and Water Conservation District	9,179	11,474	1.8
Palmdale Water District	6,736	8,420	1.3
San Bernardino Valley Municipal Water District	32,448	40,560	6.2
San Gabriel Valley Municipal Water District	9,108	11,385	1.7
San Geronio Pass Water Agency	5,471	6,839	1.0
San Luis Obispo County Flood Control and Water Conservation District	7,906	9,883	1.5
Santa Clara Valley Water District	31,626	39,533	6.0
Santa Clarita Valley Water Agency	30,108	37,635	5.7
Solano County Water Agency	15,103	18,879	2.9
Tulare Lake Basin Water Storage District	27,663	34,579	5.3
Total	<u>\$ 524,000</u>		<u>100.0%</u>

V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

<u>August 9, 2019 Billing</u>	<u>September 10, 2019 Billing</u>	<u>October 10, 2019 Billing</u>	<u>November 11, 2019 Billing</u>	<u>December 10, 2019 Billing</u>	<u>Total Billing</u>
\$1,642	\$1,094	\$1,094	\$1,094	\$547	\$5,471

EXHIBIT B**I. OTHER CONSULTING SERVICES**

EY shall, during the twelve months ending June 30, 2020, perform other services if requested by the IAA. No such work shall be performed unless specifically authorized by the IAA in writing. Areas of potential focus for Exhibit B projects could include in depth procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A.

Total fees for such other consulting services shall 1) be agreed to prior to commencement of work, 2) be allocated among the agencies based on the same procedures included in the Exhibit A allocation, and 3) shall not exceed \$50,000, which represents an estimated 285 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2020. Any part of the \$50,000 which is unused shall not be billed.

<u>Agency</u>	<u>Maximum fee for each Agency, provided all Agencies listed below enter into agreements with EY</u>	<u>Percent of total</u>
Alameda County Flood Control and Water Conservation District, Zone No.7	\$ 2,433	4.9%
Alameda County Water District	1,267	2.5
Antelope Valley-East Kern Water Agency	4,371	8.7
Casitas Municipal Water District	604	1.2
Central Coast Water Authority	1,373	2.7
City of Yuba City	290	0.6
Coachella Valley Water District	4,175	8.4
County of Kings	281	0.6
Crestline-Lake Arrowhead Water Agency	175	0.4
Desert Water Agency	1,681	3.4
Dudley Ridge Water District	1,369	2.7
Empire West Side Irrigation District	91	0.2
Kern County Water Agency	12,500	25.0
Littlerock Creek Irrigation District	69	0.1
Mojave Water Agency	2,589	5.2
Napa County Flood Control and Water Conservation District	876	1.8
Palmdale Water District	643	1.3
San Bernardino Valley Municipal Water District	3,096	6.2
San Gabriel Valley Municipal Water District	869	1.7
San Geronio Pass Water Agency	522	1.0
San Luis Obispo County Flood Control and Water Conservation District	754	1.5
Santa Clara Valley Water District	3,018	6.0
Santa Clarita Valley Water Agency	2,873	5.7
Solano County Water Agency	1,441	2.9
Tulare Lake Basin Water Storage District	<u>2,640</u>	<u>5.3</u>
Total	<u>\$ 50,000</u>	<u>100%</u>

EXHIBIT C

I. INDIVIDUAL CONTRACTOR AGREEMENTS

EY may, during the twelve months ending June 30, 2020, perform other consulting services as requested by individual Contractors. These services will be performed and billed separately from the services outlined in Exhibits A and B.

The terms and conditions of any procedures performed under Exhibit C, including payment terms, will be outlined in a separate Statement of Work (SOW). These services, which will be agreed to by EY and the requesting Contractor in advance, will be documented in the example SOW attached to herein as Exhibit C-1. An Exhibit C-1 statement of work will be made available to any Contractor upon request. All other provisions of the Contractor's signed contract with EY for the twelve months ending June 30, 2020 will continue to be in effect.

Total fees for such other consulting services shall be agreed to with the individual Contractor prior to commencement of work. The fees for services provided under Exhibit C will be outside of those referenced in Exhibits A and B, and will be paid for directly by the requesting Contractor.

EXHIBIT C-1

Statement of Work

This Statement of Work with the attached Exhibit, dated June 28, 2019 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and San Geronio Pass Water Agency on behalf of itself (“you” or “Client”), pursuant to the Agreement, dated June 28, 2019 (the Agreement), between EY and San Geronio Pass Water Agency (the Agency).

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other Statement of Work pursuant to the Master Services Agreement (MSA) by and between EY and the Agency dated May 31, 2017. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to “you” or “Client” shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described [INSERT DEFINITION OF SERVICES] (the Services) for Agency, a member of the State Water Contractors Independent Audit Association (IAA), for the twelve months ending June 30, 2020.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA).

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.

Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to the Agreement. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY's partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency's execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties' obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

Project deliverables

The matrix below lists the specific deliverables and related timelines that EY will provide to **(insert Contractor)**.

Deliverable	Timeline	Comments

Additional responsibilities

EY will provide **(insert Contractor)** with a timeline/schedule related to all project deliverables prior to the start of work on the project.

EY will notify **(insert Contractor)** in writing of any incremental changes to the original project estimate.

Production of all elements described in the “Project deliverables” section of this SOW is to be included in the cost breakdown under the “Pricing and payment terms” section below, agreed upon by **(insert Contractor)** and EY for this project.

Fees and billing

Below is a summary of the current cost estimates for this SOW. Due to the complexities and variable nature of this project, actual costs could vary from these estimates. In the event costs are expected to exceed the estimate, EY will contact **(insert Contractor)** before performing any additional work.

Out-of-pocket expenses incurred during this contract are not included in the above SOW estimated cost. Expenses include such items as travel, meals, accommodations, and other administrative expenses based on actual amounts incurred.

Invoices for time and expenses will be billed monthly and are due upon receipt.

IN WITNESS WHEREOF, the parties hereto have executed this SOW as of the day and year written below.

San Gorgonio Pass Water Agency

Ernst & Young, LLP

Representative

Representative

Signature

Signature

Printed Name

Printed Name

Title

Title

Address

Address

Date

Date

EXHIBIT D
FORM OF ACCESS LETTER

[Letterhead of EY]

[Addressee (e.g., third party seeking access to EY Report)]
[Street Address]
[City, State Zip]

[Month XX, 20XX]

Dear [] :

[Client] (the "Client") has informed Ernst & Young LLP ("EY") that it wishes to disclose to [party seeking access] (the "Recipient") EY's [describe report(s)], dated [], relating to [describe subject] (the "Report(s)"). EY has not placed any limitations on the Client's ability to disclose any contents of the Report relating to the tax aspects or structure of any transaction proposed by the Client.

EY performed Services only for the Client. EY did not undertake the Services on behalf of, or to serve the needs of, the Recipient or any other third party. As part of such services, EY did not audit the Client's financial statements, subsequent to the date(s) of the Report(s).

EY prepared the Report(s) solely for the Client. The Report(s) address[es] only the issues identified by the Client, and [is/are] based solely on information obtained by EY using the procedures specified by the Client or otherwise provided by or on behalf of the Client. The Report(s) [is/are] subject to many limitations and [do/does] not provide any form of assurance with respect to any of the information referred to therein. The Recipient understands and accepts the scope and limitations of the Report(s).

Except (1) where compelled by legal process (of which the Recipient will immediately notify EY and tender to EY, if it so elects, the defense thereof), (2) with respect to any contents of the Report relating to the tax treatment and tax structure of the proposed transaction (including any facts that may be relevant to understanding the proposed tax treatment of the proposed transaction), or (3) with EY's prior written consent, the Recipient will not, circulate, quote, disclose or distribute any of the Report(s) or any information contained therein, or any summary or abstract thereof, or make any reference thereto or to EY, to anyone other than the Recipient's directors, officers or employees or legal advisors who, in each case, need to know its contents in order to _____, and who have agreed to be bound by the terms and conditions of this agreement to the same extent as the Recipient.

The Recipient further agrees that it will not, and will not permit others to, quote or refer to the Report, any portion, summary or abstract thereof, or to EY, in any document filed or distributed in connection with (a) a purchase or sale of securities to which the United States or state securities laws (“Securities Laws”) are applicable or (b) periodic reporting obligations under Securities Laws. The Recipient will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

In further consideration of EY allowing the Recipient access to the Report(s) and the information contained therein, the Recipient agrees that:

1. It does not acquire any rights against EY, and EY does not assume any duties or obligations to the Recipient or otherwise, as a result of such access.
2. It will not rely on the Report(s) or any portion thereof and will make no claim that it has done so.
3. It will make no claim against EY, its partners, employees or affiliates, or other members of the global Ernst & Young network (collectively, the “EY Parties” that relates in any way to the Report(s), any information contained therein, or the Recipient’s access to the Report(s).
4. To the fullest extent permitted by applicable law, it will indemnify, defend and hold harmless the EY Parties from and against any claim or expense, including reasonable attorneys’ fees, suffered or incurred by any EY Party relating to any breach by the Recipient of any of its representations or agreements contained herein or the use or disclosure of the Report(s) or any portion thereof by anyone who received it directly or indirectly from or at the request of the Recipient.

Very truly yours,

Ernst & Young LLP

Accepted by:

[Addressee]

By: _____

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Funding Preliminary Design Costs for Delta Conveyance Project

DATE: July 15, 2019

Summary:

The purpose of this proposed Board action is to determine if the Board wishes to provide funds for the preliminary planning and design of the proposed Delta conveyance facility. The Board previously voted to do this for the Cal Water Fix but since that project has been rescinded the Board needs to take a separate action to provide the same funding for a new project.

Background:

On May 21, 2018, the Board adopted Resolution 2018-02 supporting the California WaterFix. Among other things, the resolution provided for “gap funding” for the WaterFix project to help pay for preliminary planning and design costs in advance of bonds being sold. The funds provided by the Agency amounted to approximately \$190,000 and are related to the Agency’s Table A amount.

Now, with the WaterFix project having been rescinded, those funds cannot be used by DWR without the Agency’s authorization. The purpose of this resolution is to provide that authorization to the Department. Other State Water Contractors are currently considering similar resolutions.

Detailed Report:

Staff has reviewed the previous Delta conveyance project, the California WaterFix, with the Board on numerous occasions. The new project is not yet completely defined (that process is starting later this month with negotiations between DWR and the Contractors), but is likely to include one 6000 cfs tunnel under the Delta. It is possible

that the tunnel could be smaller. The estimated cost of one tunnel under the Cal WaterFix project was \$11 billion.

The WaterFix project, as planned, would have reduced the Agency's marginal fixed cost of water, since the Agency's share of the WaterFix, compared to the amount of water received, is less than the Agency's current cost per acre-foot, which is high because of the recent construction of the East Branch Extension. It is anticipated that the new Delta conveyance project will also reduce the Agency's marginal fixed cost of water. It will increase the reliability of the Agency's Table A water, thus actually increasing the amount of water the Agency would receive on an annual basis. The project, as proposed, would not provide a new source of water, but rather would increase the reliability of an existing source of water (the State Water Project).

At this point, without a defined project, no bonds can be sold, so financing the planning and preliminary design must come from other sources—namely, funding agreements between DWR and the Contractors. A number of Contractors have previously pledged funds and are now in the process of considering similar resolutions in order to keep the planning and preliminary engineering work proceeding. Without sufficient funds, this work would have to stop, thus slowing down the project and possibly delaying the online date.

Fiscal Impact:

The previous resolution pledged up to \$189,085 towards planning and preliminary design. This cost would be billed to the Agency through DWR's monthly invoices. This would come from the Debt Service fund, which has sufficient funds to make these payments. They would increase the Agency's debt service expenditures this fiscal year by less than 1%. Approving this resolution would allow the Agency to provide those funds to DWR; however it does not constitute approval of any particular project.

Recommendation:

Staff recommends that the Board approve Resolution 2019-06 and authorize the General Manager to enter into a funding agreement with the Department of Water Resources.

RESOLUTION NO. 2019-06

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AUTHORIZING THE USE OF GAP FUNDING AGREEMENT FUNDS FOR PRELIMINARY PLANNING AND DESIGN COSTS RELATED TO A POTENTIAL NEW DELTA CONVEYANCE PROJECT

WHEREAS, on May 21, 2018, the Board of Directors of the San Gorgonio Pass Water Agency (“Agency”) adopted Resolution No. 2018-02 authorizing the General Manager to execute a gap funding agreement with the Department of Water Resources (“DWR”) to provide the Delta Conveyance Design and Construction Authority with \$189,085 to fund DWR’s preconstruction costs of the California WaterFix Project; and

WHEREAS, the Agency subsequently executed such gap funding agreement with the Department in September 2018; and

WHEREAS, the DWR Director rescinded DWR’s approval of California WaterFix on May 2, 2019 and in a letter to state water project contractors, indicated that the Governor intends to take a fresh look at a possible Delta Conveyance project; and

WHEREAS, the Delta needs to be modernized to protect state water project reliability and the environment, and exploring a Delta Conveyance project of some kind is in the best interest of the Agency; and

WHEREAS, the Department subsequently informed the Agency in a letter dated May 24, 2019 that gap funding agreement funds will not be used by the Department for any other purpose absent separate authorization by the Agency; and

WHEREAS, it is in the Agency’s interest to authorize DWR to use the remaining gap funding agreement funds for preliminary planning and design costs incurred after May 2, 2019 related to a potential new Delta Conveyance project consistent with the general provisions of the gap funding agreement and the Joint Exercise of Powers Agreement between DWR and Delta Design and Construction Authority, as amended and as may be further amended from time to time; and

WHEREAS, the preliminary planning and design funds would be administered and spent consistent with the general provisions in the gap funding agreement, except that Exhibit A would no longer apply and the deadline to spend the funds would be May 2, 2022; and

WHEREAS, the Board of Directors of the Agency desires to authorize its General Manager to provide a copy of this resolution to DWR and take any necessary actions to direct the gap funding agreement funds to DWR for preliminary planning and design costs incurred after May 2, 2019 and until May 2, 2022 related to a potential new Delta Conveyance project.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of the Agency does hereby find and determine and order as follows:

1. DWR is authorized to spend the remaining gap funding agreement funds provided by the Agency on planning and design costs related to a potential new Delta Conveyance project that are incurred after May 2, 2019 and before May 2, 2022. These funds will be administered and spent consistent with the general provisions in the gap funding agreement, except that Exhibit A no longer applies, and the Joint Exercise of Powers Agreement between DWR and Delta Design and Construction Authority, as amended and further amended from time to time.

2. The General Manager is authorized to provide a copy of this resolution to DWR and take any necessary actions to direct the gap funding agreement funds to DWR for planning and design costs related to a potential new Delta Conveyance project.

3. No Project Approvals: This action merely authorizes the expenditure of certain funds to cover planning and design costs necessary for the careful review and meaningful evaluation of a potential Delta Conveyance project by DWR, including but not limited to costs associated with the completion of environmental review and analysis under the California Environmental Quality (CEQA), California Endangered Species Act (CESA), and other related environmental laws. This Resolution, however, does not authorize the expenditure of funds on any construction, land acquisitions, or any other implementation actions that may or may not be required for a Delta Conveyance project, in the event any such project is ever approved. Additionally, this Resolution does not grant any vested entitlement, does not bind the Agency to issuing any future approvals related to the Delta Conveyance project, and does not restrict the Agency's consideration of feasible alternatives or mitigation measures in the event that project approvals are ever requested from the Agency. As such, the expenditures authorized through this Resolution do not constitute the approval of any Delta Conveyance project under CEQA, CESA, or any other law.

Resolution No. 2019-06 was adopted this 15th day of July 2019, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

ADOPTED AND APPROVED this 15th day of July, 2019.

President, Board of Directors
San Geronio Pass Water Agency

ATTEST:

Secretary, Board of Directors
San Geronio Pass Water Agency

MEMORANDUM

TO: Board of Directors

FROM: General Counsel

RE: Consideration and possible action to approve a Fourth Amendment to General Manager/Chief Engineer Employment Agreement

DATE: July 15, 2019

Summary:

Based on the direction provided by the Board from the recent performance evaluation, the Board would like to consider adoption of the attached Fourth Amendment To Employment Agreement – General Manager/Chief Engineer (“Fourth Amendment”). The Employment Agreement, as well as the First, Second and Third Amendments are also attached. The Third Amendment provided for a salary increase as of July 1, 2017 and another salary increase as of July 1, 2018.

The Fourth Amendment would provide for an increase in salary to reflect a cost of living increase. On June 3, 2019, the Board approved a 2.8% cost of living increase for Agency staff (not including the General Manager). The 2.8% was determined based on inflation data for Riverside, San Bernardino and Ontario from the Bureau of Labor Statistics. If the Fourth Amendment is approved, the 2.8% cost of living increase would be retroactive to July 1, 2019 and would result in a salary of \$201,397.02 per year.

Recommendation:

It is recommended that the Board take action to approve the Fourth Amendment to the Employment Agreement.

**SAN GORGONIO PASS WATER AGENCY: FOURTH AMENDMENT TO
EMPLOYMENT AGREEMENT – GENERAL MANAGER/ CHIEF ENGINEER**

This Fourth Amendment to Employment Agreement (this “Fourth Amendment”) between the SAN GORGONIO PASS WATER AGENCY (the “Pass Agency”) and JEFFREY W. DAVIS (the “General Manager/ Chief Engineer”), is entered into this 15th day of July, 2019. Except as modified in this Fourth Amendment, and the preceding First, Second and Third Amendments, the Employment Agreement, first dated July 28, 2014, between the Pass Agency and the Employee shall remain in full force and effect. The parties to this Fourth Amendment agree to the following changes:

Section 6 entitled “SALARY” is hereby amended to reflect a 2.8% cost of living increase on July 1, 2019 as follows:

“6. **SALARY.** Effective July 1, 2019, the gross salary shall be Two Hundred and One Thousand, Three Hundred and Ninety-Seven Dollars and Two Cents (\$201,397.02) per year. Additional increases during the term of this Agreement must be expressly approved by the Board and memorialized by subsequent written amendment to this Agreement.”

The Pass Agency and the General Manager/Chief Engineer have duly executed this Fourth Amendment to Employment Agreement as of the date first written above.

SAN GORGONIO PASS WATER AGENCY

By: _____
 RON DUNCAN,
 President, Board of Directors

JEFFREY W. DAVIS

EMPLOYMENT AGREEMENT

GENERAL MANAGER/CHIEF ENGINEER

This Employment Agreement is effective July 1, 2014 through June 30, 2015 between SAN GORGONIO PASS WATER AGENCY ("Pass Agency") and JEFFREY W. DAVIS ("General Manager/Chief Engineer").

1. RECITALS

- 1.1 General Manager/Chief Engineer has been employed by Pass Agency in such capacity since July 13, 2005 pursuant to a Memorandum of Employment terminable at-will by either party according to the terms thereof.
- 1.2 General Manager/Chief Engineer has notable, special skills and abilities concerning water district management, water supplies and water policies, as well as knowledge of Pass Agency's mission and goals as a State Water Contractor to supply State Water Project water to the San Gorgonio Pass Water Agency.
- 1.3 Pass Agency desires to extend the term of employment of the General Manager/Chief Engineer in order to continue the application of his experience, skills, abilities, background, and knowledge in the water industry to the administration, programs, and policies of the Pass Agency pursuant to the terms and conditions of this Employment Agreement.
- 1.4 General Manager/Chief Engineer desires to extend the term of employment by the Pass Agency as General/Chief Engineer on such terms and conditions as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and conditions in this Employment Agreement, it is agreed as follows:

2. **DUTIES, RESPONSIBILITIES, AND AUTHORITY.** General Manager/Chief Engineer shall devote his best efforts to utilize his experience, abilities, special skills, and knowledge to the fullest extent that is reasonably possible to carry out his duties, responsibilities, and authority as set forth in this Employment Agreement. His duties, responsibilities, and authority shall include, but not be limited to, the following:

- 2.1 Be responsible for administration and the activities of the Pass Agency under the direction and guidance of the Board of Directors. Direct, organize, plan, manage, administer, and supervise Pass Agency staff and handle all personnel matters including, but not limited to, hiring and termination of staff members.
- 2.2 Plan, direct, and coordinate, through subordinate level managers, Pass Agency's work plan; meet with management staff to identify and resolve problems; assign projects and programmatic areas of responsibility; review and evaluate work methods and procedures.

- 2.3 Select, train, motivate, and evaluate Pass Agency personnel.
- 2.4 Attend regular and committee meetings of the Pass Agency Board of Directors and meetings of the Pass Agency office staff. When directed by the Board or when it would be for the benefit of Pass Agency, attend and represent Pass Agency at meetings, conferences, and other activities of water associations and organizations of which Pass Agency is a contracting agency or a member and such other meetings and activities in which Pass Agency has an interest. Need approval of the Board to hold office in above-mentioned organizations.
- 2.5 Advise and consult with the President of the Board, Board members, Board Secretary, attorneys, consultants, and engineers, preparing and providing them with information, reports and studies regarding Pass Agency functions and issues of concern to Pass Agency which they request or which is necessary to the performance of their duties.
- 2.6 Assume Full management responsibility for all Pass Agency services and activities and recommend and administer Board policies and procedures.
- 2.7 Manage the development and implementation of Pass Agency goals, objectives, policies, and priorities; establish, within pass Agency policy, appropriate service, and staffing levels; allocate resources accordingly.
- 2.8 Continuously monitor and evaluate the efficiency and effectiveness of service delivery methods and procedures; assess and monitor work load, administrative and support systems and internal reporting relations; identify opportunities for improvement; direct implementation of changes.
- 2.9 Subject to 2.4 above, represent Pass Agency to outside agencies and organizations; explain, justify, and advocate Pass Agency programs, policies, and activities; negotiate and resolve sensitive, significant, and controversial issues, and keep the Board informed on such matters.
- 2.10 Direct development and administration of Pass Agency's budget; direct the forecast of additional funds needed for staffing, equipment, materials, and supplies; direct the monitoring of and approve expenditures; direct the preparation of and implement budgetary adjustments for approval by the Board.
- 2.11 Coordinate Pass Agency activities with outside agencies and organizations; provide staff assistance to the Board of Directors; prepare staff reports and other necessary correspondence.
- 2.12 Subject to Board approval, attend and participate in professional group meetings; stay abreast of the trends and innovations in the field of water distribution management and keep the Board informed on such matters.
- 2.13 Plan Board of Directors' agenda; prepare resource and background materials for agenda items; recommend Board action.

- 2.14 Represent the Board in employee association negotiations.
- 2.15 Develop and negotiate agreements with developers for Board consideration and action.
- 2.16 Respond to and resolve difficult and sensitive citizen inquiries and complaints.
- 2.17 Perform related duties and responsibilities as required.
- 2.18 Conduct the business and functions of Pass Agency, including, but not limited to, the purchase of water from the Department of Water Resources, sale of water to Pass Agency's customers and collection of water rates, fees, assessments, and other revenues of Pass Agency.
- 2.19 Be responsible for carrying out the duties and obligations of Pass Agency pursuant to any and all contracts and/or agreements to which Pass Agency is a party.
- 2.20 Perform the duties of any offices or posts to which the Board appoints the General Manager/Chief Engineer.
- 2.21 Generally do all things necessary to carry out the purposes, policies, and obligations of Pass Agency. Be prepared to perform whatever tasks are necessary to meet emergencies involving Pass Agency and to work evenings, weekends, and holidays when necessary to accomplish these requirements.
- 2.22 Review and become knowledgeable on all programs, policies, contracts, and issues of Pass Agency.
- 2.23 Perform all other authorities and responsibilities established by policy and/or referenced in Pass Agency's Personnel Manual.
- 2.24 Perform such other activities as directed by the Board in order to carry out the goals and objectives of Pass Agency.

3. **GENERAL MANAGER/CHIEF ENGINEER OUTSIDE BUSINESS and/or POLITICAL ACTIVITIES**

- 3.1 During his employment as General Manager/Chief Engineer, Jeff Davis shall devote his best efforts and such time, energy, interest, attention and ability to the performance pursuant to this Employment Agreement as is fair and reasonably necessary to accomplish his duties in a competent manner.
- 3.2 As General Manager/Chief Engineer, Jeff Davis shall not, without the prior consent of the Board of Directors, devote time, energy, effort, or ability to outside political activities or business interests which will or potentially could interfere with his obligations to perform his duties under this Employment Agreement.

Jeff Davis shall not engage in any outside activity or business interest which conflicts with Pass Agency's interests.

4. **TERM OF EMPLOYMENT**

- 4.1 General Manager/Chief Engineer shall be employed for a term of one year commencing July 1, 2014. In the event Pass Agency elects to terminate this Employment Agreement, it shall give Jeff Davis one hundred eighty- (180) days written notice prior to the effective date of termination. Upon notice of termination by Pass Agency, Jeff Davis shall continue to perform his duties and receive his compensation and benefits as provided hereunder until the effective date of the termination or until he obtains other employment, whichever occurs first. At the option of the Board of Directors, the duties of the General Manager/Chief Engineer may be modified or reduced during the period between notice of termination and the effective date of termination, provided that compensation and benefits will continue at the levels provided herein. Notwithstanding the foregoing, Pass Agency may terminate this Employment Agreement with no prior notice or with less than ninety- (90) day written notice provided that Pass Agency shall compensate Jeff Davis by payment of a lump sum severance in the amount of his salary for each month less than the one hundred eighty- (180) day written notice provided hereunder, and shall continue to pay premiums for medical, dental, and vision insurance for the balance of the one hundred eighty (180) days from the notice of termination. In the event Jeff Davis elects to terminate this Employment Agreement, he shall give the Board of Directors at least forty-five (45) days written notice of his intention to do so.
- 4.2 **Performance Evaluation.** No later than June 1st, 2015, the Board shall complete a written performance evaluation of the General Manager/Chief Engineer which shall include performance goals, achievement of goals, and details concerning the performance of duties, responsibilities, and authority as set forth herein. Such evaluation shall include a personal review by an AD HOC Committee appointed by the President of the Board of Directors, which committee shall report to the Board its findings which will be discussed by all members of the Board who will then agree to the final evaluation which will be discussed with the General Manager.
- 4.3 Pass Agency may terminate this Employment Agreement at any time without prior notice if Jeff Davis commits any material act of dishonesty, discloses confidential information, is guilty of gross carelessness or misconduct, or unjustifiably neglects his duties under this Employment Agreement, or acts in any way that has a direct, substantial, and adverse effect on Pass Agency. This Employment Agreement shall be terminated upon Jeff Davis' death or mental or physical disability which prevents him from satisfactorily performing his duties hereunder in his normal and regular manner for a period exceeding four months. In the event of termination pursuant to this Section, Jeff Davis shall not be entitled to prior written notice or continuation of compensation or benefits.

5. **OFFICE FACILITIES AND PERQUISITES.** General Manager shall be provided with office facilities, equipment (including cellular telephone and service, such as and including Blackberry device and service), secretarial and clerical personnel, Pass Agency credit card for Agency business, supplies, and services necessary for carrying out his duties under this Agreement. In addition, General Manager shall be provided the following perquisites:

5.1 **Pass Agency Automobile.** A Pass Agency automobile shall be provided as determined by the Board as required for the performance of General Manager's duties. Use of said automobile shall conform to Agency policies regarding Agency vehicles as amended from time-to-time.

5.2 **Medical and Dental Insurance, Coverage.**

5.2.1 **Medical.** General Manager shall be a fully covered Employee as provided by the Pass Agency's California Public Employees Retirement System ("PERS") and Personnel Manual.

5.2.2 **Dental Insurance.** General Manager shall be a fully covered Employee as provided by the Pass Agency's ACWA Health Benefits Authority ("ACWA HBA") and Personnel Manual.

5.2.3 **Coverage.** The Board shall adopt a resolution to implement such medical and dental coverage as required, from time-to-time, to provide coverage. The medical Annual Payment shall be provided after General Manager's retirement, as authorized by law, including Government Code § 53200 et seq., for as long as such coverage is available, and until such coverage terminates pursuant to the terms of the PERS insurance program. It is the intention that this obligation shall survive the termination of General Manager's employment with Pass Agency, except for termination for cause by Pass Agency pursuant to Section 8.0.

5.3 **Retirement Benefits.** Pass Agency shall enroll General Manager in the California Public Employees Retirement System. Subject to the term of this Agreement, Pass Agency shall pay the Employer's contribution to the System, and the Employee's contribution to the system as follows: Effective January 1, 2013, the General Manager shall pay 1% of the Employee's contribution and the Employer shall pay 7%. Effective January 1, 2014, the General Manager shall pay 2% of the Employee's contribution and the Employer shall pay 6%. Effective January 1, 2015, and subsequent years, the General Manager shall pay 3% of the Employee's contribution and the Employer shall pay 5%.

5.4 **Sick Leave and Bereavement Leave.** General Manager shall be entitled to twelve (12) days per year as sick/bereavement leave. Sick/bereavement leave shall be accumulated at the rate of one (1) day per month and shall continue to accrue until date of retirement/termination of this Agreement, at which time one-half (1/2) of the sick/bereavement days accumulated will be paid to General Manager.

- 5.5 **Vacation.** General Manager shall be entitled to three (3) weeks each year (fifteen (15) working days), subject to the terms and conditions set forth in the Pass Agency Employee Guide Manual. After the ninth year of employment, vacation time shall increase to twenty (20) days per year. In addition to the specified vacation days, General Manager shall be entitled to five (5) Personal Time Off (“PTO”) days. Vacation days not used will be carried over and may accrue up to forty (40) days, unless otherwise approved by the Board of Directors and, upon General Manager’s retirement/termination, will be paid in full in cash. The number of PTO days is subject to periodic revision by the Board of Directors.
6. **SALARY.** Effective July 1, 2014, the gross salary shall be One Hundred Seventy Two Thousand, Five Hundred Eighty-Four Dollars (\$172,584) per year. This includes a merit increase of 3.5% and a Cost of Living Adjustment increase of 1.5% over the contract for July 1, 2013.
7. **MEMBERSHIPS.** The Pass Agency shall pay membership dues for the General Manager for the American Water Works Association and the American Society of Civil Engineers, which are required in order for the General Manager to successfully fulfill his duties, and such other memberships as authorized by the Board of Directors.
8. **EXPENSES.** During the term of this Agreement, Pass Agency shall reimburse General Manager for reasonable out-of-pocket expenses incurred in connection with Pass Agency’s business, including long-distance telephone calls, copy charges, travel expenses, and food and lodging while away from home, subject to such policies as Pass Agency may, from time-to-time, reasonably establish.
9. **TERMINATION**
- 9.1 This Agreement may be terminated for cause by Pass Agency or General Manager. The effective date of any termination by Pass Agency shall, in any event, not take place within six (6) months after the date of the November election of members to the Board of Directors.
- 9.2 Employer may terminate this Agreement for cause, including, but not limited to, material breach by Employee, if any, of the covenants under this Agreement that Employee shall fail to cure within ten (10) days after Notice of Default.
10. **INTEGRATION.** This Agreement and the “San Gorgonio Pass Water Agency Employee Guide Manual” constitute the entire Agreement between the parties and supersedes all prior oral and written agreements, understandings, commitments, and practices between the parties, including all prior employment agreements. No changes, modifications, or amendments to this Agreement may be made, except by a writing signed by both parties.
11. **CHOICE OF LAW.** The formation, construction, and performance of this Agreement shall be construed in accordance with the laws of California.

12. **NOTICE.** Any notice to Pass Agency required or permitted under this Employment Agreement shall be given in writing to Pass Agency, either by personal service or by registered or certified mail, postage prepaid, addressed to the Board of Directors, San Gorgonio Pass Water Agency, 1210 Beaumont Avenue, Beaumont, CA 92223. Any such notice to General Manager shall be given in a like manner and, if mailed, shall be addressed to General Manager at his home address then shown in Pass Agency's files. For the purpose of determining compliance with any time limit in this Employment Agreement, a notice shall be deemed to have been duly given (a) on the date of service, if served personally on the party to whom notice is to be given; or (b) on the fifth (5th) business day after mailing, if mailed to the party to whom the notice is to be given in the manner provided in this Section.

13. **FORM: SEVERABILITY.** If any provision of this Employment Agreement is held invalid or unenforceable, the remainder of this Employment Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

Dated: 7/28/2014

By John R. Jeter

JOHN R. JETER, PRESIDENT
SAN GORGONIO PASS WATER AGENCY

Dated: 7-28-14

By Jeffrey W Davis

JEFFREY W. DAVIS
GENERAL MANAGER/CHIEF ENGINEER

**SAN GORGONIO PASS WATER AGENCY: FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT – GENERAL MANAGER/ CHIEF ENGINEER**

This First Amendment to Employment Agreement (this “First Amendment”) between the SAN GORGONIO PASS WATER AGENCY (the “Pass Agency”) and JEFFREY W. DAVIS (the “General Manager/ Chief Engineer”), is entered into this 5th day of October 2015. Except as modified in this First Amendment the Employment Agreement between the Agency and the Employee shall remain in full force and effect. The parties to this First Amendment agree to the following changes:

The Introduction is hereby amended as follows:

“This Employment Agreement is effective July 1, 2015 through June 30, 2018 between the SAN GORGONIO PASS WATER AGENCY (the “Pass Agency”) and JEFFREY W. DAVIS (the “General Manager/ Chief Engineer”).”

Section 4 entitled “TERM OF EMPLOYMENT” is hereby amended as follows:

“4. TERM OF EMPLOYMENT.

“4.1 General Manager/ Chief Engineer shall be employed for a term of three years commencing July 1, 2015. In the event Pass Agency elects to terminate this Employment Agreement prior to the end of its term, it shall give the General Manager/ Chief Engineer one hundred eighty (180) days written notice prior to the effective date of termination. Upon notice of termination by the Pass Agency, the General Manager/ Chief Engineer shall continue to perform his duties and receive his compensation and benefits as provided hereunder until the effective date of the termination or until he obtains other employment, whichever occurs first. At the option of the Board of Directors, the duties of the General Manager/ Chief Engineer may be modified or reduced during the period between the notice of termination and the effective date of termination, provided that compensation and benefits will continue at the levels provided herein.

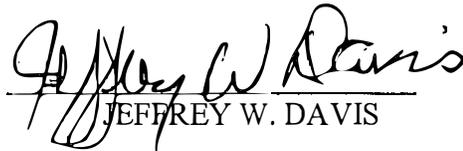
“Notwithstanding the foregoing, Pass Agency may terminate this Employment Agreement with no or less prior notice. In such case, the General Manager/ Chief Engineer shall be entitled to the following severance in accordance with the terms of California Government Code sections 53260, et seq.: An amount equal to one hundred and eighty (180) days of the Employee’s then base salary or the remainder of the term of this Agreement, whichever is less. The Pass Agency shall pay premiums for medical, dental, and vision insurance for the balance of the one hundred and eighty (180) days, to the extent the Pass Agency provides less-than such notice prior to termination. In the event that the General Manager/ Chief Engineer elects to terminate this Employment Agreement, he shall give the Board of Directors at least forty five (45) days written notice of his intention to do so.

“...”

The Pass Agency and the General Manager/ Chief Engineer have duly executed this First Amendment to Employment Agreement as of the date first written above.

SAN GORGONIO PASS WATER AGENCY

By: 
JOHN R. JETER,
President, Board of Directors


JEFFREY W. DAVIS

**SAN GORGONIO PASS WATER AGENCY: SECOND AMENDMENT TO
EMPLOYMENT AGREEMENT – GENERAL MANAGER/ CHIEF ENGINEER**

This Second Amendment to Employment Agreement (this “Second Amendment”) between the SAN GORGONIO PASS WATER AGENCY (the “Pass Agency”) and JEFFREY W. DAVIS (the “General Manager/ Chief Engineer”), is entered into this 3rd day of October, 2016. Except as modified in this Second Amendment and the preceding First Amendment, the Employment Agreement, first dated July 28, 2014, between the Agency and the Employee shall remain in full force and effect. The parties to this Second Amendment agree to the following changes:

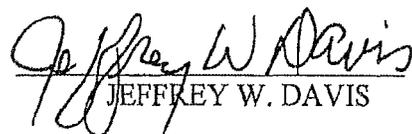
Section 6 entitled “SALARY” is hereby amended to reflect a three percent (3%) cost of living adjustment as follows:

“5. SALARY. Effective July 1, 2016, the gross salary shall be One Hundred and Seventy Seven Thousand, Seven Hundred and Sixty Two Dollars (\$177,762.00) per year. Additional increases during the term of this Agreement must be expressly approved by the Board and memorialized by subsequent written amendment to this Agreement.”

The Pass Agency and the General Manager/ Chief Engineer have duly executed this Second Amendment to Employment Agreement as of the date first written above.

SAN GORGONIO PASS WATER AGENCY

By: 
JOHN R. JETER,
President, Board of Directors


JEFFREY W. DAVIS

**SAN GORGONIO PASS WATER AGENCY: THIRD AMENDMENT TO
EMPLOYMENT AGREEMENT – GENERAL MANAGER/ CHIEF ENGINEER**

This Third Amendment to Employment Agreement (this “Third Amendment”) between the SAN GORGONIO PASS WATER AGENCY (the “Pass Agency”) and JEFFREY W. DAVIS (the “General Manager/ Chief Engineer”), is entered into this 17th day of July, 2017. Except as modified in this Third Amendment, and the preceding First and Second Amendments, the Employment Agreement, first dated July 28, 2014, between the Agency and the Employee shall remain in full force and effect. The parties to this Third Amendment agree to the following changes:

The Introduction is hereby amended as follows:

“This Employment Agreement is effective July 1, 2017 through June 30, 2020 between the SAN GORGONIO PASS WATER AGENCY (the “Pass Agency”) and JEFFREY W. DAVIS (the “General Manager/ Chief Engineer”).”

Section 4 entitled “TERM OF EMPLOYMENT” is hereby amended as follows:

“4. TERM OF EMPLOYMENT.

“4.1 General Manager/ Chief Engineer shall be employed for a term of three (3) years commencing July 1, 2017. In the event Pass Agency elects to terminate this Employment Agreement prior to the end of its term, it shall give the General Manager/ Chief Engineer one hundred eighty (180) days written notice prior to the effective date of termination. Upon notice of termination by the Pass Agency, the General Manager/Chief Engineer shall continue to perform his duties and receive his compensation and benefits as provided hereunder until the effective date of the termination or until he obtains other employment, whichever occurs first. At the option of the Board of Directors, the duties of the General Manager/ Chief Engineer may be modified or reduced during the period between the notice of termination and the effective date of termination, provided that compensation and benefits will continue at the levels provided herein.

“Notwithstanding the foregoing, Pass Agency may terminate this Employment Agreement with no or less prior notice. In such case, the General Manager/ Chief Engineer shall be entitled to the following severance in accordance with the terms of California Government Code sections 53260, et seq.: An amount equal to one hundred and eighty (180) days of the Employee’s then base salary or the remainder of the term of this Agreement, whichever is less. The Pass Agency shall pay premiums for medical, dental, and vision insurance for the balance of the one hundred and eighty (180) days, to the extent the Pass Agency provides less-than such notice prior to termination. In the event that the General Manager/ Chief Engineer elects to terminate this Employment Agreement, he shall give the Board of Directors at least forty five (45) days written notice of his intention to do so.“...”

Section 6 entitled "SALARY" is hereby amended to reflect a seven percent (7%) adjustment on July 1, 2017 and a three percent (3%) on July 1, 2018, as follows:

"6. **SALARY.** Effective July 1, 2017, the gross salary shall be One Hundred and Ninety Thousand, Two Hundred and Five Dollars and Thirty Four Cents (\$190,205.34) per year. Effective July 1, 2018, the gross salary shall be One Hundred and Ninety Five Thousand, Nine Hundred and Eleven Dollars and Fifty Cents (\$195,911.50) per year. Additional increases during the term of this Agreement must be expressly approved by the Board and memorialized by subsequent written amendment to this Agreement."

The Pass Agency and the General Manager/ Chief Engineer have duly executed this Third Amendment to Employment Agreement as of the date first written above.

SAN GORGONIO PASS WATER AGENCY

By: David Fenn
DAVID FENN
President, Board of Directors

Jeffrey W. Davis
JEFFREY W. DAVIS