



**SPECIAL NOTICE REGARDING
CORONAVIRUS DISEASE 2019 (COVID-19)
AND PARTICIPATION IN PUBLIC MEETINGS**

On March 4, 2020, Governor Newsom declared a State of Emergency resulting from the threat of COVID-19. On September 16, 2021, Governor Newsom signed Assembly Bill No. 361 into law. Assembly Bill No. 361 amends Government Code section 54953(e) by adding provisions for remote teleconferencing participation in meetings by members of a legislative body, without the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions. The San Bernardino Valley Municipal Water District adopted a resolution determining, by majority vote, that, as a result of the declared State of Emergency, a meeting in person would present imminent risks to the health or safety of attendees. Accordingly, it has been determined that all Board and Workshop meetings of the San Bernardino Valley Municipal Water District will be held pursuant to the Brown Act and will be conducted via teleconference. There will be no public access to the meeting venue.

**REGULAR MEETING OF THE BOARD OF DIRECTORS
TUESDAY, AUGUST 2, 2022 – 2:00 P.M.**

PUBLIC PARTICIPATION

Public participation is welcome and encouraged. You may participate in the August 2, 2022, meeting of the San Bernardino Valley Municipal Water District online and by telephone as follows:

Dial-in Info: (877) 853 5247 US Toll-free

Meeting ID: 684 456 030

PASSCODE: 3802020

<https://sbvmwd.zoom.us/j/684456030>

If you are unable to participate online or by telephone, you may also submit your comments and questions in writing for the District's consideration by sending them to comments@sbvmwd.com with the subject line "Public Comment Item #" (insert the agenda item number relevant to your comment) or "Public Comment Non-Agenda Item". Submit your written comments by 6:00 p.m. on Monday, August 1, 2022. All public comments will be provided to the President and may be read into the record or compiled as part of the record.

IMPORTANT PRIVACY NOTE: Participation in the meeting via the Zoom app is strongly encouraged. Online participants MUST log in with a Zoom account. The Zoom app is a free download. Please keep in mind: (1) This is a public meeting; as such, the virtual meeting information is published on the World Wide Web and available to everyone. (2) Should you participate remotely via telephone, your telephone number will be your "identifier" during the meeting and available to all meeting participants; there is no way to protect your privacy if you elect to call in to the meeting.



SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
380 E. Vanderbilt Way, San Bernardino, CA 92408

REGULAR MEETING OF THE BOARD OF DIRECTORS

AGENDA

2:00 PM Tuesday, August 2, 2022

CALL TO ORDER/PLEDGE OF ALLEGIANCE/ROLL CALL

1) PUBLIC COMMENT

Any person may address the Board on matters within its jurisdiction.

2) APPROVAL OF MINUTES

2.1 July 19, 2022, Meeting(Page 3)
[BOD Minutes 071922](#)

3) DISCUSSION AND POSSIBLE ACTION ITEMS

3.1 Consider Adoption of Resolution No. 1159 Setting a Tax Levy and Approval of the State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2022-2023(Page 10)

[Staff Memo - Consider Adoption of Resolution No. 1159 Setting a Tax Levy and Approval of the State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2022-2023](#)

[Resolution 1159 - Setting State Water Contract Debt Service Tax Rate for FY 2022-2023](#)
[Fiscal Year 2022-2023 Debt Service Fund Budget worksheets](#)

3.2 Consideration of Fiscal Year 2022-2023 State Water Project Audit Contract with Ernst & Young, LLP(Page 19)

[Staff Memo - Consideration of Fiscal Year 2022-2023 State Water Project Audit Contract with Ernst & Young, LLP](#)

[Ernst & Young Master Services Agreement FY 23 - 27 and Statement of Work Contract for FY 22-23](#)

3.3 Consider Initiating the Development of a Master Plan for the Tres Lagos Property(Page 58)

[Staff Memo - Consider Initiating the Development of a Master Plan for the Tres Lagos Property](#)

- 3.4 Consider In-Person meetings or alternatively Resolution 1160 authorizing the San Bernardino Valley Municipal Water District to conduct remote meetings for the period August 2, 2022, through August 30, 2022(Page 60)
[Staff Memo - Consider In-Person meetings or alternatively Resolution 1160 authorizing the San Bernardino Valley Municipal Water District to conduct remote meetings for the period August 2, 2022, through August 30, 2022](#)
[Resolution 1160](#)

4) REPORTS (Discussion and Possible Action)

- 4.1 Directors' Report of Activities and Travel Requests in accordance with Resolution 1100
- 4.2 General Counsel Report
- 4.3 SAWPA Meeting Report
- 4.4 Board of Directors Workshop - Resources - July 7, 2022(Page 65)
[Summary Notes BOD Workshop - Resources 070722](#)
- 4.5 Board of Directors Workshop - Engineering - July 12, 2022(Page 71)
[Summary Notes BOD Workshop - Engineering 071222](#)
- 4.6 Board of Directors Workshop - Policy- July 14, 2022 (Page 78)
[Summary Notes BOD Workshop - Policy 071422](#)
- 4.7 Board of Directors Debt Service Fund Budget Workshop - July 21, 2022(Page 83)
[Summary Notes BOD Workshop - Debt Service Fund Budget 072122](#)

5) FUTURE BUSINESS

6) ANNOUNCEMENTS

- 6.1 List of Announcements(Page 89)
[List of Announcements 080222](#)

7) CLOSED SESSION

8) ADJOURNMENT

PLEASE NOTE:

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District's office located at 380 E. Vanderbilt Way, San Bernardino, during normal business hours. Also, such documents are available on the District's website at www.sbvmd.com subject to staff's ability to post the documents before the meeting. The District recognizes its obligation to provide equal access to those individuals with disabilities. Please contact Melissa Zoba at (909) 387-9228 two working days prior to the meeting with any special requests for reasonable accommodation.

**MINUTES
OF
THE
REGULAR BOARD MEETING
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

July 19, 2022

Directors Present: Gil J. Botello, T. Milford Harrison, Paul R. Kielhold, and Susan Longville

Directors Absent: June Hayes

Staff Present:

Heather Dyer, MS, MBA – Chief Executive Officer / General Manager
Wen B. Huang, PE, MS – Deputy General Manager/Chief Engineer
Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff / Clerk of the Board
Cindy Saks, CPA – Deputy General Manager/Chief Financial Officer
Bob Tincher, PE, MS – Deputy General Manager / Chief Water Resources Officer
Melissa Zoba, MBA, MPA – Chief Information Officer

Kristeen Farlow, MPA – Strategic Communications Manager
Matthew E. Howard, MS – Water Resources Senior Planner
Adekunle Ojo, MPA – Water Resources Manager
Karen Resendez, MA – Human Resources / Risk Manager
Shavonne Turner, MPA – Water Conservation Program Manager

Isabelle Huang -- SBVMWD Intern

Scott Heil, Varner & Brandt, District Counsel

Members of the Public in Attendance:

Melody McDonald, San Bernardino Valley Water Conservation District
James Morales, East Valley Water District
Madeline Blua, Yucaipa Valley Water District
Cris Fealy, Fontana Water Company

The regular meeting of the Board of Directors was called to order by President Kielhold at 2:03 p.m. Director Botello led the Pledge of Allegiance. A quorum was noted present by roll call.

The meeting was conducted by teleconference only. All actions taken by the Board at the meeting were conducted by a roll-call vote.

Agenda Item 1. Public Comment

President Kielhold stated that any member of the public wishing to make any comments to the Board may do so.

Melody McDonald of San Bernardino Valley Water Conservation District announced that Jerry Gladbach, past President of the Association of California Water Agencies and the ACWA/JPIA passed away on Wednesday, July 13. She also noted that executive committee positions will be open for election at the Spring Conference.

Audience attendance will be recorded in the minutes based on registration information generated in the teleconference or by stating their name during this time. There were no email comments or Zoom requests to speak on non-agendized items.

Agenda Item 2. Approval of Minutes of the July 5, 2022, Board meeting.

The minutes of the July 5, 2022, Regular Board meeting were approved by the following roll-call vote:

MOVED: Harrison	SECONDED: Botello	APPROVED: 4-0
AYES:	Botello, Harrison, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	Hayes	

Agenda Item 3.

3.1) Consider Estimating the Plausible Maximum Water Demand in the Valley District Service Area. Chief Executive Officer / General Manager Heather Dyer explained that staff recommends hiring the RAND Corporation to enhance the previous water supply and demand analysis that was completed several years ago. The plausible maximum water demand would be used to evaluate the region's long term water supply strategies and need for additional projects and future investments.

Current planning does not include maximum demand or land use planning, Ms. Dyer continued. Staff would like to work with the planning departments of different agencies in order to better understand their general plans and land use planning documents. It is an imperfect process, she noted, as land use planning is difficult to project into the future with many changing variables, but staff would like to incorporate the information into water resources planning. This would be the first time in the region to bridge this gap, she noted.

The additional work includes current building codes and efficiency standards, plausible building codes and efficiency standards, and validation of findings and assumptions with the planning departments, Ms. Dyer stated. The RAND model would be updated to

incorporate the calculation into the maximum demand, which is used to identify the need for future water supply projects and investments needed, she advised.

This item was discussed at the July 7 Resources Workshop and feedback was received; Ms. Dyer reminded. RAND has been asked if the new variable – aridity – suggested by Director Longville, could be properly incorporated into the model while still maintaining the integrity of the model. Costs will be brought back as a separate proposal so as not to hold up this work, she advised.

Director Longville indicated it is important to do this work. She added that as homes sell, there is concern that they are being occupied by more people than in previous generations, and pointed to the new accessory dwelling unit legislation, recommending a look at density. Ms. Dyer assured that all variables would be discussed with the planning departments.

Action Item(s): The Board of Directors authorized the CEO / General Manager to execute an agreement with RAND Corporation to enhance their previous water supply and demand analysis to include an estimate of the plausible maximum water demand in the Valley District service area for a project cost of \$132,639 by the following roll-call vote:

MOVED: Botello	SECONDED: Kielhold	APPROVED: 4-0
AYES:	Botello, Harrison, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	Hayes	

3.2) Consider the Update of the Estimate of New Conservation Due to the San Bernardino Valley Municipal Water District / Western Municipal Water District Water Right on the Santa Ana River. Chief Executive Officer / General Manager Heather Dyer reminded about discussion of this item at the July 7 Resources workshop. She reviewed detail about the water right behind Seven Oaks Dam and the 2011 Watermaster agreement that the new water right obtained by Valley District and Western Municipal Water District (WMWD) resulted in new water captured in the river, which is available for the supply stream.

A 2013 agreement with WMWD stipulates that the new water available from these facilities will be calculated every 10 years, and it is due in 2023, Ms. Dyer explained. The new conservation provides a new amount of water available and increases the safe yield available to the pumping agencies of the San Bernardino Basin. The information informs the permit to be received from the State Water Resources Control Board for the water.

The agencies have not been extracting the new, additional water available, Ms. Dyer continued. She explained the conservation concept, capturing water behind the dam and to be released more slowly to recharge into the groundwater basin. She noted that agencies have not been pumping up to the safe yield for some years, but the work still needs to be done.

Ms. Dyer reviewed the tasks which are proposed to be performed by Geoscience using the new Santa Ana River Integrated Model. The new conservation amount will last from 2023 to 2028 or no later than 2033. The total cost of \$118,579 is proposed to be split 50/50 with WMWD, she added. The amount was budgeted in the FY 2022-23 budget.

Action Item(s): The Board of Directors authorized the CEO / General Manager to execute a consulting services agreement with Geoscience in the amount of \$118,579 to update the Estimate of New Conservation from the Santa Ana River Water Right by the following roll-call vote:

MOVED: Harrison	SECONDED: Botello	APPROVED: 4-0
AYES:	Botello, Harrison, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	Hayes	

Agenda Item 4. Reports (Discussion and Possible Action Items).

4.1) State Water Project Report. Deputy General Manager / Chief Water Resources Officer Bob Tincher reported the Department of Water Resources estimated 236,000 acre-feet more water would have been available this year had the Delta Conveyance project been in place.

Everything is going smoothly with the Sites Reservoir project, Mr. Tincher reported.

4.2) Directors' Report of Activities and Travel Requests in accordance with Resolution 1100.

Director Botello reported that he attended:

- July 18-- Association of Special Districts dinner at Sterling Natural Resources Center.

Director Harrison reported that he attended:

- July 8 – The Habitat Conservation Plan (HCP) Committee Conference on the National HCP with the Government Relations Conference
- July 11-13 – ACWA Legislative Conference in Washington, D.C.

Director Longville reported that she attended:

- July 8 – San Bernardino Democratic Club Luncheon (non-compensated)
- July 11 – California Water Plan Committee meeting

President Kielhold reported that he attended:

- July 18-- Association of Special Districts dinner at Sterling Natural Resources Center.

4.3) General Counsel Report. No report.

4.4) SAWPA Meeting Report. Director Harrison reported on the following items taken at the July 19, 2022, Commission Meeting.

The Commission approved the following items:

- General Services Agreement and Task Order No. ECOT397-04 with EcoTech Services, Inc. for an amount not to exceed \$567,150, to oversee and implement the City of Riverside Eastside Climate Collaborative WECAN Turf Removal / Drought-Tolerant Landscaping Project.
- General Services Agreement and Task Order No. NAWC370-03 with North American Weather Consultants, Inc. (NAWC) for an amount not to exceed \$1,061,912 for the four-year Santa Ana River Watershed Weather Modification Pilot Project Operations services.
- Approved funding for SAWPA's share of the 1st year of the weather modification pilot project, \$140,500, by invoicing each SAWPA member agency, \$28,100 per agency. This funding reflects SAWPA's share of the 1st year of NAWC costs, pilot validation consultant costs, and SAWPA administration costs and contingency.
- Approved funding, \$201,500, for 50% of the 1st year of the weather modification pilot project (covering NAWC, pilot validation, SAWPA administration, contingency costs) from the SAWPA Fund 100 General Fund reserves, per the Inter-Fund/Inter-Project Loan Policy. Those funds will be reimbursed by a future DWR IRWM Grant.
- General Services Agreement and Task Order No. IERCD387-01 with Inland Empire Resource Conservation District in the amount of \$147,777.07 for the Arundo Donax Removal in the Santa Ana River Basin Headwaters Project.

The Commission received the following informational report:

- Santa Ana River Watershed Stormwater Assessment Opportunity

4.5) Operations Report. Water Resources Senior Planner Matt Howard presented the report. In June 2022 1,091 acre-feet of imported water was delivered to the District.

Director Longville pointed out that this is the time of year that Yucaipa Valley begins to take direct deliveries. Mr. Howard indicated that most State Water Project (SWP) deliveries will be taken by the three main treatment plants and Bear Valley. This is the first month the West Valley Water District has taken SWP deliveries, and the second month that Yucaipa Valley Water District has crested the 500 acre-foot mark for deliveries. This is expected to continue for the next two or three months during peak summer demand, he said.

Mr. Howard assured the Board that due to the reduced supply, the Water Shortage Contingency Plan workgroup is comparing allotments for each agency with what has been delivered and will reach out if an agency is getting close to their allotted amount for the year.

4.6) Treasurer's Report

The Board approved the following expenses for the month of June 2022: State Water Contract Fund \$2,675,230.82, Devil Canyon / Castaic Fund \$113,551.00, and General Fund \$4,095,513.70 by the following roll-call vote:

MOVED: Harrison	SECONDED: Longville	APPROVED: 4-0
AYES:	Botello, Harrison, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	Hayes	

Agenda Item 5. Future Business. There was none.

Agenda Item 6. Announcements. President Kielhold pointed out the list of announcements. In response to Director Harrison, Mr. Macedo confirmed the 9:30 a.m. start of the Tres Lagos Workshop on July 27th.

Agenda Item 7. Closed Session. There was no closed session.

Agenda Item 8. Adjournment.

The meeting was adjourned at 2:34 p.m.

<p>APPROVAL CERTIFICATION</p> <p>I hereby certify to approval of the foregoing Minutes of San Bernardino Valley Municipal Water District.</p> <hr/> <p>Secretary</p> <p>Date _____</p>
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Respectfully submitted,

Lynda J. Kerney
Contract Assistant



DATE: August 2, 2022

TO: Board of Directors

FROM: Heather Dyer, CEO / General Manager
Cindy Saks, CFO / Deputy General Manager

SUBJECT: Consider Adoption of Resolution No. 1159 Setting a Tax Levy and Approval of the State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2022-2023

Staff Recommendation

Approve a Debt Service Fund tax rate of \$0.1300 per \$100 of valuation, budget, and Resolution No. 1159 for Fiscal Year 2022-2023.

Background

Annually the Board is required to set a property tax rate for the State Water Contract Debt Service Fund for the new fiscal year. The monies generated from the debt service property tax rate are restricted to pay for costs associated with the State Water Contract (SWC) and Devil Canyon Castaic (DCC) Contract. The California Department of Water Resources (DWR) invoices the District for our share of current State Water Project costs and these invoices are used to estimate expenses for the next year.

On July 21, 2022, the Valley District Board conducted a workshop to discuss the proposed Debt Service Fund Budget. After considerable discussion and review of several scenarios of the District's financial model, staff was directed to prepare the budget based on a tax rate of \$0.1300 per \$100 of assessed valuation, which is the same rate as the prior year, and bring it to the full Board for consideration. The budgeted property tax revenue for the fiscal year 2022-2023 was created by staff using preliminary assessed property valuations provided by the County of San Bernardino.

The budgeted expenses for fiscal year 2022-2023 include cost projections based on the DWR Statement of Charges, cost estimates for the Sites Reservoir, Field Improvements for Algae

Treatment of State Project Water, purchase of the Greenspot Pump Station, construction of the Central Feeder EBX Intertie and City Creek Crossing Feasibility Study.

Based on the preliminary assessed values of property within Valley District's boundary, approximately \$7.9 million is associated with each \$0.01 of tax rate increase or decrease. Approximately 38% of this amount (\$3.0 million for each cent of tax rate) is provided due to the dissolution of RDAs and the passage of SB107.

Based on the proposed tax rate of \$0.1300 per \$100 of assessed value, the total estimated property tax revenue is projected to be \$66,160,930 for the fiscal year 2022-2023. The total estimated revenue from the Redevelopment Successor Agency Pass Through Agreements is budgeted at \$39,100,000.

Also shown on the attached spreadsheets are total estimated expenses of \$88,048,383 derived from DWR invoices; consisting of \$87,059,478 for the SWC Fund and \$988,905 for the DCC Fund. Further, all revenues attributable to the Debt Service Funds, interest earnings, return of bond cover charges and successor agency pass through payments total \$113,773,430; \$113,760,930 for the SWC Fund and \$12,500 for the DCC Fund.

Through continued conservative spending, the District is projected to be able to increase its reserves for Project Specific Rate Stabilization in the amount of \$25,735,047. The Project Specific Rate Stabilization reserves are expected to be used to pay for the future costs of the Delta Conveyance and Sites Reservoir.

Resolution No. 1159, setting the tax rate at \$0.1300 per \$100 of valuation for 2022-23, is provided for the Board's consideration.

District Strategic Plan Application

The Debt Service Fund Budget reinforces the district's investment and commitment in the State Water Project, supported by district strategy # 2 - proactively manage a diverse, adaptable water supply portfolio to maximize the value of the region's water assets.

Fiscal Impact

The combined State Water Contract and Devil Canyon Funds Draft Budgets for fiscal year 2022-2023 include total revenue in the amount of \$113,773,430 and total expenditures in the amount of \$88,048,383. The difference of \$25,725,047 will be set aside in the Project Specific Rate Stabilization Fund per the District's reserve policy to cash finance State Water Contract projects such as the Delta Conveyance and Sites Reservoir.

Attachments

- Resolution 1159 - Setting State Water Contract Debt Service Tax Rate for FY 2022-2023
- Fiscal Year 2022-2023 Debt Service Fund Budget worksheets

RESOLUTION NO. 1159

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT DETERMINING THE AMOUNT OF MONEY NEEDED TO MAKE ANNUAL PAYMENTS FOR INDEBTEDNESS APPROVED BY THE VOTERS PRIOR TO JULY 1, 1978, AND/OR FOR WHICH A TAX LEVY IS REQUIRED UNDER ARTICLE I, SECTION 10 OF THE UNITED STATES CONSTITUTION AND MAKING A TAX LEVY THEREFOR

WHEREAS, Section 72093 of the Water Code requires the Board of Directors of the San Bernardino Valley Municipal Water District to determine the amounts necessary to be raised by taxation during the fiscal year and to fix the rate or rates of tax to be levied therefore; and

WHEREAS, Section 11652 of the Water Code requires the Board to levy a tax sufficient to assure payment of sums due under the Contract Between the State of California Department of Water Resources and the San Bernardino Valley Municipal Water District for a Water Supply dated December 30, 1960, and the Devil Canyon/Castaic Contract dated June 23, 1972; and

WHEREAS, Section 1(b) of Article XIII A of the California Constitution and Section 93 of the Revenue and Taxation Code exempt ad valorem property tax levies to make payments upon indebtedness approved by the voters prior to July 1, 1978, from the limitations set forth in Section 1(a) of Article XIII A and said Section 93, the District's Water Supply Contract, having been approved by vote of the people on November 8, 1960, and March 9, 1971, fall within such exemption; and

WHEREAS, the District's aforementioned contracts and the provisions of Section 11652 of the Water Code with respect thereto are protected against impairment under the provisions of Article I, Section 10 of the Constitution of the United States and Article I, Section 9 of the California Constitution prohibiting the impairment of the obligation of contracts; and

WHEREAS, the Board, after reviewing and considering all the facts and information available, has determined that it is necessary to raise the amounts hereinafter specified by taxation and that it is not practicable to raise said sums from water rates or other sources;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Bernardino Valley Municipal Water District as follows:

1. That said Board of Directors has determined that the amounts necessary to be raised by taxation during the fiscal year beginning July 1, 2022, and ending June 30, 2023, to pay indebtedness approved by the voters prior to July 1, 1978, and/or for which a tax levy is required under Article I, Section 10 of the United States Constitution and Article I, Section 9 of the California Constitution is \$66,200,000 for payments on the Contract Between the State of California Department of Water Resources and San Bernardino Valley Municipal Water District for a Water

Supply dated December 30, 1960 and \$0 for payments on the Devil Canyon/Castaic Contract dated June 23, 1972 and hereby fixes the rates of tax for such purposes as follows:

State Water Contract	\$ 0.1300
Devil Canyon/Castaic Contract	\$ 0.0000
Total Rate	\$ 0.1300

2. That the Board of Directors does hereby certify the rate so fixed, and as hereinbefore set forth, to the Boards of Supervisors of the Counties of San Bernardino and Riverside, State of California, and to the County Auditor Controller of said Counties, and does further certify that all legal requirements for the establishment of the said tax rates have been met and that the imposition of such levies complies with the provisions of Article XIII A, Section 1(b) of the California Constitution and/or the requirements of Article I, Section 10 of the Constitution of the United States and Article I, Section 9 of the California constitution.

3. That pursuant to California Water Code Section 72093, the determination of the amounts necessary to be raised by taxation for such purposes during the fiscal year and the order fixing the rates of tax made herein shall constitute a valid assessment of the property within the District and a valid levy of the taxes so fixed.

4. That certified copies of this Resolution be transmitted to the County Auditor Controller Offices of the Counties of San Bernardino and Riverside, and that when so transmitted, said certified copies shall constitute the certification required in section 72094 of the California Water Code.

5. That funds received by the San Bernardino Valley Municipal Water District pursuant to the aforesaid tax levy shall be placed in separate funds identified for each of the indebtednesses set forth above.

ADOPTED this 2nd day of August 2022.

San Bernardino Valley Municipal Water District

By: _____
Paul R. Kielhold
President

ATTEST:

Heather Dyer
Secretary

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
STATE WATER CONTRACT FUND**

ESTIMATED EXPENSES FOR FY 2022-2023

	CATEGORY	TOTAL FOR FY
1	WATER SYSTEM REVENUE BOND & SURCHARGE	3,193,719
2	CAPITAL COST COMPONENT - DELTA WATER CHARGE	2,912,754
3	CAPITAL COST COMPONENT - TRANSPORTATION CHARGE	896,040
4	MINIMUM OMP&R COMPONENT - DELTA WATER CHARGE	5,709,684
5	MINIMUM OMP&R COMPONENT - TRANSPORTATION CHARGE	20,299,078
6	OFF AQUEDUCT POWER FACILITIES	79,238
7	EAST BRANCH ENLARGEMENT- MINIMUM OMP&R	301,770
8	EAST BRANCH EXTENSION	19,622,708
9	TEHACHAPI 2ND AFTERBAY	261,487
10	AUDIT FEES	40,000
11	STATE WATER CONTRACTORS ASSOCIATION	350,000
12	LEGAL / FINANCIAL ADVISORY FEES	150,000
13	SBVMWD ADMIN FEE	3,130,000
14	VARIABLE CHARGE FOR ENERGY	10,000,000
15	DELTA CONVEYANCE COSTS - <i>INCLUDED IN DWR CHARGES ABOVE</i>	-
16	SITES RESERVOIR	2,996,000
17	FIELD IMPROVEMENTS - SWP PRE-TREATMENT & CHEMICALS	275,000
18	FIELD IMPROVEMENTS - CENTRAL FEEDER EBX INTERTIE	2,327,000
19	FIELD IMPROVEMENTS - GREENSPOT PUMP STATION	14,000,000
20	FIELD IMPROVEMENTS - CITY CREEK CROSSING FEASIBILITY STUDY	435,000
21	SWP WATER QUALITY TESTING PROGRAM	80,000
22	TOTAL ESTIMATED EXPENSES	87,059,478

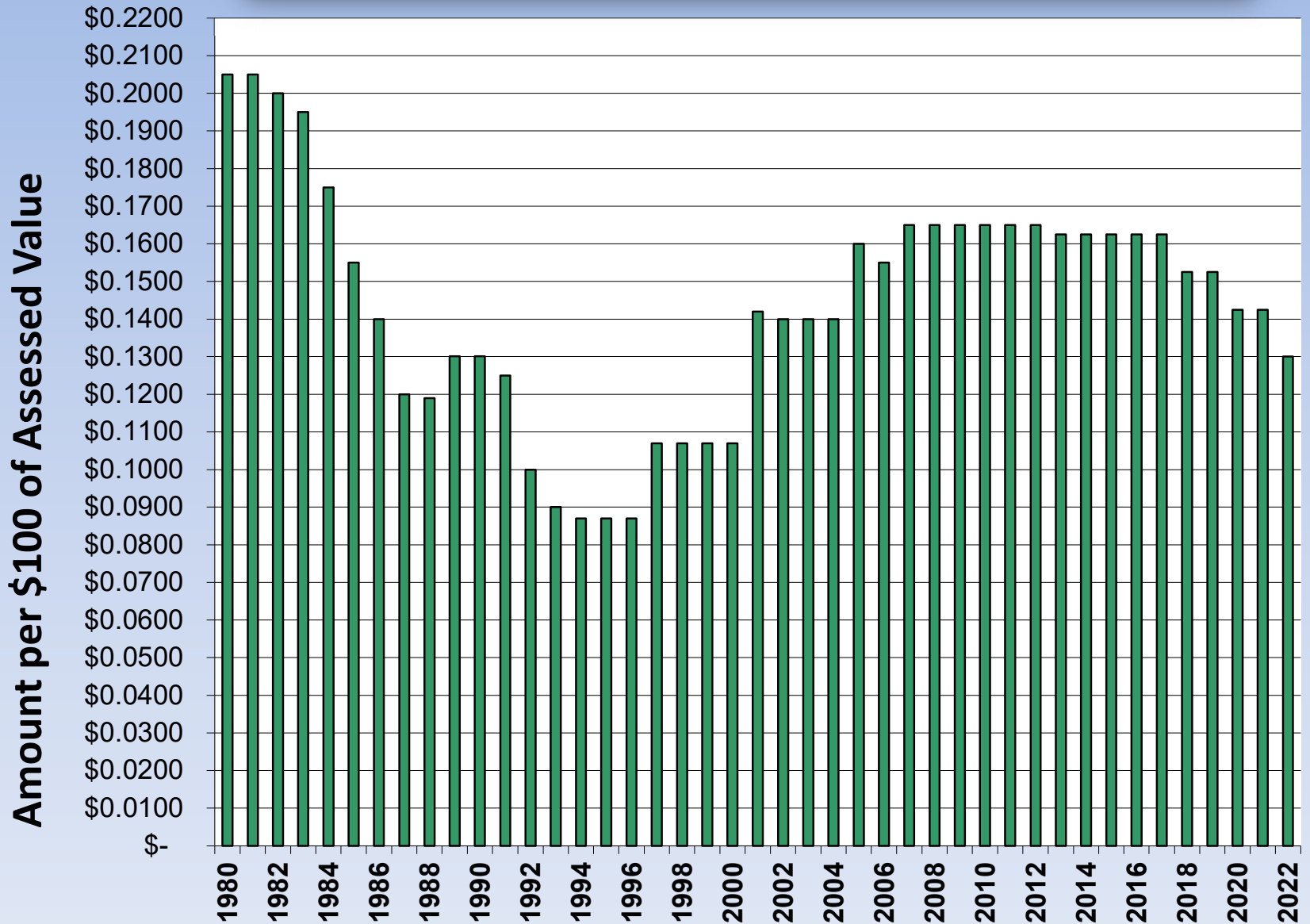
ESTIMATED REVENUE FOR FY 2022-2023

		TOTAL FOR FY
23	PROPERTY TAXES - SWC FUND - AT .1300 / \$100 AV	66,160,930
24	INTEREST EARNINGS	2,500,000
25	RETURN OF BOND COVER/RESERVES	6,000,000
26	RDA SUCCESSOR AGENCY PASS THROUGH AGREEMENTS	39,100,000
27	TOTAL ESTIMATED REVENUE	113,760,930

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT			
DEVIL CANYON / CASTAIC CONTRACT FUND			
ESTIMATED EXPENSES FOR FY 2022-2023			
		CATEGORY	TOTAL FOR FY
	1	DEBT SERVICE	307,599
	2	OPERATIONS, MAINTENANCE, POWER & REPLACEMENT	681,306
	3	SBVMWD ADMINISTRATION	-
	4	TOTAL	988,905
ESTIMATED REVENUE FOR FY 2022-2023			
			TOTAL FOR FY
	5	PROPERTY TAXES - DCC FUND - AT .1300 / \$100 AV	-
	6	INTEREST EARNINGS	12,500
	7	TOTAL	12,500
ESTIMATED CASH ON HAND FOR FY 2022-2023			
		6/30/2022 BALANCE AVAILABLE IN FY 2022-23	5,314,400
		FY 2022-2023 REVENUE	12,500
		FY 2022-2023 EXPENSES	(988,905)
		6/30/2023 CASH BALANCE (ESTIMATED)	4,337,995



San Bernardino Valley Municipal Water District Tax Rate By Year





DATE: August 2, 2022

TO: Board of Directors

FROM: Heather Dyer, CEO / General Manager
Cindy Saks, CFO / Deputy General Manager

SUBJECT: Consideration of Fiscal Year 2022-2023 State Water Project Audit Contract with Ernst & Young, LLP

Staff Recommendation

Staff recommends the Board approve the contract with Ernst & Young to provide auditing services for the 2022-2023 year for an amount not to exceed \$46,752 and authorize the CEO / General Manager to sign the Master Services Agreement and Engagement Letter.

Background

Each year the State Water Contractors Association (SWC) hires an auditing firm to perform various agreed upon auditing services of the Department of Water Resources (DWR). These services are advisory in nature and are not a formal audit of the DWR. On July 1, 2022, the Independent Audit Association (IAA), which consists of nine State Water Contractor members, agreed to a new Master Services Agreement with Ernst & Young (E&Y) for a period of five years from July 1, 2022 through June 30, 2027.

Once the auditing services are completed each year, Ernst & Young issues a report on audit findings and recommendations to the IAA. The purpose of these auditing services is to ensure proper and efficient use of State Water Contractor funds by the DWR. The costs of the audit are allocated to each participating agency based on Table A allocations of those Contractors that choose to participate in the audit. For the 2022-2023 fiscal year, the cost to the District to perform these auditing services will range from \$38,021 if all agencies participate to \$46,752 if only 80% of the agencies participate. Historically more than 80% of agencies participate each year. Included in these 2022-2023 cost estimates is an amount of \$3,096 which will only be billed if additional work is reviewed and authorized by the IAA. The District's prior year costs for these auditing services were \$33,934, an increase over the prior year in the amount of \$991.

In past years, the audit has resulted in a number of corrections to the DWR accounting procedures and is seen by participating Contractors as a worthwhile investment.

District Strategic Plan Application

Auditing services associated with State Water Contract Fund reinforces the district's investment and commitment in the State Water Project, supported by district strategy # 2 - proactively manage a diverse, adaptable water supply portfolio to maximize the value of the region's water assets.

Fiscal Impact

The cost for Ernst and Young auditing services is included in the Valley District State Water Contract Fund Budget in line item 6380 – Auditing Fees for fiscal year 2022-23.

Attachment

Ernst & Young Master Services Agreement for FY 23 - 27 and Statement of Work Contract for FY 22-23



Ernst & Young LLP
Suite 900
400 Capitol Mall
Sacramento, CA 95814

Tel: +1 916 218 1900
ey.com

July 1, 2022

Ms. Heather Dyer
San Bernardino Valley Municipal Water District
General Manager
380 East Vanderbilt Way
San Bernardino, California 92408

Dear Ms. Dyer:

In coordination with the Independent Audit Association (IAA), we have developed the Master Services Agreement (MSA) which covers a period of five years from July 1, 2022 through June 30, 2027 and the Statement of Work (SOW) for the 2022-2023 Procedures to be performed related to the 2023 Statement of Charges.

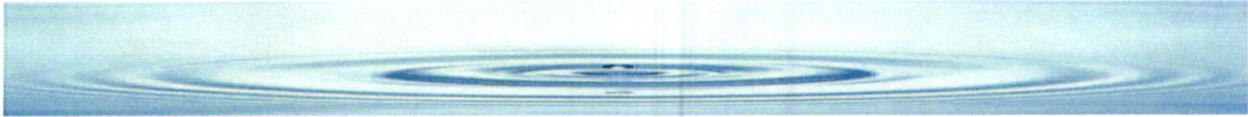
Please return the signed MSA and SOW to EY via mail at 400 Capitol Mall, Suite 900, Sacramento, CA 95814 (Attn. Scott Enos) or email to scott.enos@ey.com. We have also enclosed a copy of the support letter from Chantal Ouellet, IAA Secretary, recommending the approval of the MSA and SOW by San Bernardino Valley Municipal Water District.

If you have any questions about the enclosed MSA and SOW, please feel free to call me at +1 916 218 1958.

Very truly yours,

Scott Enos
Managing Director

Enclosures



MEMORANDUM

Date: July 1, 2022
To: Members of the Independent Audit Association (IAA)
From: Chantal Ouellet, IAA Secretary
Subject: Ernst and Young Master Service Agreement and 2022/2023 State Water Project
Professional Services Contract –
Recommended Approval and Execution

Enclosed is a new Master Services Agreement (MSA) with Ernst & Young which spans a period of 5 years from July 1, 2022 through June 30, 2027. Also enclosed is the 2022/23 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 2022/2023 SOW. If you have any questions, please contact me at (559) 992-4127 or couellet@tlbwsd.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chantal Ouellet".

Chantal Ouellet, CMA
Tulare Lake Basin Water Storage District

CC: Joe Pirnik, EY



Ernst & Young LLP
Suite 900
400 Capitol Mall
Sacramento, CA 95814

Tel: +1 916 218 1900
ey.com

Ms. Heather Dyer
San Bernardino Valley Municipal Water District
General Manager
380 East Vanderbilt Way
San Bernardino, California 92408

July 1, 2022

Dear Ms. Dyer:

Thank you for choosing Ernst & Young LLP (“we” or “EY”) to perform professional services (the “Services”) for San Bernardino Valley Municipal Water District (“you” or “Client”). We appreciate the opportunity to assist you and look forward to working with you. This letter agreement constitutes the Master Services Agreement (MSA) between EY and San Bernardino Valley Municipal Water District under which EY will perform the Services for San Bernardino Valley Municipal Water District. It is intended that the Services performed by EY on behalf of San Bernardino Valley Municipal Water District under this MSA will also be performed on behalf of a number of other State Water Project contractors under substantially identical MSAs, and that the costs of these services will be shared by all participants.

For each project that we agree to undertake for you, we will prepare a Statement of Work describing the particular Services, as well as any advice, presentations, or filings to be made, our fees therefor, and any other project-specific arrangements. All of the Services will be subject to the terms and conditions of this letter, its attachments, including the General Terms and Conditions, and the applicable Statement of Work (together, this “Agreement”). Except for a claim seeking solely injunctive relief, any dispute or claim arising out of or relating to this Agreement, the Services or any other services provided by us or on our behalf to you shall be resolved by mediation and arbitration as set forth in this Agreement.

We may enter into Statements of Work with you for a period of five years following the date of this letter, although we may agree with you to extend that period, including by executing additional Statements of Work referencing this Agreement. We understand that this MSA does not bind you to use our Services, but instead reflects our general understanding of the arrangement should EY and you choose to enter into any future Statement of Work.

Please sign this letter in the space provided below to indicate your agreement with these arrangements and return it to Scott Enos (400 Capitol Mall, Suite 900, Sacramento, CA 95814) or email to scott.enos@ey.com at your earliest convenience. If you have any questions about any of these materials, please do not hesitate to contact Scott Enos at 916-218-1958 so that we can address any issues you identify before we begin to provide any Services.



Very truly yours,

Ernst + Young LLP

AGREED:

San Bernardino Valley Municipal Water District

By: _____
Ms. Heather Dyer

General Terms and Conditions

Our relationship with you

1. We will perform the Services in accordance with applicable professional standards, including those established by the American Institute of Certified Public Accountants (“**AICPA**”).
2. We are a member of the global network of Ernst & Young firms (“**EY Firms**”), each of which is a separate legal entity.
3. We will provide the Services to you as an independent contractor and not as your employee, agent, partner or joint venturer. Neither you nor we have any right, power or authority to bind the other.
4. We may subcontract portions of the Services to other EY Firms, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Reports (as defined in Section 11), the performance of the Services, and our other obligations under this Agreement. From time to time, non-CPA personnel may perform the Services.
5. We will not assume any of your management responsibilities in connection with the Services. We will not be responsible for the use or implementation of the output of the Services, although we may otherwise provide advice and recommendations to assist you in your management functions and making decisions.

Your responsibilities

6. You shall assign a qualified person to oversee the Services. You are responsible for all management decisions relating to the Services, the use or implementation of the output of the Services and for determining whether the Services are appropriate for your purposes.
7. You shall provide (or cause others to provide) to us, promptly, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform the Services.
8. To the best of your knowledge, all information provided by you or on your behalf (“**Client Information**”) will be accurate and complete in all material respects. The provision of Client Information to us will not infringe any copyright or other third-party rights.
9. We will rely on Client Information made available to us and, unless we expressly agree otherwise, will have no responsibility to evaluate or verify it.

10. You shall be responsible for your personnel’s compliance with your obligations under this Agreement.

Our Reports

11. Any information, advice, recommendations or other content of any reports, presentations or other communications we provide under this Agreement (“**Reports**”), other than Client Information, are for your internal use only (consistent with the purpose of the particular Services).
12. You may not disclose a Report (or any portion or summary of a Report) externally (including to your affiliates) or refer to us or to any other EY Firm in connection with the Services, except:
 - (a) to your lawyers (subject to these disclosure restrictions), who may review it only to give you advice relating to the Services,
 - (b) to the extent, and for the purposes, required by subpoena or similar legal process (of which you will promptly notify us),
 - (c) to other persons (including your affiliates) with our prior written consent, who have executed an access letter substantially in the form we prescribe, or
 - (d) to the extent it contains Tax Advice, as set forth in Section 13.

If you are permitted to disclose a Report (or a portion thereof) externally, you shall not alter, edit or modify it from the form we provided.

13. You may disclose to anyone a Report (or a portion thereof) solely to the extent that it relates to tax matters, including tax advice, tax opinions, tax returns, or the tax treatment or tax structure of any transaction to which the Services relate (“**Tax Advice**”). With the exception of tax authorities, you shall inform those to whom you disclose Tax Advice that they may not rely on it for any purpose without our prior written consent.
14. You may incorporate into documents that you intend to disclose externally EY summaries, calculations or tables based on Client Information contained in a Report, but not our recommendations, conclusions or findings. However, you must assume sole responsibility for the contents of those documents and not refer to us or any other EY Firm in connection with them. This provision does not affect your ability to circulate Reports internally.

15. You may not rely on any draft Report. We shall not be required to update any final Report for circumstances of which we become aware, or events occurring, after its delivery.

Limitations

16. You (and any others for whom Services are provided) may not recover from us, in contract or tort, under statute or otherwise, any consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this Agreement or otherwise relating to the Services, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.
17. You (and any others for whom Services are provided) may not recover from us, in contract or tort, under statute or otherwise, aggregate damages in excess of the fees actually paid for the Services that directly caused the loss in connection with claims arising out of this Agreement or otherwise relating to the Services. This limitation will not apply to losses caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations.
18. You shall make any claim relating to the Services or otherwise under this Agreement no later than one year after you became aware (or ought reasonably to have become aware) of the facts giving rise to any alleged such claim and in any event, no later than two years after the completion of the particular Services. This limitation will not apply to the extent prohibited by applicable law or professional regulations.
19. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees (“**EY Persons**”). You shall make any claim or bring proceedings only against us. The provisions of Sections 16 through 20 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to enforce them.

Indemnity

20. To the fullest extent permitted by applicable law and professional regulations, you shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates and attorneys) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of the disclosure of any Report (other than Tax Advice) or a third party’s use of or reliance on any Report (including Tax Advice) disclosed to it by you or at your request.

Intellectual property rights

21. We may use data, software, designs, utilities, tools, models, systems and other methodologies and know-how that we own or license (“**Materials**”) in performing the Services. Notwithstanding the delivery of any Reports, we retain all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in connection with the Services (but not Client Information reflected in them).
22. Upon payment for particular Services and subject to the other terms of this Agreement, you may use the Reports relating to those Services, as well as any Materials owned by us that are included therein, solely to the extent necessary to use the Reports.

Confidentiality

23. Except as otherwise permitted by this Agreement, neither of us may disclose to third parties the contents of this Agreement or any information (other than Tax Advice) provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Either of us may, however, disclose such information to the extent that it:
 - (a) is or becomes public other than through a breach of this Agreement,
 - (b) is subsequently received by the recipient from a third party who, to the recipient’s knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information,
 - (c) was known to the recipient at the time of disclosure or is thereafter created independently,
 - (d) is disclosed as necessary to enforce the recipient’s rights under this Agreement, or
 - (e) must be disclosed under applicable law, legal process or professional regulations.

EY acknowledges that Client has taken the position that Client is subject to the Freedom of Information Act (“FOIA”) as may be amended, updated or replaced from time to time. EY has made no independent inquiry or determination on the subject, however, to the extent FOIA is applicable, the parties acknowledge and agree that: (a) Subject to clause (b) below, the decision on whether any exemption applies to a request for disclosure of information under the FOIA is a decision for Client after consultation with EY; (b) where Client is managing a request under FOIA to disclose a Report or any information that belongs to EY, EY shall cooperate with Client and shall use all reasonable efforts to respond to Client within ten (10) working

days of Client's request for assistance in determining whether or not an exemption to the FOIA applies; and (c) Client will only disclose the confidential information when required by FOIA, and when Client discloses a Report or EY confidential information, Client shall (i) use all reasonable efforts to limit the disclosure to the maximum extent possible (including redaction of the Report or EY's confidential information where possible), and (ii) notify EY in writing prior to such disclosure unless prohibited by law.

24. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.
25. Unless prohibited by applicable law, we may provide Client Information to other EY Firms (which are listed at www.ey.com) and EY Persons, as well as external third parties providing services on our or their behalf, who may collect, use, transfer, store or otherwise process (collectively, "**Process**") it in various jurisdictions in which they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide financial accounting and other administrative, infrastructure and security support services or for quality and risk management purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is Processed on our behalf.
26. With respect to any Services, if U.S. Securities and Exchange Commission auditor independence requirements apply to the relationship between you or any of your associated entities and any EY Firm, you represent, to the best of your knowledge, as of the date of this Agreement and as of the date of each Statement of Work hereunder, that neither you nor any of your affiliates has agreed, either orally or in writing, with any other advisor to restrict your ability to disclose to anyone the tax treatment or tax structure of any transaction to which the Services relate. An agreement of this kind could impair an EY Firm's independence as to your audit or that of any of your affiliates, or require specific tax disclosures as to those restrictions. Accordingly, you agree that the impact of any such agreement is your responsibility.

Data protection

27. If we Process Client Information that can be linked to specific individuals ("**Personal Data**"), we will Process it in accordance with Section 25 of this Agreement, as well as law and professional regulations applicable to us. We will also require any service provider that Processes Personal Data on our behalf to provide at least the same level of protection for such data as is required by such legal and regulatory requirements. If Personal Data relating to a data subject in the UK, European Union or Switzerland (collectively,

"**European Personal Data**") is required for EY to perform the Services, the parties agree to negotiate in good faith a data transfer addendum intended to validate the transfer of such European Personal Data by Company to EY prior to such transfer. If any Client Information is protected health information under the Health Insurance Portability and Accountability Act, as amended, this Agreement is deemed to incorporate all of the terms otherwise required to be included in a business associate contract relating to such information.

28. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been Processed in accordance with applicable law. In order to provide the Services, we may need to access Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law ("Restricted Personal Data"). In the event that we need access to such information, you will consult with us on appropriate measures (consistent with professional standards applicable to us) to protect the Restricted Personal Data, such as deleting or masking unnecessary information before it is made available to us, encrypting any data transferred to us, or making the data available for on-site review at a Client site. You will provide us with Restricted Personal Data only in accordance with mutually agreed protective measures.

Fees and expenses generally

29. You shall pay our professional fees and specific expenses in connection with the Services as detailed in the applicable Statement of Work. You shall also reimburse us for other reasonable expenses incurred in performing the Services. Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs imposed in respect of the Services, all of which you shall pay (other than taxes imposed on our income generally). Unless otherwise set forth in the applicable Statement of Work, payment is due within 30 days following receipt of each of our invoices. We may receive rebates in connection with certain purchases, which we use to reduce charges that we would otherwise pass on to you.
30. We may charge additional professional fees if events beyond our control (including your acts or omissions) affect our ability to perform the Services as originally planned or if you ask us to perform additional tasks.
31. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request,

unless we are a party to the proceeding or the subject of the investigation.

Force majeure

32. Neither you nor we shall be liable for breach of this Agreement (other than payment obligations) caused by circumstances beyond your or our reasonable control.

Term and termination

33. This Agreement applies to the Services whenever performed (including before the date of this Agreement).
34. This Agreement shall terminate upon the completion of the Services. Either of us may terminate it, or any particular Services, earlier upon 30 days' prior written notice to the other. In addition, we may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.
35. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement. Payment is due within 30 days following receipt of our invoice for these amounts.
36. The provisions of this Agreement, including Section 14 and otherwise with respect to Reports, that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement, except that our respective confidentiality obligations (other than those relating to Reports or under Section 14) shall continue thereafter for three years only.

Governing law and dispute resolution

37. This Agreement, and any non-contractual matters or obligations arising out of this Agreement or the Services, including (without limitation) claims arising in tort, fraud, under statute or otherwise relating to the Services, or questions relating to the scope or enforceability of this Section 37, shall be governed by, and construed in accordance with, the laws of New York applicable to agreements made, and fully to be performed, therein by residents thereof. Except as otherwise expressly provided in the Cover Letter, any dispute relating to this Agreement or the Services shall be resolved as set forth in Appendix 1 to these Terms and Conditions.

Miscellaneous

38. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered. In addition, any policy, protocol, agreement (other than this Agreement) or other instrument, in whatever form, imposed at any time that purports to obligate EY, any other EY Firm or any EY Person with respect to the use of Client Information shall be void and of no further effect, and you shall not seek to enforce any such obligation.
39. Both of us may execute this Agreement (including Statements of Work), as well as any modifications thereto, by electronic means and each of us may sign a different copy of the same document. Both of us must agree in writing to modify this Agreement or any Statement of Work hereunder.
40. Each of us represents to the other that each person signing this Agreement or any Statement of Work hereunder on its behalf is expressly authorized to execute it and to bind such party to its terms. You also represent that this Agreement has, if necessary, been considered and approved by your Audit Committee. You represent that your affiliates and any others for whom Services are performed shall be bound by the terms of this Agreement.
41. You agree that we and the other EY Firms may, subject to professional obligations, act for other clients, including your competitors.
42. Neither of us may assign any of our rights, obligations or claims arising out of or related to this Agreement or any Services.
43. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.
44. If there is any inconsistency between provisions in different parts of this Agreement, those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the Cover Letter, (b) the applicable Statement of Work and any attachments thereto, (c) these General Terms and Conditions, and (d) other attachments to this Agreement.
45. Neither of us may use or reference the other's name, logo or trademarks publicly without the other's prior written consent, although we may publicly identify you as a client in connection with specific Services or generally.

46. For administrative reasons, you may from time to time ask that fees and expenses for Services performed for your international affiliates or at international locations be invoiced to you or your designate there, in local currency. You guarantee the timely payment of all those invoices by your affiliates. In addition, from time to time, an affiliate of ours, providing Services as a subcontractor to us, may bill you directly for fees incurred for work outside the US, in local currency or otherwise.

Appendix 1

Dispute resolution procedures

Mediation

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution (“CPR”) shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties and must confirm in writing that the mediator is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or of beneficial owner with decision-making capacity over any EY Firm audit client.

The mediator shall conduct the mediation as the mediator determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator’s assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

Arbitration

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration (“Rules”) as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless the arbitrator has agreed in writing to these procedures and has confirmed in writing that the arbitrator is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director, or of beneficial owner with decision-making capacity over any EY Firm audit client.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction. In deciding the dispute, the arbitration panel shall apply the limitations period that would be applied by a court deciding the matter in the same jurisdiction, and shall have no power to decide the dispute in any manner not consistent with such limitations period.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.



Ernst & Young LLP
Suite 900
400 Capitol Mall
Sacramento, CA 95814

Tel: +1 916 218 1900
ey.com

Statement of Work

This Statement of Work with the attached Exhibits, dated July 1, 2022 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and San Bernardino Valley Municipal Water District on behalf of itself (“you” or “Client”), pursuant to the Master Services Agreement, dated July 1, 2022 (MSA), between EY and San Bernardino Valley Municipal Water District (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, 2023.

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 Chantal Ouellet of the IAA Audit Contract Negotiating Committee.

Your specific obligations

You acknowledge that the Services are sufficient for your purposes.

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, nor will we test compliance with the laws or regulations of any jurisdiction.

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.

Compliance with U.S. immigration requirements may require EY to provide certain information to the U.S. Citizenship and Immigration Services (“USCIS”) to confirm that EY employees on certain visas are, in fact, EY employees and not employees of the Client or other clients of EY. This will include providing certain information regarding work locations to support compliance with the visa requirements. As such, EY may disclose to USCIS information regarding this SOW, including the Client’s identity and location, as well as a redacted copy of this SOW. Upon providing this information, EY will request that USCIS keep any such information confidential. In further support of these legal requirements, the U.S. Department of Labor (DOL) regulations, at 20 CFR § 655.734(a)(1)(ii)(A), require the posting of notice of a Labor Condition Application (LCA) in instances where individuals holding H-1B visas will be working on the Client’s premises. EY and the Client will work together

to develop an appropriate notice as required. The Client acknowledges that EY resources will be operating at all times as an employee of and under the direction and control of Ernst & Young U.S. LLP's management, and all activities including supervision, hiring and firing decisions, and performance evaluations are controlled by Ernst & Young U.S. LLP. The Client will not have the right to control EY resources. At all times, EY resources will receive direction from an EY manager while on-site at the Client premises.

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 (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 \$564,000 for the twelve months ending June 30, 2023. 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 \$564,000 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 \$34,925 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, 2023, the maximum fees to your Agency will vary between the above-mentioned amount and \$43,656, 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 \$3,096 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 Bernardino Valley Municipal Water District

Ernst & Young, LLP

Representative

Representative

Signature

Scott Enos

Signature

Printed Name

Scott Enos

Printed Name

Title

Authorized Signatory

Title

Address

Ernst & Young LLP
400 Capitol Mall
Suite 900
Sacramento, CA 95814

Address

Date

July 1, 2022

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, 2023 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 2022/2023 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 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, 2023 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, 2023, the Services will include the following procedures.

2022/2023 Procedures

The procedures for the fiscal year ended June 30, 2023 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 2023 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 132-22 for the contractors selected for testing (to be provided by IAA).
- Agree 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 corrected Project Interest Rate
- 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 (\$341 million in delta water charges in 2020 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.
- Assess 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 S-series 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 (\$299 million allocated by alpha allocation cycles in 2020).

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 update 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. System Power Costs – Variable Transportation

Risk:

- Incorrect contractor charged and/or incorrect allocation of costs between contractors.

Risk Factors:

- Calculation of the 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 (\$162 million net system power costs in 2020 per Table B-3).

Areas of Focus:

- Vouch power costs and power revenues from SAP and assess the classification of costs.
- Reconcile the 2021 Preliminary Allocation of Power Costs (PALPOC) to UCABS (SAP). Recalculate appropriate inputs to the 2021 PALPOC (e.g., value of recovery generation credits, direct-to-plant transmission, etc.).
- Recalculate the 2021 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 2021 for the contractors selected (to be provided by the IAA).

6. Debt Service Procedures

Risk:

- Incorrect bond debt service charged to the contractors.

Risk Factors:

- Water System Revenue Bond (WSRB) Surcharge calculation is a manual process. Manual processes create opportunities for errors.
- Debt service not subsequently adjusted to provide the benefits of any refinancing to the contractors.
- 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.
- Determine whether refinanced bonds were credited to the debt service schedules to provide the benefits of such refinancing to the contractors (direct billed debt service and WSRB Surcharge).
- Assess changes made to the cost/debt reconciliation project from previous versions.

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. 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 rate management credits calculation 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 2023 SOC and review the allocation methodology for sample selected.
- Obtain the most recent rate management credits calculation and assess a sample of the largest balances.
- 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 findings on the revenues available for rate management credits.

8. Reconciliation between PR5 and UCABS and SWRDS Funds Analysis

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.
- Potential for movement of costs and revenues outside the SWRDS funds used for the state water project.

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.
- Identify, document, and investigate all variances between the two systems (PR5 and UCABS).
- Assess and classify all variances into two categories, (1) valid variance and (2) errant variance.
- Provide final assessment on the Department's recovery of all SWRDS costs.
- Perform an analysis of the movement of costs and revenues outside the SWRDS funds used for the state water project.

II. FEES FOR EY SERVICES

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$564,000, 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:

Agency	Maximum fee for each Agency, provided all agencies listed below enter into agreements with EY	Maximum fee for each Agency, provided 80% of agencies listed below enter into agreements with EY	Percent of total
Alameda County Flood Control and Water Conservation District, Zone No. 7	\$ 27,444	\$ 34,305	4.9%
Alameda County Water District	14,297	17,871	2.5
Antelope Valley-East Kern Water Agency	49,305	61,631	8.7
Casitas Municipal Water District	6,808	8,509	1.2
Central Coast Water Authority	15,483	19,353	2.7
City of Yuba City	3,268	4,085	0.6
Coachella Valley Water District	47,094	58,868	8.4
County of Kings	3,167	3,959	0.6
Crestline-Lake Arrowhead Water Agency	1,974	2,468	0.4
Desert Water Agency	18,977	23,721	3.4
Dudley Ridge Water District	15,437	19,296	2.7
Empire West Side Irrigation District	1,021	1,276	0.2
Kern County Water Agency	141,000	176,250	25.0
Littlerock Creek Irrigation District	783	979	0.1
Mojave Water Agency	29,206	36,508	5.2
Napa County Flood Control and Water Conservation District	9,880	12,350	1.8
Palmdale Water District	7,251	9,064	1.3
San Bernardino Valley Municipal Water District	34,925	43,656	6.2
San Gabriel Valley Municipal Water District	9,804	12,255	1.7
San Geronio Pass Water Agency	5,889	7,361	1.0
San Luis Obispo County Flood Control and Water Conservation District	8,510	10,638	1.5
Santa Clara Valley Water District	34,040	42,550	6.0
Santa Clarita Valley Water Agency	32,406	40,508	5.7
Solano County Water Agency	16,256	20,320	2.9
Tulare Lake Basin Water Storage District	<u>29,775</u>	37,219	<u>5.3</u>
Total	<u>\$ 564,000</u>		<u>100.0%</u>

V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

<u>August 10, 2022 Billing</u>	<u>September 9, 2022 Billing</u>	<u>October 10, 2022 Billing</u>	<u>November 10, 2022 Billing</u>	<u>December 9, 2022 Billing</u>	<u>Total Billing</u>
\$10,478	\$6,985	\$6,985	\$6,985	\$3,492	\$34,925

EXHIBIT B

I. OTHER CONSULTING SERVICES

EY shall, during the twelve months ending June 30, 2023, 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 266 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2023. Any part of the \$50,000 which is unused shall not be billed.

Agency	Maximum fee for each Agency, provided all Agencies listed below enter into agreements with EY	Percent of total
Alameda County Flood Control and Water Conservation District, Zone No.7	\$ 2,432	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	1,682	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>100.0%</u>

EXHIBIT C

I. INDIVIDUAL CONTRACTOR AGREEMENTS

EY may, during the twelve months ending June 30, 2023, 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, 2023 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 July 1, 2022 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and San Bernardino Valley Municipal Water District on behalf of itself (“you” or “Client”), pursuant to the Agreement, dated July 1, 2022 (the Agreement), between EY and San Bernardino Valley Municipal Water District (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 July 1, 2022. 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, 2023.

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 acknowledge that the Services are sufficient for your purposes.

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, nor will we test compliance with the laws or regulations of any jurisdiction.

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.

Compliance with U.S. immigration requirements may require EY to provide certain information to the U.S. Citizenship and Immigration Services (“USCIS”) to confirm that EY employees on certain visas are, in fact, EY employees and not employees of the Client or other clients of EY. This will include providing certain information regarding work locations to support compliance with the visa requirements. As such, EY may disclose to USCIS information regarding this SOW, including the Client’s identity and location, as well as a redacted copy of this SOW. Upon providing this information, EY will request that USCIS keep any such information confidential. In further support of these legal requirements, the U.S. Department of Labor (DOL) regulations, at 20 CFR § 655.734(a)(1)(ii)(A), require the posting of notice of a Labor Condition Application (LCA) in instances where individuals holding H-1B visas will be working on the Client’s premises. EY and the Client will work together to develop an appropriate notice as required. The Client acknowledges that EY resources will be operating at all times as an employee of and under the direction and control of Ernst & Young U.S. LLP’s management, and all activities including supervision, hiring and firing decisions, and performance evaluations are controlled by Ernst & Young U.S. LLP. The Client will not have the right to control EY resources. At all times, EY resources will receive direction from an EY manager while on-site at the Client premises.

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 Bernardino Valley Municipal Water District

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: _____



DATE: August 2, 2022

TO: Board of Directors

FROM: Heather Dyer, CEO/General Manager
Wen Huang, Chief Engineer/Deputy General Manager

SUBJECT: Consider Initiating the Development of a Master Plan for the Tres Lagos Property

Staff Recommendation

Staff recommends the Board of Directors direct staff to initiate the development of a Master Plan for the Tres Lagos property based on the direction and input from the Board of Directors, stakeholders, and general public at the Workshops on April 21 and July 27, 2022, respectively, when the vision, goals, and objectives for the Tres Lagos property were discussed.

Summary

The District purchased 1,658 acres of unentitled land from the Orange County Flood Control District through a public auction for approximately \$32 million. Escrow officially closed on the property in late February 2022. Following the completion of the acquisition, a couple of workshops have been conducted for the Board of Directors to develop concepts, receive input from public, engage with each other to brainstorm ideas, and form a vision for the property in the future. More specifically, on April 21, 2022, the Board discussed various concepts, ideas, and opportunities for the site along with challenges and potential partnerships. Subsequently on July 27, 2022, a facilitated workshop was held with the Board of Directors to solidify specific goals and objectives. With valuable input and feedback from both workshops, Staff recommends that the Board of Directors direct staff to draft a request for proposal (RFP) to initiate the development of a Master Plan for the site.

Background

Earlier this year, the District acquired through public auction, 1,658 acres of undeveloped land located at the base of the San Bernardino mountains, bordering the National Forest and Mill Creek in the City of Highland. The District identified the land purchase as financially and operationally advantageous based on the location of the land respective to future water district infrastructure needs and the large amount of potential mitigation land with endangered species habitat present on the site, which is required by federal and state permits to build our local water supply projects.

On April 21, 2022, the Board of Directors held a workshop to discuss opportunities, in concept, for the site, including the District's future water infrastructure needs, mitigation land needed to satisfy permit requirements for the Upper Santa Ana River Habitat Conservation Plan, opportunities for conserved open space, and educational components for the site. At that time, the Board received valuable feedback from those in attendance.

On July 27, 2022, a facilitated workshop was held with the Board of Directors to further refine and solidify specific goals and objectives for the Property. This feedback included comments from Mr. Lawrence Mainez, Community Development Director of the City of Highland. He provided insights primarily on City's vision of trail network that may be extended into the Property. Throughout the Workshop, input and feedback from the Board of Directors, stakeholders, and public was very received.

As previously discussed with the Board, Staff recommends the District begin development of a Master Plan for the property which will serve as a guiding document that provides opportunities, constraints, and a vision for future use of the site. With the valuable input and feedback from both workshops, Staff requests the Board of Directors direct staff to prepare an RFP for development of a Master Plan for the site.

Fiscal Responsibility

The future fiscal impact of this item is currently undetermined. Once the direction of the Board is determined, an estimate of the fiscal impact will be developed.



DATE: August 2, 2022

TO: Board of Directors

FROM: Heather Dyer, Chief Executive Officer/General Manager

SUBJECT: Consider In-Person meetings or alternatively Resolution 1160 authorizing the San Bernardino Valley Municipal Water District to conduct remote meetings for the period August 2, 2022, through August 31, 2022

Staff Recommendation

Receive feedback from legal counsel and determine if the Board would like to return to in-person meetings in the month of July. If the Board decides to continue with virtual meetings, consider adoption of Resolution 1160 authorizing the San Bernardino Valley Municipal Water District to conduct remote meetings for the period August 2, 2022, through August 31, 2022.

Background

Based on the current COVID-19 conditions, the Board should consider various options for in person, hybrid, or remote meetings and the specific requirements for each option.

On March 17, 2020, due to the COVID-19 global pandemic emergency, Governor Newsom issued Executive Order N-29-20, which allowed local agencies to hold meetings via teleconferences and to make meetings accessible electronically without violating the open meetings laws in the Brown Act by relaxing the teleconferencing rules.

On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which replaced the text in Executive Order N-29-20. Executive Order N-08-21 stated the relaxed Brown Act provisions shall apply through September 30, 2021.

Assembly Bill No. 361 provides additional flexibility for local agencies looking to meet remotely to continue providing the public with essential services during a proclaimed state of emergency. The goal of Assembly Bill No. 361 is “to improve and enhance public access to state and local agency meetings during the COVID-19 pandemic and future emergencies by allowing broader access through teleconferencing options.”

Assembly Bill No. 361 allows a local agency to use teleconferencing without complying with certain Brown Act provisions in any of the following circumstances:

1. The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
2. The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.
3. The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Assembly Bill No. 361 went into effect on October 1, 2021. A local agency is authorized to use teleconferencing without complying with the teleconferencing requirements in the Brown Act when meetings are held during a declared state of emergency until January 1, 2024. To do so, the local agency must adopt a Resolution making the following findings by majority vote every 30 days:

1. The legislative body has considered the circumstances of the state-of-emergency; and
2. Any of the following circumstances exist:
 - a. The state-of-emergency continues to directly impact the ability of the members to meet safely in person; or

- b. State or local officials continue to impose or recommend measures to promote social distancing.

Fiscal Impact

None

Attachment

Resolution 1160

RESOLUTION NO. 1160

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR GAVIN NEWSOM ON MARCH 4, 2020, AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT FOR THE PERIOD AUGUST 2, 2022, THROUGH AUGUST 31, 2022, PURSUANT TO BROWN ACT PROVISIONS.

WHEREAS, the San Bernardino Valley Municipal Water District (District) is committed to preserving and nurturing public access and participation in meetings of the Board of Directors; and

WHEREAS, all meetings of the San Bernardino Valley Municipal Water District's legislative bodies are open and public, as required by the Ralph M. Brown Act (Gov't Code § 54950 et seq.), so that any member of the public may attend, participate, and watch the District's legislative bodies conduct their business; and

WHEREAS, the Brown Act, Government Code section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District's boundaries, caused by natural, technological, or human-caused disasters; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the state of emergency continues to directly impact the ability of the members to meet safely in person; and

WHEREAS, such conditions now exist in the District, specifically, a state of emergency has been proclaimed due to an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19); and

WHEREAS, the San Bernardino County Department of Health has recommended measures to promote social distancing;

WHEREAS, the Board of Directors has determined that the state of emergency continues to directly impact the ability of the members to meet safely in person; and

WHEREAS, the Board of Directors does hereby find that the current state of emergency with respect to COVID-19, local official recommendations to promote social distancing, and conditions causing imminent risk to the health and safety of attendees have caused, and will continue to cause, conditions of peril to the safety of persons within the District that are likely to be beyond the control of services, personnel, equipment, and facilities of the District, and desires to proclaim a local emergency and ratify the proclamation of state of emergency by the Governor of the State of California; and

WHEREAS, as a consequence of the local emergency, the Board of Directors does hereby find that the legislative bodies of San Bernardino Valley Municipal Water District shall conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953, as authorized by subdivision (e) of section 54953, and that such legislative bodies shall comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of section 54953;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Proclamation of Local Emergency. The Board hereby proclaims that a local emergency now exists throughout the District, and declares that meeting in person would not comply with local official recommendations to promote social distancing and would present imminent risk to the health and safety of attendees.

Section 3. Ratification of Governor's Proclamation of a State of Emergency. The Board hereby ratifies the Governor of the State of California's Proclamation of a State of Emergency, effective as of its issuance date of March 4, 2020.

Section 4. Remote Teleconference Meetings. The General Manager and legislative bodies of the San Bernardino Valley Municipal Water District are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect on August 2, 2022 and shall be effective until the earlier of (a) August 31, 2022, or (b) such time the Board of Directors adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which the legislative bodies of the San Bernardino Valley Municipal Water District may continue to teleconference without compliance with paragraph (3) of subdivision (b) of section 54953.

ADOPTED this 2nd day of August 2022.

Paul Kielhold
President

Heather P. Dyer
Secretary



DATE: August 2, 2022
TO: Board of Directors
FROM: Staff
SUBJECT: Summary of July 7, 2022, Board of Directors Workshop – Resources

The Resources Workshop convened on July 7, 2022. Director Hayes chaired the meeting via video conference.

Directors Present: President Kielhold, Vice President Hayes, Director Botello, Director Harrison, and Director Longville.

Staff Present:

Heather Dyer, MS, MBA – Chief Executive Officer/General Manager
Joanna Gibson, MS -- Executive Director Upper SAR Habitat Conservation Program
Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff/Clerk of the Board
Bob Tincher, PE, MS – Deputy General Manager / Chief Water Resources Officer
Melissa Zoba, MBA, MPA – Chief Information Officer

Kristeen Farlow, MPA -- Strategic Communications Manager
Anthony Flordelis – Business Systems Analyst
Matthew E. Howard – Water Resources Senior Planner
Adekunle Ojo, MPA – Manager of Water Resources
Karen Resendez – Human Resources / Risk Manager
Shavonne Turner, MPA – Water Conservation Program Manager

Olivia Ramirez, SBVMWD Intern

Members of the Public Present:

Chris Mann, Yucaipa Valley Water District
James Morales, East Valley Water District
Nyles O’Harra, Yucaipa Valley Water District
Melody McDonald, San Bernardino Valley Water Conservation District
Richard Corneille, San Bernardino Valley Water Conservation District
Michelle Miro, RAND

1. Introductions

The following attendees introduced themselves:

- Richard Corneille, San Bernardino Valley Water Conservation District
- Michelle Miro, RAND

2. Public Comment

Chair Hayes invited public comment. There was none.

3. Discussion Items

3.1 Consider Estimating the Plausible Maximum Water Demand in the Valley District Service Area.

Deputy General Manager / Chief Water Resources Officer Bob Tincher indicated this is a follow up item to the discussion at the September 14, 2021 meeting, with Board feedback incorporated. Staff recommends hiring the RAND Corporation to enhance their previous analysis to include an estimate of the plausible maximum water demand in Valley District's service area, which can be used to help evaluate long-term water supply strategies. The project cost is \$132,639.

Mr. Tincher reviewed the feedback provided by the Board and the content of the scope of work. Land use planning and current legislation will be incorporated, along with the ability to enter new numbers and recalculate ultimate maximum demand, Mr. Tincher assured. He indicated the Basin Technical Advisory Committee (BTAC) was consulted and is supportive of this project.

Mr. Tincher explained the plausible maximum water demand estimate is important to assure demand estimates are as accurate as possible, to examine underlying trends and assumptions, and to review land use planning. The Board's policy question is how much insurance is needed, Mr. Tincher noted: more investment increases costs but reduces uncertainty, while reduced costs increase uncertainty. The information in this study will be helpful for the Board in weighing the policy decision, he stated.

Michelle Miro of RAND reviewed the core elements and findings of RAND's prior work. Over the last several years, RAND has been stress-testing the District's 2015 Urban Water Management Plan against future uncertainties such as temperature, precipitation, State Water Project (SWP) imports, and local surface water availability. Ms. Miro presented supply and

demand scenarios and noted that the balance between supply and demand is sensitive to high population growth and high per-capita water use. In the majority of future scenarios, there is sufficient supply, she concluded.

New water supply projects included in the Habitat Conservation Plan may result in surplus supply, as the groundwater basins can fill up, Ms. Miro noted.

Vice President Hayes asked if the figures include the Rialto, Colton, and Yucaipa basins. Ms. Miro said analysis of Rialto and Colton was performed, but the figures presented include only the San Bernardino Basin. Yucaipa data was not available, she stated.

Mr. Richard Corneille asked how climate change was factored in, and Ms. Miro explained that was one of the main uncertainties explored. Future drought scenarios, temperature and precipitation were included, all pulled from projections from State-recommended climate models.

Director Longville pointed out when the prior work was done, there was not as much scientific data available on climate and aridity. In the new work, it is important to look at that factor. Ms. Miro said the scope of the extension is focused on the demand side, whereas pulling in aridity would be more on the supply side. Director Longville noted that the work includes update of the model, which includes supply and demand. Ms. Miro said it is not in the current estimate for the scope of work, but it is possible to add. This can be added if the Board desires, Mr. Tincher stated.

Director Botello indicated there are unknowns such as earthquake or salinity in northern California. Ms. Miro recalled early discussion about those variables and said there is ability with the online tool to filter to zero deliveries from the SWP, but that was not explicitly discussed in the work. Mr. Tincher noted that scenario is included in the Integrated Regional Urban Water Management Plan (IRUWMP). It is the same shift to groundwater strategy as is being used now, he explained. Director Botello asked if a six- to eight-month interruption in SWP supply would put a strain on Valley District's basins to assist Metropolitan Water District. Mr. Tincher acknowledged the agreement to work with MWD and try to assist where possible, but advised there are limitations that would come into play. If necessary, it would be brought to the Board for consideration.

Director Longville suggested a workshop to look at the RAND computer model.

Mr. Tincher presented the proposed upcoming work, which would include the 2020 IRUWMP data. Demand projections have changed over time with the effects of water conservation and continue to get tighter, he explained. He reviewed the 2020 IRUWMP results which indicate

that supplies exceed demand but cautioned the projections are not the maximum demand that the service area may see into the future; it is the demand expected to be seen until 2045. Those two things do not necessarily match, Mr. Tincher advised. The goal of the project is to offer a tool to show what might be the service area maximum demand to provide context for planning documents, Mr. Tincher stated.

Ms. Miro explained that the work could be extended to estimate maximum or “build out” demand. This is based on planned future land uses and aligns with best practices in forecasting urban water demand, she said, and explained that the study will consider overstated demand, shifting patterns in population growth among water user types, and changes in housing density. She further detailed the evaluation approach.

Mr. Tincher advised that the work aligns with the Strategic Plan and is consistent with the mission statement. He pointed to strategies listed in the staff memo and said the project cost has been budgeted.

Director Longville requested the Board add the work to look beyond temperature and precipitation. She said she has been working on resource-efficient land use for more than 15 years, and strongly supported the project. She noted the Board should be engaged and present for the RAND kickoff meeting with the BTAC and at the Planning Department meetings within their divisions.

In response to Chair Hayes, Director Longville explained the aridification factor.

Director Longville noted that she did not want the process delayed by addition to the scope and indicated that can come later. An additive contract amendment can come back to the Board, Mr. Tincher explained.

The Board voted to add this item as presented to a future regular Board of Directors agenda by the following roll-call vote:

There was no motion or second.		APPROVED: 5-0
AYES:	Botello, Harrison, Hayes, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

3.2 Consider the Proposal to Update the Estimate of New Conservation Water Made Possible by Seven Oaks Dam.

Deputy General Manager / Chief Water Resources Officer Bob Tincher explained that this is a requirement of a 2013 agreement that the Board signed with the Western Municipal Water District (WMWD) Board as the two watermaster agencies. The Watermaster requests the Board update the estimate of new conservation water as made possible by the water right that WMWD and Valley District share with the construction of Seven Oaks Dam.

The proposal is to hire Geoscience Support Services to do the update work at a cost of \$118,579 to be split by the two agencies, Mr. Tincher continued.

Mr. Tincher explained that the calculation of the new conservation is necessary to obtain the value of the new water right. The Watermaster will continue to update the calculation as new facilities are added and can adjust the Basin safe yield, Mr. Tincher continued.

The agreement established the new conservation amount based on an analysis by Geoscience, Mr. Tincher continued, and it is proportioned 72 percent to San Bernardino, and 28 percent to Riverside. The benefit is provided by the Watermaster by increasing pumping amounts available to both sides. The underlying goal is to provide the new conservation benefit to the entities that invested in the water right.

Per the agreement, the update of the calculation is due in 2023, and if both Valley District and WMWD approve this work the deadline will be met, Mr. Tincher advised.

Practical benefits to the retailers include additional new, local water to offset extractions, delay any recharge obligation, and effects to individual water budgets used to proportion costs of Groundwater Council water, Mr. Tincher explained.

Due to water conservation, neither side has used the additional extraction credits, and pumping in San Bernardino is 20 percent less than the safe yield, and Riverside is 10 percent less, Mr. Tincher noted.

Mr. Tincher reviewed the tasks in the new conservation calculation. Once the new conservation amount is approved, it will stand for five to 10 years, he noted. The work is consistent with the Strategic Plan, he said. Valley District's portion of the cost totals \$59,289.50, and Valley District will serve as the contracting entity for the work.

Chair Hayes voiced concern about the safe yield being updated as needed and assuring that old, inaccurate information is not used to prevent over-pumping. Mr. Tincher advised that the Watermaster considered updating the safe yield but opted to establish management ranges. The Watermaster believes the net effect will be the same, he stated. Entities have

demonstrated a collaborative spirit and agree that as the basin is depleted, production will be cut, he advised.

The Board voted to add this item to a future regular Board of Directors agenda by the following roll-call vote:

There was no motion or second.		APPROVED: 5-0
AYES:	Botello, Harrison, Hayes, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

4. Future Business.

None added.

Chief Executive Officer/General Manager Heather Dyer announced the receipt of a \$2 million grant from the Bureau of Reclamation for the Anza Creek Aquatic and Riparian Habitat Restoration.

5. Adjournment.

Chair Hayes adjourned the meeting at 2:57 p.m.

Staff Recommendation

Receive and file.



DATE: August 2, 2022
TO: Board of Directors
FROM: Staff
SUBJECT: Summary of July 12, 2022, Board of Directors Workshop – Engineering

The Engineering Workshop convened on July 12, 2022. Director Harrison chaired the meeting via video conference.

Directors Present: President Kielhold, Vice President Hayes, Director Botello, Director Harrison, and Director Longville.

Staff Present:

Heather Dyer, MS, MBA – Chief Executive Officer / General Manager
Joanna Gibson, MS – Executive Director Upper SAR Habitat Conservation Program
Wen Huang, PE, MS -- Deputy General Manager / Chief Engineer
Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff/Clerk of the Board
Cindy Saks, CPA – Deputy General Manager/Chief Financial Officer
Melissa Zoba, MBA, MPA – Chief Information Officer

Matthew E. Howard, MS – Water Resources Senior Planner
Adekunle Ojo, MPA – Water Resources Manager
Kai Palenscar, Ph.D. – Environmental Compliance Program Manager
Shavonne Turner, MPA – Water Conservation Program Manager

Olivia Ramirez – SBVMWD Intern

Members of the Public Present:

Joyce McIntire, Yucaipa Valley Water District
Melody McDonald, San Bernardino Valley Water Conservation District
Athena Laroche, San Bernardino Valley Water Conservation District

1. Introductions

The following attendees introduced themselves:

- Joyce McIntire, Yucaipa Valley Water District
- Melody McDonald, San Bernardino Valley Water Conservation District

2. Public Comment

Chair Harrison invited public comment. There was none.

3. Summary of Previous Meeting

The meeting notes from the June 16, 2022, Board of Directors Workshop - Engineering were accepted with no corrections.

4. Discussion Items

4.1 Update on the Cactus Basins Recharge Project

Deputy General Manager / Chief Engineer Wen Huang reminded that staff has been working cooperatively with partners for several years on this project to facilitate recharge of State Project Water (SPW) in the Cactus Basins, located on the west side of the District's service area in the City of Rialto.

Mr. Huang described the location of the Foothill pipeline from the State Water Project (SWP) which can be used for direct delivery or recharge into the groundwater basin, and also connects to the San Gorgonio Pass Water Agency on the east side. Valley District also shares capacity in the Devil Canyon – Azusa pipeline, which is used to provide direct delivery to customers on the west side of the service area, and will facilitate any future SWP recharge, he explained.

Mr. Huang pointed out the 35-square-mile Rialto-Colton Basins referred to in the 1969 Western San Bernardino judgment. The historical pond locations had been used to recharge up to about 38,000 acre-feet (af) of SPW in the 1980s and 1990s, however this is now the location of the West Valley Water District's (WVWD) Roemer Water Treatment Plant.

For the last decade, the District has been seeking an area for large scale SWP recharge, Mr. Huang advised. Given the build-out of the area, it is difficult to find the land needed for such a facility. He detailed the location and layout of the Cactus Basins. Existing Basins 1 and 2 were constructed in the 1970s and 80s. Basins 3 and 3A were completed in 2017. The San

Bernardino County Flood Control District (SBCFCD) began construction on Basins 4 and 5 in 2019, but work was stalled due to a dispute with the contractor. SBCFCD is working toward resolution in order to finish the project by the end of this year, he stated.

Mr. Huang noted the Rialto-Colton Basin has no major surface water and receives a limited amount of recharge. A large portion of the upper Basin is regulated by the 1961 Rialto Decree which limited production based on the average spring high water levels from three index wells, he explained. Based on the formula, producers have had to cut back their adjudicated rights by 40 percent, which is why the District desires the facilities to store or replenish groundwater when SPW is available.

Mr. Huang advised that some Rialto-Colton Basin groundwater is being contaminated by the 160-acre Rockets, Fireworks and Flares site. Groundwater modeling is being done to satisfy that the recharge will not have adverse impact on the groundwater plume migration or change the groundwater remediation system currently in place. Results show that up to 6,900 af can be recharged in Cactus Basins 3 and 3A with no adverse impact, he advised.

Based on preliminary discussion with SBCFCD, there are no seasonal restrictions as long as recharge does not impact flood protection purposes, Mr. Huang continued. However, for modeling purposes, March through November was identified as the primary recharge season outside of the local storm season.

Staff has been working cooperatively with Flood Control regarding construction of the facilities. The City of Rialto has existing pipeline that may be available when it is not being used to convey stormwater, which could alleviate the cost of installing parallel facilities. This will benefit purveyors on the west side of the District including WVWD, Fontana Water Company, the City of Rialto, and the City of Colton, Huang stated.

Mr. Huang noted Valley District was able to work with SBCFCD on a funding agreement with \$2.4 million invested by the Board. While SBCFCD is constructing the basins, they can install the facilities that will benefit recharge, avoiding need to dig up the basin twice, he explained.

Mr. Huang reiterated some benefits and provided detail on operations. Recharge will be currently focused on Basin 3 and 3A, with Basin 5 as a backup, as modeling shows that significant use of Basins 4 and 5 may create a greater impact to the plume migration, he said.

Mr. Huang explained conveyance from the Devil Canyon – Azusa pipeline to a City of Rialto storm drain on Locust Avenue to route water to Cactus Basins. Staff is proposing to construct a 36-inch pipeline parallel to the Devil Canyon – Azusa pipeline to an existing 36" nozzle convey water through the Metropolitan Water District right-of-way between Riverside Avenue

and Locust Avenue. The pipeline is being designed and can be constructed after environmental review, he concluded.

President Kielhold asked how the 6,900 af per year of recharge would be generated. Mr. Huang explained it is based on the anticipated percolation rate and groundwater modeling. He pointed to capacity in the Devil Canyon – Azusa pipeline and the need to meet SWP demand from WVWD and Fontana Water Company and the concept for recharge within the Live Oak development.

Mr. Huang responded to a comment from President Kielhold regarding the number of inactive wells. The map came from the Watermaster annual report, and there have been many wells tracked since 1969, he said. Vice President Hayes added that in the 1990s, the Rialto City Council decided that if perchlorate was detected, the water would not be served, resulting in the closure of 50 percent of the City's wells.

Director Longville reminded that this project has been worked on for eight years and said she was glad for the review. She said she would be happy if the recharge facilities were done by the end of the year. She acknowledged the \$2.4 million investment and pointed to the meetings now underway for the next step. She requested the Board be apprised when it is appropriate to receive information on cost sharing.

Executive Director Upper SAR Habitat Conservation Program Joanna Gibson advised that the California Environmental Quality Act Notice of Preparation and initial study were released yesterday for the public comment period which closes on August 10. A virtual public meeting is scheduled on July 21.

Following the comment period, work will begin on the draft Environmental Impact Report (EIR), the main focus of which is the impact to groundwater quality given the perchlorate plume, Ms. Gibson explained. Cactus Basins will be incorporated into the Master Recharge Agreement and a potential joint use agreement with the City of Rialto, she continued.

A significant amount of modeling has been done, Ms. Gibson reported, and is to be finalized pending any additional comments. Next will be design of the connector, the pipeline alignments, and acquisition of an easement from MWD, she said.

Chief Executive Officer / General Manager Heather Dyer provided an update on the agreement with SBCFCD, noting productive meetings with executive staff. A shorter, umbrella agreement has been put together and will be sent to the County today, she noted. She reminded the Board about issues of concern including the recharge fee (which has been

removed) and said there is still slow progress toward an agreement she feels comfortable bringing to the Board for consideration.

Continued sticking points include whether to include Cactus Basins (SBCFCD prefers a separate agreement), insurance details, and inclusion of agreement regarding how the agencies would work together on future projects, Ms. Dyer explained. SBCFCD has attended presentations on the modeling of the groundwater plume, and if it can be established that this will not negatively affect migration of the plume, it may be possible to include Cactus Basins.

The term of the agreement is also a sticking point given Valley District's potential investment of tens of millions of dollars in infrastructure which are capitalized over 50-year periods, Ms. Dyer explained.

Director Harrison acknowledged the importance of the agreement.

President Kielhold expressed concern that it does not sound like a cooperative agreement at this point and perhaps new people should be involved in creating the agreement.

Director Longville said the Board would not want to slow down the work being done and had given direction regarding the best way possible to move forward. She requested to see the new draft agreement before it is provided to the County. Ms. Dyer said she would consider the process but preferred to provide the version to the County. She assured that the recitals detail why the agencies should be working together. If it is not well-received, it may be considered to have another meeting with the Supervisor, she noted.

Action Item(s): Receive and file.

4.2 Report on the Appointment and Standing of the Regional Recycled Water Ad-Hoc Committee

Chief Executive Officer / General Manager Heather Dyer reminded that this review of the 2x2x2 Committee was requested by the Board. The Committee was originally approved by the Board in August 2015 in the midst of planning for the Sterling Natural Resource Center and the Clean Water Factory, and the development of the recycled water concept study. The Committee was to allow two elected officials of each agency to work together and discuss challenges, she noted.

Relevant documents located were sent to the Board, Ms. Dyer continued. She reviewed the purpose, and the timeline of action related to the Committee. After resolution of the lawsuit

regarding recycled water, the Committee has not had much work. It has been more of a technical review process where Mr. Huang and the other agencies present information to the Committee for discussion prior to going to the agency boards.

Director Longville thanked staff for performing the search but pointed out that at the Nov. 7, 2017 Board meeting, the Board members approved the List of Guidelines for Appointments to serve as primary representatives to the Valley District Board. The Director representing the greatest percentage has the first right to be the primary representative, she noted.

Director Longville posited that the 2x2x2 is a special committee related to recycled water projects in two retail agencies: East Valley Water District (EVWD) and the City of San Bernardino. She noted that she represents more than 80 percent of EVWD and the City. She had previously served on the Committee and made the case that the first right of refusal for committees related to local matters should go to the primary representatives. If it is unwanted, she said she agreed with District legal counsel that all directors work for the entire District and would do their best for the District as a whole.

She recommended that this be resolved when Board appointments are made the next time in January 2023, and requested it be added to the Board handbook.

Director Harrison reminded that it is the prerogative of the new president to make committee assignments and indicated this discussion should have taken place a year and a half ago when the appointments were made. He said he was glad the focus is on January 2023 and that the request should be part of the discussion at that time.

President Kielhold asked about the List of Guidelines for Appointments. Director Longville will email it to all Board members.

Vice President Hayes said she recalled the action regarding director appointments to the retail agencies, saying that whoever had the greatest percentage of people would be the primary representative to each of the retail agencies.

Vice President Hayes stated that it is important, it is time to look at revision of the Directors' Handbook, and she would like to serve on the committee for that activity. Director Harrison pointed out that said committee already exists and a draft Handbook is being finalized.

President Kielhold added the recent hire of Human Resources / Risk Manager Karen Resendez, necessitates an additional review before the handbook is finalized. It is expected that Ms. Dyer will review it followed by legal counsel, then it will be brought back to the Committee as a draft, he explained.

Action Item(s): Receive and file.

5. Future Business.

None added.

6. Adjournment.

Chair Harrison adjourned the meeting at 2:53 p.m.

Staff Recommendation

Receive and file.



DATE: August 2, 2022
TO: Board of Directors
FROM: Staff
SUBJECT: Summary of July 14, 2022, Board of Directors Workshop – Policy

The Resources Workshop convened on July 14, 2022. Director Botello chaired the meeting via video conference.

Directors Present: President Kielhold, Vice President Hayes, Director Botello, and Director Longville

Directors Absent: Director Harrison

Staff Present:

Heather Dyer, MS, MBA – Chief Executive Officer / General Manager
Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff / Clerk of the Board
Cindy Saks, CPA – Deputy General Manager / Chief Financial Officer
Bob Tincher, PE, MS – Deputy General Manager/Chief Water Resources Officer
Melissa Zoba, MBA, MPA – Chief Information Officer

Kristeen Farlow, MPA – Strategic Communications Manager
Anthony Flordelis – Business Systems Analyst
Adekunle Ojo, MPA – Water Resources Manager
Karen Resendez, MA – Human Resources / Risk Manager
Shavonne Turner, MPA – Water Conservation Program Manager

Olivia Ramirez – SBVMWD Intern

Members of the Public Present:

Chris Mann, Yucaipa Valley Water District
Melody McDonald, San Bernardino Valley Water Conservation District
Robert Stewart, San Bernardino Valley Water Conservation District
Jackson R. Gualco, Gualco Group

1. Introductions

Chief Executive Officer / General Manager Heather Dyer introduced staff members present. President Kielhold introduced San Bernardino Valley Water Conservation District Directors Robert Stewart and Melody McDonald.

2. Public Comment

Chair Botello invited public comment. There was none.

3. Summary of Previous Meeting

The meeting notes from the June 9, 2022, Board of Directors Workshop - Policy were accepted with no corrections.

4.1 State and Federal Legislative Update

Strategic Communications Manager Kristeen Farlow introduced Jack Gualco of the Gualco Group.

Mr. Gualco advised that the State legislature is on break for the month of July. The budget is large, and refunds will be returned to drivers to offset the high price of gas, he noted.

Watershed Connect will depend on how the drought and wildfire portions of the budget are worked out in August, Mr. Gualco said, so there is not much information expected before the Labor Day weekend.

The Legislature returns on August 1, and fiscal committees must wrap up by August 12, Mr. Gualco stated. They will be dealing with items on the floor between August 15 and 31. The Governor then has 30 days to decide on signing or vetoing bills, or allowing them to become law without signature.

About 24 members of the legislature have decided to retire or leave, Mr. Gualco noted.

Mr. Gualco updated the Board on the following bills:

- AB 2142 Turf replacement: The bill is in the Appropriations Committee and will be addressed upon the return of the legislature.
- AB 2449 Open Meetings (Three Valleys): The scheduled hearing has been delayed but there is no problem with the bill. It allows for continued use of remote

participation by both the public and directors and would allow locations to be private provided a quorum of the Board is otherwise present.

- SB 230: Metropolitan Water District sponsored bill on constituents of emerging concern: In the Assembly Appropriations Committee
- SB 1020 Requirement for renewable energy purchases by State agencies: Primarily falls on the Department of Water Resources. Mr. Gualco said he has been involved on the District's behalf as part of the State Water Contractors group of lobbyists to assure that issues which could drive increased costs are ameliorated as much as possible.
- SB 833 Community Energy Resilience Act of 2022: Sets up a process for local governments to receive grants through a non-competitive process. It is limited to cities and counties and is intended to be a gap filler. It will be heard by the Assembly Appropriations Committee upon the return of the Legislature.
- SB 852: Would allow set up of climate resilience districts to allow redevelopment authority to be established by a city or county. Special districts can participate if the effort is initiated by a city or county. It provides additional tax increment financing for steps needed to deal with climate change on a local level. Opposition comes mainly from the Chamber of Commerce and the California Taxpayers Association.

Director Longville pointed out that SB 852 is the enhanced infrastructure financing districts which has been a large part of the work of the infrastructure funding alliance.

Ms. Farlow reported that the House Appropriations Committee has released all 12 bills and the Senate is expected to release theirs in July. They will be considered in August when the Legislature returns, and it should be a quick turnaround.

The lobbyist for the Habitat Planning Coalition, Innovative Federal Strategies, has been working with the U.S. Fish and Wildlife Service on changes to the Notice of Funding opportunity for Section 6 grants, Ms. Farlow reported. The changes would be helpful to practitioners in easing some of the requirements when seeking those grants.

Thanks to the District's efforts in working closely with Representative Pete Aguilar, through the House Appropriations Committee the language for Seven Oaks Dam regarding the non-federal entities working with the U.S. Army Corps of Engineers to capture and release water into groundwater basins was included, Ms. Farlow advised.

Action Item(s): Receive and file.

4.2 Discuss Additional Sponsorships for FY 22-23

Chief Executive Officer / General Manager Heather Dyer pointed to the list of approved sponsorships as identified at the Budget Workshop on June 14, 2022, including a \$6,000 budget line for Miscellaneous Potential Sponsorships to be determined that would allow consideration of other opportunities that come up throughout the year.

Director Botello had requested information on The Climate Center and Water Education for Latino Leaders (WELL), Ms. Dyer continued. She briefed the Board on both organizations and sponsorship levels.

Chair Botello reiterated his support for both organizations. He said The Climate Center has been educational and is a worthwhile effort and recommended a sponsorship of \$3,000. He said he had attended a conference of the WELL group, which is not only for Latino leaders but also elected officials who represent Latinos. He recommended a sponsorship of \$2,500.

President Kielhold asked about The Climate Center purpose to “rapidly reduce climate pollution.” Director Botello mentioned that Director Longville is on the Board of Directors. He pointed to the webinars presented and emphasized the tie of climate change to negative impacts to life on earth, many times connected to water.

Director Longville stated that rapidly reducing climate pollution is connected with reaching carbon neutrality in 2045. It includes energy resilience, fossil fuel industry changes, support for renewables, and a variety of other things. In response to President Kielhold, Director Longville confirmed the focus is on education and advocacy. She emphasized that she is a director on The Climate Center Board but has never done any work for or been paid by the organization, and has no family members who work for them. She indicated intention to abstain from the vote.

Vice President Hayes reminded about her previously voiced concern about Maven’s Notebook. Ms. Dyer said that Ms. Farlow had reached out to Ms. Austin but that no substantial progress had been made.

Action Item(s): The Board of Directors approved support for The Climate Center at the \$3,000 level was approved by the following roll call vote:

MOTION: Kielhold	SECOND: Hayes	APPROVED: 3-0-1
AYES:	Botello, Hayes, Kielhold	
NOES:	None	
ABSTAIN:	Longville	
ABSENT:	Harrison	

Action Item(s): The Board of Directors approved support for the Water Education for Latino Leaders (WELL) organization at the \$2,500 level by the following roll call vote:

MOTION: Longville	SECOND: Kielhold	APPROVED: 4-0
AYES:	Botello, Hayes, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	Harrison	

5. Future Business

None added.

6. Adjournment.

Chair Botello adjourned the meeting at 2:49 p.m.

Staff Recommendation

Receive and file.



DATE: August 2, 2022
TO: Board of Directors
FROM: Staff
SUBJECT: Summary of Board of Directors Debt Service Fund Budget Workshop – July 21, 2022

The Board of Directors Workshop – Debt Service Fund Budget convened on July 21, 2022 via Zoom teleconference. President Kielhold chaired the meeting.

Directors Present: President Kielhold, Vice President Hayes, Director Botello, Director Harrison, and Director Longville.

Staff Present:

Heather Dyer, MS, MBA – Chief Executive Officer/General Manager
Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff/ Clerk of the Board
Cindy Saks, CPA – Deputy General Manager/Chief Financial Officer
Melissa Zoba, MBA, MPA – Chief Information Officer

Karen Resendez, MA - Human Resources/Risk Manager

Members of the Public Present:

Melody McDonald, San Bernardino Valley Water Conservation District

1. Introductions.

None.

2. Public Comment.

President Kielhold invited public comment. There was none.

3.1 Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets and Draft Resolution 1159 for Fiscal Year 2022-2023

Chief Executive Officer/General Manager Heather Dyer advised the Board that this is the annual review and that a property tax rate must be set for the new fiscal year. The monies generated from the debt service property tax rate are restricted and can only be used to pay for the costs associated with the State Water Contract and Devil Canyon Castaic contract. The current debt service rate is .13 cents per \$100 of assessed property value. She reminded that last year, the Board voted to lower the tax rate.

Based on current preliminary assessed values of property within Valley District's boundary, approximately \$7.9 million is associated with each one cent per \$100 tax rate increase or decrease, Ms. Dyer explained.

Ms. Dyer reviewed some changes to note on the Department of Water Resources (DWR) statement of charges. DWR will release excess monies that were held in a Debt Service Reserve Fund – a one-time refund to all State Water Contractors (SWC) a reduction in the calendar year 2023 charges, she stated. In future years, the statement of charges will not contain that credit, she emphasized. Beginning in 2023, the Devil Canyon Castaic contract will be paid off, Ms. Dyer noted. Once the capital portion is paid, the future remaining funds will be consolidated into the State Water contract fund.

Power costs are estimated to increase 25 percent over the previous year, and this year's budget has incorporated \$10 million associated to the variable charge, Ms. Dyer advised. This is an increase in the cost of the variable energy charge to deliver water to the District's service area. She reminded the Board of the proposed legislation detailed by Jack Gualco at the July 14 Policy Workshop which would accelerate the transition to renewable energy and increase costs.

Vice President Hayes noted that when Devil Canyon is paid off, there is still money set aside for repairs, and asked if that would still fall under State Water Contract debt services. Ms. Dyer confirmed it would all be consolidated into the one fund.

Ms. Dyer presented four scenarios related to paying for the Sites Reservoir and Delta Conveyance, projects which are meant to increase the supply and reliability of SWC water and are important to Valley District's long-term water resilience.

- Scenario 1 – 100% cash payment is not possible with the cash available now; the expenses are well over \$1 billion. If the District were to try to cash fund both Sites

and Delta Conveyance projects, the tax rate would need to be increased by about 1 to 2 percent between 2027 and 2041

- Scenario 2 – Use of current cash reserves to cash fund Sites Reservoir and join the DWR bond pool to finance the Delta Conveyance. Total repayment would be almost \$2 billion, but there would be zero projected increase in tax rate. In about 2035, the original State Water Contract debt is to be paid off, then a few years later, payment for the Delta Conveyance would begin.
- Scenario 3 – Participation in a Water Infrastructure Finance and Innovation Act (WIFIA) loan for the Sites Reservoir and fund the remaining 51 percent of cost with cash reserves, and cash fund Delta Conveyance.

The Delta Conveyance is a much more expensive project than Sites, Ms. Dyer explained. Even if obtaining a loan for Sites, to cash fund the Delta Conveyance would require an increase in the tax rate between 2033 and 2041 by about .5 percent to .75 percent, she advised.

- Scenario 4 - Not included in the modeling. Fund a portion of the Sites Reservoir in cash, participate in the WIFIA loan, and save some of that cash to spread into the future Delta Conveyance. If the Delta Conveyance did not happen, that cash could be used to pay back the WIFIA loan. This must be discussed with the Sites representatives, but it allows some flexibility, and there are also strategic reasons to consider this option.

Ms. Dyer advised the Sites Reservoir is anticipated to move forward several years sooner than the Delta Conveyance. She detailed the anticipated timeline, curve of cash outlays for the projects through 2040, and the impacts to ending cash balance on the District's reserves as both projects progress, leveling out at about \$191 million remaining in reserves. Costs include maintenance of the entire State Water Project (SWP), plus operational costs of Sites Reservoir and the Delta Conveyance.

Deputy General Manager/Chief Financial Officer Cindy Saks demonstrated the new Synario modeling tool being used for all projections and led the Board through the property tax rate variations. Although there is a lot of cash in reserves now, there is a plan for how to spend that, Ms. Dyer advised.

Vice President Hays expressed support for cash funding as much as possible, and said she preferred not to lower the tax rate and then have to increase it in a couple of years.

Ms. Saks pointed to Scenario 2 and Ms. Dyer provided further detail on use of cash financing for both projects. She agreed with Vice President Hayes that fluctuation in the tax rate is not desired. The best use of cash right now appears to be to pay for 51 percent of Sites Reservoir, plus use the WIFIA loan and pay it down more quickly. Ms. Saks added that the pay off of the original SWP bonds make it possible to then make the infrastructure more reliant without having the two bond payments at once.

In response to Director Harrison, Ms. Saks explained the variances in the sample tax rate scenarios. Ms. Dyer discussed variables for determination of the Board's goal for the tax rate.

Ms. Saks reviewed the County's preliminary assessed values. Director Harrison recommended bearing in mind that any coming increase in assessed value will be much flatter than the past few years. Ms. Saks continued, reviewing the State Water Contract Fund estimated costs and revenues. She detailed the revenues generated by the tax rate and other sources and reiterated that a change of one cent in the tax rate generates \$7.9 million.

A small amount of the .13 cent debt service tax was previously allocated to the Devil Canyon Castaic fund, Ms. Saks continued. Now, the full amount has been allocated to the State Water Contract Fund, and payments from the Devil Canyon Castaic fund would be paid from cash balances, she explained. The estimated remaining \$4.3 million cash balance at June 30, 2023 would be transferred to the State Water Contract Fund to pay future costs. The debt service will go away, as the bonds will be paid off, but there will be continued maintenance and operations costs of the facility which will be incorporated into the State Water Contract Fund Statement of Charges, she noted.

Ms. Saks detailed the history of pass-through payments, reviewed the bar chart of cash payments for the Sites Reservoir and Delta Conveyance projects, and showed the Board a curve of cash balance based on maintaining the current 13 cent tax rate. In fiscal year 2039-40, Ms. Dyer concluded, estimated cash balance would end up around \$191 million in reserves if there are no unexpected expenses in addition to items already included in the financial model.

Ms. Dyer presented the tax rate by year graph, showing that the rate has been reduced since 2016. She said she believes the District is in a very strong position to pay for the projects that the Board has indicated the District should be working toward.

Director Longville indicated that this is the first time there has been substantive discussion of the long-term financing strategies beyond the Board's statement about cash financing. There is no way to make those kinds of promises, as these projects are still not final, she noted. She said she leaned toward the recommendation of Ms. Dyer to cash finance with the hope that Sites Reservoir moves forward quickly, although uncertain. There is more uncertainty with Delta Conveyance, she added.

In response to Director Longville's question about the one-time refund of \$4.2 million on the debt service reserve fund, Ms. Saks explained it was because the DWR reissued some bonds and was able to release an amount based on a lower bond covenant requirement.

Vice President Hayes asked about the ongoing impact to the tax roll. Ms. Dyer explained the debt that is on the tax bill will be paying for the Delta Conveyance infrastructure rather than the 1970s infrastructure, as that debt will come off right around the time that the Delta Conveyance is starting to need repayment. The tax bill will continue because infrastructure will always need to be fixed, maintained, and upgraded as the costs of having an imported water supply is part of the portfolio.

Ms. Dyer clarified the staff recommended strategy to pay 51 percent of the Sites Reservoir project costs in cash, use cash as part of the total WIFIA loan 51 percent requirement, and participate in the loan for some amount of years as a strategic move to assure the project is successful, then determine how much cash to use to pay off the loan early or continue to make payments. This scenario still needs a modeling run, but is the most strategic move, Ms. Dyer stated. Vice President Hayes said a citizen would see no change on the tax bill with these models.

Director Botello suggested the prudent solution may be to retain the current rate at .13 cents. Ms. Dyer recommended staying at .13 cents and said she thought this is the right path given the goals and the modeling output. She noted the effort to balance the right amount of cash reserves against future expenses and reminded that there will be significant cash outlay in the next few years.

Vice President Hayes acknowledged the other rate models, and Ms. Dyer emphasized the upcoming project needs, noting there would be a point when the rate would need to be raised to pay for both projects.

Director Longville pointed to the Summary of Estimated Revenues and noted that the bottom line is how much revenue will the District have at the end of this fiscal year. All of

the revenue moves into the two projects in which the District is very interested in participating, although it is unknown when they will be built or how much they will cost. She said she looks at one year at a time and considers cash balance. Ms. Saks acknowledged and pointed to the unusual factors this year.

Director Harrison supported retaining the current rate. The Sites Reservoir and Delta Conveyance are critical to children and grandchildren, he noted, and until there is further definition on project timeline and cost, the ship should stay even keeled. He agreed with Director Longville on reviewing it one year at a time, with the continuing goal to understand and meet obligations to future generations.

Vice President Hayes agreed with retaining the current rate and reviewing one year at a time. She advised paying attention to the future projections so as not to miss things.

Action Item(s): The Board recommended maintaining the debt service property tax rate at \$0.13 cents per \$100 of assessed value for the Fiscal Year 2022-2023 and directed staff to bring the recommendation to the full Board of Directors for consideration by the following roll-call vote:

Moved: Harrison	Seconded: Botello	APPROVED: 5-0
AYES:	Botello, Harrison, Hayes, Kielhold, Longville	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

4. Future Business

No items added.

5. Adjournment

Staff Recommendation

Receive and File



DATE: August 2, 2022

TO: Board of Directors

SUBJECT: List of Announcements

- A. August 3, 2022, 8:30 a.m. – Upper SAR WIFA by Teleconference and/or in-person
- B. August 4, 2022, 2 p.m. – Board of Directors Workshop – Resources by Teleconference and/or in-person
- C. August 8, 2022, 2 p.m. – Groundwater Council Meeting by Teleconference
- D. August 9, 2022, 2 p.m. – Board of Directors Workshop – Engineering by Teleconference and/or in-person
- E. August 10, 2022, 8:30 a.m. – Upper SAR WIFA Technical Advisory Committee - by Teleconference and/or in-person
- F. August 10, 2022, 1:30 p.m. – San Bernardino Valley Water Conservation District Board Meeting
- G. August 11, 2022, 2 p.m. – Board Workshop – Policy by Teleconference and/or in-person
- H. August 12, 2022, 8:00 a.m. – BIA Southern California Water Conference (Ontario Double Tree)
- I. August 15, 2022, 6 p.m. – ASBCSD dinner (Sierra Lakes Golf Club, Fontana, CA)
- J. August 16, 2022, 9:30 a.m. – SAWPA Commission Meeting
- K. August 16, 2022, 2 p.m. – Regular Board Meeting by Teleconference and/or in-person.
- L. August 17, 2022, 8:30 a.m. – Upper SAR WIFA by Teleconference and/or in-person.
- M. August 22 - August 24, 2022 – CSDA Conference (Palm Springs)

N. August 24, 2022, 8:30 a.m. – Upper SAR WIFA Technical Advisory Committee - by
Teleconference and/or in-person)