



**SAN BERNARDINO  
VALLEY** | A REGIONAL WATER  
AGENCY SINCE 1954

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**BOARD OF DIRECTORS WORKSHOP - POLICY/ADMINISTRATION  
2:00 pm Thursday, July 11, 2024**

**In Person:**

380 East Vanderbilt Way  
San Bernardino, CA 92408

**Online via Zoom:**

<https://sbvmwd.zoom.us/j/89386241472>

Meeting ID: 893 8624 1472

**PASSCODE: 3802020**

**By Telephone:**

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

Meeting ID: 893 8624 1472

**PASSCODE: 3802020**

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](mailto: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 Wednesday, July 10, 2024**. All public comments will be provided to the Board President and may be read into the record or compiled as part of the record.

**IMPORTANT PRIVACY NOTE:** 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

**BOARD OF DIRECTORS' WORKSHOP - POLICY/ADMINISTRATION**  
**2:00 PM Thursday, July 11, 2024**

**CALL TO ORDER**

1) **INTRODUCTIONS**

2) **PUBLIC COMMENT**

Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items except as authorized by law. Each speaker is limited to a maximum of three (3) minutes.

3) **DISCUSSION AND POSSIBLE ACTION ITEMS**

3.1 2024 California Special Districts Association Southern Network Election (20 min) - Page 2  
[Staff Memo - 2024 California Special Districts Association Southern Network Election](#)  
[CSDA Candidate Sheets and Statements](#)

3.2 State Legislative Update (20 min) - Page 10  
[Staff Memo - State Legislative Update](#)

3.3 Consider Fiscal Year 2024-2025 State Water Project Audit Contract with Ernst & Young, LLP  
[Staff Memo - Consideration of Fiscal Year 2024-2025 State Water Project Audit Contract](#)  
[with Ernst & Young LLP\(20 min\) - Pg 12](#)  
[Ernst & Young LLP Statement of Work Contract for FY 2024-2025](#)

4) **FUTURE BUSINESS**

5) **ADJOURNMENT**

**DATE:** July 11, 2024  
**TO:** Board of Directors' Workshop – Policy/Administration  
**FROM:** Kelly Malloy, Strategic Communications Manager  
**SUBJECT:** 2024 California Special Districts Association Southern Network Election

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### **Staff Recommendation**

Provide direction to staff for the California Special Districts Association (CSDA) Board of Directors Election Ballot - Term 2025 - 2027; Seat A - Southern Network.

### **Summary**

CSDA is a 501c(6), not-for-profit association that was formed in 1969 to promote good governance and improved core local services through professional development, advocacy, and other services for all types of independent special districts. Currently, there is one seat available for the 2025 – 2027 term of the Southern Network with the following 3 candidates:

- Jo MacKenzie, Director, Vista Irrigation District (incumbent)
- Jason Dafforn, General Manager, Valley Sanitary District
- Ross A. Leja, Director, Jurupa Area Recreation & Park District

### **Background**

CSDA provides education and training, insurance programs, legal advice, industry-wide litigation and public relations support, legislative advocacy, capital improvement and equipment funding, collateral design services and current information that is crucial to a special district's management and operational effectiveness.

CSDA is a statewide association representing six different divisions, or networks. San Bernardino Valley Municipal Water District is included in the Southern Network, which includes San Bernardino, Imperial, Los Angeles, Orange, Riverside, and San Diego Counties. The election process allows for selection of one candidate through digital ballot submittal by the organization's CEO/ General Manager. The deadline to submit the District's ballot is July 26, 2024.

### **District Strategic Plan Application**

Participation in CSDA aligns with the Agency's mission of *working collaboratively to provide a reliable and sustainable water supply to support the changing needs of our region's people and environment*. By staying engaged in the statewide organizations, the Agency can build relationships with peer agencies.

### **Fiscal Impact**

There is no fiscal impact related to this update.

### **Attachment**

CSDA Candidate Sheets and Statements



## 2024 CSDA BOARD CANDIDATE INFORMATION SHEET

The following information **MUST** accompany your nomination form and Resolution/minute order:

**Name:** JO MacKENZIE

**District/Company:** Vista Irrigation District, *CSDA District of Distinction, Platinum Level*

**Title:** Director, Certificate in Special District Governance

**Elected/Appointed/Staff:** Elected

**Length of Service with District:** 32 years

**1. Do you have current involvement with CSDA (such as committees, events, workshops, conferences, Governance Academy, etc.):**

- ✚ CSDA Board of Directors, President 2011, Vice President 2010, Treasurer 2008-2009
- ✚ CSDA Finance Corporation Board of Directors, 2007-present; President 2012, 2013, 2015- present
- ✚ Special District Leadership Foundation Board of Director, Treasurer, currently Vice President
- ✚ Fiscal and Audit Committees, rewrote 'Treasurer Job Description'; Membership Committee 2011-present; Chair 2020-2021, 2022 and 2024
- ✚ Legislative Committee 2004-present; Chair, 2006-2010 and 2012
- ✚ CSDA San Diego Chapter, Board of Directors, 1993-present; President 1998-2000; presently serve on the Chapter Executive Board
- ✚ Attend all Annual Conferences and Legislative Days

**2. Have you ever been associated with any other state-wide associations (CSAC, ACWA, League, etc.):**

- ✚ ACWA: Past Board Director; Local Government, Chair 2014-2015 and Membership Committee
- ✚ ACWA Region 10 Board of Directors, Vice Chair, Alternate Chair, Director 1997-2010
- ✚ The California Association of Local Agency Formation Commissions (CALAFCO), Board Member and Legislative Committee member, 2017-2023

**3. List local government involvement (such as LAFCO, Association of Governments, etc.):**

- ✚ San Diego LAFCO, 1994-present: Commission Chair 2018 & 2019; Alternate 5 years; Special District Advisory Committee 14 years, Chair 2005-2009
- ✚ City of San Marcos Planning and Traffic Commissions
- ✚ Personally initiated the City of San Marcos Budget Review Committee in 1980, Chair 1996-2006
- ✚ Resource Conservation District of Greater San Diego County, Association Director, 2016 to present

**4. List civic organization involvement and recognitions**

- ✚ Special District Official of the Year by PublicCEO
- ✚ CSDA Legislative Advocate of the Year, 2011
- ✚ Graduate of CSDA's Special District Leadership Academy
- ✚ San Marcos Chamber of Commerce, Lifetime Ambassador
- ✚ Graduate of Leadership 2000, Cal State San Marcos
- ✚ Vista Community Development Associates, Treasurer
- ✚ Soroptimist International



## **RE-ELECT JO MACKENZIE**

### **PROVEN EXPERIENCE LEADING SPECIAL DISTRICTS**

- **DEDICATED**
- **FISCALLY RESPONSIBLE**
- **COMMITTED TO SPECIAL DISTRICTS**

It has been a privilege and honor to serve on the CSDA Board of Directors (Board) representing the Southern Network. Serving on the Board requires a commitment of time; I am in Sacramento at least twice a month for CSDA meetings. I have served as President, Vice President and Treasurer, and served as a Chair and/or member of the various committees. In 2010 and 2011, respectively, I was recognized as CSDA's Legislative Advocate of the Year and by PublicCEO as Special District Official of the Year.

During my tenure on the CSDA Board, I have formed working relationships throughout the Network and State that have given me an insight regarding the needs of special districts. Based on these insights and input from other CSDA directors, CSDA has worked to provide webinars at no cost to its members, begun offering the leadership academy three times a year and on-line, and the SDLF Board eliminated budget limits for scholarships. I serve on the CSDA and SDLF Boards, and I am proud of the collaboration that allows all special districts to take advantage of CSDA's programs.

During my term, I have been committed to continue building on the present foundation of CSDA's educational programs, state and federal legislative advocacy, and public outreach. CSDA is now the "voice of Special Districts", "the third leg of local government", and the 'go-to' association for legislative issues.

My proven leadership and public service experience, commitment to fiscal responsibility, and comprehensive LAFCO and special district knowledge make me the most qualified candidate to represent the Southern Network.

I have a true passion for and proven experience in leading Special Districts. I would be honored to continue serving on the CSDA Board as your Southern Network Director.

I am asking for your **Vote**.

ELECTRONIC VOTING ENDS JULY 26 AT 5:00 P.M.

**50+ CSDA EDUCATIONAL OPPORTUNITIES ARE LISTED ON  
CSDA'S HOME PAGE**



## 2024 CSDA BOARD CANDIDATE INFORMATION SHEET

The following information **MUST** accompany your nomination form and Resolution/minute order:

**Name:** Jason Dafforn

**District/Company:** Valley Sanitary District

**Title:** General Manager

**Elected/Appointed/Staff:** Staff

**Length of Service with District:** 1 year

- 1. Do you have current involvement with CSDA (such as committees, events, workshops, conferences, Governance Academy, etc.):**

Attend CSDA Conference and Leadership Academy

- 2. Have you ever been associated with any other state-wide associations (CSAC, ACWA, League, etc.):**

ACWA, CASA

- 3. List local government involvement (such as LAFCo, Association of Governments, etc.):**

N/A

- 4. List civic organization involvement:**

Desert Recreation Foundation Board of Directors

**\*\*Candidate Statement – Although it is not required, each candidate is requested to submit a candidate statement of no more than 300 words in length. Any statements received in the CSDA office after the nomination deadlines will not be included with the ballot.**

My name is Jason Dafforn. I am a Licensed Civil Engineer in the State of California with over 30 years of experience in the water and wastewater industry. I have 17 years of experience as a utility manager working for California local governments, including over eight years working for a special district.

California's special districts play a crucial role in the daily lives of millions, providing essential services ranging from water and sanitation to fire protection, healthcare, and many others. The California Special District Association (CSDA) provides resources, training, state and federal advocacy, and professional development to help special districts across the State flourish.

Today, special districts are confronted with unprecedented challenges. As a special district manager, I have gained a comprehensive understanding of these challenges, which positions me to provide valuable guidance and develop effective resolutions. My fresh ideas and unique perspective will enable the Board of Directors to proactively address current issues and future challenges, keeping CSDA ahead of the curve.

Together, we hold the power to shape the future and provide exceptional resources for special districts in California. By ensuring they remain at the forefront of delivering essential services and improving the quality of life for all residents, we can make a significant impact.

Let us build a stronger, more resilient future for California's special districts and the communities they serve.





## 2024 CSDA BOARD CANDIDATE INFORMATION SHEET

The following information **MUST** accompany your nomination form and Resolution/minute order:

Name: ROSS A. LEJA

District/Company: JURUPA AREA RECREATION & PARK DISTRICT

Title: DIRECTOR DIVISION 5

Elected/Appointed/Staff: ELECTED

Length of Service with District: 6 YEARS

1. Do you have current involvement with CSDA (such as committees, events, workshops, conferences, Governance Academy, etc.):

NO

2. Have you ever been associated with any other state-wide associations (CSAC, ACWA, League, etc.):

NO

3. List local government involvement (such as LAFCo, Association of Governments, etc.):

NONE

4. List civic organization involvement:

JURUPA CHILDRENS CHRISTMAS PARTY

JURUPA DISTRICT LIONS CLUB

**\*\*Candidate Statement – Although it is not required, each candidate is requested to submit a candidate statement of no more than 300 words in length. Any statements received in the CSDA office after the nomination deadlines will not be included with the ballot.**

I am running for the open board position to bring representation for the Inland Empire to CSDA and grow CSDA in the Inland Empire. San Bernardino and Riverside Counties, together known as the Inland Empire, is one of the fastest growing regions of California and home to over 80 special districts. However, the Inland Empire currently has no representation on the Southern District Board.

I currently serve on the Board of Directors for the Jurupa Area Recreation and Parks District (JARPD). Our district serves the city of Jurupa Valley and a portion of the city of Eastvale. I have been in this position for six years. During this time we have grown our district by fourteen facilities. I have made it a mission to develop relationships with the other special districts in our area to help JARPD better serve its residents. I look forward to expanding this mission to the other special districts in the Inland Empire if I am elected to the Board representing the Southern District

I am an eight year Air Force Veteran, husband, father and grandfather. My wife of 49 years and I have made our home in Jurupa Valley for over three decades. I have served on the City of Jurupa Valley Traffic Safety Committee, acting as its first chair for three years. I also served on the Jurupa Unified School District Citizen Oversight Committee for a \$144 million bond measure as both Vice Chair and Chair. A cause close to my heart is my work with the Jurupa Children's Christmas Party, an organization that has distributed presents to underprivileged in Jurupa Valley for over 40 years.

I have always considered service to my country and community a privilege and would like to continue by serving on the board of the California Special Districts Association.

**DATE:** July 11, 2024  
**TO:** Board of Directors' Workshop – Policy/Administration  
**FROM:** Kelly Malloy, Strategic Communications Manager  
**SUBJECT:** State Legislative Update

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**Staff Recommendation**

Receive and file.

**Summary**

The District continues monitoring legislative activities through Federal lobbyists, Innovative Federal Strategies, Inc. and State lobbyist firm, The Gualco Group. Both efforts include active legislation tracking, participating in various industry association discussions, facilitating meetings with legislative and regulatory elected officials and staff, and other activities. Representatives from The Gualco Group will participate in the workshop and provide updates on current significant State legislation.

**Background**

The Gualco Group, Inc., is the District's State lobbyist in Sacramento. Innovative Federal Strategies, Inc. is the District's Federal lobbyist in Washington, D.C. Given the different cyclical timing, State and Federal legislative advocates will alternate giving bi-monthly presentations at the Policy/Administration workshop via Zoom to provide an update on current, significant legislative activity.

State activities include monitoring bills and updates on the FY 2024-25 Budget.

**District Strategic Plan Application**

The District's Federal and State legislation program aligns with the District's mission of *working collaboratively to provide a reliable and sustainable water supply to support the changing needs of our region's people and environment*. By staying active and engaged in legislative issues, the District can establish a presence and build relationships with our Federal and State legislators which helps the District achieve its goal to *Establish San Bernardino Valley as an industry leader*,

*recognized locally by the public and our peers for the leadership and positive impact we have within our region and the state.*

**Fiscal Impact**

There is no fiscal impact related to this update.



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**DATE:** July 11, 2024

**TO:** Board of Directors' Workshop – Policy/Administration

**FROM:** Heather Dyer, CEO / General Manager  
Cindy Saks, CFO / Deputy General Manager  
Matthew Olivo, Senior Accountant

**SUBJECT:** Consider Fiscal Year 2024-2025 State Water Project Audit Contract with Ernst & Young, LLP

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**Staff Recommendation**

Staff recommends the Board approve the contract with Ernst & Young to provide auditing services for the Fiscal Year (FY) 2024-2025 for an amount not to exceed \$51,242 and authorize the CEO / General Manager to sign the 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, which the San Bernardino Valley Board approved on August 2, 2022.

House counsel Varner & Brandt is in the process of reviewing the current year contract with Ernst & Young.

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 2024-2025 fiscal year, the cost to San Bernardino Valley to perform these auditing services will range from \$41,613 if all agencies participate to \$51,242 if only 80% of the agencies participate. Historically more than 80% of agencies participate each year. Included in these FY 2024-2025 cost estimates is an amount of \$3,096 which will only be billed if additional work is reviewed and

authorized by the IAA. San Bernardino Valley's prior year costs for these auditing services were \$36,659, an increase over the prior year in the amount of \$1,858.

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's Strategic Plan 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 San Bernardino Valley State Water Contract Fund Budget in line item 6380 – Auditing Fees for FY 2024-2025.

**Attachment**

Ernst & Young Statement of Work Contract for FY 2024-2025



Ernst & Young LLP  
Suite 300  
731 K Street  
Sacramento, CA 95814

Tel: +1 916 218 1900  
ey.com

June 7, 2024

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 Statement of Work (SOW) for the work to be performed related to the 2025 Statement of Charges. This SOW is pursuant to the Master Services Agreement (MSA) by and between EY and San Bernardino Valley Municipal Water District dated July 1, 2022, which describes the annual approval process of each SOW performed under the MSA.

Please return the signed SOW to EY via mail at 731 K Street, Suite 300, Sacramento, CA 95814 (Attn. Scott Enos) or email to [scott.enos@ey.com](mailto:scott.enos@ey.com). We have also enclosed a copy of the support letter from Chantal Ouellet, IAA Secretary, recommending the approval of the SOW by San Bernardino Valley Municipal Water District.

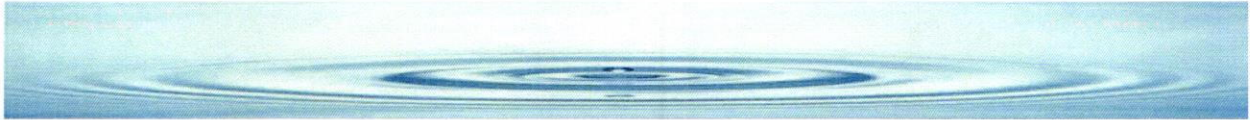
If you have any questions about the enclosed SOW, please feel free to call me at (916) 218-1958.

Very truly yours,

Scott Enos  
Managing Director

Enclosures





**MEMORANDUM**

Date: June 5, 2024  
To: Members of the Independent Audit Association (IAA)  
From: Chantal Ouellet, IAA Secretary  
Subject: Ernst and Young State Water Project Professional Services Contract related to the 2025 Statement of Charges - Recommended Approval and Execution

Enclosed is the Statement of Work (SOW) related to the 2025 Statement of Charges 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 SOW related to the 2025 Statement of Charges period. If you have any questions, please contact me at (559) 992-4127 or [couellet@tlbwsd.com](mailto:couellet@tlbwsd.com).

Sincerely,

Chantal Ouellet, CMA  
Tulare Lake Basin Water Storage District

CC: Scott Enos, EY



## Statement of Work

This Statement of Work, dated June 7, 2024 (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”) and on behalf of the State Water Contractors, pursuant to the Agreement, dated July 1, 2022 (the “Agreement”), between EY and San Bernardino Valley Municipal Water District (“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 Agreement. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the Agreement, 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 in Exhibit A (the “Services”) for Agency, a member of the State Water Contractors (the “Contractors” or “SWC”) Independent Audit Association (the “IAA”), for the twelve months ending June 30, 2025.

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 Agreement, 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.

## **Limitations on scope**

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; provide any legal opinion or legal advice; perform ongoing internal control monitoring activities or other control activities that affect the execution of transactions or confirm that transactions are properly executed and/or accounted for; perform routine activities in connection with Client's financial processes that are equivalent to those of an ongoing compliance or quality control function; determine which, if any, recommendations for improving internal control should be implemented; act on Client's behalf in reporting to Client's Board of Directors or Audit Committee, authorize, executive or consummate transactions or otherwise exercise authority on Client's behalf; prepare source documents on transactions.

## **Specific additional terms and conditions**

The Services are advisory in nature. Client shall assign a qualified person to oversee the Services. Client is 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 its purposes. 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, EY does not assume any responsibility for any third-party products, programs or services selected by Client, their performance or compliance with Client's specifications or otherwise.

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

Notwithstanding the restrictions on disclosure set forth in the Agreement, Client may disclose EY's Reports prepared pursuant to this SOW to the Department of Water Resources (the "Department"), to the extent such Reports are (i) used only for the Client's benefit and not to be relied upon for the third party's own use and/or benefit; (ii) such third parties have agreed not to further disclose such Reports or any portion thereof to any other person or entity without EY's written consent and not to make any claims against EY arising out of or in connection with the Reports; and (iii) Client agrees to indemnify EY against third party claims.

The Client is subject to the California Public Records Act (CPRA) as disclosed in the Agreement. Nothing in this SOW would prevent the Agency from complying with the CPRA.

Where our written consent under the Agreement 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 Agreement.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and 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 \$622,000 for the twelve months ending June 30, 2025. 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 \$622,000 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 \$38,517 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, 2025, the maximum fees to your Agency will vary between the above-mentioned amount and \$48,146, 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.

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  
731 K Street, Suite 300  
Sacramento, CA 95814  
\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Date**

June 7, 2024  
\_\_\_\_\_  
**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, 2025, 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 procedures related to the 2025 Statement of Charges 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, 2025, 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, 2025, the Services will include the following procedures.

## **Procedures Related to the 2025 Statement of Charges**

The procedures for the fiscal year ended June 30, 2025, 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 2025 Statement of Charges (SOC) engagement:

### **Primary Procedures (Items 1-6)**

#### **1. Statement of Charges**

*Risk:*

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

*Risk Factors:*

- Manual adjustments made to data to arrive at amounts billed. Manual processes create opportunities for errors.
- A new cost allocation billing system was implemented in the prior year. New 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 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 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 has manual aspects to the process.
- Tracking of Oroville Spillway costs and reimbursement and segregation between response and recovery costs is a manual process.
- A new cost allocation billing system was implemented in the prior year. New processes create opportunities for errors.
- Potential for high dollar impact (\$424 million in delta water charges in 2022 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 the cost allocation and billing system at the delta water charge cost center group level to the delta water charge 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 has manual aspects. Manual processes create opportunities for errors.
- A new cost allocation billing system was implemented in the prior year. New 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 (\$443 million allocated by alpha allocation cycles in 2022).

*Areas of Focus:*

- Examine all cost centers from the system 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 F-series and S-series updates performed by the Department.
- Review new alphas created or modified in the current year 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.
- A new cost allocation billing system was implemented in the prior year. New processes create opportunities for errors.
- 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 a sample of internal orders with the largest increase in costs from group like internal orders for direct and indirect costs 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 has manual aspects. Manual processes create opportunities for errors.
- A new cost allocation billing system was implemented in the prior year. New processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact (\$146 million net system power costs in 2022 per Table B-3).

*Areas of Focus:*

- Vouch power costs and power revenues from the system and assess the classification of costs.
- Reconcile the Preliminary Allocation of Power Costs (PALPOC) to the system. Recalculate appropriate inputs to the PALPOC (e.g., value of recovery generation credits, direct-to-plant transmission, etc.).
- Recalculate the calendar year power allocation factors used in the system to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost components for the contractors selected (to be provided by the IAA).

## 6. Rate Management Calculation Including Revenue and Cost Data

*Risk:*

- Rate management credits are improperly allocated among the contractors.
- Rate management credits are improperly calculated based on the revenue and expenditure data in the rate management credits calculation prepared by the Department.

*Risk Factors:*

- Calculation of rate management credits has manual aspects to the process.
- A new cost allocation billing system was implemented in the prior year. New processes create opportunities for errors.
- 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 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 changes to the calculation as a result of the cost/debt reconciliation project.

**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. Debt Service Procedures**

*Risk:*

- Incorrect bond debt service charged to the contractors.

*Risk Factors:*

- Water System Revenue Bond (WSRB) Surcharge calculation has manual aspects. Manual processes create opportunities for errors.
- A new cost allocation billing system was implemented in the prior year. New 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.

## 8. Reconciliation between PR5 and the coast allocation billing system

*Risk:*

- Costs and revenues are not accurately billed to the contractors based on inconsistencies between systems.

*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 cost allocation and billing system.
- Identify, document, and investigate variances between the two systems.

**II. FEES FOR EY SERVICES**

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$622,000, 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	\$ 30,264	\$ 37,830	4.9%
Alameda County Water District	15,767	19,709	2.5
Antelope Valley-East Kern Water Agency	54,375	67,969	8.7
Casitas Municipal Water District	7,508	9,385	1.2
Central Coast Water Authority	17,076	21,345	2.7
City of Yuba City	3,604	4,505	0.6
Coachella Valley Water District	51,937	64,921	8.3
County of Kings	3,493	4,366	0.6
Crestline-Lake Arrowhead Water Agency	2,177	2,721	0.3
Desert Water Agency	20,929	26,161	3.4
Dudley Ridge Water District	17,025	21,281	2.7
Empire West Side Irrigation District	1,126	1,408	0.2
Kern County Water Agency	155,500	194,375	25.0
Littlerock Creek Irrigation District	863	1,079	0.1
Mojave Water Agency	32,210	40,263	5.2
Napa County Flood Control and Water Conservation District	10,896	13,620	1.8
Palmdale Water District	7,996	9,995	1.3
San Bernardino Valley Municipal Water District	38,517	48,146	6.2
San Gabriel Valley Municipal Water District	10,812	13,515	1.7
San Geronio Pass Water Agency	6,495	8,119	1.0
San Luis Obispo County Flood Control and Water Conservation District	9,385	11,731	1.5
Santa Clara Valley Water District	37,541	46,926	6.0
Santa Clarita Valley Water Agency	35,739	44,674	5.7
Solano County Water Agency	17,928	22,410	2.9
Tulare Lake Basin Water Storage District	<u>32,837</u>	41,046	<u>5.3</u>
Total	<u>\$ 622,000</u>		<u>100.0%</u>

**V. PAYMENT SCHEDULE**

This is the payment schedule for the Agency.

<u>August 9, 2024 Billing</u>	<u>September 10, 2024 Billing</u>	<u>October 10, 2024 Billing</u>	<u>November 8, 2024 Billing</u>	<u>December 10, 2024 Billing</u>	<u>Total Billing</u>
\$11,556	\$7,703	\$7,703	\$7,703	\$3,852	\$38,517

**EXHIBIT B****I. OTHER CONSULTING SERVICES**

EY shall, during the twelve months ending June 30, 2025, 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 241 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2025. 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	8.3
County of Kings	281	0.6
Crestline-Lake Arrowhead Water Agency	175	0.3
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, 2025, 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, 2025, will continue to be in effect.

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

## EXHIBIT C-1

### Statement of Work

This Statement of Work with the attached Exhibit, dated June 7, 2024 (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 (“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 SOW pursuant to the Agreement 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 Agreement, 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 (the “Contractors” or “SWC”) Independent Audit Association (the “IAA”), for the twelve months ending June 30, 2025.

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 Agreement, 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.

**Limitations on scope**

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; provide any legal opinion or legal advice; perform ongoing internal control monitoring activities or other control activities that affect the execution of transactions or confirm that transactions are properly executed and/or accounted for; perform routine activities in connection with Client's financial processes that are equivalent to those of an ongoing compliance or quality control function; determine which, if any, recommendations for improving internal control should be implemented; act on Client's behalf in reporting to Client's Board of Directors or Audit Committee, authorize, executive or consummate transactions or otherwise exercise authority on Client's behalf; prepare source documents on transactions.

**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.

Notwithstanding the restrictions on disclosure set forth in the Agreement, Client may disclose EY's Reports prepared pursuant to this SOW to the Department of Water Resources (the "Department"), to the extent such Reports are (i) used only for the Client's benefit and not to be relied upon for the third party's own use and/or benefit; (ii) such third parties have agreed not to further disclose such Reports or any portion thereof to any other person or entity without EY's written consent and not to make any claims against EY arising out of or in connection with the Reports; and (iii) Client agrees to indemnify EY against third party claims.

Where our written consent under the Agreement 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 Agreement.

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**

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**Printed Name**

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**Date**

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**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.

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: \_\_\_\_\_