



A REGIONAL WATER AGENCY  
SINCE 1954

## **REGULAR MEETING OF THE BOARD OF DIRECTORS**

**TUESDAY, AUGUST 1, 2023 – 2:00 P.M.**

### **PUBLIC PARTICIPATION**

Public participation is welcome and encouraged. You may participate in the August 1, 2023, 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](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 Monday, July 31, 2023. 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.**



A REGIONAL WATER AGENCY  
SINCE 1954

**Director by Teleconference:**

**President Kielhold: 8610 Kennel Way, La Jolla, CA 92037**

**Director Hayes: 7955 La Jolla Shores Drive La Jolla, CA 92037**

**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 1, 2023**

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**CALL TO ORDER/PLEDGE OF ALLEGIANCE/ROLL CALL**

**1) 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.

**2) CONSENT CALENDAR**

2.1 Approve Minutes of the Board of Directors' Workshop - Policy/Administration - July 6, 2023  
[Staff Recommendation - Approve Minutes of the Board of Directors Workshop - Policy/Administration 070623](#)(2 min) - Page 3

2.2 Approve Minutes of the Board of Directors' Workshop - Resources-Engineering July 11, 2023(2 min) - Page 8  
[Staff Recommendation - Approve Minutes of the Board of Directors' Workshop - Resources/Engineering 071123](#)

2.3 Approve Minutes of the Board of Directors' Workshop - Debt Service Fund Budget - July 13, 2023 (2 min) - Page 13  
[Staff Recommendation - Approve Minutes of the Board of Directors Workshop - Debt Service Fund Budget 071323](#)

2.4 Approve Minutes of the Regular Board of Directors' Meeting - July 18, 2023(2 min) - Page 18  
[Staff Recommendation - Approve Minutes of the Regular Board of Directors Meeting - 071823](#)

**3) DISCUSSION AND POSSIBLE ACTION ITEMS**

3.1 Consideration of Fiscal Year 2023-2024 State Water Project Audit Contract with Ernst & Young, LLP(20 min) - Page 24

Staff Memo - Consideration of Fiscal Year 2023-2024 State Water Project Audit Contract  
with Ernst & Young, LLP  
Ernst & Young Statement of Work Contract for FY 2023-2024

4) **REPORTS (Discussion and Possible Action)**

4.1 Presentation on the State Water Contractors(10 min) - Page 55  
[Staff Memo - Presentation on the State Water Contractors](#)  
[State Water Contractors Presentation Slides](#)

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

4.3 General Counsel Report

4.4 SAWPA Meeting Report

5) **FUTURE BUSINESS**

6) **ANNOUNCEMENTS**

6.1 List of Announcements(2 min) - Page 71  
[List of Announcements 080123](#)

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](http://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  
BOARD OF DIRECTORS WORKSHOP – POLICY / ADMINISTRATION  
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

**July 6, 2023**

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

**Directors Absent:** None.

**Staff Present:**

Wen Huang, PE, MS – Assistant General Manager/Chief Operating Officer  
 Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff/Clerk of the Board  
 Michael Plinski, PE – Chief of Water Resources  
 Cindy Saks, CPA - Chief Financial Officer/Deputy General Manager  
 Bob Tincher, PE, MS – Chief of Statewide Water Initiatives/Deputy General Manager  
 Greg Woodside, PG, C.Hg. – Chief of Planning and Watershed Resilience  
 Melissa Zoba, MBA, MPA – Chief Information Officer

Anthony Flordelis – Business Systems Analyst  
 Kelly Malloy, MPA – Strategic Communications Manager  
 Adekunle Ojo, MPA – Water Resources Manager  
 Matthew Olivo – Senior Accountant  
 Shavonne Turner, MPA – Water Conservation Program Manager

Isabelle Huang, Intern

**Members of the Public in Attendance:**

Melody McDonald, San Bernardino Valley Water Conservation District  
 Jackson R. Gualco, The Gualco Group  
 Ian Achimore, Santa Ana Watershed Project Authority  
 Joyce McIntire, Yucaipa Valley Water District  
 Robert Stewart

The Policy/Administration Workshop of the Board of Directors was called to order by Chairperson Botello at 2:00 p.m. A quorum was noted present.

**Agenda Item 1. Introductions.** Chief Financial Officer/Deputy General Manager Cindy Saks introduced the staff.

**Agenda Item 2. Public Comment**

Chair Botello invited public comment. There was none.

### **Agenda Item 3. Discussion and Possible Action Items.**

**3.1 Consider approving the Site License Agreement with North American Weather Consultants, Inc. for the SAWPA Weather Modification Pilot Program.** Water Resources Manager Adekunle Ojo explained this is the next step in the program approved on April 7, 2022 by the Board as a member of the Santa Ana Watershed Project Authority (SAWPA). He introduced SAWPA Senior Watershed Manager Ian Achimore.

North American Weather Consultants, Inc. is the consultant for the project, Mr. Ojo continued. He provided background on the program, which began in 2020 with the feasibility of cloud seeding in this watershed and SAWPA's approval of a four-year demonstration pilot study. California Environmental Quality Act (CEQA) documentation has been completed and Proposition 1 grant funding has been received, he noted.

Mr. Ojo presented a map of pilot seeding locations and identified the District's property for location of a compact unit. He reminded about the projections and safety of the project.

The Agreement is the standard used by SAWPA and North American Weather Consultants, Inc. for the sites, however, the District has made some changes to retain all discretion regarding access to the property, and to assume no liability, Mr. Ojo explained. It will allow access to the consultant to place the unit, which the District can have removed at any time. It has been reviewed by District counsel, he added.

The equipment will be located in a residential area, and although it is safe to operate and not intrusive, neighbors may be concerned, Mr. Ojo continued. Staff has been clear with SAWPA that there must be communication and outreach to the residents in the area, he said.

Vice President Hayes stated she had not realized one of the units would be so close to people. She emphasized good communication to address concerns and to help residents better understand the use of silver nitrate.

Mr. Achimore acknowledged the concern and advised that an in-house communications manager has been onboarded. Local area community groups are being identified to whom representatives can speak and listen in order to assure discussion of concerns. The CEQA document analyzed the water and air quality concerns and concluded there would be no significant environmental effects, he noted. Vice President Hayes cautioned representatives to speak plainly and said the facts must be presented in a way to mitigate the emotional response. Mr. Achimore provided assurance.

President Kielhold asked about noise. Mr. Ojo said he was not familiar with the decibel level but explained the property is distant from many of the houses and

the Engineering team would be closely involved in placement and operations to assure no negative impacts. President Kielhold requested consideration for other noise implications while working with the neighbors.

Assistant General Manager/Chief Operating Officer Wen Huang said staff recognizes the concern about noise but does not anticipate great impact. He said there would be a generator to power the flare system, but it is of a type that does not produce a lot of noise. If it is at a level that would impact the neighbors, there is a contingency plan for a sound wall to attenuate noise impacts.

President Kielhold noted there are residential noise standards, and although the District would be exempt from any City standards, the resident next to the site may be promised the noise standard would be met at the property line.

Mr. Achimore responded to Director Harrison the CEQA document includes a decibel table, but he is unable to give a good answer regarding noise impacts at this time. Staff will get back to the Board on this, he stated.

There are four equipment locations within the service area, Director Botello pointed out. He said although he has not always been a proponent of cloud seeding, he is excited to see the program results.

The Board of Directors approved the Limited Revocable License Agreement ("Site License Agreement") with North American Weather Consultants, Inc. for the placement and operation of weather modification equipment on a District property at 6692 Summertrail Place in Highland as part of SAWPA's Weather Modification Pilot Program and authorized the CEO / General Manager and General Counsel to make any minor, technical, or non-substantive changes to the Agreement as appropriate by the following roll-call vote:

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

**3.2 Legislative Update.** Strategic Communications Manager Kelly Malloy indicated state and federal legislative updates to the Board would be scheduled separately on alternating months.

Discussion of the federal budget and appropriations continue with much contention, Ms. Malloy advised. At this point there are no finalized decisions or items at the federal level. An update will be available in July, she added.

Mr. Jackson Gualco of the Gualco Group provided an update on state legislation. He indicated there is similar contention at the state level, but progress has been made on key items.

The Legislature complied with the June 15 deadline with a bare bones framework of the budget, followed by budget bill juniors, Mr. Gualco reported. The administration placed in front of the legislature a rather significant infrastructure bill at the last moment, with the idea to make sure that projects that would qualify for federal funding would be in a good position to move ahead quickly, he explained.

The final CEQA reform bill excluded the Delta Conveyance Project from qualifying for any CEQA fast track, Mr. Gualco noted.

To deal with the California budget deficit, the Governor suggested deferral or reappropriation of monies that were designated for the current budget year, and to push them onto the Greenhouse Gas Reduction Fund, or to identify a Climate Natural Resources Bond, Mr. Gualco said.

At the top of the Gualco priority list for the District is making sure there is funding available to the Watershed Connect projects, Mr. Gualco stated. He noted that Kelly Malloy will be working to gain a formal endorsement of these projects from the Inland Empire Caucus.

Policy committees must conclude their work by July 14, Mr. Gualco continued. The Governor will have until October 14 to sign or veto bills.

Robert Rivas became speaker of the Assembly after Anthony Rendon stepped aside on June 30, Mr. Gualco explained. Rendon quickly made changes, primarily at the top leadership levels. Mr. Gualco said he expects no changes in committee makeup until the end of the year.

Mr. Gualco provided updates on the following bills:

- AB 1577 is waiting to be heard in two Assembly policy committees
- SB 867 is waiting to be heard by the Natural Resources Committee
- SB 366 requires the Department of Water Resources to update the California Water Plan to obtain 10 million acre-feet of water supply for beneficial uses by 2040. It has been moving forward and is part of the Water Managers Group that includes CEO/ General Manager Heather Dyer
- Brown Act measures:
  - AB 557 is now on the Senate floor
  - SB 411 is moving forward
  - SB 537 would provide flexibility in teleconferencing for multi-county agencies
  - AB 1637 requires cities and counties to adopt a .gov web address. Special districts were excluded.

**3.3 2023 CSDA Southern Network Election.** Strategic Communications Manager Kelly Malloy explained the election for Seat C in the California Special Districts Association (CSDA) Southern Network. Three directors indicated support for Arlene Schafer.

The Board of Directors cast a vote for Arlene Schafer in the California Special Districts Association (CSDA) election for the 2024-2026 term for Seat C of the Southern Network by the following roll-call vote:

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

**Agenda Item 4. Future Business.** There was none.

**Agenda Item 5. Adjournment**

The meeting was adjourned by Chair Botello at 2:36 p.m.

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

Lynda J. Kerney  
Contract Assistant



**MINUTES  
OF  
THE  
BOARD OF DIRECTORS WORKSHOP – RESOURCES/ENGINEERING  
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

**July 11, 2023**

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

**Directors Absent:** None.

**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  
 Michael Plinski, PE – Chief of Water Resources  
 Cindy Saks, CPA – Chief Financial Officer/Deputy General Manager  
 Bob Tincher, PE, MS – Chief of Statewide Water Initiatives/Deputy General Manager  
 Greg Woodside, PG, C.Hg. – Chief of Planning and Watershed Resilience  
 Melissa Zoba, MBA, MPA – Chief Information Officer

Michael R. Esquer – Senior Project Manager  
 Leo Ferrando, PE – Assistant Chief Engineer  
 Anthony Flordelis – Business Systems Analyst  
 Aaron Jones, PE – Senior Engineer  
 Chris Jones, MESM – Preserve System Program Manager  
 Kelly Malloy, MPA – Strategic Communications Manager  
 Adekunle Ojo, MPA – Water Resources Manager  
 Matthew Olivo – Senior Accountant

Garrett Wojciechowski, Intern

**Members of the Public in Attendance:**

Melody McDonald, San Bernardino Valley Conservation District  
 Nyles O’Harra, Yucaipa Valley Water District  
 Joyce McIntire, Yucaipa Valley Water District  
 Ron Duncan, San Gorgonio Pass Water Agency  
 Larry Smith, San Gorgonio Pass Water Agency

The Resources/Engineering Workshop of the Board of Directors was called to order by Chairperson June Hayes at 2:00 p.m. A quorum was noted present.

**Agenda Item 1. Introductions.** None.**Agenda Item 2. Public Comment.**

Chair Hayes invited public comment. Nyles O’Harra of Yucaipa Valley Water District announced his presence.

**Agenda Item 3. Discussion And Possible Action Items.**

**3.1) Project Status Update on the Feasibility Study for the Foothill Pipeline Crossing at City Creek.** Assistant Chief Engineer Leo Ferrando advised this project has been ongoing for more than a year.

Senior Project Manager Mike Esquer pointed to the locations of the Foothill Pipeline, built in 1975, and the Metropolitan Water District (MWD) Inland Feeder which was built in 2000. He reminded about the wildfires and storm events that had impacted the area. Staff identified an erosion problem in 2008, and several different studies concluded that the City Creek bottom was subject to scour and further erosion, which could leave the pipes hanging 15 to 25 feet in the air, he explained.

District staff continued to pursue solutions, Mr. Esquer continued, but after a storm event in 2010, it became apparent that 10 to 15 feet more material was taken away from the pipe, along with half of the temporary fixes that had been applied. In 2010, mudslides created an emergency which was addressed by adding 4-to-6-ton rocks into the channel to hold the pipeline in place. The rock has been holding since then, but analysis has shown that the rock is being undercut and is leaning, creating problems for the pipeline, he stated.

The District has been working with the U.S. Army Corps of Engineers but there are other stakeholders involved who are not amenable to changing the surface of the stream, Mr. Esquer noted. He briefly explained three potential solutions.

Senior Engineer Aaron Jones advised that AECOM was hired to perform a feasibility study. Two alignments were analyzed: a pipe bridge, and tunneling, along with risks and regulatory requirements; and a construction estimate was provided.

Mr. Jones pointed out the north-south alignment of the MWD Inland Feeder, a 144-inch pipeline, and the east-west alignment of the District’s Foothill pipeline and City Creek turnout. He explained the analysis by AECOM and the proposed tunnel alignment at a depth of 50 to 70 feet of clearance from the bottom of City Creek. In response to a question from Vice President Hayes, Mr. Jones indicated that AECOM completed the study within the contract amount of \$435,000.

In response to Director Harrison, Mr. Esquer assured that even at the most conservative scour depths, erosion of the stream channel never reaches the depth of the proposed

tunnel. He advised staff had spent a decade trying to form collaborative partnerships to do something on the surface, but at this point, San Bernardino Valley must take care of its own facilities.

Mr. Esquer and Mr. Jones provided detail and responded to questions on the plans and the reasons for the design. He assured Director Longville the design incorporates plans for the impacts of climate change. He also reminded about the 2010 collapse of the Boulder Avenue bridge in Highland.

Director Longville asked about potential loss of capacity. Mr. Esquer noted there would be some loss of hydraulic head but the Foothill Pump Station would handle that.

Mr. Esquer further identified the project location off Highway 330 at the beginning of the incline to Big Bear in the Highland area. Director Longville expressed concern about the potential for MWD to raise legal issues with the solution. CEO / General Manager Dyer noted that although there is no proposal to partner with MWD and other agencies as had originally been envisioned 10 years ago, there has been coordination. Although MWD is not currently addressing their pipeline problem, it will be included in their climate resilience plan, she added.

Mr. Esquer discussed the MWD pipeline and history with other agencies.

Mr. Jones and Mr. Esquer provided further detail on construction and the design-bid-build process in response to questions from the Board. They discussed risk management and contractor processes.

Mr. Jones presented the AECOM cost estimates and advised that costs could range from 30 percent lower to 50 percent higher.

Mr. Ferrando reminded that after Board authorization in December 2021, AECOM completed the feasibility study which summarized the types of tunneling methods and alternatives to remedy the pipe location. Next is the design step, he stated. The Board is asked to consider allowing staff to negotiate a final proposal for design with AECOM rather than going through the Request for Proposal (RFP) process, as AECOM was selected 1.5 years ago based on their qualifications for this type of work.

In response to Director Longville, Mr. Ferrando stated the design phase is expected to be six to eight percent of construction costs: between \$800,000 to \$1 million for a project of this magnitude. Once an acceptable proposal is obtained, it will be brought back to the Board for consideration, he said. He summarized the components of the design services. Design could begin right away, with construction starting next year, he added.

Director Longville pointed out the feasibility study cost was budgeted from State Water Contracts funds and could be another \$16 million. She asked about the remaining budget. Chief Financial Officer/Deputy General Manager Cindy Saks said the fund balance is \$500 million.

In response to Director Harrison, Mr. Ferrando described the qualifications of AECOM, noting the team working with the District for the last year and a half includes members from all over the nation. He reminded that six proposals were received during the RFP process and AECOM was selected based on their qualifications. As part of the feasibility, study, 10 to 20 percent of the design is already completed, he stated, and said staff believes it is best to move forward with AECOM. Mr. Esquer emphasized the working relationship with and performance of AECOM.

Chair Hayes noted previous positive experience with AECOM. Ms. Dyer said they are well known and respected worldwide. She pointed out that the San Bernardino Valley team is very engaged in the process and AECOM is comfortable with that.

After completion of design and California Environmental Quality Act work, the separate bid process begins, which provides another opportunity to consider the project, Ms. Dyer advised. Mr. Ferrando added that the project could come back to the Board twice in the next 15 months.

Director Botello acknowledged the staff's confidence with AECOM but noted that should not prevent negotiation of the best contract for the District.

Vice President Hayes asked if wet weather could impact construction. Mr. Ferrando stated the contractor would secure the project from storm flows, and activity will be outside of the main creek channels. Mr. Jones provided details on the tunneling process.

The Board of Directors authorized staff to negotiate with AECOM to provide a proposal for final design services, including plans and specifications, by the following roll-call vote:

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

#### **Agenda Item 4. Future Business**

Chair Hayes announced a California Natural Resources Agency workshop at noon on July 12 regarding beavers.

**Agenda Item 5. Adjournment**

The meeting was adjourned by Chair Hayes at 3:10 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><b>Secretary</b></p> <p>Date _____</p>
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Respectfully submitted,

Lynda J. Kerney  
Contract Assistant

**MINUTES  
OF  
THE  
BOARD OF DIRECTORS WORKSHOP – DEBT SERVICE FUND BUDGET  
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

**July 13, 2023**

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

**Directors Absent:** None.

**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  
 Cindy Saks, CPA – Chief Financial Officer/Deputy General Manager  
 Bob Tincher, PE, MS – Chief of Statewide Water Initiatives/Deputy General Manager  
 Greg Woodside, PG, C.Hg. – Chief of Planning and Watershed Resilience  
 Melissa Zoba, MBA, MPA – Chief Information Officer

Anthony Flordelis – Business Systems Analyst  
 Kelly Malloy, MPA – Strategic Communications Manager  
 Adekunle Ojo, MPA – Water Resources Manager  
 Matthew Olivo – Senior Accountant

**Members of the Public in Attendance:**

James Morales, East Valley Water District  
 Ron Coats, East Valley Water District

The Debt Service Fund Budget Workshop of the Board of Directors was called to order by President Paul Kielhold at 2:00 p.m. A quorum was noted present.

**Agenda Item 1. Introductions.** None.

**Agenda Item 2. Public Comment.**

President Kielhold invited public comment. There was none.

### **Agenda Item 3. Discussion And Possible Action Items.**

**3.1) Review State Water Contract Debt Service Fund Budget and Draft Resolution 1180 for Fiscal Year 2023-2024.** Chief Executive Officer/General Manager Heather Dyer reminded that a property tax for the State Water Contract Debt Service Fund is required to be set at this time each fiscal year. The monies generated from the debt service property tax are in the restricted fund to pay for costs associated with the supplemental water supply via the State Water Project (SWP) and Devil Canyon / Castaic contract. The debt service is currently set at \$0.1300 per \$100 of assessed property value, she said, and noted that the rate had been lowered a couple of years ago.

Based on current estimated assessed value of property within the District's boundaries, \$8.35 million is associated with each \$0.01 of tax rate increase or decrease on \$100, Ms. Dyer indicated.

Chief Financial Officer/Deputy General Manager Cindy Saks explained the tax rate set by the Board is sent to the County Auditor-Controller for inclusion on the property tax bills. The preliminary assessed values are not yet available, so the estimate is based on a 3 percent increase in assessed values, she explained.

Ms. Saks explained the annual Statement of Charges from the Department of Water Resources (DWR), which is paid monthly and includes mostly fixed costs including obligations for bond payments and maintenance of the SWP. In response to a question from Vice President Hayes, Ms. Saks noted the bond payments are due regardless of any SWP supply allocation. The variable expense reflects the cost of getting the water to the District, which has been set for a 100 percent water allocation this year and a high allocation next year, she noted.

The estimated expenses also include a few field improvements items such as the payoff of costs associated with the Greenspot Pump Station, East Branch Extension (EBX) / Central Feeder Intertie, a few water turnouts, and the costs for the City Creek feasibility study, Ms. Saks noted.

Ms. Saks presented figures based on the current rate of \$.130 / \$100 of assessed values, \$0.125 and \$0.120, and explained reimbursement costs to the general fund (admin fee) based on 5 percent of the State Water Contract Fund tax levy. She noted the revenue for return of bond covers, are funds that are reimbursed to the District once all State Water Contractors make their bond payments. The Board has given direction to pay as much of the Sites Reservoir and Delta Conveyance projects through cash as possible, so funds generated in excess would go into the rate stabilization fund, she explained.

Ms. Saks detailed reserve balances and noted the Reserve Policy states to set aside one year of payments for the DWR (about \$60 million). She noted that a one cent increase or decrease in the levy would result in a change of \$8.35 million. She reviewed the history of RDA pass-through payments.

Ms. Dyer reviewed the trends and savings in reserves over more than a decade based on Board direction to save for investment in new and improved imported water supply and reliability. She explained the upcoming Sites Reservoir and Delta Conveyance expenditures and ending cash reserves. Starting in 2023, there is a large cash reserve, with approximately \$60 million in capital expenditures. Over time, expenditures increase, and staff has confirmed that large contributions to construction of the Sites Reservoir are believed to begin at the end of 2024 or early 2025, with peak construction costs in 2027, then trending back down. After a flat period, expenditures will increase again with the start of large expenses related to the Delta Conveyance, she advised. Following the expected conclusion of the project expenditures in 2041 to 2045, a new discussion on the property tax and how to move forward will be needed, she indicated.

Ms. Saks presented a graph of secured assessed values and a graph of the tax rate by year, and explained trends including recovery from the housing crisis in 2008-2009.

Director Botello advised he had studied the information and reviewed it with Ms. Saks. He moved to lower the rate by 1 cent. Director Longville seconded the motion and reminded that in 2015, there was less than \$200 million in cash reserves, and it is now over \$500 million and indicated support for lowering the rate, as projected projects can be funded if and when they happen using reserves.

Housing has gone up 135 percent, Director Longville continued. She said she was most concerned about residential property owners who have not seen salary increases and are struggling. She reminded that she has always argued for equity and fairness and said she would vote against a proposal that did not reduce the current rate. She pointed to the District's Strategic Plan and reminded that equity is a fundamental value.

Director Harrison said he would have supported lowering the rate by a half cent, as the agency needs to be prepared for upcoming major projects which will take a large investment in the next two years. It is important to be prudent, he noted.

Vice President Hayes pointed out increased costs in electric, water and gas rates. She stated although people make choices about expenditures, she pointed out quality of life and said it is important, if and when possible, the District not be part of the trend of raising rates. She supported the motion, saying that the District can help the people even if they do not notice the reduction, and if prices can be lowered while still meeting demands, it is a positive.

Director Botello thanked Director Longville for strengthening his argument. Even renters pay the assessment through raised rents, he added.

President Kielhold said he appreciated the comments and said the more conservative option appeals to him. He pointed to the 20-year projections and said he believes as long term financial estimates are difficult to predict. He suggested taking this year to year to see what happens.



The Board of Directors determined to lower the debt service property tax rate by \$0.01 by the following roll-call vote:

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

The Board of Directors adopted Resolution 1180 and authorized the General Manager and legal counsel to make any minor changes to the Resolution setting the tax rate for the 2023-2024 year at \$0.12 cents per \$100 of assessed value by the following roll-call vote:

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

### RESOLUTION NO. 1180

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT DETERMINING THE AMOUNT OF MONEY NEEDED TO MAKE THE 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 THEREFORE**

**(See Resolution Book)**

Vice President Hayes noted the Resolution still references the Devil Canyon / Castaic (DCC) and said she thought it had been closed out. Ms. Saks said the DCC charges are incorporated in the regular DWR statement of charges and if it is lined out on the Resolution, it could appear that it was missed or overlooked. As last year, that levy for the DCC fund will be listed at zero.

Director Longville requested a press release on this action.

President Kielhold noted the public may see \$500 million in reserves and question why it is needed for expenses over the year. He added, it is believed it will all be used for cash payments to fund the large water supply projects as already reviewed and discussed, he added.

Director Harrison said this action is prudent, and there are some huge expenses coming up, which benefit the taxpayers in the Valley.

**Agenda Item 4. Future Business**

Ms. Dyer advised that staff had accepted the Special Achievement in GIS for 2023 award from ESRI.

**Agenda Item 5. Adjournment**

The meeting was adjourned by President Kielhold at 2:40 p.m.

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

Respectfully submitted,  
  
Lynda J. Kerney  
Contract Assistant

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

**July 18, 2023**

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

**Directors Absent:** None.

**Staff Present:**

Joanna Gibson, MS – Executive Director Upper SAR Habitat Conservation Program  
 Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff/Clerk of the Board  
 Michael Plinski, PE – Chief of Water Resources  
 Greg Woodside, PG, C.Hg. – Chief of Planning and Watershed Resilience  
 Melissa Zoba, MBA, MPA – Chief Information Officer

Anthony Flordelis – Business Systems Analyst  
 Chris Jones, MESM – Preserve System Program Manager  
 Kelly Malloy, MPA – Strategic Communications Manager  
 Adekunle Ojo, MPA – Water Resources Manager  
 Matthew Olivo – Senior Accountant  
 Shavonne Turner, MPA – Water Conservation Program Manager

Brad Neufeld, Varner & Brandt, District Legal Counsel

**Members of the Public in Attendance:**

Madeline Blua, Yucaipa Valley Water District  
 John Longville, San Bernardino Valley Water Conservation District  
 Melody McDonald, San Bernardino Valley Water Conservation District  
 Kevin Walton, San Gorgonio Pass Water Agency  
 Brian Dickinson, City of Colton  
 Cris Fealy, Fontana Water Company  
 Mary Jo Hartley, West Valley Water District  
 Devin Arcienega, San Bernardino Municipal Water District  
 Janett Robledo, East Valley Water District  
 Cecilia Contreras, East Valley Water District  
 Ben Kelly, Western Heights Mutual Water Company

The regular meeting of the Board of Directors was called to order by President Kielhold at 2:00 p.m. Director Botello led the Pledge of Allegiance. A quorum was noted present by roll call.

### **Agenda Item 1. Public Comment**

President Kielhold stated that any member of the public wishing to make any comments to the Board regarding non-agenda items may do so. There were none.

### **Agenda Item 2. Consent Calendar**

**2.1) Approve Minutes of the Board of Directors Workshop - Resources/Engineering June 13, 2023.**

**2.2) Approve Minutes of the Board of Directors Workshop - Budget - June 15, 2023**

**2.3) Approve Minutes of the Regular Board of Directors Meeting - June 20, 2023**

**2.4) Approve Minutes of the Board of Directors Workshop - Resources/Engineering - February 14, 2023**

The Board of Directors approved the Meeting Minutes on the Consent Calendar by the following roll-call vote:

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

### **Agenda Item 3. Discussion and Possible Action Items.**

**3.1) Inland Solar Challenge Update.** Strategic Communications Manager Kelly Malloy pointed out the accomplishments of the Inland Solar Challenge event at the end of the last fiscal year. She acknowledged efforts of the members of the Inland Solar Challenge Committee, some of whom were present at the meeting.

Ms. Malloy explained the regional solar powered boat race event which highlights how education can be applied in the water industry through a variety of different techniques. It provides an opportunity to interact with the students and highlight career opportunities, she noted. She explained the year-long event planning process, highlighted the agencies and the schools involved, and shared the event's mission.

Ms. Malloy described the components of the Inland Solar Challenge event.

Mary Jo Hartley from West Valley Water District, Committee co-chair, shared updates from the Inland Solar Challenge Committee and shared plans for the 2024 event. She thanked San Bernardino Valley for partnership in the event and acknowledged the District's \$10,000 sponsorship in 2023.

Ms. Malloy reminded the Board of the approval of a \$15,000 sponsorship for the Inland Solar Challenge for this year. She said she is working with the Committee on the possibility of adding schools within the San Bernardino Valley service area but is finding it challenging to get schools to commit. She also noted the potential for changing the location of the event.

Director Harrison indicated support for anything that keeps students involved and active. He acknowledged the time and effort of the Committee.

President Kielhold said it is a great program, and it is evident that much work occurs before the event. He said he is always impressed with the entries.

Director Botello concurred and asked Ms. Malloy to update the Board on future plans for moving the venue. He suggested Perris Lake. He reminded that the discussion regarding continued funding of the event included looking to add schools from the San Bernardino service area and offered assistance.

Vice President Hayes reminded she is a strong supporter of the event and said she is happy to hear about potential expansion. She recommended better marketing of the event and increasing the event attendance and involvement.

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

### **4.1) Directors' Report of Activities and Travel Requests in accordance with Resolution 1100.**

Director Botello reported that he attended:

- July 3 – Senate Natural Resources and Water Committee Meeting
- July 7 – Met with Division 2 constituents
- July 12 – California Natural Resources Agency “Are You a Beaver Believer?” webinar
- July 14 – California Water Board Drinking Water Cost Assessment Model Update

Director Harrison reported that he attended:

- July 10 – Association of San Bernardino County Special Districts Board Meeting
- July 14 – HCP Government Relations Committee Meeting
- July 17 – Association of San Bernardino County Special Districts meeting

Director Hayes reported that she attended:

- July 6 – West Valley Water District meeting
- July 7 – Orange County Water Advisory Committee
- July 12 – California Natural Resources Agency “Are You a Beaver Believer?” webinar
- July 17 – Association of San Bernardino County Special Districts meeting

Director Longville reported that she attended:

- June 21 – Met with Jerry Brown, Executive Director, Sites Reservoir
- June 21 – Met with CEO / General Manager Heather Dyer and San Bernardino Municipal Water Department General Manager Miguel Guerrero
- June 22 – Conference with CEO / General Manager Heather Dyer
- July 11 – League of Women Voters Annual Water Committee meeting
- July 12 – California Natural Resources Agency “Are You a Beaver Believer?” webinar

President Kielhold reported that he attended:

- July 12 – San Bernardino Valley Water Conservation District meeting
- July 12 – East Valley Water District meeting
- July 17 – Association of San Bernardino County Special Districts meeting

**4.2) General Counsel Report.** There was no report.

**4.3) SAWPA Meeting Report.** Director Harrison reported on the following items taken at the July 18, 2023, Commission Meeting:

- Adopted Resolution No. 2023-9, amending SAWPA’s Conflict of Interest Code pursuant to the Political Reform Act.
- Approved the updated and revised Personnel Handbook.
- Approved the salary schedule for FY 2024 as required by CalPERS.
- Adopted Resolution No. 2023-10 authorizing the General Manager, or designee:
  - To authorize the submittal of a planning grant application to the Governor’s Office of Planning and Research for the Integrated Climate Adaptation and Resiliency Program Regional Resilience Grant Program to develop a Regional Climate Adaptation and Resilience Plan for the Santa Ana River Watershed; and
  - Designate a representative to sign the application; and
  - Designate a representative to execute the potential funding agreement and all necessary documentation.

**4.4) Water Delivery Report.** Director Harrison reported that the Oroville Reservoir is at 133 percent of capacity.

Chief of Water Resources Michael Plinski presented the report, noting that deliveries are ramping up. In June 2023, 5,863 acre-feet of imported water was delivered to the District. He noted that the Department of Water Resources Pearblossom Pump Station still has a pump out, which is hampering the District's deliveries. Once it is repaired next week, flows will increase, and additional recharge facilities will be brought online to spread that water.

In response to President Kielhold, Mr. Plinski said the Pearblossom issue is causing limited deliveries to San Bernardino Valley, San Gorgonio Pass Water Agency, and others. He noted that repairs were complex. Last week, imported water deliveries began at Mill Creek and Riverside County Flood Control Basins are also in use. The Waterman Basins came online in May, he added, and it is hoped that the Basins below Seven Oaks Dam will have capacity available imported water in August.

**4.5) Treasurer's Report.** Director Harrison presented the report.

The Board approved the following expenses for the month of June 2023: State Water Contract Fund \$3,705,977.61 and General Fund \$8,545,123.96 by the following roll-call vote:

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

**Action item.** Director Longville made a travel request to attend the National Habitat Conservation Plan Coalition Annual Conference November 7-9 in West Virginia.

The Board of Directors approved Director Longville's travel request for the National Habitat Conservation Plan Coalition Annual Conference November 7-9 in West Virginia by the following roll-call vote:

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

**Agenda Item 5. Future Business.** None.

**Agenda Item 6. Announcements.**

**6.1) List of Announcements.** Chief of Staff/Clerk of the Board Jose Macedo pointed out the list of announcements and drew attention to the five upcoming Demand Management Incentive (DMI) check presentations. Any director can attend any of the check presentations, President Kielhold clarified.

**Agenda Item 7. Closed Session.** None.

**Agenda Item 8. Adjournment.**

The meeting was adjourned by President Kielhold at 2:37 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><b>Secretary</b></p> <p>Date _____</p>
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Respectfully submitted,

Lynda J. Kerney  
Contract Assistant



**DATE:** August 1, 2023  
**TO:** Board of Directors  
**FROM:** Cindy Saks, CFO / Deputy General Manager  
**SUBJECT:** Consideration of Fiscal Year 2023-2024 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 2023-2024 year for an amount not to exceed \$48,920 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.

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 2023-2024 fiscal year, the cost to the District to perform these auditing services will range from \$39,755 if all agencies participate to \$48,920 if only 80% of the agencies participate. Historically more than 80% of agencies participate each year. Included in these 2023-2024 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 \$34,925, an increase over the prior year in the amount of \$1,734.

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 San Bernardino Valley State Water Contract Fund Budget in line item 6380 – Auditing Fees for fiscal year 2023-2024.

**Attachment**

Ernst & Young Statement of Work Contract for FY 2023-2024



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

Tel: +1 916 218 1900  
ey.com

June 7, 2023

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 2023-2024 Procedures to be performed related to the 2024 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.

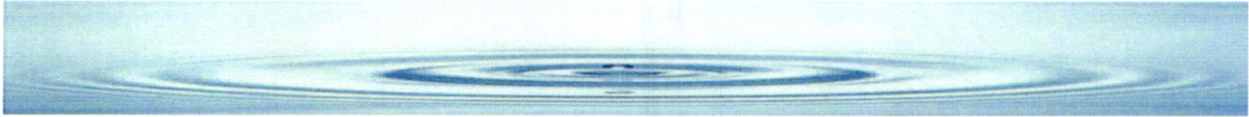
Please return the signed SOW to EY via mail at 731 K Street, Suite 300, Sacramento, CA 95814 (Attn. Scott Enos) or email to [scott.enos@ey.com](mailto:scott.enos@ey.com). We have also enclosed a copy of the support letter from Chantal Ouellet, IAA Secretary, recommending the approval of the SOW by San 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, 2023  
To: Members of the Independent Audit Association (IAA)  
From: Chantal Ouellet, IAA Secretary  
Subject: Ernst and Young 2023/2024 State Water Project Professional Services Contract –  
Recommended Approval and Execution

Enclosed is the 2023/24 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 2023/2024 SOW. If you have any questions, please contact me at (559) 992-4127 or [couellet@tlbwsd.com](mailto: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: Scott Enos, EY

## Statement of Work

This Statement of Work, dated June 7, 2023 (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”).

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, 2024.

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. 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 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 \$592,000 for the twelve months ending June 30, 2024. 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 \$592,000 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 \$36,659 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, 2024, the maximum fees to your Agency will vary between the above-mentioned amount and \$45,824, 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, 2023  
\_\_\_\_\_  
**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, 2024, 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 2023/2024 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, 2024, 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, 2024, the Services will include the following procedures.

## 2023/2024 Procedures

The procedures for the fiscal year ended June 30, 2024, 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 2024 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. 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. New processes create opportunities for errors.
- Potential for high dollar impact (\$357 million in delta water charges in 2021 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 groups 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. 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 (\$325 million allocated by alpha allocation cycles in 2021).

*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. 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 and work breakdown structures associated with costs for selected reaches and group like internal orders and work breakdown structures to perform a fluctuation analysis to the prior year.
- Assess a sample of internal orders and work breakdown structures with the largest increase in costs from group like internal orders and work breakdown structures 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 is a manual process. Manual processes create opportunities for errors.
- A new cost allocation billing system was implemented. New processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact (\$188 million net system power costs in 2021 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. Debt Service Procedures

*Risk:*

- Incorrect bond debt service charged to the contractors.

*Risk Factors:*

- WSRB Surcharge calculation has manual aspects. Manual processes create opportunities for errors.
- A new cost allocation billing system was implemented. 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.
- Reconcile the WSRB schedule to the inputted debt service schedules maintained in the cost allocation and billing system.
- 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 has manual aspects to the process.
- A new cost allocation billing system was implemented. 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.

## 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 billing system.
- Identify, document, and investigate all variances between the two systems.

**II. FEES FOR EY SERVICES**

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$592,000, including reasonable and necessary out-of-pocket expenses, which represent an estimated 3,000 hours to be incurred.

**III. ALLOCATION OF FEES**

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

**IV. MAXIMUM AGGREGATE FEE FOR EACH AGENCY**

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

<u>Agency</u>	<u>Maximum fee for each Agency, provided all agencies listed below enter into agreements with EY</u>	<u>Maximum fee for each Agency, provided 80% of agencies listed below enter into agreements with EY</u>	<u>Percent of total</u>
Alameda County Flood Control and Water Conservation District, Zone No. 7	\$ 28,806	\$ 36,007	4.9%
Alameda County Water District	15,007	18,758	2.5
Antelope Valley-East Kern Water Agency	51,753	64,691	8.7
Casitas Municipal Water District	7,146	8,932	1.2
Central Coast Water Authority	16,252	20,314	2.7
City of Yuba City	3,430	4,288	0.6
Coachella Valley Water District	49,432	61,790	8.4
County of Kings	3,325	4,156	0.6
Crestline-Lake Arrowhead Water Agency	2,072	2,590	0.4
Desert Water Agency	19,919	24,899	3.4
Dudley Ridge Water District	16,204	20,255	2.7
Empire West Side Irrigation District	1,072	1,340	0.2
Kern County Water Agency	148,000	185,000	25.0
Little Rock Creek Irrigation District	822	1,028	0.1
Mojave Water Agency	30,656	38,320	5.2
Napa County Flood Control and Water Conservation District	10,371	12,964	1.8
Palmdale Water District	7,610	9,513	1.3
San Bernardino Valley Municipal Water District	36,659	45,824	6.2
San Gabriel Valley Municipal Water District	10,290	12,863	1.7
San Geronio Pass Water Agency	6,181	7,726	1.0
San Luis Obispo County Flood Control and Water Conservation District	8,932	11,165	1.5
Santa Clara Valley Water District	35,730	44,663	6.0
Santa Clarita Valley Water Agency	34,015	42,519	5.7
Solano County Water Agency	17,063	21,329	2.9
Tulare Lake Basin Water Storage District	31,253	39,066	5.3
<b>Total</b>	<b><u>\$ 592,000</u></b>		<b><u>100.0%</u></b>

**V. PAYMENT SCHEDULE**

This is the payment schedule for the Agency.

<u>August 10, 2023 Billing</u>	<u>September 8, 2023 Billing</u>	<u>October 10, 2023 Billing</u>	<u>November 10, 2023 Billing</u>	<u>December 8, 2023 Billing</u>	<u>Total Billing</u>
\$10,998	\$7,332	\$7,332	\$7,332	\$3,665	\$36,659

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

EY shall, during the twelve months ending June 30, 2024, 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 253 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2024. Any part of the \$50,000 which is unused shall not be billed.

<u>Agency</u>	<u>Maximum fee for each Agency, provided all Agencies listed below enter into agreements with EY</u>	<u>Percent of total</u>
Alameda County Flood Control and Water Conservation District, Zone No.7	\$ 2,432	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, 2024, 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, 2024, 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, 2023 (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, 2024.

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**

\_\_\_\_\_  
**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)]

[Month XX, 20XX]

[Street Address]

[City, State Zip]

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: \_\_\_\_\_

**DATE:** August 1, 2023  
**TO:** Board of Directors  
**FROM:** Bob Tincher, Chief of State Water Initiatives/Deputy General Manager  
**SUBJECT:** Presentation on the State Water Contractors

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**Staff Recommendation**

Receive and file.

**Summary**

San Bernardino Valley is a member of the State Water Contractors (SWC), an association of twenty-seven public water agencies throughout the State of California. At this meeting, staff will provide an overview of the SWC accomplishments for the prior year and the objectives for the coming year.

**Background**

The SWC represents the legal, policy and regulatory interests of the State Water Project (SWP) contractors, who are responsible for the capital and ongoing operational costs of the SWP. The SWC works in partnership with other water organizations and coordinates with the Department of Water Resources on behalf of its members. Its mission is:

*“To advocate on behalf of our members for improved supply reliability and water quality based on sensible, science-based policies related to the State Water Project that result in sustainable and cost-effective management of the SWP for California’s citizens, economy and environment.”*

The SWC has nine staff which essentially act as an extension of the San Bernardino Valley team. They are strategically located in the City of Sacramento directly across the street from the Capital. Their fiscal year 2023-24 budget is around \$9 million which is generally proportioned amongst the participating water agencies using metrics like SWP allocation and actual SWP water deliveries for the previous year. San Bernardino Valley’s portion of the 2023-24 SWC budget is about \$278,000, or about 3% of the total.



### **District Strategic Plan Application**

Supplemental water from the State Water Project helps San Bernardino Valley achieve its mission to “work collaboratively to provide a reliable and sustainable water supply to support the changing needs of our region’s people and environment.”

### **Fiscal Impact**

This report is provided for informational purposes only.

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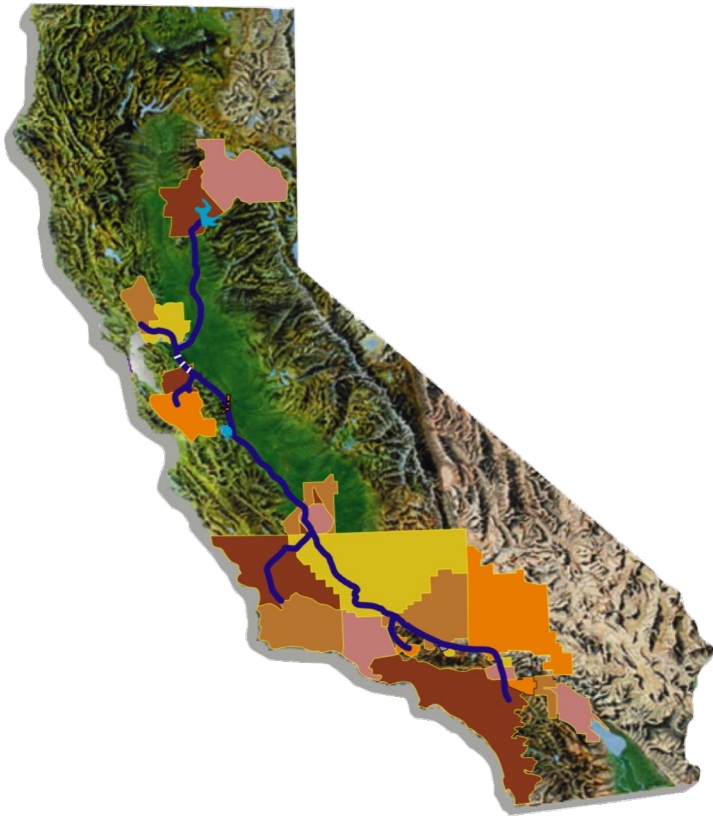
# STATE WATER CONTRACTORS

ACCOMPLISHMENTS FOR FY 22-23 AND OBJECTIVES FOR FY 23-24

AUGUST 1, 2023



## THE “STATE WATER CONTRACTORS”



- Distinct From Individual SWP Contractors
- Non-Profit Mutual Benefit Corporation
- Membership Open to all Contractors
- 27 of 29 Contractors Represented
- Board of Directors (executive level staff from participating agencies)
  - 9 Directors
  - Represent 8 different areas of the SWP

## STATE WATER CONTRACTORS APPROACH

- Limited Staff (9), plus consultants
- “Translate” to/from DWR
- Emphasis on Leveraging Staff Efforts through working with DWR
- Eyes, ears, mouth of the SWP contractors
- Work with Staff and DWR Executives



## 2022-23 HIGHLIGHTS

- **SWP/Water Supply**
  - Implemented the dry year transfer program
  - Provided support and coordination related to the CFM role
  - Signed VA MOU/term sheet
  - Interim operations engagement
  - Returned to in-person/hybrid meetings
  - Significant movement on Sisk Dam cost share
  - Began SWP storage investigations
  - Moved forward on contract extension, including successful litigation
  - Addressed North Bay Aqueduct weed and screen unnecessary permit condition
  - Completed South Bay Aqueduct reliability improvements
  - SWC engaged DWR to work with the SWB and DFW on TUCPs and curtailments **resulting in over 500,000 AF of stored water for 2023**
  - Held a legislative briefing on SWP issues
- Began the Water Surcharge RB workshops and strategy development with DWR
- **Energy**
  - Completed [SWC] Energy Roadmap (SB100 2045 timeline)
  - SB1020 (2035 timeline for DWR): Significant amendments to **reduce cost impacts by over \$2B**
- **Science**
  - Held another science symposium on San Joaquin River import:export (i:e) ratio
- **Delta Conveyance**
  - Released DCP Draft EIR

## OBJECTIVES FOR 2023-24

- Business Practices
- Energy
- Infrastructure
- Outreach
- Science
- Water Supply



## BUSINESS PRACTICES



- DWR Chief Financial Manager Roles and Coordination
- Outstanding State Water Contract items:
  - Cost-debt reconciliation
  - Project interest rate
  - Surcharge resolution
- State Water Contract Extension Implementation
- Process of Affordability (earlier coordination with DWR on the SWP budget)

# ENERGY

- Energy Roadmap (SWC Strategy)
  - SB49: Opportunities and constraints for operational and structural upgrades to the SWP to aid California in achieving its climate and energy goals
- SBI020: 100% renewable energy resources and zero-carbon resources for DWR by December 31, 2035
- FERC Relicensing- Oroville and SoCal facilities
- Tracking Rate Cases





# SWP INFRASTRUCTURE

- Maintenance
  - Asset Management
  - CA Aqueduct Subsidence
  - SWP Dam Safety
    - Sisk Dam
    - Oroville Comprehensive Needs Assessment
- New Infrastructure
  - Storage Investigations
  - Delta Conveyance



# OUTREACH



- SWP education and awareness
- Highlighting science research programs and results
- Responding to legislative and regulatory threats
- Advocacy in the Capitol
- SWC is being asked to actively participate by the State
- SWC solicited for comments by the news media

## LEGISLATIVE/BUDGET FOCUS



- Budget
  - Oroville Pumped Storage
- Policy Bills
  - Water Rights Bills
  - Delta Conveyance
  - Groundwater Recharge
- Climate bond?

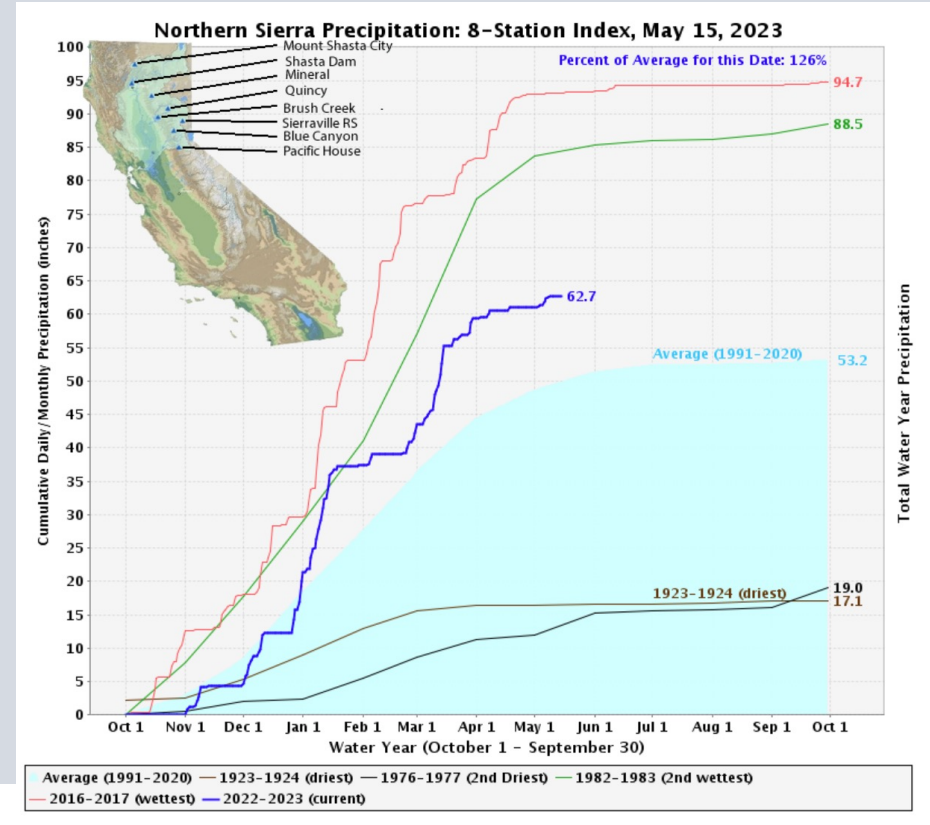
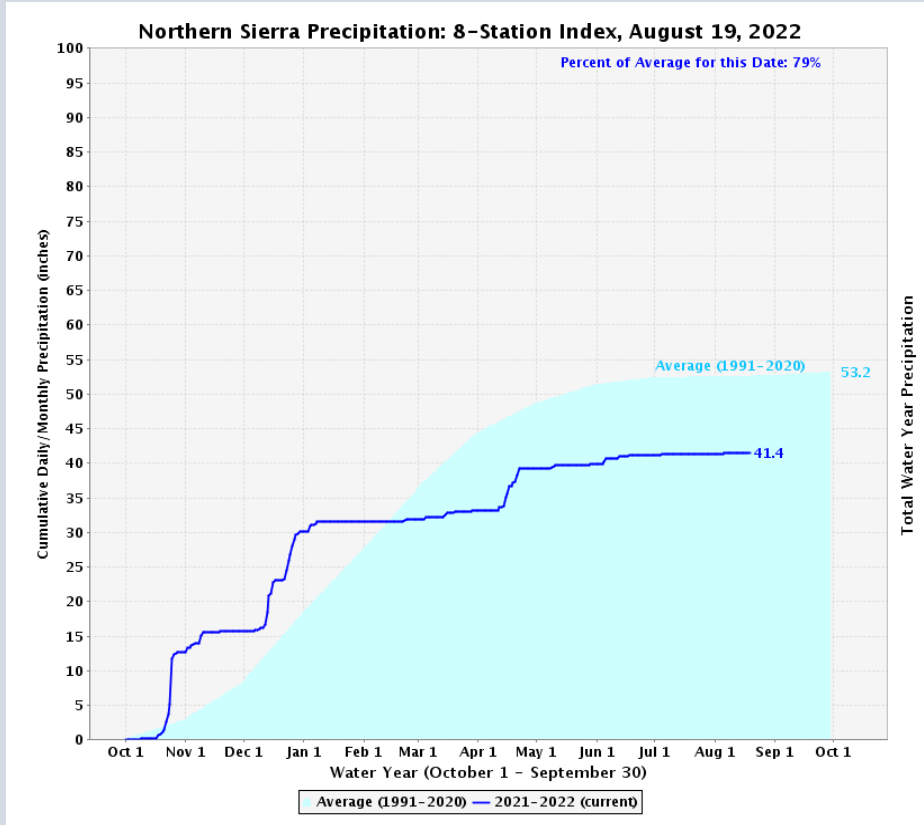
# SCIENCE

- Using science to determine what endangered species need
- Administering approx. 35 contracts
- Science Program Solicitation **NEW!**
- Coordinating other PWA efforts
- **Collaborative** Science and Adaptive Management Program (CSAMP) and Collaborative **Adaptive** Management Team (CAMT)
- Research results symposiums
- Steps toward adaptive management
  - SWC salmon recovery program
  - SWC responsive science for Delta Smelt in 2023 recognized and appreciated by the State



## LAST YEAR (2021-22)

## THIS YEAR (2022-23)



**Prominent stair step patterns - need to take water when available and store for when it's not.**

# WATER SUPPLY



- SWP Operations
  - Federal ESA Biological Opinion Litigation and Reconsultation for the SWP
  - State ESA incidental take permit
  - Voluntary Agreement Framework
    - Could resolve litigation issues
- New Infrastructure
  - Delta Conveyance
    - Tracking/reporting
    - SWC Amendment
- Increased emphasis on San Joaquin River conditions which affect the SWP delivery amount

## OVERALL 2023/24 PRIORITIES

Improved SWP  
financial tracking and  
understanding

Resolution of  
environmental  
litigation/proceeding  
with Voluntary  
Agreement

Energy Roadmap and  
SB49 implementation

Continued Bay-Delta  
science and research  
engagement

Delta Conveyance  
planning and permitting

SWP Storage  
Investigation

Continue public  
outreach on SWP  
priorities



**DATE:** August 1, 2023

**TO:** Board of Directors

**SUBJECT:** List of Announcements

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- A. August 2, 2023, 8:30 a.m. – Upper SAR WIFA In-Person (Cancelled)
- B. August 3, 2023, 2 p.m. – Board Workshop – Policy/Administration by Teleconference or In-Person
- C. August 3, 2023, 6:30 p.m. – Demand Management Incentive Check Presentation (West Valley)
- D. August 7, 2023, 1:30 p.m. – Basin Technical Advisory Committee
- E. August 8, 2023, 2 p.m. – Board Workshop – Resources/Engineering by Teleconference or In-Person
- F. August 9, 2023, 8:30 a.m. – Upper SAR WIFA Technical Advisory Committee In-Person (Cancelled)
- G. August 9, 2023, 1:30 p.m. – SBVW Conservation District Board Meeting
- H. August 11, 2023, 7:00 a.m. – BIA Southern California Water Conference (DoubleTree, Ontario)
- I. August 15, 2023, 09:30 a.m. – SAWPA Commission Meeting by Teleconference or In-Person
- J. August 15, 2023, 2 p.m. – Regular Board Meeting by Teleconference or In-Person
- K. August 16, 2023, 8:30 a.m. – Upper SAR WIFA In-Person (Cancelled)



- L. August 21, 2023, 6 p.m. – ASBCSD meeting (Yucaipa Valley Golf Course – Hosted by SB Valley)
- M. August 23, 2023, 8:30 a.m. – Upper SAR WIFA Technical Advisory Committee In-Person (Cancelled)
- N. August 28-31, 2023 – CSDA 2023 Annual Conference (Monterey, CA)