



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

On March 4, 2020, Governor Newsom declared a State of Emergency resulting from the threat of COVID-19. Governor Newsom issued Executive Order N-25-20 (3-12-20) and Executive Order N-29-20 (3-17-20) which temporarily suspend portions of the Brown Act relative to conducting public meetings. Subsequent thereto, Governor Newsom issued Executive Order N-33-20 (3-19-20) ordering all individuals to stay at home or at their place of residence. Accordingly, it has been determined that all Board and Workshop meetings of the San Bernardino Valley Municipal Water District will be held pursuant to the Brown Act and will be conducted via teleconference. There will be no public access to the meeting venue.

**REGULAR MEETING OF THE BOARD OF DIRECTORS  
TUESDAY, AUGUST 3, 2021 – 2:00 P.M.**

**PUBLIC PARTICIPATION**

Public participation is welcome and encouraged. You may participate in the August 3, 2021, 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, August 2, 2021. All public comments will be provided to the President and may be read into the record or compiled as part of the record.

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



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

**REGULAR MEETING OF THE BOARD OF DIRECTORS**

**AGENDA**

**2:00 PM Tuesday, August 3, 2021**

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

**1) PUBLIC COMMENT**

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

**2) APPROVAL OF MINUTES**

2.1 July 20, 2021, Meeting (Page 4)  
[BOD Minutes 072021](#)

**3) DISCUSSION AND POSSIBLE ACTION ITEMS**

3.1 Consider Adoption of Resolution No. 1125 Setting a Tax Levy and Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2021-2022 (Page 13)  
[Staff Memo - Consider Resolution authorizing State Water Contract Debt Service Tax Rate - FY 21-22](#)

[Resolution 1125 - Setting State Water Contract Debt Service Tax Rate for FY 2021-2022](#)  
[SBVMWD Draft Debt Service Budget - FY 2021-2022](#)

3.2 Consideration of Fiscal Year 2021-2022 State Water Project Audit Contract with Ernst & Young, LLP (Page 21)

[Staff Memo - Consideration of Fiscal Year 2021-2022 State Water Project Audit Contract with Ernst & Young, LLP](#)

[Ernst & Young Engagement Letter including statement of work](#)

3.3 Consider Inland Empire Brine Line Capacity Utilization Program (Page 51)

[Staff Memo - Brine Line Capacity Utilization Program](#)

[Agreement for Inland Empire Brine Line Capacity Utilization Program](#)

3.4 Consider Proclamation for Director Don Galleano (Page 63)

[Staff Memo - Consider Proclamation for Director Don Galleano](#)

[Proclamation for Director Don Galleano](#)

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

- 4.1 CEO/General Manager's Report (Page 64)  
[CEO/General Manager's Report](#)
- 4.2 SAWPA Meeting Report
- 4.3 Director's Primary Representative and Activity Report
- 4.4 Board of Directors' Workshop - Resources - July 1, 2021 (Page 67)  
[Summary Notes BOD Workshop - Resources 070121](#)
- 4.5 Board of Directors' Workshop - Policy - July 8, 2021 (Page 73)  
[Summary Notes BOD Workshop - Policy 070821](#)
- 4.6 Board of Directors' Workshop - Engineering - July 13, 2021 (Page 83)  
[Summary Notes BOD Workshop - Engineering 071321](#)
- 4.7 Board of Directors Debt Service Fund Budget Workshop - July 22, 2021 (Page 93)  
[Summary Notes BOD Debt Service Fund Budget Workshop - 072221](#)

**5) FUTURE BUSINESS**

**6) ANNOUNCEMENTS**

- 6.1 List of Announcements (Page 97)  
[List of Announcements 080321](#)

**7) CLOSED SESSION**

- 7.1 Conference with Legal Counsel  
Existing Litigation  
Pursuant to Government Code Section 54956.9  
Complaint Against Nestle Waters North America, Unauthorized Diversions from Strawberry Creek, San Bernardino County (Before the State Water Resources Control Board)
- 7.2 Conference with Real Property Negotiators:  
Pursuant to Government Code Section 54956.8  
Property APN 0140-042-10  
Agency negotiator: Heather Dyer  
Negotiating parties: San Bernardino Valley Concert Association Under negotiation: Price and terms of payment

**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  
REGULAR BOARD MEETING  
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

**July 20, 2021**

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

Brent Adair – Project Manager II  
Michael R. Esquer – Senior Project Manager  
Anthony Flordelis – Business Systems Analyst  
Matthew E. Howard, MS – Water Resources Senior Planner  
Aaron Jones, EIT – Associate Engineer  
Adekunle Ojo, MPA – Water Resources Manager  
Kai Palenscar, Ph.D. – Environmental Compliance Program Manager  
Shavonne Turner, MPA – Water Conservation Program Manager

Brendan Brandt, Varner & Brandt, District Counsel  
Meredith Nikkel, Downey Brand

**Members of the Public in Attendance:**

Benjamin Kelly, Western Heights Water Company  
Chris Fealy, Fontana Water Company  
David Raley, San Bernardino Valley Water Conservation District  
Doug Brown, Stradling, Yocca, Carlson & Rauth  
Jennifer Ares, Yucaipa Valley Water District  
John Valdivia, City of San Bernardino  
Robert Porr, Feldman Rolapp & Associates  
Ronald Coats, East Valley Water District

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

President Kielhold stated that the record will reflect that pursuant to the provisions of Executive Order N-29-20 issued by Governor Newsom on March 19, 2020, this meeting will be conducted by teleconference only. Please note that all actions taken by the Board at the meeting will be conducted by a roll-call vote.

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

President Kielhold stated that any member of the public wishing to make any comments to the Board may do so. There were no comments.

*Audience attendance will be recorded in the minutes based on registration information generated in the teleconference or by stating their name during this time.*

### **Agenda Item 2. Approval of Minutes of the following meetings:**

**2.1 June 16, 2021 Board of Directors Workshop – Strategic Planning Retreat Day 1**

**2.2 June 17, 2021 Board of Directors Workshop – Strategic Planning Retreat Day 2**

**2.3 June 18, 2021 Board of Directors Workshop – Strategic Planning Retreat Day 3**

**2.4 July 6, 2021 Regular Board meeting**

Director Harrison moved to approve the minutes of the June 16, 2021, June 17, 2021, and June 18, 2021 Board Workshop – Strategic Planning meetings. Director Botello seconded. The motion was adopted by a 4-0-1 roll-call vote with Director Longville abstaining.

Vice President Hayes moved to approve the minutes of the July 6, 2021 Regular Board meeting. Director Harrison seconded. The motion was adopted by a unanimous roll-call vote.

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

**3.1) Consider Adoption of Resolution No. 1123 authorizing the execution and delivery of a Joint Exercise of Powers Agreement to create the Upper Santa Ana River Watershed Infrastructure Financing Authority.**

CEO / General Manager Heather Dyer introduced the item and noted that the San Bernardino Water Conservation District had approved the Agreement, and the Yucaipa Valley Water District is considering the Agreement at 4 p.m. She reminded the Board that the Upper Santa Ana River Watershed Infrastructure Financing Authority (USAR WIFA) is a Joint Powers Authority comprised of water agencies who are connected through the tributaries and groundwater basins of the Santa Ana River.

The agencies have banded together to gain advantageous financing options via an Environmental Protection Agency (EPA) Water Infrastructure Financing and Innovation Act (WIFIA) loan, and this has been in progress since June 1, 2021 when the Board approved the contracts with AECOM and Water Systems Consulting, Dyer reminded.

If the Agreement is passed by two or more members, the first meeting of the JPA will be July 21, 2021 at 8:30 a.m. Other agencies will be considering joining the JPA later this summer, Dyer advised. Expected to join are Big Bear Area Regional Wastewater Agency, City of San Bernardino Water Department, City of Colton, Western Municipal Water District, and a few others.

Ms. Dyer reviewed the purpose of formation of the JPA, and institutional funding framework that will be used to implement project financing and construction. Any good things that any agency does for the watershed benefits others, she noted. Dyer highlighted a number of letters of endorsement for the project.

The next steps are submission of a Letter of Interest (LOI), Dyer continued. Project agreements, continued application process, and seeking of additional funding sources will follow, she noted.

Ms. Dyer reviewed the action items for this meeting.

Director Longville asked about the other two entities to be included in the bond rating and whether only Valley District funds were being expended. Ms. Dyer replied that the entities are Yucaipa Valley Water District and the City of Colton. Western Municipal Water District is coming in with cash for their share, she explained. The authorization is for Valley District to pay the entire amount, Longville noted. Ms. Dyer assured that the expense will be tracked to get the program to the point where it is accepted, then figuring out the distribution of costs including administrative costs for the JPA which will be built into the project agreements on a ratio of how much value each agency receives from the program.

Director Longville noted it is essential that all parties approve the same resolution and said she is comfortable taking the step but indicated concern about Section 4 – officers and recommended a Board workshop to discuss the designation of representatives and officers.

Director Longville pointed out the representative and alternate can be either an elected official or staff and expressed preference for appointment of staff. Director Botello noted that appointment of the Board President would ensure a smooth transition to the new entity, and appointment can be revisited in a year if it is not working. President Kielhold

acknowledged the concerns and concurred with Botello about transition and revisiting appointments later.

Director Harrison moved to adopt Resolution 1123 Authorizing the Execution and Delivery of a Joint Exercise of Powers Agreement to Create the Upper Santa Ana River Watershed Infrastructure Financing Authority. Director Botello seconded. The motion was unanimously approved by a roll-call vote.

### **RESOLUTION NO. 1123**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SAN BERNARDINO VALLEY MUNICIPAL WATER  
DISTRICT AUTHORIZING THE EXECUTION AND  
DELIVERY OF A JOINT EXERCISE OF POWERS  
AGREEMENT TO CREATE THE UPPER SANTA ANA  
RIVER WATERSHED INFRASTRUCTURE FINANCING  
AUTHORITY AND AUTHORIZING CERTAIN OTHER  
MATTERS IN CONNECTION THEREWITH**

**(See Resolution Book)**

Director Botello nominated President Paul R. Kielhold as primary representative to the Upper Santa Ana River Watershed Infrastructure Financing Authority. Director Harrison seconded. The motion was unanimously approved by a roll-call vote.

Vice President Hayes nominated Water Resources Manager Adekunle Ojo as alternate representative to the Upper Santa Ana River Watershed Infrastructure Financing Authority. Director Longville seconded. The motion failed 3-2 by a roll-call vote.

President Kielhold nominated Director Gil J. Botello as alternate representative to the Upper Santa Ana River Watershed Infrastructure Financing Authority. Director Longville seconded. The motion was unanimously approved by a roll-call vote.

Director Botello moved approval of an expenditure in the amount of \$35,000 for the S&P credit rating. Director Harrison seconded. The motion was unanimously approved by a roll-call vote.



**3.2) Consider the Adoption of Resolution No. 1124 for the Reimbursement of Costs incurred prior to Issuance of Tax-Exempt Obligations related to a Regional WIFIA Application for Watershed Connect.** CEO / General Manager Heather Dyer explained that this resolution allows Valley District to pay in advance for various project costs and be reimbursed after the loan is funded in order to restore the District's reserve accounts if strategically beneficial. The maximum amount eligible for reimbursement is \$218,201,116 in expenditures for project administration, design, construction management, and construction of the projects.

The estimated maximum funding requirement for WIFIA loan reimbursement costs is a worst-case scenario based on current cost estimates, Ms.Dyer noted.

Director Longville moved to adopt Resolution 1124 Regarding Its Intention to Issue Tax-Exempt Obligations. Director Botello seconded. The motion was approved by a 5-0 roll-call vote.

#### **RESOLUTION NO. 1124**

#### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT REGARDING ITS INTENTION TO ISSUE TAX- EXEMPT OBLIGATIONS**

**(See Resolution Book)**

**3.3) Consider Scope Enhancements to Borden Excavating, Inc. Construction Contract for the Waterman Hydroelectric Project (Specification 18-02).** Associate Engineer Aaron Jones reminded the Board of discussion of this item at the Engineering Workshop on July 15, 2021. He explained that cleaning of the basins is necessary to improve performance and limit algal growth. He explained the scope of work for Borden to be completed on a time and materials basis not to exceed \$400,000.

In response to President Kielhold, Mr. Jones explained that the clogging layer is being determined by staff in cooperation with Flood Control. He said there is a staging area for the debris and Borden is seeking an area off-site where the material can be discharged.

Director Botello asked about the nesting assessment and Mr. Jones advised that it is already in process. Botello requested a report back on the process.

President Kielhold indicated that his vote is predicated on his perception of the beneficiary parties and the relative expense to those parties not being proportionate, i.e., the owner of the basins will benefit from the work, and the cost is being borne by Valley District.

Director Longville indicated she has similar reservations in continuing to sanction what she considers to be financially bad behavior by other parties.

Director Harrison moved to authorize the CEO / General Manager to execute a change order with Borden Excavating, Inc. for the clearing of the Waterman Basins with a not-to-exceed amount of \$400,000. Director Botello seconded. The motion failed by unanimous roll-call vote in opposition.

Vice President Hayes assured that opposition does not reflect on Valley District, but only on the concerns voiced. Director Harrison asked staff to outline the implications of the vote, recognizing that the basins are needed.

Director Botello opined the relationship with Flood Control is broken, and the County representatives do not respond. Valley District is an excellent partner, he noted, and should demand the same from others with whom the District works and find common ground.

Ms. Dyer indicated understanding of the Board's statement to the County. She suggested that she work with the County and requested the Board allow staff to bring this back next month, as it is an important to have the ability to recharge in those basins, as there are few alternatives. If the window to perform the maintenance is missed this year, there will another year of growth and habitat, and permits to obtain, she advised.

Director Longville indicated that her vote was to raise a red flag. She assured that she is committed to seeing success, and this is an indication that a fair partnership is needed. She acknowledged that the project must be done quickly.

President Kielhold advised that Valley District did approach Flood Control for a meeting, and Flood Control chose not to have the meeting.

**3.4) Consider the 2021 Cathodic Testing Survey Program of District's Pipelines with V&A Consulting.** Senior Project Manager Mike Esquer explained the pipeline locations and explained the annual cathodic testing to determine potential corrosion. He reminded the Board of discussion at the Engineering Workshop on July 16, 2021. Of the \$37,257 cost of the program and included in the fiscal year 2021-22 budget, approximately \$14,057 will be reimbursed by five other agencies that have capacity in the various pipelines, he noted.

Director Botello moved to authorize the CEO/General Manager to execute a professional service contract agreement with V&A Consulting to perform the 2021 Cathodic Testing Survey Program with an estimated fee of

\$37,257. Vice President Hayes seconded. The motion was unanimously approved by roll-call vote.

**3.5) Consider Grant of Easement to Southern California Edison for AT&T Cellular Tower Project.** Project Manager II Brent Adair described the 23' x 6' easement and connection point. The project is nearing completion, he said. The lease agreement approved by the Board on July 21, 2020 allows for grant of easements to get all utilities to the tower, and this is part of that so AT&T can complete the project.

President Kielhold asked about the easement. Mr. Adair explained it protects SCE's conduit and lines from the telephone pole to the point of connection and prevents anyone from tearing it out. There are some other easements within the District's property, Adair responded.

Director Longville moved to authorize the CEO/General Manager to execute the Grant of Easement with Southern California Edison. Vice President Hayes seconded. The motion was unanimously approved by roll-call vote.

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

**4.1) SAWPA Meeting Report.** Vice President Hayes reported on the following items taken at the June 15, 2021 Commission Meeting:

The Commission received the following reports:

- Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award
- Proposition 84 Round 2 Implementation Grant and Proposition 1 Round 1 Implementation Grant Status Update

The Commission took the following action:

- Approved the salary schedule for FY 2022 as required by CalPERS

**4.2) Operations Report.** Water Resources Senior Planner Matt Howard presented the Report. In June 2021, 1,944 acre-feet of imported water was delivered to the District, he noted.

Director Longville asked if the 140 acre-feet that went into storage was included; Mr. Howard confirmed it was.

**4.3) Treasurer's Report.** Director Harrison moved approval of the following expenses for the month of June 2021: The State Water Contract Fund \$2,513,530.55, Devil Canyon / Castaic Fund \$104,812.00, and General Fund \$2,375,750.10. Director Botello seconded. The motion was adopted by unanimous roll-call vote.

**4.4) Directors' Fees and Expenses for June 2021.**

President Kielhold stated he had no activities to report.

Vice President Hayes reported that she and CEO / General Manager Dyer attended a wetlands tour in Santa Margarita and Irvine Ranch. On July 14, she attended West Valley Water District, and on July 19 she attended the Special Districts Association.

Director Harrison reported that on July 9 he attended the Redlands country Club presentation by Bob Tincher on the status of water in the Valley; on July 12 the Association of Special Districts Board meeting; on July 14 the San Bernardino Valley Water Conservation District Board meeting; and on July 19 the Special Districts monthly meeting.

Director Botello reported that in June he attended the Climate Center.

Director Longville reported that on July 7 she attended a State Water Board public workshop on the draft proposed racial equity resolution; on June 13 a presentation on water quality mapping; on June 15 a workshop on Nature Based Solutions in Watersheds; on July 17, a groundbreaking ceremony for the Garcia Center Garden; on July 19, a Department of Water Resources presentation on Making Water Conservation a California Way of Life; and on July 19, the Special Districts dinner.

**Agenda Item 5. Announcements.**

**5.1) List of Announcements.** President Kielhold pointed to the list of announcements. None were added.

Vice President Hayes requested inclusion of Future Board Items on agendas.

**Agenda Item 6. Closed Session.** District Counsel Brendan Brandt introduced the Closed Session item. President Kielhold adjourned the meeting to Closed Session at 3:03 p.m.

**6.1) Conference with Legal Counsel – Existing Litigation**  
Pursuant to Govt. Code Section 54956.9

Complaint against Nestle Waters North America, Unauthorized Diversions from Strawberry Creek, San Bernardino County (Before the State Water Resources Control Board)

**6.2) Conference with Real Property Negotiators**

Pursuant to Govt. Code Section 54956.8  
Property APNs 0297-091-18, 0297-101-33, 0297-101-34, 0297-181-03, 0302-071-06, 0302-082-09, 0302-082-10, and 0302-082-11  
Agency Negotiators: Heather Dyer and Wen Huang  
Negotiating party: County of Orange  
Under negotiation: Price and terms of payment

**6.3) Conference with Real Property Negotiators**

Pursuant to Govt. Code Section 54956.8  
Property: Southern California Edison East End Hydroelectric Generation Plants  
Agency Negotiator: Heather Dyer and Wen Huang  
Negotiating party: Southern California Edison Company  
Under negotiation: Price and terms of payment

President Kielhold returned the meeting to Open Session at 5:16 p.m. Legal Counsel Brendan Brandt reported that:

- Item 6.1 – The Board provided direction to special counsel. No reportable action was taken.
- Item 6.2 – The Board was provided an update. No reportable action was taken.
- Item 6.3 – The Board was provided an update. No reportable action was taken.

**Agenda Item 7. Adjournment.**

The meeting was adjourned at 5:19 p.m.

<p>APPROVAL CERTIFICATION 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



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**DATE:** August 3, 2021

**TO:** Board of Directors

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

**SUBJECT:** Consider Adoption of Resolution No. 1125 Setting a Tax Levy and Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2021-2022

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**Background**

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

On July 22, 2021, the Valley District Board conducted a workshop to discuss the proposed Debt Service Fund Budget. After considerable discussion and review of several scenarios of the District's financial model, staff was directed to prepare the budget based on a tax rate of \$0.1300 per \$100 of assessed valuation, which is a reduction in the tax rate of .0125 over the prior year, and bring it to the full Board for consideration. The budgeted revenue shown on the attached spreadsheet titled *Estimated Property Tax Income* for the fiscal year 2021-2022 was created using the preliminary assessed property valuations provided by the County.

The total budgeted expenses for fiscal year 2021-2022, shown on the attached spreadsheet, include DWR cost projections based on current DWR invoices. Additional budgeted expenditures include costs for the Sites Reservoir, Rhomboid Floating Cover at the Citrus Reservoir and Pre-Treatment and Water Quality Testing Program of State Water Project Water.

Based on the preliminary assessed values of property within Valley District's boundary, approximately \$6.5 million is associated with each \$0.01 of tax rate increase or decrease. Approximately 38% of this amount (\$2.5 million for each cent of tax rate) is provided due to the dissolution of RDAs and the passage of SB107.

Based on the proposed tax rate of \$0.1300 per \$100 of assessed value, the total estimated property tax revenue is projected to be \$61,269,255; consisting of \$59,376,287 for the SWC Fund and \$1,892,968 for the DCC Fund for the fiscal year 2021-2022. The total estimated revenue from the Redevelopment Successor Agency Pass Through Agreements is budgeted at \$34,875,000.

Also shown on the attached spreadsheets are total estimated expenses of \$72,553,920 derived from DWR invoices; consisting of \$70,539,348 for the SWC Fund and \$2,014,572 for the DCC Fund. Further, all revenues attributable to the Debt Service Funds, interest earnings, return of bond cover charges and successor agency pass through payments total \$104,291,755; \$102,376,287 for the SWC Fund and \$1,915,468 for the DCC Fund.

Through continued conservative spending, the District is projected to be able to increase its reserves for Project Specific Rate Stabilization combined in the SWC and DCC Funds in the amount of \$31,737,835. The Project Specific Rate Stabilization reserves are expected to be used to pay for the future costs of the Delta Conveyance and Sites Reservoir.

Resolution No. 1125, setting the tax rate at \$0.1300 per \$100 of valuation for 2021-22, is provided for the Board's consideration.

**Staff Recommendation**

Approve a Debt Service Fund tax rate of \$0.1300 per \$100 of valuation, budget, and Resolution No. 1125 for Fiscal Year 2021-2022.

**Attachments**

1. Resolution No. 1125 Setting the Tax Rate for the Debt Service Fund
2. Fiscal Year 2021-2022 Debt Service Fund Budget worksheets

**RESOLUTION NO. 1125**

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

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

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

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

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

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

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

1. That said Board of Directors has determined that the amounts necessary to be raised by taxation during the fiscal year beginning July 1, 2021, and ending June 30, 2022, to pay indebtedness approved by the voters prior to July 1, 1978, and/or for which a tax levy is required under Article I, Section 10 of the United States Constitution and Article I, Section 9 of the California Constitution is \$59,400,000 for payments on the Contract Between the State of California Department of Water Resources and San Bernardino Valley Municipal Water District for a Water



Supply dated December 30, 1960 and \$1,880,000 for payments on the Devil Canyon/Castaic Contract dated June 23, 1972 and hereby fixes the rates of tax for such purposes as follows:

State Water Contract \$ 0.1260  
Devil Canyon/Castaic Contract \$ 0.0040

Total Rate \$ 0.1300

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

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

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

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

**ADOPTED** this 3rd day of August 2021.

San Bernardino Valley Municipal Water District

By: \_\_\_\_\_  
Paul R. Kielhold  
President

ATTEST:

\_\_\_\_\_  
Heather Dyer  
Secretary

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

**ESTIMATED PROPERTY TAX INCOME**

**BASED ON PRELIMINARY SAN BERNARDINO COUNTY ASSESSED VALUES**

	<b>ACTUAL</b>	<b>PRELIMINARY</b>						
	FY 2020-2021	FY 2021-2022	ESTIMATED PERCENT					
	ASSESSSED	ASSESSSED	CHANGE		FY 2021-2022	FY 2021-2022	STATE WATER	DEVIL CANYON
	VALUE	VALUE	BASED ON		TAX RATE	ESTIMATED	CONTRACT FUND	CASTAIC FUND
TAX TYPE	AFTER RDA	AFTER RDA	PRIOR YEAR		PER \$100 AV	REVENUE	ESTIMATED TAX	ESTIMATED TAX
Unsecured	1,208,393,844	1,260,983,007	4.4%		0.1425	\$ 1,796,901	\$ 1,733,852	\$ 63,049
Secured	37,443,062,389	39,600,053,678	5.8%		0.1300	\$ 51,480,070	\$ 49,896,068	\$ 1,584,002
Utility (Unitary)	25,310,082	24,511,203	-3.2%			\$ 7,375,000	\$ 7,148,077	\$ 226,923
Homeowners Exemption	479,822,784	474,834,224	-1.0%		0.1300	\$ 617,284	\$ 598,291	\$ 18,993
<b>Total</b>	<b>39,156,589,099</b>	<b>41,360,382,112</b>	<b>5.6%</b>			<b>\$ 61,269,255</b>	<b>\$ 59,376,287</b>	<b>\$ 1,892,968</b>
	FY 20-21 TAX RATE	FY 21-22 TAX RATE						
Devil Canyon/Castaic	0.0050	0.0040						
State Water Project	0.1375	0.1260						
<b>Total Tax Override Rate</b>	<b>0.1425</b>	<b>0.1300</b>						

**SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT**

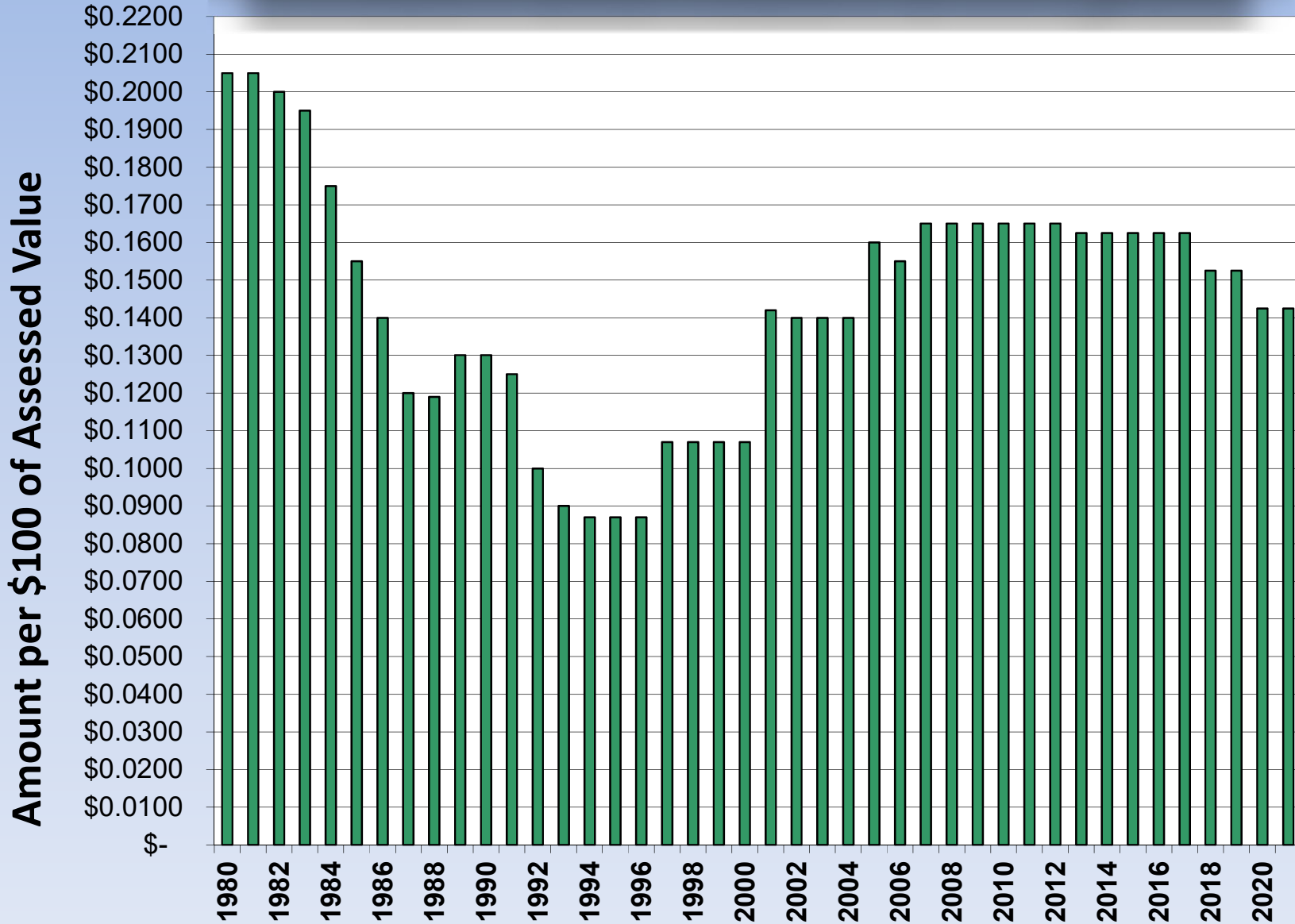
**STATE WATER CONTRACT FUND**

	CATEGORY	TOTAL FOR FY
1	WATER SYSTEM REVENUE BOND & SURCHARGE	2,831,467
2	CAPITAL COST COMPONENT - DELTA WATER CHARGE	3,618,569
3	CAPITAL COST COMPONENT - TRANSPORTATION CHARGE	1,766,266
4	MINIMUM OMP&R COMPONENT - DELTA WATER CHARGE	5,663,960
5	MINIMUM OMP&R COMPONENT - TRANSPORTATION CHARGE	18,603,126
6	OFF AQUEDUCT POWER FACILITIES	66,038
7	EAST BRANCH ENLARGEMENT- MINIMUM OMP&R	199,885
8	EAST BRANCH EXTENSION	20,095,081
9	TEHACHAPI 2ND AFTERBAY	263,956
10	AUDIT FEES	40,000
11	STATE WATER CONTRACTORS ASSOCIATION	350,000
12	LEGAL / FINANCIAL ADVISORY FEES	200,000
13	SBVMWD ADMIN FEE	2,950,000
14	VARIABLE CHARGE FOR ENERGY	10,000,000
15	DELTA CONVEYANCE COSTS	-
16	SITES RESERVOIR	3,210,000
17	FIELD IMPROVEMENTS - RHOMBOID FLOATING COVER	250,000
18	FIELD IMPROVEMENTS - SWP PRE-TREATMENT & CHEMICALS	351,000
19	SWP WATER QUALITY TESTING PROGRAM	80,000
20	TOTAL ESTIMATED EXPENSES	70,539,348
		TOTAL FOR FY
21	PROPERTY TAXES - SWC FUND - AT .1300 / \$100 AV	59,376,287
22	INTEREST EARNINGS	2,125,000
23	RETURN OF BOND COVER/RESERVES	6,000,000
24	RDA SUCCESSOR AGENCY PASS THROUGH AGREEMENTS	34,875,000
25	TOTAL ESTIMATED REVENUE	102,376,287

<b>SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT</b>			
<b>DEVIL CANYON / CASTAIC CONTRACT FUND</b>			
<b>ESTIMATED EXPENSES FOR FY 2021-2022</b>			
		CATEGORY	TOTAL
	1	DEBT SERVICE	609,391
	2	OPERATIONS, MAINTENANCE, POWER & REPLACEMENT	1,310,181
	3	SBVMWD ADMINISTRATION	95,000
	4	TOTAL	2,014,572
<b>ESTIMATED REVENUE FOR FY 2021-2022</b>			
			TOTAL FOR FY
	5	PROPERTY TAXES - DCC FUND - AT .1300 / \$100 AV	1,892,968
	6	INTEREST EARNINGS	22,500
	7	TOTAL	1,915,468
<b>ESTIMATED CASH ON HAND FOR FY 2021-2022</b>			
		6/30/2021 BALANCE AVAILABLE IN FY 2021-22	5,370,000
		FY 2021-2022 REVENUE	1,915,468
		FY 2021-2022 EXPENSES	(2,014,572)
		6/30/2022 CASH BALANCE (ESTIMATED)	5,270,896



# San Bernardino Valley Municipal Water District Tax Rate By Year





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**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Cindy Saks, CFO / Deputy General Manager  
**SUBJECT:** Consideration of Fiscal Year 2021-2022 State Water Project Audit Contract with Ernst & Young, LLP

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**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. In 2017, the Independent Audit Association (IAA), which consists of nine State Water Contractor members including Valley District, agreed to extend the Master Services Agreement with Ernst & Young (E&Y) for five additional years and to negotiate pricing.

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 2021-2022 fiscal year, the cost to the District to perform these auditing services will range from \$37,030, if all agencies participate, to \$45,514 if only 80% of the agencies participate. Historically more than 80% of agencies participate each year. Included in these 2021-2022 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 \$32,943.

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.

**Fiscal Impact**

The \$45,514 in costs for Ernst and Young auditing services is included in the Valley District State Water Contract Fund Budget in line item 6380 – Auditing Fees for fiscal year 2021-22.

**Staff Recommendation**

Staff recommends the Board approve the contract with Ernst & Young to provide auditing services for the 2021-2022 year for an amount not to exceed \$45,514 and authorize the CEO / General Manager to sign the engagement letter.

**Attachment**

Ernst & Young Engagement Letter including statement of work.



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

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

July 16, 2021

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 2021-2022 Procedures to be performed related to the 2022 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 May 31, 2017, which describes the annual approval process of each SOW performed under the MSA.

Please return the signed SOW to EY via mail at 400 Capitol Mall, Suite 900, Sacramento, CA 95814 (Attn. Scott Enos) or email to [scott.enos@ey.com](mailto:scott.enos@ey.com). We have also enclosed your 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) 218-1960.

Very truly yours,

Joe Pirnik  
Managing Director

Enclosures





**MEMORANDUM**

Date: July 6, 2021  
To: Members of the Independent Audit Association (IAA)  
From: Chantal Ouellet, IAA Secretary  
Subject: Ernst and Young 2021/2022 State Water Project Professional Services Contract –

Enclosed is the 2021/22 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 2021/2022 SOW. If you have any questions, please contact me at (559) 992-4127 or [couellet@tlbwsd.com](mailto:couellet@tlbwsd.com).

Sincerely,

Chantal Ouellet  
Tulare Lake Basin Water Storage District

CC: Joe Pirnik, EY



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

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

## Statement of Work

This Statement of Work with the attached Exhibits, dated July 16, 2021 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and San Bernardino Valley Municipal Water District on behalf of itself (“you” or “Client”), pursuant to the Master Services Agreement, dated May 31, 2017 (MSA), between EY and San Bernardino Valley Municipal Water District (the Agency).

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

### Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the MSA. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described in Exhibit A (the Services) for Agency, a member of the State Water Contractors (the “Contractors” or “SWC”) Independent Audit Association (IAA), for the twelve months ending June 30, 2022.

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

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

### Your specific obligations

You acknowledge that the Services are sufficient for your purposes.

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

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

### **Specific additional terms and conditions**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

### **Fees and billing**

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

The total fees for these Services to be rendered to the Agency, as well as an allocation of the total fees for each member Agency of the IAA, appear in Exhibits A and B attached (no procedures or fees have been allocated

to Exhibit B in this contract). Our total fees pursuant to Exhibit A to be charged to all members of the IAA entering into agreements with us shall not exceed \$548,000 for the twelve months ending June 30, 2022. 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 \$548,000 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 \$33,934 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, 2022, the maximum fees to your Agency will vary between the above-mentioned amount and \$42,418, which represents the maximum fees should sufficient agencies enter into agreements with us with a combined allocated fee of not less than 80%, as stated above.

In addition to the maximum fees under Exhibit A, maximum fees under Exhibit B shall not exceed a total of \$50,000 or \$3,096 for the Agency unless agreed to by the IAA. As noted above, no procedures have been allocated to Exhibit B. Prior to any expenditures under Exhibit B, said work must be specifically requested in writing in advance of any work being performed. Areas of potential focus for Exhibit B projects could include procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A. In prior years Exhibit B special projects have included projects such as assessing implementation and billing issues relating to the new SAP-based Cost Allocation and Repayment Analysis System (CARA), and studies to evaluate a pay-as-you-go system for funding conservation related operating costs incurred by the Department.

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

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

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



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

**San Bernardino Valley Municipal Water District**

**Ernst & Young, LLP**

**Representative**

**Representative**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
Joe Pirnik  
**Printed Name**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
Authorized Signatory  
**Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
Ernst & Young LLP  
400 Capitol Mall  
Suite 900  
Sacramento, CA 95814  
**Address**

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

\_\_\_\_\_  
July 16, 2021  
**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, 2022 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 2021/2022 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, 2022 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, 2022, the Services will include the following procedures.

## 2021/2022 Procedures

The procedures for the fiscal year ended June 30, 2022 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 2022 Statement of Charges (SOC) engagement:

### Primary Procedures (Items 1-6)

#### 1. Statement of Charges Testing

*Risk:*

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

*Risk Factors:*

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

*Areas of Focus:*

- Determine that all SOC amounts are internally consistent and agree to the Bulletin 132-21 for the contractors selected for testing (to be provided by IAA).
- Agree the debt service amounts in the SOC attachments to the appropriate debt service schedule.
- Comparison of the current year SOC attachments to the prior year SOC attachments.
- Assessment of manual adjustments.
- Assess the actual costs charged to various areas of the project.
- Assess the factors for distributing reach capital and minimum costs among the contractors.



## 2. Delta Water Charge

*Risk:*

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

*Risk Factors:*

- Calculation of delta water charge is a manual process.
- Tracking of Oroville Spillway costs and reimbursement and segregation between response and recovery costs is a manual process.
- Potential for high dollar impact (\$292 million in delta water charges in 2019 per Table B-21)

*Areas of Focus:*

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

### 3. Alpha Allocation Cycles

*Risk:*

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

*Risk Factors:*

- The F-series and S-series alpha allocation cycles update performed on an annual basis is a manual process. Manual processes create opportunities for errors.
- Potential for errors in determining work performed that falls under direct to reach, field division, and state-wide allocations.
- Potential for high dollar impact (\$283 million allocated by alpha allocation cycles in 2019).

*Areas of Focus:*

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

#### 4. Transportation Minimum and Capital Direct and Indirect Analysis

*Risk:*

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

*Risk Factors:*

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

*Areas of Focus:*

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

## 5. System Power Costs – Variable Transportation

*Risk:*

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

*Risk Factors:*

- Calculation of the allocation factors is a manual process. Manual processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact (\$285 million net system power costs in 2019 per Table B-3).

*Areas of Focus:*

- Vouch power costs and power revenues from SAP and assess the classification of costs.
- Reconcile the 2020 Preliminary Allocation of Power Costs (PALPOC) to UCABS (SAP). Recalculate appropriate inputs to the 2020 PALPOC (e.g., value of recovery generation credits, direct-to-plant transmission, etc.).
- Recalculate the 2020 calendar year power allocation factors used in UCABS (SAP) to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost component for 2020 for the contractors selected (to be provided by the IAA).

## 6. Debt Service Procedures

*Risk:*

- Incorrect bond debt service charged to the contractors.

*Risk Factors:*

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

*Areas of Focus:*

- Reconcile any new bond offerings to the debt service schedules.
- Determine whether refinanced bonds were credited to the debt service schedules to provide the benefits of such refinancing to the contractors.
- 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 funds available for rate management credits statement prepared by the Department.

*Risk Factors:*

- Calculation of rate management credits is a manual process.
- Lack of review and approval process for the rate management credit calculation.
- Outdated information used to calculate credits due to the contractors.

*Areas of Focus:*

- Obtain the rate management allocation schedule used for the 2022 SOC and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and assess a sample of the largest balances.
- Compare the figures selected to the future forecasts and investigate any significant differences.
- Perform a review of revenues including systems revenue and 51e (amount in excess of rate management credits).
- Perform a review of revenues and related cash funds.
- Assess the impact of findings on the revenues available for rate management credits.

## 8. Reconciliation between PR5 and UCABS and SWRDS Funds Analysis

*Risk:*

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

*Risk Factors:*

- Costs and revenues do not accurately match between both systems.
- Manual process of moving costs between systems create opportunities for errors.
- Potential for movement of costs and revenues outside the SWRDS funds used for the state water project.

*Areas of Focus:*

- Gain an understanding of the reconciliation process performed by the Department.
- Reconcile all SWRDS PR5 costs and revenues included in the bond fund (0502), the construction fund (0506), and the revenue fund (0507) to the UCABS system.
- Identify, document, and investigate all variances between the two systems (PR5 and UCABS).
- Assess and classify all variances into two categories, (1) valid variance and (2) errant variance.
- Provide final assessment on the Department's recovery of all SWRDS costs.
- Perform an analysis of the movement of costs and revenues outside the SWRDS funds used for the state water project.

**II. FEES FOR EY SERVICES**

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$548,000, including reasonable and necessary out-of-pocket expenses, which represent an estimated 3,000 hours to be incurred.

**III. ALLOCATION OF FEES**

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



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

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

Agency	Maximum fee for each Agency, provided all agencies listed below enter into agreements with EY	Maximum fee for each Agency, provided 80% of agencies listed below enter into agreements with EY	Percent of total
Alameda County Flood Control and Water Conservation District, Zone No. 7	\$ 26,665	\$ 33,330	4.9%
Alameda County Water District	13,891	17,363	2.5
Antelope Valley-East Kern Water Agency	47,906	59,882	8.7
Casitas Municipal Water District	6,615	8,268	1.2
Central Coast Water Authority	15,044	18,804	2.7
City of Yuba City	3,175	3,969	0.6
Coachella Valley Water District	45,758	57,198	8.4
County of Kings	3,078	3,848	0.6
Crestline-Lake Arrowhead Water Agency	1,918	2,398	0.4
Desert Water Agency	18,439	23,049	3.4
Dudley Ridge Water District	14,999	18,749	2.7
Empire West Side Irrigation District	992	1,240	0.2
Kern County Water Agency	137,000	171,250	25.0
Littlerock Creek Irrigation District	761	951	0.1
Mojave Water Agency	28,378	35,473	5.2
Napa County Flood Control and Water Conservation District	9,600	12,000	1.8
Palmdale Water District	7,045	8,806	1.3
San Bernardino Valley Municipal Water District	33,934	42,418	6.2
San Gabriel Valley Municipal Water District	9,525	11,906	1.7
San Geronio Pass Water Agency	5,722	7,153	1.0
San Luis Obispo County Flood Control and Water Conservation District	8,269	10,336	1.5
Santa Clara Valley Water District	33,074	41,343	6.0
Santa Clarita Valley Water Agency	31,487	39,359	5.7
Solano County Water Agency	15,795	19,744	2.9
Tulare Lake Basin Water Storage District	<u>28,930</u>	36,163	<u>5.3</u>
Total	<u>\$ 548,000</u>		<u>100.0%</u>

**V. PAYMENT SCHEDULE**

This is the payment schedule for the Agency.

<u>August 10, 2021 Billing</u>	<u>September 10, 2021 Billing</u>	<u>October 8, 2021 Billing</u>	<u>November 10, 2021 Billing</u>	<u>December 10, 2021 Billing</u>	<u>Total Billing</u>
\$10,180	\$6,787	\$6,787	\$6,787	\$3,393	\$33,934

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

EY shall, during the twelve months ending June 30, 2022, 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 274 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2022. 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%</u>

**EXHIBIT C****I. INDIVIDUAL CONTRACTOR AGREEMENTS**

EY may, during the twelve months ending June 30, 2022, 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, 2022 will continue to be in effect.

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

## EXHIBIT C-1

### Statement of Work

This Statement of Work with the attached Exhibit, dated July 16, 2021 (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 16, 2021 (the Agreement), between EY and San Bernardino Valley Municipal Water District (the Agency).

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

#### Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described [INSERT DEFINITION OF SERVICES] (the Services) for Agency, a member of the State Water Contractors Independent Audit Association (IAA), for the twelve months ending June 30, 2022.

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

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

**Your specific obligations**

You acknowledge that the Services are sufficient for your purposes.

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

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

**Specific additional terms and conditions**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Project deliverables**

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

Deliverable	Timeline	Comments

**Additional responsibilities**

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

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

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



**Fees and billing**

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

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

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

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

**San Bernardino Valley Municipal Water District**

**Ernst & Young, LLP**

**Representative**

**Representative**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

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

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

**EXHIBIT D**

**FORM OF ACCESS LETTER**

[Letterhead of EY]

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

[Month XX, 20XX]

Dear [ ] :

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

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

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

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

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

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

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

Very truly yours,

Ernst & Young LLP

Accepted by:

[Addressee]

By: \_\_\_\_\_



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**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Bob Tincher, Chief Water Resources Officer/Deputy General Manager  
**SUBJECT:** Consider Inland Empire Brine Line Capacity Utilization Program

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This item was discussed at the July 1, 2021 Board of Directors Workshop – Resources. Those Board members in attendance asked that it be placed on an upcoming Board of Directors meeting agenda for consideration.

The Santa Ana Watershed Project Authority (SAWPA) is proposing the Inland Empire Brine Line (Brine Line) Capacity Utilization Program (program) that allows existing, and new, customers to lease pipeline capacity and/or treatment and disposal capacity (treatment capacity). This program would generally allow SAWPA to lease the unused capacity in the Brine Line, owned by other individual agencies (capacity owners), with the understanding that the capacity owners retain their capacity and may choose to utilize it at any time.

**Background:**

The Inland Empire Brine Line (Brine Line) is a gravity pipeline that delivers non-reclaimable waste from the upper Santa Ana River watershed to an Orange County Sanitation District (OCSD) treatment plant for treatment and disposal to protect water quality in the Upper Santa Ana River Watershed. The flow contracts for discharging into the Brine Line are between the Santa Ana Watershed Project Authority (SAWPA) and its four (4) upper watershed member agencies (the Brine Line terminates in the fifth SAWPA member agency, OCWD). Entities within the four upper watershed SAWPA member agencies, in turn, purchased flow capacity in the line. Flow contracts within Valley District total to 7.198 MGD (million gallons per day) of the 30 MGD design capacity.

In addition to pipeline capacity, dischargers must also purchase treatment capacity in the

OCSD treatment plant before they can discharge. Treatment capacity is purchased by SAWPA from OCSD and then sold to the SAWPA member agencies that, in turn, sell it to potential dischargers. To date, about 1.6 MGD of treatment capacity has been purchased in the Valley District service area of the total 17 MGD of treatment capacity. Only about 11.0 MGD of the total treatment capacity is being utilized leaving 6 MGD of unused treatment capacity in the OCSD treatment plant. In 2018, SAWPA created the Lease Capacity Pool (Pool), a voluntary program that allowed capacity owners to contribute any unused capacity for potential lease by new Brine Line customers. The benefits of increasing utilization include more salt removal and lower Brine Line rates by increasing the number of customers over which to spread the operating costs and fees. To date, only 2.2 MGD of pipeline capacity and 0.47 MGD of treatment capacity have been contributed to the Pool which is not sufficient to meet the lease requests. SAWPA also investigated the possibility of purchasing additional treatment capacity but was informed by OCSD that no additional treatment capacity will be sold until the existing 17 MGD of treatment capacity is fully utilized.

The proposed program is the next step toward a potential increase in the utilization of the Brine Line. Under the program, SAWPA will lease unused capacity to new Brine Line customers. Since all of the treatment capacity is owned by various entities, SAWPA will “back stop” its lease of any unused treatment capacity by promising to purchase additional treatment capacity, when needed, to ensure that every treatment capacity owner has access to their purchased treatment capacity. SAWPA will deposit amounts of unused pipeline and treatment capacity into the Pool for potential lease. Under the program, the capacity owner can also choose to permanently sell their capacity to the leasee. All lease revenues collected by SAWPA, under the program, will be placed in a designated “OCSD Future Capacity Reserve” fund to ensure that the money is available to purchase additional treatment capacity from OCSD, when needed. Should OCSD refuse to sell SAWPA any additional treatment capacity, a violation of the SAWPA/OCSD 1996 Agreement, then all lease agreements under the program would be terminated.

**Fiscal Impact:**

None

**Staff Recommendation:**

Authorize the CEO/General Manager to execute the Agreement Between Santa Ana Watershed Project Authority (SAWPA) and Eastern Municipal Water District (EMWD) Inland Empire Utilities Agency (IEUA) San Bernardino Valley Municipal Water District (SBVMWD) Western Municipal Water District (WMWD) for the Creation of the Inland Empire Brine Line Capacity Utilization

Program.

**Attachment:**

Agreement Between Santa Ana Watershed Project Authority (SAWPA) and Eastern Municipal Water District (EMWD) Inland Empire Utilities Agency (IEUA) San Bernardino Valley Municipal Water District (SBVMWD) Western Municipal Water District (WMWD) for the Creation of the Inland Empire Brine Line Capacity Utilization Program

AGREEMENT BETWEEN  
SANTA ANA WATERSHED PROJECT AUTHORITY (SAWPA)  
AND  
EASTERN MUNICIPAL WATER DISTRICT (EMWD)  
INLAND EMPIRE UTILITIES AGENCY (IEUA)  
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT (SBVMWD)  
WESTERN MUNICIPAL WATER DISTRICT (WMWD)  
FOR THE CREATION OF THE  
INLAND EMPIRE BRINE LINE CAPACITY UTILIZATION PROGRAM

This Agreement is made this \_\_\_ day of \_\_\_\_\_, 2021, by and between SAWPA and EMWD, IEUA, SBVMWD, AND WMWD (the Member Agencies). SAWPA and the Member Agencies are individually and collectively referred to as the Party and Parties, respectively.

RECITALS

- A. The Inland Empire Brine Line (Brine Line) is a wastewater pipeline conveyance system constructed for the transmission of non-reclaimable wastewater. The pipeline extends from the Orange County line into the Upper Santa Ana River Watershed. At the Orange County line, it connects to the Orange County Sanitation District's (OCSD's) Santa Ana River Interceptor (SARI), which conveys wastewater to OCSD's treatment plant in Huntington Beach. SAWPA owns and operates the Inland Empire Brine Line, and Member Agencies and other entities in the upper watershed own 30 million gallons per day (MGD) of pipeline capacity right in the SARI, as defined in various agreements.
- B. Member Agencies in the upper watershed also own a treatment and disposal capacity right of 17 MGD and there is an ability to purchase up to an additional 13 MGD for a total of 30 MGD in certain wastewater treatment and disposal facilities owned by OCSD. This treatment and disposal right, and the pipeline capacity right referred to in Recital A above, are subject to certain payment obligations and other terms and conditions as defined in the Treatment and Disposal Capacity Agreement with OCSD dated July 24, 1996 (1996 Agreement) that is administered by SAWPA and paid for by the Member Agencies in the upper watershed.
- C. Through the 1996 Agreement, SAWPA has purchased 17 MGD of treatment and disposal capacity right from OCSD and in turn sold this capacity right to Member Agencies in the upper watershed. Flow and water quality are defined components of the purchase based upon the maximum flow rate (Million Gallons per Day, MGD) and strength of Biochemical Oxygen Demand (BOD) (measured as BOD5) and Total Suspended Solids (TSS) presented as milligrams per liter (mg/l) and pounds per day (lbs/day). Amendment No. 1 to the 1996 Agreement further defines the SAWPA-owned treatment and disposal capacity right as 20,834 lbs/day BOD5 and 19,832 lbs/day TSS.

- D. The 1991 Memorandum of Understanding between SAWPA and OCSD Governing Quality Control of Wastewaters Discharged (1991 MOU) continues to define the pretreatment roles and responsibilities for SAWPA and OCSD. SAWPA's Ordinance No. 8, and any successors or amendments thereto, defines the discharge permitting requirements and process that applies to all discharges to the Brine Line.
- E. The Member Agencies utilize pipeline capacity and treatment and disposal capacity rights for individual dischargers in their respective service areas. Use of those capacity rights requires that the discharger obtain a discharge permit from the applicable Member Agency within which the Discharger operates. Individual dischargers are not allowed to transfer or assign capacity to others.
- F. In 2019, SAWPA and the Member Agencies created a long-term "Lease Capacity Pool" to make available pipeline and treatment and disposal capacity rights for the Member Agencies and individual dischargers within their respective service areas. The Member Agencies may commit pipeline and treatment and disposal capacity rights to the Lease Capacity Pool that are unused and not otherwise committed to an individual discharger. With respect to the Lease Capacity Pool, SAWPA notifies the Member Agencies when an additional contribution to the Lease Capacity Pool is needed to provide capacity rights to an individual discharger. The Member Agencies have the option, if excess capacity is available, to contribute the excess capacity to the Lease Capacity Pool. The Lease Capacity Pool is subject to terms and conditions as defined in the Lease Capacity Pool Agreement between SAWPA and the Member Agencies dated April 11, 2019, that is administered by SAWPA.
- G. As of October 2020, actual flows to the Brine Line are approximately 12 MGD, leaving 5 MGD of unused volumetric treatment capacity. Similarly, BOD5 and TSS actual discharges are approximately 5,100 and 10,500 pounds per day, respectively, leaving 15,700 and 9,300 pounds per day of unused capacity. The balance of available capacity in the Lease Capacity Pool is 0.10 MGD. An additional commitment of 0.30 MGD may be available in the future through Member Agency contributions that would increase the available balance of the Lease Capacity Pool to 0.40 MGD.
- H. SAWPA has from time to time received requests to lease capacity that exceeds the amount of capacity available in the Lease Capacity Pool. OCSD has informed SAWPA that additional treatment and disposal capacity is not available for purchase by SAWPA until the purchased 17 MGD of treatment and disposal capacity right is fully utilized. An option such as the Capacity Utilization Program set forth herein would be desirable to make unused capacity right available to the Member Agencies, and industrial and commercial businesses within their respective service areas.



- I. The purpose of this Agreement is to create an additional option to provide unused capacity for use through the Lease Capacity Pool until such time as additional treatment and disposal capacity rights can be purchased from OCSD, by and through SAWPA.
- J. Individual "Discharger Lease Agreements" between SAWPA and dischargers will set forth the specific terms and conditions for capacity leases. Discharger Lease Agreements shall be consistent with this Agreement and the Lease Capacity Pool Agreement.

#### COVENANTS

NOW THEREFORE, the Parties in consideration of the mutual promises contained in this Agreement do hereby covenant and agree as follows:

1. Creation of Capacity Utilization Program. The Capacity Utilization Program is hereby created to make available unused pipeline and treatment and disposal capacity rights to the Lease Capacity Pool in accordance with the terms and conditions set forth below. This Agreement will not impact the Member Agencies' ability to purchase treatment and disposal capacity, if OCSD makes it available to SAWPA, according to existing policies and procedures.
2. Initial Commitment to Capacity Utilization Program. The initial commitment of unused capacity through the Capacity Utilization Program to the Lease Capacity Pool is 0.50 MGD of pipeline capacity right and treatment and disposal capacity right at a wastewater strength of 100 mg/l BOD and 100 mg/l TSS, also expressed as 417.0 lbs/day BOD and 417.0 lbs/day TSS. Increases to the initial commitment can be made by SAWPA at any time per Section 3, below. SAWPA may withdraw capacity from the Lease Capacity Pool if the capacity is not subject to a Discharger Lease Agreement and upon approval of the PA 24 Committee. SAWPA will maintain a record of increases, withdrawals, and leased capacity from the Lease Capacity Pool, in accordance with the terms specified below.
3. Adding Capacity to the Lease Capacity Pool. The Member Agencies hereby provide SAWPA with a license to use their respective unused pipeline and treatment and disposal capacity rights so that SAWPA may add such unused capacity through the Capacity Utilization Program to the Lease Capacity Pool if there is foreseeable demand, subject to the ultimate limits of total capacity purchased from OCSD and upon approval of the PA 24 Committee.
4. Notification of Need for Additional Contributions of Capacity. SAWPA will notify the Member Agencies when an additional contribution to the Lease Capacity Pool is needed. The Member Agencies' contributions to the Lease Capacity Pool will be utilized first, then SAWPA contributions through the Capacity Utilization Program, as specified in Section 3, above, shall next be used when preparing a Discharger Lease Agreement.

5. Discharger Lease Agreement Terms. A Discharger Lease Agreement between SAWPA and the individual lessee/discharger must be approved by the PA 24 Committee to establish the terms and conditions of the Discharger Lease Agreement. In executing leases of capacity, SAWPA will adhere to the provisions of the Lease Capacity Pool Agreement, Section 3.b. Billing Terms will follow the Lease Capacity Pool Agreement, Section 4.0. Termination terms will include an early termination provision as specified in Section 7 below.
6. Use of Lease Revenues. All revenues from the lease of capacity contributed through the Capacity Utilization Program, as provided in Section 3, above, will be deposited in a restricted Brine Line reserve fund established to purchase capacity at a future time if required to purchase capacity from OCSD. Reserve target levels shall be established in accordance with the SAWPA reserve policy, and as approved by the PA 24 Committee. Monies in that Brine Line reserve fund shall only be used to purchase such additional capacity from OCSD unless otherwise approved by unanimous vote of the SAWPA Commission.
7. No Loss of Capacity Rights. All Member Agencies and individual dischargers with an existing capacity right will not lose their capacity right. If flows in the Brine Line exceed the purchased treatment and disposal capacity right, and when required to by OCSD per the 1996 Agreement, SAWPA will purchase treatment and disposal capacity from OCSD equal to or greater than the commitment to the Lease Capacity Pool through the Capacity Utilization Program, typically in increments of one (1) MGD. Notwithstanding sections 3 and 10 of the Lease Capacity Pool Agreement, in the event that SAWPA exceeds the treatment and disposal capacity right purchased from OCSD (currently 17 MGD), and OCSD refuses to sell additional treatment and disposal capacity rights to SAWPA in violation of the 1996 Agreement, and OCSD refuses to allow SAWPA to exceed the treatment and disposal capacity right purchased from OCSD then, any approved Discharger Lease Agreement utilizing treatment and disposal capacity right leased under the Capacity Utilization Program shall terminate upon notice from SAWPA. The Discharger will be required to remove its leased treatment and disposal capacity flow from the Brine Line and said capacity will revert to the applicable Member Agency.
8. Member Agency Option to Purchase Treatment and Disposal Capacity Right. Member Agencies shall have the option to purchase from SAWPA treatment and disposal capacity rights that are being leased under this Agreement if and when SAWPA is required to purchase such capacity rights from OCSD, the lessee operates in the applicable Member Agency's service area, and upon termination of the individual discharger's Discharge Lease Agreement. The purchase price shall be OCSD's sales price charged to SAWPA for such treatment and disposal capacity rights as set forth in Resolution 2019-8 and any successors thereto.
9. Compliance with Brine Line Ordinance. Individual discharger lessees under the Capacity Utilization Program shall be required to comply with SAWPA Ordinance No. 8, the applicable Member Agency Ordinance and any successors to either or both of such ordinances, including

the requirement for provision of a flow meter installed per the manufacturer's recommendations. A discharge permit is required as specified in the applicable ordinance(s), and this Agreement does not modify any permit processes or requirements. Draft Discharge Lease Agreements may be processed concurrently with permit applications, but in no case will a permit or permit amendment be issued without a Discharge Lease Agreement to provide sufficient capacity, which must be executed and in place.

10. Rights and Responsibilities of Orange County Sanitation District are Retained. The parties to this Agreement understand and agree that OCSD retains its rights and responsibilities, as defined in the 1991 MOU and 1996 Agreement. This Agreement in no way diminishes the effectiveness or reduces the scope of the 1991 MOU and 1996 Agreement.
11. Incorporation of Brine Line Pipeline and Treatment and Disposal Agreements Between SAWPA and the Member Agencies. Except as otherwise expressly provided herein, all of the terms and conditions of existing Brine Line system pipeline and treatment and disposal capacity agreements between SAWPA and the Member Agencies not conflicting with this Agreement are incorporated herein by this reference and shall remain in full force and effect.
12. Term of OCSD Capacity Agreements. This Agreement and all Discharger Lease Agreements shall automatically terminate upon expiration or other termination of the 1996 Agreement, currently April 12, 2046.
13. Amendments and Modifications. The terms of this Agreement may only be amended or modified in writing when executed by all of the signatories hereto. SAWPA and the Member Agencies shall review and amend this Agreement as necessary at least once every five years from the effective date or if requested by one of the Parties.
14. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which collectively shall constitute one document.
15. Effectiveness of Agreement. Subject to Section 12, above, this Agreement will remain in effect unless terminated by SAWPA or by the unanimous consent of all of the Agencies; provided, however, that once the first Discharger Lease Agreement between SAWPA and an individual discharger is executed, this Agreement may only be terminated following the expiration of all Discharger Lease Agreements that utilize capacity contributed to the Lease Capacity Pool through the Capacity Utilization Program, as specified in Section 3, above.
16. Notice. Except as otherwise provided herein, all notices and other communications required or permitted hereunder shall be in writing, and shall be delivered in person, by E-mail, or sent by certified mail, return receipt requested, and shall be deemed received upon actual receipt or 72

hours after deposit in the mail of the United States Postal Service, postage prepaid and addressed as follows:

To SAWPA:

Santa Ana Watershed Project Authority (SAWPA)  
Attention: General Manager  
11615 Sterling Ave.  
Riverside, CA 92503  
(951) 354-4220

To the Member Agencies:

Eastern Municipal Water District  
Attention: General Manager  
2270 Trumble Road  
Perris, CA 92570

Inland Empire Utilities Agency  
Attention: General Manager  
6075 Kimball Avenue  
Chino, CA 91708

San Bernardino Valley MWD  
Attention: General Manager  
380 E. Vanderbilt Way  
San Bernardino, CA 92408

Western Municipal Water District  
Attention: General Manager  
14205 Meridian Parkway  
Riverside, CA 92518

In witness whereof, SAWPA and the Member Agencies have executed this Agreement as of the day and year first above written:

Eastern Municipal Water District

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Inland Empire Utilities Agency

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

San Bernardino Valley Municipal Water District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Western Municipal Water District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Santa Ana Watershed Project Authority

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Final – 3/26/21



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**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Kristeen Farlow, Strategic Communications Manager  
**SUBJECT:** Consider Proclamation for Director Don Galleano

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The Board of Directors is asked to consider a proclamation honoring the service of Director Don Galleano.

### **Background**

Director Don Galleano served on the Board of Directors of the Western Municipal Water District since 2004. Director Galleano represented Division 4 within the Western Municipal Water District service area, which included the communities of Eastvale, Jurupa Valley, and Norco. He also served on the Board of Directors of the Metropolitan Water District of Southern California and the Chino Basin Watermaster. He truly was a regional water champion.

Director Galleano had historic relationships with the agricultural community due to his connections to the rich viticulture region. The Galleano name has been a pillar of the region for generations. Director Galleano, himself, was a third-generation winegrower at the historic Cantu-Galleano Ranch, home to the Galleano Winery.

Director Galleano passed away on June 2, 2021. Western Municipal Water District will be holding a Celebration of Life for Director Galleano following its Board Meeting on August 4, 2021.

### **Fiscal Impact**

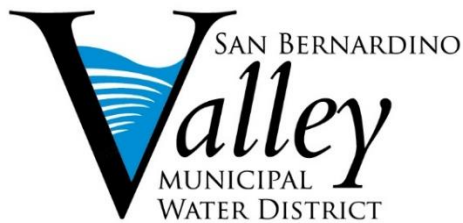
There is no fiscal impact related to preparing and issuing this Resolution.

**Recommended Action**

The Board of Directors is asked approve the Proclamation honoring the service of Director Don Galleano.

**Attachment**

Proclamation for Director Don Galleano



## ***PROCLAMATION HONORING DIRECTOR DON GALLEANO***

**Whereas**, Director Don Galleano began his service on the Western Municipal Water District Board of Directors in 2004 and has held the positions of President and Vice President; and

**Whereas**, Director Galleano has served the community in numerous capacities, including on the Board of Directors for the Metropolitan Water District of Southern California, the Chino Basin Watermaster, and the Jurupa Community Services Board; the National Orange Show Foundation and the Los Angeles County Fair Association board; and the Western Riverside County Businessman’s Association and the Jurupa Chamber of Commerce; and

**Whereas**, Director Galleano, a third-generation vintner and winegrower, was the president of Galleano Winery in Mira Loma, a winery founded by his family in 1927, where dry-farming is practiced and the winery relies on moisture-retaining soil rather than irrigation; and

**Whereas**, due to Director Galleano’s foresight and leadership, Valley District had the opportunity to partner with the Western Municipal Water District on numerous projects in the region that contributed to water supply reliability for nearly half-a-million people; and

**Whereas**, Director Galleano was a devoted public servant and a friend to many and he will truly be missed.

**Now, therefore, be it proclaimed**, that the Board of Directors and staff of the San Bernardino Valley Municipal Water District extend their sincere gratitude to Director Don Galleano and his family for Mr. Galleano’s service to the water industry and the Riverside-San Bernardino region.

Enacted this 3<sup>rd</sup> day of August, 2021.

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Paul Kielhold, President

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June Hayes, Vice President

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Gil Botello, Director

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Susan Longville, Director

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T. Milford Harrison, Director





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**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Heather Dyer, CEO/General Manager  
**SUBJECT:** CEO/General Manager's Report

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The following is an update from the CEO/General Manager on the status of a number of items at the District.

I. Seven Oaks Dam referenced in the House Energy and Water Appropriations bill

The Report accompanying the House Energy and Water Appropriations bill again includes language related to the Seven Oaks Dam. This language mirrors what was included in last year's report. Congresswoman Torres's office had reached out to Innovative Federal Strategies to affirm that the District would like the language repeated this year. The language reads:

*Seven Oaks Dam, California.—The Committee is aware that non-federal entities are working with the Corps in an effort to operate the Seven Oaks Dam, California, in a manner that would allow water agencies along the Santa Ana River to capture water released from the dam and recharge it into the groundwater basin. The Committee encourages the Corps to work with non-federal entities to coordinate releases of water behind the dam in a manner that protects water quality, ensures that it can be diverted for water supply purposes, and provides advance notice to ensure habitat conservation efforts are protected.*

II. Update on the Strategic Plan and Strategic Communications & Engagement Plan

The draft Strategic Plan is expected to be submitted to the District for review approximately the first week of August. The Board and staff will have an opportunity to review the content and format of the Strategic Plan prior to the item being discussed at a Board workshop. During the workshop, the Board will have an opportunity to provide suggested modifications, changes, or revisions to the consultant, Water Systems Consulting, Inc. (WSC). The Directors may also submit proposed changes in writing, if

preferred. After comments are received and incorporated we will present a final draft to the Board.

The Strategic Communications & Engagement Plan (Communications Plan) planning process has kicked off. WSC has been conducting research to review our current communications materials and message platforms. They have begun conducting staff interviews to better understand current outreach efforts, identify target audiences, and discuss communications goals from the staff perspective. Next steps include individual interviews with the Directors during the second week of August, stakeholder interviews (once stakeholders are clarified), and District branding efforts.

### III. ACWA JPIA Update

ACWA JPIA representatives visited the District on July 16, 2021, to provide an overview of the Liability, Property, and Workers' Compensation insurance benefits and programs. They led staff through a review of the website and capabilities to access various forms and training online. They also did a visit with the Operations team to view some of the District's facilities. Staff will work with ACWA JPIA representatives to develop the District's list of priorities, with the first priority being the development of a formalized safety program for office and field staff.

### IV. Update from CPS HR Consulting

CPS HR Consulting has provided a report on potential District strategies that would meet our human resources, risk management and safety needs. I am currently reviewing their recommendations, which include options to contracting the work through a consultant, hiring someone fulltime, or potentially sharing a contracted HR professional with another public agency in the region.

CPS has drafted a revised employee handbook which I am in the process of reviewing. After we have a solid draft of the revised handbook, we will provide that document to our JPIA contacts so that their technical professionals can review it and make sure that all their policy requirements are included.

I plan to bring the human resources/risk management/safety recommendations to the Board during a workshop in August for further discussion.

### V. Climate Adaptation and Resilience Plan

We received nine proposals to develop this plan in response to our Request for Proposals. An interdisciplinary review team narrowed the list down to five firms for further consideration. We have secured staff from two major Southern California agencies with experience in climate resilience planning to be part of our final proposal review and interview process. The consultant interviews are currently planned for mid-August and staff expects to bring a recommendation to the Board during a September workshop.

### VI. National HCP Coalition 2021 Annual Meeting

The National HCP Coalition will hold its 2021 Annual Meeting virtually on October 5<sup>th</sup> and 6<sup>th</sup>, from 10 a.m – 2:30 p.m. There will also be a business session for NHCP

members, including Valley District, on October 7, from 10 a.m. – 12 p.m. Topics will include updates from USFWS Headquarters; two keynote speakers, presentations given on renewable energy HCPs; monitoring and adaptive management; innovative monitoring techniques; and lessons learned from HCP planning and implementation. Cost to attend is \$25/person. Jose can register Directors that are interested in attending.

#### VII. Upper Santa Ana River Habitat Conservation Plan Draft Environmental Impact Report

The 60-day public comment period for HCP Draft Environmental Impact Report (DEIR) closed on July 16, 2021. A total of 10 comment letters were received. An additional letter is forthcoming from OCWD (who was granted a 10-business day extension). Commenters included: Southern California Edison, San Bernardino County Department of Public Works (Flood), Riverside County Flood Control, City of Colton, San Bernardino Valley Water Conservation District, Endangered Habitats League, Inland Empire Waterkeeper, two separate letters from private citizens, and a joint letter from Center for Biological Diversity/Sierra Club/ Audubon/California Native Plant Society. The consulting team is collating the comments to send to Valley District staff for review. We anticipate working on the DEIR response to comments in parallel with editing the HCP (based on recent comments received from the USFWS) and commencement of work on the NEPA document. Our strategy is to have all three documents moving forward in parallel to maintain consistency, with the goal of submitting the draft NEPA and HCP to the USFWS by the end of this year for noticing in the Federal Register.

#### VI. Rhomboid Update

We received our last delivery of rhomboids at the Citrus Reservoir on July 23, 2021. This process began in January 2019 as an effort to cover the reservoir to discourage birds from flying over the area and landing on the reservoir. In total, over 7.5 million rhomboids were placed on the reservoir. Our resources team has noted a significant decrease in the presence of birds, typically only seeing one or two birds on the water and almost no waterfowl.

#### VII. WIFIA Closeout

The WIFIA Letter of Interest for Watershed Connect was submitted to the United States Environmental Protection Agency on July 22, 2021, meeting their deadline a day early. The Upper Santa Ana River Watershed Infrastructure Financing Authority (SAR WIFA) our newly formed JPA, held its first meeting on July 21, 2021. The Board members for the Authority are Mr. Paul Kielhold, Mr. Daniel Cozad, and Ms. Lonnie Granlund. The next meeting of the SAR WIFA is on August 18<sup>th</sup> at 8:30 am.

### **Staff Recommendation**

Receive and file.



---

**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Staff  
**SUBJECT:** Summary of July 1, 2021 Board of Directors Workshop – Resources

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The Resources Workshop convened on July 1, 2021. Vice President Hayes chaired the meeting via video conference.

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

Staff Present:

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

Anthony Flordelis – Business Systems Analyst  
Matthew E. Howard, MS – Water Resources Senior Planner  
Chris Jones, MESM – Preserve System Program Manager  
Adekunle Ojo, MPA – Water Resources Manager  
Kirsten Wallace, Intern Biological Resources

Members of the Public Present:

Melody McDonald, San Bernardino Valley Water Conservation District  
Richard Corneille, San Bernardino Valley Water Conservation District  
David Raley, San Bernardino Valley Water Conservation District  
John Longville, San Bernardino Valley Water Conservation District  
Claudia Faunt, U.S. Geological Survey  
Wes Danskin, U.S. Geological Survey  
Brenda Fowler  
Geoff Cromwell  
Joyce McIntyre, Yucaipa Valley Water District

*Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 19, 2020 this meeting will be conducted by teleconference only.*

## **2. Public Comment**

Chair Hayes invited public comment. There was none.

## **3. Summary of Previous Meeting**

The meeting notes from the June 3, 2021 meeting were reviewed with no comments.

### **4.1 Consider Inland Empire Brine Line Capacity Utilization Program**

Deputy General Manager/Chief Water Resources Officer Bob Tincher explained that the Santa Ana River Watershed Project Authority (SAWPA) is a joint powers agency made up of five regional agencies whose functions include operating the non-reclaimable waste line. The Brine Line (Line) carries waste that does not fit a traditional wastewater treatment plant such as needed by industrial processes. It begins in the San Bernardino area and goes to the Orange County Sanitation District (OCSD) treatment plant where it reaches a standard to be discharged into the ocean, he explained. Tincher provided history and purpose of the Line, and explained the investors.

All capacity in the Line is spoken for, but it is not all used, Tincher explained. Many agencies bought capacity in the Line expecting to later build desalters; but desalters have not been built. There must be capacity in the Brine Line and capacity at the OCSD plant. Of the Brine Line total capacity of more than 30 million gallons per day (mgd) only 11 mgd is currently being utilized. The plant's treatment capacity is the same as the flow, he said. There is six mgd of capacity not being used, and there is future capacity available, Tincher advised.

Tincher advised this item represents the next step in a SAWPA process to try to increase utilization of the Brine Line. The challenge has been that owners of the capacity in the line are somewhat reluctant to sell it, as they may need it in the future. SAWPA has been working on a lease program where the ownership does not change but allows the capacity to be utilized. Given the District's Salt Nutrient Plan, Tincher said he thought Valley District may not need all the capacity that it built.

In 2018, SAWPA created a capacity pool which allowed owners to deposit some of their capacity for lease but resulted in only limited capacity, Tincher explained. The next step proposed by SAWPA is that they would include unused capacity in the lease program and backstop its lease. SAWPA would be leasing something they do not own; hence they are coming to Valley District as the overseer of the Brine Line in the region. If signed, the

agreement provides that SAWPA will put capacity into the lease pool to try to increase the utilization. Fees collected from the dischargers through the program will be put in a designated fund to build reserves to buy additional capacity to assure all participants remain whole. No one loses access to their capacity through this agreement, Tincher stated.

The decision is whether to sign the agreement and allow SAWPA to administer the program and set money aside to increase utilization of the Brine Line, Tincher concluded.

Director Longville indicated support and said she was pleased to see the evolution in management of the Brine Line and consequences if OCSD should refuse to sell.

Director Harrison reminded that he is chair of Project Agreement 24 Committee which administers the Brine Line and said he is in support. He indicated that it is a great program and Valley District is totally protected in the agreement.

**Action Item(s):** The Board directed staff to place this item on an upcoming Board of Directors meeting for consideration.

#### **4.2 Presentation of the Results from 2020 Change in Groundwater Storage Calculation**

Water Resources Senior Planner Matthew E. Howard presented the annual calculation of the change in groundwater storage for the Basin. This is an indicator of how well the groundwater basins are doing and is a key component internally, he explained. The report is used in several capacities, he noted.

Fall reads are collected from approximately 105 wells across all three groundwater basins, Howard said. He reported the following changes in storage from the previous year: the Rialto-Colton Basin increased by approximately 12,000 acre-feet (af), Yucaipa Basin decreased by approximately 3,000 af, and San Bernardino Basin decreased by approximately 32,000 af. The decreases represent less than one percent of total usable storage, he noted.

Howard presented a prediction of decrease in storage for the San Bernardino Basin in 2021 of 75,000 af due to the dry year. He acknowledged the work of Dan Borell, Geospatial Services Program Manager.

Director Longville noted that situations change quickly with more carbon in the atmosphere and said she is glad that there are new models being developed by the Climate Alliance.

**Action Item(s):** Receive and file.

#### **4.3 Consider Cooperative Study Program with United States Geological Survey**

Water Resources Manager Adekunle Ojo reminded the Board of the program of work presented in May which included data collection and management, and research and evaluation which tie to this project. He introduced the team from the US Geological Survey (USGS).

Mr. Wesley Danskin, USGS Research Hydrologist thanked Valley District for the support of USGS and proactive management. He pointed out the staff working on the program and acknowledged that team member Larry Brown had passed away. He detailed the functions of the Data and Interpretation programs and advised that the groundwater data is world class. Valley District models and reports are used to teach in other countries, as they really demonstrate how to understand the physical system and how to proactively manage it, he stated.

Mr. Danskin provided a detailed overview of the work of the USGS done in cooperation with Valley District. He highlighted some data gathering functions and explained maintenance of the well sites. He described activities at the Yucaipa Basin and noted that due to the varied climate the correlation of present data with past records will require some level of uncertainty analysis. The focus next year will be to take the numerical model and run analysis to better understand the basin, he said, and detailed additional types of work taking place in the basin. The Yucaipa Basin is challenging for management, he noted.

The analysis of the Rialto-Colton Basin is much further along, Danskin reported. He discussed the model and analysis of groundwater flow. He noted the importance of the constancy and longevity of the contract with Valley District in the collection and analysis of data. He noted that the Rialto-Colton part of the integrated model works well and pointed out the lead of Geoscience on developing the model, which is founded on the data from Rialto-Colton and Bunker Hill basins.

Mr. Danskin noted work on the effect of various hydrological and human aspects on the Santa Ana River fish habitat. He advised of the status of a journal article on wastewater discharges on river habitat. Fish studies are continuing, including the effect of population dynamics, he noted. CEO / General Manager Heather Dyer added that this year the geographic range of the native fish study will be enlarged further downstream into the Riverside area.

It is critically important to bring people together face to face when possible, as different scientific or political views and different agendas can be addressed on a level playing field, Danskin advised. The focus of 2021 and 2022 will be on using the Upper Santa Ana River Integrated Model for TDS and nitrate management, he indicated.

Director Botello asked about challenges of the past year and reliability of the data. He also requested comment on whether the ratepayers of Valley District received value for their collaboration in 2020-21. Danskin noted that the COVID-19 situation limited USGS from accessing prior data in interpretive work, which causes delays. He described other logistical challenges. Credibility is the guide, he added, not timeliness or money; but the agency is sensitive to funding. He said he believes there was value received, as the focus is on credible results that will last for decades. He stated that he did not believe that the COVID-19 problems did or will have anything to do with the veracity of the work of USGS.

Mr. Ojo noted that most of the tasks remain the same from the previous year with minor adjustments. Everything laid out supports Valley District's mission, he stated.

Director Harrison noted that USGS is providing valuable work and scientific information that assists in making other decisions.

**Action Item(s):** The Board directed staff to place this item on an upcoming Board of Directors meeting for consideration.

#### **4.4 Consider Approval of Resolution No. 1122 to Submit a Grant Application to the Wildlife Conservation Board Riparian Habitat Conservation Program**

Preserve System Program Manager Chris Jones advised this item is being presented on behalf of the Louis Robidoux Parkland and Pecan Grove Consortium, formerly known as the Louis Robidoux Nature Consortium. He listed the partners involved.

Jones advised that a new lease was entered in the fall of 2020 and gave an overview of planning processes which have been underway along with looking for funding options. This funding opportunity is through the California Riparian Habitat Conservation Program, Jones explained. He reviewed the application process and advised that the concept was submitted at the end of March and on June 8, staff learned that the project was chosen to submit a full application which is due July 15. In September, the District will hear if the project has been chosen to receive funds, Jones noted.



Staff is trying to cover as much of the planning process as possible with grants, Jones explained. He provided detail on the concept submittal, grant request, and benefits of the project. The fiscal impact of the project is estimated to be \$1.5 million, and the grant amount requested is \$393,000, which is 75 percent of the overall cost. Jones said. The Habitat Conservation Program cost-share would cover some of the match, he explained. Additional funding has been sought.

The Resolution must accompany the application, Jones advised. He reviewed the terms and advised that legal counsel Varner Brant has reviewed the resolution.

Director Longville congratulated the team, said she liked the scope of work and asked who the designated representative would be. Ms. Dyer indicated that she would sign official documents and Executive Director of Habitat Conservation Program Joanna Gibson would be working with the Wildlife Conservation Board.

Director Botello also indicated support and complimented the presentation. Director Harrison also congratulated staff.

Vice President Hayes noted there is community support.

**Action Item(s):** The Board directed staff to place this item on an upcoming Board of Directors meeting for consideration.

## **5. Future Business**

Director Longville requested and the board concurred to add to a future agenda regarding information on the change in storage in the Riverside-Arlington groundwater basin.

## **6. Adjournment**

### **Staff Recommendation**

Receive and file.



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**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Staff  
**SUBJECT:** Summary of July 8, 2021 Board of Directors Workshop – Policy

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The Policy Workshop convened on July 8, 2021, via Zoom teleconference. Director Botello chaired the meeting.

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

Staff Present:

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

Kristeen Farlow, MPA – Strategic Communications Manager  
Anthony Flordelis – Business Systems Analyst  
Matthew E. Howard, MS – Water Resources Senior Planner  
Adekunle Ojo, MPA – Water Resources Manager  
Shavonne Turner, MPA – Water Conservation Program Manager

Members of the Public Present:

Mark Alvarez, Advisory Commission on Water Policy  
Gil Navarro, Advisory Commission on Water Policy  
Melody McDonald, San Bernardino Valley Water Conservation District  
Madeline Blua, Yucaipa Valley Water District  
Richard Corneille, San Bernardino Valley Water Conservation District  
Kelly Malloy, East Valley Water District

Ron Coats, East Valley Water District  
Scott Goodell, IE Works

*Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 19, 2020 this meeting will be conducted by teleconference only.*

## **2. Public Comment**

Chair Botello invited public comment.

Chief of Staff/Clerk of the Board Jose Macedo read a written comment in support of Item 4.3 from Jan Perry, Executive Director of the Infrastructure Funding Alliance.

## **3. Summary of Previous Meeting**

The meeting notes from the June 10, 2021, Board of Directors Workshop – Policy were accepted.

### **4.1 Update on the IE Works Career Pathways Program**

Strategic Communications Manager Kristeen Farlow introduced Scott Goodell, IE Works Manager. She reminded the Board that Valley District signed on with IE Works as a charter member earlier in the year.

Mr. Goodell explained that IE Works is a new entity modeled to serve as a regional workforce consortium which engages water agencies, organized labor associations, and other public utilities to educate, train and connect qualified individuals with water and wastewater employment opportunities. Five agencies have signed on to the charter and are fully participating, including Valley District and three are pending.

Mr. Goodell updated the Board on progress placing 10 to 11 interns this summer and fall in the areas of operations. IE Works is also conducting a needs assessment to help inform occupations for apprenticeships, has formed an Apprenticeship Exploration Committee and is planning an Apprenticeship Summit.

IE Works is in the process of incorporating as a 501(c)3, Goodell reported. He explained the setup of a Board of the five signatory agencies each of which nominate an initial Board member, ideally within two weeks, he explained. Valley District will need to decide who will sit on that Board.

Director Harrison pointed out that West Municipal Water District should be *Western*. Director Longville noted that there is a shortage of specifics and said she had been asked by a ratepayer how many apprenticeships and internships would be covered by the \$1.1 million grant obtained by Western MWD, the duration of the internships, any stipends and how split. Mr. Goodell explained that the goal is 20 apprentices being hired in the initial two years and there is funding to offset costs. For internships, IE Works is paying 30 percent of the wages, he stated. Students are also being supported with direct need-based aid to eliminate some of the barriers that may be faced, he added.

Chief Executive Officer/General Manager Heather Dyer noted that the IE Works team is giving each agency the ability to develop a program that works for them. Goodell acknowledged differences in agencies and explained that will allow leverage of learning opportunities. He shared some examples and pointed out the assistance provided by IE Works. Ms. Farlow added that the District hopes to partner with its retail agencies which offer different position opportunities.

Director Harrison agreed that rotating apprenticeships is a good idea.

Director Botello concurred with Director Longville and said it would be beneficial to look at outcomes. He noted that growing pains as the project unfolds would trigger an update in the fall. He said he appreciated the assurance of a measured approach to meet the needs of Valley District and fits the size of the small staff. He acknowledged the pathway to well-paying jobs.

**Action Item(s):** None

#### **4.2 Discuss State and Federal Legislative Update**

Strategic Communications Manager Kristeen Farlow advised the state legislature passed SB 129, the Budget Act of 2021 with a total spending package of \$262.6 billion, cited as a “budget of opportunity.” She shared specific budget items of interest to the District such as resources, environmental protection, and energy.

Ms. Farlow briefed the Board on the following bills of interest:

- AB 339 continues to move forward but is no longer relevant to special districts.
- AB 361 is being heard and is currently in the Senate Committee on Judiciary. It would apply to open meetings only during an emergency.

- SB 222 related to water affordability assistance was read a second time and re-referred to the Assembly Committee on Appropriations.
- SB 559 was re-referred to the Assembly Committee on Appropriations. There were concerns with state funding going to federal facilities. The governor has prioritized the Canal Capacity Restoration project.

Due to the limited number of bills placed on the legislators, things are being released toward the end of the session, Farlow explained,

Ms. Farlow gave an update on the federal legislative issues. The House Appropriations Committee began consideration of its 12 annual spending bills to fund the government for FY 2022 and subcommittees are occurring to discuss the bills. There were 3,019 House earmark requests submitted and lawmakers are trying to determine how that funding will be divided between Republicans and Democrats.

Ms. Farlow briefed the Board on the following items of interest:

- Assistance, Quality, and Affordability Act (AQUA) Act of 2021: would authorize \$53 billion for the Drinking Water State Revolving Fund, and it will be kept on the District's radar.
- Water Quality Protection and Job Creation Act of 2021: will be heard any day, she advised. It would authorize \$40 billion over five years for the Clean Water State Revolving Fund, \$1 billion for Clean Water programs, and \$1 billion for alternative water source projects.
- Infrastructure Deal: The administration announced it had reached an infrastructure deal with a group of bi-partisan senators including \$973 billion over five years, including \$266 billion for water infrastructure and more.
- Monthlong Moratorium: The administration extended the moratorium on evictions through July 20, 2021 to allow states time to distribute the \$47 billion received in rental assistance funding. This may come into play as Valley District looks for debt relief for the retail water providers and their customers who have not paid their bills.

Director Longville requested that SB 696 be followed and added to the report, and that the Water Affordability Transparency, Equity and Reliability Act be tracked.

Director Harrison informed the Board that the House Interior Appropriations Subcommittee increased its recommendation for the Habitat Conservation Plan (HCP) land acquisition to \$29 million from \$19 million, and recovery land acquisition is at \$11 million, for a total of \$40

million this year. There is an additional \$24 million for administration, traditional grants, and HCP planning assistance, he noted.

In response to Director Botello's inquiry about process, Ms. Dyer explained that the District's consultant, Kennedy Jenks, monitors all funding opportunities including grants, State Revolving Fund, and more. Staff also forwards information to the consultant to determine if it may be applicable, and reviews all projects with the consultant monthly, Dyer said.

**Action Item(s):** None

#### **4.3 Discuss the Potential Sponsorships for FY 21-22**

Strategic Communications Manager Kristeen Farlow reminded the Board that the District has sponsored a variety of programs and organizations in recent years and receives numerous requests. There are a few specifically budgeted as line items, and there is a budget category for Miscellaneous Sponsorships, she noted.

Ms. Farlow noted the Board-approved sponsorship for the Building Industry Association (BIA) Southern California Water Conference in August for \$6,500 which will be deducted from the \$25,000 Miscellaneous Sponsorships line item. She presented the staff's recommended sponsorship opportunities and levels.

If all items were funded, the total would be \$23,500 including the BIA, she concluded.

Director Longville provided information on the California Data Collaborative and said she had been engaged for several years.

Vice President Hayes pointed out the Southern California Water Coalition is not on the list; Ms. Dyer indicated it is budgeted as a membership at \$5,000. At the request of Vice President Hayes, Ms. Dyer said she would research the membership benefits. Director Longville noted that any member may become active with the Coalition.

Director Harrison requested support for both the spring and fall ACWA conferences.

Director Botello pointed out that the California Data Collaborative conference is virtual and may not be the best value for the District's funds and asked about the connection of the Infrastructure Funding Alliance to water. Ms. Dyer explained the further benefit of the California Data Collaborative including involvement in the group, the collection and analysis of data, and its application to water resources. She noted that Water Conservation Program

Manager Shavonne Turner had been involved through her previous employer and had discussed its value.

The goal of sponsoring the Infrastructure Funding Alliance, Dyer continued, is to support an entity that works on behalf of the effort and could become helpful and valuable to the District in the future. She pointed to the connection to the WIFIA program and detailed the work of the organization.

Dyer added that the PPIC does top notch work and has included the Santa Ana River Habitat Conservation Plan (HCP) in a recent academic-level document for publication.

Director Botello acknowledged Director Harrison's recommendation to fund both ACWA conferences. Ms. Dyer reminded the Board about the process for the Miscellaneous Sponsorships budget and noted that \$1,500 would remain if all proposed opportunities were funded. After discussion, the Board recommended increasing the ACWA sponsorship to \$4,500 to be divided between the ACWA spring and fall conferences.

Director Longville commented on the value of the Infrastructure Funding Alliance and regional collaboration.

Director Harrison noted that anyone can join the PPIC, and they are forthcoming with top-notch information.

Ms. Farlow suggested that the Board consider becoming a member of the California Data Collaborative, rather than an event sponsor. However, this is a \$10,000 cost for a different budget category that was not budgeted. Vice President Hayes opined that a \$3,000 sponsorship of a webinar may not be reasonable and instead recommended agendizing the membership. Ms. Dyer acknowledged the clarification and agreed about the membership. Ms. Saks advised that the membership could be addressed in the budget without adjustment.

Director Longville indicated support of the membership in the California Data Collaborative.

The Board determined the following allocations:

- Santa Ana Watershed Project Authority Water Conference \$5,000
- Association of California Water Agencies (ACWA) Conference \$4,500
- Public Policy Institute of California (PPIC) \$3,000
- Infrastructure Funding Alliance \$3,000
- California Data Coalition \$10,000 (membership, not sponsorship)

**Action Item(s):** By roll-call vote, the Board of Directors directed staff to move forward the recommended Miscellaneous Sponsorships budget items to the full Board.

#### **4.4 Discuss Advisory Commission on Water Policy**

Director Botello introduced the item, reminded the Board of discussion of this item during the Strategic Planning Retreat. CEO / General Manager Heather Dyer provided some history of the Advisory Commission and indicated that it has achieved better collaboration in the watershed and has improved communication.

Director Botello advised that he has attended the last two Advisory Commission meetings and found it is a replication of some of the District's existing meetings and partnerships. He invited public comment.

Advisory Commission Chair Mr. Richard Corneille told the Board that he has been involved for many years. He noted that in the past, decisions were made without public input and with little scrutiny. There was little known about Valley District, he said. He shared the three primary benefits of the Commission:

- Education of elected officials about water supply facilities, local regional and state-wide water issues, and what Valley District really does as a regional agency.
- Provides transparency and an opportunity for input on major programs from the elected constituents and agencies that are affected by and are paying for the programs. It is most effective when major policy issues are brought before the Commission before Board action.
- Provides support for Valley District programs with written recommendations.

The Commission is very effective, should continue, and is not redundant, Corneille stated. Officials look forward to the presentations to be able to understand what is going on in the water world and where the emphasis is being placed by Valley District.

Mr. Ron Coats, Vice Chair of the Advisory Commission echoed Mr. Corneille's comments and added that most important is transparency. There are many who do not understand what goes on at Valley District and the Commission affords the opportunity to learn. He suggested it would be a mistake to disband the Commission as it provides a great service to the ratepayers and to Valley District.

Director Harrison asked about the redundancy. Ms. Dyer explained that the Basin Technical Advisory Committee meetings are now attended by elected officials, and every item is



brought to a workshop, then a Board meeting. She indicated that it is uncomfortable to take items to the Advisory Commission prior to the Board and said she would prefer to take items first to the Board to assure things are on track. There are many collaborative meetings on projects as they are developed, and most are based on partnership and cost-sharing, she added.

President Kielhold asked about the Groundwater Council, and Ms. Dyer advised that many items are presented at the Groundwater Council meetings. The Council is administered by the San Bernardino Valley Water Conservation District, and Valley District produces the agendas, Dyer explained.

Director Botello pointed to the innovative steps taken by Valley District on community engagement and the marketing plan being created. He disagreed that Valley District is an agency that no one knows and said that is changing. He pointed to efforts to assist the retailers and indicated that the pathway is to make certain the District is responding to the needs of the ratepayers.

Director Harrison pointed out there is a great difference in collaboration between agencies now as in the past, including the difficult but successful formation of the Groundwater Council and preparation of the HCP. He pointed to other regional efforts and noted the effectiveness and the need for the Advisory Commission on Water Policy but wondered if other elected officials continue to see value, as few of them attend. He expressed concern that even other agencies staff attendance has declined. He pointed out that Valley District communicates with many entities as partners on an ongoing basis and is seldom on its own on initiatives. The collaboration is significant, he stated.

Vice President Hayes said she understood the dilemma of items going first to the Commission and indicated mixed feelings. In terms of fiscal responsibility, a lot of staff time is spent in meetings, she noted, and said it is important that staff is held to their responsibility to report back to their elected officials. The role of the Advisory Commission should be advisory, not directive, she added.

Director Longville noted that the adoption of Ordinance 77 in 2016 was a cleanup and clarification. She acknowledged the concerns voiced and said she would be interested in recommendations from the CEO/General Manager as to modifications of Commission operation. She opined that it would not be in the best interest of the District to eliminate or substantially change the function of the Commission and said issues can be addressed operationally. Longville also thanked Mr. Corneille and gave some history.

Director Harrison added that the Commission was “brought together, formed to provide the maximum opportunities for consultation with elected officials of water-producing agencies and other members of the community.” He said he believes many elected officials have lost interest.

Ms. Dyer noted that the main meeting participants who review the materials and offer substantial comments attend and are present, and also attend Valley District workshops and Board meetings. She agreed that interest has waned and posited that it is because there is already so much collaboration and frequent communication. The original purpose has been met, she noted. From a pragmatic level, it is a lot of work for staff to generate items, compile agendas, run the meetings and compose minutes, she noted. She indicated that opinions are provided at Valley District meetings and other meetings and made two recommendations: Make sure the links to Valley District agendas are on every City Clerk’s distribution list and consider the opportunity to do something less formal and structured.

Director Botello recommended an item move forward to the Board of Directors to dissolve the Advisory Commission.

Vice President Hayes commented, and President Kielhold indicated interest in exploring comments made by Mr. Corneille and further reorganization in another workshop. Director Harrison suggested that there is not sufficient interest in attendance for the Commission to continue and pointed out that the formation documents indicate that the officers should be changed every year. He supported discussion at a future workshop. Director Longville agreed and suggested proceeding with caution and allowing participation by the various parties.

**Action Item(s):** By consensus, the Board of Directors directed staff to bring the discussion of the dissolution of the Advisory Commission on Water Policy or making changes to a future workshop.

#### **4.3 Discuss Hosting a Mayors of the Upper Santa Ana River Collaborative Breakfast**

Chief Executive Officer / General Manager Heather Dyer noted that when one entity along the Upper Santa Ana River does something, it has potential to impact adjacent communities and suggested gaining collaboration and support of each other’s efforts. She presented the suggestion to get the mayors together and reminded the Board about discussion at the Strategic Planning workshop of the District’s role and ability to bring people together for

proactive discussion and working through problems and ideas to gain traction. She requested feedback and directors indicated support.

**Action Item(s):** By roll-call vote, the Board of Directors directed staff move forward with the hosting of a Mayors of the Upper Santa Ana River Collaborative Breakfast.

## **5. Future Business**

- Consideration of the dissolution of the Advisory Commission on Water Policy
- Possible purchase of the Garcia Center property

Director Harrison requested a certain closed session item on every agenda.

## **6. Adjournment**

### **Staff Recommendation**

Receive and file.



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**DATE:** August 3, 2021

**TO:** Board of Directors

**FROM:** Staff

**SUBJECT:** Summary of July 13, 2021 Board of Directors Workshop – Engineering

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The Engineering Workshop convened on July 13, 2021, via Zoom video teleconference. Director Harrison chaired the meeting.

Directors Present: President Kielhold, Vice President Hayes, Director Botello, Director Harrison, and Director Longville (Director Longville left the meeting at 3:30 p.m.).

**Staff Present:**

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

Michael R. Esquer – Senior Project Manager  
Anthony Flordelis – Business Systems Analyst  
Aaron Jones, EIT – Associate Engineer  
Adekunle Ojo, MPA – Water Resources Manager  
Shavonne Turner, MPA – Water Conservation Program Manager

**Members of the Public Present:**

Lora Carpenter, Fieldman, Rolapp & Associates  
Robert Porr, Fieldman, Rolapp & Associates  
Madeline Blua, Yucaipa Valley Water District  
Melody McDonald, San Bernardino Valley Water Conservation District  
Richard Corneille, San Bernardino Valley Water Conservation District

*Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 19, 2020 this meeting will be conducted by teleconference only.*

## **2. Public Comment**

Director Harrison invited public comment. There was none.

## **3. Summary of Previous Meeting**

The meeting notes from the June 8, 2021 Board of Directors Workshop – Engineering were accepted.

### **4.1 Consider the Joint Exercise of Powers Agreement to create the Upper Santa Ana River Watershed Infrastructure Financing Authority Supporting a 2021 Water Infrastructure Finance and Innovation Act (WIFIA) Regional Letter of Interest**

Chief Executive Officer / General Manager Heather Dyer reminded the Board that this is a different approach to a WIFIA application for building regional infrastructure over the next eight or so years. She explained this effort puts together many projects in the watershed that will add to the regional resources, water supply reliability, and climate resilience in a way that has not traditionally been brought to the Environmental Protection Agency (EPA). This Watershed Connect program bundles together water supply projects proposed by several different agencies that all add to the long-term water supply reliability within the basin and river system and demonstrates to the EPA the connection of shared resources, Dyer said.

The tagline for the project is, “Achieving resilience through integrated infrastructure” to convey to funding sources that the region is more resilient by working together, Dyer continued. The Upper Santa Ana River Watershed Infrastructure Financing Authority is a financing mechanism to help build infrastructure in a more efficient and cost-effective manner, she noted.

In looking at the 850 miles and two counties of the watershed and how agencies affect each other, it makes sense to join forces and do something big, innovative, and bold to catch the eye of the EPA and gain their support, Dyer stated. She noted that the call for projects indicated a desire for infrastructure, jobs, climate resilience and this will be an effective approach to help secure favorable terms for at least 49 percent of infrastructure costs.

In addition, Ms. Dyer continued, all the surrounding natural resources have been challenged by drought, increased wildfires, and uncertainty related to the hydrologic cycle point to the need for this program and diversification of the region's water supply portfolio. This means investment in local stormwater recharge, recycled water, habitat restoration, and demand management to create this robust and holistic program that results in sustainable supply and climate resilience.

Director Harrison asked if this encompasses all the Habitat Conservation Plan (HCP) anticipated projects. Ms. Dyer explained that the program includes a lot of the new major infrastructure projects to be built in the near future, but not all of those within the HCP.

The purpose of the Watershed Connect program is to achieve regional water supply security, resilience to extended drought and the effects of climate change, and holistically enhance the health of the upper Santa Ana River Watershed, Dyer explained. She shared the program description statements and details of the submission to the EPA.

In response to questions, Ms. Dyer indicated that projects can be added to the program later. Director Harrison pointed out that the Joint Powers Authority (JPA) document is set up to allow addition of other entities in the future. In response to Director Botello, Ms. Dyer confirmed that all entities had been invited to participate, but this was a very short timeline. Once there is understanding, and success demonstrated, more agencies will want to join, she noted.

The EPA is looking to invest in projects that will bring real benefit to the regions, Dyer noted, and explained the Watershed Connect program benefits, including resiliency to climate change and drought, infrastructure enhancements, improved water quality, and ecological health. She shared the current participants, noting that more are in process, and described the flow of funds and pledge of the JPA. The three phases of the program anticipate \$650.8 million in potential projects, she said, and shared potential additional funding sources. Dyer said the WIFIA program represents approximately \$303 million in financing for the Watershed Connect program, and she detailed additional sources that will be sought. The capability for bond funding is also available if needed.

Ms. Dyer reported that a call with the EPA last week was positive and revealed no hurdles. The first regular board meeting of the JPA is tentatively scheduled for July 21, she noted. There is no cost and no risk associated with being part of the JPA right now, she advised. Director Harrison asked about the contract with AECOM / WSC for \$239,805. Ms. Dyer

explained that contract was authorized by the Valley District Board to develop the program and required documents. Once it is known how to move forward and which agencies will participate it will be determined how to distribute the costs, which is included in project agreements, Dyer answered.

Dyer reviewed the structure of the JPA and meeting schedule. She and Water Resources Manager Adekunle Ojo responded to questions from Vice President Hayes, Director Longville, and Director Botello regarding officers and terms. Ms. Dyer explained initial JPA setup and use of consultants, and said she envisioned program administration later being contracted out with the costs divided by the benefit each agency receives.

Dyer explained the process to create the JPA and shared next steps toward the EPA application.

Director Longville voiced concern about the potential shortcomings of elected officials on financing authorities. She also pointed out that projects and agencies involved are not all water focused and indicated support of their inclusion. Ms. Dyer noted, and Director Harrison emphasized, that this is a starting document, and the positions can be changed as the JPA Board sees fit. Director Botello suggested additional help for staff and recommended President Kielhold as initial chairperson.

**Action Item(s):** The Board directed staff to place the Joint Powers Authority agreement on the July 20, 2021 Board of Directors agenda for consideration.

#### **4.2 Consider Reimbursement Resolution for Costs incurred prior to issuance of Tax-Exempt Obligations related to a Regional WIFIA Application for Water Infrastructure Projects**

CEO / General Manager Dyer explained this item is recommended by financial advisor Robert Porr of Fieldman, Rolapp & Associates. This resolution provides a way to put cash back into reserves upon reimbursement. The projects listed are those in the planning phase which may be appropriate for low interest loans, and there will be opportunity to add projects, Dyer said. She explained the urgency of this action and said it is being done quickly as a few of the projects must be built in the next 18 months. In response to Vice President Hayes, Ms. Dyer explained the inclusion of projects and timing elements.

Mr. Porr explained the purpose of the resolution for the District to have the option to be able to reimburse itself in order to restore reserves from tax exempt bond proceeds for capital expenditures made.

Director Longville pointed out additional opportunities and ways to bring in funding. Ms. Dyer acknowledged and said she and Mr. Ojo had discussed potential transition of the program to a local revolving fund setup to go after additional opportunities. She said her goal was locating funding for 75 percent of costs. Director Longville asked if the San Bernardino County Flood Control District had been invited to participate, Ms. Dyer said they had not, mainly because they do not have any projects in any of Valley District's planning documents.

**Action Item(s):** The Board directed staff to place the Reimbursement Resolution on the July 20, 2021 Board of Directors agenda for consideration.

#### **4.3 Overview of the Draft State Water Project and Central Valley Project Drought Contingency Plan**

Deputy General Manager/Chief Water Resources Officer Bob Tincher provided an update on current drought conditions, noting that 2020 and 2021 are the second two driest years since 1976-77. The Governor has issued an emergency proclamation for multiple counties in the state, but San Bernardino is not one of them. It asks for a voluntary cut in water use of 15 percent. He said it is hoped that this year will not be as dry, but staff plans for the worst.

There is a lot of groundwater storage in the region, Tincher pointed out, and the District can shift to groundwater and is ready even if next year is a five percent State Water Project (SWP) allocation. Reservoir storage is at a low condition, he explained.

Tincher discussed Valley District's drought response including quantification of need for State Project Water, looking for supplies to augment the dry year supply, and reducing SWP demands to meet the supplies available. The focus has been on direct deliveries and not doing recharge, made by a collaborative decision via the Integrated Regional Urban Water Management Plan. Similar actions have been taken at the SWP and the Central Valley Project, he noted. He also detailed action of the Department of Water Resources and Bureau of Reclamation.



**Action Item(s):** Receive and file.

*Director Longville exited the meeting at 3:30 p.m.*

#### **4.4 Consider Scope Enhancements to Borden Excavating, Inc. Construction Contract for the Waterman Hydroelectric Project (Specification 18-02)**

Associate Engineer Aaron Jones shared the project location at the Waterman Spreading Ponds and gave some detail on background and operations of the recharge area. A \$2.2 million contract with Borden Excavating was entered last year for construction of a hydroelectric facility to be added at the location, he advised.

Jones explained a scope enhancement (as a change order) to the contract with Borden to clean the Waterman Basins to improve water recharge. The cost would be on a time and materials basis, not-to-exceed \$400,000, he noted. If the effort cannot be completed within the budget, it would be postponed to the following year, Jones said.

Jones advised of potential environmental constraints and noted all permits but one have been received. This approach will reduce mobilization costs and will help meet scheduling constraints, he explained.

President Kielhold asked how much has been spent for the Fish and Game and Army Corps permits. Ms. Dyer estimated \$10,000 in fees and CEQA, plus a large cost for mitigation. Flood Control cleared the basins the last time, she added, and Deputy General Manager/Chief Engineer Wen Huang estimated that cost around \$150,000 but noted that work was not as thorough as this plan.

Kielhold asked about the cost of bird surveys and amount of water recharged. Mr. Jones said it is estimated to be under \$20,000, and Mr. Huang indicated about 5,300 acre-feet were recharged. Senior Project Manager Mike Esquer estimated that the hydroelectric project is designed to run at 11,000 acre-feet per year average recharge rate (26 cubic feet per second) and would need two or three of the basins cleared to achieve that.

Vice President Hayes asked if this is done every year. Mr. Huang said the permit allows for annual maintenance from this point forward. Hayes asked about future costs, and Mr. Huang estimated the clearing could be done for \$100,000. He confirmed that Valley District

would likely be doing the cleanup, not Flood Control unless they are available. He added that the cost will be passed through to the San Bernardino Basin Groundwater Council as part of operations and maintenance costs shared by the members for this benefit.

Vice President Hayes pointed out that Flood Control is requesting money as part of another activity and indicated that they should be reminded that Valley District is doing the work to clean these basins at the District's cost.

Director Botello indicated concern about the bird survey and disturbances. Mr. Esquer detailed the process and Ms. Dyer added that staff will also survey the area for the birds and explained the window of time to complete the activity.

In response to President Kielhold, Mr. Huang said that to assure the District can recharge SWP water when available, Valley District takes the lead to clean the basins. Mr. Esquer added that the Flood Control District is more about detention than retention, so do not need the basins to be effectively recharging, whereas Valley District wants the basins to be clean and have a high rate of percolation to retain the water.

A vote to move the item forward was 3-1 in favor, with President Kielhold voting no. He indicated that he believes that Valley District is paying to do Flood Control's work.

**Action Item(s):** The Board directed staff to place the Scope Enhancements to Borden Excavating, Inc. Construction Contract on the next Board of Directors agenda for consideration.

#### **4.5 Consider the 2021 Cathodic Testing Survey Program of District's Pipelines**

Senior Project Manager Mike Esquer advised that Valley District has approximately 40 miles of pipelines in the system to be tested for cathodic protection. He gave a brief overview of the system and indicated that each year, the District performs cathodic testing. He explained the process and the importance to determine or predict what is happening with corrosion in the pipeline based on previous observations. It is important to continue the program to build a record of the pipeline history, he stated.

This year, the program cost is a little over \$37,000, with \$14,000 paid back via various entities which have shares of use within the pipelines. All work is done by V&A Consulting which has been doing this work for the District for more than 11 years, Esquer said.

Director Harrison asked about the testing. Mr. Esquer detailed the testing for impedance of electrical current, which indicates when there is a portion of the steel can that exhibits corrosion on the outside. Harrison asked if any of the pipelines would be opened; Esquer said no.

Vice President Hayes asked if there was a rating system for the corrosion. Mr. Esquer explained that a drastic change in impedance triggers an investigation and offered an example.

**Action Item(s):** The Board directed staff to place the 2021 Cathodic Testing Survey Program of the District Pipelines with an estimated cost of \$37,257 on the next Board of Directors agenda for consideration.

#### **4.6 Consider Partnership with Lennar Homes for Development of Stormwater Detention Basins for Groundwater Recharge in the Lytle Creek Region**

Deputy General Manager/Chief Engineer Wen Huang introduced the unique opportunity to work with a private developer to create stormwater detention basins for groundwater recharge in the Lytle Creek region. He noted the discussion is in an early stage but there is progress for the Board to consider and provide direction. He explained the geology of the Lytle Creek Basin which provides surface water and supports extraction. Replenishment of the Lytle Creek Basin has been an important task, however environmental constraints have prevented large scale recharge basins to facilitate SWP.

An upcoming development of 200 tract homes by Lennar Homes will include stormwater detention basins, Huang advised. Ms. Dyer pointed out this is one part of the proposed Lytle Creek development project and is located within the previously-disturbed El Rancho Verde Country Club footprint. Mr. Huang reminded the Board that developers are required to construct detention basins for runoff from the development. Huang explained that Lennar has proposed three basins and gave detail on the drainage system.

Such basins are usually small and require a lot of maintenance to percolate properly, Huang noted, but these three basins total approximately nine acres and could recharge 18 acre-feet per day. Staff believes the basins can accommodate up to 5,000 acre-feet of SWP recharge to replenish Lytle Creek Basin, he said. Huang shared two alternatives for transporting water to the basins.

If there is interest in recharge, the developer will turn the basins over to Valley District, Huang noted. The likely arrangement will be the District taking care of everything below the embankment, he said. Operations and maintenance costs would be funded collectively by the San Bernardino Basin Groundwater Council, he noted. Staff would like to continue to work with partners West Valley Water District (WVWD) and the City of Rialto (City), he stated.

Director Harrison asked who would build the pipeline and if there would be other partners. Mr. Huang said Valley District would and it would be considered regional facilities as part of the WIFIA financing program. The anticipated cost is approximately \$3 million, he added. Valley District has been paying for regional facilities, since they provide benefit to the region and multiple agencies, Huang noted. Both WVWD and the City favor the project, he stated.

Director Harrison asked about the location of the SWP intertie. Mr. Esquer explained the locations and added the line would allow WVWD's full use of the hydro facility along with the recharge water.

Vice President Hayes encouraged coordination with the Cactus Basin pipelines for fewer lines and most cost efficiency. She pointed to the green line alternative and said she hoped that would not be chosen as it would create a traffic and neighborhood nightmare. She asked if an easement would be needed for the pipeline; Mr. Huang answered yes. Lennar is aware of the alignment, he said, and the entities are working to minimize the impact.

In response to Vice President Hayes, Mr. Huang described the work with the City of Rialto.

In response to Director Botello, Mr. Huang explained the choice of location for the aqua line alignment, intended to get to the WVWD reservoir and minimal intrusion. Staff will work with the developer to determine any preference for alignment, he said.

Director Botello pointed out that Valley District will end up owning the nine acres of basins. He asked about the maintenance of the landscaping around the basins and the

responsibility of the homeowners' association; Mr. Huang confirmed the landscaping outside the basin would not be the responsibility of Valley District. Botello opined this is a win-win but requested additional updates before the agreement stage.

Mr. Huang advised of the possibility to put the pipeline through an easement belonging to Metropolitan Water District of Southern California.

**Action Item(s):** The Board directed staff to continue working with Lennar Homes and WVWD and the City of Rialto to develop an agreement for the arrangement of these basins for consideration by the Board of Directors at a future meeting.

## 5. Future Business

- Design of next run of shopping bags
- Workshop on the roles of the County Flood Control District and update on communication
- Number and locations of septic systems within the District
- Collection of property taxes in areas not served by imported water / non-groundwater bearing

For possible later vote to agendize:

- Redistricting in San Bernardino County

For staff follow-up:

- Reproduction of an article for inclusion in future information packages

## 6. Adjournment

### Staff Recommendation

Receive and File



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**DATE:** August 3, 2021  
**TO:** Board of Directors  
**FROM:** Staff  
**SUBJECT:** Summary of July 22, 2021 Board of Directors Debt Service Fund Budget Workshop

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The Debt Service Fund Budget Workshop convened on July 22, 2021, via Zoom teleconference. President Kielhold chaired the meeting.

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

Staff Present:

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

Anthony Flordelis – Business Systems Analyst

Members of the Public Present:

David Raley, San Bernardino Valley Water Conservation District

*Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 19, 2020 this meeting will be conducted by teleconference only.*

## **2. Public Comment**

President Kielhold invited public comment. There was none.

### **3.1 Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2021-2022**

Deputy General Manager/Chief Financial Officer Cindy Saks explained the process for the budget. The Debt Service Budget is completed later than the general fund budget, as it relies on data that is not available at the time of general fund budgeting, she noted. At the time of the packet, preliminary assessed values had not been received, she said, and contrasted estimated values and preliminary numbers received the prior day. The difference is approximately \$400,000, she reported.

The assessed value is the basis on which the Board sets a tax rate to pay for all costs associated with the State Water Project, she explained.

In response to Vice President Hayes, Ms. Saks described the property tax type categories for the Debt Service Fund. She reviewed in detail the Estimated State Water Contract Fund Revenue / Expenses. She reminded the Board of the preference to cash finance for Sites Reservoir and the Delta Conveyance and pointed to the Project Specific Rate Stabilization reserve to pay for those important infrastructure projects.

In response to Director Harrison, Ms. Saks explained that a 1-cent change in the rate equates to approximately \$6.5 million in revenue and noted that staff is recommending a 1.25-cent decrease in rate.

Ms. Saks explained that a small part of the tax rate revenue is allocated to the Devil Canyon / Castaic Contract fund which is required by the State to be separate. That current cash balance is approximately \$5 million.

Ms. Saks provided a graph of State Water Contract Fund Cash Reserve Balances and noted that the majority of the increase has followed the dissolution of redevelopment agencies in 2012, then return of residual balances in 2014. Balances have rebounded since the recession of 2008-09, she noted.

Vice President Hayes pointed to the possibility of many losing their homes, many being bought in the coming months, which would result in a change assessed value. Ms. Saks acknowledged the potential but pointed to the rebound following the recession.

Director Longville asked if the District had a way to track the number of homes sold during the current hot market. Saks said no. Longville posited assessed value may triple or more due to long-held properties being sold. Saks indicated that she had expected to see a larger jump but said that next year she believes more of an increase will be shown. She noted that

the District will receive some of the supplemental taxes but said she does not budget for those to avoid overestimating revenue.

Director Longville pointed out that State Water Project cash reserve had risen to almost \$425 million and advised that a ratepayer had questioned the balance. CFO Saks reviewed the cash reserve balances pointed to upcoming unknown expenses related to the Delta Conveyance and Sites Reservoir. Ms. Dyer explained that it will be an estimated \$300 million to pay for Sites Reservoir construction which will probably start in about three years. Then, an estimated \$200 or \$250 million for a portion of Valley District's share of the Delta Conveyance, plus some potential financing. These costs of approximately \$500 million, with the current \$400 million in reserves, plus assuming that approximately \$30 million will be added to savings for the next five years, brings the total reserves to \$600 million. After those expenses, that leaves \$100 million in reserves which is historically what the District had before beginning to save for those capital projects. Even with the proposed tax rate reduction, the debt service fund budget allows \$30 million per year to be added to the savings account, she concluded. Director Longville requested that this answer be provided to all directors in writing, as it is important to be able to answer accurately.

Ms. Saks added that prior to the redevelopment dissolution, Valley District was receiving \$7 million a year and, prior to SB 107, the District believed the slope of recovery would be flatter..

Vice President Hayes requested staff provide information on the advantage of cash funding over other financing in a format for presentation to the public.

Ms. Dyer reminded the Board that the estimates regarding costs of the Delta Conveyance and Sites Reservoir are constantly changing. The total for Sites Reservoir is currently estimated at about \$3.5 billion. As final design gets closer, the final numbers will be available, she said. The costs of the Delta Conveyance are unknown as the project is not yet determined, she added, but the District has always targeted \$200 or \$250 million.

Director Longville acknowledged savings for the ratepayers by using cash financing; Saks concurred it makes a huge difference.

Ms. Saks responded to a question from Director Botello about protection of the \$25 million reserves allocated to liability, which are in the general fund. She noted that the reserve policy will be updated to address the new coverage and detailed purpose of the fund which is not State Project related.



Director Longville stated the debt service tax rate is a flat rate to all, regardless of water efficiency. She said it is a significant amount of money and she is glad to see the staff recommendation to lower the rate. She said it is prudent, cautious and hoping for the best but planning for the worst. But, she added, there is not equity. A study should be done to look at this issue and address it, she suggested. Vice President Hayes agreed.

President Kielhold suggested keeping in mind a future workshop on the equity issue. Ms. Dyer suggested it be incorporated into the next steps following finalization of the Strategic Plan, and Ms. Saks noted that it should be included in the financial model.

Director Botello suggested it be addressed under Action Plan. Ms. Dyer cautioned that this would be a substantial study and may mean serious financial consequences. It is not something to undertake lightly. Director Longville posited that the basis for the study would be efficiency standards based on real data. She noted that Valley District cannot control its retailers and their charges; Valley District's business is how much property tax is collected and the fairness to the property owners.

Ms. Dyer concluded that staff is comfortable with the amount of funding to reserves and the recommended rate of \$.1300 cents per \$100 of assessed value.

President Kielhold emphasized the importance of credibility with the taxpayers. Director Botello suggested a press release regarding the upcoming action on the Board agenda. Ms. Dyer suggested including the explanations for the reserve savings. Director Harrison suggested emphasizing the percent reduction.

**Action Item(s):** The Board directed staff to place the debt service property tax rate at \$0.1300 cents per \$100 of assessed value for the Fiscal Year 2021-2022 on the Board of Directors agenda for consideration.

### **3.2 Draft Resolution 1125 – Setting State Water Contract Debt Service Tax Rate for FY 2021-2022**

There was no discussion.

#### **4. Adjournment**

##### **Staff Recommendation**

Receive and file.



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**DATE:** August 3, 2021

**TO:** Board of Directors

**SUBJECT:** List of Announcements

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- A. August 3, 2021, 9:30 a.m. – SAWPA Commission Meeting
- B. August 3, 2021, 10:00 a.m. – SAWPA PA 24 Meeting
- C. August 3, 2021, 2 p.m. – Regular Board Meeting by Teleconference
- D. August 5, 2021, 2 p.m. – Board Workshop – Policy by Resources
- E. August 10, 2021, 8:30 a.m. – SAWPA PA 22 Meeting
- F. August 10, 2021, 2 p.m. – Board Workshop – Engineering by Teleconference
- G. August 12, 2021, 1:30 p.m. – San Bernardino Valley Water Conservation District Board Meeting
- H. August 12, 2021, 2 p.m. – Board Workshop – Policy by Teleconference
- I. August 13, 2021, 8:30 a.m. – BIA Southern California Water Conference
- J. August 16, 2021, 6:00 p.m. – SBVMWD hosts the ASBCSD Membership Meeting
- K. August 18, 2021, 8:30 a.m. – Upper Santa Ana River Watershed Infrastructure Financing Authority
- L. August 17, 2021, 2 p.m. – Regular Board Meeting by Teleconference