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 4 – 2:00 P.M.

PUBLIC PARTICIPATION
Public participation is welcome and encouraged. You may participate in the August 4, 2020, 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
https://us02web.zoom.us/j/684456030

If you are unable to participate online or by telephone, you may also submit your comments and questions in writing for the District’s consideration by sending them to comments@sbvmwd.com with the subject line “Public Comment Item #” (insert the agenda item number relevant to your comment) or “Public Comment Non-Agenda Item.” Submit your written comments by 6:00 p.m. on Monday, August 3, 2020. 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. 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. Participation in the meeting via the Zoom app is strongly encouraged; there is no way to protect your privacy if you elect to call in to the meeting. The Zoom app is free to download.
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 21, 2020, Meeting (Page 3)
       Minutes 072120

3. **DISCUSSION AND POSSIBLE ACTION ITEMS**

   3.1. Resolution in Honor of Ms. Lillian Hernandez (Page 9)
       Staff Memo - Consider Resolution for Lillian Hernandez
       Resolution for Lillian Hernandez

   3.2. Consider Adoption of Resolution No. 1106 Setting a Tax Levy and Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2020-2021 (Page 13)
       Staff Memo - Consider Resolution authorizing State Water Contract Debt Service Tax Rate - FY 20-21
       Resolution 1106 - Setting State Water Contract Debt Service Tax Rate for FY 2020-2021
       SBVMWD Draft Debt Service Budget - FY 2020-2021

   3.3. Consider Fiscal Year 2020-2021 State Water Project Audit Contract with Ernst & Young, LLP (Page 21)
       Staff Memo - SWC Ernst & Young Contract 2020-21
       Ernst & Young Contract FY 21

   3.4. Presentation on Receipt of the 2020 CAPIO Epic Award (Page 51)
       Staff Memo - Presentation on Receipt of CAPIO Epic Award
       SBVMWD 2018 Annual Report
4. REPORTS (DISCUSSION AND POSSIBLE ACTION)

4.1. SAWPA Meeting Report

4.2. Director's Primary Representative and Activity Report

4.3. Board of Directors' - Resources July 2, 2020 (Page 72)
    Summary Notes BOD Workshop - Resources 070220

4.4. Board of Directors' Workshop - Policy, July 9, 2020 (Page 75)
    Summary Notes BOD Workshop - Policy 070920

4.5. Board of Directors' Workshop - Engineering, July 14, 2020 (Page 79)
    Summary Notes BOD Workshop - Engineering 071420

4.6. Debt Service Fund Budget Workshop Meeting July 22, 2020 (Page 83)
    Summary Notes Debt Service Budget Workshop 072220

5. ANNOUNCEMENTS

5.1. List of Announcements (Page 84)
    List of Announcements

6. CLOSED SESSION


7. 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.sbvmwd.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) 387-9200 two working days prior to the meeting with any special requests for reasonable accommodation.
Directors Present: T. Milford Harrison, Paul Kielhold, Gil Navarro, Susan Longville, and June Hayes

Directors Absent: None

Staff Present: Heather Dyer, Wen Huang, Cindy Saks, Bob Tincher, Melissa Zoba, Mike Esquer, Kristeen Farlow, Aaron Jones, Chris Jones, Kai Palenscar, Anel Perez and Brendan Brandt

Registered Guests:
Ronald Coats, East Valley Water District
Melody McDonald, San Bernardino Valley Water Conservation District

The regular meeting of the Board of Directors was called to order by President Harrison at 2:00 p.m. A quorum was noted present by roll-call.

President Harrison stated that before they consider public comments, the record will reflect that pursuant to the provisions of Executive Order N-29-20 issued by Governor Newsom on March 17, 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 Harrison stated that any member of the public wishing to make any comments to the Board may do so. Audience attendance will be recorded in the minutes based on registration information generated in the teleconference or by stating their name during this time. There were no email comments or Zoom requests to speak.

Agenda Item 2. Approval of Minutes of the July 7, 2020, Board meeting.
Director Hayes moved to approve the minutes of the July 7, 2020, Board meeting. Director Longville seconded. The motion was unanimously adopted by a roll-call vote.

Agenda Item 3. Discussion and Possible Action Items.

3.1) Resolution in Honor of Bob Stockton. Kristeen Farlow stated this item was presented at the Board of Director’s Policy Workshop on July 9, 2020. Mr. Robert “Bob” Stockton was elected to the Western Municipal Water District (Western) Board of Directors in December 2014, representing Division 1. Director Stockton died suddenly on May 13, 2020, after serving the local region in a number of capacities as a public servant. Western has recommended that any agencies that would like to honor Director Stockton by presenting a resolution to his family at their Board Meeting in on August 5, 2020.

Director Hayes moved approval of the Resolution honoring Director Bob Stockton Director Hayes seconded by Director Navarro. The motion was unanimously approved by a roll-call vote.

3.2) Consider Contract Amendment with RMG Communications for Social Media Management. Kristeen Farlow stated this item was discussed at the Board of Director’s Engineering workshop on July 14, 2020. In April 2019, Valley District established its Social Media Program and entered into an agreement with RMG Communications to enhance communication with the community, stakeholders and water retailers. The goal of using social media is to inform customers and stakeholders about the District’s projects, programs, announcements, and initiatives as well as shared content from trusted sources on water, government and related environmental or regional issues, projects and initiatives. Staff anticipates continuing the use of social media to promote water use efficiency programs, highlight the District’s retail water providers, and post general District updates in the coming year. This is an effective and affordable communication method that is becoming an integral piece of the District’s marketing and outreach efforts. Staff is requesting the board consider a contract amendment with RMG Communications for $30,000 for the fiscal year 2020-2021.

Director Navarro moved to authorize the CEO / General Manager to execute an amendment to the existing contract with RMG Communications in the amount of $30,000 for fiscal year 2020-2021. Director Longville seconded. The motion was unanimously approved by a roll-call vote.

3.3) Consider Scope of Services with Scheevel Engineering for Engineering Consulting and Staff Augmentation. Wen Huang stated this item was discussed at the Board of Director’s Engineering Workshop on July 14, 2020. Valley District has historically maintained a relatively small staff as compared to its geographic size and responsibilities. As Valley District’s responsibilities have increased over the last decade, the District has relied on hiring consultants from time to time as an extension of staff. In order to support the substantial engineering workload planned for this fiscal year, staff
recommends that the Board of Directors consider engaging Scheevel Engineering to provide engineering consulting services to work as an extension of staff for fiscal year 2020-2021. Specific tasks/projects will include design of the Sweetwater Spreading Basins, feasibility study and planning of the Santa Ana Sucker Microhabitat Project, preparation of specifications for the Santa Ana Low Turnout Improvements Project, review and coordination with the Conservation District for the Active Recharge project and other important projects

Director Kielhold moved to authorize the CEO / General Manager to enter into a Professional Services Agreement with Scheevel Engineering for Engineering Consulting & Project Management Services up to an estimated fee of $160,000. Director Hayes seconded. The motion was unanimously approved by a roll-call vote.

3.4) Consider Agreement with Stillwater Sciences for the Development of the Adaptive Management and Monitoring Program for the Upper Santa Ana River Habitat Conservation Plan. Kai Palenscar stated his item was discussed at the Board of Director’s Engineering Workshop on July 14, 2020. In 2014, the Board of Directors authorized Valley District’s participation and its role as lead agency for the development of the Habitat Conservation Plan (HCP). In order to provide the most value to the partners that have invested in this long-term planning tool, the HCP has been expanded into a full environmental compliance program that will provide a streamlined path for the many regulatory requirements to build water projects. Implementing this and other Programmatic Permits requires that data is provided to the regulatory agencies demonstrating that; 1) building projects within the estimated impacts included in our various permits, and 2) meeting the success criteria of our Conservation Program, which is designed to offset those impacts. It is needed to develop a Long-Term Monitoring and Management Program (LTMP) referred to as an Adaptive Management and Monitoring. A robust monitoring program will provide the tools and monitoring methods to track how water management activities affect the surface flow and groundwater systems along with riparian vegetation communities and the conservation and recovery of covered species. Effective adaptive management measures will be implemented based on information gathered from the monitoring program. Together, the monitoring and adaptive management components of the LTMP will help the HCP and the Programmatic Permitting stay in compliance with the terms of the Incidental Take Permits and aquatic resource permits, respectively. Staff recommends the Board authorize the CEO / General Manager to execute an agreement with Stillwater Sciences to perform Long-Term Monitoring and Management Program in the amount of $1,615,000.

Director Kielhold moved to authorize the CEO / General Manager to execute an agreement with Stillwater Sciences in the amount of $1,615,000. Director Hayes seconded. The motion was unanimously approved by a roll-call vote.

3.5) Consider a Lease for AT&T Cellular to Construct and Operate a Cellular Communications Tower at the Tate Pump Station Site. Mike Esquer stated this item was discussed at the Board of Director’s Engineering Workshop on June 9, 2020. Staff
has been working with AT&T representatives to prepare documents and a lease agreement in support of the installation of a cellular communications tower. The proposed location of the new cellular tower will be located in an area within the Tate Pump Station site. The initial term of the lease is five (5) years with a lease amount of $2,500 per month. The lease may be automatically renewed every five years, up to four (4) times, with a 15% rate increase to the monthly lease.

Director Hayes moved to authorize the Board President and the CEO / General Manager to execute the five (5) year lease agreement with a lease amount of $2,500 per month for the AT&T Telecommunications Site at the Tate Pump Station. Director Navarro seconded. The motion was unanimously approved by a roll-call vote.

3.6) Consider Agreement with Hernandez, Kroone & Associates (HKA) for Survey Services at Devil Creek and Sweetwater Basins. Aaron Jones stated this item was discussed at the Board of Director’s Engineering Workshop on July 14, 2020. At the Joint Board Meeting with the City of San Bernardino Municipal Water Department (SBMWD) Water Board on January 31, 2019, both boards approved a Memorandum of Understanding (MOU) to jointly develop and implement activities included in the Upper Santa Ana River Habitat Conservation Plan (SARHCP). The Devil Creek Basins are located on land owns by SBMWD and present great opportunities for habitat enhancement as well as recharge for stormwater and State Water Project (SWP) water. Additionally, certain improvements at the Sweetwater Basins, which are owned by the San Bernardino County Flood Control District (SBCFCD) and have been used by Valley District as one of the major recharge basins for SWP water, have been identified to increase the recharge area. In order to begin this development process of these projects, an initial survey needs to be completed for the areas. Staff is recommending Hernandez, Kroone & Associates Engineers and Land Surveyors for survey services in the amount of $51,380.

Director Kielhold moved to authorize the CEO / General Manager to execute a consulting services agreement with Hernandez, Kroone & Associates Engineers and Land Surveyors for survey services at Devil Creek and Sweetwater Basins with the associated fee of $51,380. Director Hayes seconded. The motion was unanimously approved by a roll-call vote.

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

4.1) Directors' Fees and Expenses for June 2020. No oral report was given as a written report was included in the Board packet.

4.2) SAWPA Meeting Report, July 21, 2020. President Harrison reported on the following items:

1. Receive and File the Government Finance Officers Association Distinguished Budget Award.
2. Approved Salary Schedules for FY 2021 and retroactively approve FY 2018, 2019 and 2020 salary schedules as required by the CalPERS Audit.


4.3) Primary Representatives’ Reports/Directors’ Activities.

Director Hayes reported that she attended the Sites Reservoir virtual Town Hall meeting and will be attending the Southern California Water Coalition meeting on August 6th regarding storm water.

Director Longville reported that she attended the Sites Reservoir virtual Town Hall meeting. She attended the quarterly Active Recharge Transfer Projects Policy Committee Meeting and thanked Director Kielhold for his participation as the primary representative on that committee. She also attended a workshop regarding Climate Change Action Plan on July 14th.

Director Kielhold reported that he attended the quarterly Active Recharge Transfer Projects Policy Committee Meeting which is prioritizing projects such as Recharge Basin at Plunge Creek and Retrofit of the Twin Creek Basin.

Director Navarro reported that he attended the Sites Reservoir virtual Town Hall meeting. He also attended the San Bernardino Valley Conservation Trust meeting where he nominated John Longville to serve as Vice President.

President Harrison reported he attended the Sites Reservoir virtual Town Hall meeting. He also attended the Big Bear Water Agreement Meeting.

4.4) Operations Report. No oral report was given as a written report was included in the Board packet.

4.5) Treasurer’s Report. Director Longville moved the following expenses for the month of June 2020. The State Water Contract Fund $2,506,208.34, Devil Canyon/Castaic Fund $104,371.00, and General Fund $2,498,510.37. Director Navarro seconded. The motion was unanimously adopted by a roll-call vote.

Agenda Item 5. Announcements.

5.1) List of Announcements. The list of announcements as presented was adjusted to include the virtual meeting of the ACWA JPIA meeting on July 27, 2020 and the ACWA Spring Conference which will be held virtually on July 29th and 30th.

Agenda Item 6. Closed Session. President Harrison adjourned the meeting to Closed Session at 3:06 p.m.
Conference with Real Property Negotiators - Property: Bryce E. Hanes Park, 900 N. E Street, San Bernardino (APN 0140-143-54) - Agency negotiator: Heather Dyer, CEO / General Manager - Negotiating parties: City of San Bernardino - Under negotiation: Price and terms of payment

President Harrison returned the meeting to Open Session at 3:46 p.m. Brendan Brandt reported that the Board gave staff direction and there was no reportable action taken.

President Harrison requested a motion for adjournment.

Director Hayes moved to adjourn the meeting. Director Longville seconded. The motion was adopted by a roll-call vote.

**Agenda Item 7. Adjournment.**

The meeting was adjourned at 3:49 p.m.

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**APPROVAL CERTIFICATION**

I hereby certify to approval of the foregoing Minutes of San Bernardino Valley Municipal Water District.

______________________________
Secretary

Date ____________________________

Respectfully submitted,

Cindy Saks
CFO / Deputy General Manager
DATE: August 4, 2020
TO: Board of Directors
FROM: Kristeen Farlow, External Affairs Manager
SUBJECT: Consider Resolution for Ms. Lillian Hernandez

The Board of Directors is asked to consider a resolution honoring the service of Ms. Lillian Hernandez.

Background
Ms. Lillian Hernandez, who has worked for the San Bernardino Valley Municipal Water District (Valley District) for nearly 15 years is officially retiring from public service, effective August 13, 2020. While in employ with Valley District, she served under four different general managers. When she was hired in 2005, Ms. Hernandez served as Board Secretary, providing direct support to the Board of Directors at meetings, workshops, and committees.

As Ms. Hernandez’s career evolved with Valley District, she began providing additional support to coordinate meetings with the retail water providers, as well as the Water Policy Advisory Commission and the Basin Technical Advisory Committee. Ms. Hernandez is a public notary, and supported the District in this capacity for many years.

Recently, Ms. Hernandez’s title changed to Clerk of the Board to better reflect her support of the Board of Directors in their interactions conducting the business of the District. This included her role in performing complex assignments in support of the Board, including Board requests and other executive and administrative functions. She also served as administrative support to the office of the CEO/General Manager.
Prior to joining Valley District in 2006, Ms. Hernandez was the Senior Office Assistant for the Western Municipal Water District, providing support to the General Manager and Board of Directors as well as general office and administrative support. Ms. Hernandez’s combined public service was 19 years.

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

Recommended Action
The Board of Directors is asked approve the Resolution honoring Ms. Lillian Hernandez.

Attachment
Resolution for Ms. Lillian Hernandez
A RESOLUTION OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT IN RECOGNITION AND APPRECIATION OF THE PUBLIC SERVICE OF MS. LILLIAN HERNANDEZ

Whereas, Ms. Lillian Hernandez retires from the San Bernardino Valley Municipal Water District (Valley District) on August 13, 2020; and

Whereas, Ms. Hernandez was employed by Valley District for 14 years and has served under four different general managers; and

Whereas, Ms. Hernandez has served as the board secretary interfacing with every elected Director at Valley District for 14 years and treated each Director with professionalism, respect, kindness, tact and an endless sense of humor; and

Whereas, prior to working for Valley District, Ms. Hernandez was employed by Western Municipal Water District for four years; and

Whereas, Ms. Hernandez is a notary public and has assisted Valley District in this capacity for many years; and

Whereas, Ms. Hernandez has provided invaluable service to the Board of Directors over the last 14 years, coordinating agendas, taking meeting minutes, coordinating meetings with the Valley District Board of Directors and surrounding agencies; and

Whereas, Ms. Hernandez, more recently, has served as assistant to the office of the General Manager, helping to manage District events and the General Manager’s office; and

Whereas, Ms. Hernandez helped the District transition through one of the most difficult times in the nation’s history, the COVID-19 pandemic, by moving the District to online meetings, and coordinating meeting agendas and minutes in a new yet effective way; and

Whereas, Ms. Hernandez was recently promoted to a new position, officially becoming the Clerk of the Board and Assistant to the General Manager, to better represent her role in serving the District and the Board of Directors.

Be it resolved, that the Board of Directors and staff of the San Bernardino Valley Municipal Water District extend their sincere gratitude to Ms. Hernandez for her service and wish Ms. Hernandez the greatest success in her future endeavors.

Enacted this 4th day of August 2020.

_____________________________
T. Milford Harrison, President
Paul Kielhold, Vice President

Susan Longville, Treasurer

June Hayes, Director

Gil Navarro, Director
DATE: August 4, 2020

TO: Board of Directors

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

SUBJECT: Consider Adoption of Resolution No. 1106 Setting a Tax Levy and Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal Year 2020-2021

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 and Devil Canyon Castaic Contract. The California Department of Water Resources (DWR) sends invoices to 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, 2020, 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 $0.1425 per $100 of assessed valuation, which is the same tax rate as the prior year, and bring it to the full Board for consideration. The budgeted revenue shown on the attached spreadsheet titled Estimated Income for the fiscal year 2020-2021 was created using the preliminary assessed property valuations provided by the County. The proposed budget includes a net increase in revenue over the prior year due to a net 4.8% increase in assessed property values within the District’s boundary.

The total budgeted, non-capital related expenses for fiscal year 2020-2021, shown on the attached spreadsheet, include DWR cost projections based on current DWR invoices. Additional budgeted expenditures include costs for the Delta Conveyance, Sites Reservoir, Rhombo
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 $6.8 million is associated with each $0.01 of tax rate increase or decrease. Approximately 37% 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 $0.1425 per $100 of assessed value, the total estimated property tax revenue is projected to be $62,762,000; consisting of $60,560,000 for the SWP Contract Fund and $2,202,000 for the Devil Canyon / Castaic Fund for the fiscal year 2020-2021. The total estimated revenue from the Redevelopment Successor Agency Pass Through Agreements is budgeted at $35,000,000.

Also shown on the attached spreadsheets are total estimated expenses of $82,807,127 derived from DWR invoices; consisting of $80,848,770 for the SWP Contract Fund and $1,958,357 for the Devil Canyon / Castaic Fund. Further, all revenues attributable to the Debt Service Funds, interest earnings, return of bond cover charges and successor agency pass through payments total $107,632,121, $105,384,941 for the SWP Contract Fund and $2,247,180 for the Devil Canyon / Castaic Fund.

Through continued conservative spending, the District is projected to be able to increase its reserves for Project Specific Rate Stabilization combined in the SWP Contract and Devil Canyon / Castaic Fund in the amount of $24,824,994. 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 1106, setting the tax rate at .1425 per $100 of valuation for 2020-21, is provided for the Board's consideration.

**Staff Recommendation**

Approve a Debt Service Fund tax rate of $0.1425 per $100 of valuation, budget, and Resolution 1106 for Fiscal Year 2020-2021.

**Attachments**

1. Resolution 1106 Setting the Tax Rate for the Debt Service Fund
2. Fiscal Year 2020-2021 Debt Service Fund Budget worksheets
RESOLUTION NO. 1106

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, 2020, and ending June 30, 2021, 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 $60,560,000 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 $2,202,000 for payments on the Devil Canyon/Castaic Contract dated June 23, 1972 and hereby fixes the rates of tax for such purposes as follows:

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<th>Contract</th>
<th>Rate</th>
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<tr>
<td>State Water Contract</td>
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<tr>
<td>Devil Canyon/Castaic Contract</td>
<td>$ 0.0050</td>
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<tr>
<td><strong>Total Rate</strong></td>
<td><strong>$ 0.1425</strong></td>
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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 I(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 4th day of August 2020.

San Bernardino Valley Municipal Water District

By: ________________________________

T. Milford Harrison
President

ATTEST:

_______________________________
Susan Longville
Treasurer
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<th>ACTUAL FY 2019-2020</th>
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<th>TAX RATE</th>
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<th>NOTES</th>
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<th>FY 20-21 PROPOSED TAX RATE</th>
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# SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

## SUMMARY OF STATE WATER CONTRACT EXPENSES FOR FY 2020-21

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<th>7/1/2020 ~ 12/31/2020</th>
<th>1/1/2021 ~ 6/30/2021</th>
<th>TOTAL FOR FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM REVENUE BOND &amp; SURCHARGE</td>
<td>1,386,109</td>
<td>1,372,894</td>
<td>2,759,003</td>
</tr>
<tr>
<td>CAPITAL COST COMPONENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DELTA WATER CHARGE</td>
<td>1,550,206</td>
<td>1,555,402</td>
<td>3,105,608</td>
</tr>
<tr>
<td>TRANSPORTATION CHARGE</td>
<td>1,067,885</td>
<td>870,226</td>
<td>1,938,111</td>
</tr>
<tr>
<td>MINIMUM OMP&amp;R COMPONENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DELTA WATER CHARGE</td>
<td>2,479,290</td>
<td>2,676,744</td>
<td>5,156,034</td>
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<tr>
<td>TRANSPORTATION CHARGE</td>
<td>9,516,445</td>
<td>8,951,563</td>
<td>18,468,008</td>
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<tr>
<td>OFF AQUEDUCT POWER FACILITIES</td>
<td>109,890</td>
<td>92,184</td>
<td>202,074</td>
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<tr>
<td>EAST BRANCH ENLARGEMENT-CAPITAL</td>
<td>14,604,313</td>
<td>6,546,764</td>
<td>21,151,077</td>
</tr>
<tr>
<td>MINIMUM OMP&amp;R</td>
<td>100,622</td>
<td>133,038</td>
<td>233,660</td>
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<tr>
<td>AUDIT FEES</td>
<td>20,000</td>
<td>20,000</td>
<td>40,000</td>
</tr>
<tr>
<td>STATE WATER CONTRACTORS ASSOCIATION</td>
<td>300,000</td>
<td>-</td>
<td>300,000</td>
</tr>
<tr>
<td>LEGAL FEES</td>
<td>50,000</td>
<td>50,000</td>
<td>100,000</td>
</tr>
<tr>
<td>SBVMWD ADMIN FEE</td>
<td>1,250,000</td>
<td>-</td>
<td>1,250,000</td>
</tr>
<tr>
<td>VARIABLE CHARGE FOR ENERGY</td>
<td>7,500,000</td>
<td>7,500,000</td>
<td>15,000,000</td>
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<tr>
<td>DELTA CONVEYANCE</td>
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<td>-</td>
<td>2,140,000</td>
</tr>
<tr>
<td>FIELD IMPROVEMENTS - RHOMBO FLOATING COVER</td>
<td>1,250,000</td>
<td>1,250,000</td>
<td></td>
</tr>
<tr>
<td>FIELD IMPROVEMENTS - SWP PRE-TREATMENT &amp; CHEMICALS</td>
<td>400,000</td>
<td>400,000</td>
<td>800,000</td>
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<tr>
<td>SWP WATER QUALITY TESTING PROGRAM</td>
<td>40,000</td>
<td>40,000</td>
<td>80,000</td>
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<tr>
<td>TOTAL</td>
<td>42,570,509</td>
<td>38,278,261</td>
<td>80,848,770</td>
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</tbody>
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## SUMMARY OF STATE WATER CONTRACT ESTIMATED REVENUE FOR FY 2020-21

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>7/1/2020 ~ 12/31/2020</th>
<th>1/1/2021 ~ 6/30/2021</th>
<th>TOTAL FOR FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPERTY TAXES - SWC FUND - AT .1425 / $100 AV</td>
<td>30,279,970</td>
<td>30,279,970</td>
<td>60,559,941</td>
</tr>
<tr>
<td>INTEREST EARNINGS</td>
<td>2,000,000</td>
<td>2,250,000</td>
<td>4,250,000</td>
</tr>
<tr>
<td>RETURN OF BOND COVER/RESERVES</td>
<td>2,575,000</td>
<td>3,000,000</td>
<td>5,575,000</td>
</tr>
<tr>
<td>RDA SUCCESSOR AGENCY PASS THROUGH AGREEMENTS</td>
<td>17,500,000</td>
<td>17,500,000</td>
<td>35,000,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>52,354,970</td>
<td>53,029,970</td>
<td>105,384,941</td>
</tr>
</tbody>
</table>
## SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

### SUMMARY OF DEVIL CANYON/CASTAIC FUND CONTRACT EXPENSES FOR FY 2020-21

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>7/1/2020 ~ 12/31/2020</th>
<th>1/1/2021 ~ 6/30/2021</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DEBT SERVICE</td>
<td>301,473</td>
<td>301,792</td>
<td>603,265</td>
</tr>
<tr>
<td>2 OMP&amp;R (OPERATIONS, MAINTENANCE, POWER &amp; REPLACEMENT)</td>
<td>626,220</td>
<td>628,872</td>
<td>1,255,092</td>
</tr>
<tr>
<td>3 SBVMWD ADMINISTRATION</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>4 TOTAL</strong></td>
<td><strong>927,693</strong></td>
<td><strong>1,030,664</strong></td>
<td><strong>1,958,357</strong></td>
</tr>
</tbody>
</table>

### SUMMARY OF DEVIL CANYON - CASTAIC CONTRACT ESTIMATED REVENUE FOR FY 2020-21

<table>
<thead>
<tr>
<th>7/1/2020 ~ 12/31/2020</th>
<th>1/1/2021 ~ 6/30/2021</th>
<th>TOTAL FOR FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 PROPERTY TAXES - DCC FUND - ESTIMATED</td>
<td>1,101,090</td>
<td>1,101,090</td>
</tr>
<tr>
<td>6 INTEREST EARNINGS</td>
<td>22,500</td>
<td>22,500</td>
</tr>
<tr>
<td><strong>7 TOTAL</strong></td>
<td><strong>1,123,590</strong></td>
<td><strong>1,123,590</strong></td>
</tr>
</tbody>
</table>

### SUMMARY OF DEVIL CANYON - CASTAIC CONTRACT ESTIMATED CASH ON HAND FOR FY 2020-21

| 6/30/2020 BALANCE AVAILABLE IN FY 2020-21 | 4,662,000 |
| FY 2020-2021 REVENUE | 2,247,180 |
| FY 2020-2021 EXPENSES | (1,958,357) |
| 6/30/2021 CASH BALANCE (ESTIMATED) | 4,950,823 |
San Bernardino Valley Municipal Water District
Tax Rate By Year

Amount per $100 of Assessed Value

- $0.2200
- $0.2100
- $0.2000
- $0.1900
- $0.1800
- $0.1700
- $0.1600
- $0.1500
- $0.1400
- $0.1300
- $0.1200
- $0.1100
- $0.1000
- $0.0900
- $0.0800
- $0.0700
- $0.0600
- $0.0500
- $0.0400
- $0.0300
- $0.0200
- $0.0100

- 1980
- 1982
- 1984
- 1986
- 1988
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014
- 2016
- 2018
- 2020
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 2020-2021 fiscal year, the cost to the District to perform these auditing services will range from $36,039 if all agencies participate to $44,275 if only 80% of the agencies participate. Historically more than 80% of agencies participate each year. Included in these 2020-2021 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 $32,448.

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 $44,275 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 2020-21.
Staff Recommendation
Staff recommends the Board approve the contract with Ernst & Young to provide auditing services for the 2020-2021 year for an amount not to exceed $44,275 and authorize the CEO / General Manager to sign the engagement letter.

Attachment
Ernst & Young Engagement Letter including statement of work.
July 10, 2020

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 2020-2021 Procedures to be performed related to the 2021 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 2901 Douglas Boulevard, Suite 300, Roseville, CA 95661 (Attn. Scott Enos) or email to scott.enos@ey.com. We have also enclosed your copy of the support letter from 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, 2020
To: Members of the Independent Audit Association (IAA)
From: Chantal Ouellet, IAA Secretary
Subject: Ernst and Young 2020/2021 State Water Project Professional Services Contract –

Enclosed is the 2020/21 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 2020/2021 SOW. If you have any questions, please contact me at (559) 992-4127 or couellet@tlbwsd.com.com.

Sincerely,

Chantal Ouellet
Tulare Lake Basin Water Storage District

CC: Joe Pirnik, EY
Statement of Work

This Statement of Work with the attached Exhibits, dated July 10, 2020 (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, 2021.

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 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 $532,000 for the twelve months ending June 30, 2021. 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 $532,000 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 $32,943 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, 2021, the maximum fees to your Agency will vary between the above-mentioned amount and $41,179, 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

Joe Pirnik

Printed Name

Printed Name

Authorized Signatory

Title

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

Address

Date

July 10, 2020
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, 2021 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 2020/2021 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, 2021 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, 2021, the Services will include the following procedures.
2020/2021 Procedures

The procedures for the fiscal year ended June 30, 2021 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 2021 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:**
   - 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 132-20 for the Contractors selected for testing (to be provided by the IAA).
   - Agree the debt service amounts in the SOC Attachments to the appropriate debt service schedule.
   - Comparison of the current year SOC Attachments to the prior year SOC Attachments.
   - Assessment of manual adjustments.
   - Assess the actual costs charged to various areas of the project.
   - Assess the factors for distributing reach capital and minimum costs among the Contractors.
2. **Delta Water Charge**

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

*Risk Factors:*
- Calculation of Delta Water Charge is a manual process.
- Tracking of Oroville Spillway costs and reimbursement and segregation between response and recovery costs is a manual process.
- Potential for high dollar impact ($290 million in Delta Water Charge in 2018 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 SAA alpha allocation cycles update performed on an annual basis is a manual process. Manual processes create opportunities for errors.
- Potential for errors in determining work performed that falls under direct to reach, field division, and state-wide allocations.
- Potential for high dollar impact ($266 million allocated by alpha allocation cycles in 2018).

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

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

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

*Areas of Focus:*
- Obtain a listing of internal orders associated with costs for selected reaches and group like internal orders to perform a fluctuation analysis to the prior year.
- Assess or obtain the Department’s grouping of like internal orders to assess if the Department is able to group information for managerial reporting. This could include internal order hierarchies in SAP that could be used to group like internal orders.
- Assess a sample of internal orders with the largest increase in costs from group like internal orders for direct and indirect cost allocations.
- Obtain supporting documentation to assess the work was performed for the selected reaches.
5. Reconciliation between PR5 and UCABS and SWRDS Fund 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 – cost/revenue data should not be included in the cost recovery system and (2) Errant Variance – cost/revenue data should be included in the cost recovery system.
- Provide final assessment on the Department’s recovery of all SWRDS costs. Is the Department either (1) including the SWRDS cost in a customer invoice or (2) receiving an appropriation to pay for the cost or (3) including in the 51(e) Revenue/Rate Management Credit Calculation which would disclose that the cost is using 51(e) Revenues as a funding source.
- Perform an analysis of the movement of costs and revenues outside the SWRDS funds used for the state water project.
6. System Power Costs – Variable Transportation

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

Risk Factors:
- Calculation of the power allocation factors is a manual process. Manual processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact ($230 million net system power costs in 2018 per Table B-3).

Areas of Focus:
- Vouch power costs and power revenues from SAP and assess the classification of costs.
- Reconcile the 2019 Preliminary Allocation of Power Costs (PALPOC) to UCABS (SAP). Recalculate appropriate inputs to the 2019 PALPOC (e.g., Value of Recovery Generation credits, direct-to-plant transmission, etc.).
- Recalculate the 2019 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 2019 for the Contractors selected (to be provided by the IAA).
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 2021 SOC and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and assess a sample of the largest balances.
- Compare the figures selected to the future forecasts and investigate any significant differences.
- Perform a review of revenues including systems revenue and 51e (amount in excess of Rate Management Credits).
- Perform a review of revenues and related cash funds.
- Assess the impact of audit findings on the revenues available for Rate Management Credits.
8. 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.
- Cost/debt reconciliation project ongoing adjustments to the calculation creates opportunities for errors.
- WSRB Surcharge currently does not reflect the results of the cost/debt reconciliation project.

Areas of Focus:
- Reconcile any new bond offerings to the debt service schedules.
- Assess changes made to the cost/debt reconciliation project from previous versions.
II. FEES FOR EY SERVICES

A-2. Total fees for Exhibit A services performed by EY will not exceed $532,000, 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:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Maximum fee for each Agency, provided all agencies listed below enter into agreements with EY</th>
<th>Maximum fee for each Agency, provided 80% of agencies listed below enter into agreements with EY</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda County Flood Control and Water Conservation District, Zone No. 7</td>
<td>$25,887</td>
<td>$32,358</td>
<td>4.9%</td>
</tr>
<tr>
<td>Alameda County Water District</td>
<td>13,486</td>
<td>16,857</td>
<td>2.5%</td>
</tr>
<tr>
<td>Antelope Valley-East Kern Water Agency</td>
<td>46,507</td>
<td>58,133</td>
<td>8.7%</td>
</tr>
<tr>
<td>Casitas Municipal Water District</td>
<td>6,422</td>
<td>8,027</td>
<td>1.2%</td>
</tr>
<tr>
<td>Central Coast Water Authority</td>
<td>14,605</td>
<td>18,255</td>
<td>2.7%</td>
</tr>
<tr>
<td>City of Yuba City</td>
<td>3,082</td>
<td>3,853</td>
<td>0.6%</td>
</tr>
<tr>
<td>Coachella Valley Water District</td>
<td>44,422</td>
<td>55,528</td>
<td>8.4%</td>
</tr>
<tr>
<td>County of Kings</td>
<td>2,988</td>
<td>3,735</td>
<td>0.6%</td>
</tr>
<tr>
<td>Crestline-Lake Arrowhead Water Agency</td>
<td>1,862</td>
<td>2,328</td>
<td>0.4%</td>
</tr>
<tr>
<td>Desert Water Agency</td>
<td>17,901</td>
<td>22,376</td>
<td>3.4%</td>
</tr>
<tr>
<td>Dudley Ridge Water District</td>
<td>14,561</td>
<td>18,201</td>
<td>2.7%</td>
</tr>
<tr>
<td>Empire West Side Irrigation District</td>
<td>963</td>
<td>1,204</td>
<td>0.2%</td>
</tr>
<tr>
<td>Kern County Water Agency</td>
<td>133,000</td>
<td>166,250</td>
<td>25.0%</td>
</tr>
<tr>
<td>Littlerock Creek Irrigation District</td>
<td>738</td>
<td>923</td>
<td>0.1%</td>
</tr>
<tr>
<td>Mojave Water Agency</td>
<td>27,549</td>
<td>34,436</td>
<td>5.2%</td>
</tr>
<tr>
<td>Napa County Flood Control and Water Conservation District</td>
<td>9,320</td>
<td>11,650</td>
<td>1.8%</td>
</tr>
<tr>
<td>Palmdale Water District</td>
<td>6,839</td>
<td>8,549</td>
<td>1.3%</td>
</tr>
<tr>
<td>San Bernardino Valley Municipal Water District</td>
<td>32,943</td>
<td>41,179</td>
<td>6.2%</td>
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<tr>
<td>San Gabriel Valley Municipal Water District</td>
<td>9,247</td>
<td>11,559</td>
<td>1.7%</td>
</tr>
<tr>
<td>San Gorgonio Pass Water Agency</td>
<td>5,555</td>
<td>6,944</td>
<td>1.0%</td>
</tr>
<tr>
<td>San Luis Obispo County Flood Control and Water Conservation District</td>
<td>8,027</td>
<td>10,034</td>
<td>1.5%</td>
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<tr>
<td>Santa Clara Valley Water District</td>
<td>32,109</td>
<td>40,136</td>
<td>6.0%</td>
</tr>
<tr>
<td>Santa Clarita Valley Water Agency</td>
<td>30,567</td>
<td>38,209</td>
<td>5.7%</td>
</tr>
<tr>
<td>Solano County Water Agency</td>
<td>15,334</td>
<td>19,168</td>
<td>2.9%</td>
</tr>
<tr>
<td>Tulare Lake Basin Water Storage District</td>
<td>28,086</td>
<td>35,108</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$532,000</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
</tr>
</tbody>
</table>
V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,882</td>
<td>$6,589</td>
<td>$6,589</td>
<td>$6,589</td>
<td>$3,294</td>
<td>$32,943</td>
</tr>
</tbody>
</table>
EXHIBIT B

I. OTHER CONSULTING SERVICES

EY shall, during the twelve months ending June 30, 2021, 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 282 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2021. Any part of the $50,000 which is unused shall not be billed.

| Agency                                                                 | Maximum fee for each Agency, provided all Agencies listed below enter into agreements with EY | Percent of total |
|------------------------------------------------------------------------|__________________________________________________________________________________________|________________ |
| Alameda County Flood Control and Water Conservation District, Zone No.7 | $ 2,432                                                                                   | 4.9%            |
| Alameda County Water District                                          | 1,267                                                                                     | 2.5             |
| Antelope Valley-East Kern Water Agency                                  | 4,371                                                                                     | 8.7             |
| Casitas Municipal Water District                                       | 604                                                                                       | 1.2             |
| Central Coast Water Authority                                          | 1,373                                                                                     | 2.7             |
| City of Yuba City                                                      | 290                                                                                       | 0.6             |
| Coachella Valley Water District                                        | 4,175                                                                                     | 8.4             |
| County of Kings                                                        | 281                                                                                       | 0.6             |
| Crestline-Lake Arrowhead Water Agency                                   | 175                                                                                       | 0.4             |
| Desert Water Agency                                                     | 1,682                                                                                     | 3.4             |
| Dudley Ridge Water District                                            | 1,369                                                                                     | 2.7             |
| Empire West Side Irrigation District                                   | 91                                                                                        | 0.2             |
| Kern County Water Agency                                               | 12,500                                                                                    | 25.0            |
| Littlerock Creek Irrigation District                                   | 69                                                                                        | 0.1             |
| Mojave Water Agency                                                     | 2,589                                                                                     | 5.2             |
| Napa County Flood Control and Water Conservation District              | 876                                                                                       | 1.8             |
| Palmdale Water District                                                | 643                                                                                       | 1.3             |
| San Bernardino Valley Municipal Water District                          | 3,096                                                                                     | 6.2             |
| San Gabriel Valley Municipal Water District                            | 869                                                                                       | 1.7             |
| San Gorgonio 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                               | 2,640                                                                                     | 5.3             |
| Total                                                                  | $ 50,000                                                                                   | 100%            |
I. INDIVIDUAL CONTRACTOR AGREEMENTS

EY may, during the twelve months ending June 30, 2021, 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, 2021 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 10, 2020 (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 10, 2020 (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, 2021.

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

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

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

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

Specific additional terms and conditions

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

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Timeline</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

**Additional responsibilities**

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

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

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

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

_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________

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

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

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

San Bernardino Valley Municipal Water District  
Ernst & Young, LLP

Representative  
Representative

Signature  
Signature

Printed Name  
Printed Name

Title  
Title

Address  
Address

Date  
Date
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: _____________________________________________________________________
Staff was recently notified that the District’s 2018 Annual Report took the top honors in the 2020 California Association of Public Information Officials (CAPIO) Epic Awards. The Awards program recognizes the most creative and effective efforts in the areas of communication and marketing campaigns, newsletter production, photography, special events, writing, website development, and video production. The 2018 Annual Report was entered into the category of Annual Report, beating out large Southern California Counties to take home top honors. Staff worked with DeGrave Communications earlier this year to submit the 2018 Annual Report for consideration of a CAPIO Epic award.

**Fiscal Impact**
There is no fiscal impact related to this item.

**Recommended Action**
Receive and file.

**Attachment**
SBVMWD 2018 Annual Report
TABLE OF CONTENTS

- A Word from the General Manager ...........................................4
- History .........................................................................................5
- Vital Factors ................................................................................6
- At a Glance ....................................................................................7
- Significant Events ........................................................................8
- Projects & Programs ....................................................................10
- Stewardship & Sustainability ......................................................13
- Groundwater Council ..................................................................15
- Significant Projects ......................................................................16
- Imported Water Reliability ..........................................................18
A WORD FROM THE GENERAL MANAGER

The San Bernardino Valley Municipal Water District is committed to investing in the infrastructure and water resources necessary to provide for the long-term water needs throughout our service area. As we approach our 65th year of serving the region, the District continues to focus on planning for the water future of a growing region.

In 2018, Valley District accomplished significant results. We completed major projects that contribute to groundwater replenishment and made major progress on projects like the Upper Santa Ana River Habitat Conservation Plan. Another highlight was the establishment of the San Bernardino Basin Groundwater Council. This collaborative approach to water management recognizes the value of partnerships to ensure a reliable water future.

Our big focus for 2019 and years ahead is the Upper Santa Ana River Habitat Conservation Plan. Many of Valley District’s water supply projects, and those of surrounding cities and water agencies, rely on the completion of this collaborative approach to managing sensitive habitat.

In 2019, Valley District will continue to promote the value of off-stream storage, like the Sites Reservoir Project, as well as the Delta Conveyance Project to ensure our region’s vital supply of imported water is protected and enhanced. We look forward to continued partnerships with our retailers in order to support their enhanced use of recycled water and water use efficiency programs throughout our service area.

I want to thank the Valley District Board of Directors and Staff for their dedication and commitment to serving our region by ensuring a reliable water supply. Here’s to another successful year.

Douglas D. Headrick
HISTORY

The San Bernardino Valley Municipal Water District (Valley District) was formed in 1954 to find and deliver water to supplement the local surface water and groundwater supplies in the most densely populated areas of San Bernardino County. The region was experiencing drought and was in the midst of a lawsuit that threatened to take some of the local water supply resources.

As a State Water Contractor, Valley District works with the California Department of Water Resources and 28 other contractors to reliably manage the State Water Project. The State Water Project meets the water needs of nearly 27 million Californians and 750,000 acres of agriculture. The District signed a contract with the state Department of Water Resources in 1960 to purchase water from the Feather River, which became the State Water Project. For Valley District, the State Water Project provides a supplemental water supply to our retail water agencies, enhancing and ensuring the water supplies throughout the region even during drought.

The 325 square-mile Valley District service area transitioned from agriculture into a growing community of residents and the businesses and industry to support it. Today, the region includes an airport, a state university, two community college campuses, hundreds of primary and secondary schools, and nearly 700,000 people.

Valley District is a wholesale water agency, so its customers are the retail water agencies that serve the cities and communities of Bloomington, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Mentone, Redlands, Rialto, San Bernardino, and Yucaipa.
VITAL FACTORS

In 2015, the District identified what was most important, or vital, to our long-term success. This process resulted in the following Vital Factors:

- **Improve Water Supply Reliability** - Improve water supply reliability to meet demands in an extended drought, through water banking, stormwater, new imported water sources, recycled water, and water conservation.

- **Improve Water Quality** - Avoid impacts to contamination plumes and help retail water agencies address water quality challenges.

- **Improve Habitat and Open Space** - Take a leadership role in obtaining permits to build water supply projects through the development of the Upper Santa Ana River Habitat Conservation Plan.

- **Customer Satisfaction** - Create customer satisfaction by adding value and creating a spirit of cooperation and collaborating with its retailers.

- **Public Safety** - Minimize or eliminate damage caused by emergencies and strive to reduce the risk of liquefaction through good basin management.

- **Stewardship** - Maximize the use of State Water Project water supply, reduce costs, identify alternative revenue sources, and seek a reasonable return on its investments.
2018 AT A GLANCE

WATER USE EFFICIENCY PROGRAM

Device Rebates
$47,000

Turf Removal Rebates
$178,000

Smart Irrigation Controller
$90,000

EDUCATION PROGRAM

$28,000 Invested

Classroom Presentations
120 Programs
3,600 Participants

Workshops and Garden Tours
9 Programs
180 Participants

State Water Project Allocation in 2018 was 35% or 35,910 acre feet or nearly 11 billion gallons.

A 100% allocation = 102,600 acre feet or nearly 33 billion gallons.

A Look at our Future Water Supplies

Groundwater storage in 2018 was down 40,905 acre feet compared to the previous year. (Groundwater levels have been below base year averages for many years due to the ongoing drought.)

Available for use During Droughts.

Total Supplies
Total Demands
Total Demands Including 10% Reliability Margin.
Amount Available for use During Droughts.
2018 SIGNIFICANT EVENTS

Water agencies from Yucaipa to Fontana collectively depend on Valley District to provide them with roughly 25% of the region’s water needs for their businesses and residential customers. But Valley District does much more than simply import water from Northern California. From planning and research to implementation of groundwater recharge projects, Valley District completed significant work in 2018.

In addition to developing and implementing long-range water acquisition strategies that benefit water agencies, residents and businesses throughout the service area, Valley District has designed and built a state-of-the-art network of pipelines, pump stations, reservoirs, and canals that efficiently deliver water throughout the San Bernardino and Yucaipa Valleys for groundwater recharge as well as direct use by other water agencies.

In 2018, Valley District was engaged in settling disputes with the Fontana Union Water Company relating to the Rialto and Lytle Basins. The District continued its support of partnerships through its ongoing leadership of the Upper Santa Ana River Habitat Conservation Plan, which is needed to obtain permits for water supply projects.

Valley District hired the RAND Corporation (RAND) to perform an independent analysis of the water demands and supplies in the San Bernardino Valley Regional Urban Water Management Plan (RUWMP). In 2018, RAND completed their analysis of demands which is published in the study Estimating Water Demands in the San Bernardino Valley Municipal Water District. The RAND study found that future demand could be higher than estimated if temperature and population increase more than projected, or water use efficiency is less than expected. Valley District is committed to investing in strategies that will help increase water use efficiency throughout our region. RAND’s evaluation of supplies will be completed in 2020.

TURF REMOVAL GRANT

Total grant received (and distributed) was $828,498

Valley District Matched the grant amount

58 Institutional Projects Completed

Valley District provides roughly 25% of the region’s water needs
Enhanced Recharge Project on the Santa Ana River: Phase 1A

The Enhanced Recharge Project Phase 1a is the first set of improvements to capture and use Santa Ana River water diverted by Valley District and Western Municipal Water District (Western) under two Water Rights Permits. When complete, these facilities will enable the diversion of up to 500 cubic feet of water per second (cfs) and recharge up to 80,000 acre-feet of water in a single year.

The intent of the Project is to put to beneficial use stormwater captured behind the Seven Oaks Dam by diverting flow from the Santa Ana River to spreading basins and pipeline deliveries to local agencies throughout the valley. Phase 1a consisted of intake improvements, a sedimentation basin, a canal extension, recharge basins and the connection of the sedimentation basin to the existing Foothill Pipeline through the new Plunge Pool Pipeline.
Local Resources Investment Program

In 2018, the Board of Directors developed the Local Resources Investment Program (LRIP) that offers a financial incentive to local retailers that construct projects that provide a new source of supplemental water to the Valley District service area, such as recycled water or stormwater capture. The LRIP has a program goal of securing an additional 15,000 acre feet of supplemental water each year. This investment in local water resources helps the Board achieve one of its vital factors - Improving Water Supply Reliability.

Valley District also continues to look for other strategies that will help provide a more robust, long-term portfolio of reliable water supplies for our region. The Santa Ana River Conservation and Conjunctive Use Program, Bunker Hill Basin Conjunctive Use Project, the Enhanced Stormwater Capture/Recharge Project, and the water use efficiency program are some of the ways that Valley District is working to improve water supply reliability.

The first project to take advantage of the LRIP is the Sterling Natural Resources Center, being constructed by East Valley Water District. Once complete, this project will produce up to 11,000-acre feet of recycled water.

This water will be recharged into the San Bernardino Basin Area and offset the need to import State Water Project water. Valley District will provide East Valley with approximately $2 million per year for twenty (20) years.
**STEWARDSHIP & SUSTAINABILITY**

**Upper Santa Ana River Habitat Conservation Plan**

One of the most significant projects in Valley District’s recent history is the development of the Upper Santa Ana River Habitat Conservation Plan (HCP). On behalf of 13 signatory agencies, Valley District is leading the development of a comprehensive environmental compliance program, which is creating a framework to acquire all necessary permits authorizing the construction, operation, and maintenance of water supply projects. These projects have been identified as cost-effective alternatives to increase the water supply reliability of the region by approximately 70,000 acre feet per year, especially during droughts.

**Upper Santa Ana River Habitat Conservation Plan Highlights**

**Specific 2018 Accomplishments**

- Completed construction of captive breeding raceways where Santa Ana sucker will be propagated and cared for, prior to translocation to upper watershed streams.
- Secured $1 million for an integrated model that follows water flow throughout the watershed.
- Completed Phase 1 of Seven Oaks Dam high flow study and developed the San Bernardino kangaroo rat habitat sustainability model.
- Secured a long-term lease from the Riverside County Parks and Open Space District of the Louis Rubidoux Nature Center and management of 40-acres that will be used for multiple benefits, including Santa Ana sucker habitat.

*Top Row: Seven Oaks Dam. Middle Row, Left to Right: Santa Ana sucker, Least Bell’s vireo chicks, Least Bell’s vireo Adult. Bottom Row, Left to Right: Burrowing Owl, Mountain Yellow-legged Frog, Los Angeles Pocket Mouse*
Fontana Settlement

In September 2018, after five years of litigation and negotiations, Valley District settled with Fontana Water Company regarding groundwater extraction rights. Groundwater pumping rights in the Rialto Basin were established by means of a 1961 court decree called the Rialto Decree, which remains in effect to this day. Unfortunately, the legal description of the boundaries of the Rialto Decree failed to include a 1,600-foot wide sliver of land west of the Rialto Basin, called “No-Man’s Land,” which shares the same groundwater resources.

Valley District took the lead in a lawsuit in 2013 and was pleased to see it come to resolution in 2018. The final settlement specified and required, among other things, that all parties commit to groundwater management principles and to implement specific sustainable groundwater practices. Valley District continued to work with other non-settling parties after the September 2018 decision and reached a global settlement with all parties involved in early 2019.

Valley District took the lead in a lawsuit in 2013 and was pleased to see it come to resolution in 2018.
Establishment of the Groundwater Council for the San Bernardino Basin Area

In January 2018, more than a dozen cities and water districts voted to participate in the Groundwater Council (GC), a 21st-century model for cooperation to achieve sustainable levels of water storage in the San Bernardino groundwater basin. An equitable cost allocation methodology was developed to share the cost of supplemental water for the long-term sustainability of the San Bernardino Basin Area (SBBA).

The goal of the SBBA GC is to plan and sustainably manage the local groundwater basin. Knowing that the region will experience additional droughts in the future, it is imperative that all parties work together to manage the groundwater resources. The local groundwater basin storage levels are at an all-time low, causing the need to develop a long-term sustainability plan that meets future water demands.

In its first year alone, the SBBA purchased and delivered 18,000-acre feet of water to the basin. Participating agencies will contribute funding to purchase imported water. Members of the council are groundwater producers, including East Valley Water District; the cities of Colton, Loma Linda and Rialto; Riverside Public Utilities; San Bernardino Municipal Water Department; Riverside Highland Water Company; Fontana Water Company; San Bernardino Valley Municipal Water District; San Bernardino Valley Water Conservation District; Western Municipal Water District; Bear Valley Mutual Water Company; and Yucaipa Valley Water District.
SIGNIFICANT PROJECTS

Hydroelectric Facilities
As water moves through the Valley District service area and is recharged into the local basins, hydroelectric power can be generated. The District has been able to take advantage of this clean energy source at a number of facilities throughout the service area, including the Lytle Turnout and Roemer Facility, the Waterman Turnout and the City Creek Turnout. Valley District has partnered with its retailers on these projects, including the San Bernardino Municipal Water Department for the Waterman Turnout Hydroelectric Generation project, East Valley Water District for the City Creek Turnout and West Valley Water District for the Roemer Hydroelectric Station.

Yucaipa Basin Infiltration Testing
As part of the Yucaipa Basin Groundwater Sustainability Plan, water recharge testing was completed at twelve different sites to identify the water recharge rate. This project aligns with the District’s integrated regional water management plan objectives of water supply reliability and water quality protection, by determining the most effective areas of groundwater recharge within the groundwater basins.
Foothill Project Relocation

The District worked with the San Manuel Band of Mission Indians (SMBI) to relocate a portion of the 78-inch Foothill Pipeline, which traversed in front of the Casino building. The location of the pipeline had long raised concerns by SMBI of constrained access and live loading conditions over the pipeline. The District replaced approximately 1,400 feet of existing pipeline with 1,850 feet of new pipeline behind the Casino building.

An agreement between SMBI and Valley District included establishing the cost allocation for each party for construction. The District relinquished the existing easement once construction was completed and a new easement was granted.

Over the course of construction, the scope of work was expanded to include replacing a substandard water main, improvements to fire service laterals and removal/abandonment of a portion of the existing Foothill pipeline.

The first phase of the project was completed in November 2018. The total cost for the project was $12.7 million of which SMBI reimbursed the District for 80%.
IMPORTED WATER RELIABILITY

The State Water Project carries water throughout California, delivering it to homes, businesses, and the agricultural community. About 30% of the water that flows into Southern California comes from Northern California. In order to ensure a reliable water supply for the future, state and federal agencies want to modernize the State Water Project system by building new intakes in the northern Delta, along with a tunnel to convey water to the existing aqueduct system in the southern Delta. A long-term solution for the Bay-Delta region is necessary for the reliability of the state’s water system.

Valley District, like other State Water Contractors, has concerns about the water supply that flows through the Delta. The risk for potential disasters that could cause a collapse in Delta levees would render the State Water Project water supply unusable for years due to saltwater intrusion. Identifying a long-term plan for this water source is part of the State’s overall water management portfolio, which includes water conservation, water management, recycling, ecosystem protection, and more.

A long-term solution for the Bay-Delta region is necessary for the reliability of the state’s water system.

30% of the water that flows in Southern California comes from Northern California via the Sacramento-San Joaquin Delta.
Sites Project

As a result of a series of endangered species protection decisions in the Sacramento-San Joaquin Delta, the average water supply reliability of the State Water Project has been reduced by approximately 20% (20,000 acre feet per year reduction for Valley District) since 2007, with possible future reductions. Valley District Staff continues to investigate replacement water supplies both locally and in other parts of the State to ensure that we can reliably meet supplemental water demands into the future. This is why Valley District is investing in the Sites Reservoir Project. The Project will help Valley District mitigate the risk of further cutbacks on the State Water Project and prepare for droughts.

The Sites Project has been anticipated for more than 50 years and was originally envisioned as part of the State Water Project. It is an off-stream reservoir with 1.3 to 1.8 million acre feet of storage capacity that would be filled from diversions off the Sacramento River. The water supply benefits, which have been studied for years, are estimated at between 400,000 and 500,000 acre feet per year, enough water to serve 3.7 million people.
DATE: August 4, 2020

TO: Board of Directors

FROM: Staff

SUBJECT: Summary of July 2, 2020, Board of Directors Workshop – Resources

The Resources Workshop convened on July 2, 2020, via Zoom teleconference. Director Hayes chaired the meeting; President Harrison and Directors Kielhold, Longville and Navarro participated in the Workshop. Heather Dyer, Cindy Saks, Bob Tincher, Wen Huang, Kristeen Farlow, and Melissa Zoba, of staff, participated in the workshop.

3. Summary of Previous Meeting

The meeting notes from the June 4, 2020, Board of Directors Workshop – Resources were reviewed. There were no additions or changes to the meeting minutes.

4.1 Consider Cooperative Study Program with United States Geological Survey

Staff presented the proposed scope of work for the fiscal year 2020-21 investigation program with the United States Geological Survey (USGS). The total cost is $609,212 with the USGS contributing $96,066 and Valley District contributing $513,146. Valley District will be reimbursed approximately $133,445 from the Upper Santa Ana River Habitat Conservation Plan leaving a net cost to Valley District of about $379,701. Those Board members in attendance asked that this item be forwarded to the Board of Directors for consideration.

Action Item: This item will be presented at a future Board of Directors meeting.
4.2 Consider Continued Participation in the Sites Reservoir Project

The Board of Directors approved participation in the Sites Reservoir Project (Project) in 2017 and has chosen a participation level of 21,400 acre-feet per year. The Project has made notable progress over the last year including a reduction in the estimated construction cost from $5 billion to $3 billion and a corresponding reduction in the water cost from about $900 per acre-ft to about $600 per acre-ft, making it a very economical for a new water supply.

Staff recommended continued participation in the Project by executing the contract amendment and paying the $2,140,000 for a participation level of 21,400 acre-feet. Those Board members in attendance asked that this item be placed on a Board of Directors agenda for consideration.

**Action Item:** This item will be presented at a future Board of Directors meeting.

4.3 Presentation on the Concept of Regional Coordination and Achievement of Common Goals among the San Bernardino Valley Municipal Water District, San Gorgonio Pass Water Agency and the Yucaipa Valley Water District

Yucaipa Valley Water District (YVWD) is served imported water by both the San Gorgonio Pass Agency (in Riverside County) and Valley District (in San Bernardino County). Because of this geographic split, and the different water supply portfolios and rate structures of the two wholesale agencies, issues have emerged pertaining to reliability and equity. In response, the three agency Boards of Directors authorized their general managers to participate in a facilitated process to evaluate alternatives and develop potential solutions to resolve the concerns.

The facilitated sessions began in March 2019 and identified three shared goals:

1. Reliability
2. Reasonable and equitable rates/fees
3. Regional Collaboration

Through the facilitated process, YVWD has requested assurances to support the growth in the Calimesa area, especially during extended droughts. Both the Pass Agency and Valley District have assets, locally and Northern California-based, that can be utilized to meet the demands of YVWD today and into the future. The goal is to find a way to utilize those
regional assets, along with those of YVWD, in a way that is equitable to the customers of the three agencies.

Mr. Tim Moore has been facilitating this process and presented a set of draft terms that were developed cooperatively with the general managers from the three agencies. Those Board members in attendance supported the development of a draft agreement based upon the draft terms that would be brought back to a future Board workshop for further review.

**Action Item(s):** Develop draft agreement based upon the principles and present to the Board at a future workshop.

### 4.4 Consider Participation in Training by Jurassic Parliament

Staff presented the Board of Directors with an overview of a program called Jurassic Parliament. This program provides training on parliamentary procedure that can help make meetings more effective for non-profit Boards of Directors. (This item was requested for consideration by Director Hayes on a Board Member Request for Consideration at a previous Board Workshop.) Throughout the discussion, several Board Members verbalized that they did not feel this type of training was necessary for the Valley District Board of Directors. Additionally, the option of offering this training on a regional level may come across as offensive to their fellow elected officials. The Directors recommended the District not pursue this training.

**Action Item(s):** None.

### 5. Adjournment

**Staff Recommendation**

Receive and file.
The Policy Workshop convened on July 9, 2020, via Zoom teleconference. Director Longville chaired the meeting; President Harrison and Directors Hayes, Kielhold, and Navarro participated in the Workshop. Heather Dyer, Wen Huang, Cindy Saks, Melissa Zoba, and Kristeen Farlow, of staff, participated in the workshop. Letitia White and Drew Tatum with Innovative Federal Strategies participated as well.

3. Summary of Previous Meeting

The meeting notes from the May 4, 2020, Board of Directors Workshop – Policy were reviewed. Director Longville inquired about the status of the press release related to Ms. Dyers drought presentation. Staff advised that this press release was in the works, and the presentation is currently available on the District website. There were no additions or changes to the meeting minutes.

4.1 Legislative Update by Innovative Federal Strategies

Ms. Letitia White and Mr. Drew Tatum with Innovative Federal Strategies (IFS) presented the Board of Directors with an update on the federal legislative process. Their update included the status of the fiscal year 2021 appropriations, including the Sites Project and Section 6 Funding; Coronavirus response and stimulus funding; infrastructure package and the status of the Water Resources Development Act; the Great American Outdoors Act; Administration updates; and general updates for the remainder of the year.
IFS noted that the staff of the federal legislators has been quite responsive during the pandemic, working remotely and making themselves available to answer questions as needed. Proxy voting by the legislators will continue through the end of the year (mid-August 2020). The House Appropriations Committee released the text of the Homeland Security, Interior-Environment, Legislative Branch, Energy and Water, and Labor-HHS Appropriations bills and those markups were occurring the week of July 6, 2020.

The Clean Water State Revolving Fund both proposed in a $1.5 trillion infrastructure plan that was unveiled in June. Within the Energy and Water Appropriations bill was roughly $60 million for WaterSMART grants and $63.6 million for the Title XVI Water Reclamation and Reuse Program. The legislature is turning six appropriations bills into two mini-bus bills that we will see before the August recess. Additionally, it is anticipated that another COVID bill will come out before the August recess.

One final item that IFS apprised the Board of is the status of the Water Resources Development Act, within which the District is working to get water conservation added as an authorized use of the Seven Oaks Dam through a reauthorization bill. Staff has been working to ensure the correct information gets to the legislators to assist with this process. Director Navarro requested that Staff reach out to Representative Pete Aguilar to ensure he has all the information he needs to support our request.

**Action Item(s):** Staff will work with IFS to reach out to Representative Aguilar to ensure he has the information he needs to support the District efforts on our Seven Oaks Dam reauthorization request.

4.2 **Discuss State and Federal Legislative Update**

Staff provided the Directors with an update on the State and Federal Legislative processes. At the end of June, the State legislature and the Governor came to a compromised budget. Governor Newsom kept several “triggers” in place in the event that anticipated federal funding does not come to the state. Both the Senate and the Assembly are now on summer recess. They had originally planned to return on July 13, however the week of July 6, several legislators and legislative staffers tested positive for COVID-19 so the return date remains unknown.

Staff apprised the Directors of several bills that are still pending in both the Assembly and the Senate. These include AB 2560, AB 2800, SB 414, SB 625, and SB 1386. Director Navarro inquired about SB 414, and staff provided additional information about this bill
which is sponsored by the Eastern Municipal Water District and the California Municipal Utilities Authority. The Directors also asked for a recap of SB 1386, Local Government Assessment Fees, which staff provided. There are several bills which failed to progress this year, including a Resources Bond, Watershed Restoration Administration and Water Quality related to municipal wastewater agencies. Director Longville pointed out that these bills will most likely be seen again next year.

IFS provided a thorough federal update during the first item of this meeting.

**Action Item(s):** None.

### 4.3 Review and Discussion on the Powers and Authority of the District

Legal counsel, Brendan Brandt of Varner Brandt presented this item at the request for Vice-President Kielhold. Mr. Brandt reviewed the Municipal Water District Act of 1911, with a focus on Part 5. Powers and Purposes, of Division 20. Municipal Water Districts. Mr. Brandt reviewed the general powers and authorities of the District, including controlling and managing water, recreation and electrical power, sewage, waste and stormwater, fire protection, water replenishment assessment, and sanitation service.

**Action Item(s):** None.

### 4.4 Consider Resolution for Western Municipal Water District Board Director Robert Stockton

Staff presented the Board of Directors with a draft of a Resolution to be presented in honor of the service of Western Municipal Water District (Western) Director Robert Stockton. Director Stockton died suddenly on May 14, 2020, after a tragic accident and Western will be honoring his service with his family at a Board Meeting on August 5, 2020. The Directors approved the draft Resolution, with minor editing corrections.

**Action Item(s):** Staff will make the corrections to the draft Resolution and present this item at the July 21, 2020, Board Meeting for approval.

### 4.5 Discuss August 2020 Meeting Schedule

President Harrison requested this item be added to discuss scheduling conflicts in August 2020. President Harrison requested consideration of moving two workshops because he
will not be available to participate in these. After discussion, the Directors decided to keep the two Board Workshops on their scheduled dates.

**Action Item(s):** None

5. **Director Request for Consideration**

There was one Director Request for Consideration, submitted by Director Longville. The request is to have Ms. Chris Austin, the author and founder of Mavens Notebook make a presentation at a future Board Workshop about the Mavens Notebook website and the abundance of resources and information that can be found on the site. The Board Members concurred that this would be a good opportunity to learn more about Mavens Notebook as a source of information, especially since the District sponsors Mavens Notebook annually.

**Action Item(s):** Staff will work with Ms. Austin to coordinate a web-based presentation at a future Board Workshop.

6. **Adjournment**

**Staff Recommendation**

Receive and file.
The Board of Directors held a Workshop on July 14, 2020. Director Kielhold chaired the meeting via video-conference and Directors Harrison, Navarro, Longville, and Hayes participated in the Workshop supported by Heather Dyer, Wen Huang, Cindy Saks, Melissa Zoba, Kristeen Farlow, Kai Palenscar, Aaron Jones, and Chris Jones of staff. The following agenda items were discussed:

3.1 Summary of Previous Meeting on June 9, 2020. The summary notes of the June 9, 2020, meeting were accepted.

4.1 Presentation: Presentation by Ms. Betsy Miller of the San Bernardino Valley Water Conservation District on the Wash Plan Habitat Conservation Plan. Ms. Betsy Miller of the San Bernardino Valley Water Conservation District made a presentation on the Upper Santa Ana River Wash Habitat Conservation Plan (Wash Plan). Specifically, Ms. Miller shared that the Wash Plan was formally adopted by the Conservation District Board on July 8, 2020. The Wash Plan initiated in 1993 and includes 1,695 acres of habitat conservation. As the Wash Plan moves toward implementation, there will continue to be coordination between Valley District and the Conservation District. Director Longville praised Ms. Miller and the Conservation District for the accomplishment of completing the Wash Plan. Director Navarro thanked Ms. Miller for the update, and will send Ms. Dyer pictures from a water tour he participated in of the Wash Plan area. Director Kielhold thanked Ms. Miller for the update and congratulated her on the tremendous milestone.
**Action Items:** Receive and File

5.1 **Consider Contract Amendment with RMG Communications for Social Media Management.** Staff presented the Board with a request for a contract amendment with the social media consultant, RMG Communications. Staff began working with RMG in April 2019. Since that time, our followers and likes on the District’s social media accounts have increased tremendously. Looking ahead, Staff will continue working with RMG regularly to increase likes and shares, to curate valuable content for our social media audience, and to position the District as a trusted source of information. The contract amendment is for $30,000 for the annual social media management contract. President Harrison and Directors Navarro and Hayes expressed support for this item. Director Longville acknowledged the importance of the District having a social media presence. Director Kielhold emphasized the importance of this type of outreach and presence in our community, and likes how we can use social media to get our message and content out to the broader audience especially since attendance at District meetings is typically very light.

**Action Items:** Forward this item to the full Board for consideration.

5.2 **Consider Scope of Work from Stillwater Sciences for the Development of the Adaptive Management and Monitoring Program for the Upper Santa Ana River Habitat Conservation Plan.** Staff reported that Valley District received a federal section 6 planning grant that will reimburse 50% of the cost ($875,000) of the creating of a Long-Term Adaptive Management and Monitoring Program (Program) for the Upper Santa Ana River Habitat Conservation Plan (River Plan). This Program is necessary to manage and track the success of habitat restoration projects and the status of species, over the 50-year life of the permit, that are covered by the River Plan. A scope of work to create this Program provided by Stillwater Sciences, along with ICF as a subconsultant, was presented to the Board for consideration. The cost to Valley District will be $1,615,000 to create this Program for the River Plan, of which 50% will be reimbursed by the grant ($875,000) and an additional 60% of the remaining expense will be reimbursed by River Plan permittees ($525,000), leaving a net expense of approximately $350,000 to Valley District. All Board Directors were pleased at the efforts and successes of Valley District to receive grant funding to offset Program costs as well as the value the Program will add to the River Plan.
**Action Item(s):** Forward this item to the full Board for consideration.

### 5.3 Consider Scope of Services with Scheevel Engineering for Engineering Consulting and Staff Augmentation.

Staff reported that Valley District has historically maintained a relatively small staff as compared to its geographic size and responsibilities. As Valley District’s responsibilities have increased over the last decade, in addition to new positions that the Board authorized to respond to the workload, the District has also relied on hiring consultants from time to time as an extension of staff. In order to support the substantial engineering workload planned for this fiscal year, staff recommends that the Board of Directors consider engaging Scheevel Engineering to provide engineering consulting services and to work as an extension of staff for fiscal year (FY) 20-21 for an estimated fee up to $160,000.

At the conclusion of the discussion, the Board of Directors asked that this item be forwarded to the full Board for consideration.

**Action Item(s):** Forward this item to the full Board for consideration.

### 5.4 Consider Survey Services with Hernandez, Kroone & Associates (HKA) for Devil Creek and Sweetwater Basins.

Staff provided background information on Devil Creek and Sweetwater Basins. Staff presented that at a Joint Board Meeting with the City of San Bernardino Municipal Water Department Water Board on January 31, 2019 both boards approved an MOU to jointly develop and implement activities included in the Upper Santa Ana River Habitat Conservation Plan (SARHCP). Among other activities, the Devil Creek Basins are located on land owned by SBMWD and present great opportunities for habitat enhancement as well as recharge for stormwater and State Water Project (SWP) water. Additionally, certain improvements at the Sweetwater Basins, which are owned by the San Bernardino County Flood Control District (SBCFCD) and have been used by Valley District as one of the major recharge basins for SWP water, have been identified to increase the recharge area. In order to begin this development process, an initial survey needs to be completed for the areas. Staff received two (2) proposals for the survey services and is recommending HKA’s proposal in the amount of $51,380.
At the conclusion of the discussion, the Board of Directors asked that this item be forwarded to the full Board for consideration.

**Action Item(s):** Forward this item to the full Board for consideration.

5.5 **Consider Participation in Cultural Intelligence Training through the Cultural Intelligence Center.** Staff made a presentation to the Board of Directors on the topic of Cultural Intelligence and the Cultural Intelligence Center, per a request from Director Hayes. Cultural Intelligence, or CQ, is the ability to relate in culturally diverse situations and enhance the function of teams and/or the workplace. There are four core capabilities in CQ: Drive, Knowledge, Action, and Strategy. Each of these helps an individual better understand how they interact, relate, and prepare for culturally diverse situations. The CQ Center offers a number of online webinars and live courses that can guide employees through better understanding their behaviors and how they relate in culturally diverse situations. Director Hayes is interested in the District offering this type of training to both employees and directors. President Harrison expressed that he did not feel the District needs this type of training. Director Navarro had questions about race and gender equity at Valley District. The cost for the training is within the limits of the CEO/General Manager signing approval, so Vice President Kielhold, and Directors Longville and Navarro recommended the District leave it at the discretion of the CEO/General Manager to decide if this training should be offered.

**Action Item (s):** The Board left this item to the discretion of the CEO/General Manager; no additional action is needed by the Board.

6. **Future Business:**

None discussed.

**Staff Recommendation**

Receive and File
The Board of Directors met in a workshop on Monday July 22, 2020 via teleconference. President Harrison chaired the meeting and Directors, Hayes, Kielhold, Longville and Navarro participated in the meeting. Heather Dyer, Cindy Saks and Melissa Zoba of staff also attended the meeting.

The meeting agenda contained two items for discussion:

- Review Draft State Water Contract and Devil Canyon Castaic Debt Service Fund Budgets for Fiscal year 2020-2021
- Recommend a tax rate to be applied to Secured Property for Fiscal Year 2020-2021

The draft budget prepared by Staff was reviewed using the estimated assessed property values (AV) provided by the County. The proposed draft budget included an estimated increase in revenue over the prior year using an estimated 3% increase in AV within the District's boundary. At the workshop, preliminary AV were received from the County, Staff reported the preliminary AV were very close to Staff's estimated values. The budgets were reviewed in detail. After considerable discussion and review of several scenarios from the District's financial model, Staff was directed to prepare the budget based on the current tax rate of $0.1425 per $100 of assessed valuation, which is the same tax rate as the prior year, and bring it to the full Board for consideration.

The Resolution setting the tax rate for fiscal year 2020-2021 is being considered as a separate agenda item today.

**Staff Recommendation**

Receive and File.
DATE: August 4, 2020

TO: Board of Directors

SUBJECT: List of Announcements

A. August 5, 2020 – Special Meeting of the Board of Directors, 6:00 p.m.
B. August 6, 2020 – Board of Directors’ Workshop – Resources, 2:00 p.m. by teleconference
C. August 10, 2020 – San Bernardino Regional Water Resources Authority, 4:30 p.m. by teleconference
D. August 11, 2020 – Board of Directors’ Workshop – Engineering, 2:00 p.m. by teleconference
E. August 13, 2020 – Board of Directors’ Workshop – Policy, 2:00 p.m. by teleconference
F. August 14, 2020 – San Bernardino County Water Conference (virtual)
G. August 18, 2020 – SAWPA Commission meeting, 9:30 a.m. by teleconference
H. August 18, 2020 – Regular Board Meeting, 2:00 p.m. by teleconference