

As a matter of proper business decorum, the Board of Directors respectfully request that all cell phones be turned off or placed on vibrate. To prevent any potential distraction of the proceeding, we request that side conversations be taken outside of the meeting room.

**AGENDA
REGULAR BOARD MEETING
THREE VALLEYS MUNICIPAL WATER DISTRICT
1021 E. MIRAMAR AVENUE, CLAREMONT, CA 91711**

Wednesday, April 4, 2018 at 8:00 AM

The mission of Three Valleys Municipal Water District is to supplement and enhance local water supplies to meet our region's needs in a reliable and cost-effective manner.

Item 1 – Call to Order

Kuhn

Item 2 – Pledge of Allegiance

Kuhn

Item 3 – Roll Call

**Executive
Assistant**

- Bob Kuhn, President, Division IV
- David De Jesus, Vice President, Division II
- Brian Bowcock, Secretary, Division III
- Joe Ruzicka, Treasurer, Division V
- Dan Horan, Director, Division VII
- Carlos Goytia, Director, Division I
- John Mendoza, Director, Division VI

Item 4 – Additions to Agenda (*Government Code Section 54954.2(b)(2)*)

Kuhn

Additions to the agenda may be considered when two-thirds of the Board members present determine a need for immediate action, and the need to act came to the attention of TVMWD after the agenda was posted; this exception requires a degree of urgency. If fewer than two-thirds of the Board members are present, all must affirm the action to add an item to the agenda. *The Board shall call for public comment prior to voting to add any item to the agenda after posting.*

Item 5 – Reorder Agenda

Kuhn

Item 6 – Public Comment (*Government Code Section 54954.3*)

Kuhn

Opportunity for members of the public to directly address the Board on items of public interest that is within the subject matter jurisdiction of TVMWD. The public may also address the Board on items being considered on this agenda. TVMWD requests that all public speakers complete a speaker's card and provide it to the Executive Assistant.

We request that remarks be limited to five minutes or less.

Item 7 – Board Presentations

Item 7A– A representative from Lance, Soll & Lunghard, LLP will be in attendance to provide the Board a review of the upcoming audit process for FY 17-18.

Item 8 – General Manager’s Report

Hansen

The Executive Leadership Team will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.

8.A – Resolution No. 18-04-820, Employee Bonus [enc]

The Board will consider approval of Resolution No. 18-04-820 authorizing a one-time discretionary bonus to all staff members for their constant diligence in maintaining low loss claims on liability, workers compensation and property in a total sum not to exceed the amount of the recent award distribution from ACWA-JPIA for preserving such low loss claims. As a result, this discretionary bonus will not impact the current budget.

Item 8.A: Board Action Required – Motion No. 18-04-5172

Staff Recommendation: Approve as presented.

8.B – Project Summary Update [enc]

Garcia

The Board will review a summary update of ongoing projects.

8.C – FY 2017-18 Project Encumbrances [enc]

Linthicum

The Board will review FY 2017-18 project encumbrances and may direct staff to return to the next meeting for consideration of approval.

8.D – FY 2018-19 TVMWD Budget Draft 1.1 [enc]

Linthicum

The Board will review FY 2018-19 TVMWD Budget Draft 1.1 and may direct staff to return to the next meeting for consideration of approval. Specific categories under review include:

- Membership dues summary
- Director expense reimbursement

8.E – Draft Resolution Adopting Water Rates and Charges for CY 2019 [enc]

Linthicum

The Board will review draft Resolution No. 18-04-DRAFT for CY 2019 Water Rates and Charges and may direct staff to return to the next meeting for consideration of approval.

8.F – FY 2018-19 Water Standby Charge [enc]

Linthicum

The Board will review draft Resolution No. 18-05-DRAFT to initiate FY 2018-19 Water Standby Charge proceedings and direct staff to return to the May workshop meeting for consideration of approval.

Item 9 – Closed Session

9.A – Public Employee Appointment, pursuant to Government Code Section 54957

Title: Assistant General Manager

Item 10 – Report Out Of Closed Session

Kuhn

Item 11 – Future Agenda Items

Item 12 – Adjournment

The Board will adjourn to a Regular Board Meeting on Wednesday, April 18, 2018

American Disabilities Act Compliance Statement

Government Code Section 54954.2(a)



Any request for disability-related modifications or accommodations (including auxiliary aids or services) sought to participate in the above public meeting should be directed to the TVMWD's Executive Assistant at (909) 621-5568 at least 24 hours prior to meeting.

Agenda items received after posting

Government Code Section 54957.5

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the TVMWD office located at, 1021 East Miramar Avenue, Claremont, CA, 91711. The materials will also be posted on the TVMWD website at www.threevalleys.com.

Three Valleys MWD Board Meeting packets and agendas are available for review on its website at www.threevalleys.com. The website is updated on Sunday preceding any regularly scheduled board meeting.

March 27, 2018

Mr. James Linthicum
Chief Finance Officer
Three Valleys Municipal Water District
1021 E. Miramar Avenue
Claremont, CA 91711

We are pleased to confirm our understanding of the services we are to provide the Three Valleys Municipal Water District (the District) for the fiscal year ended June 30, 2018. We will audit the financial statements of the business-type activities including the related notes to the financial statements, which collectively comprise the basic financial statements, of the District as of and for the fiscal year ended June 30, 2018. A single audit in accordance with the Uniform Guidance is only required if federal expenditures exceed \$750,000 in a given fiscal year. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) GASB 68 required supplementary schedules
- 3) GASB 74 and 75 required supplementary schedules

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards (if required).



Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to governing board of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.



Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, if material on a rotational basis, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.



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An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the Three Valleys Municipal Water District in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Use of Portals

To enhance our services to you, we will utilize Sharefile, a collaborative, virtual workspace in a protected, online environment. Sharefile permits real-time collaboration across geographic boundaries and time zones and allows Lance, Soll, & Lunghard LLP and you to share data, engagement information, knowledge, and deliverables in a protected environment. You agree that Lance, Soll, & Lunghard LLP has no responsibility for the activities of Sharefile and agree to indemnify and hold Lance, Soll, & Lunghard LLP harmless with respect to any and all claims arising from our related to the operation of Sharefile. While Sharefile backs up your files to a third-party server, we recommend that you also maintain your own back files.

Newsletters and Similar Communication

We may send newsletters, emails, explanations of technical developments or similar communications to you. These communications are of a general nature and should not be construed as professional advice. We may not send all such communications to you. These communications do not continue a client relationship with you, nor do they constitute advice or an undertaking on our part to monitor issues for you.



We may discuss with you our views regarding the treatment of certain items and decisions you may face. We may also provide you with information in an email. Any advice or information delivered orally or in an email (rather than through a memorandum delivered as an email attachment) will be based upon limited research and limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts may affect our analysis and conclusions.

Due to these limitations and the related risks, it may or may not be appropriate to proceed with any decision solely on the basis of any oral or email communication. You accept all responsibility, except to the extent caused by the gross negligence or willful misconduct of Lance, Soll, & Lunghard LLP, for any loss, cost or expense resulting from your decision (i) not to have us perform the research and analysis necessary to reach or more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this paragraph will not apply to an item of written advice that is a deliverable of a separate engagement. If you wish to engage us to provide formal advice on a matter on which we have communicated orally or by email, we will confirm this in a separate engagement letter.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations,



contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan on the District's letterhead. The summary schedule of prior audit findings should be available for our review on the first day of our schedule visit for the Single Audit.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.



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You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers or firm to provide professional services in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Lance, Soll, & Lunghard LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to California Society of Certified Public Accountants or the American Institute of Certified Public Accountants or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lance, Soll, & Lunghard LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.



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We will return all of your records and documents provided to us at the conclusion of the engagement. Your records are the primary records for your operations and comprise the backup and support for your work product. Our copies of your records and documents are not a substitute for your own records and do not mitigate your record retention obligations under any applicable laws or regulations. Workpapers and other documents created by us are our property and will remain in our control. Our work papers will be maintained by us in accordance with our firm's record retention policy and applicable legal and regulatory requirements. The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California Society of Certified Public Accountants or the American Institute of Certified Public Accountants, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit as previously agreed to by management. Mr. Bryan S. Gruber is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. To ensure that Lance, Soll, and Lunghard LLP's independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fees for these services are outlined in our contract with you. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Lance, Soll, & Lunghard LLP is a member of PrimeGlobal, a global association of independent accounting firms. No PrimeGlobal member firm is an agent or partner of the association or of any other member firm. No PrimeGlobal member firm has the authority to enter into any legal obligations on behalf of the association or any other member firm. If Lance, Soll, & Lunghard LLP introduces you to another PrimeGlobal member firm, Lance, Soll, & Lunghard LLP specifically denies any liability for any work performed by that firm. You should make your own contractual arrangements with that firm for work that they perform. The fact that you may have been introduced to us by another PrimeGlobal member firm does not make that firm, its partners or its employees responsible for any of our acts or omissions. Lance, Soll, & Lunghard LLP is not the agent or partner of PrimeGlobal or any other member firm, and does not have the authority to enter into legal obligations on behalf of either the association or any other member firm thereof. You agree that Lance, Soll, & Lunghard LLP has the sole liability for any work performed under this engagement and you undertake not to make any claim or bring any proceedings against either PrimeGlobal or any other member of PrimeGlobal in relation to work covered by this engagement.

You agree that any claim arising out of this Agreement shall be commenced within one (1) year of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against Lance, Soll, & Lunghard LLP.



If any disputes, controversy, or claim arises, either party may, upon written notice to the other party, request that the matter be mediated. Such mediation will be conducted by a mediator appointed by and pursuant to the Rules of the American Arbitration Association or such other neutral facilitator acceptable to both parties. Both parties will exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute or controversy.

Each party may disclose any facts to the other party or to the mediator which it, in good faith, considers necessary to resolve the matter. All such discussions, however, will be for the purpose of assisting in settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the mediator will keep confidential all information disclosed during negotiations. The mediator may not act as a witness for either party in any subsequent arbitration between parties.

The mediation proceedings will conclude within sixty days from receipt of the written notice unless extended or terminated sooner by mutual consent. Each party will be responsible for its own expenses. The fees and expenses of the mediator, if any will be borne equally by the parties.

If any dispute, controversy, or claim cannot be resolved by mediation, then the dispute, controversy, or claim will be settled by arbitration in accordance with the Rules of the American Arbitration Association (AAA) for the Resolution of Accounting Firm Disputes. No prehearing discovery will be permitted unless specifically authorized by the arbitration panel. The arbitration hearings will take place in the District closest to the place where this agreement was performed in which the AAA maintains an office, unless the parties agree to a different locale.

The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. All reasonable costs of both parties, as determined by the arbitrators, including (1) the fees and expenses of the AAA and the arbitrators and (2) the costs, including reasonable attorneys' fees, necessary to confirm the award in court, will be borne entirely by the non-prevailing party (to be designated by the arbitration panel in the award) and may not be allocated between the parties by the arbitration panel.

Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

Government Auditing Standards require audit organizations to provide a copy of their most recent external peer review report and any subsequent review reports during the period of the contract. Our 2016 peer review accompanies this letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

If any portion of this Agreement is deemed invalid or unenforceable, said findings shall not operate to invalidate the remainder of the terms set forth in this Agreement.



ESTABLISHED 1971

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We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Lance, Solt & Loughard, LLP

RESPONSE:

This letter correctly sets forth the understanding of Three Valleys Municipal Water District.

Management signature: *James [Signature]*

Title: *Chief Finance Officer*

Date: *3/27/18*

March 28, 2018

To the Board of Directors
Three Valleys Municipal Water District

We are engaged to audit the financial statements of the business-type activities of the Three Valleys Municipal Water District (the District), and the Single Audit (if required) for the year ended June 30, 2018. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of the District. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with Uniform Guidance, we will examine, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the District's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.



To the Board of Directors
Three Valleys Municipal Water District

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, the schedule of proportionate share of the Net Pension Liability, the schedule of contributions related to pension, changes in the Net OPEB liability, schedule of contributions related to OPEB, and the schedule of investment returns related to OPEB, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have not been engaged to report on the introductory and statistical sections which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to issue our report in approximately October/November 2018.

This information is intended solely for the use of the governing board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Solt & Lughard, LLP



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager
Date: April 4, 2018
Subject: Resolution No. 18-04-820 - Employee Bonus

Form with checkboxes for 'For Action', 'Fiscal Impact', 'Funds Budgeted', 'Information Only', and 'Cost Estimate: \$'.

Recommendation:

Approval of Resolution No. 18-04-820 authorizing a one-time discretionary bonus in the amount of \$2,000 to each full-time employee.

Discussion:

Included for review and consideration is Resolution No. 18-04-820 that identifies prior case law relative to such distribution. At the March 7, 2018 TVMWD was recognized by ACWA-JPIA with a refund check. As noted by ACWA-JPIA CEO Andy Sells at the March 7, 2018 meeting, TVMWD's claims experience in liability, property and workers' compensation insurance is compared with the average of the ACWA-JPIA pool. TVMWD's E-MODs (Experience Modification) for each coverage area are always better than average, which has allowed TVMWD to receive an annual refund numerous times.

Recent refund amounts:

- 2018 \$48,281
• 2017 \$52,027
• 2016 \$ 5,213
• 2015 \$17,118
• 2011 \$38,528
• 2010 \$43,034
• 2009 \$22,500

In recognition of employee's efforts to control liability, property and workers' compensation insurance costs, the Board President is proposing a one-time discretionary bonus in the amount of \$2,000 to each full-time employee (total \$48,000).

Strategic Plan Objective(s):

3.3 – Be accountable and transparent with major decisions

RESOLUTION NO. 18-04-820

A RESOLUTION OF THE BOARD OF DIRECTORS OF THREE VALLEYS MUNICIPAL WATER DISTRICT TO AUTHORIZE ONE-TIME EMPLOYEE BONUS

WHEREAS, the Three Valleys Municipal Water District is a public agency organized and operating pursuant to the Municipal Water District Law of 1911 (California Water Code Section 71000 et seq.); and

WHEREAS, the California Constitution provides in Article XVI, Section 6, that “[a] political corporation or subdivision of the State ... shall [not] have power to make any gift, or authorize the making of any gift, or any public money or thing of value to any individual, municipal or other corporation whatever ...”; and

WHEREAS, in the case of employment, courts have found that lump-sum payments to certain employees for work already performed are not invalid as a gift of public funds serving no substantial public purpose because they ensure continued recruitment and retention of qualified employees and resolve perceived uncertainty about proper salary levels [Jarvis v. Cory (1980) 28 Cal. 3d 562, 620 P.2d 598, 170 Cal. Rptr. 11]; and

WHEREAS, courts have further held that the granting of benefits to employees for past services is not a gift of public funds, but rather an effort to advance an important public purpose to further the District’s self-interest in retaining the most competent employees in a highly competitive market [San Joaquin County Employees’ Association, Inc. v. San Joaquin County (1974) 39 Cal. App. 3d 83, 113 Cal. Rptr. 912; Walker v. Los Angeles County (1961) 55 Cal. 2d 626, 361 P.2d 247, 12 Cal. Rptr. 671]; and

WHEREAS, the facts and circumstances of the ACWA-JPIA refund of \$48,281 to the District as described in the staff report attached hereto and incorporated herein by this reference (“Staff Report”) supports a determination by the District’s Board of Directors (“Board”) that an award of a one-time bonus in the amount of \$2,000 to each full-time District employee would serve a well-recognized public purpose in the governmental agency employment context within the scope of established case law such that any such award by the Board would not constitute an unconstitutional gift of public funds.

NOW THEREFORE BE IT RESOLVED by the Board that, based upon the unique facts and circumstances described in the Staff Report and other evidence presented to the Board, the Board hereby finds and determines that an award of a bonus to District employees in a total sum not to exceed the savings directly attributable to employee conduct would serve to advance the dual public purposes of promoting workplace safety and retaining a highly-competent staff, and thus hereby approves the issuance of a one-time bonus in the amount of \$2,000 to each full-time District employee.

Item 8.A

ADOPTED and **PASSED** at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 4th day of April 2018 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Bob G. Kuhn, President

ATTEST:

Brian Bowcock, Secretary

SEAL:



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 4, 2018
Subject: Project Summary Update

| | | |
|--|--|---|
| <input type="checkbox"/> For Action | <input type="checkbox"/> Fiscal Impact | <input type="checkbox"/> Funds Budgeted |
| <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Cost Estimate: \$ | |

Discussion:

Brief status reports for projects are provided below:

TVMWD Grand Avenue Well Project – Project No. 58446

Staff met with the well drilling contractor (South West Pump & Drilling) to conduct the pre-construction meeting. The drilling contractor is in the process of providing submittals for review. Staff is also in the process of coordinating with city of Claremont staff various improvements associated with the project. Staff anticipates phase 1 (i.e. well drilling) construction activities will begin the second week of April and be completed by the end of July 2018.



Grand Avenue Well Site – View Looking Northeast

TVMWD Baseline Road Well Project – Project No. 58458

No new information to report at this time.

Reservoir Effluent Pump Station Project – Project No. 58459

The contractor is in the process of providing submittals of the major project components for review and approval before procuring these items. The contractor will revise the construction schedule after the submittals are approved and he confirms shipping/delivery time for the long-lead items.

Hydropneumatic Tank Replacement Project – Project No. 58460

The final design has been completed. Staff plans to obtain informal quotes early next fiscal year (sometime after completion of the Reservoir Effluent Pump Station project). Staff anticipates construction may occur in fall 2018.

JWL Control Valve

Staff met with its consultant, Kennedy-Jenks, a few weeks ago to conduct the design kick-off meeting. The consultant is in the process of preparing the 75% design, which will be reviewed by TVMWD and JWL staff. This proposed valve will enable operations staff to better control flows to the Joint Water Line and maintain more consistent water levels in the Fulton Reservoir.

Strategic Plan Objectives:

- 1.4 – Capable of delivering 10,000 AFY from local sources in case of drought or catastrophe.
- 1.5 – Maintain water infrastructure to assure 100% reliability.
- 2.3 – Manage water infrastructure and staff operations to minimize costs.
- 3.3 – Be accountable and transparent with major decisions



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager
Date: April 4, 2018
Subject: FY 2017-18 Project Encumbrances

Form with checkboxes for 'For Action', 'Fiscal Impact', 'Funds Budgeted', 'Information Only', and 'Cost Estimate: \$'.

Discussion:

Staff expects the following projects to continue into FY 17-18 and therefore respectfully requests funds are carried forward:

Table listing project items and their costs: Grand and Baseline Wells (\$931,686), Building Modifications (333,551), Carports (211,372), PM-26 Expansion (207,813), Plant 2 Electrical (80,000), Reservoir Effluent Pump System (43,177), Hydro Pneumatic Tank System (38,665), and a Total of \$1,846,264.

Although we only expect to carryover funds for projects with balances remaining, the above is our best estimate of where we expect to be at June 30, 2018 so we ask the Board to allow encumbrance of funds for any incomplete projects.

This item will be brought back for consideration of adoption on April 18, 2018. A final breakdown of all projects will be provided at the conclusion of the audit (November 2018) for final approval.

Strategic Plan Objective:

- 3.1 – Utilize and comply with a set of financial policies to maintain TVMWD’s financial health
3.3 – Be accountable and transparent with major decisions

Staff Report/Memorandum



To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 4, 2018
Subject: FY 2018-19 TVMWD Budget Draft 1.1

| | | | | | |
|-------------------------------------|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| <input type="checkbox"/> | For Action | <input type="checkbox"/> | Fiscal Impact | <input type="checkbox"/> | Funds Budgeted |
| <input checked="" type="checkbox"/> | Information Only | <input type="checkbox"/> | Cost Estimate: | \$ | |

Discussion:

Attached is the second draft of the FY 2018-19 Budget. After discussion with the Board and the member agencies in March, there are hardly any changes.

- One item was shifted from membership dues and fees to professional services.
- Some amounts for the five-year CIP have been revised:
 - The JWL Control Valve project estimate has been reduced from \$291,000 to \$175,000.
 - \$80,000 has been added to replace two vehicles that are over 10 years old and incurring additional maintenance costs.
- MWD has disclosed the potential of up to a seven-month shutdown of the Rialto Feeder sometime in the next few years that could impact operations of the Miramar Treatment Plant. Until such time that MWD completes their assessment of the pipeline and begins discussing a timeline for repairs, we will move forward assuming business as usual.

Information Requested for Further Discussion:

- Membership Dues and Fees:
 - Attached is a summary of active or planned memberships for FY 2018-19.
- Director Compensation:
 - Attached is a summary of director compensation by other MWD Member Agencies similar to TVMWD.

Summary:

Based on this budget attached, staff is proposing to increase the surcharge discount from \$5 per AF to \$10 per AF for 2019.

This item will be brought back for consideration of adoption on April 18, 2018.

Strategic Plan Objective(s):

- 3.1 – Utilize and comply with a set of financial policies to maintain TVMWD's financial health
- 3.3 – Be accountable and transparent with major decisions

Membership Dues/Sponsorships - April 2018

| <u>Agency</u> | <u>Dues/Sponsorship</u> |
|---|--------------------------------|
| Local Agency Formation Commission of Los Angeles (LAFCO) | \$24,000 |
| San Gabriel Valley Economic Partnership (SGVEP) | \$20,000 |
| Association of California Water Agencies (ACWA) | \$20,000 |
| San Gabriel Valley Council of Governments (SGV-COG) | \$11,000 |
| California Special Districts Association (CSDA) | \$7,000 |
| Liebert Cassidy Whitmore | \$5,200 |
| BizFed (<i>NEW</i>) | \$5,000 |
| Southern California Water Committee (SCWC) (<i>REACTIVATED</i>) | \$5,000 |
| California Urban Water Conservation Council (CWUCC) | \$4,000 |
| American Water Works Association (AWWA) | \$1,600 |
| Water Education Water Awareness Committee (WEWAC) | \$1,500 |
| Water Research Foundation | \$600 |
| Southern California Water Utilities Association (SCWUA) | \$400 |

Item 8.D

| MWD DIRECTOR COMPENSATION SALARY COMPARISON - 2018 | | | | | | |
|--|--|---------------|------------------------|---|--|--------------------------------|
| NAME OF AGENCY | MEETING PER DIEM | DAYS ELIGIBLE | TOTAL DIRECTORS | 5% Auto Escalator Yes/No | Travel Allowance per director | Travel Allowance all directors |
| MUNICIPAL WATER DISTRICT OF ORANGE COUNTY | \$296.99 | 10 | 7 | Eligible for automatic increase each January pursuant to Ordinance 47 - board action not required | Director travel is an aggregate of all budgeted travel for board. Travel expenses greater than \$500 require board approval, or ratification prior to payment. | \$73,550 |
| WEST BASIN MWD | \$251.05 | 10 | 5 | Yes, each new CY | \$15,000 | \$75,000 |
| INLAND EMPIRE UTILITIES AGENCY | \$247.50 | 10 | 5 | Not automatic, but bring for review each CY | \$10,000 | \$50,000 |
| WESTERN MWD | \$240.67 | 10 | 5 | Not automatic | no set amount; reimburse reasonable travel costs pursuant to IRS accountable plan rates | Not segregated |
| CENTRAL BASIN MWD | \$233.17 | 10 | 5 Elected; 3 appointed | Not automatic, but bring for review each CY | \$7,000 | \$56,000 |
| EASTERN MWD | \$223.00 | 10 | 5 | Yes, each new CY | Limited to \$500/daily, excluding registration, and transportation. no limit on total number of events annually | Not segregated |
| LAS VIRGENES MWD | \$220.00 | 10 | 5 | Not automatic | NA | Not segregated |
| CALLEGUAS MWD | \$220.00 | 10 | 5 | Not automatic | NA | \$43,300 |
| UPPER SAN GABRIEL VALLEY MWD | \$200.00 | 10 | 5 | Yes, each new CY - some years board does not approve change | \$12,000 | \$60,000 |
| THREE VALLEYS MWD | \$200.00 | 10 | 7 | Not automatic | \$6,000 | \$42,000 |
| FOOTHILL MWD | \$117.66 | 10 | 5 | Not automatic | Not segregated | Not segregated |
| TVMWD | | | | | | |
| Total days service | 10 days monthly Ordinance #: 01-02-7, adopted February 7, 2001 (effective 60 days after adoption) | | | | | |
| Total stipend per meeting | \$200 meeting Ordinance #: 07-02-15, adopted February 21, 2007 (effective 60 days after adoption) | | | | | |
| Total annual spending for travel/conferences | \$6,000/director Resolution #: 06-03-539, adopted March 15, 2006 (effective immediately) | | | | | |
| Mileage - updated each CY per IRS rates | Directors may only seek mileage for meetings they receive a stipend for | | | | | |
| 5% Escalation on Stipend | No | | | | | |
| Updated March 6, 2018 | | | | | | |



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 4, 2018
Subject: Draft Resolution Adopting Water Rates and Charges for CY 2019

| | | |
|---|--|--|
| <input type="checkbox"/> For Action | <input type="checkbox"/> Fiscal Impact | <input type="checkbox"/> Funds Budgeted |
| <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Cost Estimate: | \$ |

Discussion:

Attached for review is the draft rate resolution reflecting the rates and charges that will go into effect January 1, 2019. Based on the assumptions for TVMWD FY 2018-19 Budget 1.1, TVMWD will apply a surcharge discount of -\$10 per AF to treated water delivered during calendar year 2019. This is the second consecutive year TVMWD has been able to reduce MWD’s treated water rate with a discounted surcharge.

TVMWD will apply a \$0 surcharge to all untreated water delivered during calendar year 2019. As clarified beginning with the 2017 rate resolution, untreated water delivered may be subject to additional charges from other agencies based on the connection used and basin delivered to.

Also attached are the summary drafts of the capacity charge and fixed charges for 2019. The capacity charge summary had one minor adjustment that slightly changed each agency’s share of the total cost for 2019.

This item will be brought back for consideration of adoption on April 18, 2018.

Strategic Plan Objective:

3.3 – Be accountable and transparent with all major decisions

RESOLUTION NO. 18-04-DRAFT**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THREE VALLEYS MUNICIPAL WATER DISTRICT
ADOPTING WATER RATES FOR CALENDAR YEAR 2019**

WHEREAS, the Board of Directors of Three Valleys Municipal Water District (“TVMWD”) finds as follows:

A. TVMWD is a municipal water district organized and operating pursuant to Water Code Section 71000 et seq., and is a Member Agency of the Metropolitan Water District of Southern California (“MWD”) which wholesales imported water to TVMWD;

B. TVMWD is responsible for the sale and distribution of the water it purchases from MWD, and is authorized under Water Code Sections 71611-71613 to sell any water within its control to consumers, cities, and other public agencies and corporations;

C. Under Water Code Sections 71613-71617, TVMWD is authorized to fix rates at which the water it delivers may be sold;

D. TVMWD has approved the Fiscal Year (FY) Budget for 2018-19 consisting of expenses for expected water sales, reserves, and the Miramar Water Treatment Plant (“Miramar”);

E. TVMWD intends to collect sufficient revenues to cover the projected expenses from miscellaneous revenue, state subventions, property taxes, and by rate-based fees and charges for delivered and/or stored water;

F. The revenues raised by the levying of TVMWD’s water rates are used for all the purposes authorized by law, including but not limited to (1) funding the operating costs of TVMWD, including employee wages and benefits; (2) purchasing or leasing supplies, equipment, and materials; (3) meeting financial reserve needs and requirements; (4) obtaining funds for capital projects necessary to maintain service within existing services areas; (5) providing for repairs, maintenance, and depreciation of works owned and operated by TVMWD; (6) yielding a reasonable surplus for improvements, extensions, and enlargements; and (7) paying the principal, interest and maintaining the required coverage on any bonded indebtedness;

G. The establishment, modification, structuring, restructuring, and approval of TVMWD’s water rates are for the purpose of meeting TVMWD’s operating expenses (including employee wages and benefits), purchasing and/or leasing supplies, equipment, and materials, meeting TVMWD’s financial reserve needs and requirements, and obtaining funds for capital projects necessary to maintain service within TVMWD’s existing service areas, and is therefore exempt from the requirements of the California Environmental Quality Act as provided by Public Resources Code Section 21080(b)(8);

H. The amount of the rates and charges hereby adopted do not exceed the reasonable anticipated costs for the corresponding services provided by TVMWD, and therefore the fees imposed hereby do not qualify as a “tax” under Article XIIC, Section 1(e), of the California Constitution or Section 50076 of the California Government Code, and the

Item 8.E

actions taken herein are exempt from the additional notice and public meeting requirements of the Ralph M. Brown Act pursuant to Government Code Sections 54954.6(a)(1)(A) and (B); and

I. To the extent that the water rates hereby adopted apply to TVMWD's provision of wholesale water service to its retail agencies, such rates are not imposed upon any person as an incident of property ownership, and thus are not subject to the substantive and procedural prerequisites of Article XIID of the California Constitution.

NOW, THEREFORE, BE IT RESOLVED that TVMWD's Board of Directors ("Board") does hereby adopt and order as follows:

1. **Effective Date.** The effective date of the following rates, fees and charges shall be January 1, 2019 unless otherwise noted. The rates shall remain in effect until changed or canceled by the Board.
2. **Rates.** All sales, deliveries, and availability of water at the rates established herein shall be subject to the ability of TVMWD to sell, deliver, and make available such water under operating conditions determined by the General Manager of TVMWD and of MWD, and subject to the water service agreements of TVMWD and of MWD.
 - A. **TVMWD Water Rates.** MWD has assigned a "base firm demand" or allocation of water deliveries to TVMWD for the period January 1, 2015 through December 31, 2024 based on Option 2 of the new 10-year purchase order agreement. A Tier 1 base firm demand of 80,688 acre-feet has been allocated to the TVMWD Member Agencies based on the proportional share of each Member Agency's 10-year average (FY 2005 through FY 2014); however, no agency will receive less than their CY 2014 Tier 1 limit. The Tier 1 allocations for calendar year 2019 are as follows:

| <i>Member Agency</i> | <i>CY 2019 Tier 1 Allocation</i> |
|--|--|
| Boy Scouts | 36 |
| Cal Poly | 269 |
| Covina | 1,568 |
| Glendora | 4,101 |
| JWL | 31,066 |
| La Verne | 8,026 |
| Mt. SAC | 699 |
| RWD | 4,879 |
| GSWC - Claremont | 5,576 |
| GSWC - San Dimas | 10,138 |
| VHWC | 464 |
| Suburban | 1,961 |
| WVWD | 11,905 |
| <i>Tier-1 Acre Foot Allotment</i> | <i>80,688</i> |

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Each Member Agency's allocation may change if TVMWD's base firm demand is changed, but the sum of the Tier 1 allocations shall remain the same as the base firm demand assigned to TVMWD by MWD. If TVMWD's base firm demand is changed, the Member Agency Tier 1 allocation will change in proportion to the amount the agency contributed to the change and in comparison to the total increase in TVMWD's base firm demand.

Effective January 1, 2019 treated water from TVMWD will be sold at \$1,040 per acre foot for Tier 1 and \$1,126 per acre foot for Tier 2.

Individual Member Agencies that exceed their Tier 1 allocation during the calendar year will be billed at the end of the calendar year for the additional demand at the appropriate Tier 2 amount, depending upon actual Tier 2 costs incurred by TVMWD as a whole.

- B. Groundwater Replenishment Water Rate.** MWD did not adopt a replenishment water rate for 2019 and beyond. Groundwater replenishment water is provided only when additional water for such use is available from MWD. Subject to any applicable legal restrictions, the General Manager may set a groundwater replenishment rate at his/her discretion for deliveries to non-Member Agencies as long as the amount is no less than the rates applicable to Member Agencies.
- C. In Lieu Water Rate.** MWD did not adopt a replenishment water rate for 2019 and beyond, therefore an in-lieu water rate has yet to be determined. As provided for in the section on replenishment service in the MWD Rate Structure Administrative Procedures Handbook, TVMWD will incorporate these procedures for the sale of available in-lieu water service. This water will be sold for the replenishment of water supplies in groundwater basins, as a substitute for deliveries from the Weymouth Treatment and Miramar Treatment facilities.
- D. Untreated Water Rate.** Untreated water purchased from MWD for spreading purposes that is later extracted and sold will be charged at the current TVMWD rate on the date of extraction, less the initial price paid for the water. Effective January 1, 2019 the untreated rates from TVMWD will be \$731 per acre foot for Tier 1 and \$817 per acre foot for Tier 2. Additional charges based on the connection used and basin delivered to may apply. Subject to any applicable legal restrictions, the General Manager may set an untreated water rate at his/her discretion for deliveries to non-Member Agencies as long as the amount is no less than the rates applicable to Member Agencies.
- E. Capacity Charge.** The MWD Capacity Charge ("Charge") will be \$8,600 per cubic foot second (cfs) effective January 1, 2019. TVMWD's Capacity Charge basis will be 126.4 based on TVMWD's peak connected capacity during the last three completed fiscal years. The Charge will either increase or decrease only if a new 24-hour peak demand is established during the period of May-September of any year. Subsequently, a revised Charge would become effective on January 1 of the following year. A monthly allocation Charge will apply to each Member Agency based on their specific non-coincidental peak during the period of 2015 to 2017, as follows:

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| <i>Agency</i> | <i>3 Year High Peak</i> | <i>Per CFS Charge 2019</i> | <i>2019 CFS Basis</i> | <i>2019 Monthly Charge</i> | <i>2019 Annual Charge</i> |
|--------------------------------|-------------------------|----------------------------|-----------------------|----------------------------|---------------------------|
| Boy Scouts | 0.7 | \$8,600 | 0.5 | \$370 | \$4,440 |
| Cal Poly | 0.9 | \$8,600 | 0.7 | \$476 | \$5,708 |
| Covina | 7.1 | \$8,600 | 5.2 | \$3,752 | \$45,029 |
| Covina Irrigating Co. | 12.4 | \$8,600 | 9.1 | \$6,554 | \$78,642 |
| Glendora | 0.9 | \$8,600 | 0.7 | \$476 | \$5,708 |
| La Verne | 17.1 | \$8,600 | 12.6 | \$9,042 | \$108,501 |
| Mt. SAC | 1.1 | \$8,600 | 0.8 | \$581 | \$6,976 |
| PWR-JWL | 41.3 | \$8,600 | 30.5 | \$21,828 | \$261,930 |
| RWD | 12.1 | \$8,600 | 8.9 | \$6,395 | \$76,740 |
| GSWC – Claremont | 20.5 | \$8,600 | 15.1 | \$10,830 | \$129,963 |
| GSWC - San Dimas | 16.6 | \$8,600 | 12.2 | \$8,773 | \$105,279 |
| WVWD | 40.7 | \$8,600 | 30.0 | \$21,510 | \$258,124 |
| Capacity Charge Totals: | 171.4 | | 126.4 | \$90,587 | \$1,087,040 |

As the cfs basis is subject to change each year, TVMWD will re-allocate the charge to each Member Agency for their proportionate share in setting the new peak. The monthly charge shall be paid regardless of the quantity of water delivered during the month and will be separate from the monthly water sale charges invoiced by TVMWD.

- 3. Penalties.** In the event any Member Agency shall be delinquent in the payment for water delivered by TVMWD, or through an MWD connection, and/or other charges as invoiced by TVMWD, an additional charge equal to two (2) percent of such delinquent payment for each month or portion thereof (days delinquent divided by 30) that such payment remains delinquent shall be assessed, and the Member Agency shall pay such charge to TVMWD in addition to the amount of such delinquent payment. Notwithstanding the above, if the total period of delinquency does not exceed five (5) business days, the additional charge shall be equal to one (1) percent of such delinquent payment. In the event any Member Agency shall be delinquent for more than thirty (30) days in the payment for water, such delinquency shall be reported by the General Manager to the Board of Directors of TVMWD at its next meeting. The Board, in its discretion and upon such other conditions as it may prescribe after giving the Member Agency a reasonable opportunity to be heard, may order the termination of service to such Member Public Agency until all delinquent payments, including additional charges, are made to TVMWD or may authorize such other actions as may be legally available to effectuate collection.
- 4. Cost Allocations.** The required revenue for the TVMWD's FY 2018-19 Budget will be met in the following revenue priorities: (a) Miscellaneous revenues (interest, etc.); (b) State subventions; (c) TVMWD's Standby Charge; (d) Water Sales; and (e) Fixed Cost Allocations. The required calendar year 2019 Fixed Cost Allocation revenue of \$680,256 shall be obtained through three component allocations in equal amounts. Each allocated cost component will generate revenue of \$226,752. Each Member Agency has already submitted to TVMWD its certified component values.

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- A. Connected Capacity Charge.** Each Member Agency has the ability to receive water from TVMWD through service connections of TVMWD and/or MWD. The capacity of each service connection shall be determined and allocated to a Member Agency. The Member Agency's total allotment for the connected capacity charge shall be one-third (1/3) of the total required Cost Allocation revenue. The Connected Capacity Charge shall be collected on a monthly basis.
 - B. Equivalent Small Meter Charge.** All Member Agency revenue meters shall be converted to an equivalent number of 5/8" water meters using the AWWA conversion table found in the Service Meter Manual. The Member Agency's total allotment for the equivalent small meter charge shall be one-third (1/3) of the total required Cost Allocation revenue. The Equivalent Small Meter Charge shall be collected on a monthly basis.
 - C. Historical Water Use Charge.** TVMWD maintains the historical record of imported water use of each Member Agency. The moving three-year average total ending FY 2016-17 for the total use of all Member Agencies will be calculated. The Member Agency's percentage of the total three-year average water use shall be one-third (1/3) of the required Cost Allocation revenue. The Historical Use Charge shall be collected on a monthly basis.
- 5. Hydroelectric Rate.** TVMWD also operates a hydroelectric facility at the Miramar plant. On an as available basis, the hydro provides power to the facilities through a separate meter. The actual power delivered through the Miramar hydro is received at the water treatment plant. The rate that TVMWD will charge for hydroelectric power will be equal to the melded aggregate average of the rate paid to Edison on the regular monthly bill.
- 6. Definitions.** The definition and application of the foregoing classes and conditions of service shall be the same as those established, interpreted, and amended from time to time by MWD through its Administrative Code, and such other rules, regulations, policies, ordinances, or resolutions that have been or may be adopted by the MWD Board of Directors, which are by this reference incorporated herein and adopted by the TVMWD as though set forth herein in their entirety.
- A. Acre-foot.** The volume of water contained in one-acre area one foot deep. Approximately 435.6 ccf or 325,851 gallons.
 - B. CCF.** The volume of water contained in one hundred cubic feet. Approximately 748 gallons.
 - C. CFS.** A flow rate of one cubic foot of water per second. Approximately 448.8 gallons per minute.
 - D. Groundwater Replenishment.** Water used for direct spreading by a Member Agency to meet the legal requirements of groundwater basin adjudication.

E. Member Agency. Those agencies within TVMWD's service area that are or can be provided with water service as listed below:

Boy Scouts of America – Firestone Scout Reservation
California State University - Pomona
Covina, City of
Covina Irrigating Company
Glendora, City of
Golden State Water Company (Claremont & San Dimas)
La Verne, City of
Mt. San Antonio College
Pomona, City of
Pomona-Walnut-Rowland Joint Pipeline Commission
Rowland Water District
Suburban Water Systems
Valencia Heights Water Company
Walnut Valley Water District

F. MWD. MWD is a metropolitan water district organized and existing under the Metropolitan Water District Act of the State of California (Statutes 1969, Chapter 209, as amended).

G. Imported Water. District water shall be comprised of water resources obtained from MWD, TVMWD's Miramar delivery, Member Agencies and other parties and/or produced and treated water by TVMWD from surface and groundwater resources. MWD Tier 1 and other supply charges are included in TVMWD's water charge.

7. General Manager Authority. TVMWD's General Manager is hereby authorized to take any and all actions necessary to carry out the intent of the Board as is stated herein and as otherwise required in order to comply with applicable law.

ADOPTED and PASSED at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 18th day of April 2018 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Bob G. Kuhn
President

ATTEST:

Brian Bowcock
Secretary

SEAL:

DRAFT

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MWD CAPACITY CHARGE SUMMARY EFFECTIVE JANUARY 2019

| AGENCY | CFS BASIS | ANNUAL CHARGE | MONTHLY CHARGE | % |
|------------------------------|--------------|------------------|------------------|----------------|
| Boy Scouts | 0.5 | \$ 4,439.49 | \$ 369.96 | 0.41% |
| Cal Poly | 0.7 | \$ 5,707.91 | \$ 475.66 | 0.53% |
| Covina | 5.2 | \$ 45,029.08 | \$ 3,752.42 | 4.14% |
| Covina Irrigating Company | 9.1 | \$ 78,642.33 | \$ 6,553.53 | 7.23% |
| Glendora | 0.7 | \$ 5,707.91 | \$ 475.66 | 0.53% |
| Joint Water Line (JWL) | 30.5 | \$ 261,929.71 | \$ 21,827.48 | 24.10% |
| La Verne | 12.6 | \$ 108,501.05 | \$ 9,041.75 | 9.98% |
| Mt. Sac | 0.8 | \$ 6,976.34 | \$ 581.36 | 0.64% |
| Pomona | 0.0 | \$ - | \$ - | 0.00% |
| Rowland Water District | 8.9 | \$ 76,739.70 | \$ 6,394.97 | 7.06% |
| GSWC (Claremont) | 15.1 | \$ 129,962.80 | \$ 10,830.23 | 11.96% |
| GSWC (San Dimas) | 12.2 | \$ 105,279.25 | \$ 8,773.27 | 9.68% |
| Suburban | 0.0 | \$ - | \$ - | 0.00% |
| Valencia Heights | 0.0 | \$ - | \$ - | 0.00% |
| Walnut Valley Water District | 30.0 | \$ 258,124.43 | \$ 21,510.37 | 23.75% |
| TOTAL | 126.4 | 1,087,040 | \$ 90,587 | 100.00% |

Notes:

- The MWD Capacity Charge is paid by each member agency based on TVMWD's allocation of the specific non-coincidental peak calculation over a three year period 2015, 2016, and 2017.*
- The MWD Capacity Charge basis of 126.4 cfs at \$8600 per cfs is assigned to TVMWD by MWD and is passed-through directly to the member agencies.*

DRAFT**TVMWD FIXED CHARGES SUMMARY****Item 8.E****EFFECTIVE JANUARY 2019**

| AGENCY | IMPORTED WATER USE | | | CONNECTED CAPACITY | | | EQUIVALENT SMALL METER (ESM) | | | TOTAL \$ |
|------------------------------|--------------------|-------------------|-------------|--------------------|-------------------|-------------|------------------------------|-------------------|-------------|-------------------|
| | (3yr Avg) (AF) | ANNUAL \$ | % | (cfs) | ANNUAL \$ | % | METERS | ANNUAL \$ | % | |
| Boy Scouts | 24.3 | \$ 92.32 | 0.04% | 1.5 | \$ 834.67 | 0.37% | 256.9 | \$ 226.75 | 0.10% | \$ 1,153.74 |
| Cal Poly | 218.7 | \$ 832.01 | 0.37% | 2.0 | \$ 1,112.89 | 0.49% | 2,569.0 | \$ 2,267.52 | 1.00% | \$ 4,212.42 |
| Covina | 543.9 | \$ 2,069.30 | 0.91% | 20.0 | \$ 11,128.93 | 4.91% | 5,146.9 | \$ 4,542.89 | 2.00% | \$ 17,741.12 |
| Covina Irrigating Company | 1,720.1 | \$ 6,543.73 | 2.89% | 20.0 | \$ 11,128.93 | 4.91% | 0.0 | \$ - | 0.00% | \$ 17,672.66 |
| Glendora | 1,647.5 | \$ 6,267.75 | 2.76% | 40.0 | \$ 22,257.86 | 9.82% | 26,948.5 | \$ 23,786.13 | 10.49% | \$ 52,311.74 |
| Joint Water Line (JWL) | 18,683.0 | \$ 71,076.34 | 31.35% | 121.0 | \$ 67,330.02 | 29.69% | 0.0 | \$ - | 0.00% | \$ 138,406.35 |
| La Verne | 5,363.1 | \$ 20,402.97 | 9.00% | 15.0 | \$ 8,346.70 | 3.68% | 20,833.0 | \$ 18,388.26 | 8.11% | \$ 47,137.93 |
| Mt. Sac | 293.7 | \$ 1,117.46 | 0.49% | 5.0 | \$ 2,782.23 | 1.23% | 2,569.0 | \$ 2,267.52 | 1.00% | \$ 6,167.21 |
| Pomona | 0.2 | \$ 0.60 | 0.00% | 20.0 | \$ 11,128.93 | 4.91% | 47,559.0 | \$ 41,977.97 | 18.51% | \$ 53,107.50 |
| Rowland Water District | 6,657.6 | \$ 25,327.54 | 11.17% | 30.0 | \$ 16,693.39 | 7.36% | 25,709.0 | \$ 22,692.06 | 10.01% | \$ 64,713.00 |
| GSWC (Claremont) | 4,278.6 | \$ 16,277.18 | 7.18% | 15.0 | \$ 8,346.70 | 3.68% | 27,322.0 | \$ 24,115.78 | 10.64% | \$ 48,739.65 |
| GSWC (San Dimas) | 7,206.6 | \$ 27,416.35 | 12.09% | 35.0 | \$ 19,475.62 | 8.59% | 32,343.0 | \$ 28,547.56 | 12.59% | \$ 75,439.54 |
| Suburban | 0.0 | \$ - | 0.00% | 0.0 | \$ - | 0.00% | 16,912.0 | \$ 14,927.38 | 6.58% | \$ 14,927.38 |
| Valencia Heights | 0.0 | \$ - | 0.00% | 4.0 | \$ 2,225.79 | 0.98% | 1,595.6 | \$ 1,408.36 | 0.62% | \$ 3,634.15 |
| Walnut Valley Water District | 12,966.4 | \$ 49,328.37 | 21.75% | 79.0 | \$ 43,959.27 | 19.39% | 47,135.0 | \$ 41,603.73 | 18.35% | \$ 134,891.36 |
| TOTAL | 59,603.7 | \$ 226,752 | 100% | 407.5 | \$ 226,752 | 100% | 256,899 | \$ 226,752 | 100% | \$ 680,256 |

Notes:

1. The Imported Water Use Charge is based on average import water deliveries in the 2014/15, 2015/16 & 2016/17 fiscal years.
2. Connected Capacity for the Badillo-Grand Pipeline is according to WVWD's maintenance allocation: WVWD 60 cfs and Valencia Heights. 4 cfs.
3. Boy Scouts ESM Charge is calculated based on 0.1% of total ESMs; Cal Poly & Mt. SAC ESM Charges are calculated based on 1.0% of total ESMs
4. Covina, Glendora, and Valencia Heights ESM Charges are calculated based on 27%, 98%, and 67%, respectively, of their corresponding total ESMs.
Percentages are based on agencies' service area within TVMWD.
5. Fire Service Meters are not included in the ESM calculations



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 4, 2018
Subject: FY 2018-19 Water Standby Charge

| | | | | | |
|-------------------------------------|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| <input type="checkbox"/> | For Action | <input type="checkbox"/> | Fiscal Impact | <input type="checkbox"/> | Funds Budgeted |
| <input checked="" type="checkbox"/> | Information Only | <input type="checkbox"/> | Cost Estimate: | \$ | |

Discussion:

Each year MWD assesses a Readiness-To-Serve (RTS) charge to its member agencies. The amount is determined by MWD which is sufficient to recover a portion of their debt service costs to finance capital expenditures for projects needed to provide standby and emergency storage service needs.

MWD will adopt the RTS charge stating each MWD member agency’s portion at the April 10, 2018 board meeting. TVMWD’s portion of the MWD RTS charge for FY 2018-19 increased from \$5.2 million to \$5.3 million. The funds will be collected on property taxes in the following manner:

- MWD will collect \$1.9 million via a water standby charge imposed on parcels within the Three Valleys’ service area at \$12.21 per parcel.
- TVMWD will collect \$3.4 million via a water standby charge imposed based on equivalent dwelling units (EDU) within Three Valleys’ service area. The proposed standby charge for FY 2018-19 for a typical residential homeowner will increase slightly to \$18.73 per EDU.

Each year TVMWD must take steps to approve and implement this standby charge. The rate and methodology will be described in the Draft Engineer’s Report that will be provided at the Board Meeting on April 18, 2018.

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The proposed schedule to implement the charge for the current year is as follows:

| Task | Date | | | | | | |
|--|--|--------------|---------|---------------|---------|--------------|---------|
| Willdan Financial Services to prepare draft copies of the Engineer's Report and deliver to TVMWD | 4/18/18 | | | | | | |
| TVMWD to publish Notice of Intention to Initiate Standby Charge Proceedings | 4/25/18 | | | | | | |
| Willdan Financial Services to deliver bound copies of the Engineer's Report to TVMWD for the Resolution of Intention Board Meeting | 4/25/18 | | | | | | |
| Resolution of Intention Board Meeting | 5/2/18 | | | | | | |
| TVMWD to publish Joint Public Meeting/Public Hearing Notice: | <table border="0"> <tr> <td>first notice</td> <td>5/16/18</td> </tr> <tr> <td>second notice</td> <td>5/23/18</td> </tr> <tr> <td>third notice</td> <td>5/30/18</td> </tr> </table> | first notice | 5/16/18 | second notice | 5/23/18 | third notice | 5/30/18 |
| first notice | 5/16/18 | | | | | | |
| second notice | 5/23/18 | | | | | | |
| third notice | 5/30/18 | | | | | | |
| Public Meeting to consider Resolution to Adopt Standby Charge | 6/6/18 | | | | | | |
| TVMWD to publish Public Hearing Notice: | <table border="0"> <tr> <td>first notice</td> <td>6/7/18</td> </tr> <tr> <td>second notice</td> <td>6/14/18</td> </tr> </table> | first notice | 6/7/18 | second notice | 6/14/18 | | |
| first notice | 6/7/18 | | | | | | |
| second notice | 6/14/18 | | | | | | |
| Willdan Financial Services to deliver final Engineer's Report to TVMWD for the Public Hearing | 6/14/18 | | | | | | |
| Public Hearing to consider Resolution to Adopt Standby Charge | 6/20/18 | | | | | | |
| Submit assessments to Los Angeles County | 8/10/18 | | | | | | |
| Submit levy correction to Los Angeles County | 8/31/18 | | | | | | |
| Submit diskette and report with applied levy summary to TVMWD | 9/30/18 | | | | | | |

Strategic Plan Objective:

3.3 – Be accountable and transparent with major decisions

**RESOLUTION NO. 18-05-DRAFT
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THREE VALLEYS MUNICIPAL WATER DISTRICT
INITIATING PROCEDURES TO FIX, ADJUST, LEVY, AND COLLECT
A WATER STANDBY CHARGE**

WHEREAS, the Three Valleys Municipal Water District (“the District”) is a municipal water district organized and operating pursuant to Water Code Section 71000 et seq.

WHEREAS, under the Uniform Standby Charges Procedures Act, Government Code Section 54984 et seq. (“the Act”), the District is authorized to fix before August 10 of any given year a water standby charge on land within its jurisdiction to which water service is made available for any purpose by the District, whether the water services are actually used or not.

WHEREAS, under the Act the Board may establish schedules varying the charge according to land uses, benefit derived or to be derived from the use, availability of facilities to provide water service, the degree of availability or quantity of the use of the water to the affected lands, and may restrict the assessment to one or more improvement districts or zones of benefit established within the jurisdiction of the District, and may impose the charge on an area, frontage, or parcel basis, or a combination thereof.

WHEREAS, on July 10, 1996, the District’s Board of Directors adopted Resolution No. 7-96-361 which established a standby charge under the Act that was designed to fund the Readiness-to-Serve (“RTS”) charge imposed upon the District by the Metropolitan Water District of Southern California (“MWD”) and related administrative costs incurred by the District in connection therewith.

WHEREAS, Resolution No. 7-96-361 expressly provided that the District’s standby charge was based upon the report of a qualified engineer which fixed that amount of the standby charge for the 1996-97 fiscal year at \$5.92 per equivalent dwelling unit (“EDU”) and provided for the adjustment of that standby charge during subsequent fiscal years according to the actual amount by which the RTS charge increased, and subject to a maximum assessment amount of \$29.41 per EDU.

WHEREAS, Water Code Section 71639(b) authorizes the District to adjust the amount of its standby charge if the adjustment is made in the same manner as provided for taxes, fees, and charges in Government Code Section 53750(h)(2), which provides that a tax, fee, or charge is not deemed to be increased by an agency action that does either or both of the following: (A) adjusts the amount thereof in accordance with a schedule of adjustments adopted by the agency prior to November 6, 1996; or (B) implements or collects a previously approved tax, fee, or charge, so long as the rate is not increased beyond the level previously approved by the agency, and the methodology previously approved is not revised by the agency.

WHEREAS, Water Code Section 71639(c) further authorizes the District to adjust the amount of its standby charge if all of the following conditions are met: (1) the amount of the assessment does not exceed \$29.41 per EDU; (2) the revenue raised by the assessment,

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including its annual adjustments, is used exclusively to fund the RTS charge, or equivalent charge, imposed upon the District by MWD, and related administrative costs; and (3) The District adjusts its water rates to its retail agencies by an amount necessary to prevent surplus funding of the RTS charge imposed upon the District by MWD.

WHEREAS, Water Code Section 71639(c) further provides that in order for the District to fix a standby charge pursuant to the Act, the District's Board of Directors must adopt a resolution to initiate such proceedings, cause notice of intent to adopt the assessment to be published in accordance with Government Code Section 6066 prior to the date set for adoption thereof, and, at the time and place set forth in said notice, conduct a hearing on the assessment and hear and consider any and all objections thereto.

NOW, THERFORE, the Board of Directors of the District does hereby find, resolve, determine, and order as follows:

1. The public interest and necessity requires the Board of Directors of the District to adopt this Resolution initiating proceedings to fix, levy, and collect standby charges pursuant to the Act to meet additional financial obligations imposed upon the District by MWD and all administrative costs related thereto.
2. The standby charge proposed to be adopted by the Board of Directors of the District is based upon the report of a qualified engineer, Willdan Financial Services, which is on file with the District, and available for review during regular business hours. The content of the Engineer's Report is incorporated herein in full by this reference, including, but not limited to, any and all statements and determinations specifically relating to each of the following:
 - a. A description of the charge and the method by which it is proposed to be imposed;
 - b. A compilation of the amount of the charge proposed for each parcel subject to the charge;
 - c. A statement of the methodology and rationale followed in determining the degree of benefit conferred by the service for which the proposed charge is made;
 - d. The District's legal ability to fix and adjust a standby charge, the amount of the proposed charge, and the properties affected thereby;
 - e. A description of the lands upon which the charge is proposed to be imposed; and
 - f. The amount of the proposed charge for each of the lands so described.
3. On June 6, 2018, at 8:00 a.m., at the District office located at 1021 East Miramar Avenue, Claremont, California, the Board of Directors will hold a public meeting to consider a Resolution to Adopt Standby Charge, which public meeting shall be

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conducted in the manner set forth in the Act. At the public meeting, the District's Board of Directors may also consider whether to provide that if any charge so adopted becomes delinquent, the amount of the delinquency, together with any interest and penalties thereon, should constitute a lien on the affected property upon the filing of a certificate in the Office of the County Recorder, which lien may have the same force, effect, and priority as a judgment lien. At the public meeting, the District's Board of Directors will hear and consider all objections or protests to the proposed charges pursuant to the requirements of the Act.

4. On June 20, 2018, at 8:00 a.m., at the District office located at 1021 East Miramar Avenue, Claremont, California, the Board of Directors will hold a public hearing to adopt the District's Standby Charge, which hearing shall be conducted in the manner set forth in the Act. At the public hearing, the District's Board of Directors will vote to adopt the Standby Charge Resolution and will also consider whether to provide that if any charge so adopted becomes delinquent, the amount of the delinquency, together with any interest and penalties thereon, will constitute a lien on the affected property upon the filing of a certificate in the Office of the County Recorder, which lien may have the same force, effect, and priority as a judgment lien. At the hearing, the District's Board of Directors will hear and consider all objections or protests to the proposed charges pursuant to the requirements of the Act.
5. The District's General Manager is hereby authorized and directed to cause notice of the date, time, and place of the public hearing on the proposed charges to be duly published prior thereto as required by the Act and Water Code Section 71639(c).

ADOPTED and **PASSED** at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 2nd day of May 2018 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Bob Kuhn, President

ATTEST:

Brian Bowcock, Secretary

SEAL: