



**SPECIAL JOINT MEETING AGENDA
BOARD OF DIRECTORS AND
THE ADVISORY COMMITTEE**

MAY 10, 2018

2 P.M.

**CITY HALL ROTUNDA, 200 LINCOLN AVENUE
SALINAS, CALIFORNIA 93901**

**THE REGULAR MEETING OF THE BOARD OF DIRECTORS FOLLOWS THE
CONCLUSION OF THE SPECIAL MEETING**

- 1. Roll Call**
Board of Directors
Advisory Committee
- 2. Special Board Matters**
 - a. Donna Meyers - Salinas River Stream Maintenance Program
- 3. Groundwater Sustainability Plan**
 - a) Receive report from Derrik Williams, HydroMetrics, Inc.
 - b) Receive Board questions and comments.
 - c) Receive Advisory Committee questions and comments.
 - d) Receive public comments
 - e) Provide direction to staff.
- 4. Adjournment**

The special meeting will adjourn and the Board of Directors will convene in regular session.

**BOARD OF DIRECTORS
REGULAR MEETING AGENDA**

3 P.M.

- 1. Call to Order**
- 2. Roll Call**
- 3. Pledge of Allegiance**

4. General Public Comment

Members of the public may comment on matters within the jurisdiction of the agency that are not on the agenda. Public comments generally are limited to two (2) minutes per speaker; the Chair may further limit the time for public comments depending on the agenda schedule. Comments on agenda items should be held until the items are reached. To be respectful of all speakers and avoid disruption of the meeting, please refrain from applauding or jeering speakers.

5. Special Board Matters

None

6. Consent Items

All matters listed under the Consent Agenda may be enacted by one motion unless a member of the Board, audience, or staff requests discussion or a separate vote.

- a) Approve April 12 regular and special meeting minutes.
- b) Approve the March Financial Reports.
- c) Approve Audit Engagement of Badawi & Associates to audit the GSA financial statements for the seven-month period ended June 30, 2017 and the year ended June 30, 2018

7. Scheduled Items

Receive Staff report, Directors' questions, public comments, Directors' comments and consider Board action on each of the following items.

- a) Receive Preliminary Budget for FY 2018-19
- b) Recommend adoption of **RESOLUTION** approving Memorandum of Understanding with the Monterey County Water Resources Agency for technical and professional support for the development of a Groundwater Sustainability Plan
- c) Adopt Communications Plan for development of the Groundwater Sustainability Plan

8. General Manager's Report

- a) Update on Ninety Day Work Plan

9. Directors' Reports

10. Future Agenda Items

11. Closed Session

a) None

12. Adjournment

MEETING ACCOMMODATION

Disability-related modification or accommodation, including auxiliary aids or services, may be requested by any person with a disability who requires modification or accommodation in order to participate in the meeting. Requests should be referred to Ann Camel, Clerk to the Board at camela@svbgsa.org or 831-471-7519 as soon as possible but by no later than 5 p.m. two business days prior to the meeting. Hearing impaired or TTY/TDD text telephone users may contact the Agency by dialing 711 for the California Relay Service (CRS) or by telephoning any other service providers' CRS telephone number.

VIEWING MEETINGS

Live meetings are televised on Channel 25 at www.youtube.com/thesalinaschannel. The recorded meeting schedule may be viewed at <http://tinyurl.com/salinas25>

AGENDA POSTING

The meeting agenda was posted on May 4, 2018 at www.svbgsa.org, at the City Clerk's Office, in the City Hall Rotunda, 200 Lincoln Avenue, Salinas, CA 93901 and at Monterey County Offices, 1441 Schilling Place, Salinas, CA.



**BOARD OF DIRECTORS
UNOFFICIAL REGULAR MEETING MINUTES
APRIL 12, 2018
GONZALES CITY COUNCIL CHAMBERS
117 Fourth Street, Gonzales, CA**

1. Call to order

The regular meeting convened at 3:45 p.m.

2. Roll call

Present:

Chairperson Joe Gunter
Vice Chair Michael McHatten
Director Tom Adcock (alternate)
Director Luis Alejo
Director Janet Brennan
Director Lou Calcagno
Director Bill Lipe
Director Steve McIntyre
Director Colby Pereira
Director Adam Secondo
Director Ron Stefani

Absent:

None

Also Present: Gary Petersen, General Manager; Charles McKee, Monterey County Counsel; Roberto Moreno, RGS Senior Advisor; Ann Camel, Clerk of the Board

3. Pledge of Allegiance

4. General Public Comments

5. Special Board Matters

a. Prospective Board Field Tours

By consensus, the Board authorized Mr. Petersen to coordinate field tours of the South County Oil Production Facility and Monterey County reservoirs and dams.

6. Consent Items

The Board unanimously voted to approve the Consent Agenda. The Consent Agenda included the following items.

- a) Approved March 8, 2018 regular meeting minutes.
- b) Approved February 2018 Financial Reports.

7. Scheduled Items

- a) Adopt RESOLUTION approving Agreement with Hansford Economic Consulting (HEC) for Operations Funding Options Analysis and Rate Setting Services, and approve a budget transfer to pay for the agreement.

Roberto Moreno introduced Katherine Hansford and Schaelene Rollins of HEC. They would provide fee options in November for presentation to the Board. They would be communicating the need for the fee by March 2019 in order to secure funding by July 2019. The contract would not exceed \$97,000 based on time and material. The Agency would pay approximately \$12,000 in direct costs for a total budget of \$109,000 for a regulatory fee. The cost would increase to \$140,000 for funding subject to Proposition 218. Directors Brennan and McHatten noted that the Budget and Finance Committee recommended approval of the agreement.

The Board voted unanimously to adopt RESOLUTION 2018-02 approving the agreement with Hansford Economic Consulting and approving a budget transfer of \$12,000 to pay for the agreement.

- b) Consider authorizing Board Chair to sign and send a letter to City of Marina declining to cede Salinas Basin Groundwater Sustainability Agency (SVBGSA) Groundwater Sustainability Plan responsibilities to the City of Marina.

Mr. Petersen reported that Marina did not notify the SVBGSA of the Council's action to file a GSA application over three parcels comprising the CEMEX plant. The Department of Water Resources (DWR) advised in writing that they would not recognize Marina and no action was required by the SVBGSA, because the SVBGSA already has been designated as the GSA. However, staff believes that a letter is appropriate to advise Marina that the SVBGSA would not cede responsibility. Marina was noticed of today's meeting.

Norm Groot, Monterey County Farm Bureau, disclosed that the Farm Bureau is an intervener in the Monterey Peninsula Water Supply project. There was a lack of notice by Marina to stakeholders and to the property owners. He urged the Board to send the letter and invite Marina to join the SVBGSA Advisory Committee.

Catherine Stedman, California American Water, stated that Marina's sole motive is to stop their project, and she spoke in support of sending the letter to the City of Marina.

Director Alejo expressed concern that Marina's staff and legal counsel acted without transparency or regard to other agencies. Their map was misleading.

Mr. Petersen noted that Agency Counsel Les Girard has a conflict of interest on this item, which is why Monterey County Counsel McKee is advising the Agency on this project.

The Board voted unanimously to authorize the Chair to sign and send a letter to City of Marina declining to cede SVBGSA Groundwater Sustainability Plan responsibilities to the City of Marina.

- a) Consider adopting a Resolution that will set in motion a process with the State of California Department of Water Resources to subdivide the Paso Robles Sub-basin at the Monterey County Line

Mr. Petersen reported that approximately one-third of the Paso Robles sub-basin is in Monterey County. There are five and possibly six GSAs formed for that single sub-basin, which would require a tremendous amount of the SVBGSA's resources for this critically overdrafted sub-basin. The SVBGSA would pursue an administrative adjustment to the County line. This was initiated by the Water Resources Agency during the first round of basin adjustments, but the application was deemed incomplete. There is a possibility that the portion that the SVBGSA would retain would not be in the critically overdrafted area, giving the SVBGSA two more years to complete its Plan.

Mr. Virsik represents property owners within the sub-basin, who initially urged restraint until the GSAs were established. They are now cautiously supportive.

Ann Myhre, San Ardo, property owner, spoke in support of the recommended action.

Jim Bogart, President and General Counsel of Growers Shippers, supports the staff recommendation. They understand from the Water Resources Agency that no coordination with San Luis Obispo would be required. They highly recommend pursuing a solution that does not require coordination with San Luis Obispo area GSAs. Mr. Petersen stated that he would confirm this with the Water Resources Agency.

Director Lipe moved to approve the staff recommendation. The motion was seconded by Director McIntyre.

Director Alejo asked whether the motion precluded the option for the DWR to approve the original proposal so as not to have to coordinate with San Luis Obispo GSAs. Mr. Petersen stated that the motion would allow staff to restart the same process to accomplish the same thing. What would have to be coordinated is the GSPs.

The Board voted unanimously to adopt RESOLUTION 2018-03 that will set in motion a process with the State of California Department of Water Resources to subdivide the Paso Robles Sub-basin at the Monterey County Line.

8. General Manager's Report

Mr. Petersen provided a report and invited the public to attend the joint meeting of the Board and Advisory Committee on April 19, 2019. On April 24th, the final 90 Day Workplan will be presented to the Board. On April 11th, the \$1.5 million grant award email was received.

9. Directors' Reports

In response to Director Adcock, Mr. Petersen stated that the 4/19/18 joint meeting should contribute to developing a planning process.

Adjournment

The meeting adjourned at 4:45 p.m.



**BOARD OF DIRECTORS
UNOFFICIAL SPECIAL MEETING MINUTES
APRIL 12, 2018, 3 P.M.
GONZALES CITY COUNCIL CHAMBERS
117 Fourth Street, Gonzales, CA**

1. Call to order

The meeting convened at 3 p.m.

2. Roll call

Present:

Chairperson Joe Gunter
Vice Chair Michael McHatten
Director Tom Adcock (alternate)
Director Luis Alejo (arrived at 3:09 p.m.)
Director Janet Brennan
Director Lou Calcagno
Director Bill Lipe
Director Steve McIntyre
Director Colby Pereira
Director Adam Secondo
Director Ron Stefani

Absent:

None

Also Present: Gary Petersen, General Manager; Charles McKee, Monterey County Counsel;
Roberto Moreno, RGS Senior Advisor; Ann Camel, Clerk of the Board

3. Pledge of Allegiance

4. General Public Comments

5. Special Board Matters

a) Presentation by the Deep Water Desalination Project

Kim Adamson, DeepWater Desal General Manager, presented a power point presentation. They are proposing a 25,000 acre foot per year, regional drinking water desalination plant that would be located in Moss Landing. They have a purchase and sale agreement for 110 acres, including 55 buildable acres. The pipes will cross approximately to 100 feet below the harbor bed. Their intake is 130 feet in depth for the least impact to marine species. Pulling water from the head of

the canyon provides extremely clean but cold water. The colder, the less efficient the desalination, so they considered heating options. The data center could pull 150 megawatts, which brings the temperature up and reduces power for desalination. DeepWater Desal would be the private partner of a large company that builds desalination plants, and together they would design, build, and operate the plant for 30 years, and then sell to an off taker, which would be a JPA or a wholesaler. That way the bonding capacity is not tied up. Not typical in public private partnerships is offloading the cost of power.

Director Alejo arrived at 3:09 p.m.

The partnership includes a MOU with Cal Water and the City of Salinas who can form a municipal power agency and buy the power wholesale, which reduces the cost of desalination by 53% . Major milestones include finishing their EIR which would be available at the first quarter of next year. There is nothing on the plant side that would prevent them from building. The Coastal Commission is conducting a staff level review of the EIR. Construction would begin in 2021 and take eighteen months to two year. After the final EIR, they would require 21 other permits that they are currently working on.

The cost of water for the project would be \$35 million in development, and the construction and engineering would be \$350 million, for a total of just under \$400 million. The cost of water would be \$1,900 to \$2,200 per acre foot. The pipeline for Salinas and Castroville is estimated at \$33 million, which is another \$97 per acre foot. Supplying water for Salinas, Castroville, and Marina could pull off 20,500 acre feet. The basin is currently off by 17,000-24,000 acre feet, so this could take care of the problem.

DeepWater Desal planned on building the project and having the users share in the cost. One scenario would charge cities \$1,000 per acre foot for the water, which would be an increase, but not as large as the \$2,000 per acre foot if the balance is divided among the rest of the urban and ag off takers as a \$41 per acre foot surcharge to the rest of the basin. Scenario 2 would share the cost equally, which would increase the surcharge to \$79 per acre foot, plus another \$4 per acre foot for the pipeline.

Director Calcagno stated he does not have any questions on this presentation, as he has a conflict of interest. In response to other Directors questions, Ms. Adamson stated that the subsequent owners would be responsible for any Proposition 218 process. They are seeking a legislative fix to the State rule that pulling subsurface water is the preference, which is a conflict for overdraft areas. The sale of the power plant has no effect on the project, because Shell Energy will provide power, and the purchase and sale agreement was assigned. Some of their MOUs are non-binding. The GSA would have to request their hydrologist to refine the gross cost estimates to provide cost for net extraction.

Tom Virsik stated that the costs for some parts of the valley could be cheaper than the \$2,000 per acre foot.

Nancy Isakson noted that the live broadcast had been interrupted, and asked that the power point be published to the webpage.

Norm Groot would like to know whether there would be sequential or parallel issuance of the 27 permits that are required.

6. Adjournment

The special meeting adjourned at 3:45 p.m.



STAFF REPORT

MEETING DATE: May 10, 2018

AGENDA ITEM: 6b

SUBJECT: Receive March 2018 Financial Reports

RECOMMENDATION:

The Budget and Finance Committee recommends that the Board review and accept the March 2018 financial reports.

BACKGROUND:

Section 10.2 of the Joint Exercise of Powers Agreement forming the Salinas Valley Basin Groundwater Sustainability Agency ("Agency") states "The Agency shall maintain strict accountability of all funds and report all receipts and disbursements of the agency on no less than a quarterly basis." Reports are being presented monthly.

DISCUSSION:

Attached are the following financial statements for the Agency thru March 31, 2018:

- Statement of Revenue & Expense - Budget vs. Actual – shows revenues exceeding expenditures by \$906,430.
- Balance Sheet – shows \$906,432 in cash
- Payment & Disbursement Report – shows detail of deposits and disbursements for the month of March with a net decrease of \$63,757.

The Rabobank Checking account in the Balance Sheet is showing a negative \$22,787 and the Payment & Disbursement Report shows higher disbursements than normal, because the last few disbursement checks were actually paid in April but were inadvertently dated for March.

FISCAL IMPACT:

None.

ATTACHMENT(S):

Financial Statements as stated above

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

Salinas Valley Basin Groundwater Sustainability Agency
Profit & Loss Budget vs. Actual
July 2017 through March 2018

11:48 AM
04/12/2018
Accrual Basis

	Mar '18	Jul '17 - Mar '18	Budget	% of Budget
Ordinary Income/Expense				
Income				
440000 - Member Contributions	0	1,145,000	1,145,000	100%
Total Income	0	1,145,000	1,145,000	100%
Expense				
520000 - Administrative Services	27,603	167,242	255,500	65%
530000 - Groundwater Sustainability Plan			424,006	
530500 - Legal Services		5,013	60,000	8%
540100 - Agency Financing Plan			85,000	
540200 - Facilitation Services			40,000	
540300 - Grant Writing / Lobbying		27,720	62,000	45%
540400 - Outside Specialty Legal Svcs				
540500 - Communications Consultant	1,800	1,800	20,000	9%
550200 - Conferences / Training		1,203	12,500	10%
550300 - Dues and Subscriptions		300	3,000	10%
550600 - Insurance Premium		2,219	2,300	96%
550700 - Legal Notices & Ads			3,000	
550800 - Office Supplies		295	2,500	12%
550900 - Postage and Delivery		3	1,000	0%
551000 - Printing and Reproduction		3,062	6,000	51%
551100 - Office Rent	250	1,300	10,000	13%
551200 - Technology		2,020	3,500	58%
551220 - Website Upgrade			5,000	
551250 - Agenda Management Software			3,600	
551300 - Travel Expense		85	10,000	1%
551400 - Bank Service Charges	19	109	300	36%
551500 - Recruitments		9,551	10,000	96%
551800 - Meals and Meeting Expenses		50	2,500	2%
551810 - Mileage Reimbursement	331	479	1,000	48%
551900 - Board Stipends	1,649	15,338	22,500	68%
Total Expense	31,652	237,789	1,045,206	23%
Net Ordinary Income	-31,652	907,211	99,794	909%
Other Income/Expense				
Other Income				
702000 - Interest Income	1,270	-781	200	-391%
Total Other Income	1,270	-781	200	-391%
Net Other Income	1,270	-781	200	-391%
Net Income	-30,382	906,430	99,994	906%

Salinas Valley Basin Groundwater Sustainability Agency
Balance Sheet
As of March 31, 2018

12:09 PM
04/12/2018
Accrual Basis
Mar 31, 18

ASSETS

Current Assets

Checking/Savings

100100 · Rabobank Checking -22,787

100200 · Rabobank Money Market 130,125

100300 · CalTrust Medium Term Funds 799,094

Total Checking/Savings 906,432

Total Current Assets 906,432

TOTAL ASSETS 906,432

LIABILITIES & EQUITY

Equity

Net Income 906,432

Total Equity 906,432

TOTAL LIABILITIES & EQUITY 906,432

Salinas Valley Basin Groundwater Sustainability Agency

Payment & Disbursement Report

March 2018

12:01 PM

04/12/2018

Accrual Basis

	Type	Date	Num	Name	Memo	Amount
Mar 18						
	General Journal	03/13/2018	4		Account analysis fee for Feb 2018	-19.17
	Bill Pmt -Check	03/26/2018	1065	Adam Secondo	Board Stipends for March 2018 BFC meeting and Board me	-200.00
	Bill Pmt -Check	03/26/2018	1074	Brenda Granillo	Board Stipend March 2018 Board meeting	-100.00
	Bill Pmt -Check	03/26/2018	1066	Colby Pereira	Board Stipends March 2018 Board and Ex. Committee mtg.	-200.00
	Bill Pmt -Check	03/26/2018	1067	Janet Brennan	Board stipend- March 2018 Board meeting & Budget and Fir	-242.13
	Bill Pmt -Check	03/26/2018	1068	Joe Gunter	Board Stipend - March 2018 Board and Ex. Committee meet	-200.00
	Bill Pmt -Check	03/26/2018	1069	Luis A. Alejo	Board Stipend March 2018 Board meeting	-100.00
	Bill Pmt -Check	03/26/2018	1070	Michael McHatten	Board Stipend March 2018 Board , Ex. Committee and Finar	-385.03
	Bill Pmt -Check	03/26/2018	1071	Regional Government Servies	Contract Services February 2018	-32,022.00
	Bill Pmt -Check	03/26/2018	1072	Ronald J. Stefani	March Board Stipend - Board & Ex. Committee meeting, plus	-221.80
	Bill Pmt -Check	03/26/2018	1073	U.S. Bank - CalCard	FedEx shipments; G-Mail accounts; Hotel	-358.83
	Deposit	03/30/2018			Interest	26.18
	Bill Pmt -Check	03/31/2018	1075	Leslie Girard	Mileage reimbursement- Groundwater Sustainability Confere	-331.36
	Bill Pmt -Check	03/31/2018	1076	Regional Government Servies	Administrative services for March 2018	-29,403.00
Mar 18						-63,757.14



STAFF REPORT

MEETING DATE: May 10, 2018

AGENDA ITEM: 6c

SUBJECT: Approve Audit Engagement of Badawi & Associates to audit the GSA financial statements for the seven-month period ended June 30, 2017 and the year ended June 30, 2018

RECOMMENDATION:

The Budget and Finance Committee recommends that the Board approve the audit engagement agreement with Badawi & Associates.

BACKGROUND:

Government Code Section 6505(d), under which the GSA operates, states “When a nonprofit corporation is designated by the agreement to administer or execute the agreement and no public officer is required to perform the functions of auditor or controller as determined pursuant to Section 6505.5, an audit of the accounts and records of the agreement shall be made at least once each year by a certified public accountant or public accountant, and a report thereof shall be filed as a public record with each of the contracting parties to the agreement...”

The Budget and Finance Committee reviewed this item on May 3, and recommends approval.

DISCUSSION:

Regional Government Services (RGS) provides full management services for the GSA. RGS uses Badawi and Associates as their auditors. RGS asked Badawi and Associates to provide a proposal to audit the GSA financial statements. Using the same auditors provides economy of scale making the audit less expensive.

RGS selected Badawi in 2017 as the result of an RFP which was sent to 14 firms of which 4 responded. RGS surveyed its own finance advisors regarding their experience with the responding firms. After interviewing the top firms and checking their references, Badawi was selected. The fee for auditing the GSA for the seven months ended June 30, 2017 and for the year ended June 30, 2018 is the fixed amount of \$5,000.

The audit proposal includes the fiscal year ended June 30, 2017 because the GSA was established as an agency in December 2016. While the GSA received no income, nor paid any expenses in fiscal year 2016-17, it did incur liabilities during the year for board member stipends and mileage reimbursement, which were not paid until the agency began receiving member contributions in FY 2017-18.

Attached is the Technical Proposal that Badawi & Associates provided to RGS when submitting their proposal. It includes the firm’s qualifications, experience and references.

FISCAL IMPACT:

There is no appropriation for audit services in the FY 2017-18 budget. The fee of \$5,000 will be included in the 2018-19 budget, when the work will begin. The audit is scheduled to begin in August 2018.

ATTACHMENT(S):

Badawi & Associates Audit Engagement Letter
Badawi & Associates Technical Proposal for RGS Audits

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

March 9, 2018

To the Board of Directors
of the Salinas Valley Basin Groundwater Sustainability Agency
c/o Regional Government Services Authority
c/o Mr. Jefferson Kise, Finance and Operations Manager
P.O. Box 1350
Carmel Valley, CA 93924

Dear Mr. Kise:

We are pleased to confirm our understanding of the services we are to provide Salinas Valley Basin Groundwater Sustainability Agency ("Agency") for the seven month period ended June 30, 2017 and for the year ended June 30, 2018. We will audit the financial statements of the Agency, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Agency as of and for the seven month period ended June 30, 2017 and for the year ended June 30, 2018. 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 Agency'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 Agency'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) Budgetary Comparison Information

Audit Objective

The objective of our audits is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with 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. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our audits of the Agency's financial statements. Our report will be addressed to the Board of Directors of the Agency. 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 on the financial statements 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 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 audits 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 rather than absolute 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 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 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. 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. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the periods covered by our audits 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, 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 audits, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Control

Our audits 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. 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.

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 Agency's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audits will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements of the Agency in conformity with U.S. generally accepted accounting principles based on information provided by you.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

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) additional information that we may request for the purpose of the audit, and (3) 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 taken 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, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information 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 or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the 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.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the 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 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 or other confirmations we request and will locate any documents selected by us for testing.

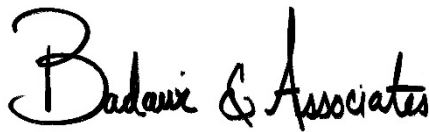
The audit documentation for this engagement is the property of Badawi and Associates, CPAs and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a cognizant or oversight agency or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Badawi and Associates, CPAs personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties or its designee. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit in approximately August 2018 and to issue our report no later than October 1, 2018. Ahmed Badawi is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services is a fixed amount of \$5,000. We will submit our bill for services on a progress basis, and billings are due upon submission. In accordance with our firm policies, work may be suspended if fees are not paid in a timely manner. If the account is not paid in full when due, you agree to pay all expenses of collection, including legal fees. 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.

We appreciate the opportunity to be of service to the Agency 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,

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, CA

RESPONSE:

This letter correctly sets forth the understanding of Salinas Valley Basin Groundwater Sustainability Agency.

By: _____

Title: _____

Date: _____

Regional Government Services (RGS), Local Government Services (LGS), and Municipal Services Authority (MSA), Joint Powers Authorities

TECHNICAL PROPOSAL

For Professional Auditing Services for The Authorities

For the fiscal years ending June 30, 2017, through June 30, 2019 with the option to extend for up to two additional fiscal years

December 23, 2016

Contact Person:

**Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Avenue, Suite 955
Oakland, CA 94612
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com**



The Authorities

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December 23, 2016

Jefferson Kise, Finance and Operations Manager
The Authorities
PO Box 1350
Carmel Valley, CA 93924

Dear Mr. Kise:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the Regional Government Services Authority (RGS), Local Government Services Authority (LGS), and Municipal Services Authority (MSA) ("the Authorities") for the fiscal years ending June 30, 2017 through June 30, 2019 with the option to extend for up to two additional fiscal years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the Authorities in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and The Uniform Guidance as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the Single Audit, if applicable. In addition, we will prepare a management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the Authorities.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the Authorities on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Mr. Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Ave. Suite 1500
Oakland, CA 94612
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports prior to the Authorities' published time frames and commit to you that we will perform the work within the time frames required

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous cities throughout California. We will be responsive to the needs of the Authorities, we understand the Authorities' operational environment, and pledge to you our complete commitment to providing a quality product that meets the Authorities' requirements.

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the Authorities' office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of Authorities operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage of not less than \$1,000,000 each for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

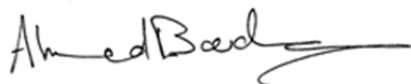
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer valid for 90 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the Authorities. Our past experience provides us with a thorough understanding of the needs and requirements of the Authorities, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi
Partner
Badawi & Associates
Certified Public Accountants

**Firm
Qualifications
and
Experience****Independence**

The Firm is independent of the Regional Government Services Authority (RGS), Local Government Services Authority (LGS), and Municipal Services Authority (MSA) as defined by the GAO's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards for the Authority.

License to Practice in California

The Firm and all key professional staff assigned to Authorities' audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO *Government Auditing Standards*.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

The Firm has met all required State and local laws, rules, and regulations.

Insurance

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as the Authorities' independent auditor, the Firm and our insurance provider will provide a certificate of insurance to the Authorities which shows the minimum requirements identified by the Authorities have been met.

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 18 years of experience working with state and local government. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Oakland, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Oakland office will be the Engagement Office assigned to the Authorities.

In addition to specific city financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment agency reporting requirements.

The Engagement Partner assigned to the Authorities, Mr. Ahmed Badawi. Mr. Badawi has over 18 years of government audit experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the Authorities' finance department.

Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the Authorities' operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of Authorities operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and the Authorities' Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

Initial Planning Meeting:

The Engagement Partner and Manager will meet with the Authorities' Management to discuss the audit approach, identify specific needs of the Authorities' Management, and familiarize themselves with the Authorities' policies and practices.

Interim:

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements, identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and the Authorities' Management of the year end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the Authorities on providing a list of those tasks that we will target to complete during interim and work with the Authorities on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the Authorities in meeting its goal of issuing the basic financial statements by the desired deadline.**

Year end:

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

Reporting:

Auditor's reports for all Authorities reporting entities and compliance requirements will be finalized along with the Management Letter comments. The Partner and Manager will be available to make presentations to the Board of Directors and/or designated bodies.

Firm Experience

The Firm is located in Oakland, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm's professional staff members provide the financial background and specific experience to meet the Authorities' operational needs. Additionally, this situation provides the Authorities with an auditing firm that has depth in capabilities to address any financial issue the Authorities may need assistance with, and the quality audit approach that you expect.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the Authorities that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of the Authorities' processes, and benefiting the Authorities with his broad municipal experience. We have found that this effort benefits the Authorities and the Firm through developing a thorough knowledge of the Authorities' practices and issues and establishing a close working relationship with the Authorities' Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- Cities
- Counties
- Redevelopment Agencies
- Financing Authorities
- Housing Authorities
- Electrical Utilities
- Special Districts
- Water Districts
- Waste Management Authorities and Operations
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Risk Pools
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- Federal and State Grants

In addition, most of our clients require that Single Audits also be conducted.

We perform our audits in a detailed manner utilizing approaches developed internally that comply with the authoritative literature currently issued by the AICPA, GASB, FASB, GAO, Single Audit Act, OMB, and the California State Controller's Office. And we do this with minimal disruption to our clients and within the time frame required.

Additional Activities

We offer a full range of accounting and finance services to the governmental sector. These services include:

- Financial audits
- Compliance audits
- Tax advice
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Operational reviews
- Technical guidance on existing and upcoming accounting issues
- Training seminars
- Pension/profit-sharing plans
- Performance audits
- Business consulting

Consequently, Firm personnel are well qualified to perform the services expected by the Authorities.

Client Training Seminar

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in locations throughout California.

CSMFO Training

The Firm provides a one-day training session entitled "Introduction to Governmental Accounting" to members of CSMFO. Firm personnel developed the class materials and teach the sessions. Approximately 10 sessions are held annually at various locations throughout the State. The Firm provides these sessions for only the cost of materials to CSMFO in keeping with its philosophy to support the industry in which it serves

Free Services:

The Firm is offering 20 hours of services free to the Authorities to use for consulting purposes as long as the service requested does not impair our independence as the Authorities auditors. Examples of such services are tax related issues, implementation of GASB statement, review of cash receipts process.

Quality Control Review

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



JOHN LERIAS, CPA
STEPHEN C. WILLIAMS, CPA
JOSEPH O. ROMERO, CPA

System Review Report

Badawi & Associates

Oakland, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 29, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 29, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Badawi & Associates has received a peer review rating of *pass*.

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Suite 100
Ontario, CA 91764

909.948.9990
800.644.0696
FAX 909.948.9633

gyld@gyldecauwer.com
www.gyldecauwer.com

GYL Decauwer LLP

Ontario, California
May 20, 2016

your
Success
is our
DESTINATION

All members of B&A are very familiar with the stringent quality control standards established by the AICPA.

The Firm is a member of the AICPA Government Audit Quality Center.

The Firm is a member of the AICPA Private Companies Practice Section.

Federal or State Desk Reviews

The Firm has had no negative federal or state reviews in the past three (3) years.

Disciplinary Action

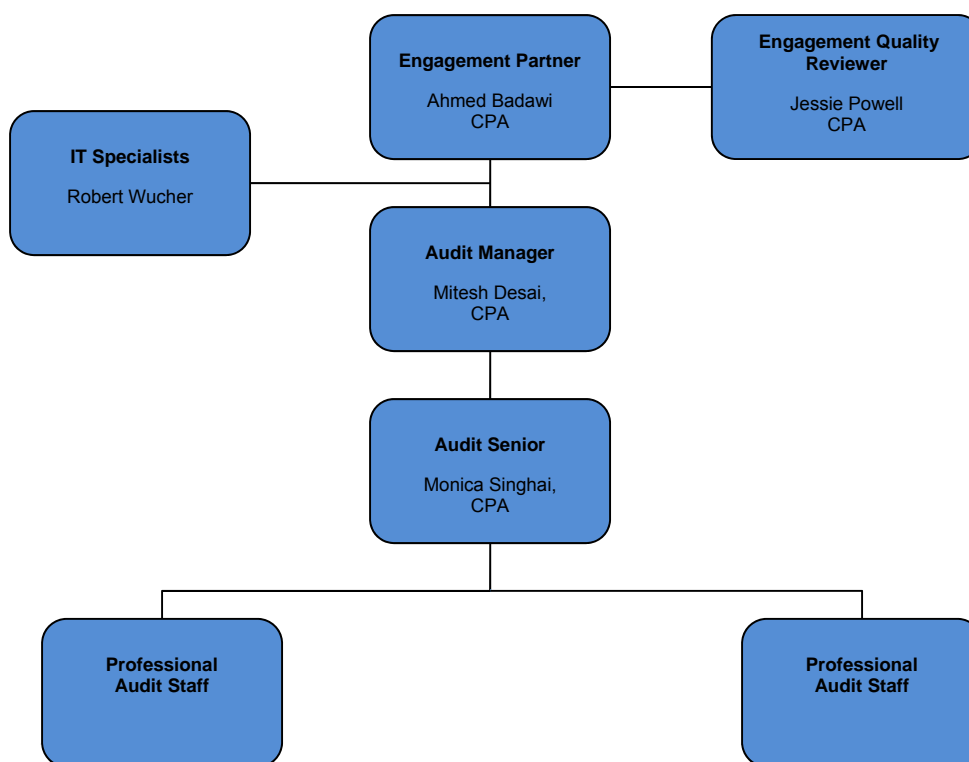
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Contract Termination and Legislations:

The Firm has not experienced termination of any contracts before completion, and has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

Partner, Supervisory, and Staff Qualifications and Experiences

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the Authorities with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi's background includes over eighteen years of municipal auditing experience. He is the instructor of the CSMFO "Introduction to Governmental Accounting" training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee, the Accounting Principles and Auditing Standards Committee and the State Technology Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Mr. Badawi is licensed as a CPA with the ability to attest an opinion on an audit.

The second member of the Engagement Team is Mitesh Desai, CPA. Mr. Desai's background includes eight years of experience in municipal auditing. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their CAFRs in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. He will serve as the Audit Manager.

The third member of the Engagement Team is Monica Singhai, CPA. Mrs. Singhai's background includes over fourteen years of experience in municipal auditing experience. She has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mrs. Singhai will be the Senior of this engagement.

The fourth member of the Engagement Team is Robert Wucher. Mr. Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care and not-for-profit organizations.

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

Professional Development:

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.
- Review of newly issued generally accepted auditing standards and GAO auditing standards.
- Review of Internal Control evaluation approaches including COSO principles.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control work paper techniques.
- Review of GASB reporting requirements.
- Review of current issues facing the governmental community.

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Governmental Accounting Principles.
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the Authorities.

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the Authorities in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.

Ahmed Badawi, *Certified Public Accountant* – Engagement Partner**Length of Career**

- Eighteen years' experience in municipal auditing.
- Certified Public Accountant for the State of California.

Professional Experience

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Antioch	X	X		X	X	X
Albany	X	X	X			X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Redwood City	X	X	X		X	X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
San Mateo	X	X	X		X	X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
Special Districts and Other:						
Port of Redwood City	X	X				X
Marin Municipal Water District	X					X
Coastside Fire Protection District	X					X
Alameda County Water District	X				X	X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
West County Wastewater District	X					X
Health Care:						
Alameda County Medical Center	X	X				X
Family HealthCare Network	X					X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous CAFRs.

Education

- BS Degree in Accounting from the University of Alexandria, Egypt.

Professional Activities

- Instructor, CSMFO's "Introduction to Governmental Accounting" training class.
- Member, CALCPA Government Accounting and Auditing Committee
- Member, CALCPA Accounting Principles and Auditing Standards Committee
- Member, CALPCA State Technology Committee
- Member, American Institute of Certified Public Accountants.
- Member, California Society of Certified Public Accountants.
- Member, Government Finance Officers Association.
- Member, California Society of Municipal Finance Officers.
- Chair, Audit Committee, San Francisco SPCA, a CA nonprofit organization
- Member, Board of Directors, San Francisco SPCA

Continuing Education

Has met the current CPE educational requirements to perform audits on governmental agencies

Mitesh Desai, *Certified Public Accountant* – Professional Audit Manager**Length of Career**

- Eight years' experience in municipal auditing.
- Certified Public Accountant for the State of California.

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Financial Audit	Single Audit	Services Provided			Enterprise Fund	Other
			RDA Audit	PFA Audit			
Cities:							
Antioch	X					X	X
Albany	X						
Barstow	X	X				X	X
Berkeley	X	X	X			X	X
Buena Park	X	X				X	X
Foster City	X	X	X			X	X
Fremont	X	X	X			X	X
East Palo Alto	X	X				X	X
Lemon Grove	X					X	
Newark	X	X	X				X
Menlo Park	X					X	X
Oakdale	X	X				X	X
Pittsburg	X	X	X			X	X
Placerville,	X	X				X	X
Redwood City	X	X				X	X
Rio Vista	X		X			X	X
San Mateo	X	X	X			X	X
Susanville	X						
Turlock	X					X	X
Union City	X					X	X
Vacaville	X	X	X	X			X
Yountville	X					X	X
Counties:							
Contra Costa	X	X	X	X		X	X
Glenn		X					
Santa Cruz	X	X	X	X		X	X
Other:							
Alameda County Water District	X						X
Alameda County Medical Center	X	X					X
Castro Valley Sanitary District	X						
Cosumnes Community Services District	X						
Golden Valley Health Centers	X						X
Marin Municipal Water District	X						
West County Wastewater District	X						X
Contra Costa Child Development Programs	X						X
Stanislaus County Childcare	X						X

Education

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

Professional Activities

- * Member, American Institute of Certified Public Accountants.
- * Member, California Society of Certified Public Accountants.
- * Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

Monica Singhai, *Certified Public Accountant* – Professional Audit Senior**Length of Career**

- Fourteen years' experience in auditing with special focus on municipalities.
- One year experience in accounting related position.
- Certified Public Accountant for the State of California.

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits and PFA audits

	Services Provided				
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund
Cities:					
City of Berkeley	X	X			X
City of East Palo Alto	X				X
City of Menlo Park	X	X			X
City of Redwood City	X	X			X
Special District:					
Alameda County Fire District	X				
Alameda County Law Library	X				
Burbank Sanitary District	X				X
Lions Gate Community Service District	X				
Los Medanos Community Health Care District	X				
Oakland-Alameda County Coliseum Authority	X				
School District:					
Bayshore Elementary School District	X				
Belmont-Redwood Shores School District	X	X		X	
Brisbane School District	X				
Jefferson Elementary School District	X	X			
La Honda-Pescadero Unified School District	X	X		X	
Pacifica School District	X	X			
Ravenswood City School District	X	X			X
Redwood City School District	X	X			
San Mateo-Foster City School District	X	X			X
Charter schools:					
Oakland Military Institute College Preparatory Academy	X	X			
Sacramento Valley Charter School	X				
West Sacramento College Prep Charter School	X				
First 5:					
First 5 Alameda County	X	X			
First 5 Inyo County	X				
First 5 Marin County	X				
First 5 Monterey County	X				
First 5 Santa Cruz County	X				
Others:					
Alameda County Housing Community Development Agency	X	X			X
Alameda County Redevelopment Agency	X		X		
Alameda County Successor Agency	X				
City of Oakland - Measure C	X				
City of Oakland - Measure Y	X				
City of Oakland - Child Care and Development Program	X				
City of Oakland - Wildfire Prevention Assessment District	X				

Education

- Bachelor of Science in Accounting from Jabalpur University, India.

Professional Activities

- * Member, California Society of Certified Public Accountants.
- * Member, Institute of Chartered Accountants of India.

Continuing Education

- Various local governments and not for profit accounting courses offered by the California Society of CPAs and AICPA including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Single Audit

Has met the current CPE educational requirements to perform audits on governmental agencies.

Robert Wucher – Information Technology Specialist

Robert Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care, and not-for-profit organizations.

Areas of Expertise

- Systems Auditing and Controls Review (SEC AU-314, SAS-109, SAS-94)
- Sarbanes-Oxley, Section 404 IT Compliance Consulting and Auditing
- Journal Entry Analysis in Support of SAS-99 using IDEA by Caseware
- SSAE-16 (SOC 1,2 & 3), Type I & II Reporting (Formerly SAS-70)
- ERP/MRP System Reviews and Workflow Analysis
- Software as a Service (SaaS) Cloud Computing Technologies
- International and Multinational Company IT Audit Expertise
- Forensic Data Analysis and Litigation Support in Support of Fraud Auditing
- Systems Selection and Request-for-Proposal (RFP) Development
- Systems Programming and Data Conversion
- Systems Failure Analysis and Quality Improvement
- E-Commerce and EDI Systems
- Information Technology Strategic Planning
- System Process/Procedures Development and Implementation
- Disaster Recovery and Business Continuity Planning

Publications

- Author, The Top Five Tips Every Technology Executive Needs to Know About Sarbanes-Oxley, Published 2007, Aspatore Books
- Author, Winning Legal Strategies for Technology & E-Business, An Overview of IT Controls Under Sarbanes-Oxley Published 2005, Aspatore Books

Presentations

- IT Security Trends
- Data Privacy and Cloud Computing
- IT Trends and Red Flag Rule
- IT Controls for NFP Organizations

Education

- B.S. degree in Business Administration, Finance, Old Dominion University, Norfolk, VA.

Professional and Civic Associations

- Member, Information Systems Audit and Control Association (IASCA)
- MAS-90 Accounting Application Suite Qualified Installer, SAGE Systems
- Former Board Member, Pets are Wonderful Support (PAWS), San Francisco, CA

Jessie Powell, CPA – Engagement Quality Reviewer

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Prior to the establishment of Powell & Spafford, Inc. Certified Public Accountants in 1999 she was a shareholder of a large local firm - Soren McAdam Bartells. She joined the firm of Soren McAdam Bartells (formerly Ziilch McAdam & Copeland) in 1982 and became a shareholder in 1987.

Jessie is a member of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA). She has served as team captain for the AICPA Peer Review Program through the CalCPA Peer Review Program for many years and was a member of the CalCPA Peer Review Committee. She has chaired the CalCPA Accounting Principles and Auditing Standards Committee and is still active on this committee. She also sits on the CalCPA Governmental Accounting & Auditing Committee; has sat on various task forces for the Society, is a past president of the local Inland Empire Chapter of CalCPA; past treasurer of CalCPA and a former committee member of the CalCPA Group Insurance Trust. Jessie is also a former member of the California State Board of Accountancy Administrative Committee. She has taught governmental and nonprofit audit and accounting classes at the university level and for practitioners including the annual CalCPA Accounting & Auditing Conference.

In her local community of Redlands, Jessie is current board member and former treasurer of Kimberly-Shirk Association, current board member and former president and treasurer of the YMCA of the East Valley and past treasurer of the Redlands Community Music Association and Family Service Association of Redlands. She is also a past treasurer and president of Soroptimist International of Redlands, of which she is still a member and actively involved. She is also an active member of the Redlands Chapter of the American Association of University Women.

Education	California State University, Long Beach
	Bachelor of Science, Business Administration

**Similar
Engagements
with Other
Governmental
Entities**

The following are similar engagements performed ranked based on the basis of total staff hours:

- 1) Dublin San Ramon Services District
 1. Scope of Work:, Comprehensive Annual Financial Report, Agreed Upon Procedures,
 2. Date of Service: Fiscal year ended June 30, 2015
 3. Hours: 350
 4. Engagement Partner: Ahmed Badawi
 5. Principal Contact:
Ms. Karen Vaden
Accountant II

- 2) Marin Municipal Water District
 6. Scope of Work: Comprehensive Annual Financial Report, Single Audit
 7. Date of Service: Fiscal years ended June 30, 2010-2015
 8. Hours: 350
 9. Engagement Partner: Ahmed Badawi
 10. Principal Contact:
Mrs. Oreen Delgado
Finance Manager
(415) 945-1425

- 3) Florin Resource Conservation District/Elk Grove Water District
 11. Scope of Work:, Comprehensive Annual Financial Report
 12. Date of Service: Fiscal year ended June 30, 2015
 13. Hours: 350
 14. Engagement Partner: Ahmed Badawi
 15. Principal Contact:
Mr. Jim Malberg
Treasurer
(916)685-3556

The table below lists all special district engagements:

Special District	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	Single Audit	Enterprise Funds
Dublin San Ramon Services District	2015	350	Ahmed Badawi	Ms. Karen Vaden Accountant II (925)875-2276 vaden@dsrsd.com	Yes	Pending		X
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Ahmed Badawi	Mr. Jim Malberg Treasurer (916)685-3556 jmalberg@egwd.org	No	Pending		X
Marin Municipal Water District	2010	350	Ahmed Badawi	Mrs. Oreen Delgado Finance Manager (415)945-1425 odelgado@marinwater.org	Yes	Yes	X	X
Castro Valley Sanitary District	2008	200	Ahmed Badawi	Mr. Roland Williams General Manager (510)537-0757 rwilliams@cvsan.org	No	Pending	X	X
Central County Fire Department	2012	200	Ahmed Badawi	Ms. Jan Cooke Finance Director (650)375-7408 jcooke@hillsborough.net	Yes	Yes		
Cosumnes Community Services District	2008	350	Ahmed Badawi	Mr. Jeff Ramos General Manager (916)405-7150 jefframos@yourcsd.com	Yes	Yes		
Port of Redwood City	2006	200	Ahmed Badawi	Mr. Rajesh Sewak Manager of Finance & Admin. (650)306-4150 rsewak@redwoodcityport.com	No	N/A	X	X

The table on the following page lists City engagements that encompassed issuing a Comprehensive Annual Financial Report (resulting in a GFOA award), audit of enterprise activities, or encompassed performance of a Single Audit in the past three years

The Authorities

Technical Proposal

	City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/ Successor Agency	Single Audit	TDA	Child Care Audit	Housing Authority	Enterprise Funds
**	Berkeley	2008	1800	Ahmed Badawi	Mr. Henry Oyekanmi Finance Director (510)981-7300 hoyekanmi@ci.berkeley.ca.us	Yes	Yes	X	X	X			X
**	Redwood City	2006	600	Ahmed Badawi	Mr. Derek Rampone Financial Services Manager (650)780-7071 drampone@redwoodcity.org	Yes	Yes	X	X	X			X
**	San Mateo	2004	500	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)522-7104 dcorbett@cityofsanmateo.org	Yes	Yes	X	X	X			X
**	Vacaville	2008	600	Ahmed Badawi	Mrs. Davina Hatfield Accounting Manager (707)449-5104 dhatfield@cityofvacaville.com	Yes	Yes	X	X	X		X	X
*	Union City	2006	600	Ahmed Badawi	Ms. Gayle Okada Supervising Accountant (510)675-5352 gayleo@unioncity.org	Yes	Yes	X	X	X			X
*	Antioch	2005	470	Ahmed Badawi	Ms. Dawn Merchant Finance Director (925)779-6135 Dmerchant@ci.antioch.ca.us	Yes	Yes	X	X	X			X
	Menlo Park	2014	514	Ahmed Badawi	Mr. Rosendo Rodriguez Finance Director (650)330-6640 RRodriguez@menlopark.org	Yes	Yes	X	X	X	X		X
	Newark	2009	550	Ahmed Badawi	Ms. Susie Woodstock Director of Administrative Services (510)578-4804 susie.woodstock@newark.org	Yes	Yes	X	X	X			
	Albany	2008	380	Ahmed Badawi	Mr. David Glasser Finance & Administrative Service Director (510)528-5730	Yes	Yes	X		X			X
	Rio Vista	2009	480	Ahmed Badawi	Ms. Mary Lee Sharer Finance Manager (707)374-6451 Ext. 1118 mlsharer@ci.rio-vista.ca.us	No	N/A	X	X	X			X
	Barstow	2012	550	Ahmed Badawi	Ms. Cindy Prothro Finance Director (760)255-5115 cprothro@barstow.ca.org	Yes	Yes	X	X				X
	Buena Park	2013	500	Ahmed Badawi	Mr. Sung Hyun Finance Director (714)562-3717 shuyn@buenapark.com	Yes	Yes	X	X				X
	Susanville	2013	450	Ahmed Badawi	Mr. Jared Hancock City Administrator (530)252-5100 jhancock@cityofsusanville.org	Yes	CSMFO						X
	East Palo Alto	2014	450	Ahmed Badawi	Ms. Brenda Olwin Finance Director (650)853-3122 bolwin@cityofepa.org	Yes	Yes	X	X				X
	Millbrae	2015	400	Ahmed Badawi	Mr. Kenneth Spray Finance Director (650)259-2433 kspray@ci.millbrae.ca.us	Yes	N/A	X					X
	Calimesa	2013	350	Ahmed Badawi	Ms. Bonnie Johnson Finance Director (909)795-9801 ext 231 bjohnson@cityofcalimesa.net	No	N/A						
	Yountville	2015	300	Ahmed Badawi	Mrs. Maria Ojeda Finance Director (707)944-8851 marrow@yville.com	No	N/A						X
	Lemon Grove	2013	350	Ahmed Badawi	Mr. Gilbert Rojas Finance Director (619)825-3803 grojas@lemongrove.ca.gov	No	N/A	X					X
	Crescent City	2014	300	Ahmed Badawi	Ms. Linda Leaver Finance Director (707)464-7483 x224 lleaver@crescentcity.org	No	N/A	X	X			X	X

The following is a partial list of selected governmental agencies for which our professional staff members have performed auditing services in accordance with generally accepted auditing standards, GAO auditing standards, Single Audit Act, OMB requirements, and other regulatory requirements.

Water District:

- Alameda County Water District
- South Coast Water District
- Marin Municipal Water District

Special Districts

- Dublin San Ramon Services District
- Livermore-Amador Valley Water Management Agency
- Port of Redwood City
- Cosumnes Community Service District
- Central County Fire District
- Coastside Fire Protection District
- Castro Valley Sanitary District
- West-County Wastewater District
- South Bayside Systems Authority

City Governments:

- | | | |
|------------------------|-----------------------|----------------------------|
| • City of Pittsburg | • City of Sunnyvale | • City of East Palo Alto |
| • City of Brisbane | • City of Burlingame | • City of Ceres |
| • City of Eureka | • City of Fairfield | • City of Foster City |
| • City of Santa Cruz | • City of Saratoga | • City of Menlo Park |
| • City of Oceanside | • City of Petaluma | • City of Sanger |
| • City of Dublin | • City of Fremont | • City of Ridgecrest |
| • City of Redding | • City of Los Altos | • City of San Buenaventura |
| • City of San Rafael | • City of Richmond | • City of Shafter |
| • City of Rocklin | • City of San Bruno | • City of Buena Park |
| • City of Walnut Creek | • City of San Leandro | |

County Governments

- County of Contra Costa
- County of Glenn
- County of Lassen
- County of Santa Cruz

Housing

- Vacaville Housing Authority
- Crescent City Housing Authority
- Solano County Housing Authority

Child Care Programs

- Contra Costa County Child Care Program
- Stanislaus County Child Care Program
- City of Menlo Park Child Care Program

What Our Clients Say About Us

In addition to the references provided in Appendix A, we have also provided contact information for all our clients on the previous page if you would like to speak to any of them about their experience with us. These are some of the things our clients have said about us.

“I have found Badawi and Associates to be a thoroughly professional and responsive firm. Their depth of governmental accounting and auditing knowledge is excellent and their staff are highly skilled professions. Delivery of services are timely and I would highly recommend them for any engagement you may consider”

***Richard Arrow
Finance Director
Town of Yountville***

“I would recommend Badawi & Associates to anyone seeking professional and knowledgeable audit services”

***Sung Hyun
Finance Director
City of Buena Park***

“This was the District’s first year with Badawi & Associates and I found the entire team to be responsive, thorough, detailed and professional. Not only was this a first year audit, but we also implemented GASB 68 and completed a major restatement of the District’s Capital Assets. With all of those moving pieces, this was by far the smoothest first year audit that I have ever participated in.”

***Jim Malberg
Finance Manager
Florin Resource Conservation District/
Elk Grove Water District***

Understanding of Services to be Provided

The Authorities desire an audit of the financial records for the Authorities and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2017 – 2019 with the option to extend for up to two additional fiscal years.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement which includes but is not limited to the financial statements of governmental activities, business type activities each major fund and all aggregate remaining fund information in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of its combining and individual non-major and fiduciary fund financial statements and schedules in conformity with generally accepted accounting principles. The Firm will provide an “in-relation-to” report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Provide an “in-relation-to” report on the schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements, if applicable.
- Perform the audit in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office’s (GAO) Government Auditing Standards, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and The Uniform Guidance
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year’s financial statements:
 - Independent Auditor’s Report Opinion on Financial Statements and Schedule of Expenditure of Federal awards
 - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Not to be included with CAFR)
 - Management Letter comments on Internal Controls
 - Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance, if applicable
 - Schedule of findings and questioned costs, if applicable
 - Auditor’s Communication with Those Charged with Governance
 - Financial statements of the Authorities including supplementary information for each Joint Powers Authorities
- Provide general consultation on financial accounting and auditing matters to the Authorities as needed.
- Retain all working papers and reports at the audit firm’s expense for a minimum of 7 years. In addition, make working papers available to the Authorities and/or any government agency as appropriate.

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the Board of Directors and management detailing auditor’s responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention,

difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to the Authorities' management.

The Firm's Partner and Staff welcome the opportunity to make presentations to the Board of Directors and will be ready to respond to questions from the Board and citizens of the Authorities.

Specific Audit Approach

Objectives of Our Services

The basic objective of our audit of the Authorities is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the Authorities:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

Audit Approach

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the Authorities, to perform the audit of the Authorities' financial records in a timely manner with minimal disruptions to office operations, and to meet the Authorities' timeline.

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and the Uniform Guidance.
- 4) Requirements issued by the California State Controller's office.
- 5) Other requirements as required.

We will conduct the necessary audit steps to perform:

- Planning of the engagement.
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement.
- Determination of degree of compliance with laws, regulations, grant provisions, and the Authorities' approved policies.

- Assessment of potential fraudulent issues.
- Validation of account balances.
- Verification of reasonableness of management estimates.

The audit approach will consist of four phases:

- Initial Planning Meeting
- Interim Fieldwork & Internal Control Evaluation
- Final Fieldwork
- Reporting

Technical Approach

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. Planning, Understanding and Communication:

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the Authorities. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. In-Depth Review of Systems and Controls:

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the Authorities and understanding and experience with the Authorities' accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the Authorities' internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. Risk-Based Customized Testing Program:

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets/ Statement of Net Assets
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

4. Expanded Interim Fieldwork:

Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with the Authorities' staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized.

Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized.

5. **Smooth Transition:**

Our testing program focuses on audit risks identified by our understanding of the Authorities' operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and the Authorities' staff will be fluid and continuous.

6. **Sample Size and Sampling Techniques:**

Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.

7. **Automated Systems:**

We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

Our Information Technology Specialists Group will evaluate the IT operating control environment.

8. **Analytical Procedures:**

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the Authorities to benefit from these procedures.

9. **Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:**

We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the Authorities are the Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution GANN Limit requirements, requirements of local measures, etc.

10. **Report Format:**

We will meet with the Authorities' Management to review report formats. Any report format changes will be made in conjunction with approval from the Authorities' Management.

11. **Work Plans:**

The detailed work plans will be designed to efficiently and effectively address the audit requirements of the Authorities in accordance with generally accepted auditing standards, to perform the audit of the Authorities' financial records in a timely manner with minimal disruptions to office operations, and to meet the Authorities' timeline.

12. Adjusting Journal Entries:

We will discuss and explain proposed audit adjusting entries with the Authorities' designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the Authorities' general ledger system.

13. Listing of Schedules and Tables (anticipated to be prepared by the Authorities):

Based on preliminary inquiries made with management and the Authorities' staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the Authorities for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional Authorities staff hours.

The following is a listing of significant reconciliations that we would normally expect the Authorities to provide to us in assisting us in conducting our audit.

- Trial Balance
- CAFR and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the Authorities
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Compensated Absences Schedules
- Claims Payable schedules
- Calculation for estimate for Pollution Remediation obligation
- PERS and OPEB Roll Forward & Supporting Schedules
- GASB 54 Fund Balance Roll Forward Schedule
- Interfund Transaction Schedules

Audit Schedule

2016-2017 Period	Audit Tasks
	Award of Contract
May-June	<u>Interim Audit Procedures:</u>
	- Planning and Administration
	<ul style="list-style-type: none"> ▸ Entrance conference with the Authorities' Management to discuss audit approach, timing, assistance, and issues ▸ Review and evaluate the Authorities' accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. ▸ Prepare overall memo to the Authorities confirming audit procedures, timing, and assistance. ▸ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by the Authorities' staff, and provide it to the Authorities' Management.
May-June	- Internal Control Evaluation
	<ul style="list-style-type: none"> ▸ Meeting with key Finance Division personnel. ▸ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation: <ul style="list-style-type: none"> General ledger system. Budgeting system. Revenue, utility billing, accounts receivable, and cash collections. Purchasing, expenditures, accounts payable, and cash disbursements. Payroll. Federal Financial Assistance. Other systems. ▸ Identify control risks. ▸ Evaluate IT control environment. ▸ Perform testing of the internal control system and evaluate the effectiveness of the Authorities' systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with the Authorities' policies. ▸ Conduct fraud assessment procedures. ▸ Assess degree of risk for material misstatement. ▸ Provide to the Authorities' management a memo concerning management letter points and identify issues, if any.

Audit Schedule, Continued

2016-2017 Period	Audit Tasks
May - June	<p data-bbox="493 464 623 489">- Other Tasks</p> <ul style="list-style-type: none"> <li data-bbox="513 527 1224 552">▸ Review minutes of the Authorities' Board meetings and other key committees. <li data-bbox="513 562 1281 642">▸ Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. <li data-bbox="513 653 1008 678">▸ Preliminary Single Audit and other compliance testing <li data-bbox="513 688 1240 1016">▸ Coordinate with the Authorities' staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li data-bbox="548 741 691 766">Bank accounts. <li data-bbox="548 777 786 802">Investment pool accounts. <li data-bbox="548 812 737 837">Accounts receivable. <li data-bbox="548 848 688 873">Federal grants. <li data-bbox="548 884 899 909">Revenue from governmental agencies. <li data-bbox="548 919 753 945">Bond and other debts. <li data-bbox="548 955 675 980">Pension plan. <li data-bbox="548 991 691 1016">Attorney letters. <li data-bbox="548 1026 729 1052">Others, as required. <li data-bbox="513 1026 1195 1052">▸ Provide the Authorities with audit plan and list of year end audit schedules. <li data-bbox="513 1083 1070 1108">▸ Hold progress conference with the Authorities' Management. <li data-bbox="513 1119 1024 1144">▸ Hold exit conference with the Authorities' Management.
August - September	<p data-bbox="493 1203 781 1228"><u>Final Field Work Procedures:</u></p> <ul style="list-style-type: none"> <li data-bbox="513 1262 1024 1287">▸ Entrance conference with the Authorities' Management. <li data-bbox="513 1297 915 1323">▸ Follow-up on all outstanding confirmations. <li data-bbox="513 1333 1281 1413">▸ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. <li data-bbox="513 1423 1224 1472">▸ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual. <li data-bbox="513 1482 1281 1562">▸ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing the Authorities' staff. <li data-bbox="513 1593 1273 1650">▸ Perform review of subsequent events by discussions with the Authorities' Management and update all minutes of the Authorities' Board and key committees. <li data-bbox="513 1661 1273 1686">▸ Provide Preliminary Financial Statement to the Authorities' Management for review

Audit Schedule, Continued

2016-2017 Period	Audit Tasks
August - September	<p data-bbox="532 449 1081 476">- Single Audit Compliance and Other Compliance (If applicable)</p> <ul style="list-style-type: none"> <li data-bbox="552 510 1013 533">▸ Entrance conference with the Authorities' Management. <li data-bbox="552 535 943 558">▸ Obtain Federal Financial Assistance Schedule. <li data-bbox="552 560 1154 583">▸ Determine grants to be considered as major programs including clusters. <li data-bbox="552 585 1230 638">▸ Perform audit tests of major grant programs and compliance with Federal Law and Regulations. <li data-bbox="552 640 1175 693">▸ Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements. <li data-bbox="552 695 1065 718">▸ Coordinate Single Audit efforts with the Financial Audit efforts. <li data-bbox="552 720 1008 743">▸ Communicate findings to the Authorities' Management. <li data-bbox="552 745 712 768">▸ Other Compliance
October - November	<p data-bbox="532 833 634 856"><u>Reporting:</u></p> <ul style="list-style-type: none"> <li data-bbox="552 898 1081 921">▸ Create and review drafts of the Authorities' financial statements. <li data-bbox="552 924 1175 1003">▸ Review draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs, if applicable <li data-bbox="552 1005 935 1029">▸ Produce and review other reports as required. <li data-bbox="552 1031 1105 1054">▸ Provide drafts of reports to the Authorities' Management for review.
November 22	<p data-bbox="532 1106 1170 1134">- Management Letter, Final Audit Reports, Financial Statements delivered.</p>
December	<p data-bbox="532 1157 932 1184">- Single Audit Reports delivered (if applicable)</p>

Discussion of Relevant Accounting Issues

We do not anticipate that there will be any audit problems at the Authorities. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
 - Review and evaluate that the Authority's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
 - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
 - Review and evaluate degree of compliance with the various GASBs in effect.
 - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
 - Review and evaluate the Authority's internal control functions and ascertain compliance with proper internal control philosophies.
 - Review computer system processes and controls and evaluate adequacy of the control environment.

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

2017

- Statement 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Statement 77 – Tax Mosquito Abatement Disclosures
- Statement 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
- Statement 80 – Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14
- Statement 82 - Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73

2018

- Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension
- Statement 81 – Irrevocable Split-Interest Agreements

Conclusion

A client relationship with the Authorities will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the Authorities. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the Authorities.
- Assisting the Authorities in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the Authorities and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the Authorities and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

Appendix A

References

- 1) Cosumnes Community Services District
 16. Scope of Work: Comprehensive Annual Financial Report, Gann Limit
 17. Date of Service: Fiscal years ended June 30, 2008-2015
 18. Engagement Partner: Ahmed Badawi
 19. Principal Contact:
Mr. Jeff Ramos
General Manager
8820 Elk Grove Blvd, Elk Grove, CA 95624
(916) 405-7150
jefframos@yourcsd.com
- 2) Marin Municipal Water District
 20. Scope of Work: Financial Statements, Single Audit
 21. Date of Service: Fiscal years ended June 30, 2010-2015
 22. Engagement Partner: Ahmed Badawi
 23. Principal Contact:
Mrs. Oreen Delgado
Finance Manager
220 Nellen Ave, Corte Madera, CA 94925
(415) 945-1425
odelgado@marinwater.org
- 3) Florin Resource Conservation District/ Elk Grove Water District
 24. Scope of Work: Comprehensive Annual Financial Report, Single Audit
 25. Date of Service: Fiscal years ended June 30, 2015-Present
 26. Hours: 350
 27. Engagement Partner: Ahmed Badawi
 28. Principal Contact:
Mr. Jim Malberg
Treasurer
(916)685-3556
- 4) City of San Mateo
 29. Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure A (San Mateo County), Due Diligence Reviews for the RDA Successor Agency
 30. Contract Amount: \$60,000
 31. Engagement Partner: Ahmed Badawi
 32. Address: 330 W 20th Avenue, San Mateo, CA 94403
 33. Principal Contact:
Mr. Drew Corbett
Director of Finance
Phone: (650)522-7102
dcorbett@cityofsanmateo.org
- 5) City of Barstow
 34. Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Barstow Fire Protection District, Odessa Water District
 35. Contract Amount: \$71,152
 36. Engagement Partner: Ahmed Badawi
 37. Address: 220 E. Mountain View Street, Ste. A, Barstow, CA 92311
 38. Principal Contact:
Mrs. Cindy Prothro
Finance Director
Phone: (760)255-5115
cprothro@barstowca.org

- 6) City of Buena Park
 - 39. Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Buena Park Foundation
 - 40. Contract Amount: \$30,735
 - 41. Engagement Partner: Ahmed Badawi
 - 42. Address: 6650 Beach Boulevard, 1st Floor, Buena Park, CA 90622
 - 43. Principal Contact:
 - Mr. Sung Hyun
 - Finance Director
 - Phone: (714)562-3713
 - shyun@buenapark.com



STAFF REPORT

MEETING DATE: May 10, 2018

AGENDA ITEM: 7a

SUBJECT: Receive Preliminary Budget for FY 2018-19

RECOMMENDATION:

The Budget and Finance Committee recommend that the Board receive the Preliminary Budget for FY 2018-19 and provide direction. The final budget will be brought back for approval in June.

BACKGROUND:

The JPA formation document provided funding for FY 2017-18 and 2018-19. The FY 2017-18 budget has been revised several times to address changing needs of the GSA. The FY 2018-19 Budget is based on the funding established in the JPA document.

DISCUSSION:

The Preliminary Budget for FY 2018-19 is presented so that the Board can review the budget and provide input which will be incorporated into the final budget document to be presented in June for adoption.

The attached budget document includes a two-year comparison and a describes the major line items in the budget.

FISCAL IMPACT:

The budget as drafted provides a year-end surplus of \$77,000

ATTACHMENT(S):

FY 2018-19 Preliminary Budget

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

May 10, 2018

Honorable Chair and Members of the Board of the Salinas Valley Basin Groundwater Sustainability Agency (GSA)

We are pleased to present the Proposed Budget for Fiscal Year 2018-19. The operating appropriations of \$1,068,000 are funded by \$1,145,000 in contributions from the member agencies. The will generate a surplus of \$77,000. The proposed use of this surplus is to establish a Cash Flow Reserve.

Fiscal Year 2018-19 is the second fiscal year of the Agency. This will be a pivotal year as the GSA works on two major initiatives - 1) develop an ongoing funding mechanism strategy for operations beyond June 30, 2019, and 2) continue work on developing the Groundwater Sustainability Plan (GSP), the purpose for which the GSA was established. While there is not much history on which to base future projections, the 2018-19 budget is based on accomplishing the two major initiatives just mentioned.

Highlights of FY 2018-19 Operating Budget

The 2018-19 budget is based on the \$1,145,000 in JPA member contributions found in the JPA agreement. The budget uses those monies to pay for management services, development of an ongoing funding mechanism and development of the GSP.

At the end of fiscal year 2017-18 any remaining contracts (i.e. rate study and GSP) will be brought forward to 2018-19 along with the funding sources (i.e. remaining cash and Prop 1 grant). These items will then be incorporated into the 2018-19 budget.

The largest budget increase is \$179,800 in RGS management service hours. It is primarily for the General Manager and Senior Advisor to spend more time on developing the GSP and the new funding source for operations. It also includes more hours for the Clerk of the Board and RGS support staff.

The second largest increase of \$104,000 is an increase in RGS management services for the additional services of a Hydrologist, Deputy Clerk of the Board and Grant Management services which are needed for the development of the GSP and management of all the additional stakeholder meetings and the Prop 1 grant.

On the next page is a summary of the proposed budget followed by a more detailed discussion of how it was developed.

Salinas Valley Basin Groundwater Sustainability Agency					
Two Year Budget Comparison					
FY 2018-19					
		2017-18	2018-19	Increase	
		Budget	Proposed	(Decrease)	% Change
Ordinary Revenues/Expense					
Revenues					
	440000 - Member Contributions	1,145,000	1,145,000	0	0%
	451000 - Prop 1 DWR Grant	1,500,000	0	-1,500,000	0%
Total Revenues		2,645,000	1,145,000	-1,500,000	0%
Expense				0	
	520000 - Administrative Services	255,500	435,300	179,800	70%
	530000 - Groundwater Sustainability Plan	1,924,006	140,000	-1,784,006	-93%
	532100 - Consulting Hydrologist (RGS)		54,000		
	532200 - Deputy Clerk of the Board (RGS)		10,800		
	532300 - Grant Management Services (RGS)		40,000		
	530500 - Legal Services	60,000	60,000	0	0%
	540100 - Financing Plan Consultant	97,000	43,000	-54,000	-56%
	540110 - Financing Plan Other Services	12,000		-12,000	-100%
	540200 - Facilitation Services	16,000	30,000	14,000	88%
	540300 - Grant Writing / Lobbying	62,000	20,000	-42,000	-68%
	540400 - Outside Specialty Legal Svcs		40,000	40,000	
	540500 - Communications Consultant (RGS)	20,000	20,000	0	0%
	550200 - Conferences / Training	12,500	7,100	-5,400	-43%
	550300 - Dues and Subscriptions	3,000	3,000	0	0%
	550600 - Insurance Premium	2,300	3,000	700	30%
	550700 - Legal Notices & Ads	3,000	10,000	7,000	233%
	550800 - Office Supplies	2,500	4,500	2,000	80%
	550900 - Postage and Delivery	1,000	3,000	2,000	200%
	551000 - Printing and Reproduction	6,000	10,300	4,300	72%
	551100 - Office Rent	10,000	3,000	-7,000	-70%
	551200 - Technology	3,500	13,000	9,500	271%
	551220 - Website Upgrade	5,000		-5,000	-100%
	551250 - Agenda Management Software	3,600	3,600	0	0%
	551300 - Travel Expense	10,000	20,000	10,000	100%
	551400 - Bank Service Charges	300	500	200	67%
	551500 - Recruitments	10,000	2,000	-8,000	-80%
	551800 - Meals and Meeting Expenses	2,500	2,500	0	0%
	551810 - Mileage Reimbursement	1,000	1,000	0	0%
	551900 - Board Stipends	22,500	26,400	3,900	17%
	5XXXX - External Annual Audit	0	5,000	5,000	
	5XXXX - Contingency (5%)	28,025	57,000	28,975	103%
Total Expense		2,573,231	1,068,000	-1,505,231	-58%
Net Ordinary Income		71,769	77,000	5,231	7%
Other RevenuesExpense				0	
Other Revenue				0	
	702000 - Interest Income	200	200	0	0%
Total Other Revenue		200	200	0	0%
Net Other Revenue		200	200	0	0%
Operating Budget Surplus		71,969	77,200	5,231	7%
Allocation of Surplus:					
	Reserve for Cash Flow		77,200		

FY 2018-19 BUDGET AT A GLANCE

Revenues

Operating revenues are estimated at \$1,145,000 per the JPA formation document. The funding comes from contributions from the following member agencies:

- | | | |
|----|-------------------|-----------|
| 1) | County: | \$670,000 |
| 2) | WRA: | \$ 20,000 |
| 3) | City of Salinas: | \$330,000 |
| 4) | City of Gonzales: | \$ 20,000 |
| 5) | City of Soledad: | \$ 35,000 |
| 6) | MontereyOneWater | \$ 20,000 |
| 7) | City of King: | \$ 30,000 |
| 8) | Castroville CSD | \$ 20,000 |

The only additional revenue beyond the JPA member agency contributions is the Prop1 Grant from Department of Water Resources (DWR) for \$1.5 million. Whatever amount is not received in FY 2017-18 will be carried-forward to FY 18-19.

Operating Expenditures

The majority of the operating expenses are related to the development of the GSP and the funding source for ongoing operations.

Use of 2017-18 Operating Budget Surplus

The FY 2017-18 budget is expected to yield a year-end balance of around \$500,000. This is due to the fact that the agency did not begin incurring costs until August 1, 2017 and it used RGS services which was less expensive to start up compared to a fully staffed agency. The year-end balance is recommended to be used for the following items:

\$500,000 set funds aside for reserves for cash flow

The GSA will need to start developing a reserve for cash flow purposes. At present the GSA revenue is all received within one or two months of the start of the fiscal year. However, as it develops a funding strategy, depending on the source of revenue selected the GSA will need sufficient cash on hand to pay anywhere from one to two months (\$95,000 to \$190,000) of expenses to as much as 6 months of expenses (\$570,000).

EXPENDITURES BUDGET HIGHLIGHTS

Management Services - \$435,300 (41%)

Management Services provided by RGS account for 41 % of the budget.

Following are the estimated service hours included in the budget:

Position	Estimated annual hours
General Manager	1,820 (35 hours per week)
Senior Advisor	420 (35 hours per month)
Clerk of the Board	360 (30 hours per month)

Administrative services are budgeted to increase \$179,800 in 2018-19. While the Administrative services costs will increase 2.5% per the RGS agreement, the majority of the increase is due to additional hours being spent by the General Manager, Senior Advisor and Clerk of the Board for a full fiscal year and more meetings due to the work of Hansford Economic Consulting on the funding methodology and the work of HydroMetrics WRI on the GSP plan.

New Services (Positions) - \$104,800

The budget reflects the following new positions which RGS will bring on board as needed:

Position	Estimated Hours	Estimated Cost
Hydrologist	30 hrs. per month	\$54,000
Deputy Clerk of the Board	10 hrs. per month	\$10,800
Grant Management Services	35 hrs. per month	\$40,000

The Hydrologist will assist the General Manager to review the technical aspects of the work performed by the GSP consultant and by Monterey County Water Resources Agency staff. The Deputy Clerk of the Board will assist with coordinating the numerous stakeholder meetings that will be taking place and will fill-in for the Clerk of the Board as needed. Grant Management Services will be utilized to track and report to the California Department of Water Resources on the Prop. 1 Grant. There are numerous reporting requirements that must take place on a timely basis so the GSA can be reimbursed promptly for expenses incurred. RGS will put a system in place to track and report on the GSP Grant.

Legal Services - \$60,000

The legal services budget will continue to be capped at \$60,000 per the agreement with the County.

Financing Plan Consultant - \$43,000

This amount is budgeted in case the GSA should follow a funding methodology that requires more public input, such as an election. The FY 2017-18 budget includes the funding for the current contract.

Facilitation Services - \$30,000

This line item will be used to pay CBI Consulting for facilitation services. The grant that has been paying for CBI services is expected to be all used within the next 6 months. CBI has been an integral part of building consensus among the GSA members and their services will be needed as the GSA decides on a new funding methodology and continues work on the GSP.

Grant Writing/Lobbying - \$20,000

The GSA has been very successful in obtaining grants to pay for facilitation services and GSP preparation services. The GSA will continue to look for grants in order to minimize the rates that will need to be paid by constituents.

Communications Consultant - \$20,000

The work of the communications consultant is crucial in order to deliver a unified message for the rate study consultant and the GSP consultant. Their work is also crucial as the GSA begins to utilize social media and the website to provide information. The consultant is provided by RGS.

Travel Expense - \$20,000

The travel budget is being increased by \$10,000 as more meetings are anticipated in Sacramento and with other GSA's in order to develop a GSP that will meet the needs of the Salinas Valley and meet the requirements of the State.

CONCLUSION

The budget as presented funds all required operating expenditures and leaves a surplus of \$77,200. Since this is only the second year of operations for the GSA, it is anticipated that there will be changes in the budget throughout the year. The first major budget adjustment will take place when the books are closed for the fiscal year ended June 30, 2018 and we know how much savings is available to carry forward to FY 2018-19.

The Board of Directors' approval of this budget will allow the GSA to continue working on the GSP, the purpose for which the GSA was formed.

Respectfully submitted,

Gary Petersen
General Manager

Roberto Moreno
Senior Advisor



STAFF REPORT

MEETING DATE: May 10, 2018

AGENDA ITEM: 7b

SUBJECT: Approve, a Memorandum of Understanding/Agreement (MOU/A /A) between the Monterey County Water Resources Agency (Agency) and the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA); to provide technical and professional support to SVBGSA and its consultants in the development of a Groundwater Sustainability Plan.

RECOMMENDATION:

Recommend that the Board of the SVBGSA approve a Memorandum of Understanding/Agreement (MOU/A) between the Monterey County Water Resources Agency (Agency) and the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA); to provide technical and professional support to SVBGSA and its consultants in the development of a Groundwater Sustainability Plan.

BACKGROUND:

The SVBGSA is tasked with developing a Groundwater Sustainability Plan (GSP) for basins designated as high- or medium-priority and subject to conditions of “critical overdraft” by January 31, 2020. Both the Paso Robles Area and 180/400-Foot sub-basins of the Salinas Valley Groundwater Basin currently meet these criteria. The SVBGSA have contracted with consultants to perform the tasks necessary to achieve this mandate. Under this MOU/A the WRA will provide significant technical and professional support to the SVBGSA and its consultants. Much of the data collected, processed and analyzed by the Agency is essential to the completion of the GSP. Additionally, financial support from the SVBGSA would allow the Agency to prioritize data processing and analysis efforts for those programs of greatest immediate need to the SVBGSA and its consultants.

DISCUSSION:

The concept of developing an MOU/A with the WRA has been discussed, and identified as a priority by the Agency’s Board. Staff has worked closely with legal counsel and the WRA to develop a draft MOU/A that would meet the needs of the GSP process by providing data and information.

The MOU/A provides (Attachment A) for a one-time payment of \$85,000 to update all extraction information, which will be critical to developing the GSP. The MOU/A also provides for a variety of other support services paid on a time and material basis in an amount not to exceed \$125,000. The MOU/A can be adjusted through an amendment to the agreement if required to pay for more services. Conversely, the MOU/A can be cancelled with 30 days written notice if the terms and conditions of the agreement are not met.

It is important note that timelines for providing the data are not included however it is well understand by the WRA that the information paid for by the GSA is time sensitive. The GSA expects all services to be delivered in a timely and complete manner, with payment predicated on the quality and usefulness of the requested information. Language is contained in the MOU/A to resolve any conflicts that might emerge associated with services delivered and payment requested. Conversations with the WRA are ongoing about the delivery of services and will continue through the duration of the planning process.

This item was reviewed by the Executive Committee and passed on a vote of 3 to 2. The Board of Directors of the Water Resources Agency also approved the MOU unanimously. Approval by the GSA Board would then send the document to the Monterey County Board of Supervisors/Water Resource Agency Board, for final approval.

FISCAL IMPACT:

The funding associated with the MOU/A is the one time \$85,000 payment for updating information and the time and materials payment of other services. Funding for these services are included in the GSP budget.

ATTACHMENT(S): MOU/A

PREPARED BY:

Gary Petersen, General Manager SVBGSA

Resolution No. 2018 -

Page 1 of 2

PASSED AND ADOPTED on this ____ day of _____, _____, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

I, Ann Camel, Clerk of the Board of Directors of the Salinas Valley Basin Groundwater Sustainability Agency, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Directors duly made and entered in the minutes thereof of Minute Book_____ for the meeting on _____.

Dated:

Ann Camel, Clerk of the Board of Directors of the Salinas Valley Basin
Groundwater Sustainability Agency,
County of Monterey, State of California

MEMORANDUM OF UNDERSTANDING/AGREEMENT

between

THE MONTEREY COUNTY WATER RESOURCES AGENCY

and

THE SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

regarding

TECHNICAL AND PROFESSIONAL ASSISTANCE TO THE SALINAS VALLEY
BASIN GROUNDWATER SUSTAINABILITY AGENCY FOR THE DEVELOPMENT
OF A GROUNDWATER SUSTAINABILITY PLAN

WHEREAS, The Monterey County Water Resources Agency (Agency) is a flood control and water agency established in 1990 by special act of the state legislature codified at Water Code Appendix Chapter 52, and is the successor to the Monterey County Flood Control and Water Conservation District established in 1947, also by special act of the state legislature; and

WHEREAS, the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) is an agency formed through a Joint Exercise of Powers Agreement to implement within the Salinas Valley Groundwater Basin (“Basin”) the provisions of the “Sustainable Groundwater Management Act” (SGMA); and

WHEREAS, SGMA requires that for all basins designated as high- or medium-priority and subject to conditions of “critical overdraft”, a Groundwater Sustainability Plan (GSP) be developed and implemented by January 31, 2020; and

WHEREAS, the Basin includes two sub-basins that that are high priority and in critical overdraft condition, requiring a GSP by January 31, 2020, all other sub-basins will require GSPs no later than January 31, 2022; and

WHEREAS, the SVBGSA is currently contemplating a single GSP for the Basin, to be developed and submitted to the California Department of Water Resources no later than January 31, 2020; and

WHEREAS, it is the SVBGSA’s obligation to cause the development and implementation of the GSP; and

WHEREAS, the SVBGSA is lacking in the technical expertise and background information to appropriately develop and implement the GSP; and

WHEREAS, it will be necessary for the SVBGSA to contract with a consultant (“GSP Consultant”), and receive other technical support to develop and implement the GSP; and

WHEREAS, the Agency possesses the necessary technical expertise and background information to assist the SVBGSA and its GSP Consultant in preparation of the GSP; and,

WHEREAS, the Agency is prepared to assist the SVBGSA and its GSP Consultant in its obligation to develop and implement the GSP; and

WHEREAS, because the Agency and the SVBGSA are separate and distinct public entities, it is necessary and appropriate for the Agency and the SVBGSA to enter into this Memorandum of Understanding (MOU) whereby the responsibilities of each with respect to the development and implementation of the GSP are set forth, and the compensation to be paid to the Agency for its services is agreed upon;

NOW THEREFORE,

For good and valuable consideration, the sufficiency of which is hereby acknowledged, the Agency and the SVBGSA agree as follows:

1. Effective Date and Term.

This MOU will be effective as of the date last signed by either of the parties, and unless earlier terminated as provided in this MOU, shall remain in effect until the completion of the GSP. This MOU may be amended from time-to-time by mutual written agreement of the parties.

2. Obligations of the Parties

A. SVBGSA

i. The SVBGSA will contract with the GSP Consultant to perform the development and implementation of the GSP, and, except as may be specifically agreed to herein or otherwise in writing by the parties, the SVBGSA will be solely responsible for all costs and expenses associated with the development, approval, and implementation of the GSP.

ii. The SVBGSA shall designate an officer or employee who shall oversee the Agency’s performance of its obligations under the MOU (the “GSA Representative”). The SVBGSA shall notify the Agency of the GSA Representative so designated, and may change such designation from time-to-time upon written notice to the Agency.

B. Agency

i. The Agency shall provide to the SVBGSA those services and duties as described under this MOU and in Attachments A and B, as follows:

a. Task A: Cost share between the Agency and the SVBGSA to expedite completion of 2016 Groundwater Extraction Management Systems (GEMS) data processing and reporting.

b. Task B: Non-specific technical and professional assistance to be provided by the Agency to the SVBGSA on an as-needed basis.

ii. The Agency shall assign an officer or employee to undertake the Agency's obligations pursuant to this MOU, who shall be designated the WRA Representative. The SVBGSA must approve the assignment in writing, which approval shall not be unreasonably withheld. The Agency may change the designation from time-to-time with the SVBGSA's written approval, which approval shall not be unreasonably withheld. In the performance of duties under this MOU, the WRA Representative shall communicate and receive direction from the GSA Representative with respect to all aspects of the Agency's performance of duties hereunder.

iii. Except as specifically provided herein, this MOU does not cover expansion, refinement or modification of the GEMS program, or address Agency implementation of specific elements of the GSP as may be adopted by the SVBGSA.

3. Compensation.

The parties anticipate that the WRA Representative shall be an employee in the hydrologist or engineer class at the Agency. It is agreed by the parties that services may be provided pursuant to this MOU by others than the WRA Representative, but that such services shall also be rendered by Agency employees in the hydrologist or engineer class. The SVBGSA shall pay the Agency, as compensation for the services provided pursuant to this MOU, according to the rate schedule attached as Attachment B. The rate schedule in Attachment B may be amended annually by the Agency upon approval by the SVBGSA, which approval shall not be unreasonably withheld.

The parties agree that the cost for services rendered under Task A pursuant to this MOU shall be a onetime agreed upon amount of Eighty-Five Thousand Dollars (\$85,000).

The parties anticipate that the initial budget for the Agency under Task B shall not exceed approximately One Hundred and Twenty-Five Thousand Dollars (\$125,000) per fiscal year for the term of the contract; however, all services shall be billed to the SVBGSA on a time and materials basis as set forth in Attachment B. This amount will be prorated based on the date of execution of this MOU for the remainder of the current Fiscal Year (FY2018). The parties shall revise the budget and amend this MOU as necessary to reflect additional fees and expenses required for services. Proposed increases must be approved by the SVBGSA before any increase charges or expenditures are incurred.

The Agency shall endeavor to provide services pursuant to this MOU in the most cost-effective and efficient manner.

Travel authorized by the SVBGSA will be reimbursed as follows: transportation at actual fare for economy or coach class, to be pre-approved by the SVBGSA; vehicular travel, meals and lodging not to exceed the rates established by the County of Monterey's per diem unless authorized in advance. The SVBGSA will pay for the Agency's travel time if travel is required beyond the boundaries of the County of Monterey.

4. Claims and Payment

Not later than ten working days after the last day of each month, the Agency shall submit to the SVBGSA a claim, on a form or in a format approved by the SVBGSA, setting forth in detail the time and expense items incurred by the Agency during the previous month, for which payment is sought, and setting forth such other information pertinent to the claim as the SVBGSA may require. The fees charged shall be calculated correctly, contain no charges previously billed, and be consistent with the approved hourly fee schedule set forth in Attachment B, as amended from time to time pursuant to Section 3. The following information shall be set forth accurately in or attached to the billing invoice:

A. Staffing level, hourly rate, and detailed time and activity descriptions for each employee including but not limited to time spent with respect to conferences, correspondence, telephone calls, meetings, research, project review; and

B. Invoices supporting all outside costs and expenses.

The GSA Representative shall certify the Agency's claim within fifteen working days, either in the requested amount or in such other amount as the GSA Representative approves in conformity with this MOU. The GSA Representative shall promptly submit such certified claim for payment, and the SVBGSA shall thereafter pay the balance of the certified claim not later than 30 calendar days after receipt of the certified claim.

If for any claim the SVBGSA certifies a lesser amount than the amount requested, and if the Agency desires to dispute the amount so certified, the Agency must submit a written notice of protest to the SVBGSA within 20 working days after the Agency's receipt of the certification. The parties shall then promptly meet to review the dispute and resolve it on a mutually acceptable basis. No court action may be taken on such dispute until the parties have met and attempted to resolve the dispute in person.

5. Termination

A. By the Agency

The Agency may terminate this agreement at any time for any reason subject to the following:

i. The Agency shall provide written notice to the SVBGSA of its intent to terminate this agreement. Within fourteen days of receipt of such notice (as set forth in Section D, below), the parties shall meet and confer in good faith to determine the reason for the termination, and attempt to resolve the reasons for termination set forth by the Agency.

ii. If the issues cannot be resolved by mutual agreement, the Agency may terminate this agreement upon giving thirty (30) calendar days written notice to the SVBGSA following the meet and confer obligation set forth above.

iii. Upon such termination the Agency shall continue to provide such services as the SVBGSA may require, at the aforesaid rates, until such time as the SVBGSA is able to identify another person or entity to render the necessary services. The SVBGSA shall not unreasonably delay in identifying such substitute person or entity, or in providing written notice that it will not require such substitute person or entity.

iv. The SVBGSA shall pay to the Agency all sums due and owing for services performed through the effective date of the termination, subject to all other provisions of this MOU. The effective date of termination is the termination date either as agreed to by the parties or set forth in the Agency's notice of termination set forth in paragraph 5.A.ii, above, as may be extended by mutual agreement of the parties, or as required by the provisions of this paragraph 5.A.

B. By the SVBGSA

The SVBGSA may terminate this MOU at any time for its convenience and without cause upon giving thirty (30) calendar days written notice to the Agency. The SVBGSA shall pay to the Agency all sums due and owing for services performed through the effective date of the termination, subject to all other provisions of this MOU. The effective date of termination is the termination date contained in SVBGSA's notice of termination.

6. Insurance and Indemnification

[need language]

7. General Provisions

A. No Assignment.

The Agency shall not assign or transfer this MOU, or any part thereof, without the written consent of the SVBGSA, nor shall the Agency assign any monies due or to become due to the Agency hereunder without the previous written consent of the SVBGSA.

B. Independent Contractor

Nothing in this MOU shall be construed or interpreted to make the Agency, the Agency Representative or other Agency employees anything but independent contractors, and in all the Agency's activities and operations pursuant to this MOU, neither the Agency, the Agency Representative, nor other Agency employees shall for any purposes be considered employees or agents of the SVBGSA.

C. Non-disclosure of Information

The SVBGSA shall not disclose, without express written consent of the Agency, any information relating to the Agency business which has been submitted by the Agency to the SVBGSA pursuant to the services to be rendered pursuant to this MOU. In the event that this MOU is terminated, the SVBGSA shall immediately return all Agency papers, documents, data, and like belongings to the Agency.

D. Notices

i. Notices permitted or required to be given to the respective parties under this MOU shall be deemed given (1) when personally delivered to the GSA Representative or to the WRA Representative; (2) when personally delivered to the party's principal place of business during normal business hours, by leaving the notice with any person apparently in charge of the office and advising such person of the import and contents of the notice; or (3) 3 days after the notice is deposited in the U.S. mail (by first class, certified, registered, or express mail), with postage fully prepaid, addressed to the party as indicated below.

ii. Notices mailed to the parties shall be addressed as follows:

<p><u>To the Agency:</u></p> <p><u>David E. Chardavoyne, General Manager</u> <u>P.O. Box 930</u> <u>Salinas, CA 93902</u> <u>(831) 755-4860</u> <u>(831) 424-7935 (facsimile)</u></p> <p><u>Copy to:</u></p> <p><u>Jesse J. Avila, Deputy County Counsel</u> <u>168 W. Alisal St., 3rd Floor</u> <u>Salinas, CA 93901</u> <u>(831) 755-5366</u> <u>(831) 755-5283 (facsimile)</u></p>	<p><u>To the SVBGSA:</u></p> <p><u>Gary Petersen, General Manager</u> <u>P.O. Box 1350</u> <u>Carmel Valley, CA 93924</u> <u>(831) 471-7518</u> <u>(831) 471-7508 (facsimile)</u></p> <p><u>Copy to:</u></p> <p><u>Leslie J. Girard, SVBGSA Counsel</u> <u>168 W. Alisal St., 3rd Floor</u> <u>Salinas, CA 93901</u> <u>(831) 755-5365</u> <u>(831) 755-5283 (facsimile)</u></p>
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The addresses and fax numbers in this paragraph may be changed by either party, by giving notice to the other in the manner provided herein.

E. Subcontracting

The Agency shall not subcontract or otherwise assign any portion of the work to be performed under this MOU without prior written approval of the SVBGSA. Any and all subcontracts shall be subject of the provisions contained in this MOU.

F. Modifications

This MOU may be modified or amended only by written agreement of the parties. No waiver or modification of this MOU or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the parties hereto.

G. No Waiver

No covenant or condition of this MOU can be waived except by the written consent of the Agency. Forbearance or indulgence by the Agency in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by the SVBGSA. The Agency shall be entitled to invoke any remedy available to the Agency under this MOU or by law or in equity despite said forbearance or indulgence.

H. Sole Agreement

This MOU contains the entire agreement of the parties relating to the rights herein granted and the obligations herein assumed. Any oral representations or modifications concerning this MOU shall be of no force or effect excepting a subsequent modification in writing, signed by the parties hereto.

I. Venue

If any party herein initiates an action to enforce the terms hereof or declare rights hereunder, the parties agree that venue thereof shall be the Monterey County Superior Court.

J. Construed Pursuant to California Law

The parties hereto agree that the provisions of this MOU will be construed pursuant to the laws of the State of California.

K. Authority to Execute

ATTACHMENT 1

The persons executing this MOU on behalf of their respective party represent and warrant that they have, or have received, the proper authority to so execute this MOU.

IN WITNESS WHEREOF, AGENCY and SVBGSA have caused the Memorandum of Understanding to be executed:

Monterey County Water Resources Agency

By _____
David E. Chardavoyne
General Manager

Salinas Valley Basin Groundwater
Sustainability Agency

By _____
Gary Petersen
General Manager

APPROVED AS TO FORM

CHARLES J. MCKEE, County Counsel

By _____
Jesse J. Avila
Deputy County Counsel

APPROVED AS TO FORM

Leslie J. Girard
SVBGSA Counsel

ATTACHMENT A - Services

A. Cost Share to Expedite Completion of 2016 Groundwater Extraction Management System (GEMS) Data Processing and Reporting		\$85,000
Tasks	Agency Staffing Provided	
1. Data Entry	<u>Primary:</u> Technician and Hydrologist	
2. Quality Assurance/Quality Control of Data		
3. Production of 2016 Groundwater Extraction Summary Report	<u>Primary:</u> Hydrologist <u>Secondary:</u> Associate Hydrologist	

B. Technical and Professional Assistance to the SVBGSA		\$125,000 on as-needed basis
Area of Service and Possible Tasks	Agency Staffing Provided	
1. Project Management for GSP Development		
a. Provide/assist oversight of GSP consultant Management of scope of work, project timelines, deliverables	Primary: Associate Hydrologist Secondary: Senior Hydrologist	
b. Assist with oversight of consultant budget; coordinated with Regional Government Services		
c. Stakeholder communication and engagement coordinated with facilitator		
2. Data Acquisition, Processing, and Management		
a. Develop agreements between the Agency, SVBGSA and its consultants for the sharing of proprietary information	Primary: Senior and Associate Hydrologist	
b. Coordinate with consultant on selection or design of a Data Management System (as required by CCR 23 §352.6) to ensure efficient transfer of existing data between SVBGSA, consultant, and Agency.	Primary: Associate Hydrologist Secondary: Hydrologist	
c. Facilitate the transfer of historical data to consultant for use in GSP development.	Primary: Hydrologist Secondary: Technician	
d. Refine and/or enhance ongoing Agency data collection programs to satisfy the timing, format, and extent of data required for GSP development and implementation	Primary: Senior and Associate Hydrologist Secondary: Hydrologist	
e. Implementation of refined/enhanced data collection program(s).	Primary: Hydrologist and Technician	
3. Professional Advising and Technical Support		
a. Professional review of deliverables from GSP consultant	Primary: Associate Hydrologist and Hydrologist	
b. Participation on Technical Advisory Committee	Primary: Senior or Associate Hydrologist Secondary: Hydrologist	
c. Provide consultant with subject-matter expertise on Agency water supply projects (e.g. reservoirs, CSIP, SVWP, Interlake Tunnel) or related requirements (e.g. Flow Prescription, Biological Opinion, HCP) with potential to impact GSP development.	Primary: Senior or Associate Hydrologist or Engineer	
4. Groundwater Model Management		
a. Facilitate transfer and use of Salinas Valley Integrated Hydrologic Model (SVIHM).	Primary: Associate Hydrologist Secondary: Senior Hydrologist	
b. Serve as liaison with USGS for model updates and technical assistance.		
c. Assist with interbasin or inter-GSA coordination of modeling efforts.		

ATTACHMENT B – Agency Rate Structure**Task A: Cost Share to Expedite Completion of 2016 GEMS Data Processing and Reporting**

1. The SVBGSA portion of the cost share for Task A will be a fixed amount of \$85,000.
2. Billing for Task A will be at the rates shown in Attachment B

Task B: Technical and Professional Assistance to the SVBGSA

1. Services will be provided to the SVBGSA under Task B on an as-needed basis.
2. Costs for services provided under Task B will not exceed \$125,000 and will be at the rates shown below in the Agency's rate structure, as may be adjusted from time-to-time.

Job Class Title	Hourly Rate
Senior Water Resources Hydrologist/Engineer	\$ 180.48
Associate Water Resources Hydrologist/Engineer	\$ 154.18
Water Resources Hydrologist/Engineer	\$ 131.97
Water Resources Technician	\$ 100.31



STAFF REPORT

MEETING DATE: May 10, 2018

AGENDA ITEM: 7c

SUBJECT:

Approve a Communications Plan to guide communications between the SVBGSA and community members.

RECOMMENDATION:

Recommend that the Board of the SVBGSA approve the Communications Plan to provide communications support to SVBGSA, its consultants and stakeholders in the development of a Groundwater Sustainability Plan.

BACKGROUND:

The focus of this Communications Plan is on Phase 2, the development of the Groundwater Sustainability Plan, the analysis of potential funding mechanisms, and the development of a fee and rate structure to fund GSA services and regulatory activities. The Department of Water Resources requires that a communications plan be developed as part of the GSP process and some portion of this plan will be used to fulfill this requirement. Additionally, it is important that all members of the Board and Committees understand the communication protocols that will support the GSA in advancing the messages about the development of the GSP.

DISCUSSION:

The intention of the SVBGSA is to involve stakeholders and the public early and frequently in the GSP process, and keep the internal information flow seamless among staff, consultants, committee members, and the Board. To that end, a Communications Plan was developed by our RGS communications consultant that will accomplish the following:

1. Inform the public by distributing accurate, objective, and timely information.
2. Foster open dialogue and stakeholder engagement by hosting opportunities to participate in the planning process.
3. Invite input and feedback from the public at every step in the decision-making process.
4. Encourage informed Committee recommendations and informed decision-making at the Board.
5. Ensure that the Board, staff, consultants, and committee members have up-to-date information and understand their roles and responsibilities.
6. Uphold transparent and inclusive public engagement

The plan also provides a history of GSA development, key talking points, and strategic direction to ensure that communication is clear and consistent. The plan also provides direction on the development of social media and the website as tools for communication.

The plan provides overarching direction on communication for the agency. In applying the Communications Plan, staff will work with our consultants on the GSP and the fee development to write an implementation plan that will include specific timelines and milestones. We will expect to have this document in front of your board at the June meeting.

FISCAL IMPACT:

Development of the Communications Plan is included in this years budget allotment.

ATTACHMENT(S):

Communications Plan

PREPARED BY:

Gary Petersen, General Manager SVBGSA



COMMUNICATION & PUBLIC ENGAGEMENT PLAN

BACKGROUND

In 2014, the California State Legislature passed the Sustainable Groundwater Management Act (SGMA). SGMA was enacted in response to a robust scientific understanding that, throughout California, groundwater is being used faster than it's being replenished.

Here in the Salinas Valley, parts of our groundwater basin are officially designated by the California Department of Water Resources as "Critically Over-Drafted." On practical level, this means that in order to meet our ongoing water supply needs, for agriculture, for our drinking water and for our economic livelihoods, we must balance the basin. We know that our current use is unsustainable, and the State has put us on a tight timeline to fix the problem.

The Salinas Valley Basin Groundwater Sustainability Agency (GSA) was formed to create a plan to bring the basin into balance and implement SGMA locally. The GSA is governed by a local and diverse board of directors and relies on robust science and public involvement for decision-making. An Advisory Committee has been formed to advise the GSA, and we intend to form sub-basin planning committees to inform the development of a Groundwater Sustainability Plan

MISSION OF THE SALINAS VALLEY BASIN GSA

The GSA mission is two-fold:

1. Develop a groundwater sustainability plan by 2020
2. Achieve groundwater sustainability by 2040

GOALS OF THE COMMUNICATION PLAN

Ultimately, the success of the Groundwater Sustainability Plan will be determined by the collective action of every groundwater user (that's all of us!). Therefore, it is our intention to involve stakeholders and the public early and frequently, and to keep the internal information flow seamless among staff, consultants, committee members, and the Board.

- Uphold transparent and inclusive public engagement.
- Inform the public by distributing accurate, objective, and timely information.
- Foster open dialogue and stakeholder engagement by hosting opportunities to participate in the planning process.
- Invite input and feedback from the public at every step in the decision-making process.
- Encourage informed Committee recommendations and informed decision-making at the Board.
- Ensure that the Board, staff, consultants, and committee members have up-to-date information and understand their roles and responsibilities.

PHASES OF COMMUNICATION

Phase 1: GSA Formation (complete)

Phase 2a: Groundwater Sustainability Plan development

Phase 2b: Analysis and Determination of Funding Options

Phase 3: Groundwater Sustainability Plan – Capital Project Funding

Phase 4: Plan Implementation

The focus of this Communications Plan is on Phase 2, the development of the Groundwater Sustainability Plan, the analysis of potential funding mechanisms, and the development of a fee and rate structure to fund GSA services and regulatory activities.

KEY MESSAGES

“The GSA is on a mission to develop a Groundwater Sustainability Plan by 2020, and achieve groundwater sustainability in the Salinas Valley by 2040. Join us.”

Initially, our message points focus on: (1) getting to know your GSA; (2) an overview of the Groundwater Sustainability Plan; and (3) how we got here.

We’ll expand on the key message as the work evolves, and our talking points will get more specific as the Groundwater Sustainability Plan unfolds. These initial talking points are broad enough to consistently come back to over time and will be good to use in preparation for interviews.

Key Messages: Get to Know Your GSA (& why it’s so important)

- The GSA is on a mission to collaboratively develop a Groundwater Sustainability Plan by 2020, and achieve groundwater sustainability in the Salinas Valley by 2040.
- Our groundwater basin is comprised of 7 sub-basins two of which the State of California has identified as “Critically Over-Drafted.”
- We know that our current use is unsustainable. In order to meet our ongoing water supply needs now and into the future we must balance the basin.
- The State has put us on a tight timeline to fix the problem. We ambitiously accept the challenge.
- Within 2 years, by January of 2020, we’ll have a plan in place for how to bring the critically over-drafted sub-basins back into balance; then, we’ll have until 2022 to develop a plan for the other 5 sub-basins. We then have 20 years to implement the plan.
- This matters to everyone. That’s why the GSA Board and our advisory and planning committees are made up of diverse stakeholders from every walk of life in the Salinas Valley.
- We have an unprecedented opportunity, and responsibility, to work together collaboratively and develop a science-based Groundwater Sustainability Plan.
- Join us! Visit our website, sign up for updates, and attend the next meeting.

Key Message Points: Groundwater Sustainability Plan

- The Groundwater Sustainability Plan (GSP) is our 20 year plan to ensure that the Salinas Valley Groundwater Basin will be managed sustainably for current and future generations.

Key Message Points: Groundwater Sustainability Plan, continued

- This plan is not only the right thing to do. It's also mandatory. The Sustainable Groundwater Management Act (known as SGMA) mandates that a science-based GSP be developed for portions of the Salinas Valley Basin by January of 2020, and other portions by January of 2022, and that the basin be sustainable by 2040.
- The stakes are high. Should we choose not to act, or fail to meet the 2020, 2022, or 2040 milestones, the State can intervene with required (and hefty) pumping restrictions and extraction fees.
- To meet these milestones, the local GSA has been granted the authority to develop a GSP, monitor and measure the basin and individual wells within the basin, implement capital projects, and assess necessary fees for planning and implementation.
- Six "Sustainability Indicators" will be evaluated in the Plan and used to gauge what we need to do to bring our groundwater supply and demand back into balance.
- Given the hydrologic and geographic diversity of the Salinas Basin, the plan will tackle sub-basin planning areas, both individually and collectively.
- Stakeholder engagement is a key component to the development and implementation of the Plan. We encourage and invite the community to get involved. Attend our monthly Board meetings, attend a Sub-Basin Planning Committee meeting, sign up for our newsletter, or join General Manager Gary Petersen for one of his coffee chats.

Key Message Points: How We Got Here

- The Salinas Valley Basin GSA is firmly rooted in stakeholder engagement.
- From 2015-2017, local agencies and stakeholders worked with the Consensus Building Institute (CBI) to facilitate the formation of the GSA.
- In 2015, CBI began by conducting a Salinas Valley Groundwater Stakeholder Issue Assessment, which included interviews and surveys and resulted in recommendations for a transparent, inclusive process for the local implementation of SGMA and the formation of the GSA.
- Following the Issue Assessment, a Collaborative Work Group of stakeholders representing a broad range of interests met from March 2016 through April 2017 and developed recommendations on the governance structure, voting, and legal structure of the GSA.
- The Stakeholder Forum was simultaneously held throughout 2016 and served as a critical element for interested stakeholders and the public to learn about and provide input on GSA formation. The Collaborative Work Group integrated input received at the Stakeholder Forum into its recommendations on GSA formation.
- After nearly two years of community engagement led by the top consensus-building professionals in the nation, the Salinas Valley Basin Groundwater Sustainability Agency was formed in April 2017 with a broad and diverse foundation of support.

THE PRESS PROTOCOL

The press is an important partner for getting our message out to the community. We welcome conversations with the press. To maximize our effectiveness in working with the media, a consistent protocol should be followed by all staff, consultants, board members, and committee members.

The Spokesperson(s)

- The primary spokesperson for all media inquiries is the General Manager (GM). Media inquiries should first be directed to the GM to coordinate a response.
- Reporters may also want to interview board and community members. Some board members may enjoy media conversations, while others do not. The GSA will maintain a standby list of a few board and community members, who will be prepared and can be called on for media inquiries.
- In preparation for the interview, the GM and Public Information Officer (PIO) will work closely with the spokespeople in preparation for media interviews. Factual and coordinated talking points will be provided in advance of the interview.

Respond Quickly

- Reporters often work on tight deadlines, and we don't want an opportunity for a feature story to get away. If the media calls, return the call and refer them to the GM at the earliest possible opportunity.

The Back-Up Plan

- If the GM is unavailable and cannot be reached for comment, media inquiries should be directed to the Board's back-up media representative. The Board's representative will contact the PIO to determine whether a response is necessary. If the response is not urgent, offer the media an appointment time for when the GM is available. If it is a time sensitive and urgent matter, a statement will be released from the Board representative in close coordination with the PIO.

"In The News"

- Following the interview or statement, if published, the GM or PIO will circulate the story to the Board and committee members.

SOCIAL MEDIA

Existing well-established social media platforms of our partner agencies and organizations (e.g., Facebook) will be leveraged to share GSA updates and milestones.

The PIO will monitor social media sites for mention of the GSA. A social media report, including any GSA mentions, positive and negative comments, will be provided to the GM on a monthly basis. Negative posts will be shared and discussed immediately to determine what, if any, response is warranted.

COMMUNICATION GUIDELINES & RESPONSIBILITIES

Board of Directors

Board members should uphold the strongest ethics when communicating about GSA business. The GSA believes that dissenting opinions are valid and important. At the same time, it's crucial that there's no confusion about the official position and decisions of the GSA Board. By serving on the Board, directors agree to act in good faith towards the mission and goals of the GSA at all times. External

communications are an inherent part of that responsibility. To avoid confusion in the public, and real or perceived conflicts of interest:

- Board members should strive to communicate fairly and in the best interest of the GSA at all times.
- Board members should not express an opinion (in writing or verbally) on behalf of, or as a member of, the GSA unless authorized by the Board to do so.
- The board-designated spokesperson should not be a spokesperson for another entity with an interest or involvement in groundwater.
- Media inquiries should be immediately directed to the GM for a coordinated response.

Committee Members

The Advisory Committee is consensus-seeking and has adopted a charter that includes communication guidelines. The same will be true of the Sub-Basin Planning Committees, once formed. The GSA values the diversity of our committees and understands how difficult it can be to reach agreement. Importantly, committee members are welcome to speak their opinions inside and outside the committee meeting room, but members should take great care to avoid the appearance of speaking on behalf of or as a spokesperson of the GSA. Further, by serving on a committee, members agree to act in good faith towards meeting the goals of the GSA. If contacted by the press or an external party concerning Committee discussions, participants are asked to:

- Point out that they are not speaking on behalf of the Committee (unless specifically authorized by the Committee to do so).
- Present their own views and conscientiously refrain from expressing, characterizing, or judging the views of others.
- Avoid using the press as a vehicle for negotiation, confrontation, or grandstanding.

Ambassadors

Ambassadors are community leaders that support the GSA mission and can be counted on to informally speak on-point about the GSA. While Ambassadors are GSA supporters, they also encourage divergent opinions to be shared and heard. Ambassadors may be GSA board or committee members, partner agency staff, elected officials, or members of the public with no official relationship to the GSA. If Ambassadors are approached by the media, they may follow our Media Guidelines above and we can assist with talking points and coordinated messaging as needed. We'll maintain strong relationships with Ambassadors and keep them in-the-know.

Staff & Consultants

The actions of staff and consultants, both on and off work time, are a reflection of the organization and can impact the reputation and credibility of the GSA. Staff and consultants are expected to act and speak with the highest standard of conduct both professionally and personally.

From time-to-time staff and consultants may be asked to provide formal or informal updates on the work of the GSA. All such requests should be brought to the attention of the GM for consideration. All public testimony and statements must be reviewed and pre-approved by the GM.

Affiliates of the GSA should uphold a strong duty of care to the organization’s mission and reputation in all external communications, including personal social media posts, public testimonies, and casual conversations. In no circumstances should a personal opinion be misrepresented to be the official position of the GSA.

DECISION-MAKING PROCESS

The GSA Board of Directors meets monthly. The regularly scheduled board meetings are held on the 2nd Thursday of the month at 3:00 PM. Agendas and meeting details are available [online](#). Board meetings are open to the public.

The GSA Board of Directors is the decision-making body. To facilitate community and stakeholder engagement in the decision-making process, the GSA formed a 25-member Advisory Committee. The consensus-based Advisory Committee is comprised of a diverse range of interests throughout the Salinas Valley, and meets every month to provide input and recommendations to the Board. The Board appoints members to the Advisory Committee based on composition that is representative of the region. Given the hydrologic and geographic diversity of the Salinas Valley, the GSA is forming Sub-Basin Planning Committees throughout the Salinas Valley. These Sub-Basin Planning Committees will provide even more localized stakeholder input towards the development of the Groundwater Sustainability Plan.

To maintain timely information flow between the committees and the Board, a brief 1-page informational “Committee Key Outcomes” will be prepared following each committee meeting, sent to the Board, and shared on the website.

PUBLIC ENGAGEMENT OPPORTUNITIES

Board, Advisory, and Planning Committee meetings are open to the public. The foundation of the Salinas Valley Basin GSA is deeply rooted in stakeholder engagement. Beginning in 2015, local agencies and stakeholders worked with the Consensus Building Institute to conduct a [Stakeholder Issue Assessment](#) and develop a broadly supported and agreed upon road map for the [establishment of the GSA](#). The Collaborative Work Group and Stakeholder Forum were instrumental in getting us to where we are today. We intend to continue and build upon this transparent, inclusive public engagement process as we develop the GSP and determine the funding mechanisms necessary to meet the GSA’s regulatory responsibilities and achieve groundwater sustainability.

Advisory Committee: Monthly meetings of the Advisory Committee are open to the public.

Local Sub-Basin Planning Committees: Consultant teams will attend sub-basin planning committee meetings to present their findings and interim work products, and to tailor the GSP to sub-basin management areas. Sub-basin planning committees will be invited to provide feedback directly to the consultants along the way, and committee recommendations will be carefully considered, tracked, and summarized as part of the GSP.

Interested Parties List: The GSA maintains an Interested Parties List. In addition, we continue to add interested parties to the list on an ongoing basis. Interested parties will be invited to board and committee meetings; GSA staff will also send regular updates to the Interested Parties List (via an e-newsletter and timely updates/ announcements).

Website: The website, <https://svbgsa.org/>, will be updated and maintained to provide everything that the public will want to know about the GSA and SGMA. The website will include meeting agendas and materials, FAQs, resource links, and consultant work products.

Leveraging Existing Channels of Communication: To expand the GSA's sphere of engagement, we'll partner with existing agencies, committees, and organizations to disseminate information and invite public involvement. GSA staff will request the opportunity to provide articles/updates/announcements for existing social media pages and newsletters (both digital and print). We'll attend board/committee meetings, brief leadership, and coordinate public outreach at key GSA milestones. These external organizations may include, but are not limited to:

- Water Districts and Utility Companies (California Water Service Company; Alisal Water Company; Monterey Peninsula Water Management District; Cal Am; Monterey One Water)
- Cities and County
- Chambers of Commerce – Salinas Valley, South County/King City, Latino
- League of Women Voters
- Rotary Clubs
- Strawberry Commission; Leafy Greens Research Board
- Greater Monterey County Integrated Regional Water Management Group
- Grower-Shipper Water & Land Use Committee
- Monterey County Farm Bureau
- Agricultural Advisory Committee
- Agricultural Land Trust
- Land Watch Monterey County
- Center for Community Advocacy
- COPA (Communities Organized for Relational Power in Action)

COMMUNICATION TOOLS AND INFORMATIONAL MATERIALS

- Website
- Interested Party Email List
- Partner agency/organization social media pages (e.g., Facebook), newsletters (digital and print)
- Monthly GSA e-Newsletter
- Timely updates to Interested Party Email List (short *hot off the press* announcements)
- Press Releases: distributed to press, elected and agency officials, and Interested Party List
- 1-2 page FAQs for SGMA, SVBGSA, and the GSP
- In The News circulation to Board, Committees, and List Serve
- General GSA Talking Points for Board and Committee Members; Talking Points for key milestones, findings, and updates
- Brief "Committee Key Outcomes" - circulated to board and committee members after committee meetings
- Editorial Boards and/or Letters to the Editor
- Open Houses/Forums (meet the consultant team, milestones, periodic GSP updates, etc.)
- Radio interviews and features, particularly Spanish radio



STAFF REPORT

MEETING DATE: May 10, 2018

AGENDA ITEM: 10

SUBJECT: Future Agenda Items

Following is a list of items tentatively scheduled for future meetings.

JUNE 14, 2018

7) Scheduled Items: a) Election of Officers/Committee appointments; b) approve 2018-19 meeting schedule; c) Approval of 2018-19 budget

JULY 12, 2018

AUGUST 9, 2018

SEPTEMBER 13, 2018

OCTOBER 11, 2018

Consider Approval of GSA Financial Policies

NOVEMBER 8, 2018

Consider Rates Study Recommendations

DECEMBER 13, 2018