



NOTICE

PARKING ARRANGEMENTS

Due to ongoing construction at the Miramar site, the North Parking area will not be in use during TVMWD Board meetings. The first several parking spaces along the main drive will be reserved for TVMWD directors and District counsel and marked with an orange traffic cone.

All other visitors should park in designated parking stalls or along the west side of the main drive.

We apologize for the inconvenience and appreciate your patience during this time.

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

AGENDA
REGULAR BOARD MEETING
THREE VALLEYS MUNICIPAL WATER DISTRICT
Wednesday, April 5, 2017 at 8:00 AM

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

Item 1 – Call to Order

Kuhn

Item 2 – Pledge of Allegiance

Kuhn

Item 3 – Roll Call

**Executive
Assistant**

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

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

Kuhn

Additions to the agenda may be considered when two-thirds of the Board members are present (or all members if less than two-thirds are present), determine a need for immediate action, and the need to take action came to the attention of TVMWD subsequent to the agenda being posted; this exception requires a degree of urgency. *The Board shall call for public comment prior to voting to add any item to the agenda after posting.*

Item 5 – Reorder Agenda

Kuhn

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

Kuhn

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

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

Item 7 – Board Presentations

Item 7A – Lance, Soll & Lunghard, LLP – Pre-Audit Review

A representative from Lance, Soll & Lunghard, LLP will be in attendance to provide the Board a review of the upcoming audit process for FY 16-17.

Item 7B – Six Basins Watermaster

The Board will be provided a presentation by Andy Malone on updates related to the Six Basins Watermaster Master Plan.

Item 8 – General Manager’s Report

Hansen

Item 8.A – Administration staff will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.

8.A.1 – Draft Resolution in Support of the ACWA Policy Statement on Bay Delta Flow Requirements [enc]

The Board will review draft Resolution No. 17-04-*** and direct staff to return to the next meeting for consideration of approval.

8.A.2 – Draft Resolution Declaring Certain District Property As Surplus [enc]

The Board will review draft Resolution No. 17-04-*** and direct staff to return to the next meeting for consideration of approval.

Item 8.B – Engineering-Operations staff will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.

8.B.1 – Project Summary Update [enc]

The Board will review a summary update of ongoing projects.

8.B.2 – Bid Results for the Leroy’s Meter Connection (Project No. 58154) [enc]

The Board will review preliminary bids received in response to the referenced project and direct staff to return to the next meeting for consideration of approval.

Item 8.C – Finance-Personnel staff will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.

8.C.1 – FY 15-16 Comprehensive Annual Financial Report Award [enc]

The Board will receive information regarding the CAFR Award for TVMWD’s FY 15-16 financial report.

8.C.2 – FY 16-17 Project Encumbrances [enc]

The Board will review FY 16-17 project encumbrances and direct staff to return to the next meeting for consideration of approval.

8.C.3 – FY 17-18 TVMWD Budget Draft 1.1 [enc]

The Board will review FY 17-18 TVMWD Budget Draft 1.1 and direct staff to return to the next meeting for consideration of approval.

8.C.4 – Draft Resolution Adopting Water Rates And Charges For CY 2018 [enc]

The Board will review draft Resolution No. 17-04-*** CY 2018 Water Rates and Charges and direct staff to return to the next meeting for consideration of approval.

8.C.5 – FY 17-18 Water Standby Charge [enc]

The Board will review draft Resolution No. 17-04-*** to initiate FY 17-18 Water Standby Charge proceedings and direct staff to return to the next meeting for consideration of approval.

Item 9 – Future Agenda Items

Kuhn

Item 10 – Adjournment

Board adjourned to April 19, 2017 Regular Board Meeting at 8:00 AM.

American Disabilities Act Compliance Statement

Government Code Section 54954.2(a)



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

Agenda items received after posting

Government Code Section 54957.5

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

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



February 21, 2017

To Mr. James Linthicum, CFO
Three Valleys Municipal Water District
1021 E. Miramar Ave.
Claremont, CA 91711-2052

We are pleased to confirm our understanding of the services we are to provide the Three Valleys Municipal Water District (the District) for the fiscal year ended June 30, 2017. We will audit the financial statements of the business-type activities including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the fiscal year ended June 30, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

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

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory Section
- 2) Statistical Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion

of our audit of the District's financial statements. Our report will be addressed to governing board of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

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

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

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

Audit Procedures—Internal Control

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

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing 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 District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

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 for confirming to us in the written 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, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

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

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers 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.



Three Valleys Municipal Water District
Page 5

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

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

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

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California Society of Certified Public Accountants or the American Institute of Certified Public Accountants or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

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

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

Lance, Soll, & Lunghard LLP is a member of PrimeGlobal, a global association of independent accounting firms. No PrimeGlobal member firm is an agent or partner of the association or of any other member firm. No PrimeGlobal member firm has the authority to enter into any legal obligations on behalf of the association or any other member firm. If Lance, Soll & Lunghard, LLP introduces you to another PrimeGlobal member firm, Lance, Soll & Lunghard, LLP specifically denies any liability for any work performed by that firm. You should make your own contractual arrangements with that firm for work that they perform. The fact that you may have been introduced to us by another PrimeGlobal member firm does not make that firm, its

partners or its employees responsible for any of our acts or omissions. Lance, Soll & Lunghard, LLP is not the agent or partner of PrimeGlobal or any other member firm, and does not have the authority to enter into legal obligations on behalf of either the association or any other member firm thereof. You agree that Lance, Soll & Lunghard, LLP has the sole liability for any work performed under this engagement and you undertake not to make any claim or bring any proceedings against either PrimeGlobal or any other member of PrimeGlobal in relation to work covered by this engagement.

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

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

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

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

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

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

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

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



Three Valleys Municipal Water District
Page 7

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

Very truly yours,

RESPONSE:

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

Management signature: James Linthicum

Title: Chief Finance Officer

Date: 2017-03-01



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

SYSTEM REVIEW REPORT

October 26, 2016

To the Partners of
Lance, Soll & Lunghard, LLP
and the Peer Review Committee of the California Society of CPA's:

We have reviewed the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP (the Firm) in effect for the year ended May 31, 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 a 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 and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP in effect for the year ended May 31, 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*. Lance, Soll & Lunghard, LLP has received a peer review rating of *pass*.

Sikich LLP



February 22, 2017

To the Board of Directors of the
Three Valleys Municipal Water District
Claremont, California

We are engaged to audit the financial statements of the Three Valleys Municipal Water District (District), for the year ended June 30, 2017. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*

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

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of the District. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

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

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



To the Board of Directors of the
Three Valleys Municipal Water District
Claremont, California

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

Planned Scope and Timing of the Audit

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

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

We expect to issue our report on approximately October 2017.

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

Very truly yours,

Lance, Solt & Lughard, LLP



February 22, 2017

Three Valleys Municipal Water District
1021 E. Miramar Avenue
Claremont, CA 91711

Dear all Finance Department Staff:

At *LSL CPAs LLP*, we are committed to achieving the highest quality audits. As you may already know, *LSL CPAs* is a member of the AICPA's Governmental Audit Quality Center (GAQC), which entitles us with access to key information and comprehensive resources that we use to help ensure our compliance with appropriate professional standards and laws and regulations that affect our audits. Through our membership in the GAQC, we also adhere to membership requirements designed to enhance the quality of our audit practice. I am pleased to inform you that the GAQC has recently launched a new [Auditee Resource Center](#), which is intended to assist procurers of audit services (i.e., auditees). We hope that as an auditee, your organization will take advantage of this great resource.

Why a New Auditee Resource Center?

The GAQC has long been providing auditors with information, practice aids, tools, and other resources to help improve audit quality. However, the GAQC has also found that auditees are an important factor in the audit quality equation. Well informed auditees with strong governance structures increase the likelihood of high quality audits. Further, such auditees have a stronger understanding about the audit requirements that apply to them; are better prepared for their audits; and more clearly understand their role in the audit process. It is for all of these reasons that the GAQC is adding this new Auditee Resource Center to its arsenal of audit quality initiatives.

What is Included in the Auditee Resource Center?

The Auditee Resource Center includes information, practice aids, tools, and other resources (e.g., articles, archived GAQC Web events, and access to certain *GAQC Alerts*) that should be of most interest and benefit to auditees. Topics covered include information that will be relevant to auditees that undergo: (1) government or not-for-profit organization (NPO) financial statement audits; (2) audits performed under *Government Auditing Standards* (referred to as Yellow Book audits); (3) audits of federal expenditures made by governments and NPOs (referred to as single audits); and (4) other federally required compliance audits of certain for-profit entities such as banks and housing partnerships. Access the [Auditee Resource Center](#) to learn more.

How to Access the Auditee Resource Center?

All resources available through the Auditee Resource Center are open to the public. Click on the link <http://www.aicpa.org/interestareas/governmentalauditquality/resources/auditeeresourcecenter/pages/auditeeresourcecenter.aspx> the [landing page of the Auditee Resource Page](#) and bookmark the page as one of your favorites. If you do not have the specific Web address handy, you can always access the Auditee Resource Center through the GAQC Web site at: www.aicpa.org/GAQC. Look for the link to the Auditee Resource Center under the "Quick Links" tab on the left side of the GAQC home page.



Item 7.A

I would be more than happy to help you further understand the resources the GAQC has developed for auditees. Please feel free to contact me at (714) 672-0022 with any questions that you may have. You can contact the GAQC staff directly at gaqc@aicpa.org.

We appreciate your business and are happy we can share the benefits of our GAQC membership with you.

Sincerely,

A handwritten signature in black ink that reads "Lance, Soll & Lingham, LLP". The signature is written in a cursive, flowing style.

Bryan S. Gruber, CPA
Partner



**Item 7-B Six Basins Watermaster
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Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 5, 2017
Subject: Draft Resolution in Support of the ACWA Policy Statement on Bay-Delta Flow Requirements

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

Discussion:

The Association of California Water Agencies (ACWA) has adopted a policy statement urging the State Water Resources Control Board to set aside its problematic “unimpaired flow” approach to setting new water quality objectives in the Bay-Delta.

The statement calls on the State Water Board to heed Governor Brown’s call for negotiated agreements, which have proven successful in achieving positive ecological outcomes while maintaining water supply reliability. ACWA believes the state’s policy on flows should embrace a collaborative, comprehensive approach that protects and promotes both water supply reliability and ecosystem health.

The State Water Board staff proposal to base new water quality objectives on a “percentage of unimpaired flow” could lead to widespread fallowing of agricultural land and negatively affect water reliability for much of the state’s population. The singular focus on unimpaired flow is incompatible with the state’s policy of coequal goals and other broader policy commitments in the Brown Administration’s California Water Action Plan. ACWA is calling on its member agencies to adopt a resolution in support of its policy statement on Bay-Delta flow requirements. A draft resolution is attached for Board consideration.

This resolution will be brought back before the Board for consideration of approval at the April 19 board meeting.

Strategic Plan Objective:

- 1.7 – Advocate for a Bay-Delta fix
- 3.3 – Be accountable and transparent with major decisions
- 3.5 – Ensure that all of the region’s local government policy makers understand TVMWD’s role in the delivery of water

RESOLUTION NO. 17-04-XXX

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THREE VALLEYS MUNICIPAL WATER DISTRICT
IN SUPPORT OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES
POLICY STATEMENT ON BAY-DELTA FLOW REQUIREMENTS**

WHEREAS, California is facing a defining moment in water policy that will be substantially impacted by the State Water Resources Control Board's approach to water quality objectives under the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta; and

WHEREAS, the State Water Board has the responsibility for updating the Bay-Delta Plan in a manner that establishes water quality objectives that ensure the reasonable protection of all beneficial uses of water in a way that is consistent with the coequal goals of improving water supply reliability and protecting, restoring and enhancing the Delta ecosystem and with respect to the commitments made in the California Water Action Plan; and

WHEREAS, the State Water Board staff's current proposal, which focuses singularly on an "unimpaired flow" approach, is irreconcilable with a policy of coequal goals of improving both water supply reliability and ecosystem health; it is also inconsistent with the broader water policy objectives of the Brown Administration; and

WHEREAS, the ACWA Board of Directors has unanimously adopted a strong policy statement calling for a better approach that can more effectively achieve ecological objectives while maintaining water supply reliability. The statement calls on the State Water Board to set aside its "unimpaired flow" approach and heed Governor Jerry Brown's call for negotiated agreements, which have been successful on many rivers and tributaries in California.

WHEREAS, the ACWA statement notes that to be successful, the state's flow policy must be consistent with the principles of collaboration, comprehensive solutions, science, functional flows, economic considerations, consistency with state policy, and leadership; and

WHEREAS, California's local urban and agricultural water managers are united in their vision for a future that includes a vibrant California economy as well as healthy ecosystems and fish populations, and believe that vision is best achieved through a comprehensive, collaborative approaches;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Three Valleys Municipal Water District hereby supports ACWA's Policy Statement on Bay-Delta Flows and encourages the State Water Resources Control Board to embrace the approach articulated in ACWA's policy statement.

ADOPTED and **PASSED** at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 19th day of April, 2017 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Bob Kuhn, President

ATTEST:

Brian Bowcock, Secretary

SEAL:



To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RJ*
Date: April 5, 2017
Subject: Draft Resolution Declaring Certain District Property As Surplus

<input type="checkbox"/> For Action	<input type="checkbox"/> Fiscal Impact	<input type="checkbox"/> Funds Budgeted
<input checked="" type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Cost Estimate: \$ Minimal – Surplus Property	

Requested Action:

- a) The Board will review the surplus property disposition list (Exhibit A)
- b) The Board will review the “draft” Resolution authorizing the General Manager to dispose of surplus property in accordance with Resolution No. 11-04-488
- c) Direct staff to return to the April 19, 2017 Board meeting for action

Discussion:

The Board will review and consider *Exhibit A*, itemizing a list of TVMWD property to be declared as surplus. The Board will also consider authorizing the General Manager to dispose of the property in accordance with the procedures outlined in Resolution No. 11-04-488; a summary of these procedures are summarized below.

Resolution No. 11-04-488 requires the General Manager to describe the property, determine the dollar value, and select the method of disposal which will generate the best return for TVMWD, including, giving first priority to our Member Agencies to purchase the property, public auction, public sale, or selected bidders. Property not sold or without resale value may be disposed of in the most efficient manner, including donations to Member Agencies, recognized charities, local government entities, non-profit agencies whose activities are related to health, education, and/or the public welfare.

2000 Ford Ranger

The surplus property list includes one (1) TVMWD vehicle that the District has owned since 1999. The truck works, but is of limited value for daily use due to its limited seating capacity and small truck bed. It is now very seldom used which puts more stress on the vehicle. The value was determined based on an average between selling the vehicle ‘as is’ via private party sales and being used as a trade in vehicle. The 2000 Ford Ranger has low miles (less than 46,000) and is fully equipped with an automatic

transmission, 3.0 V6 engine, radio/cassette, cloth seats, bed liner and sliding rear window. The vehicle maintenance records indicate regular maintenance has occurred throughout its history. This value estimate is provided as an average at \$3,200.

Any TVMWD Member Agency interested in purchasing this property for public agency use, at the price noted above, must notify the General Manager in writing via email no later than **Tuesday, May 9, 2017 by 4:00 p.m.** The first offer at full price received in writing at rhansen@tvmwd.com will be notified of the successful sale.

If no offers are received from any Member Agency, the property will be offered for public auction to maximize the District's financial recovery. Individuals may participate in the auction at that time. The truck will be advertised in a local newspaper, and sealed bids will be accepted for a period of ten (10) working days after the initial ad begins circulation. The highest bid will be accepted and the vehicle sold to that party. Bids will be publicly opened on a day set based on the advertising/bid schedule; the date of which will be included in the advertisement. The advertisement will be circulated to the Member Agencies via email as well.

Purchase of this vehicle will be an "as is" sale. The vehicle's California exempt license plates will be retired and the new buyer will be required to register the vehicle.

Kitchen Appliances

The breakroom remodel necessitates replacement of some of the smaller appliances that will no longer serve the needs of the District.

Hotpoint 30" electric range. Range works, but is in need of a thorough cleaning.

Samsung 23.5" dishwasher. Dishwasher works, may need some cleaning and new seals/gaskets for new installation.

Both items are in working order. Value of each was determined by visiting Craigslist and other similar websites.

Both items are being offered for sale "as is". Purchaser must pick up the item. The District will not make any deliveries. Sales will be conducted similar to the truck. Items are available to Member Agencies for public agency use first. If no buyers materialize, the items will be offered for sale via public auction.

Strategic Plan Objective(s):

3.3 – Be accountable and transparent with major decisions

RESOLUTION NO. 17-04-XXX

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THREE VALLEYS MUNICIPAL WATER DISTRICT
DECLARING CERTAIN PERSONAL PROPERTY TO BE SURPLUS TO THE
DISTRICT AND ORDERING THE SALE THEREOF**

WHEREAS, the District's Board of Directors has adopted Resolution No. 11-04-488 which outlines the procedures for the disposal of surplus personal property; and

WHEREAS, the District owns certain surplus personal property as described in Exhibit "A" (attached); and

WHEREAS, the surplus property is obsolete, not working and/or unneeded; and

WHEREAS, the General Manager has determined the value of the surplus property after contacting dealers, vendors or other businesses which purchase used property or take such items as trade-in.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the District's Board of Directors does hereby find and resolve as follows:

1. The personal property attached hereto as Exhibit "A" is declared surplus to the District's needs.
2. The General Manager may dispose of the surplus property in accordance with procedures set forth in Resolution No. 11-04-488.

ADOPTED and **PASSED** at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 19th day of April, 2017 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

Bob Kuhn
President

Brian Bowcock
Secretary

SEAL:

Item 8.A.2

THREE VALLEYS MUNICIPAL WATER DISTRICT
SURPLUS EQUIPMENT - April 2017

EXHIBIT A

Manufacturer	System Model	Service Tag/TVMWD #/License	Mileage	Type	Condition	Value
Ford	Ranger Truck	Vehicle #203/1060489	44,375	Vehicle	Fair - Working	\$ 3,200
Hotpoint (1988)	Electric Range	N/A	N/A	Slide-in Range 30"	Fair - Working	\$ 75
Samsung (2011)	Dishwasher	N/A	N/A	Built-in 23.5"	Fair - Working	\$ 75



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager
Date: April 5, 2017
Subject: Projects Summary Update

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

Discussion:

Brief status reports for projects are provided below:

Williams/Fulton Hydroelectric Stations Analyses – Project Nos. 58149 / 58150

SCE has completed assessment of its existing electrical infrastructure and confirmed the adequacy of the protection of its facilities.

Meanwhile, TVMWD’s electrical consultant, Frisch Electrical Engineering, has determined that the District’s 30-year-old electro-mechanical style relays are not adequate to satisfy SCE requirements and need to be replaced with digital style relays.

Final language for the new power purchase agreements between SCE and TVMWD has been completed and reviewed. The existing QF agreements will expire on June 30, 2017, and the new agreements will become effective July 1, 2017.

Grand Avenue Well – Project No. 58446

TVMWD’s consultant continues to work on activities associated with the preliminary design report (PDR), which is expected to be completed in mid April 2017. Upon completion of the PDR, staff plans to reach out to the nearby residents to present the purpose and scope of the project.

In the meantime, staff continues to coordinate with City of Claremont, Caltrans, and the LDS Church to address design and construction concepts that affect their respective facilities.

TVMWD Baseline Road Well Project – Project No. 58458

No additional update available.

Miramar Pipeline Video Inspections

A video inspection was recently completed of the older reach of the Miramar Transmission Pipeline along Williams Avenue from Baseline Road to the Fulton Plant. The visual inspection captured 7,400 linear feet of pipeline, viewing past repairs, valves, laterals, and joints in the process. The visual inspection of this 66-year-old section of pipe appears to indicate that it is in fair condition, noting some superficial cracks and small missing pieces within the interior mortar lining. Some of these items will be addressed at the next scheduled shutdown of this pipeline reach.



Staff plans to conduct other inspections of the upstream portions of the Miramar Pipeline later this calendar year. Those will be scheduled when demand on the system lessens so that the impact on member agency deliveries is minimized.

Building Modification – Break Room Renovation – Project No. 58147



The contractor is nearing completion of all material submittals and is working closely with staff and the project architect to resolve various questions that arise. Major structural components of the work are complete with the roof ridge and rafters, wide-flanged steel and engineered wood beams in place. Work on the wall framing was also recently completed as was the installation of the electrical and plumbing conduits.

Strategic Plan Objectives:

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



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 5, 2017
Subject: Bid Results for the Leroy's Meter Connection Project 58154

<input type="checkbox"/>	For Action	<input type="checkbox"/>	Fiscal Impact	<input checked="" type="checkbox"/>	Funds Budgeted
<input checked="" type="checkbox"/>	Information Only	<input checked="" type="checkbox"/>	Cost Estimate:	\$150,000	

Discussion:

As part of its continuing assessment of the Miramar infrastructure, staff proposes a project to relocate the existing pipeline of the Leroy's connection. The facility is located along Baseline Road adjacent to the Leroy-Haynes School in La Verne. The vault for the connection is deep and the exposed portions of the pipe are exhibiting signs of corrosion. Relocating the pipe will lessen safety concerns associated with a deep alignment and allow the District to replace deteriorating reaches of pipe. Additionally, the SCADA cabinet and controls will be replaced with an improved layout that can be replicated at other locations.

TVMWD issued a Notice Inviting Bids on March 6, 2017 for this project. A mandatory pre-bid meeting was held on March 14, 2017 and bids were opened on March 27, 2017. All bids are listed in Table 1 below:

Table 1 – Bid Summary

No.	Contractor Name	Bid Amount
1	C.P. Construction	\$136,030
2	Zusser Company	\$165,650
3	Stephen Doreck Equipment Rentals, Inc.	\$165,720
4	Trautwein Construction	\$167,216
5	RC Foster Corp.	\$199,990
6	T.E. Roberts Inc.	\$213,130
7	Pascal & Ludwig	\$217,599
8	Fleming Environmental	\$404,115

Staff is in the process of reviewing the bids for accuracy, checking references, and examining financial statements. Staff will provide a recommendation for award of construction at the April 19, 2017 Board meeting.

Item 8.B.2


Prior to the start of construction, TVMWD will reach out to the City of La Verne, Los Angeles County, Leroy-Haynes School and area residents to inform them of the planned work and to coordinate activities so as to minimize any impacts of the actual construction work.

Strategic Plan Objective(s):

- 1.5 – Maintain water infrastructure to assure 100% reliability.
- 2.3 – Manage water infrastructure and staff operations to minimize costs.
- 3.3 – Be accountable and transparent with major decisions



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager 
Date: April 5, 2017
Subject: FY 15-16 Comprehensive Annual Financial Report Award

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

Discussion:

Staff is pleased to announce TVMWD has been awarded the *Certificate of Achievement for Excellence in Financial Reporting* presented by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This is the tenth consecutive year TVMWD has received this award.

This certificate is awarded to government units whose CAFR achieves the highest standards in governmental accounting and financial reporting. Receiving this award demonstrates TVMWD’s continued commitment to transparency and full disclosure in our financial reporting.

Strategic Plan Objectives

- 3.1 – Utilize and comply with a set of financial policies to maintain TVMWD’s financial health

- 3.3 – Be accountable and transparent with major decisions



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Three Valleys Municipal
Water District, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager
Date: April 5, 2017
Subject: FY 16-17 Project Encumbrances

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

Discussion:

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

Table listing projects and their costs: TVMWD Wells #3 & #4 (\$453,393), Hydroelectric Facility Electrical (385,299), Carports (225,722), Manway Installations (204,565), PM-26 Expansion (127,813), Pond 3 Sump Pump (82,393), Security Equipment (47,269), SCADA Modification/Upgrades (35,957), Administration Building Improvements (23,534), Total (\$1,585,945).

Although we only expect to carryover funds for projects with balances remaining, the above is our best estimate of where we expect to be at June 30, 2017 so we ask the Board to allow encumbrance of funds for any incomplete projects.

This item will be brought back for consideration of adoption on April 19, 2017. A final breakdown of all projects will be provided at the conclusion of the audit (November 2017) for final approval.

Strategic Plan Objective:

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



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager
Date: April 5, 2017
Subject: FY 17-18 TVMWD Budget Draft Version 1.1

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

Budget Updates:

Attached for review is the 2nd draft of the FY 17-18 Budget. A few notable changes since the 1st draft presented last month:

- Water demand estimates were updated to reflect a 500 acre-foot per year shift from Weymouth to Miramar. This change results in \$4/AF reduction in the surcharge.
Budget transfers to or from capital reserves have been added for future years. This change results in a \$1/AF reduction in the surcharge.
Hydroelectric sales were increased to better reflect expectations under the SCE contracts. This change results in a \$1/AF reduction in the surcharge.
Board elections were increased based on recent costs, however we now only budget for one election every two years. This change results in a \$1/AF reduction in the surcharge.
The "Opportunity" reserve category has been replaced with "Operations Reliability". The description shall be "to take advantage of resources that become available from time to time and to maintain and enhance operational reliability for the benefit of our Member Agencies". In addition to the \$114,278 already designated to be added to this reserve for FY 17-18, an additional \$500,000 will be added. This change results in a \$2/AF increase in the surcharge.

Based on these changes, TVMWD can lower the estimated surcharge to a \$5/AF discount on all treated water deliveries. Raw water deliveries would have a \$0/AF surcharge.

This item will be brought back for consideration of adoption on April 19, 2017.

Strategic Plan Objective(s):

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

FY 2017/18 TVMWD BUDGET VERSION 1.1										
	FY 2016/17 Budget	FY 2016/17 Projected	FY 2017/18 Budget	Pass Through Fund	Operating Fund	Capital Fund	FY 2018/19 Budget	FY 2019/20 Budget	FY 2020/21 Budget	FY 2021/22 Budget
REVENUES										
Water Sales	44,592,121	53,774,738	51,965,918		51,965,918		50,926,956	51,981,733	54,446,251	56,492,520
Standby Charge	3,732,684	3,732,684	3,430,206	3,430,206			3,583,131	3,736,079	3,984,208	4,365,582
Capacity Charge Assessment	1,687,770	1,687,770	1,379,080	1,379,080			1,175,430	1,038,525	1,078,250	1,117,975
Property Taxes	1,942,527	2,009,685	2,041,850			2,041,850	2,041,850	2,041,850	2,041,850	2,041,850
Fixed Charge Assessment	629,361	629,361	631,788		631,788		666,806	698,511	727,456	754,123
Hydroelectric Sales	36,891	210,000	84,324		84,324		84,324	84,324	84,324	84,324
Interest Income	114,552	163,891	130,965		130,965		129,736	129,736	129,736	129,736
Notes Receivable	35,700	35,700	35,700		35,700		-	-	-	-
Cell Tower Lease Rent	22,800	-	17,100		17,100		23,484	24,189	24,914	25,662
Pumpback O&M & Reservoir #2 Reimb.	20,000	23,184	20,000	20,000			20,000	20,000	20,000	20,000
Grants and Other Revenue	4,725	4,814	4,818		4,818		4,938	5,062	5,188	5,318
TOTAL REVENUES	52,819,131	62,271,828	59,741,750	4,829,286	52,870,613	2,041,850	58,656,656	59,760,010	62,542,179	65,037,091
EXPENSES										
Water Purchases	39,388,006	48,248,634	45,418,246		45,418,246		44,892,537	45,840,929	48,324,727	50,325,052
MWD RTS Charge	3,732,684	3,732,684	3,430,206	3,430,206			3,583,131	3,736,079	3,984,208	4,365,582
Staff Compensation	3,639,907	3,692,524	3,868,348		3,868,348		4,067,597	4,275,782	4,500,883	4,704,772
MWD Capacity Charge	1,687,770	1,687,770	1,379,080	1,379,080			1,175,430	1,038,525	1,078,250	1,117,975
Operations and Maintenance	1,091,539	1,301,518	1,229,572		1,229,572		1,272,607	1,317,149	1,363,249	1,410,963
Capital Repair and Replacement	1,850,349	1,200,994	577,640			577,640	290,096	150,000	150,000	150,000
Capital Investment Program	1,905,837	844,796	1,395,862			1,395,862	2,028,855	1,580,760	1,066,667	3,040,000
Professional Services	416,005	381,600	413,693		413,693		428,172	443,158	458,668	474,722
Directors Compensation	269,381	284,087	301,330		301,330		311,002	321,035	331,443	342,239
Communication and Conservation Programs	217,767	157,712	203,033		203,033		210,139	217,494	225,107	232,985
Planning and Resources	165,000	185,551	143,820		143,820		148,853	154,063	159,455	165,036
Membership Dues and Fees	118,860	121,423	120,804		120,804		125,032	129,409	133,938	138,626
Hydroelectric Facilities	34,407	63,476	45,917		45,917		47,524	49,187	50,909	52,690
Pumpback O&M & Reservoir #2	20,000	23,184	20,000	20,000			20,000	20,000	20,000	20,000
Board Elections	-	69,755	-		-		72,196	-	74,723	-
Reserve Replenishment	181,394	181,394	766,272		766,272		84,878	50,000	50,000	50,000
Project Encumbrances from prior year		1,585,945	1,585,945			1,585,945	-	-	-	-
TOTAL EXPENSES	54,718,907	63,763,047	60,899,768	4,829,286	52,511,035	3,559,447	58,758,050	59,323,570	61,972,227	66,590,643
NET INCOME (LOSS) BEFORE TRANSFERS	(1,899,776)	(1,491,219)	(1,158,018)	-	359,578	(1,517,597)	(101,394)	436,440	569,952	(1,553,552)
TRANSFER FROM BOARD ELECTION RESERVES	-	69,755								
TRANSFER FROM/(TO) CAPITAL RESERVES	(912,178)	(912,178)	(68,348)			(68,348)	277,100	(311,090)	(825,183)	1,148,150
TRANSFER FROM/TO ENCUMBERED RESERVES	2,725,837	2,601,386	1,585,945			1,585,945				
NET INCOME (LOSS) AFTER TRANSFERS	(86,117)	267,744	359,578	-	359,578	-	175,706	125,349	(255,232)	(405,402)
			CY 2018				CY 2019	CY 2020	CY 2021	CY 2022
MWD RATE	\$		1,015				1,053	1,092	1,123	1,164
TVMWD SURCHARGE	\$		(5)				(5)	(5)	(5)	(5)
TVMWD RATE	\$		1,010				\$ 1,048	\$ 1,087	\$ 1,118	\$ 1,159
ANNUAL FIXED CHARGE	\$		650,482				\$ 683,130	\$ 713,892	\$ 741,020	\$ 767,226



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 5, 2017
Subject: Draft Resolution Adopting Water Rates And Charges For CY 2018

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

Discussion:

Attached for review is the draft rate resolution reflecting the rates and charges that will go into effect January 1, 2018. Based on the assumptions for TVMWD FY 17-18 Budget 1.1, TVMWD will apply a surcharge discount of -\$5 per AF to treated water delivered during calendar year 2018.

TVMWD will apply a \$0 surcharge to all untreated water delivered during calendar year 2018. As clarified beginning with the 2017 rate resolution, untreated water delivered may be subject to additional charges from other agencies based on the connection used and basin delivered to.

Also attached are the summary drafts of the capacity charge and fixed charge for 2018. The fixed charge summary increased slightly from what was presented last month.

This item will be brought back for consideration of adoption on April 19, 2017.

Strategic Plan Objective:

3.3 – Be accountable and transparent with all major decisions

RESOLUTION NO. 17-04-***

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THREE VALLEYS MUNICIPAL WATER DISTRICT
ADOPTING WATER RATES FOR CALENDAR YEAR 2018**

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

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

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

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

D. TVMWD has approved the Fiscal Year (FY) Budget for 2017-18 consisting of expenses for expected water sales, reserves, and the Miramar Water Treatment Plant (“Miramar”);

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

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

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

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

Item 8.C.4

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

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

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

1. **Effective Date.** The effective date of the following rates, fees and charges shall be January 1, 2018 unless otherwise noted. The rates shall remain in effect until changed or canceled by the Board.
2. **Rates.** All sales, deliveries, and availability of water at the rates established herein shall be subject to the ability of TVMWD to sell, deliver, and make available such water under operating conditions determined by the General Manager of TVMWD and of MWD, and subject to the water service agreements of TVMWD and of MWD.
 - A. **TVMWD Water Rates.** MWD has assigned a "base firm demand" or allocation of water deliveries to TVMWD for the period January 1, 2015 through December 31, 2024 based on Option 2 of the new 10-year purchase order agreement. A Tier 1 base firm demand of 80,688 acre feet has been allocated to the TVMWD Member Agencies based on the proportional share of each Member Agency's 10-year average (FY 2005 through FY 2014); however, no agency will receive less than their CY 2014 Tier 1 limit. The Tier 1 allocations for calendar year 2018 are as follows:

<i>Member Agency</i>	<i>CY 2018 Tier 1 Allocation</i>
Boy Scouts	36
Cal Poly	269
Covina	1,568
Glendora	4,101
JWL	31,066
La Verne	8,026
Mt. SAC	699
RWD	4,879
GSWC - Claremont	5,576
GSWC - San Dimas	10,138
VHWC	464
Suburban	1,961
WVWD	11,905
Tier-1 Acre Foot Allotment	80,688

Item 8.C.4

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

Effective January 1, 2018 treated water from TVMWD will be sold at \$1,010 per acre foot for Tier 1 and \$1,096 per acre foot for Tier 2.

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

- B. Groundwater Replenishment Water Rate.** MWD did not adopt a replenishment water rate for 2018 and beyond. Groundwater replenishment water is provided only when additional water for such use is available from MWD. Subject to any applicable legal restrictions, the General Manager may set a groundwater replenishment rate at his/her discretion for deliveries to non-Member Agencies as long as the amount is no less than the rates applicable to Member Agencies.
- C. In Lieu Water Rate.** MWD did not adopt a replenishment water rate for 2018 and beyond, therefore an in lieu water rate has yet to be determined. As provided for in the section on replenishment service in the MWD Rate Structure Administrative Procedures Handbook, TVMWD will incorporate these procedures for the sale of available in-lieu water service. This water will be sold for the replenishment of water supplies in groundwater basins, as a substitute for deliveries from the Weymouth Treatment and Miramar Treatment facilities.
- D. Untreated Water Rate.** Untreated water purchased from MWD for spreading purposes that is later extracted and sold will be charged at the current TVMWD rate on the date of extraction, less the initial price paid for the water. Effective January 1, 2018 the untreated rates from TVMWD will be \$695 per acre foot for Tier 1 and \$781 per acre foot for Tier 2. Additional charges based on the connection used and basin delivered to may apply. Subject to any applicable legal restrictions, the General Manager may set an untreated water rate at his/her discretion for deliveries to non-Member Agencies as long as the amount is no less than the rates applicable to Member Agencies.
- E. Capacity Charge.** The MWD Capacity Charge ("Charge") will be \$8,700 per cubic foot second (cfs) effective January 1, 2018. TVMWD's Capacity Charge basis will be 152.8 based on TVMWD's peak connected capacity during the last three completed fiscal years. The Charge will either increase or decrease only if a new 24-hour peak demand is established during the period of May-September of any year. Subsequently, a revised Charge would become effective on January 1 of the following year. A monthly allocation Charge will apply to each Member Agency based on their specific non-coincidental peak during the period of 2014 to 2016, as follows:

Item 8.C.4

<i>Agency</i>	<i>3 Year High Peak</i>	<i>Per CFS Charge 2017</i>	<i>2018 CFS Basis</i>	<i>2018 Monthly Charge</i>	<i>2018 Annual Charge</i>
Boy Scouts	0.7	\$8,700	0.6	\$416	\$4,992
Cal Poly	0.9	\$8,700	0.7	\$535	\$6,419
Covina	6.5	\$8,700	5.3	\$3,863	\$46,356
Glendora	21.4	\$8,700	17.5	\$12,718	\$152,620
La Verne	17.6	\$8,700	14.4	\$10,464	\$125,580
Mt. SAC	1.2	\$8,700	1.0	\$713	\$8,558
PWR-JWL	48.9	\$8,700	40.1	\$29,062	\$348,743
RWD	14.4	\$8,700	11.8	\$8,558	\$102,697
GSWC – Claremont	21.1	\$8,700	17.3	\$12,535	\$150,420
GSWC - San Dimas	15.7	\$8,700	12.9	\$9,331	\$111,969
WVWD	38.0	\$8,700	31.2	\$22,584	\$271,007
Capacity Charge Totals:	207.4		152.8	\$110,780	\$1,329,360

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

- 3. Penalties.** In the event any Member Agency shall be delinquent in the payment for water delivered by TVMWD, or through an MWD connection, and/or other charges as invoiced by TVMWD, an additional charge equal to two (2) percent of such delinquent payment for each month or portion thereof that such payment remains delinquent shall be assessed, and the Member Agency shall pay such charge to TVMWD in addition to the amount of such delinquent payment. Notwithstanding the above, if the total period of delinquency does not exceed five (5) business days, the additional charge shall be equal to one (1) percent of such delinquent payment. In the event any Member Agency shall be delinquent for more than thirty (30) days in the payment for water, such delinquency shall be reported by the General Manager to the Board of Directors of TVMWD at its next meeting. The Board, in its discretion and upon such other conditions as it may prescribe after giving the Member Agency a reasonable opportunity to be heard, may order the termination of service to such Member Public Agency until all delinquent payments, including additional charges, are made to TVMWD or may authorize such other actions as may be legally available to effectuate collection.
- 4. Cost Allocations.** The required revenue for the TVMWD's FY 2017-18 Budget will be met in the following revenue priorities: (a) Miscellaneous revenues (interest, etc.); (b) State subventions; (c) TVMWD's Standby Charge; (d) Water Sales; and (e) Fixed Cost Allocations. The required calendar year Fixed Cost Allocation revenue of \$650,482 shall be obtained through three component allocations in equal amounts. Each allocated cost component will generate revenue of \$216,827. Each Member Agency has already submitted to TVMWD its certified component values.

Item 8.C.4

- A. Connected Capacity Charge.** Each Member Agency has the ability to receive water from TVMWD through service connections of TVMWD and/or MWD. The capacity of each service connection shall be determined and allocated to a Member Agency. The Member Agency's total allotment for the connected capacity charge shall be one-third (1/3) of the total required Cost Allocation revenue. The Connected Capacity Charge shall be collected on a monthly basis.
- B. Equivalent Small Meter Charge.** All Member Agency revenue meters shall be converted to an equivalent number of 5/8" water meters using the AWWA conversion table found in the Service Meter Manual. The Member Agency's total allotment for the equivalent small meter charge shall be one-third (1/3) of the total required Cost Allocation revenue. The Equivalent Small Meter Charge shall be collected on a monthly basis.
- C. Historical Water Use Charge.** TVMWD maintains the historical record of imported water use of each Member Agency. The moving three-year average total ending FY 2015-16 for the total use of all Member Agencies will be calculated. The Member Agency's percentage of the total three-year average water use shall be one-third (1/3) of the required Cost Allocation revenue. The Historical Use Charge shall be collected on a monthly basis.
- 5. Hydroelectric Rate.** TVMWD also operates a hydroelectric facility at the Miramar plant. On an as available basis, the hydro provides power to the facilities through a separate meter. The actual power delivered through the Miramar hydro is received at the water treatment plant. The rate that TVMWD will charge for hydroelectric power will be equal to the melded aggregate average of the rate paid to Edison on the regular monthly bill.
- 6. Definitions.** The definition and application of the foregoing classes and conditions of service shall be the same as those established, interpreted, and amended from time to time by MWD through its Administrative Code, and such other rules, regulations, policies, ordinances, or resolutions that have been or may be adopted by the MWD Board of Directors, which are by this reference incorporated herein and adopted by the TVMWD as though set forth herein in their entirety.
- A. Acre-foot.** The volume of water contained in one-acre area one foot deep. Approximately 435.6 ccf or 325,851 gallons.
- B. CCF.** The volume of water contained in one hundred cubic feet. Approximately 748 gallons.
- C. CFS.** A flow rate of one cubic foot of water per second. Approximately 448.8 gallons per minute.
- D. Groundwater Replenishment.** Water used for direct spreading by a Member Agency to meet the legal requirements of groundwater basin adjudication.

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

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

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

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

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

ADOPTED and PASSED at a meeting of the Three Valleys Municipal Water District’s Board of Directors, on this 19th day of April, 2017 by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

Bob G. Kuhn
President

ATTEST:

Brian Bowcock
Secretary

SEAL:

Item 8.C.4 (Revised)

DRAFT**MWD CAPACITY CHARGE SUMMARY
EFFECTIVE JANUARY 2018**

AGENCY	CFS BASIS	ANNUAL CHARGE	MONTHLY CHARGE	%
Boy Scouts	0.5	\$ 4,738.04	\$ 394.84	0.36%
Cal Poly	0.7	\$ 6,091.77	\$ 507.65	0.46%
Covina	5.1	\$ 43,996.13	\$ 3,666.34	3.31%
Covina Irrigating Company	7.8	\$ 67,686.35	\$ 5,640.53	5.09%
Glendora	16.6	\$144,848.80	\$12,070.73	10.90%
Joint Water Line (JWL)	38.0	\$330,986.27	\$27,582.19	24.90%
La Verne	13.7	\$119,185.52	\$ 9,932.13	8.97%
Mt. Sac	0.9	\$ 8,122.36	\$ 676.86	0.61%
Pomona	0.0	\$ -	\$ -	0.00%
Rowland Water District	11.2	\$ 97,468.35	\$ 8,122.36	7.33%
GSWC (Claremont)	16.4	\$142,760.67	\$11,896.72	10.74%
GSWC (San Dimas)	12.2	\$106,267.58	\$ 8,855.63	7.99%
Suburban	0.0	\$ -	\$ -	0.00%
Valencia Heights	0.0	\$ -	\$ -	0.00%
Walnut Valley Water District	29.6	\$257,208.15	\$21,434.01	19.35%
TOTAL	152.8	\$ 1,329,360	\$ 110,780	100.00%

Notes:

1. The MWD Capacity Charge is paid by each member agency based on TVMWD's allocation of the specific non-coincidental peak calculation over a three year period 2014, 2015, 2016.
- 2 The MWD Capacity Charge basis of 152.8 cfs at \$8,700 per cfs is assigned to TVMWD by MWD and is passed-through directly to the member agencies.

DRAFT**Item 8.C.4 (Revised)****TVMWD FIXED CHARGES SUMMARY
EFFECTIVE: January 2018**

AGENCY	IMPORTED WATER USE			CONNECTED CAPACITY			EQUIVALENT SMALL METER (ESM)			TOTAL \$
	(3yr Avg) (AF)	ANNUAL \$	%	(cfs)	ANNUAL \$	%	METERS	ANNUAL \$	%	
Boy Scouts	29.4	\$ 104.98	0.05%	1.5	\$ 818.22	0.38%	258.5	\$ 216.83	0.10%	\$ 1,140.02
Cal Poly	242.2	\$ 863.62	0.40%	2.0	\$ 1,090.96	0.50%	2,584.8	\$ 2,168.27	1.00%	\$ 4,122.85
Covina	953.6	\$ 3,400.02	1.57%	20.0	\$ 10,909.55	5.03%	5,184.7	\$ 4,349.22	2.01%	\$ 18,658.80
Covina Irrigating Company	849.2	\$ 3,027.70	1.40%	20.0	\$ 10,909.55	5.03%	0.0	\$ -	0.00%	\$ 13,937.25
Glendora	2,752.3	\$ 9,812.79	4.53%	40.0	\$ 21,819.11	10.06%	26,948.5	\$ 22,606.07	10.43%	\$ 54,237.96
Joint Water Line (JWL)	19,615.7	\$ 69,936.81	32.25%	121.0	\$ 66,002.79	30.44%	0.0	\$ -	0.00%	\$ 135,939.61
La Verne	5,639.6	\$ 20,107.18	9.27%	15.0	\$ 8,182.16	3.77%	20,997.5	\$ 17,613.98	8.12%	\$ 45,903.32
Mt. Sac	308.6	\$ 1,100.24	0.51%	5.0	\$ 2,727.39	1.26%	2,584.8	\$ 2,168.27	1.00%	\$ 5,995.90
Pomona	0.0	\$ -	0.00%	10.0	\$ 5,454.78	2.52%	47,258.5	\$ 39,643.30	18.28%	\$ 45,098.08
Rowland Water District	5,079.3	\$ 18,109.64	8.35%	30.0	\$ 16,364.33	7.55%	25,668.5	\$ 21,532.30	9.93%	\$ 56,006.27
GSWC (Claremont)	3,935.8	\$ 14,032.55	6.47%	15.0	\$ 8,182.16	3.77%	29,355.0	\$ 24,624.76	11.36%	\$ 46,839.47
GSWC (San Dimas)	7,726.3	\$ 27,546.87	12.70%	35.0	\$ 19,091.72	8.81%	32,189.5	\$ 27,002.51	12.45%	\$ 73,641.10
Suburban	0.0	\$ -	0.00%	0.0	\$ -	0.00%	16,942.5	\$ 14,212.40	6.55%	\$ 14,212.40
Valencia Heights	0.0	\$ -	0.00%	4.0	\$ 2,181.91	1.01%	1,595.6	\$ 1,338.49	0.62%	\$ 3,520.40
Walnut Valley Water District	13,683.1	\$ 48,784.96	22.50%	79.0	\$ 43,092.73	19.87%	46,910.0	\$ 39,350.96	18.15%	\$ 131,228.65
TOTAL	60,815.1	\$ 216,827	100%	397.5	\$ 216,827	100%	258,478	\$ 216,827	100%	\$ 650,482

Notes:

1. The Imported Water Use Charge is based on average import water deliveries in the 2013-14, 2014-15 and 2015-16 fiscal years.
2. Connected Capacity for the Badillo-Grand Pipeline is according to WVWD's maintenance allocation: WVWD 60 cfs and Valencia Heights. 4 cfs.
3. Boy Scouts ESM Charge is calculated based on 0.1% of total ESMs; Cal Poly & Mt. SAC ESM Charges are calculated based on 1.0% of total ESMs
4. Covina, Glendora, and Valencia Heights ESM Charges are calculated based on 27%, 98%, and 67%, respectively, of their corresponding total ESMs.
Percentages are based on agencies' service area within TVMWD.
5. Fire Service Meters are not included in the ESM calculations



Staff Report/Memorandum

To: TVMWD Board of Directors
From: Richard W. Hansen, General Manager *RH*
Date: April 5, 2017
Subject: FY 17-18 Water Standby Charge

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

Discussion:

Each year MWD assesses a Readiness-To-Serve (RTS) charge to its member agencies. The amount is determined by MWD which is sufficient to recover a portion of their debt service costs to finance capital expenditures for projects needed to provide standby and emergency storage service needs. MWD’s RTS charge will increase by 3.7% from \$135 million in CY 2017 to \$140 million in CY 2018.

MWD will adopt the RTS charge stating each MWD member agency’s portion at the April 11, 2017 board meeting. TVMWD’s portion of the MWD RTS charge for FY 17-18 is expected to be \$5.3 million. The funds will be collected on property taxes in the following manner:

- MWD will collect \$1.9 million via a water standby charge imposed on parcels within the Three Valleys’ service area at \$12.21 per parcel.
- TVMWD will collect \$3.4 million via a water standby charge imposed based on equivalent dwelling units (EDU) within Three Valleys’ service area. The proposed standby charge for FY 2017-2018 for a typical residential homeowner will be \$18.53 per EDU.

Each year TVMWD must take steps to approve and implement this standby charge. The rate and methodology will be described in the Draft Engineer’s Report that will be provided at the Board Meeting on April 19, 2017.

Because the rate is decreasing, the customary public meeting held in early June of each year will not be necessary.

Item 8.C.5

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

Task	Date
Willdan Financial Services to prepare draft copies of the Engineer's Report and deliver to TVMWD	4/5/17
TVMWD to publish Notice of Intention to Initiate Standby Charge Proceedings	4/12/17
Willdan Financial Services to deliver bound copies of the Engineer's Report to TVMWD for the Resolution of Intention Board Meeting	4/12/17
Resolution of Intention Board Meeting	4/19/17
TVMWD to publish Public Hearing Notice:	first notice 6/7/17 second notice 6/14/17
Willdan Financial Services to deliver final Engineer's Report to TVMWD for the Public Hearing	6/15/17
Public Hearing to consider Resolution to Adopt Standby Charge	6/21/17
Submit assessments to Los Angeles County	8/10/17
Submit levy correction to Los Angeles County	8/31/17
Submit diskette and report with applied levy summary to TVMWD	9/30/17

Strategic Plan Objective:

3.3 – Be accountable and transparent with major decisions

RESOLUTION NO. 17-04-***
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THREE VALLEYS MUNICIPAL WATER DISTRICT
INITIATING PROCEDURES TO FIX, ADJUST, LEVY, AND COLLECT
A WATER STANDBY CHARGE

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

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

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

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

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

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

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

Item 8.C.5

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

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

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

1. The public interest and necessity requires the Board of Directors of the District to adopt this Resolution initiating proceedings to fix, levy, and collect standby charges pursuant to the Act in order to meet additional financial obligations imposed upon the District by MWD and all administrative costs related thereto.
2. The standby charge proposed to be adopted by the Board of Directors of the District is based upon the report of a qualified engineer, Willdan Financial Services, which is on file with the District, and available for review during regular business hours. The content of the Engineer's Report is incorporated herein in full by this reference, including, but not limited to, any and all statements and determinations specifically relating to each of the following:
 - a. A description of the charge and the method by which it is proposed to be imposed;
 - b. A compilation of the amount of the charge proposed for each parcel subject to the charge;
 - c. A statement of the methodology and rationale followed in determining the degree of benefit conferred by the service for which the proposed charge is made;
 - d. The District's legal ability to fix and adjust a standby charge, the amount of the proposed charge, and the properties affected thereby;
 - e. A description of the lands upon which the charge is proposed to be imposed; and
 - f. The amount of the proposed charge for each of the lands so described.
3. On June 21, 2017, at 8:00 a.m., at the District office located at 1021 East Miramar Avenue, Claremont, California, the Board of Directors will hold a public hearing to adopt the District's Standby Charge, which hearing shall be conducted in the manner set forth

Item 8.C.5

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

4. The District's General Manager is hereby authorized and directed to cause notice of the date, time, and place of the public hearing on the proposed charges to be duly published prior thereto as required by the Act and Water Code Section 71639(c).

ADOPTED and **PASSED** at a meeting of the Three Valleys Municipal Water District's Board of Directors, on this 19th day of April, 2017 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Bob Kuhn, President

ATTEST:

Brian Bowcock, Secretary

SEAL: