



**LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY  
FINANCE COMMITTEE  
AGENDA**

Regular Meeting  
May 25, 2023 – 1:00 p.m.

Directors participating telephonically:

Anthea Hansen - 17840 Ward Avenue, Patterson, California 95363

Paul Sethy - 46961 Zapotec Drive, Fremont, California 94539

Rebecca Eisenberg - 2345 Waverly Street, Palo Alto, California 94301

Michael Tognolini - EBMUD Administration Building, 375 Eleventh Street, Oakland, California 94607

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This meeting will be conducted remotely and any member of the public who desires to participate in the open session items of this meeting may do so by accessing the Zoom link below without otherwise complying with the Brown Act's teleconference requirements.

**Please click the link below to join the webinar:**

**<https://lagerlof.zoom.us/j/81912208202?pwd=dG9hdGFyOWp6L1BERktwK0MyUHVRZz09>**

**Passcode: 484186**

**Or One tap mobile:**

**US: +16694449171,,81912208202#,,, \*484186#**

**or Telephone: 1-669-444-9171**

**Meeting ID: 819-1220-8202**

**Passcode: 484186**

Any member of the public wishing to make any comments to the Committee may do so by accessing the above-referenced link where they may select the option to join via webcam or teleconference. Members of the public may also submit written comments to the Clerk by 4:00 p.m. on the business day prior to the meeting for the Clerk to read into the record (subject to three-minute limitation). The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making their comment. Members of the public will be disconnected from the meeting prior to any Closed Session, if applicable.

NOTE: *To comply with the Americans with Disabilities Act, if you need special assistance to participate in this Committee meeting, please contact the Authority's Clerk at [rperea@lagerlof.com](mailto:rperea@lagerlof.com) by 4:00 p.m. on May 24, 2023 to inform the Authority of your needs and to determine if accommodation is feasible. Each item on the Agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item. Materials related to items on this Agenda are available for public review at: [www.losvaquerosjpa.com/board-meetings](http://www.losvaquerosjpa.com/board-meetings).*

## **CALL TO ORDER**

### **ROLL CALL OF COMMITTEE MEMBERS**

Anthea Hansen – Chair, San Luis & Delta-Mendota Water Authority

Paul Sethy – Vice Chair, Alameda County Water District

Michael Tognolini – East Bay Municipal Utility District

Rebecca Eisenberg – Santa Clara Valley Water District

### **PUBLIC COMMENT ON NON-AGENDA ITEMS**

*Any member of the public wishing to address the Finance Committee regarding items not on the Agenda should do so at this time. The Committee welcomes your comments and requests that speakers present their remarks within established time limits and on issues that directly affect the Authority or are within the jurisdiction of the Authority.*

### **DISCUSSION ITEMS (may include action to recommend forwarding items to Board of Directors for adoption or approval)**

- 1.1 April 27, 2023 Finance Committee Meeting Summary**
- 1.2 Discussion of 2024 Fiscal Year Budget, draft Budget Book and Cost Sharing Agreement Amendment No. 5**
- 1.3 Consideration of Extension of Standard Services Agreement with Clean Energy Capital for Financial Consulting Services for 2024 Fiscal Year (not to exceed \$\_\_\_\_\_)**
- 1.4 Review of Draft Fiscal Year 2022 Audit Report**
- 1.5 Update on Accounting Services Request for Proposals**
- 1.6 Update on Banking Services**
- 1.7 Draft Treasurer's Report – Month Ended April 30, 2023**

### **FUTURE AGENDA ITEMS**

### **ADJOURNMENT**

**ITEM 1.1: APRIL 27, 2023 FINANCE COMMITTEE MEETING SUMMARY**

**RESPONSIBLE/LEAD STAFF MEMBER:**

James Ciampa, General Counsel

**DISCUSSION:**

Attached for the Committee's information is the summary prepared for the April 27, 2023 Finance Committee meeting.

**ALTERNATIVES:**

Any suggested revisions to the attached summary will be considered.

**FISCAL ANALYSIS:**

Not applicable

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Summary from April 27, 2023 Finance Committee meeting.



**SUMMARY OF REGULAR MEETING OF  
FINANCE COMMITTEE**

April 27, 2023 – 1:00 p.m.

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Participating Telephonically:

Chair Anthea Hansen  
Vice Chair Paul Sethy  
Committee Member Rebecca Eisenberg  
Committee Member Michael Tognolini

**1.1 March 23, 2023 Finance Committee Meeting Summary.** The draft summary of the March 23, 2023 Finance Committee meeting was presented for the Committee’s review and discussion. It was noted that the month for this item on the Agenda incorrectly stated “April 23, 2023” instead of “March 23, 2023” and a grammatical error was noted on page 5, paragraph 4, line 3 of the summary, with the word “have” to be changed to “having.” The draft summary was approved by the Committee, as corrected.

**1.2 Discussion of 2023-24 Fiscal Year Budget, Draft Budget Book and Cost Sharing Agreement Amendment No. 5.** Taryn Ravazzini, Executive Director, noted that as previously presented to the Finance Committee and to the Board of Directors, JPA staff along with CCWD’s staff have been working to develop the Authority’s 2024 Fiscal Year Budget. In connection with the budget development, Amendment No. 5 to the Multi-Party Cost Share Agreement has been drafted and distributed to members’ respective staffs for review and comment.

Maureen Martin reviewed the draft Budget Book for the FY 2023-24 Budget and clarified that the budget is for a single fiscal year. The draft Budget includes sources and uses of funds totaling \$19,073,000, with \$8,673,000 to be contributed by the Authority’s members under Amendment No. 5. The Budget Book also reviewed the Authority’s accomplishments in FY23 and the various milestones to be accomplished in FY24, including the transition of financial functions to the Authority.

With respect to Phase 2 of the Los Vaqueros Reservoir Expansion Project facilities, construction may begin as early as the summer of 2024, but certainly at some point in the 2025 fiscal year. Committee Member Sethy asked whether a schedule of land work related to the Transfer Bethany Pipeline is available. Ms. Martin advised that a schedule will be created and included in the Budget once it is prepared.

With respect to federal funding Ms. Martin advised that staff is looking into a possible amendment to the Assistance Agreement with the Bureau of Reclamation to extend the term of that agreement beyond December 2023 and to increase the total amount of federal funding to be provided for planning. With respect to local funding, the member agencies are currently reviewing Cost Share Agreement Amendment No. 5 and the FY24 budget will be updated pending comments from the member agencies. All local funding from the Members is coming through Amendment No. 5.

On use of funds, Ms. Martin noted that staff is working on the timing of when CCWD services and labor, costs and expenses, may appear – FY23 or FY24. Executive Director Ravazzini mentioned the need to shift institutional knowledge from CCWD to the Authority. Committee Member Sethy noted that communications and outreach on the progress of the Authority needs to be clarified with state legislators. Committee Member Tognolini asked for more detail on the Authority’s costs and expenses. Ms. Martin advised that a detailed spreadsheet has been prepared and distributed to the Member agencies. Copies will also be distributed to the Committee. It was noted that there will be no operating expenses for the JPA for this fiscal year as all expenses are categorized as capital. Committee Member Tognolini asked whether there will be an estimate for new project costs. Ms. Martin advised an updated cost estimate will be prepared in June and will feed into the WIFIA loan application.

**1.3 Draft Treasurer’s Report – Month Ended March 31, 2023.** Executive Director Ravazzini presented the Draft Treasurer’s Report for the month ended March 31, 2023. Chair Hansen requested that the “Acronym Key” included in the report include the partners only and that a separate key be included for important terms.

**FUTURE AGENDA ITEMS:**

- Evaluation and Update of the FY24 Budget

The meeting adjourned at 1:54 p.m.

*James D. Ciampa*

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James D. Ciampa  
General Counsel

**ITEM 1.2: DISCUSSION OF 2024 FISCAL YEAR BUDGET, DRAFT BUDGET BOOK AND COST SHARING AGREEMENT AMENDMENT NO. 5**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Taryn Ravazzini, Executive Director

**DISCUSSION:**

As previously presented to the Finance Committee and to the Board of Directors, JPA staff along with CCWD's staff have been working to develop the Authority's 2023-24 Fiscal Year Budget. In connection with the budget development, Amendment No. 5 to the Multi-Party Cost Share Agreement has been drafted and distributed to members' respective staffs for review and comment.

Today's presentation will further review the draft Budget Book for the FY 2023-24 Budget. The draft Budget includes sources and uses of funds totaling \$19,073,000, with \$8,673,000 to be contributed by the Authority's members under Amendment No. 5. The Budget Book also reviews the Authority's accomplishments in FY 23 and looks forward to various milestones to be accomplished in FY 24.

**ALTERNATIVES:**

For discussion purposes

**FISCAL ANALYSIS:**

The current version of the FY 24 Budget calls for total expenditures of \$19,073,000.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Revised draft Budget Book

# Los Vaqueros Reservoir Joint Powers Authority



## **FY24 Budget**

(July 1, 2023 – June 30, 2024)

Adopted ###



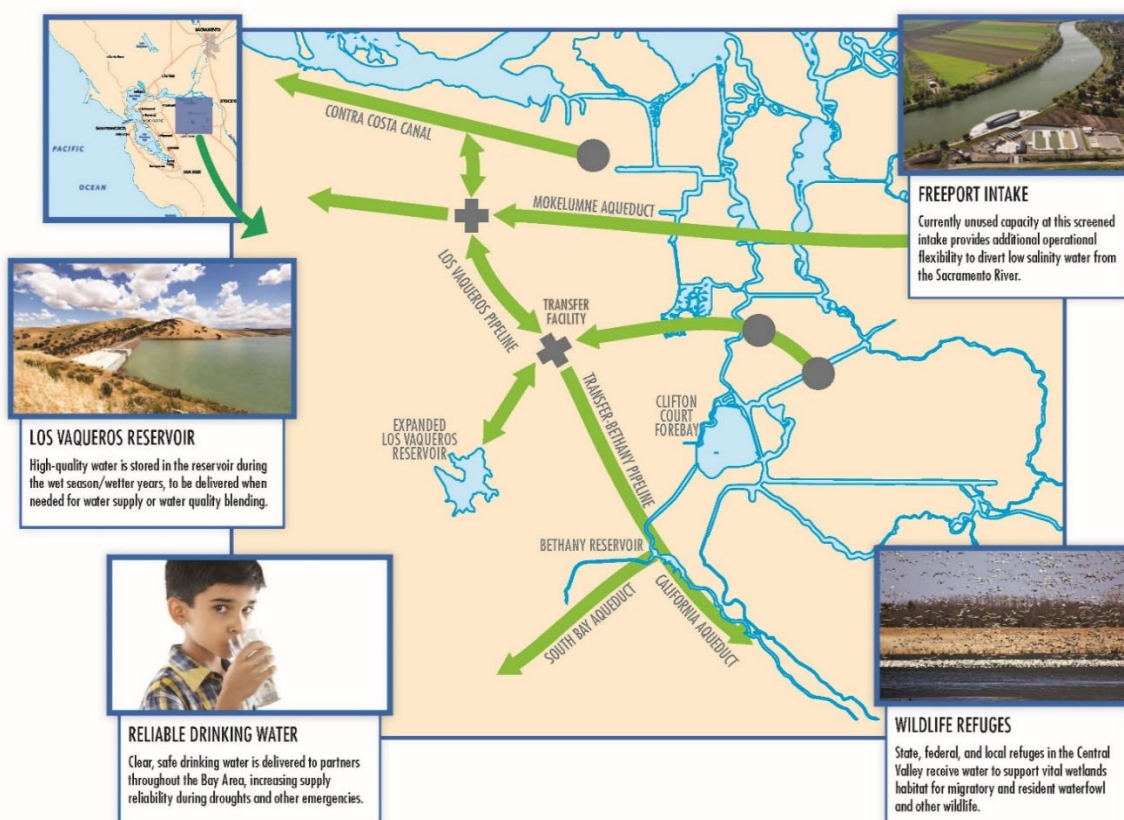
# Background Information

The Los Vaqueros Reservoir Joint Powers Authority (JPA) was formed in October 2021 to provide governance of the Phase 2 Los Vaqueros Reservoir Expansion Project (Project). The eight agencies which make up the JPA include: Alameda County Water District, Contra Costa Water District, East Bay Municipal Utility District, Grassland Water District, San Francisco Public Utilities Commission, San Luis & Delta-Mendota Water Authority, Santa Clara Valley Water District, and Zone 7 Water Agency. The main purposes of the JPA are to ensure sufficient stable funding for the Project, including local cost shares, and to ensure that costs are reasonable, and that cost allocations are equitable and transparent.

## THE PROJECT

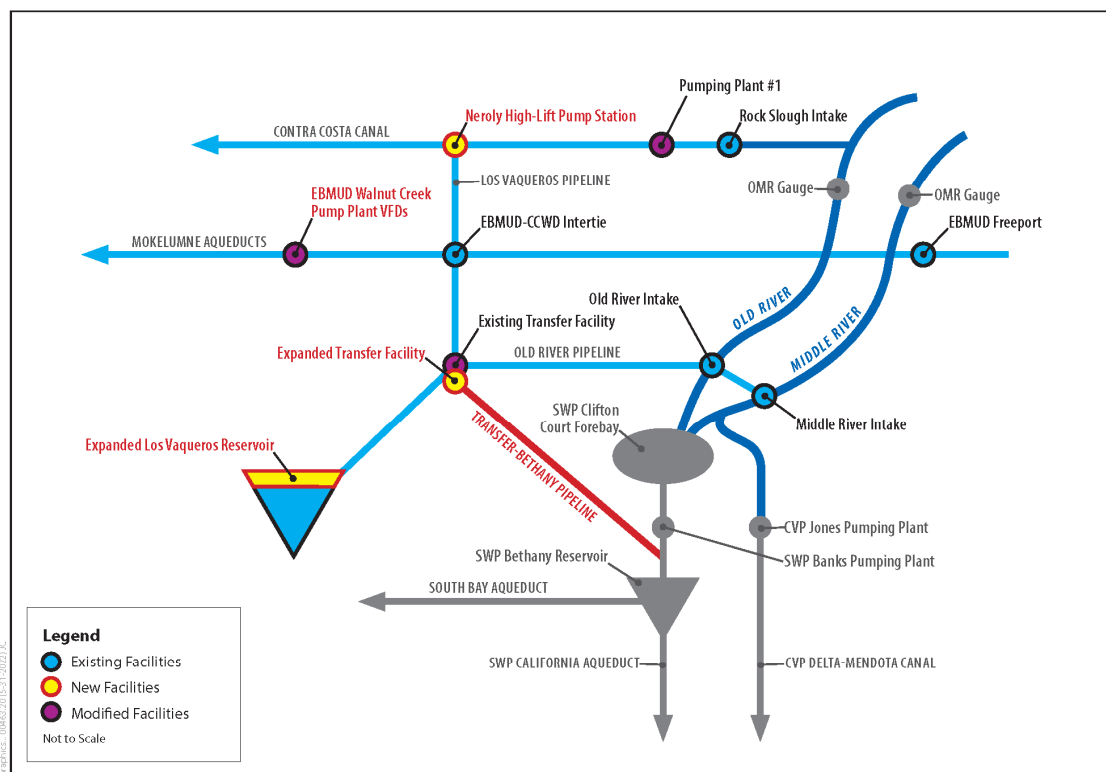
The Project will enhance Bay Area and Central Valley water supply reliability, develop water supplies for wildlife refuges, and improve water quality while protecting Delta fisheries and providing additional Delta ecosystem benefits. Figure 1 shows a map of the Project location and benefits. When completed, it will increase the Los Vaqueros Reservoir's capacity from 160,000 acre-feet to 275,000 acre-feet and add new and modified conveyance facilities to provide environmental, water supply reliability, operational flexibility, water quality, and recreational benefits. Figure 2 shows a schematic of existing, modified, and new facilities that comprise the Project.





## Figure 1 Location of Phase 2 Los Vaqueros Reservoir Expansion Project and Benefits

In FY23 the JPA hired Taryn Ravazzini as the Executive Director. In FY24 Contra Costa Water District (CCWD) will transition out of its role as the Interim Administrator to the JPA as more services are procured in FY24 by the JPA. CCWD will continue to provide technical services to the JPA as required and specified in Amendment No. 5 to Multiparty Agreement.



**Figure 2 Schematic of Phase 2 Los Vaqueros Reservoir Expansion Project Facilities**

Activities currently underway include permitting, facilities design, and agreement development, while also pursuing additional funding for the Project. The Project has been conditionally awarded approximately \$477 million of Proposition 1 funds from the California Water Commission and received a total of \$164 million in federal appropriations to date. The remainder of the project costs will be covered by additional federal funding, JPA Member contributions, and financing. Construction may begin as early as calendar year 2024, pending necessary reviews, approvals, and funding, and is anticipated to continue through 2030. Additional information is available at [losvaquerosjpa.com](http://losvaquerosjpa.com).

The Board Members, officers, contractors, and anticipated contractors to the JPA (JPA services) are summarized below.

# Board Members

## **Alameda County Water District Director**

Paul Sethy, Treasurer

## **Alternate Director**

Jonathan Wunderlich

## **East Bay Municipal Utility District Director**

Mike Tognolini

## **Alternate Director**

Lesa McIntosh

## **San Francisco Public Utilities Commission**

### **Director**

Dennis Herrera

### **Alternate Director**

Steve Ritchie

## **Valley Water**

### **Director**

Rebecca Eisenberg

### **Alternate Director**

Richard Santos

## **Contra Costa Water District Director**

Ernesto Avila

## **Alternate Director**

Antonio Martinez

## **Grassland Water District Director**

Ellen Wehr, Secretary

## **Alternate Director**

Ricardo Ortega

## **San Luis & Delta-Mendota Water Authority**

### **Director**

Anthea Hansen, Vice Chair  
(Del Puerto Water District)

### **Alternate Director**

Jose Gutierrez  
(Westlands Water District)

## **Zone 7**

### **Director**

Angela Ramirez Holmes, Chair

### **Alternate Director**

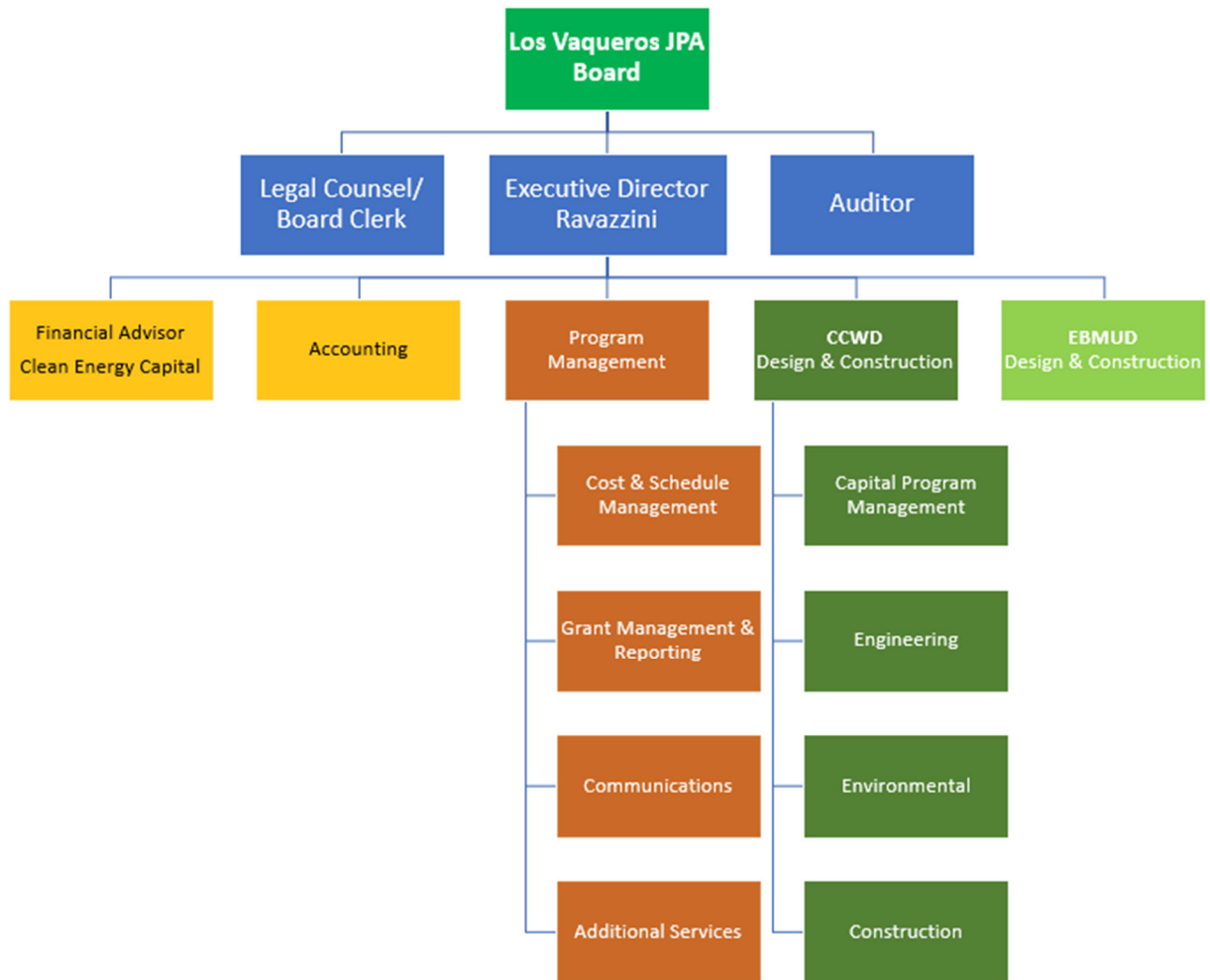
Sandy Figuers

## **Department of Water Resources**

Ex-Officio

**Department of Water Resources (DWR) is anticipated to appoint a non-voting member, pursuant to Water Code Section 79759(b)).**

# Organizational Chart



## JPA Administration

Taryn Ravazzini – Executive Director

Jim Ciampa – General Counsel

Rose Perea – Clerk to the Board

Norma Alley – Assistant Clerk to the Board

# Key Milestones

In FY23, in its first full fiscal year, the JPA achieved many significant milestones. The key accomplishments are listed below:

- Strengthened foundational governance structure of the JPA by adopting necessary fiscal and administrative policies and procedures
- Contracted with Executive Director Taryn Ravazzini
- Retained Jim Ciampa as General Counsel and Rosemarie Perea as Board Clerk, previously had served as Interim General Counsel and Interim Board Clerk
- Retained Clean Energy Capital as financial advisors to the JPA
- Retained S&P to provide an indicative credit rating for the JPA
- Competitively procured Program Management Consultant
- Procured banking and other financial services
- Procured insurance
- Transitioned administration services from CCWD to the JPA
- Convened regular monthly JPA Board meetings as well as Finance, Communications and Outreach, and Engineering and Operations Committees
- Convened workshops with Reclamation to evaluate federal investment and benefits
- Developed and strengthened relationships with legislative representatives in Washington D.C. and in Sacramento.

During FY24 the following additional milestones are anticipated:

- Complete permitting of the Project
- Execute Contracts for Administration of Public Benefits
- Execute a Design and Construction Agreement with CCWD
- Execute a Facility Usage Agreement with CCWD and EBMUD
- Execute a Service Agreement between the JPA and its Members
- Apply for a Water Infrastructure Finance and Innovation Act (WIFIA) Loan
- Hold the California Water Commission (CWC) final funding award hearing

## Source of Funds

Funding for the Project comes from a variety of sources and is managed by the JPA and CCWD. Approximately \$19.073 million of state, federal, and local funding is expected in FY24, including \$6.300 million carryover from FY23. This total excludes construction funding, which, if construction proceeds, will require a revision and supplement to this budget. Table 1 below shows a summary of the sources of funds. Figure 3 shows the relative contribution of the various sources of funds anticipated in FY24.

### STATE FUNDING

The Project is qualified for up to \$477.5 million of state funding through the Water Storage Investment Program administered by the California Water Commission (CWC). In 2018, CCWD executed an Early Funding Agreement with the CWC that provides for a state cost share of 50 percent of eligible costs, up to a maximum of \$23.9 million through December 31, 2023. It is anticipated that the remainder of \$2.0 million remaining from the Early Funding Agreement will be provided by the CWC in FY24. The non-state cost share is provided by federal and local funding. The CWC is invoiced monthly, and payments are in arrears. CCWD will collect state funds until the term of the Early Funding Agreement expires.

### FEDERAL FUNDING

Although over \$164.0 million has been appropriated by Congress for construction of the Project, it is assumed that only funding for pre-construction activities will be available in FY24. In 2022, CCWD executed an Assistance Agreement with Reclamation to fund a portion of pre-construction activities. The Assistance Agreement provides for a federal cost share of 24 percent of eligible costs through December 31, 2023. The budget of the Assistance Agreement is approximately \$30.0 million, including \$7.2 million in Reclamation cost share (24%) and \$22.8 million in non-Federal cost share (76%). Non-Federal cost share is provided by state and local funding. Reclamation is invoiced quarterly, and payments are in arrears. It is anticipated that approximately \$2.1 million will be provided by Reclamation in FY23. CCWD will collect federal funds in FY24 until the term of the Assistance Agreement expires, or until such a time that the JPA enters into a new Assistance Agreement with Reclamation.

## **JPA DEBT FINANCE**

The JPA anticipates applying for a Water Infrastructure Finance and Innovation Act (WIFIA) loan in FY24 for up to \$675 million; if the application is accepted, it is anticipated that the loan could close in FY24, after JPA members enter into the required Service Agreements. This budget does not assume that WIFIA will be available in FY24 to ensure sufficient local funding is collected. If the WIFIA loan closes and is drawn down in FY24, it could replace some or all of the local source of funds.

## **LOCAL FUNDING**

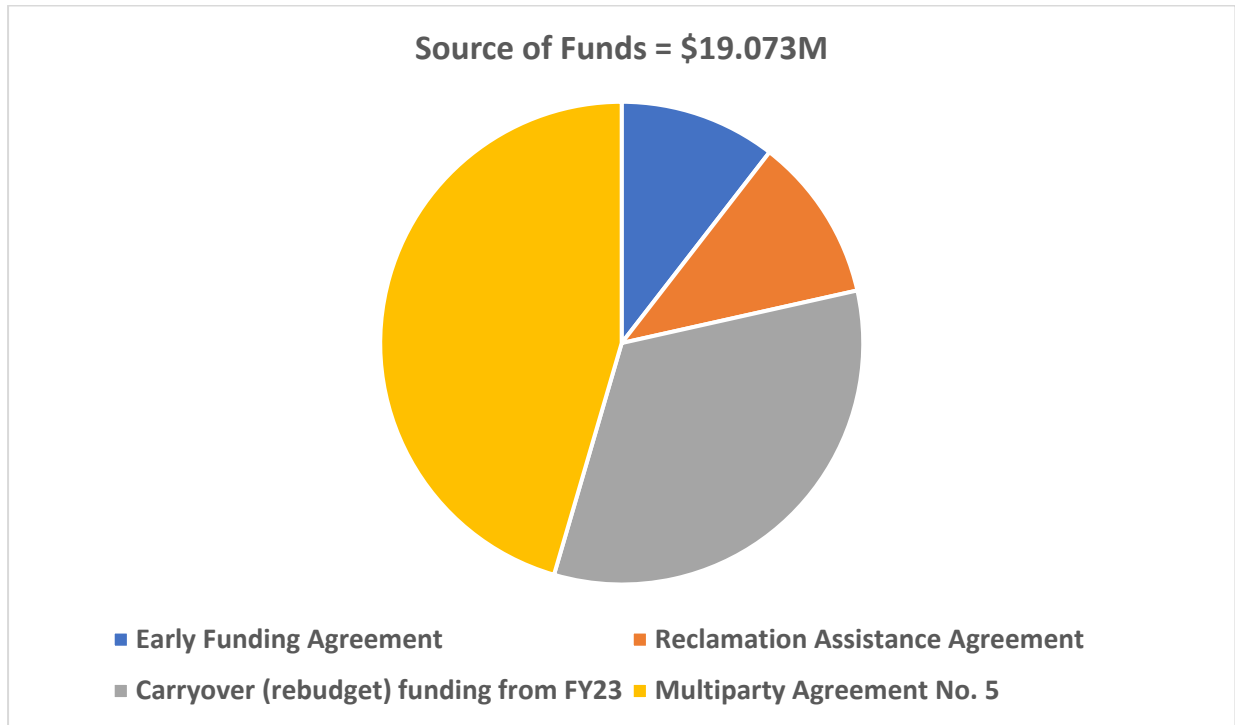
The JPA Members have been contributing funds to the Project since 2017 through a series of local cost share agreements between CCWD and other JPA Members. The Multiparty Cost Share Agreement was executed in 2019 and has been amended multiple times. Amendment No. 5 is in the process of being executed and the scope of work and budget align with the FY24 budget included here. It is anticipated that JPA Members will collectively contribute \$8.673 million in FY24. JPA Members will be invoiced in September 2023 and January 2024. The timing of the invoices is intended to allow for flexibility for JPA members, other than CCWD, to authorize execution of Amendment No. 5 of the Multiparty Agreement. JPA will remit payment to CCWD for work performed by CCWD in November 2023 and March 2024.

## **RE-BUDGET CARRYOVER FROM FY23**

A portion of funds that have been collected by CCWD for the Project in the previous fiscal years from state, federal, and local sources remain unspent, due to conservative budgeting and typical ramping-up of project activities. The unspent funding collected for the Project will be re-budgeted into FY24. Approximately \$6.3 million is anticipated to be re-budgeted. CCWD will transfer \$1.425 million within 10 days of the effective date of Amendment No.5 to the Multiparty Agreement so that the JPA can pay its contractors until such time that they receive payment from members. The JPA will remit \$5.826 million to CCWD split into two equal payments in November 2023 and March 2024.

**Table 1 Source of Funds in FY24 (values in millions of dollars)**

	<b>CCWD</b>	<b>JPA</b>	<b>Total</b>
<b>State</b>	\$2.000	\$0	\$2.000
<b>Federal</b>	\$2.100	\$0	\$2.100
<b>Local</b>	\$0	\$8.673	\$8.673
<b>Carryover from FY23</b>	\$6.300	\$0	\$6.300
<b>Total</b>	\$10.400	\$8.673	\$19.073



**Figure 3 – Source of Funds in FY23 (values in thousands of dollars)**



# Use of Funds

Approximately \$19.073 million in expenditures are expected in FY24. The use of funds includes services procured by the JPA (JPA Services), services procured and managed by CCWD (CCWD Services), CCWD Labor, and contingency. Table 2 below shows a summary of the use of funds. Figure 4 below shows the relative contribution of the various use of funds anticipated in FY24.

## JPA SERVICES

In FY24, the JPA will continue the existing services procured in FY23 and seek new services. Expenditures for management services include the Executive Director and Program Management consultants. Expenditures for administration services include clerk to the board, and expenses associated with in-person meetings. Expenditures for financial services include financial advisor, fees associated with the WIFIA loan application, accounting, banking, and auditor. Expenditures for external affairs includes state and federal government relations. The JPA may select new contracts and service providers in FY24. Expenditures for legal include general counsel, bond counsel, and other specialized counsel to review service agreements and WIFIA loan agreements. Development and execution of the Service Agreement to finalize the allocation of Project benefits and costs to the JPA Members is also anticipated in FY24. The JPA anticipates applying for a WIFIA loan in FY24 for up to \$675 million. Total expenditures in FY24 for JPA services are anticipated to be \$3.651 million.

## CCWD SERVICES AND LABOR

CCWD is responsible for the planning, permitting, design and construction of all facilities built and operated by CCWD described in Exhibit B of the JPA Agreement. CCWD has and will continue to hire consultants and staff to advance the Project, consistent with CCWD's procurement and hiring process. Permit applications have been submitted, and it is anticipated that permits will be issued in FY24. Design will continue to advance for the dam raise, Pumping Plant No. 1 Replacement and Transfer-Bethany Pipeline in FY24. It is anticipated that dam design will be completed in early FY24. CCWD will continue to use CCWD's legal counsel to review key permits and contracts held by CCWD (i.e., CEQA, permits, water rights, etc.). It is anticipated that \$9.144 million will be expended on CCWD Services in FY24, excluding possible construction costs.

The budget for CCWD staff managing services, conducting technical work, and advancing the Project in FY24 is \$4.102 million. CCWD employees direct bill hours to the Project. Taxes, benefits, and indirect costs are applied to direct billed hours.

### **CONTINGENCY**

A contingency amount of \$2.176 million is included in the budget for FY24. This represents approximately 17 percent of CCWD's services and JPA services. Contingency will be used to address changes to the Project while continuing to meet key milestones and could be applied to JPA Services, CCWD Services, or CCWD Labor.

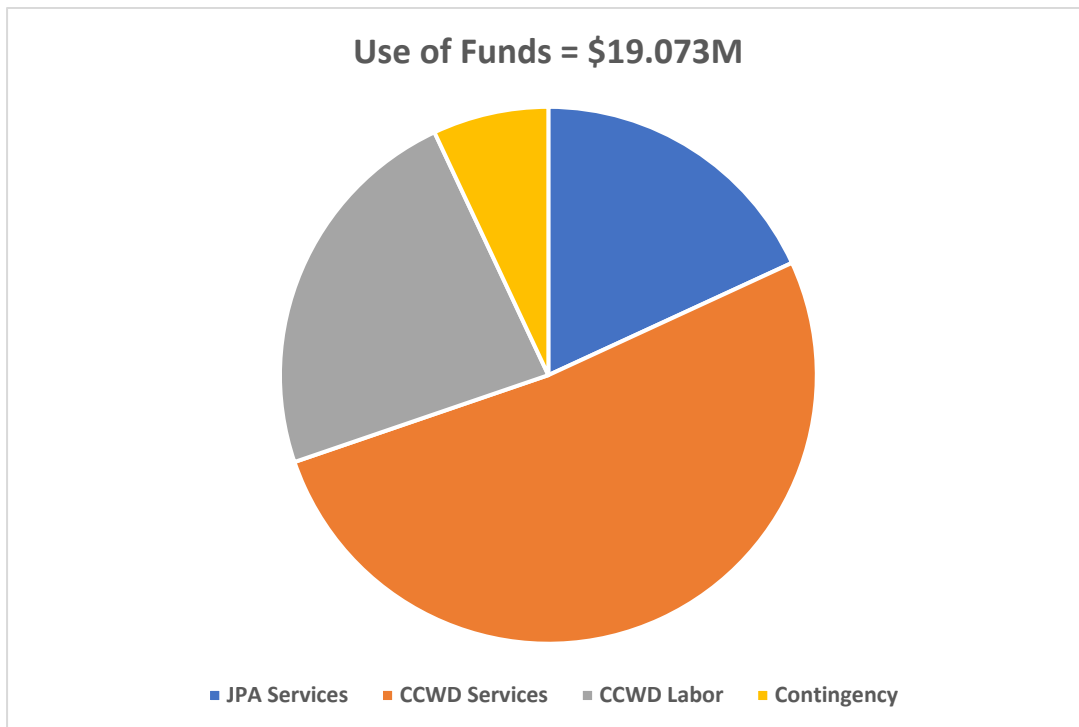
### **RESERVES**

#### Capital Project Fund Reserve

The purpose of the Capital Project Fund Reserve is to provide sufficient working capital for authorized capital expenditures in the upcoming year. Given that construction is not anticipated in FY24, the Board may consider waiving compliance with this policy in FY24 and defer funding the reserves until FY25 when construction is anticipated.

**Table 2 Use of Funds in FY24 (values in millions of dollars)**

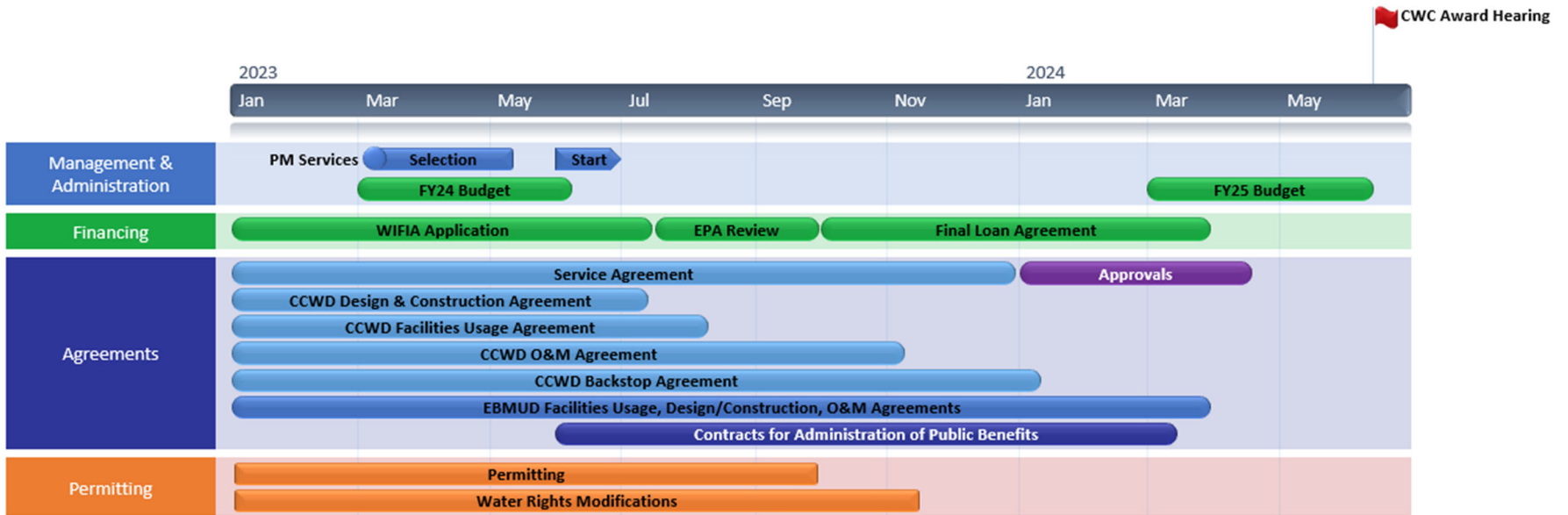
	<b>FY 24</b>
<b>JPA Services</b>	
Management	\$1.706
Administration	\$0.250
Financial	\$0.720
External Affairs/Agency Negotiation Support	
Government Affairs: State (AWCA, CWC support)	\$0.040
Government Affairs: Federal	\$0.180
Agency Facilitation & Agreement Development Support	\$0.250
Legal	\$0.505
<i>Subtotal</i>	\$3.651
<b>JPA Reserves</b>	
Capital Project Fund	\$0
<b>CCWD Services</b>	
Management	\$0.075
Environmental Planning	
Dam Raise	\$0.790
Transfer Bethany Pipeline	\$0.365
Pumping Plant No.1	\$0.061
Program (not facility specific)	\$0.230
Design	
Dam Raise	\$0.534
Transfer Bethany Pipeline	\$2.200
Pumping Plant No.1	\$1.200
Program (not facility specific)	\$2.245
Construction	\$0
Legal	\$0.860
Fees	\$0.584
<i>Subtotal</i>	\$9.144
<b>CCWD Labor</b>	
Management	\$0.203
Environmental Planning	\$1.726
Design	\$2.173
Construction	\$0
<i>Subtotal</i>	\$4.102
<b>Contingency</b>	\$2.175
<b>Total</b>	<b>\$19.073</b>



**Figure 4 - Use of Funds in FY24 (values in millions of dollars)**

Figure 5 shows the preliminary schedule of the major activities in FY24.

# Los Vaqueros Reservoir Joint Powers Authority Preliminary Timeline of Major Activities



Draft 5/11/23

Figure 5 Preliminary Schedule of FY24 Activities of the Phase 2 Los Vaqueros Reservoir Expansion Project

# Capital

All the costs for development of the Project are currently identified as capital costs through FY24. Project development expenditures will be categorized as capital until the Project become operational. It is anticipated that the development phase will continue through FY24. Construction is expected to begin as early as the summer of calendar year 2024 and likely to begin by FY25. Partial operation of the Project is not expected to commence until 2027 at the earliest. Until such time that the Project becomes operational, all development and construction expenses, and JPA administrative services are considered capital expenditures. Table 3 below summarizes the capital budget in FY24.

**Table 3 Capital Budget (values in millions of dollars)**

	<b>CCWD</b>	<b>JPA</b>	<b>Total</b>
Services	\$9.144	\$3.651	\$12.795
Labor	\$4.102	\$0	\$4.102
Contingency	\$1.555	\$0.621	\$2.176
<b>Total</b>	<b>\$14.801</b>	<b>\$4.272</b>	<b>\$19.073</b>

# Operating

It is anticipated that the development phase will continue through FY24. Construction is expected to begin in FY25. Partial operation of the Project is not expected to commence until 2027 at the earliest. Until such time that the Project becomes operational and begins to deliver water to JPA Members, expenses will be capitalized and there will be no operating expenses of the JPA.

**ITEM 1.3: CONSIDERATION OF EXTENSION OF STANDARD SERVICES AGREEMENT WITH CLEAN ENERGY CAPITAL SECURITIES, LLC FOR FINANCIAL CONSULTING SERVICES FOR 2024 FISCAL YEAR (NOT TO EXCEED \$535,000.00 THROUGH JUNE 30, 2024)**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Taryn Ravazzini, Executive Director

**DISCUSSION:**

Clean Energy Capital has been providing financial consulting services to the Project through Contra Costa Water District for many years. At the November 9, 2022 Authority Board of Directors' meeting, the Authority engaged Clean Energy Capital to provide financial advisory services for the remainder of the 2023 Fiscal Year. This item would extend the Authority's agreement with Clean Energy Capital for the 2024 Fiscal Year and would provide a revised scope of work related to those services.

Clean Energy Capital has done tremendous work in addressing financial issues on the Project, as well as in preparing the term sheet for the Service Agreement, developing various Service Agreement work groups and leading the negotiating teams for the Service Agreement. Clean Energy Capital also played a significant role in obtaining the indicative credit rating for the Authority in connection with the anticipated WIFIA Loan and in procuring accounting and financial services and banking services. Moving into Fiscal Year 2024, Clean Energy Capital is expected to play a large role in the WIFIA Loan and bridge financing processes, while continuing to provide advisory services in the development of the Service Agreement.

Given Clean Energy Capital's experience in working on the Project and understanding the Authority's and respective Members' needs, it is uniquely qualified to provide the financial advisory services for Fiscal Year 2024. Staff is bringing this item before the Finance Committee for discussion on the Committee's interest in maintaining these professional services and the proposed scope of work, including the concept of transaction ("success") fees to minimize budget impacts.

**ALTERNATIVES:**

The Committee could recommend that these professional services be acquired competitively, but that is not required by law or under the Authority's Purchasing Policy.

**FISCAL ANALYSIS:**

Contract amount not to exceed \$535,000.00 has been included in the Authority's Fiscal Year 2024 Budget.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Revised Proposal and Scope of Work



May 22, 2023

Taryn Ravazzini  
Executive Director  
Los Vaqueros Reservoir JPA  
1331 Concord Avenue  
Concord, CA 94520

**Re: Clean Energy Capital Contract Renewal – Fiscal Year 2024**

Dear Taryn,

We are pleased to provide this proposal for a renewal of our Standard Services Agreement dated December 4, 2022 covering the JPA's fiscal year 2024.

#### **Review of Work-to-Date**

As you know, fiscal year 2023 at the JPA has been productive, and we have significantly exceeded the scope of service set forth in our 2022 Agreement. The scope of work and level of service are relevant to our proposal for Fiscal Year 2024. These expanded services are summarized as follows:

Service Agreements (Existing Task 4). Our 2022 scope of service reflected a supporting role for Clean Energy Capital with respect to the Service Agreement. Instead, we have led the JPA's efforts to develop the Service Agreement. We have developed an initial and most recently a version 2 of the Service Agreement Termsheet, we have organized and lead a series of key issues Sub-Groups and Sub-Group Workshops, and we have developed a proposed timeline and responsibilities to achieve Service Agreement execution and incorporate the principal contractual conditions-precedent we helped Members identify.

Workshops (Existing Task 6). Our 2022 scope of service reflected our development of materials for financial workshops. Our work in this regard has substantially exceeded scope and budget. In addition to financial workshop presentations, we have developed and lead presentations to the General Managers group as well as the JPA's financial committee and Board. During January, February and March we have developed and presented fourteen major presentations, in each case developing draft presentation slides and materials, reviewing the draft with the JPA team, making revisions, finalizing materials, and then making the actual presentation.

<u>Date</u>	<u>Presentation</u>
January 18	Finance Workshop #1 – Deal Points
January 25	Finance Workshop #2 – Sub-Groups
January 30	GM Meeting – Finance Update
January 31	Joint Finance/O&E Committee Meeting – Bridge Financing
February 8	LVR Board Meeting – Bridge Financing
February 22	Finance Workshop – Storage Sub-Group
February 23	Finance Committee Meeting – JPA Financial Admin
February 24	Finance Workshop – Conditions Precedent Sub-Group
February 27	GM Meeting – Finance Update

March 8	LVR Board Meeting – JPA Financial Admin
March 10	Finance Workshop – Conveyance Sub-Group
March 17	Presentation to S&P – LVR Credit Rating Questions/Responses
March 27	GM Meeting – Finance Update
March 30	Presentation to S&P – LVR Credit Rating Questions/Responses

Other Services (Existing Task 8). We are playing a lead role in the transition of financial administration from CCWD to the JPA, none of which was included in our proposed scope of service. We led and are leading a number of initiatives in this regard, including:

- Review of the JPA’s financial control procedures, including CCWD’s management of Fund 60 and the financial audit;
- Determination of the JPA’s audit requirements;
- Engagement of Maze and Associates, initial management of audit relationship;
- Development of terms and procedures for transfer of Fund 60
- Development of the accounting services RFP, comments from members, management of RFP process
- Development of the auditor RFP and upcoming management of auditor RFP process

We expect the continuance of above-described expansion in the scope of service in FY 2024, and are pleased to support the JPA and Project in this expanded capacity.

#### **Proposed Scope of Service for FY 2024**

We have developed the a scope of service and fee estimate for Fiscal Year 2024 (July 1, 2023 – June 30, 2024). Our estimate reflects the continued scope-of-service intensity conveyed in our draft Timeline and Responsibilities memorandum dated March 29, 2023, and updates thereto. Our scope of service additionally reflects the engagement of other professional services provides, and especially the JPA’s newly-engaged project manager. Our FY 2024 scope of service and fee estimate is set forth in Exhibit A hereto.

Our cost estimates reflects the following factors:

- A scope of service supportive of the current Service Agreement timeline
- The limited internal financial resources (professional financial staff) at the JPA
- The first-time nature of many of the tasks for the JPA
- The ongoing need to coordinate input from financial staff representatives of Members
- The general size and complexity of the LVR program and institutional requirements of the 8-member JPA

Thank you for considering our proposal. We would be pleased to respond to comments and questions.

Best regards,



David M. Moore  
Managing Director

**Exhibit A**  
**Fiscal Year 2024 Scope of Work / Project Schedule / Project Fees**

**A. Scope of Work**

Clean Energy Capital shall complete and/or support the JPA in completing the following tasks, which may be performed concurrently:

1. Credit rating
  - Secure final credit rating
  - Prepare and submit materials and presentations
  - Organize meetings and follow-up
  - Coordinate input from Member agencies
  
2. Service Agreement
  - Develop Service Agreement Termsheet v3, incorporate Member comments
  - Support Service Agreement contract development
  - Coordinate, prepare materials for, and lead ongoing Finance Workgroup and Sub-Group meetings
  - Prepare briefings and presentations for JPA Board and Committees and General Managers
  - Develop key schedules to Service Agreement
  - Integrate contract terms with proforma financial model
  
3. Develop Financial Schedules and Contract Administrative Memoranda (or functional equivalent) as described in the Service Agreement Termsheet Version 2, including the following:
  - Plan of Finance
  - Exercise of Self-Funding Option by Member(s)
  - Public Benefits O&M Tracking Account
  - Application of Member-Funded Development Costs
  - Organize meetings and follow-up
  - Coordinate input from Member agencies
  
4. Proforma financial model
  - Maintain and update proforma financial model
  - Model cost allocation alternatives
  - Model implementation of WIFIA funding, WSIP and WIIN Act funding, and Member cash contributions
  - Coordinate input from Member agencies
  - Provide scenario analysis
  
5. WIFIA loan
  - Finalize/submit/follow up Application
  - Finalize and execute Term Sheet
  - Finalize and execute WIFIA Loan Agreement
  - Provide financial modeling to the EPA
  - Coordinate input from Member agencies
  - Prepare briefings and presentations for JPA Board and Committees and General Managers

- Facilitate financial closing
6. Interim Financing Agreement
    - Develop implementation plan
    - Conduct competitive solicitation of lenders/providers
    - Negotiate and finalize loan documentation
    - Coordinate input from Member agencies
    - Prepare briefings and presentations for JPA Board and Committees and General Managers
    - Facilitate financial closing
  7. Provide financial review of Key Project Agreements and Termsheets
    - Public Benefits contracts
    - CCWD Agreements
    - EBMUD Agreements
    - Coordinate input from Member agencies
  8. JPA Financial Administration
    - Support JPA financial administration as requested
    - Prepare briefings and presentations for JPA Board and Committees and General Managers
  9. Provide such other services as are reasonably requested by the JPA and its Members

#### **B. Compensation Structure**

- Hourly Rate for As-Requested Services. Tasks 2, 3, 4, 7, 8, and 9 will be performed on as-requested basis at the hourly rates, and subject to the not-to-exceed limitations set forth herein.
- Transaction Fees. Tasks 1 and 5 (relating to WIFIA Loan) and Task 6 (relating to the Interim Financing) will be compensated through success-based transaction fees, payable upon WIFIA Loan closing and Interim Financing closing, respectively. The specific compensation levels for these transaction fees will be based on comparable municipal advisory compensation agreements, as accepted by the JPA and Clean Energy Capital and as set forth through separate agreement. Such financial closings and transaction fees are not currently scheduled for payment in Fiscal Year 2024.

#### **C. Project Fees**

Clean Energy Capital shall endeavour to complete the tasks described in this scope of work, reflective of actual hours incurred. Our estimated total compensation and proposed not-to-exceed amount is set forth in the following Fee Tables.

**Fee Table - Fiscal Year 2024**

<b>Task No.</b>	<b>Task Description</b>	<b>Project Lead</b>	<b>Vice President</b>	<b>Vice President (Reduced Rate)</b>	<b>Combined</b>
<b>1</b>	<b>Credit Rating</b> Total Estimated Hours Billing	Not Applicable			Compensation provided via WIFIA Transaction Fee
<b>2</b>	<b>Service Agreement</b> Total Estimated Hours Billing	180 \$78,300.00	90 \$32,850.00	0 \$0.00	\$111,150.00
<b>3</b>	<b>Financial Schedules for Service Agmt</b> Total Estimated Hours Billing	150 \$65,250.00	90 \$32,850.00	0 \$0.00	\$98,100.00
<b>4</b>	<b>Proforma Modeling</b> Total Estimated Hours Billing	150 \$65,250.00	300 \$109,500.00	0 \$0.00	\$174,750.00
<b>5</b>	<b>WIFIA Loan</b> Total Estimated Hours Billing	Not Applicable			Compensation provided via WIFIA Transaction Fee
<b>6</b>	<b>Interim Financing Agreement</b> Total Estimated Hours Billing	Not Applicable			Compensation provided via IFA Transaction Fee
<b>7</b>	<b>Key Project Agreements</b> Total Estimated Hours Billing	80 \$34,800.00	0 \$0.00	0 \$0.00	\$34,800.00
<b>8</b>	<b>JPA Financial Administration</b> Total Estimated Hours Billing	120 \$52,200.00	0 \$0.00	60 \$15,000.00	\$67,200.00
<b>9</b>	<b>Other services</b> Total Estimated Hours Billing	0 \$0.00	0 \$0.00	0 \$0.00	\$0.00
	<b>Total</b>				<b>\$486,000.00</b>
	<b>Contingency Added for Not-to-Exceed Amount</b>				
	Percentage				10%
	Amount				\$49,000.00
	<b>Not-to-Exceed Amount for Amendment</b>				<b>\$535,000.00</b>

The above Fee Tables provide an estimate of the level of effort required to complete each task and Clean Energy Capital may shift hours among tasks and personnel as circumstances change during the engagement. If hours incurred are less than anticipated, then the savings shall be passed on to client.

Any additional work beyond the services described herein are optional services that will only be performed at client’s request. Optional services will be billed on a time and materials basis.

We propose to continue our current hourly rate schedule set forth below, as set forth below.

Hourly Rate Schedule

<i>Consultant</i>	<i>Rate</i>
Project Lead (David Moore)	\$435/Hour
Director/Vice President (Will Lockwood, Saravleen Singh)	\$365/Hour
Vice President (Administrative Tasks*)	\$250/hour
Associate (Amanda Hanson, Jordan Decker)	\$275/Hour
Analyst (TBD)	\$235/Hour

\*Administrative task rate applies to Task Number 8

**ITEM 1.4: REVIEW OF DRAFT FISCAL YEAR 2022 AUDIT REPORT**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Taryn Ravazzini, Executive Director

**DISCUSSION:**

The Authority’s Board of Directors engaged Maze & Associates to prepare the Authority’s audit for Fiscal Year 2022. Under applicable law, that audit report must be filed with the State Controller’s Office by June 30, 2023.

Maze & Associates has completed their initial draft audit report, which presents a “clean” opinion. That draft report is attached for the Committee’s review and input. The final audit report will be presented to the Authority Board of Directors at the June 14, 2023 meeting.

**ALTERNATIVES:**

None; for discussion

**FISCAL ANALYSIS:**

Not applicable

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Draft Fiscal Year 2022 Audit Report

**LOS VAQUEROS RESERVOIR**

**JOINT POWERS AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2022**

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**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY  
BASIC FINANCIAL STATEMENTS  
For The Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Los Vaqueros Reservoir Joint Powers Authority  
Livermore, California

### ***Opinion***

We have audited the accompanying financial statements of the Los Vaqueros Reservoir Joint Powers Authority (Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management's for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Emphasis of Matter***

***Required Supplementary Information***

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Pleasant Hill, California

**DATE**

**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

LIABILITIES

Current Liabilities:

Due to other governments	\$ 94,235
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Total Current Liabilities	<u>94,235</u>
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Total Liabilities	<u>94,235</u>
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NET POSITION

Unrestricted	94,235
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Total Net Position	<u><u>\$ 94,235</u></u>
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See accompanying notes to financial statements.

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**LOS VAQUEROS RESERVOIR  
 JOINT POWERS AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES,  
 AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2022**

PROGRAM OPERATING EXPENSES	
Contractual Services	\$ 94,235
Total program operating expenses	94,235
PROGRAM OPERATING LOSSES	
Changes in Net Position	94,235
Total Net Position - Beginning	-
Total Net Position - Ending	\$ 94,235

See accompanying notes to financial statements.

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**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for operations	(94,235)
Net cash provided by operating activities	(94,235)
Net change in cash and cash equivalents	(94,235)
Cash and investments at beginning of period	-
Cash and investments overdraft at end of period	\$ (94,235)
Reconciliation of operating income/(loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (94,235)
Net cash provided by operating activities	\$ (94,235)

See accompanying notes to financial statements.

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**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Reporting Entity**

The Los Vaqueros Reservoir Joint Powers Authority (Authority) was formed in October 2021 to provide governance of the Phase 2 Los Vaqueros Reservoir Expansion Project (Project). The main purposes of the Authority are to ensure sufficient stable funding for the Project, including local cost shares, and to ensure that costs are reasonable, and that cost allocations are equitable and transparent.

The governing board (Board) of the Authority should be composed of one representative from each of the following entities to be appointed by the governing board for each entity:

- Alameda County Water District
- Contra Costa Water District
- East Bay Municipal Utility District
- Grassland Water District
- San Francisco Public Utilities Commission
- San Luis & Delta-Mendota Water Authority
- Santa Clara Valley Water District
- Zone 7 Water Agency

**B. Basis of Accounting**

The accompanying financial statements report the financial position of the Authority in accordance with accounting standards generally accepted in the United States of America. As the Authority is a governmental entity, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

The Authority, as a proprietary enterprise, is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Statement of Net Position*– The statement of net position is designed to display the financial position of the Authority. The Authority's fund equity is reported as net position, which is the excess of all of the Authority's assets over all its liabilities. Net Position is divided into three captions under GASB Statement 34. These captions apply only to Net Position and are described below:

*Net investment in capital assets*, describes the Authority's capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**LOS VAQUEROS RESERVOIR**  
**JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

<b>NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</b>
--

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

*Statement of Revenues, Expenses, and Changes in Net Position* – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

**C. *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**D. *Capital Assets***

The additions to capital assets are capitalized at historical cost. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest on borrowed funds during construction, net of interest earned on unspent construction proceeds. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

**E. *Cash and Cash Equivalents***

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

<b>NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</b>
--

**F. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**G. Budgets and Budgetary Accounting**

The Authority follows these procedures in establishing the budgetary data.

- Prior to the end of the fiscal year, a proposed operating budget is submitted to the Board of Directors for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted through adoption of a motion.
- Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.
- Expenditures may not exceed appropriations at the fund level. Additional appropriations or interfund transfers must be approved by the Board.

**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

**NOTE 2 – RELATED PARTY TRANSACTIONS**

In November 2021, Contra Costa Water District (CCWD) was appointed as the interim administrator. The Authority does not have employees. CCWD provides professional services as well as administrative services. CCWD provides certain treasury management and accounting services including conducting all cash transactions and provided for the annual audit.

**NOTE 3 – COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

**NOTE 4 – SUBSEQUENT EVENTS**

In September 2022, the Authority approved an independent contractor agreement for Executive Directors services.

Other after 7/1/22

- Service Agreement with Clean Energy Capital?
- WIFIA Loan Progress

**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For the Year Ended June 30, 2022**

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## MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of  
Los Vaqueros Reservoir Joint Powers Authority  
Livermore, California

In planning and performing our audit of the basic financial statements of the Los Vaqueros Reservoir Joint Powers Authority (Authority), as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California

**DATE**

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## REQUIRED COMMUNICATIONS

To the Board of Directors of  
Los Vaqueros Reservoir Joint Powers Authority  
Livermore, California

We have audited the basic financial statements of the Los Vaqueros Reservoir Joint Powers Authority (Authority) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 8, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

*Accounting Policies* - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

*Unusual Transactions, Controversial or Emerging Areas* - We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Accounting Estimates* - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Disclosures* - The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated **DATE**.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

\*\*\*\*\*

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

Pleasant Hill, California  
**DATE**

**ITEM 1.5: UPDATE ON ACCOUNTING SERVICES REQUEST FOR PROPOSALS**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Taryn Ravazzini, Executive Director

**DISCUSSION:**

As part of the transition of the Authority's financial management from Contra Costa Water District to the Authority, it is necessary for the Authority to engage an accounting firm to provide accounting and financial management services. In early April, the Authority distributed a request for proposals to potentially qualified accounting firms and received two proposals, one from Eide Bailly and one from Clifton Larson Allen.

A review panel consisting of finance staff from the member agencies has reviewed the two proposals and will engage in interviews this week. This item is presented as an update for the Committee and to receive any additional Committee input.

**ALTERNATIVES:**

Not applicable

**FISCAL ANALYSIS:**

Pending negotiations with selected firm.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

None

**ITEM 1.6: UPDATE ON BANKING SERVICES**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Taryn Ravazzini, Executive Director

**DISCUSSION:**

In addition to the accounting and financial management services discussed in the prior item, the financial transition also includes the moving of banking services from Contra Costa Water District to the Authority. Clean Energy Capital received recommendations for several members and contacted various banks regarding their interest in providing the services. On May 18, Clean Energy Capital interviewed two banks, JP Morgan Chase and Central Valley Community Bank. Information on the related fee schedules is pending and will be provided to the Committee.

**ALTERNATIVES:**

The Committee could direct staff to further search for a banking services provider.

**FISCAL ANALYSIS:**

To be presented at Committee meeting

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

To be presented at Committee meeting

**ITEM 1.7: DRAFT TREASURER’S REPORT – MONTH ENDED APRIL 30, 2023**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Taryn Ravazzini, Executive Director

**DISCUSSION:**

The draft Treasurer’s Report for April 2023 will be presented for the Committee’s review and discussion.

**ALTERNATIVES:**

For discussion purposes

**FISCAL ANALYSIS:**

None

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Draft Treasurer’s Report for April 2023





DRAFT TREASURER’s MONTHLY REPORT

*Multi-party agreement status*

Amendment No. 4 to the Multi-party Cost Share Agreement (MPA) was previously executed and payment of \$1,094,00 per agency has been received by all JPA Member agencies. An overview Amendment No. 5 was presented to the JPA Board on May 19 and the draft is under final review by Member agency staff.

MAY 22, 2023

**UPCOMING ACTIVITIES**

May 25 at 1:00 p.m. – Finance Committee Meeting via Zoom

June (TBD) – Finance workgroup and subgroup meetings (Draft Term sheet and Service Agreement Development )

June 22 at 1:00 p.m. – Finance Committee Meeting via Zoom

Finance Committee Members:

Chair: Anthea Hansen, SLDMWA

Vice-Chair: Paul Sethy, ACWD

Michael Tognolini, EBMUD

**ACRONYM KEY**

ACWD – Alameda County Water District

CCWD – Contra Costa Water District

CWC – California Water Commission

EBMUD – East Bay Municipal Utility District

LAP – Local Agency Partners

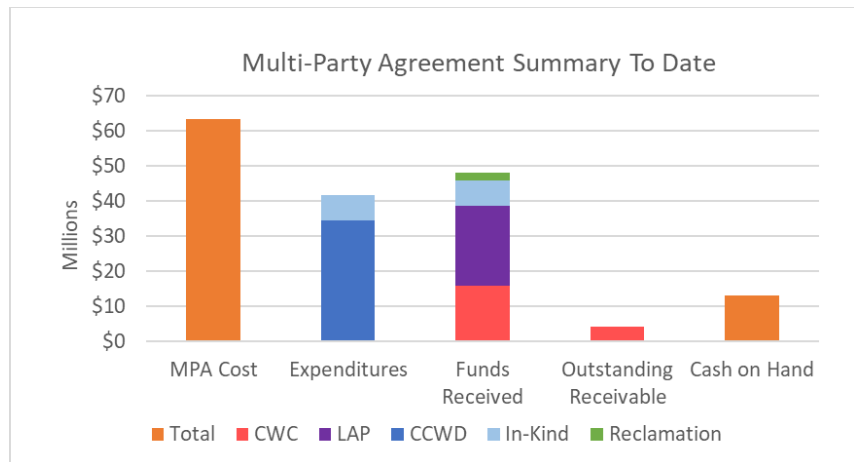
MPA – Multi-party Cost Share Agreement

SCVWD – Santa Clara Valley Water District (Valley Water)

SLDMWA – San Luis & Delta-Mendota Water Authority

WIFIA LOI – Water Infrastructure Finance and Innovation Act Letter of Interest

The following chart provides an overview of the MPA expenditures through April 30, 2023 in addition to in-kind services, funds received, outstanding receivable, and cash on hand. All LAPs remain in good standing and the Project cash on hand remains positive.



**MPA Summary to Date:**

MPA Cost: \$63,437,864 (total through Amendment No. 4)

Expenditures:

CCWD: \$34,497,171 (includes consultants and legal services)

In-kind: \$7,130,607 (LAPs and Reclamation)

Total: \$41,627,778

Funds Received:

CWC: \$15,803,119

Reclamation: \$2,420,227

LAP: \$22,853,077 (cash contributions)

In-kind: \$7,130,607 (LAPs and Reclamation)

Total: \$48,207,030

Outstanding Receivable:

CWC: \$4,130,567

Reclamation: \$0

LAP: \$0

Cash on Hand: \$13,138,626

## FEDERAL FUNDING STATUS

A total of \$82 million was allocated to the Project in the Bipartisan Infrastructure Law FY22 Spend Plan and Reclamation recommended \$18 million of Water Infrastructure Improvements for the Nation (WIIN) Act to be allocated in FY23. Previous awards of Federal funding during FY21 and FY22 include \$10 million in pre-construction funding and \$54 million in construction funding. CCWD executed an assistance agreement with Reclamation for a total of \$7.2 million in federal funding for permitting, design, and other pre-construction activities and Reclamation has paid the first two invoices. Staff are working with Reclamation to explore a potential amendment to allocate approximately \$800,000 in additional pre-construction funding.

Future Federal funding requests include the remainder of the requested federal share of 21 percent of the total project cost (approximately \$49 million).

## STATE FUNDING STATUS

The Project qualified for funding under the Water Storage Investment Program and received an adjusted Maximum Conditional Eligibility Determination of \$477,558,343 from the California Water Commission (CWC) on March 16, 2022. This amount reflects an additional inflation adjustment of 1.5 percent and an increase in over \$7 million from the previous award.

The Early Funding Agreement with the CWC provides for a cost share of 50 percent of eligible costs during pre-construction. An amendment was executed in November 2022 that extends the agreement through December 31, 2023 and included \$927,917 in additional early funding that is now available as a result of the inflation adjustments to the total award amount. The summary below reflects the Total Budget and other budget status information of the amended Early Funding Agreement.

### Early Funding Agreement Summary to Date:

Total Budget:	\$47,755,834
Total Program Funding:	\$23,877,917 (50 percent cost share)
Total Billed To Date:	\$39,977,079 (84% spent to date)
Total Amount Remaining:	\$7,778,755
Total Retention To Date:	\$44,327
Outstanding Invoices:	\$4,130,567