LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY
FINANCE COMMITTEE
AGENDA

Regular Meeting
April 25, 2024 – 1:00 p.m.

Directors participating telephonically:

Anthea Hansen	17840 Ward Avenue, Patterson, California 95363
Paul Sethy	46961 Zapotec Drive, Fremont, California 94539
Michael Tognolini	375 Eleventh Street, Oakland, California 94607
John Varela	15685 La Bella Court, Morgan Hill, California 95037

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://us06web.zoom.us/j/83441356184
Or One tap mobile: +16699006833,,83441356184# US (San Jose)
Or Telephone 1-669-900-6833 Webinar ID: 834 4135 6184

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 by 4:00 p.m. on the day prior 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.*

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
John Varela - 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 January 22, 2023 Finance Committee Meeting Summary

1.2 Draft Treasurer's Report Month Ended March 31, 2024

1.3 Summary of Invoices Month Ended March 31, 2024

1.4 Review of Draft Fiscal Year 2023 Audit Report

1.5 Draft Fiscal Year 2024/2025 Budget Book

FUTURE AGENDA ITEMS

ADJOURNMENT

ITEM 1.1: JANUARY 22, 2024 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 January 22, 2024 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 January 22, 2024 Finance Committee Meeting

SUMMARY OF REGULAR MEETING OF
FINANCE COMMITTEE
January 22, 2024 – 10:00 a.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	375 Eleventh Street, Oakland, California 94607 [Director Tognolini participated remotely through both audio and video from a different address in accordance with Government Code Section 54953(f)(2)(A)(i) due to just cause resulting from a contagious illness; Director Tognolini confirmed there were no other individuals 18 years of age or older who were present in his remote location]

Chair Anthea Hansen called the meeting to order at 10:04 a.m. Authority staff and 16 members of the public also attended the meeting.

Chair Hansen called for public comments on non-agenda items; none were received.

1.1 December 5, 2023 Finance Committee Meeting Summary. The draft summary of the December 5, 2023 Finance Committee meeting was presented for the Committee's review and discussion. Chair Hansen called for comments from members of the Committee and for public comments; none were received. The draft summary was approved by the Committee, as presented.

1.2 Draft Treasurer's Report

- **Month Ended November 30, 2023**
- **Month Ended December 31, 2023**

Jacqueline Harris, Program Controls Manager, presented the draft Treasurer's Reports for the months ending November 30, 2023 and December 31, 2023. She stated all Member payments for the first installment under Multi-Party Cost Share Agreement Amendment No. 5 have been received. She further reported that cash on hand as of November 30 was $1,727,091 and cash on hand as of December 31 was $1,521,638. A payment in the amount of $2,071,077 was received from the Bureau of Reclamation in December 2023.

Committee Member Sethy asked that a line item be added to the Treasurer's Report to reflect WIIN Act payments received from the Bureau of Reclamation in order to provide clarity on the source of monies received under the WIIN Act. Committee Member Eisenberg suggested that receivables from the Bureau of Reclamation could be marked with an asterisk. Ms. Harris advised that can be done in future reporting. Ms. Harris further stated that a revised format for the Treasurer's Report will be used for the January report, to be presented at the February Finance Committee meeting.

Chair Hansen called for comments from members of the Committee and for public comments; none were received. The Treasurer's Reports for the months ending November 30, 2023 and December 31, 2023 were approved as presented.

1.3 Summary of Invoices

- **Month Ended November 30, 2023**
- **Month Ended December 31, 2023**

Ms. Harris reviewed the summary of the Authority's invoices for November 2023, totaling $205,453.69, and December 2023, totaling $190,429.97. Ms. Harris reviewed the various invoices that were paid in those months and noted the Authority's bank balance at JP Morgan Chase was $1,727,091 as of November 30, 2023 and $1,521,638 as of December 31, 2023.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.4 LVR JPA Capital Preservation Strategy Update. Chuck Gardner, Program Manager, presented a Capital Preservation Strategy update. He noted the Authority is projecting a schedule delay resulting from the delays in developing the various Project agreements. Although the schedule is still under review with the Members, staff has developed several potential scenarios for the Finance Committee to consider in order to ensure sufficient interim funding for Project activities through the end of the 2024 fiscal year and into the 2025 fiscal year. Mr. Gardner then presented an overview of the various options for discussion, which included reducing the Authority's burn rate by approximately 18% through adjustments to consultants' work and reducing CCWD's burn rate by approximately 36% by delaying design work on various Project components. Mr. Gardner further stated some possible resequencing of construction activities is also being investigated. Lastly, Mr. Gardner reviewed four alternative scenarios to reduce consultant costs and to reduce Authority committee meeting frequency, along with the impact those respective combinations would have on overall costs.

Committee Member Tognolini asked for a clarification on slide 12 "Reductions and Funding Implications" as to whether the stated reductions were only related to reducing the frequency of Finance Committee meetings or if those reductions related to all meetings of Authority committees. Mr. Gardner clarified those reductions applied to all public-noticed committees, not just the Finance Committee.

Committee Member Sethy believed Scenario 2 was the best choice, to have consultant reductions, but no committee meeting reductions. Committee Member Eisenberg requested that a cash flow statement be prepared and provided to the Finance Committee and stated her concern in making any cuts, which will likely result in increased risks of higher costs in the future. She also inquired about possible ways to increase inflows to the Authority through additional federal funding or a bridge loan.

Committee Member Tognolini noted Authority staff have already looked into ways to bring in more revenue and he is comfortable with either Scenario 1 (both consultant cost reductions and committee meeting frequency reductions) or Scenario 2. However, he stated action should be taken soon so the savings can be realized as promptly as possible. Chair Hansen noted she is leaning towards Scenario 2. Mr. Gardner stated that it may be possible to reduce committee meeting expenses by simply not holding a meeting if there were not sufficient items to discuss, even without formally adjusting the meeting schedule.

The Committee reached consensus among Chair Hansen and Committee Members Sethy and Tognolini to proceed with Scenario 2 as a recommendation to the full Board, with the cancellation of any committee meetings that are not necessary. Committee Member Eisenberg noted she is in favor of Scenario 4 — no consultant reductions and no meeting reductions, and that Scenario 2 is her second choice.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.5 LVR JPA Proposed Program Management Contract Amendment. Taryn Ravazzini, Executive Director, advised that as reported at the Authority's January 10, 2024 Board meeting, the Project is experiencing delays related to the development of various Project agreements. The program management team's contracted scope assumed completion of these agreements in December 2023. The program management team has worked closely with the Members to develop a detailed schedule which estimates that construction funding will not be secured until February 2025. As a result of the near-term delay, additional program management support will be needed to work on the Project agreements throughout the current fiscal year. Staff is presenting a proposed amendment to move $250,000 that had been budgeted for separate agreement support to the program management team's line item and to amend the program management team's contract amount by that $250,000. Of that amount, $150,000 would be allocated to the Hallmark Group's administrative and contract support work and the other $100,000 would be allocated to Khadam Consulting for agreement development services. The proposed amendment does not include any change in scope of services. Ms. Ravazzini is requesting the Finance Committee recommend approval of the proposed amendment to the Authority's Board of Directors for consideration at its February 14, 2024 meeting.

Chair Hansen asked whether the change in allocation is limited to the 2024 fiscal year, which will end on June 30, 2024. Mr. Gardner stated the amendment is limited to the 2024 fiscal year. Committee Member Sethy stated he supports the proposed amendment and he particularly views Mr. Khadam's work as extremely critical to the Project and the completion of the Service Agreement. Chair Hansen and Committee Members Eisenberg and Tognolini also stated their support for the proposed amendment. Committee Member Tognolini asked if the adjustment had been factored into the Capital Preservation Strategy and Ms. Ravazzini stated it had been included in the Capital Preservation Strategy calculations.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.6 LVE JPA 2025/2026 FY Draft Budget Review. Executive Director Ravazzini then began the discussion of the initial draft of the Fiscal Year 2025 (FY25) budget. She stated staff continues to coordinate with Contra Costa Water District in developing the Authority's FY25

Budget. Program Controls Manager Jacqueline Harris then provided an overview of the FY25 budget, including sources and uses of funds totaling $11,550,000. That budget amount represents a 41% decrease from the FY24 Budget.

Ms. Harris noted the FY25 Budget is highly dependent on maintaining schedule and achieving key milestones required to secure financing to initiate construction. After completion of key milestones, the FY25 Budget would require Board approved adjustments for design, construction and land acquisition. Ms. Harris further stated that to fund the FY2025 Budget, if there was no carryover of unused funds from the FY 2024 budget, each Member would need to contribute $1.65 million.

Committee Member Sethy requested a mid-year budget review to look at the second half of FY2025. Committee Member Eisenberg referred to the "Use of Funds" slide noting a total of $8,415,000 for CCWD services and labor and inquired whether it is possible to delay payment of those amounts, including with interest to be paid to CCWD. Ms. Harris advised that postponing payment has been discussed with CCWD, but nothing has been agreed to.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.7 WIFIA Update. Program Controls Manager Harris reported that in December 2023, Executive Director Ravazzini appointed her as the Authority's WIFIA Application Point of Contact. Ms. Harris reported the Authority recently submitted responses to nine of twelve questions posed by the EPA (the other three questions were not ripe for answering at this point due to the delay in developing the Project agreements). At this time, the Authority's application is deemed complete and is moving forward with the EPA and will only require additional efforts from Authority staff as may be requested by the EPA Manager. A completed application protects the Authority from potential exposure to future EPA policy revisions that may affect the Project and allows the EPA to proceed in allocating the necessary funding required for the Project.

The Authority has also requested confirmation from EPA that the Project is not subject to the Buy America, Build America Act ("BABAA") as project design planning was initiated prior to May 14, 2022 effective date of the BABAA. The confirmation will come in the form of a Decision Memorandum from the EPA after it has reviewed the documentation the Authority has provided.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

FUTURE AGENDA ITEMS:

- Report on Capital Preservation Study

The meeting adjourned at 11:59 a.m.

James D. Ciampa

James D. Ciampa, General Counsel

ITEM 1.2: DRAFT TREASURER'S REPORT MONTH ENDED MARCH 31, 2023

RESPONSIBLE/LEAD STAFF MEMBER:

Jacqueline Harris, Program Controls Manager

DISCUSSION:

The draft Treasurer's Report for month ended March 31, 2024 will be presented for the Committee's review and discussion.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Draft Treasurer's Report for Month Ended March 31, 2024

APRIL 25, 2024

UPCOMING ACTIVITIES

May 23, 2024 – Finance Committee Meeting via Zoom

June 27, 2024 – Finance Committee Meeting via Zoom

FINANCE COMMITTEE

Chair: Anthea Hansen, SLDMWA

Vice-Chair: Paul Sethy, ACWD

John Varela, SCVWD

Michael Tognolini, EBMUD

MEMBER AGENCIES

ACWD – Alameda County Water District

CCWD – Contra Costa Water District

CWC – California Water Commission

EBMUD – East Bay Municipal Utility District

GWD – Grassland Water District

MPA – Multi-party Cost Share Agreement

SFPUC – San Francisco Public Utilities Commission

SCVWD – Santa Clara Valley Water District (Valley Water)

SLDMWA – San Luis & Delta-Mendota Water Authority

Zone 7 – Alameda County Flood Control and Water Conservation District

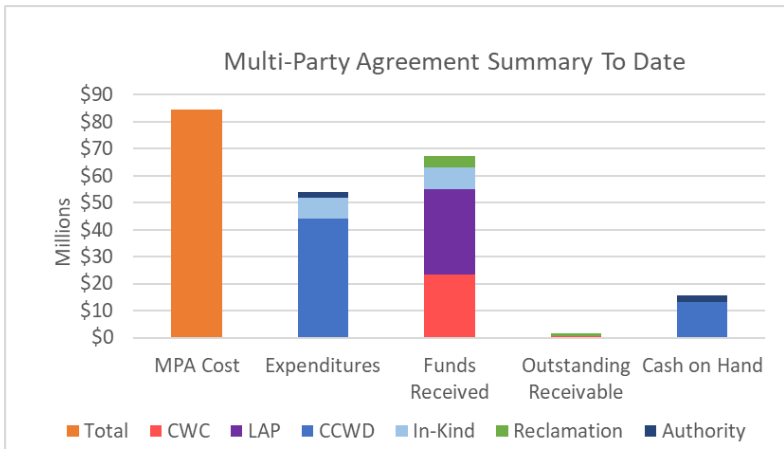
DRAFT TREASURER'S REPORT FOR ACTIVITY THROUGH MARCH 31, 2024

MULTI-PARTY AGREEMENT (MPA)

Amendment No. 6 to the Multi-Party Agreement (presented to the Board in draft form on April 10, 2024) includes provisions for (a) an extension of the term of the Agreement to June 30, 2025, and (b) an amendment of the cost and payment terms of the Agreement to provide for a transfer of unexpended contingency from CCWD to the Authority in the amount $1.555 million to support contracts administered by the Authority in FY25.

MPA EXPENDITURES

The following chart provides an overview of the MPA expenditures through March 31, 2024, in addition to in-kind services, funds received, outstanding receivables, and cash on hand. All Member Agencies remain in good standing and the Project cash on hand remains positive.



MPA Cost:	$82,510,865 (Amendment No. 5)
Expenditures:	
CCWD:	$44,012,405
Authority:	$1,997,725 (Consultants and Legal)
In-kind:	$7,850,368 (Member Agencies and Reclamation)
Total:	**$53,860,498**
Funds Received:	
CWC:	$23,444,653
Reclamation:	$4,491,303 (WIIN Act Funding)
Member Agency:	$31,686,500 (Cash Contributions)
In-kind:	$7,850,368 (Member Agencies and Reclamation)
Total:	**$67,472,824**
Outstanding Receivables:	
CWC:	$433,263 (Retention)
Reclamation:	$1,275,342
Total:	**$1,708,605**
Cash on Hand:	
CCWD:	$13,348,793
Authority:	$2,438,348
Total:	**$15,787,141**

State Early Funding Agreement Summary to Date:

Budget:	$47,755,834
Program Funding:	$23,877,917 (50% cost share)
Billed to Date:	$47,755,834 (100% spent to date)
Amount Remaining:	$0
Unpaid Retention:	$433,263
Outstanding Invoices:	$433,263

STATE FUNDING STATUS

The project was awarded State funding under the Water Storage Investment Program and received an adjusted Maximum Conditional Eligibility Determination (MCED) of $477,558,343 from the California Water Commission (CWC) on March 16, 2022. This amount reflects an additional inflation adjustment of 1.5% and an increase of over $7M from the previous award.

An Early Funding Agreement with CWC provides for a 50% cost share of eligible project costs during pre-construction (maximum early funding was 5% of the MCED, or $23,877,917). An amendment was executed in November 2022 that extended the agreement through December 31, 2023 and added additional early funding of $927,917 to the total award amount for an inflation adjustment. This agreement is complete and was fully billed as of December 31, 2023. CCWD is continuing work on project completion reports and other close-out tasks required by the agreement.

FEDERAL FUNDING STATUS

Bipartisan Infrastructure Law (BIL)

In October 2022, $82M was appropriated to the Project in the Bipartisan Infrastructure Law (BIL) FY22 Spend Plan. In July 2023, the Bureau of Reclamation announced an additional appropriation of $10M to the Project increasing Federal funding under the Bipartisan Infrastructure Law to a total of $92M.

Water Infrastructure Improvements for the Nation Act (WIIN Act)

The Project has received Federal funding appropriations from the WIIN Act totaling $80M. In FY21 the Project received appropriations of $7.8M for pre-construction activities and $4.1M for construction. In FY22 an additional $50M was appropriated for construction activities and in FY23 the project was appropriated an additional $18M for construction activities.

Accessing Federal Funds

Federal appropriations for Project pre-construction and construction under both BIL and WIIN Act total $174M. For the Project to access these funds an agreement with the Bureau of Reclamation is required.

CCWD entered into an Assistance Agreement with the Bureau of Reclamation for pre-construction activities totaling $30M, of which $7.2M (24%) is available to reimburse pre-construction costs. This Agreement utilizes funding from the WIIN Act pre-construction appropriations from FY21. The Agreement was set to expire December 31, 2023, but was recently extended to December 31, 2024. To date, $4.5M has been received. The Agreement is expected to be fully billed by June 30, 2024.

ITEM 1.3: SUMMARY OF INVOICES MONTH ENDED MARCH 31, 2024

RESPONSIBLE/LEAD STAFF MEMBER:

Jacqueline Harris, Program Controls Manager

DISCUSSION:

At the request of the Authority Board of Directors, the Finance Committee will be provided with a summary of the monthly invoices received. The Summary of Invoices for the month ended March 31, 2024 will be presented for Committee discussion.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Summary of Invoices Month Ended March 31, 2024

SUMMARY OF INVOICES
FOR THE MONTH ENDED MARCH 31, 2024

The invoices below have been reviewed and approved for payment.

Vendor/Consultant	Billing Period	Invoice Total
Clean Energy Capital	March 2024	$34,715.00
Eide Bailly	March 2024	$790.00
Hallmark Group	March 2024	$80,473.24
InterWest Insurance Services (General Liab)	April 2024 – March 2025	$66,937.00
InterWest Insurance Services (Excess Liab)	April 2024 – March 2025	$18,093.00
Lagerlof, LLP	March 2024	$12,648.50
Natural Resources Results	March 2024	$10,000.00
Regional Government Services	February 2024	$2,153.25
Regional Government Services	March 2024	$996.32
T. Ravazzini Consulting, LLC	March 2024	$32,292.23
Total Cost		**$259,098.54**

The total cost above is included in the Expenditures section of the Treasurer's Report. The Authority's bank balance at J.P. Morgan Chase was $2,438,347.80 as of March 31,2024.

ITEM 1.4: REVIEW OF DRAFT FISCAL YEAR 2023 AUDIT REPORT

RESPONSIBLE/LEAD STAFF MEMBER:

Jacqueline Harris, Program Controls Manager

RECOMMENDATION:

Not applicable.

DISCUSSION:

The Authority's Board of Directors engaged C. J. Brown & Company to prepare the Authority's audit for Fiscal Year 2023. Under applicable law, that audit report must be filed with the State Controller's Office by June 30, 2024. C. J. Brown & Company has completed their initial draft audit report, which presents a "clean" opinion. The draft audit and management reports are attached for the Committee's review and input. Jonathon Abadesco, C.J. Brown Audit Partner, will be presenting the reports to the Finance Committee. The final reports will be presented by Mr. Abadesco to the Authority Board of Directors at the May 3, 2024 meeting.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Draft Audit Report
- Draft Management Report

Los Vaqueros Reservoir Joint Powers Authority

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Los Vaqueros Reservoir
Joint Powers Authority

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Board of Directors as of June 30, 2023

Name	Title	Area of Representation
Angela Ramirez Holmes	Chair	Zone 7
Anthea Hansen	Vice Chair	San Luis & Delta-Mendota Water Authority
Paul Sethy	Treasurer	Alameda County Water District
Ellen Wehr	Secretary	Grassland Water District
Antonio Martinez	Director	Contra Costa Water District
Michael Tognolini	Director	East Bay Municipal Utility District
Dennis Herrera	Director	San Francisco Public Utilities Commission
Rebecca Eisenberg	Director	Valley Water

Los Vaqueros Reservoir Joint Powers Authority
Taryn Ravazzini, Executive Director
1331 Concord Avenue
Concord, California 94520
(916) 206-5367

Los Vaqueros Reservoir Joint Powers Authority

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Los Vaqueros Reservoir Joint Powers Authority
Annual Financial Report
For the Fiscal Year Ended June 30, 2023

Table of Contents

	Page No.
Table of Contents	i
Financial Section	
Independent Auditor's Report	1-3
Basic Financial Statements:	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12
Report on Internals Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on The Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	13-14

< Page Intentionally Left Blank >

Financial Section

Independent Auditor's Report

Board of Directors
Los Vaqueros Reservoir Joint Powers Authority
Concord, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Los Vaqueros Reservoir Joint Powers Authority (Authority) , as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Los Vaqueros Reservoir Joint Powers Authority, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 requirements 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 for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the 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 Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing the audit in accordance with GAAS, 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.

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison schedule, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. That report can be found on pages 13 and 14.

C.J. Brown & Company, CPAs
Cypress, California
April 10, 2024

Basic Financial Statements

Los Vaqueros Reservoir Joint Powers Authority
Statement of Net Position
June 30, 2023

		2023
Current assets:		
Due from Contra Costa Water District	$	1,164,662
Total assets		1,164,662
Current liabilities:		
Accounts payable		1,164,662
Total liabilities		1,164,662
Net position:		
Unrestricted		-
Total net position	$	-

See accompanying notes to the basic financial statements

Los Vaqueros Reservoir Joint Powers Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

		2023
Operating revenues:		
Member contributions	$	1,686,503
Total operating revenues		1,686,503
Operating expenses:		
Contractual services		1,686,503
Total operating expenses		1,686,503
Changes in net position		-
Net position, beginning of year		-
Net position, end of year	$	-

See accompanying notes to the basic financial statements

Los Vaqueros Reservoir Joint Powers Authority
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2023

		2023
Cash flows from operating activities:		
Cash receipts from member contributions	$	521,841
Cash payment for operations		(521,841)
Net cash provided by operating activities		-
Net change in cash and cash equivalents		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	-
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	$	-
Total cash and cash equivalents	$	-

		2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	-
Change in assets and liabilities:		
(Increase)decrease in assets:		
Due from Contra Costa Water District		(1,164,662)
Increase(decrease) in liabilities:		
Accounts payable		1,164,662
Total adjustments		-
Net cash provided by operating activities	$	-

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Los Vaqueros Reservoir Joint Powers Authority (Authority) is a Joint Powers Authority formed in October 2021. As a Joint Powers Authority, the Authority has been established to provide governance for Phase 2 of the Los Vaqueros Reservoir Expansion Project (Project). The main purpose of the Authority is 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.

Composed of local public agencies and others engaged in water management, conservation, and/or delivery in the Project Service Area, the Authority is created to enable public agencies responsible for water distribution to work collaboratively with a regional focus to improve water supply reliability through the development and operation of the project.

Authority members are 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.

B. Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or operating income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

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.

C. Financial Reporting

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority has adopted the following GASB pronouncements in the current year:

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. This Statement did not have a material impact to the financial statements.

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement did not have a material impact to the financial statements.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement did not have a material impact to the financial statements.

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement did not have a material impact to the financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable

The Authority utilizes the allowance method of accounting for uncollectible or doubtful accounts based on historical experience and current information as it becomes available. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. All accounts receivable are non-interest bearing.

5. Net Position

The Authority follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- *Unrestricted* – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

6. 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 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.

(2) Related Party Transactions

In November 2021, Contra Costa Water District (CCWD), a member of the Authority, 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.

(3) Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is insured for a variety of potential exposures.

(4) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(4) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

(4) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101, continued

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. This Statement is not applicable to the Authority.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(5) Commitments and Contingencies

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(6) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of April 10, 2024, which is the date the financial statements were available to be issued. The Authority is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

< Page Intentionally Left Blank >

Report on Internal Controls and Compliance

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Los Vaqueros Reservoir Joint Powers Authority
Concord, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Vaqueros Reservoir Joint Powers Authority (Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 10, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs
Cypress, California
April 10, 2024

Los Vaqueros Reservoir Joint Powers Authority

Management Report

June 30, 2023

Los Vaqueros Reservoir Joint Powers Authority

Management Report

Table of Contents

Item	Page No.
Memorandum on Internal Control	1
Appendix:	
Required Communications	1-3

Board of Directors
Los Vaqueros Reservoir Joint Powers Authority
Concord, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Los Vaqueros Reservoir Joint Powers Authority (Authority) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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, the Board of Directors, and others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record. We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs
Cypress, California
March 13, 2024

APPENDIX

Los Vaqueros Reservoir Joint Powers Authority

Required Communications

June 30, 2023

Board of Directors
Los Vaqueros Reservoir Joint Powers Authority
Concord, California

We have audited the financial statements of the governmental activities and each major fund of the Los Vaqueros Reservoir Joint Powers Authority (Authority) for the year ended June 30, 2023, and have issued our report thereon dated April 10, 2024.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 23, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated April 10, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that were prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards

As auditors of the Authority, we are required per AU-C Section 240, "Consideration of Fraud in a Financial Statement Audit", to "ordinarily" presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There were no initial selection of accounting policies and no other changes in significant accounting policies or their application during 2023. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management that are included in a management representation letter dated April 10, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

<u>Conclusion</u>

We appreciate the cooperation extended us by Celia Cheung, Rate & Financial Analyst of Contra Costa Water District, and Jacqueline Harris, Chief Financial Officer, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Authority.

C.J. Brown & Company, CPAs
Cypress, California
April 10, 2024

ITEM 1.5: DRAFT FISCAL YEAR 2024/2025 BUDGET BOOK

RESPONSIBLE/LEAD STAFF MEMBER:

Taryn Ravazzini, Executive Director

RECOMMENDATION:

Not applicable.

DISCUSSION:

The Los Vaqueros Reservoir Joint Exercise of Powers Agreement (JPA Agreement) requires that the Board of Directors adopt a budget prior to the start of each Fiscal Year. An update was provided to the Finance Committee at the January 2024 meeting. Staff provided the Board with an overview of the development of the 2024-2025 Fiscal Year (FY25) Budget at the March 2024 meeting, including contemplated capital components. Staff has continued to coordinate with Contra Costa Water District in developing the Authority's FY25 Budget. Jacqueline Harris, Program Controls Manager, will present the draft Budget Book to the Finance Committee at this stage of development including sources and uses of funds totaling $11,773,000. Further, the draft Budget Book will be presented to the Board in May 2024. It is anticipated that final approval will be requested of the Board at the June 2024 meeting.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Draft FY25 Budget Book

Los Vaqueros Reservoir Joint Powers Authority

FY25 Draft Budget

July 1, 2024 – June 30, 2025

FINANCE COMMITTEE

April 25, 2025

LOS VAQUEROS RESERVOIR EXPANSION PROJECT

Background Information

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 eight agencies which make up the Authority include: Alameda County Water District, Contra Costa Water District (CCWD), East Bay Municipal Utility District (EBMUD), 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 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 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.

PROJECT ADMINISTRATION

In FY24, the Authority assumed the administrative and financial management responsibilities for the Project from CCWD. CCWD will continue to provide technical services to the Authority as required and specified in Amendment Nos. 5 and 6 to the Multiparty Agreement. The Authority demonstrated significant progress in FY24, highlighted by independent staffing for Project oversight. The Authority has built a strong team to manage Authority operations through the selection and procurement of a program manager, accounting services, appointment of an independent auditor, banking, and bond counsel. The Authority's commitment to transparency and public engagement is demonstrated by regular reporting to the

Board of Directors, as well as the Finance, Communications and Outreach, and Operations and Engineering Committees. The executive director and leadership team provide Project status updates to member agency boards and committees, state and federal partners, non-government organizations, and community groups to ensure a broad understanding and awareness of the Project and its regional benefits.

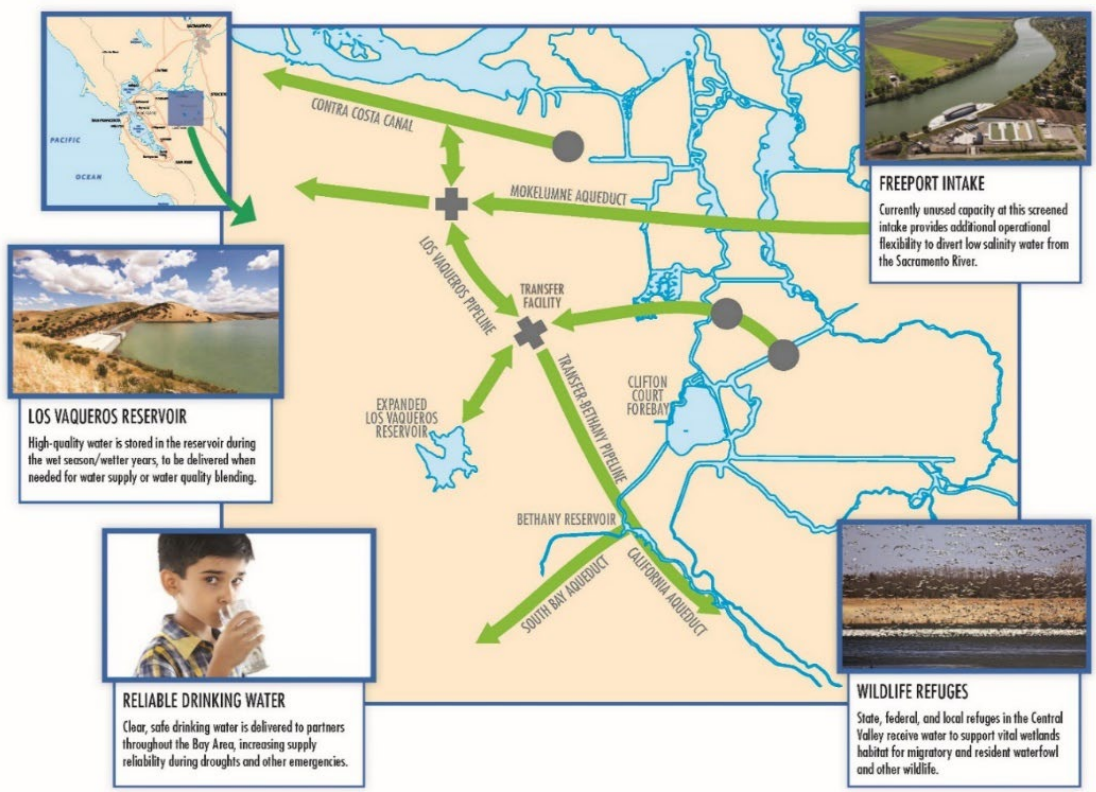


Figure 1 – Location of Phase 2 Los Vaqueros Reservoir Expansion Project and Benefits

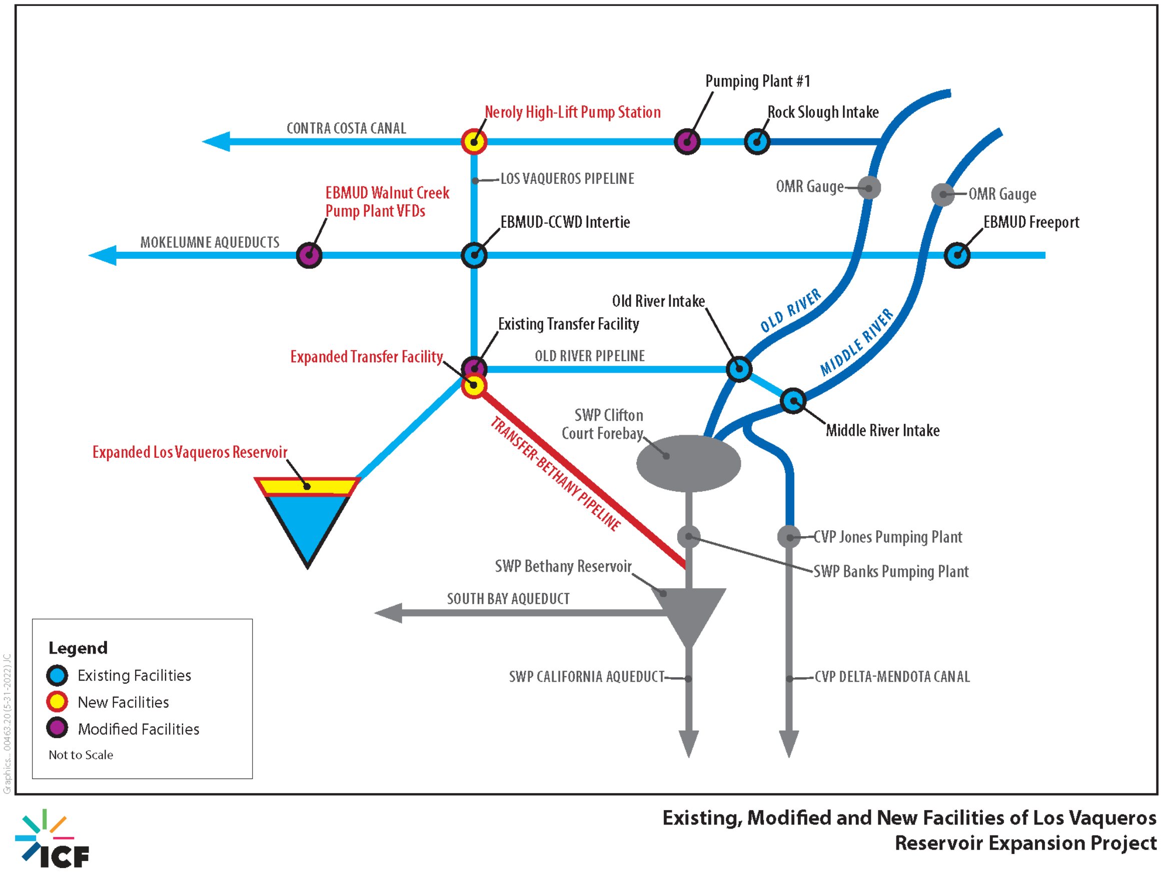


Figure 2 – Schematic of Phase 2 Los Vaqueros Reservoir Expansion Project Facilities

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 (CWC) and received a total of $174 million in federal appropriations to date. The remainder of the Project costs will be covered by additional federal funding, member agency contributions, and financing. Construction is estimated to begin as early as calendar year 2026, pending necessary reviews, approvals, and funding, and is anticipated to continue through 2033. Additional information is available at losvaquerosjpa.com.

The Board Members, officers, contractors, and consultants to the Authority are summarized below.

Board Members

Alameda County Water District
Director
Paul Sethy, Treasurer
Alternate Director
Jonathan Wunderlich

Contra Costa Water District
Director
Antonio Martinez
Alternate Director
Patt Young

East Bay Municipal Utility District
Director
Mike Tognolini
Alternate Director
Doug Linney

Grassland Water District
Director
Ricardo Ortega, Secretary
Alternate Director
Ken Swanson

San Francisco Public Utilities Commission
Director
Dennis Herrera
Alternate Director
Steve Ritchie

San Luis & Delta-Mendota Water Authority
Director
Anthea Hansen, Vice Chair
(Del Puerto Water District)
Alternate Director
Jose Gutierrez
(Westlands Water District)

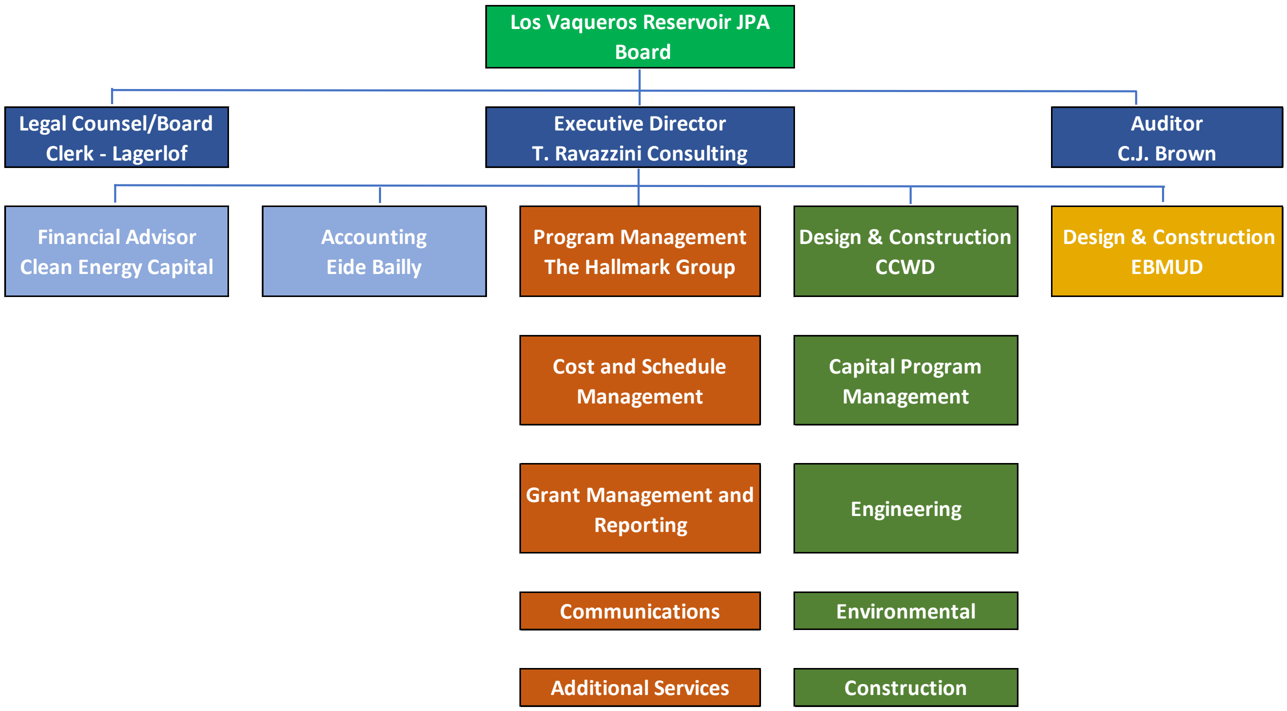
Valley Water
Director
John Varela
Alternate Director
Richard Santos

Zone 7 Water Agency
Director
Angela Ramirez Holmes, Chair
Alternate Director
Sandy Figuers

Department of Water Resources (DWR)
Ex-Officio

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

Organizational Chart



Authority Administration

Taryn Ravazzini – Executive Director

Jim Ciampa – General Counsel

Rose Perea – Clerk to the Board

Accomplishments and Milestones

Key Accomplishments in FY24:

- Strengthened foundational governance structure of the Authority by adopting necessary fiscal and administrative policies and procedures
- Transitioned administrative and financial services to the Authority from CCWD
- Procured program management team, accounting firm, independent audit firm, and bond counsel
- Received $10 million allocation in Bipartisan Infrastructure Law funding
- Developed and submitted Water Infrastructure Finance and Innovation Act (WIFIA) loan application to U.S. Environmental Protection Agency
- Acquired an indicative credit rating from Standard & Poor, positioning the Authority for financing
- Supported CCWD in its efforts to finalize permitting
- Updated Plan of Finance and Proforma model
- Established Ad Hoc Committees for CCWD Design and Construction Agreement and CCWD Facilities Use Agreement
- Developed models and tools to support member agency allocation methodology
- Established monthly leadership meetings with U.S. Bureau of Reclamation California-Great Basin Office to facilitate issue resolution around federal investment
- Developed and strengthened relationships with federal and state administration and legislative representatives in Washington DC and Sacramento
- Hosted public Project open house reception at 2023 ACWA Spring Conference
- Conducted monthly meetings of member agency general managers
- Convened regular monthly Authority Board meetings as well as Finance, Communications and Outreach, and Engineering and Operations Committee meetings

Anticipated Milestones in FY25:

- Complete permitting of the Project
- Complete dam design and obtain approval from the California Department of Water Resources Division of Safety of Dams
- Execute Project contracts and agreements, including:
  - Contract for Administration of Public Benefits
  - CCWD Design and Construction Agreement
  - CCWD and EBMUD Facility Usage Agreement
  - Authority and Member Agency Service Agreements
- CWC final funding award hearing
- WIFIA loan approval

Sources of Funds

Funding for the Project comes from a variety of sources and is managed by the Authority. Funding for FY25 will include Authority and CCWD carryover funding from FY24 and is estimated at $11.773 million. This estimate excludes construction funding, which, when construction proceeds, will require a revision and supplement to this budget. Figure 3 shows the relative contribution of funding sources anticipated in FY25.

LOCAL FUNDING

Authority member agencies have been contributing funds to the Project since 2017 through a series of local cost share agreements. The Multiparty Cost Share Agreement was executed by the member agencies in 2019 and has been amended multiple times. Amendment No. 5 was executed in August 2023. Member agencies collectively contributed $8.673 million in FY24.

FUNDING CARRYOVER FROM FY24

The Authority estimates that approximately $1.803 million in unexpended FY24 member agency contributions collected by the Authority will be carried over to fund the FY25 budget.

Additionally, funding collected by CCWD in previous fiscal years from state, federal, and local sources remain unexpended to date. CCWD estimates $9.970 million will be carried over to fund the FY25 budget, of which, $1.555 million is expected to be transferred to the Authority in August 2024 as designated in the Multiparty Cost Share Agreement Amendment No. 6.

STATE FUNDING

The project was awarded State funding under the Water Storage Investment Program. An Early Funding Agreement with CWC provides for a 50% cost share of eligible project costs during pre-construction. This agreement is complete and was fully billed as of December 31, 2023, therefore, no state funding is expected in FY25. CCWD is continuing work on project completion reports and other close-out tasks required by the agreement.

FEDERAL FUNDING

$174 million has been appropriated by Congress under both the Bipartisan Infrastructure Law and the Water Infrastructure Improvements for the Nation Act for construction of the Project. Funding for pre-construction activities was available in FY24. However, those funds will be fully expended by June 30, 2024, therefore, no additional federal funding for pre-construction is expected in FY25.

AUTHORITY DEBT FINANCE

The Authority applied for a WIFIA loan in FY24 for approximately $675 million. If Project agreements are completed and the WIFIA application is accepted, it is anticipated that the loan could close in FY25. However, the FY25 budget assumes that WIFIA funds may not be available in FY25 due to the timing of the CWC funding.

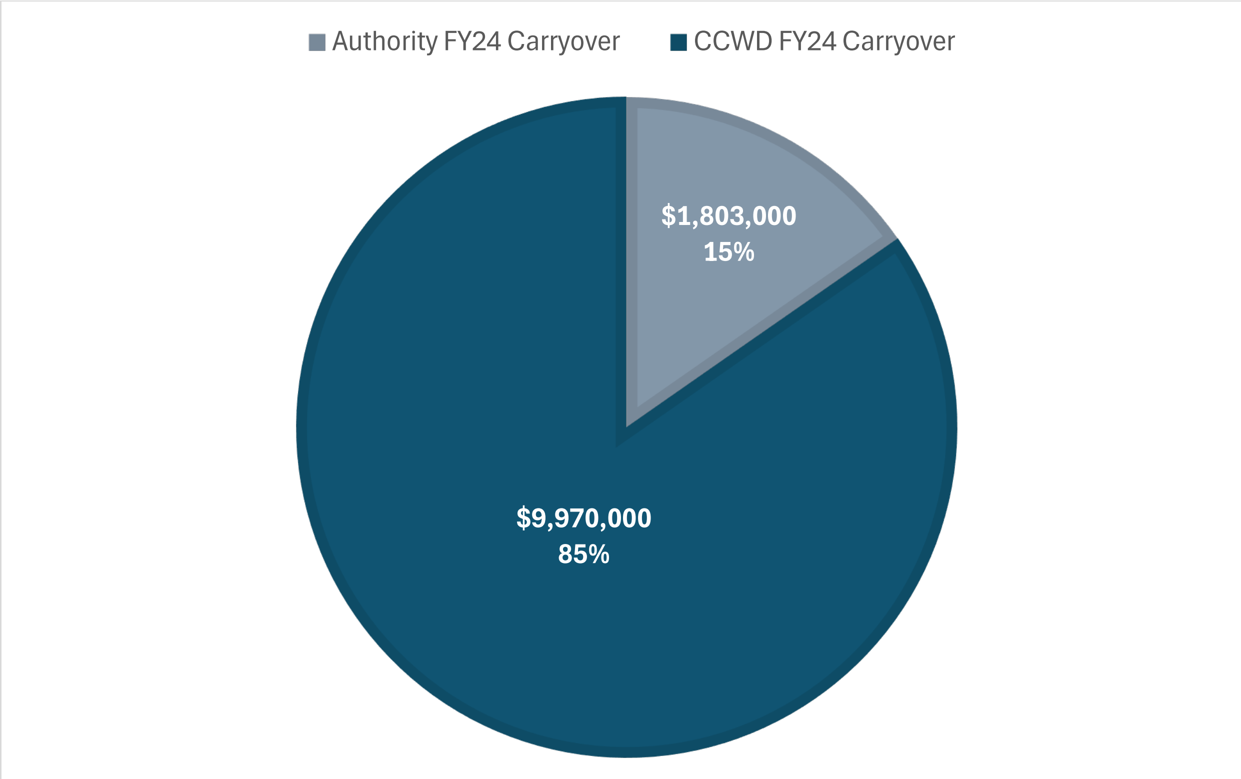


Figure 1 – FY25 Sources of Funds (values in dollars)

Use of Funds

Approximately $11.773 million in expenditures are expected in FY25. The use of funds includes services procured by the Authority (Authority Services), services procured and managed by CCWD (CCWD Services), CCWD Labor, and contingency. Table 1 below shows a summary of the use of funds. Figure 4 below shows the anticipated use of funds apportionment for FY25.

AUTHORITY SERVICES

In FY25, the Authority will continue the existing services procured in FY24 and secure additional services as needed. Total FY25 expenditures for Authority Services are anticipated to be $3.358 million including $240,000 allocated to contingency. 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, WIFIA loan application fees, accounting, banking, and auditor. Expenditures for external affairs include federal government relations. Expenditures for legal services include general counsel, bond counsel, and other specialized counsel as needed to review service agreements and WIFIA loan agreements. Development and execution of the service agreements to finalize the allocation of Project benefits and costs to Authority members is also anticipated in FY25.

CCWD SERVICES AND LABOR

CCWD is responsible for the planning, permitting, design and construction of all facilities built and operated by CCWD as described in Exhibit B of the Authority's Joint Exercise of Powers Agreement. It is anticipated that $5.315 million will be expended on CCWD Services in FY25 including approximately $483,000 for contingency and excluding possible construction costs. CCWD has and will continue to hire consultants and staff to advance the Project consistent with CCWD's procurement and hiring processes. Permit applications have been submitted, and it is anticipated that all permits will be issued by the end of FY25. Design will continue to advance for the Dam Expansion, Pumping Plant No. 1 Replacement and Transfer-Bethany Pipeline in FY25. It is anticipated that dam design will be completed in FY25. CCWD will continue to use their legal counsel to review key permits and contracts held by CCWD (i.e., California Environmental Quality Act, permits, water rights, etc.).

The budget for CCWD Labor to manage services, conduct technical work, and advance the Project in FY25 is anticipated to be $3.100 million. This budget includes $1.200 million in costs directly attributable to the Project facilities and implementation costs estimated at $1.900 million. Implementation costs are costs that are not directly allocable to a particular Project element because they apply to multiple or all elements and include staff and consultant Project management, legal services, environmental documentation and permitting, land acquisition to mitigate for operations, pursuit of water rights, and support to the Authority. CCWD estimates approximately 7.5 full-time equivalent positions assigned to the Project. CCWD employees direct bill hours to the Project and to the extent appropriate, bill time to specific facilities. Labor budgets by facility are estimates and actual expenditures will depend on time specifically billed to the facilities.

CONTINGENCY

Contingency totaling approximately $723,000 is included in the FY25 budget and consists of approximately 8 percent of Authority Services and approximately 10 percent CCWD Services (CCWD contingency is included in each CCWD Services line item). Contingency will be used to address changes to the Project while continuing to meet key milestones and could be applied to Authority Services, CCWD Services, or CCWD Labor.

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 FY25, the Board may consider waiving compliance with this policy in FY25 and defer funding the reserves until FY26 when construction is anticipated.

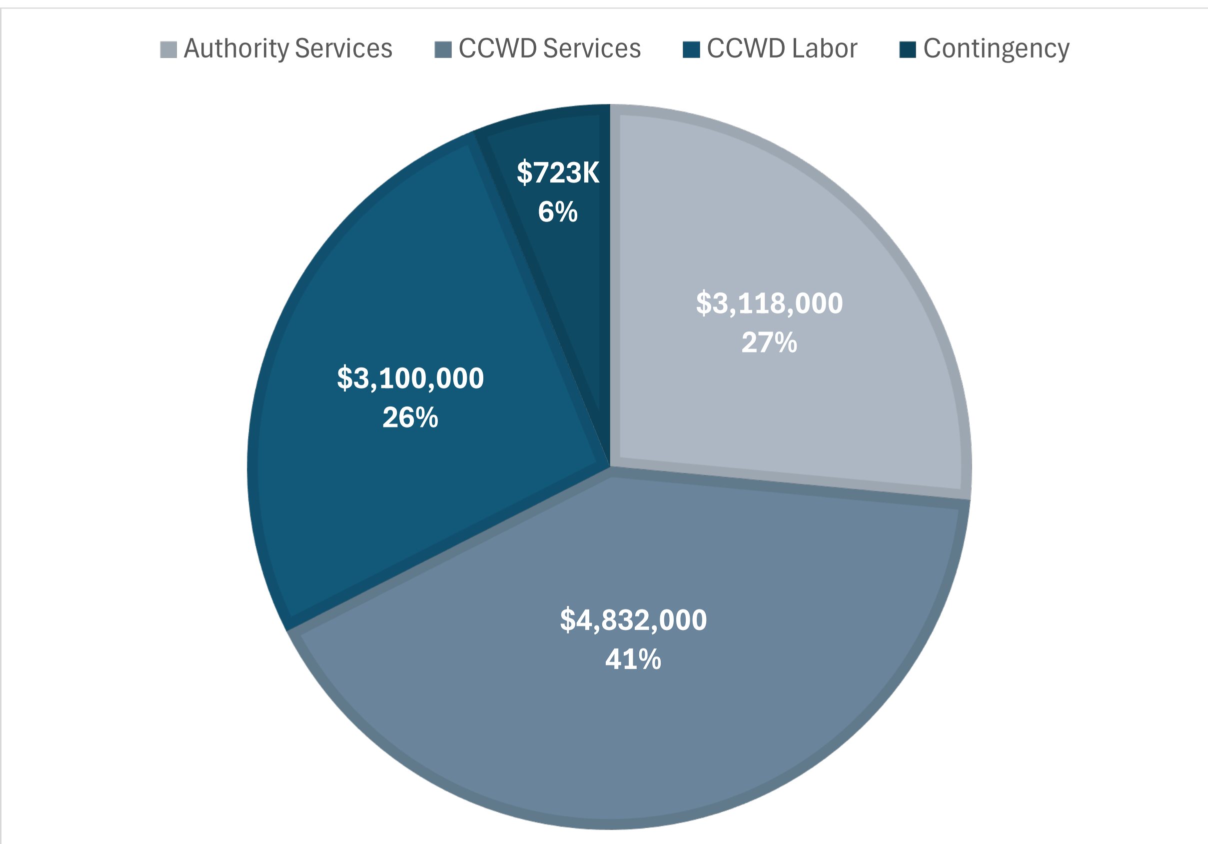


Figure 4 – FY25 Use of Funds (values in dollars)

Table 1 – FY25 Use of Funds (values in dollars)

	FY25
Authority Services	
Authority and Project Management	$2,167,800
Administration and Insurance	$116,200
Financial and Accounting	$365,400
External Affairs/Agency Negotiation Support	$124,800
Legal (General and Bond Counsel)	$343,800
Contingency	$240,000
Authority Services Total	$3,358,000
CCWD Services	
Dam Expansion (AECOM)	$100,000
Transfer Bethany Pipeline (Carollo)	$1,400,000
Pumping Plant No. 1 (Brown & Caldwell)	$100,000
Backstop Plan Development (Stantec)	$100,000
Project Management (GEI) and PMIS System	$1,200,000
Environmental Planning, Modeling, and Permitting	$1,915,000
Legal	$500,000
CCWD Services Total (includes contingency)	$5,315,000
CCWD Labor	
Implementation (not facility specific as previously defined)	$1,900,000
Dam Expansion	$400,000
Transfer Bethany Pipeline	$500,000
Pumping Plant No. 1	$300,000
CCWD Labor Total	$3,100,000
CCWD Services and Labor	$8,415,000
Total	**$11,773,000**

Los Vaqueros Reservoir Joint Powers Authority

FY25 Preliminary Timeline of Major Activities

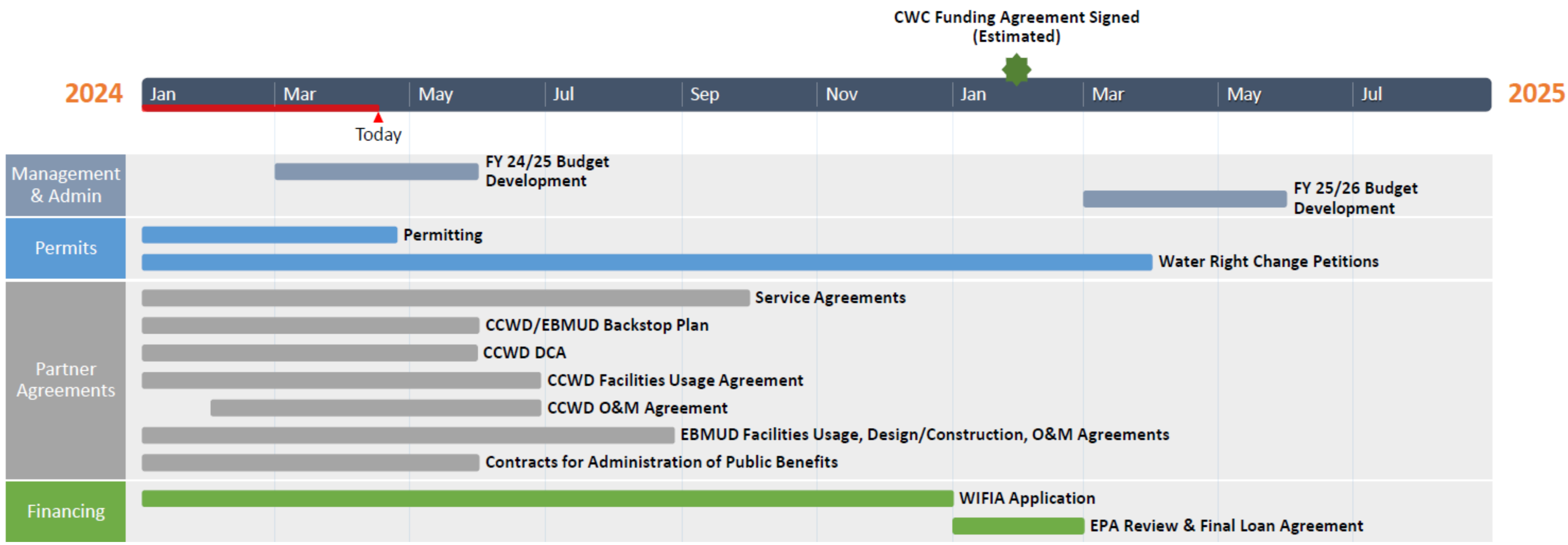


Figure 5 FY25 Preliminary Timeline of Major Activities (revisions anticipated prior to FY25 Budget Book final draft)

Capital Costs

The costs for development of the Project are currently identified as capital costs through FY25 and will be categorized as capital until the Project becomes operational. The development phase will continue through FY25 and construction is expected to begin in calendar year 2026. It is anticipated that the Project will be fully operational in FY33. Until such time as the Project becomes operational, all development, construction, and Authority administrative expenses will be considered capital expenditures. Table 2 below summarizes the capital budget for FY25.

Table 2 – FY25 Capital Budget (value in dollars)

	CCWD	Authority	FY25 Total
Services	$4,832,000	$3,118,000	$7,950,000
Labor	$3,100,000	$0	$3,100,000
Contingency	$483,000	$240,000	$723,000
Total	$8,415,000	$3,358,000	$11,773,000