



**BOARD OF DIRECTORS SPECIAL
SAN LORENZO VALLEY WATER DISTRICT
AGENDA
December 7, 2017**

MISSION STATEMENT: Our Mission is to provide our customers and future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding service and community relations; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District.

Notice is hereby given that a special meeting of the Board of Directors of the San Lorenzo Valley Water District will be held on Thursday, December 7, 2017 at 5:00 p.m., 13057 Highway 9, Boulder Creek, California.

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requests that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents are also available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

1. Convene Meeting/Roll Call

2. Additions and Deletions to Closed Session Agenda:

Additions to the Agenda, if any, may only be made in accordance with California Government Code Section 54954.2 (Ralph M. Brown Act) which includes, but is not limited to, additions for which the need to take action is declared to have arisen after the agenda was posted, as determined by a two-thirds vote of the Board of Directors (or if less than two-thirds of the members are present, a unanimous vote of those members present).

3. Oral Communications Regarding Items in Closed Session:

This portion of the agenda is reserved for Oral Communications by the public for items which are on the Closed Session portion of the Agenda. Any person may address the Board of Directors at this time, on Closed Session items. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. No actions may be taken by the Board of Directors on any Oral Communications presented; however, the Board of Directors may request that the matter be placed on a future agenda. Please state your name and town/city of residence at the beginning of your statement for the record.

4. Adjournment to Closed Session

At any time during the regular session, the Board may adjourn to Closed Session in compliance with, and as authorized by, California Government Code Section 54956.9 and Brown Act, Government Code Section 54950. Members of the public will be given the opportunity to address any scheduled item prior to adjourning to closed session.

- a. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATION OF LITIGATION
Initiation of litigation pursuant to Government Code Section 54956.9(d)(4)
One case
- b. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Government Code Section 54957
Title: District Manager

Closed Session Note:

The Brown Act prohibits the disclosure of confidential information acquired in a closed session by any person present and offers various remedies to address willful breaches of confidentiality. These include injunctive relief, disciplinary action against an employee, and referral of a member of the legislative body to the grand jury. It is incumbent upon all those attending lawful closed sessions to protect the confidentiality of those discussions. Only the legislative body acting as a body may agree to divulge confidential closed session information; regarding attorney/client privileged communications, the entire body is the holder of the privilege and only a majority vote of the entire body can authorize the waive of the privilege.

5. Convene to Open Session at 6:30 p.m.

6. Report of Actions Taken in Closed Session

7. Additions and Deletions to Open Session Agenda:

Additions to the Agenda, if any, may only be made in accordance with California Government Code Section 54954.2 (Ralph M. Brown Act) which includes, but is not limited to, additions for which the need to take action is declared to have arisen after the agenda was posted, as determined by a two-thirds vote of the Board of Directors (or if less than two-thirds of the members are present, a unanimous vote of those members present).

8. Oral Communications:

This portion of the agenda is reserved for Oral Communications by the public for items which are not on the agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda.

Any person may address the Board of Directors at this time, on any subject that lies within the jurisdiction of the District. Normally, communication must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications.

If you wish to speak on a non-agendized item, please submit a 'speaker slip' to the District Secretary. It is not required, but individuals who have submitted a 'speaker slip' will be given priority. Time for Oral Communications at the start of the meeting will be limited to 15 minutes in total. If there are additional speakers, the Board will continue Oral Communications after the Consent Agenda.

Any Director may request that a matter raised during Oral Communication be placed on a future agenda.

9. New Business:

Members of the public will be given the opportunity to address each scheduled item prior to Board deliberations. The Chairperson of the Board may establish a time limit for members of the public to address the Board on agenda items.

- a. SELECTION OF OFFICERS
Discussion and possible action by the Board regarding the selection of officers.
- b. BOARD POLICY MANUAL- WORKSHOP WITH BRENT IVES
Discussion and possible action by the Board regarding the Board Policy Manual.
- c. FISCAL YEAR 16/17 AUDIT
Discussion and possible action by the Board regarding the FY 16/17 audit.
- d. USDA LOAN, ENGINEERING CONTRACT AWARD TO WSC
Discussion and possible action by the Board regarding the USDA loan, engineering contract award to WSC.
- e. DRAFT OF THE SANTA MARGARITA GROUNDWATER BASIN JOINT POWERS AGENCY BYLAWS
Discussion and possible action by the Board regarding the SMGB JPA draft bylaws.
- f. CONTRACT WITH EXPONENT
Discussion and possible action by the Board regarding the contract with Exponent (Nick Johnson).

10. Unfinished Business: None

Members of the public will be given the opportunity to address each scheduled item prior to Board deliberations. The Chairperson of the Board may establish a time limit for members of the public to address the Board on agenda items.

11. Consent Agenda:

The Consent Agenda contains items which are considered to be routine in nature and will be adopted by one (1) motion without discussion. Any Board member may request that an item be withdrawn from the Consent Agenda for separate discussion.

- a. MINUTES FROM BOARD OF DIRECTORS MEETING
NOVEMBER 16, 2017.
Consideration and possible action by the Board to approve minutes
from the November 16, 2017 BoD meeting.

12. District Reports:

No action will be taken and discussion may be limited at the Chairperson's discretion. The District encourages that questions be submitted in writing (bod@slvwd.com) on items listed in the District Reports. Questions submitted, if any, will be posted in the next available District Reports, along with a reply.

- COMMITTEE REPORTS
 - Future Committee Agenda Items
 - Committee Meeting Notes
 - Special Budget & Finance Committee 11.14.17
 - Engineering Committee 11.27.17
- DIRECTORS REPORTS
 - Director's Communication
 - Future Board of Directors Meeting Agenda Items

13. Written Communication:

- a. APPOINTMENTS TO CONSOLIDATED REDEVELOPMENT
OVERSIGHT BOARD

14. Informational Material:

- a. NEW CLIMATE ACTION PLAN

15. Adjournment

Certification of Posting

I hereby certify that on December 1, 2017 I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California said time being at least 24 hours in advance of the special Meeting of the Board of Directors of the San Lorenzo Valley Water District (Government Code Section 54954.2).

Executed at Boulder Creek, California on December 1, 2017

Holly B. Morrison
District Secretary

M E M O

TO: Board of Directors
FROM: District Manager
SUBJECT: Selection of Officers
DATE: December 7, 2017

RECOMMENDATION:

The Board President, Gene Ratcliffe, will entertain nominations for the positions of Board President and Vice-President. The Board will review and vote on the election of officers. The elected President will then take the gavel.

BACKGROUND:

The Board Policy Manual says; there shall be two (2) officers: a president and a vice president, who shall be members of the District Board of Directors. Selection of officers shall be held at the Board of Directors meeting in December of each calendar year. Officers will serve for a one (1) year term. Elections will conform to the applicable provisions of the Board Policy Manual.

STRATEGIC PLAN:

Element 9.0 - Administrative Management

FISCAL IMPACT:

None

M E M O

To: Board of Directors
From: District Manager
Subject: BOARD POLICY MANUAL
Date: December 7, 2017

RECOMMENDATION:

Each Director review the Board Policy Manual draft Sections 1.01 through 1.04 (attached) and approve Resolution X, adopting proposed changes.

BACKGROUND:

The Administration Committee is reviewing the Board Policy Manual and periodically will be bringing draft sections of the Manual to the Board for a full review and recommended approval of proposed revisions.

Tonight, the Committee is recommending approval of Sections 1.01 through 1.04.

Brent Ives (BHI Consulting) has been asked to facilitate tonight's discussion.

STRATEGIC PLAN:

Element 9.2 - Board Development

FISCAL IMPACT:

None

SAN LORENZO VALLEY WATER DISTRICT

RESOLUTION NO. 13 (17-18)

SUBJECT: UPDATE OF SECTIONS 1.01, 1.02, 1.03 AND 1.04 OF THE DISTRICT'S 2017 BOARD POLICY MANUAL

WHEREAS, the proper functioning of the District Board and Board Meetings is critical to proper functioning of the District; and

WHEREAS, an adopted set of policies assist in the proper functioning of the Board; and

WHEREAS, it is appropriate that the Board periodically review and amend said set of policies;

WHEREAS, Board Committees provide a vital service to the proper functioning of the District and governance of same; and

WHEREAS, Each Board Member, individually, has been provided an opportunity to read the proposed revision to Sections 1.01, 1.02, 1.03 and 1.04 of the District's Board of Director's Policy Manual (attached);

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the San Lorenzo Valley Water District that:

1. The Board updates Sections 1.01, 1.02, 1.03 and 1.04 of the District's 2017 Board Policy Manual with the language provided in the attached draft Sections 1.01, 1.02, 1.03 and 1.04.
2. The Board directs staff to modify the Board Policy Manual, effectuating the changes as approved herein.

PASSED AND ADOPTED by the Board of Directors of San Lorenzo Valley Water District, County of Santa Cruz, State of California, on the 7th day of December, 2017 by the following vote of the members thereof:

AYES:
NOS:
ABSTAIN:
ABSENT:

Holly B. Morrison, District Secretary
San Lorenzo Valley Water District

Section 1.01 Mission Statement

"Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District".

Adopted by the Board of Directors of the San Lorenzo Valley Water District on June 2, 2000.

Section 1.02 Authority of the Board

1. The Board of Directors shall act only at regular, regularly adjourned, special or emergency meeting, as provided by State Law (e.g. brown act).
2. Individual Directors shall have no power to act for the San Lorenzo Valley Water District, or the Board of Directors, or to direct District staff, except as authorized by the Board of Directors.
3. The primary responsibilities of the Board of Directors are fiscal oversight and formulation and evaluation of policy. Operational aspects of the District are delegated to staff.
4. Until a quorum is present there can be no meeting of the Board of Directors. A minimum of 3 Board members constitute a quorum of the Board of Directors.

Deleted: The mission of the San Lorenzo Valley Water District will be accomplished through the implementation of the following objectives: - ... [1]

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Comment [Office1]: Annex or link or reference to state law. Overall comment.

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Section 1.03 Code of Conduct

The Board of Directors of the San Lorenzo Valley Water District establishes this Code of Conduct to support the fulfillment of the District's Mission Statement.

In order to accomplish this, each member of the Board of Directors:

- Shall comply with and shall be guided by applicable provisions of (i) Federal laws; (ii) State laws, including but not limited to the California Public Records Act (Brown Act), Water Code, Government Code, Section 1090 of the Government Code, Elections Code and Public Resources Code; (iii) the Policy Manuals established by a majority vote of the Board of Directors, and (iv) the rules and regulations of the District as established by the motions, resolutions and ordinances enacted by a majority vote of the Board of Directors.
- Shall commit to being as fully informed as possible about the issues in front of the Board of Directors prior to taking action

Comment [Office2]: MB – Respect the confidentiality of closed session discussions?

Deleted: Ethics and

- Shall make clear to members of the media and the public that all statements, verbal or written, made outside of an official meeting are individual statements, unless a Director is otherwise authorized by a majority of the Board of Directors to speak for the Board as a whole and/or on behalf of the District
- Shall follow the meeting rules of order as established by a majority of the Board of Directors
- Shall, pursuant to California Government Code section 53234 et seq. or as amended, receive two (2) hours of training, from an entity whose curriculum has been approved by the California Attorney General and the Fair Political Practices Commission, in general ethics principles and ethics laws relevant to public service within one (1) year of election or appointment to the Board of Directors, and at least once every two (2) years thereafter.
- Are encouraged (i) to conduct themselves with decorum and (ii) use the Golden Rule (treating others as one would wish to be treated) as a guide in interactions with the media, the SLV community, District management and employees and other Board members and (iii) to speak candidly and forthrightly about the issues in front of the Board of Directors

Section 1.04 Standard Practices

- In matters of the District, Directors are encouraged to communicate directly with the District Manager to obtain information needed to supplement, upgrade, or enhance their knowledge to improve legislative decision making.
- In handling complaints or inquiries from residents and property owners of the District, said complains should be referred to the District manager and may be followed up by the Board of Directors.
- In handling items related to safety concerns, hazards should be reported to the District Manager. Emergency situations should be dealt with immediately by seeking appropriate assistance.
- In seeking clarification for policy-related concerns, especially those involving personnel, legal action, land acquisition, sale or development, finance, and programming, said concerns should be referred directly to the District Manager.
- When approached by District personnel concerning specific District policy, Directors should direct inquiries to the District Manager.

Deleted: The Board of Directors of the San Lorenzo Valley Water District is committed to providing excellence in legislative leadership that results in providing the highest quality services to its constituents. The Board of Directors is expected to maintain the highest ethical standards, to follow District policies and regulations, and to abide by all applicable local, state and federal laws. Board of Directors conduct should enhance the integrity and goals of the District. In order to assist in the governing of behavior between and among members of the Board of Directors, the following rules shall be observed: .

... [2]

- Members' interaction with public, press or other entities must recognize the limitations of any Board member to speak for the Board except to repeat explicitly stated Board decisions, while respecting the right of Board members to express individual opinions.

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Brian Lee

11/2/17 11:41:00 AM

The mission of the San Lorenzo Valley Water District will be accomplished through the implementation of the following objectives:

STAFFING: Provide an efficient and adequate staff of employees and consultants, dedicated to the District mission and responsive to the Board. Provide staff and consultants with proper resources.

COMMUNICATIONS: Establish and maintain an environment that encourages the open exchange of ideas and information between Board members, staff and the public that is positive, honest, concise, understandable, responsive and cost-efficient.

EDUCATION: Develop and maintain comprehension and competence regarding issues that come before the Board of Directors and staff. Ensure the District's customers are informed regarding the benefits of safe operations, proper claims procedures, District operations and conservation.

Page 2: [2] Deleted

Brian Lee

11/3/17 11:34:00 AM

The Board of Directors of the San Lorenzo Valley Water District is committed to providing excellence in legislative leadership that results in providing the highest quality services to its constituents. The Board of Directors is expected to maintain the highest ethical standards, to follow District policies and regulations, and to abide by all applicable local, state and federal laws. Board of Directors conduct should enhance the integrity and goals of the District. In order to assist in the governing of behavior between and among members of the Board of Directors, the following rules shall be observed:

1. The dignity, style, values and opinions of each Director shall be respected.
2. Responsiveness and attentive listening in communications is encouraged.
3. The needs of the District's constituents shall be the priority of the Board of Directors.
4. The primary responsibility of the Board of Directors is the formulation and evaluation of policy. Routine matters concerning the operational aspects of the District are to be delegated to staff members of the District.
5. Directors should commit themselves to emphasizing the positive.
6. Directors should commit themselves to focusing on issues and not personalities. The presentation of the opinions of other should be encouraged.
7. Differing viewpoints are healthy in the decision-making process. Individual Directors have the right to disagree with ideas and opinions, but without

being disagreeable. Once the Board of Directors takes action, Directors should commit to supporting said action and not to creating barriers to the implementation of said action.

8. Directors should practice the following procedures:

(a) In seeking clarification on informational items, Directors may directly approach the District Manager to obtain information needed to supplement, upgrade, or enhance their knowledge to improve legislative decision-making.

(b) In handling complaints or inquiries from residents and property owners of the District, said complaints should be referred to the District Manager and may be followed up by the Board of Directors.

(c) In handling items related to safety concerns, hazards should be reported to the District Manager. Emergency situations should be dealt with immediately by seeking appropriate assistance.

(d) In seeking clarification for policy-related concerns, especially those involving personnel, legal action, land acquisition, sale or development, finance, and programming, said concerns should be referred directly to the District Manager.

9. When approached by District personnel concerning specific District policy, Directors should direct inquiries to the District Manager.

10. The work of the District is a team effort. All individuals should work together in the collaborative process, assisting each other in conducting the affairs of the District.

11. When responding to constituent requests and concerns at board meetings, the Board President's discretion determines the amount of time for comments. Specific questions or concerns will be directed to the District Manager for future action by the Board or staff. Directors should be courteous, responding to individuals in a positive manner and routing their questions through appropriate channels and to responsible management personnel.

12. Directors should develop a working relationship with the District Manager wherein current issues, concerns and District projects can be discussed comfortably and openly.

13. Directors should function as a part of the whole. Issues should be brought to the attention of the Board of Directors as a whole, rather than to individual members selectively.

14. Members' interaction with public, press or other entities must recognize the limitation of any Board member to speak for the Board except to repeat explicitly state Board decisions, while respecting the right of Board members to express individual opinions.

15. Directors are responsible for monitoring the District's progress in attaining its goals and objectives, while pursuing its mission.

16. The Board will further inform itself, individually and collectively, through ongoing outreach to determine community wishes and through continuing education on issues relevant to the District.

17. Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.

Section 1.01 Mission Statement

“Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District”.

Adopted by the Board of Directors of the San Lorenzo Valley Water District on June 2, 2000.

Section 1.02 Authority of the Board

1. The Board of Directors shall act only at regular, regularly adjourned, special or emergency meeting, as provided by State Law (e.g. brown act).
2. Individual Directors shall have no power to act for the San Lorenzo Valley Water District, or the Board of Directors, or to direct District staff, except as authorized by the Board of Directors.
3. The primary responsibilities of the Board of Directors are fiscal oversight and formulation and evaluation of policy. Operational aspects of the District are delegated to staff.
4. Until a quorum is present there can be no meeting of the Board of Directors. A minimum of 3 Board members constitute a quorum of the Board of Directors.

Section 1.03 Code of Conduct

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In order to accomplish this, each member of the Board of Directors:

- Shall comply with and shall be guided by applicable provisions of (i) Federal laws; (ii) State laws, including but not limited to the California Public Records Act (Brown Act), Water Code, Government Code, Section 1090 of the Government Code, Elections Code and Public Resources Code; (iii) the Policy Manuals established by a majority vote of the Board of Directors, and (iv) the rules and regulations of the District as established by the motions, resolutions and ordinances enacted by a majority vote of the Board of Directors.
- Shall commit to being as fully informed as possible about the issues in front of the Board of Directors prior to taking action

- Shall make clear to members of the media and the public that all statements, verbal or written, made outside of an official meeting are individual statements, unless a Director is otherwise authorized by a majority of the Board of Directors to speak for the Board as a whole and/or on behalf of the District
- Shall follow the meeting rules of order as established by a majority of the Board of Directors
- Shall, pursuant to California Government Code section 53234 et seq. or as amended, receive two (2) hours of training, from an entity whose curriculum has been approved by the California Attorney General and the Fair Political Practices Commission, in general ethics principles and ethics laws relevant to public service within one (1) year of election or appointment to the Board of Directors, and at least once every two (2) years thereafter.
- Are encouraged (i) to conduct themselves with decorum and (ii) use the Golden Rule (treating others as one would wish to be treated) as a guide in interactions with the media, the SLV community, District management and employees and other Board members and (iii) to speak candidly and forthrightly about the issues in front of the Board of Directors

Section 1.04 Standard Practices

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- When approached by District personnel concerning specific District policy, Directors should direct inquiries to the District Manager.

- Members' interaction with public, press or other entities must recognize the limitations of any Board member to speak for the Board except to repeat explicitly stated Board decisions, while respecting the right of Board members to express individual opinions.

DRAFT

M E M O

TO: Board of Directors
FROM: Director of Finance
SUBJECT: ANNUAL FINANCIAL REPORTS (CAFR)
DATE: December 7, 2017

RECOMMENDATION:

It is recommended that the Board of Directors review this memo, receive the presentation, from the firm Fedak & Brown LLP, and approve the SLVWD Financial Statements for Fiscal Year 2016-2017.

BACKGROUND:

The Board is being presented with the District's Comprehensive Annual Financial Report (CARF) for fiscal year 2016-2017. District staff, with the assistance of our auditors, prepared a CAFR in accordance with guidelines established by the Government Finance Officers Association (GFOA). GFOA awards a Certificate of Achievement for Excellence in Financial Reporting Program, of which we were awarded for the prior fiscal year 2015-2016. The main differences you will see with the CAFR are a more informational introductory section and a statistical section.

The District is required by state law to annually examine its financial records. The firm has conducted an independent audit of the District's financial records for the respective fiscal years. This examination of the District's financial records was conducted in accordance with generally accepted accounting standards and principles. As in previous years, the District received an "unmodified opinion," meaning the financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2017. The Financial Statements are transmitted under separate cover. A representative from the firm will be present to address the Board regarding this matter.

The CAFR furnishes information concerning the District's financial position and activities for the one (1) year period from July 1, 2016 - June 30, 2017 for all funds:

- Net position increased 0.15% or \$40,918 to \$28,255,435. Net position is made up of three components: net investment in capital assets, restricted net position and unrestricted net position
 - Net investment in capital (net of related debt) increased \$15,796 mainly due to higher depreciation expense of \$1,417,477 compared to the investment in current year capital of \$984,347.

- Typically you would like to see at least the depreciation amount being reinvested into current year capital. However, the prior year had very high expenditures which put a constraint on cash. Between the timing of attaining capital loans and timing of projects and permits, there was gap.
 - Restricted net position decreased \$80,896 to \$322,728. Restricted is for contractual restricted amounts such as required by debt covenants.
 - Unrestricted net position increased \$106,018, leaving the deficit balance at \$618,990. As discussed in the prior year, which is when the deficit began, the main contributors to this were interties 2, 3 & 4. Once the grant funding ran out in the prior year, the remaining was paid from our cash. It was identified that we need more grants or additional funding sources such as a loan to continue the larger projects. This was still in the works during the current fiscal year, thus the decrease in capital expenditures. I don't forecast us to continue at a deficit, given the known cash depletion. If companies continue for more than 3 years at a deficit without a reasonable reason, then it would be cause for concern. The District is close to securing a loan for future large scale projects to help balance out our net position. Overall the District had a positive \$40,918 increase to net position.
- Operating revenues increased 15.4% or \$989,949 to \$7,446,130, primarily due to increased water sales revenues related to the drought surcharge from the effects of the ongoing drought in the State of California and the surcharge from the merged Lompico customers. As compared to budget, operating revenues were up 5.7%, or \$401,490
- Operating expenses increased 27.9% or \$1,548,619 to \$7,109,458. This increase was due to a full year of new hires from fiscal year 2015-2016, as well as planned new hires during fiscal year 2016-2017. In addition, there were higher than expected legal expenses. As compared to budget, operating expenses were up 4.4%, or \$299,697.
- Non-operating revenues increased 82.2% or \$547,186 to \$1,213,244. This is attributed to new annual assessment district revenue. This revenue is earmarked for assessment district related items.
- Non-operating expenses decreased 10.4% or \$19,207 to \$166,204, primarily due to interest expense on loans.
- Net income before capital contributions decreased 41.2%, or \$28,652 to \$40,918. This is a good indicator that the District is moving in the right direction. With continued positive income, we will focus on building reserves back up.

- Net income after capital contributions decreased 97.5%, or \$1,586,241 to \$40,918. This was due to the prior year still having capital contributions from the grant related to the intertie projects.

It is important to understand the differences between external and internal financial reports and analysis. Audited financial statements, unlike budgets, have been examined, or "audited," by an external, independent certified public accountant. Extensive tests are performed on account details and balances that are represented on a company's financial statements to ensure their accuracy and reliability, while budgets are reviewed internally by upper management to ensure company goals and targets are reasonable and achievable, and its resources are being allocated in a way that maximizes revenue.

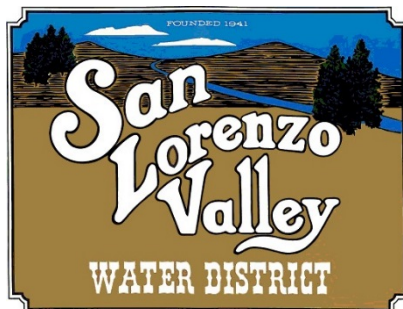
This current process is the audit portion of the fiscal year 2016-2017 results. There will later be a review of how the actuals compared to the budget.

STRATEGIC PLAN:

Element 5.0 - Fiscal Planning

FISCAL IMPACT:

None



San Lorenzo Valley Water District Comprehensive Annual Financial Report Fiscal Years June 30, 2017 and 2016



Boulder Creek, California



Our Mission

Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District.

San Lorenzo Valley Water District Board of Directors as of June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Gene Ratcliffe	President	Elected	December 2018
Charles Baughman	Vice President	Elected	December 2018
Margaret Bruce	Director	Elected	December 2020
Eric Hammer	Director	Elected	December 2018
Bill Smallman	Director	Elected	December 2020

**Brian Lee, District Manager
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, California 95006
(831) 338-2153 – www.slvwd.com**



San Lorenzo Valley Water District
Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2017 and 2016

Prepared by:

Stephanie Hill, Director of Finance and Business Services

**San Lorenzo Valley Water District
Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2017 and 2016**

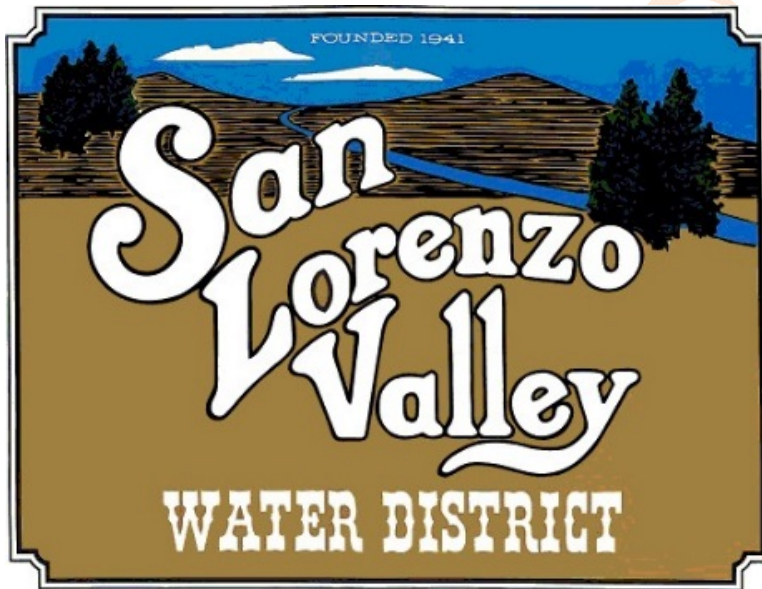
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**San Lorenzo Valley Water District
Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2017 and 2016**

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Introductory Section

DRAFT



December 7, 2017

Board of Directors
San Lorenzo Valley Water District

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report for the San Lorenzo Valley Water District for the fiscal year ended June 30, 2017, following guidelines set forth by the Governmental Accounting Standards Board (GASB). The purpose of this comprehensive report is to provide the Board of Directors, the public and other interested parties with reliable financial information about the District. This report conforms to the reporting and accounting standards of GASB and the Financial Accounting Standards Board (FASB).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, including all disclosures, based upon a framework of internal controls that was established for this purpose. The District maintains an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

District policy requires that an independent certified public accounting firm, selected by the Board, audit the basic financial statements on an annual basis to ensure they are free of material misstatement. Fedak & Brown LLP has issued an unmodified (or clean) opinion on the District's basic financial statements for the fiscal year ended June 30, 2017. The Independent Auditor's Report is presented as the first component of the financial section of this report.

GAAP requires that management provide an overview, summary and analysis to accompany the basic financial statements. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report in the financial section. This letter of transmittal is designed to complement the analysis contained in the MD&A and should be read in conjunction with the financial section of this report.

District Structure and Leadership

The San Lorenzo Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The San Lorenzo Valley Water District has been providing services to the residents within the District's boundaries since 1941. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The San Lorenzo Valley Water District employs a full-time staff of 29 employees. The District's Board of Directors meets regularly, meetings are publicly noticed and citizens are encouraged to attend.

District Structure and Leadership, continued

The District owns, operates, and maintains four water systems that supply separate service areas from separate water sources. The North Service Area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, and Lompico. The South Service Area encompasses portions of the City of Scotts Valley and adjacent unincorporated neighborhoods. The Mañana Woods subdivision became part of the South Service Area as a result of the District's annexation of the Mañana Woods Mutual Water Company in July 2006. The Felton Service Area was acquired by the District from California American Water in September 2008 and includes the town of Felton and adjacent unincorporated areas. The Lompico area became part of the North Service Area as a result of the District's annexation of the Lompico County Water District in June 2016.

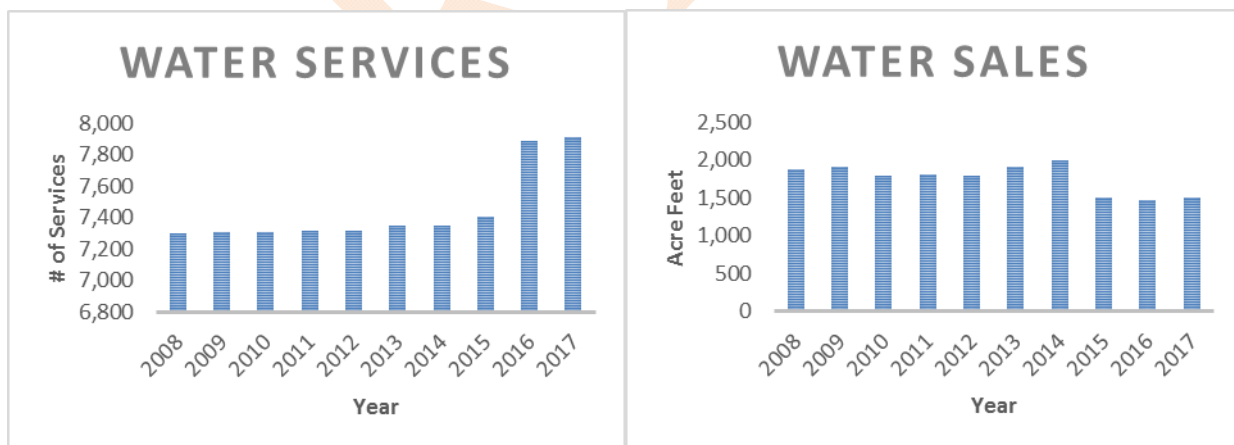
The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.

The District's boundaries comprise approximately 60 square miles and 170 miles of pipeline. The District currently provides service to approximately 7,900 residential, commercial, and institutional connections. The District relies on both surface water and groundwater resources, including nine currently active stream diversions, one groundwater spring, and eight active groundwater wells. These sources are derived solely from rainfall within the San Lorenzo River watershed.

Economic Condition and Outlook

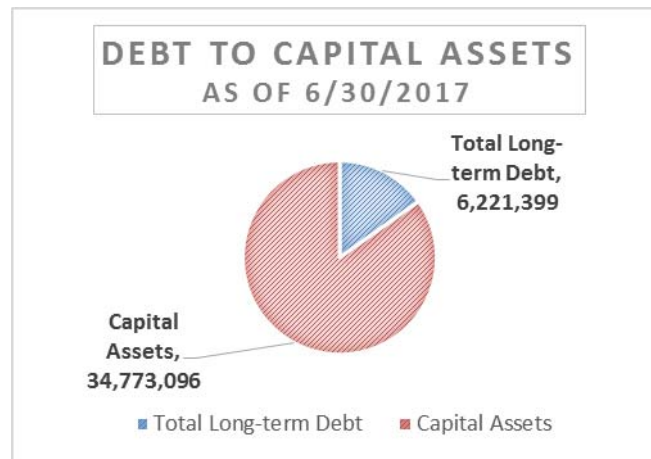
The District's administrative offices are located in the Town of Boulder Creek in Santa Cruz County. The economic outlook for the area is one of cautious growth as the regional economy recovers from prolonged recessionary pressures and drought conditions.

Over the years, the District's service area has changed from rural and vacation cabins to a more urbanized, year-round water-use area. Over 95% of the District's service connections are residential. With forecasted population growth to be minimal and customer drought conservation efforts that have now become routine, the financial impact on recent years is more extreme. In January 2016, a drought recovery fee was implemented for the drought caused revenue shortfall.



Debt Administration

The District has bonded indebtedness and additional obligations under multiple agreements. Additional information regarding these can be found in the District's audited financial statements and accompanying notes.



Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District."

1. To supply clean, wholesome water to the community and provide water for the future.
2. To plan, construct, operate, maintain and upgrade the water system facilities to adequately serve customer needs.
3. To utilize the District's financial resources in an effective, responsible, and prudent manner.
4. To provide quality customer service for District customers.
5. To inform, educate, and communicate to the community on District and water issues.
6. To review and maintain a plan to be proactive in preventative maintenance of the District's water and sewer systems.

All programs and operations of the District are developed and performed to provide the highest level of services to its customers.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accounting and Budgetary Structure

The District operates with a fiscal year that begins July 1 and ends on June 30. GAAP requires the use of accrual accounting. The budget is based on the same accrual approach as the District's audited financial statements with some minor differences. Revenues are recognized on the financial statements in the accounting period in which they are earned and expenses are recognized when incurred, even though they may not have been received or paid in cash.

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget may only be amended during the course of the fiscal year by Board action. The Board considers the requests of staff at regularly scheduled meetings and approves or rejects the requests by motion and majority vote. In years where revenue falls significantly short of budget expectations, comprehensive mid-year revisions to the budget may be brought to the Board for approval.

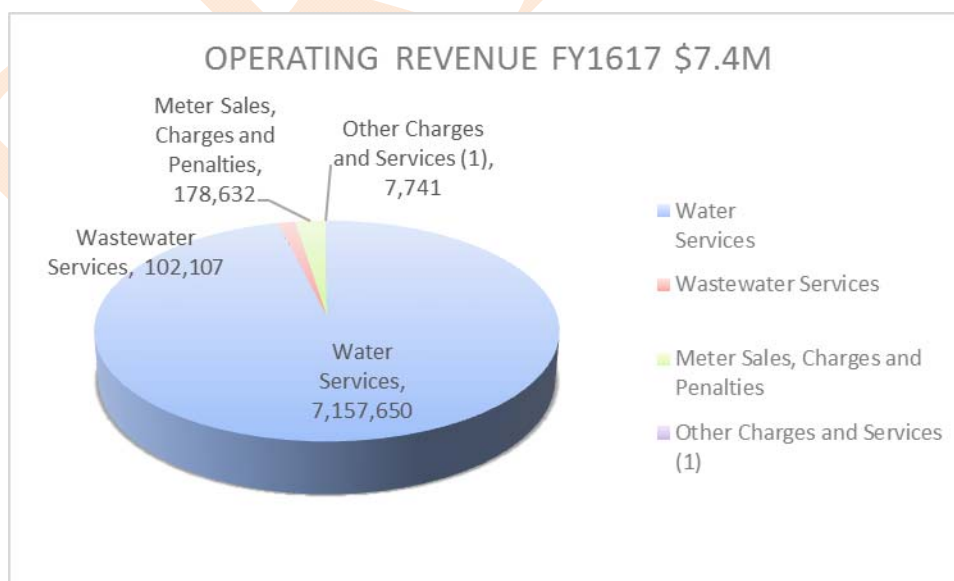
Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District policies and procedures, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield.

Water and Sewer Rates and District Revenues

District policy ensures that all revenues from user charges and surcharges generated from District customers must support all District operations, including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

Over the last few years, District customers have decreased their water use significantly in response to state-wide drought mandates and District conservation programs. This created a gap between projected revenue and actual revenue. In January 2016, a drought surcharge was implemented to help compensate for this gap. In 2016, the District initiated a cost-of-service study, which will lead into a new rate study.



Water Conservation Programs

The District has implemented conservation management practices. District staff participates in community events and distributes materials to encourage water conservation. The District offers the following conservation programs:

- High efficiency clothes washer credit;
- High efficiency toilet credit (*reinstated FY1617 while State of CA had an active program*);
- Turf replacement credit (*suspended FY1516 while State of CA had an active program*); and
- Weather based irrigation controller credit

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA). The purpose of SDRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District is also members of the Association of California Water Agencies (ACWA) and California Special District Association (CSDA). Board members and District staff can attend conferences and seminars that specify in risk management and other areas.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the San Lorenzo Valley Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the GFOA Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In 2016, the District received the District Transparency Certificate of Excellence by the Special District Leadership Foundation (SDLF) of California in recognition of its outstanding efforts to promote transparency and good governance.

In order to receive the award, a special district must demonstrate the completion of eight essential governance transparency requirements. The requirements include conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

The San Lorenzo Valley Water District also fulfilled 15 website requirements including providing readily available information to the public such as board agendas, past minutes, current district budget and the most recent financial audit.

Finally, the district had to demonstrate outreach to its constituents that engages the public in its governance through special community engagement projects and community transparency reviews.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors and especially the Finance Committee members for their continued support in planning and implementation of the San Lorenzo Valley Water District's fiscal policies.

Respectfully submitted,

Brian Lee
District Manager

Board of Directors

A five member Board of Directors are elected by the San Lorenzo Valley area to set policy and govern the District. Currently the Board of Directors are:



**Gene Ratcliffe
(President)**



**Bill Smallman
(Director)**



**Margaret Bruce
(Director)**

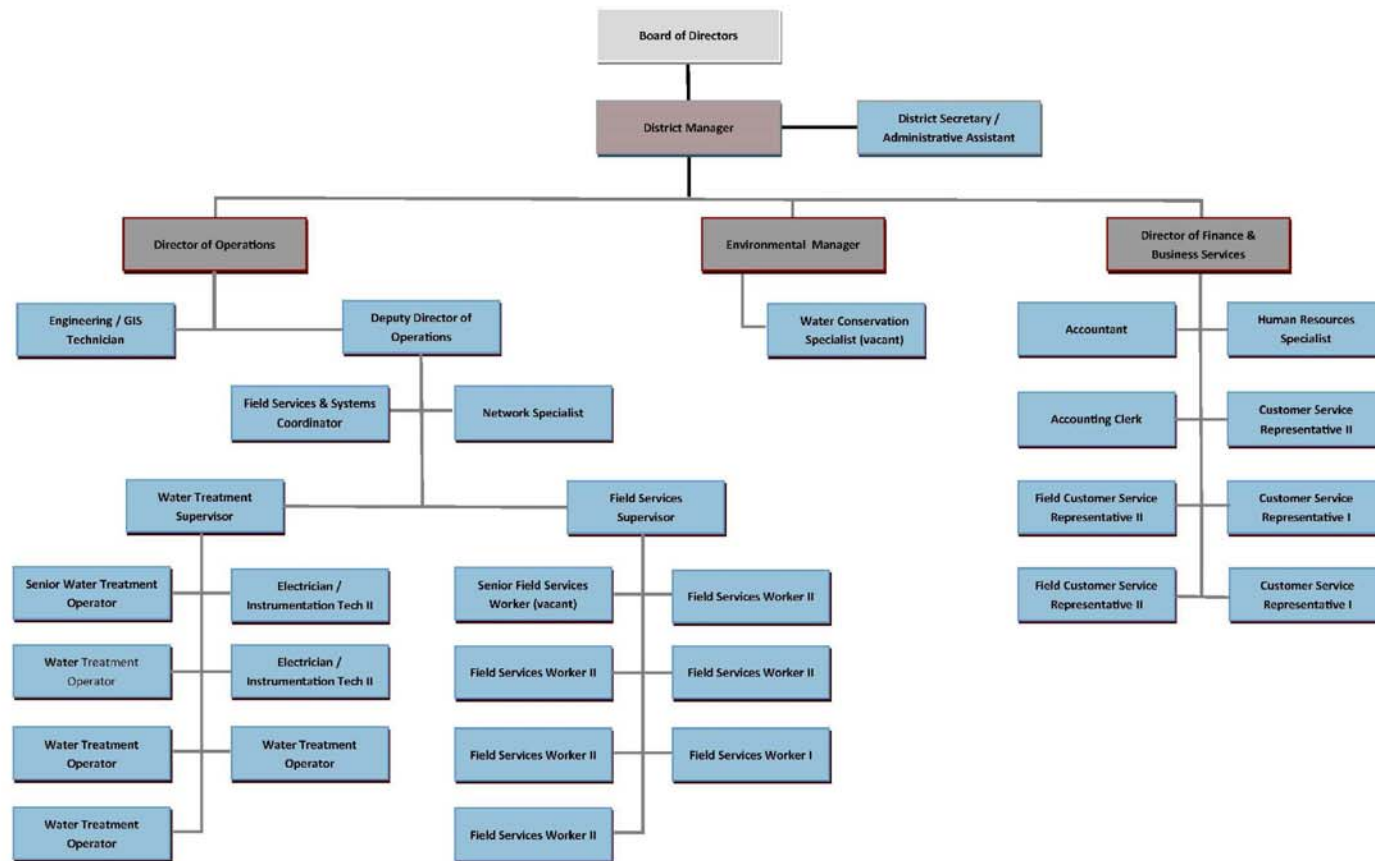


**Charles Baughman
(Vice-President)**



**Eric Hammer
(Director)**

San Lorenzo Valley Water District Organizational Chart



As of 6/30/2017



Government Finance Officers Association

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

Presented to

**San Lorenzo Valley Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

Financial Section

DRAFT

Independent Auditor's Report

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Lorenzo Valley Water District (District), which comprises the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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; and the State Controller's Minimum Audit Requirements for California Special District. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the San Lorenzo Valley Water District as of June 30, 2017 and 2016, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 19 and the required supplementary information on pages 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 9, the supplemental information schedules on pages 59 through 64, and the statistical section on pages 65 through 78, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Independent Auditor's Report, continued

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2017, on our consideration of the District'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 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 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 District's internal control over financial reporting and compliance. This report can be found on pages 79 and 80.

Fedak & Brown LLP
Cypress, California
December 7, 2017

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San Lorenzo Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Lorenzo Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 0.15% or \$40,918 to \$28,255,435. In fiscal year 2016, the District's net position increased 10.31% or \$2,636,351 to \$28,214,517.
- Operating revenues increased 15.33% or \$989,949 to \$7,446,130. In fiscal year 2016, the District's operating revenues increased 14.4% or \$812,710 to \$6,456,181.
- Non-operating revenues increased 82.15% or \$547,186 to \$1,213,244. In fiscal year 2016, the District's non-operating revenues decreased 31.36% or \$304,254 to \$666,058.
- Operating expenses increased 27.85% or \$1,548,619 to \$7,109,458. In fiscal year 2016, the District's operating expenses increased 0.15% or \$8,505 to \$5,560,839.
- Non-operating expenses decreased 10.36% or \$19,207 to \$166,204. In fiscal year 2016, the District's non-operating expenses increased 45.02% or \$57,561 to \$185,411.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds, the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customers of the District are financed primarily through user charges.

The Statements of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the District's operations over the past years and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Financial Analysis of the District, continued

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25 through 55.

Statements of Net Position

Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>As Restated 2015</u>	<u>Change</u>
Assets:					
Current assets	\$ 3,928,212	4,371,123	(442,911)	7,308,477	(2,937,354)
Non-current assets	-	-	-	102,252	(102,252)
Capital assets	<u>34,773,096</u>	<u>35,206,226</u>	<u>(433,130)</u>	<u>30,525,596</u>	<u>4,680,630</u>
Total assets	<u>38,701,308</u>	<u>39,577,349</u>	<u>(876,041)</u>	<u>37,936,325</u>	<u>1,641,024</u>
Deferred outflows of resources	<u>1,007,189</u>	<u>378,695</u>	<u>628,494</u>	<u>238,829</u>	<u>139,866</u>
Liabilities:					
Current liabilities	1,860,333	2,388,761	(528,428)	2,454,228	(65,467)
Non-current liabilities	<u>9,327,625</u>	<u>8,851,089</u>	<u>476,536</u>	<u>9,367,423</u>	<u>(516,334)</u>
Total liabilities	<u>11,187,958</u>	<u>11,239,850</u>	<u>(51,892)</u>	<u>11,821,651</u>	<u>(581,801)</u>
Deferred inflows of resources	<u>265,104</u>	<u>501,677</u>	<u>(236,573)</u>	<u>775,337</u>	<u>(273,660)</u>
Net position:					
Net investment in capital assets	28,551,697	28,535,901	15,796	23,227,784	5,308,117
Restricted	322,728	403,624	(80,896)	229,790	173,834
Unrestricted (deficit)	<u>(618,990)</u>	<u>(725,008)</u>	<u>106,018</u>	<u>2,120,592</u>	<u>(2,845,600)</u>
Total net position	<u>\$ 28,255,435</u>	<u>28,214,517</u>	<u>40,918</u>	<u>25,578,166</u>	<u>2,636,351</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$28,255,435 and \$28,214,517 as of June 30, 2017 and 2016, respectively.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Statements of Net Position, continued

Compared to the prior year, net position of the District increased 0.15% or \$40,918 in fiscal year 2017, and 10.31% or \$2,636,351 in fiscal year 2016. The District's total net position is made up of three components: (1) net investment in capital assets; (2) restricted net position; (3) unrestricted net position.

By far the largest portion of the District's net position (101% and 101% as of June 30, 2017 and 2016) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. See Note 11 for further information.

At the end of fiscal years 2017 and 2016, the District showed a balance in its unrestricted net position (deficit) of \$(618,990) and \$(725,008), respectively. See Note 11 for the amount of spendable net position that may be utilized in future years.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>As Restated 2015</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 7,446,130	6,456,181	989,949	5,643,471	812,710
Non-operating revenues	1,213,244	666,058	547,186	970,312	(304,254)
Total revenues	<u>8,659,374</u>	<u>7,122,239</u>	<u>1,537,135</u>	<u>6,613,783</u>	<u>508,456</u>
Expenses:					
Operating expenses	7,109,458	5,560,839	1,548,619	5,552,334	8,505
Non-operating expenses	166,204	185,411	(19,207)	127,850	57,561
Overhead absorption	(74,683)	(19,637)	(94,320)	(24,644)	5,007
Depreciation	1,417,477	1,326,056	91,421	1,139,110	186,946
Total expenses	<u>8,618,456</u>	<u>7,052,669</u>	<u>1,565,787</u>	<u>6,794,650</u>	<u>258,019</u>
Net income (loss) before capital contributions	<u>40,918</u>	<u>69,570</u>	<u>(28,652)</u>	<u>(180,867)</u>	<u>250,437</u>
Capital contributions	<u>-</u>	<u>1,557,589</u>	<u>(1,557,589)</u>	<u>2,287,233</u>	<u>(729,644)</u>
Change in net position	<u>40,918</u>	<u>1,627,159</u>	<u>(1,586,241)</u>	<u>2,106,366</u>	<u>(479,207)</u>
Transfer in from merger	-	1,009,192	(1,009,192)	-	1,009,192
Net position, beginning of period, as restated	28,214,517	25,578,166	2,636,351	26,319,071	(740,905)
Prior period adjustment (note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,847,271)</u>	<u>2,847,271</u>
Net position, beginning of period, as restated	<u>28,214,517</u>	<u>26,587,358</u>	<u>1,627,159</u>	<u>23,471,800</u>	<u>3,115,558</u>
Net position – end of period	<u>\$ 28,255,435</u>	<u>28,214,517</u>	<u>40,918</u>	<u>25,578,166</u>	<u>2,636,351</u>

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position, continued

A closer examination of the sources of changes in net position reveals that:

The District's net position increased 0.15% or \$40,918 to \$28,255,435, as a result of ongoing operations. In fiscal year 2016, the District's net position increased 10.31% or \$2,636,351 to \$28,214,517, which is comprised of an increase from operations of \$1,627,159 and an increase from the transfer of operations of the Lompico County Water District (Lompico) in the amount of \$1,009,192. Please see note 12 of the basic financial statements for further discussion.

Total Revenues

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>As Restated 2015</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 7,157,650	6,145,076	1,012,574	5,402,115	742,961
Wastewater service	102,107	98,262	3,845	100,088	(1,826)
Meter sales, charges and penalties	178,632	194,444	(15,812)	124,896	69,548
Other charges and services	7,741	18,399	(10,658)	16,372	2,027
Total operating revenues	<u>7,446,130</u>	<u>6,456,181</u>	<u>989,949</u>	<u>5,643,471</u>	<u>812,710</u>
Non-operating revenues:					
Property tax/assessment revenues	1,129,838	610,634	519,204	762,752	(152,118)
Realized gain on investments	13,858	11,502	2,356	-	11,502
Rental revenue	59,548	43,922	15,626	29,713	14,209
Gain on disposition of capital assets	-	-	-	34,499	(34,499)
Settlement and purchase agreements	10,000	-	10,000	145,257	(145,257)
Total non-operating revenues	<u>1,213,244</u>	<u>666,058</u>	<u>547,186</u>	<u>972,221</u>	<u>(306,163)</u>
Capital contributions:					
Capital grants - other governments	-	1,557,589	(1,557,589)	2,287,233	(729,644)
Total revenues	<u>\$ 8,659,374</u>	<u>8,679,828</u>	<u>(20,454)</u>	<u>8,902,925</u>	<u>(223,097)</u>

The District's total revenues decreased \$20,454. Operating revenues increase by \$989,949, primarily due to an increase in water consumption sales of \$1,012,574, which was offset by decreases in meter sales of \$15,812 and charges and penalties of \$10,658. Non-operating revenues increase by \$547,186, primarily due to an increase of \$519,204 in property tax/assessment revenues. Capital contributions decrease by \$1,557,589 due to the completion of a grant funded project with the California Department of Public Health (State) in fiscal year 2016.

In fiscal year 2016, total revenues decreased \$223,097. Operating revenues increase by \$812,710, primarily due to an increase in water consumption sales of \$742,961 and an increase in meter sales, charges and penalties of \$69,548. Non-operating revenues decrease by \$306,163, primarily due to decreases of \$152,118 in property tax/assessment revenues and a \$145,257 decrease in settlement and purchase agreements. Capital contributions decrease by \$729,644 due to the completion of its grant project with the California Department of Public Health (State).

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Total Expenses

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>
Operating expenses:					
Salaries and benefits	\$ 4,498,595	3,304,540	1,194,055	3,463,964	(159,424)
Professional services	1,202,004	868,218	333,786	764,684	103,534
Operational	464,236	410,342	53,894	312,377	97,965
Maintenance	130,244	183,215	(52,971)	143,216	39,999
Facilities	499,400	442,014	57,386	495,691	(53,677)
General and administrative	314,979	352,510	(37,531)	372,402	(19,892)
Total operating expenses	<u>7,109,458</u>	<u>5,560,839</u>	<u>1,548,619</u>	<u>5,552,334</u>	<u>8,505</u>
Non-operating expenses:					
Realized loss on investments	-	-	-	1,909	(1,909)
Interest expense	<u>166,204</u>	<u>185,411</u>	<u>(19,207)</u>	<u>127,850</u>	<u>57,561</u>
Total non-operating expenses	<u>166,204</u>	<u>185,411</u>	<u>(19,207)</u>	<u>129,759</u>	<u>55,652</u>
Total expenses	<u>\$ 7,275,662</u>	<u>5,746,250</u>	<u>1,529,412</u>	<u>5,682,093</u>	<u>64,157</u>

The District's total expenses increased \$1,529,412. The District's operating expenses increased by \$1,548,619, primarily due to an increase in salaries and benefits of \$1,194,055, and an increase in professional services of \$333,786. The District's non-operating expenses decreased \$19,207, primarily due to a decrease in interest expense.

In fiscal year 2016, the District's total expenses increased \$64,157. The District's operating expenses increased by \$8,505. The District's non-operating expenses increased \$55,652, primarily due to an increase in interest expense of \$57,561.

Capital Asset Administration

Change in capital assets amounts for 2017, were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>2017</u>
Capital assets:				
Non-depreciable assets	\$ 14,972,454	946,712	(8,894,929)	7,024,237
Depreciable assets	49,283,735	8,932,564	-	58,216,299
Accumulated depreciation	<u>(29,049,963)</u>	<u>(1,417,477)</u>	<u>-</u>	<u>(30,467,440)</u>
Total capital assets	<u>\$ 35,206,226</u>	<u>8,461,799</u>	<u>(8,894,929)</u>	<u>34,773,096</u>

Change in capital assets amounts for 2016, were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>2016</u>
Capital assets:				
Non-depreciable assets	\$ 13,979,427	4,789,884	(3,796,857)	14,972,454
Depreciable assets	41,383,575	7,900,160	-	49,283,735
Accumulated depreciation	<u>(24,837,406)</u>	<u>(4,212,557)</u>	<u>-</u>	<u>(29,049,963)</u>
Total capital assets	<u>\$ 30,525,596</u>	<u>8,477,487</u>	<u>(3,796,857)</u>	<u>35,206,226</u>

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Capital Asset Administration, continued

At the end of fiscal years 2017 and 2016, the District's investment in capital assets amounted to \$34,773,096 and \$35,206,226 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, field and shop equipment and transportation equipment.

In fiscal year 2016, the District's additions to accumulated depreciation include depreciation expense of \$1,326,056 and the transfer of accumulated depreciation balance from Lompico in the amount of \$2,886,501.

See Note 5 for further capital asset information.

Debt Administration

Changes in long-term debt amounts for the year ended June 30, 2017, were as follows:

	<u>Balance</u> <u>2016</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2017</u>
Long-term debt:				
Notes payable	\$ 3,416,993	310,019	(175,769)	3,551,243
Bonds payable	3,253,332	-	(697,478)	2,555,854
Capital lease payable	-	114,302	-	114,302
Total long-term debt	<u>\$ 6,670,325</u>	<u>424,321</u>	<u>(873,247)</u>	<u>6,221,399</u>

Changes in long-term debt amounts for the year ended June 30, 2016, were as follows:

	<u>Balance</u> <u>2015</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2016</u>
Long-term debt:				
Notes payable	\$ 3,554,130	3,643	(140,780)	3,416,993
Bonds payable	3,743,682	126,000	(616,350)	3,253,332
Total long-term debt	<u>\$ 7,297,812</u>	<u>129,643</u>	<u>(757,130)</u>	<u>6,670,325</u>

The District's long term debt increased by \$424,321, primarily due to the additions of a \$310,019 Government Obligation Contract and a \$114,302 Capital Lease Payable, which was offset by a \$873,247 decrease due to principal payments. In fiscal year 2016, long term debt increased by \$129,643, primarily due to additions to long term debt of \$126,000, as a result of the Lompico merger, which was offset by a \$757,130 decrease due to principal payments. See Note 9 for further long-term debt service information.

Conditions Affecting Current Financial Position

Due to Lompico County Water District's (Lompico) limited revenue stream and increasing costs to provide adequate service, Lompico was annexed with the San Lorenzo Valley Water District on June 1, 2016. See Notes 1 and 12.

Except for the above condition, management is unaware of any other conditions at June 30, 2017, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

San Lorenzo Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Director of Finance and Business Services, Stephanie Hill at San Lorenzo Valley Water District, 13060 Highway 9 Boulder Creek, California 95006 or (831) 430-4620.

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Basic Financial Statements

San Lorenzo Valley Water District
Statements of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash & cash equivalents (note 2)	\$ 417,323	1,676,923
Cash & cash equivalents – restricted (note 2)	322,728	403,624
Accrued interest receivable	-	155
Investments (note 2)	1,866,407	930,412
Accounts receivable – water sales and services	1,025,901	993,952
Accounts receivable – property taxes	2,398	1,296
Accounts receivable – settlement agreement (note 3)	46,392	36,392
Accounts receivable – grant and loan receivable (note 4)	-	31,530
Accounts receivable – other	13,508	29,986
Prepaid expenses	160	41,526
Materials and supplies inventory	233,395	225,327
Total current assets	<u>3,928,212</u>	<u>4,371,123</u>
Non-current assets:		
Capital assets – not being depreciated (note 5)	7,024,237	14,972,454
Capital assets – being depreciated (note 5)	27,748,859	20,233,772
Total non-current assets	<u>34,773,096</u>	<u>35,206,226</u>
Total assets	<u>38,701,308</u>	<u>39,577,349</u>
Deferred outflows of resources:		
Deferred pension outflows (note 10)	1,007,189	378,695
Total deferred outflows of resources	<u>\$ 1,007,189</u>	<u>378,695</u>

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Net Position, continued
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable and accrued expense	\$ 329,603	941,375
Accrued wages and related payables	216,305	175,956
Unearned revenues – customer deposits	54,992	83,306
Unearned revenues – construction deposits	95,622	121,360
Accrued interest payable	21,624	28,940
Long-term liabilities – due in one year:		
Compensated absences (note 6)	170,750	164,577
Loans payable (note 9)	239,629	175,769
Bonds payable (note 9)	710,030	697,478
Capital lease payable (note 9)	21,778	-
Total current liabilities	<u>1,860,333</u>	<u>2,388,761</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	303,555	292,582
Other post-employment benefits payable (note 7)	262,939	238,911
Net pension liability (note 10)	3,511,169	2,522,518
Loans payable (note 9)	3,311,614	3,241,224
Bonds payable (note 9)	1,845,824	2,555,854
Capital lease payable (note 9)	92,524	-
Total non-current liabilities	<u>9,327,625</u>	<u>8,851,089</u>
Total liabilities	<u>11,187,958</u>	<u>11,239,850</u>
Deferred inflows of resources		
Deferred pension inflows (note 10)	265,104	501,677
Total deferred inflows of resources	<u>265,104</u>	<u>501,677</u>
Net position: (note 11)		
Net investment in capital assets	28,551,697	28,535,901
Restricted for debt service	322,728	403,624
Unrestricted (deficit)	(618,990)	(725,008)
Total net position	<u>\$ 28,255,435</u>	<u>28,214,517</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Water consumption sales	\$ 7,157,650	6,145,076
Wastewater service	102,107	98,262
Meter sales, charges and penalties	178,632	194,444
Other charges and services	<u>7,741</u>	<u>18,399</u>
Total operating revenues	<u>7,446,130</u>	<u>6,456,181</u>
Operating expenses:		
Salaries and benefits	4,498,595	3,304,540
Professional services	1,202,004	868,218
Operational	464,236	410,342
Maintenance	130,244	183,215
Facilities	499,400	442,014
General and administrative	<u>314,979</u>	<u>352,510</u>
Total operating expenses	<u>7,109,458</u>	<u>5,560,839</u>
Operating income before overhead absorption	336,672	895,342
Overhead absorption	<u>74,683</u>	<u>19,637</u>
Operating income before depreciation expense	411,355	914,979
Depreciation expense	<u>(1,417,477)</u>	<u>(1,326,056)</u>
Operating loss	<u>(1,006,122)</u>	<u>(411,077)</u>
Non-operating revenues (expenses):		
Property tax/assessment revenues	1,129,838	610,634
Realized gain on investments	13,858	11,502
Rental revenue	59,548	43,922
Interest expense	(166,204)	(185,411)
Settlement and purchase agreements	<u>10,000</u>	<u>-</u>
Total non-operating revenues, net	<u>1,047,040</u>	<u>480,647</u>
Net income before capital contributions	<u>40,918</u>	<u>69,570</u>
Capital contributions:		
Capital grants – other governments	<u>-</u>	<u>1,557,589</u>
Total capital contributions	<u>-</u>	<u>1,557,589</u>
Change in net position	40,918	1,627,159
Transfer in from merger (note 12)	-	1,009,192
Net position, beginning of period (note 8)	<u>28,214,517</u>	<u>25,578,166</u>
Net position, end of period	<u>\$ 28,255,435</u>	<u>28,214,517</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 7,428,414	6,051,754
Cash paid to employees for salaries and wages	(4,441,100)	(3,316,357)
Cash paid to vendors for materials and services	(2,959,301)	(2,587,451)
Net cash provided by operating activities	<u>28,013</u>	<u>147,946</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes/assessments	1,128,736	612,022
Transfer in from merger	-	1,009,192
Net cash provided by non-capital financing activities	<u>1,128,736</u>	<u>1,621,214</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(984,347)	(6,006,686)
Proceeds from capital contributions	31,530	4,186,323
Proceeds from long-term debt	424,321	129,643
Principal paid on long-term debt	(873,247)	(757,130)
Interest paid on long-term debt	(173,520)	(188,789)
Net cash used in capital and related financing activities:	<u>(1,575,263)</u>	<u>(2,636,639)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	(935,995)	(141,962)
Proceeds from investment earnings	14,013	15,331
Net cash used in investing activities	<u>(921,982)</u>	<u>(126,631)</u>
Net decrease in cash and cash equivalents	<u>(1,340,496)</u>	<u>(994,110)</u>
Cash and cash equivalents, beginning of year	<u>2,080,547</u>	<u>3,074,657</u>
Cash and cash equivalents, end of year	<u>\$ 740,051</u>	<u>2,080,547</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 417,323	1,676,923
Cash and cash equivalents – restricted	<u>322,728</u>	<u>403,624</u>
Total cash and cash equivalents	<u>\$ 740,051</u>	<u>2,080,547</u>

Continued on next page

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (1,006,122)	(411,077)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,417,477	1,326,056
Proceeds from rental revenue	59,548	43,922
Settlement and purchase agreements	10,000	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(31,949)	(475,690)
Accounts receivable – settlement agreement	(10,000)	-
Accounts receivable – other	16,478	21,965
Prepaid expenses	41,366	8,144
Materials and supplies inventory	(8,068)	(912)
Deferred outflows of resources	(628,494)	(139,866)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expense	(611,772)	(201,986)
Accrued wages and related payables	40,349	6,655
Unearned revenues – customer deposits	(28,314)	20,021
Unearned revenues – construction deposits	(25,738)	3,754
Compensated absences	17,146	(18,472)
Other post-employment benefits	24,028	24,204
Net pension liability	988,651	214,888
Deferred inflows of resources	(236,573)	(273,660)
Total adjustments	<u>1,034,135</u>	<u>559,023</u>
Net cash provided by operating activities	<u>\$ 28,013</u>	<u>147,946</u>

See accompanying notes to the basic financial statements

San Lorenzo Valley Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The San Lorenzo Valley Water District (District) is an independent special district established in 1941, pursuant to Section 30,000 et seq. of the California Water Code for the purpose of developing and providing water for domestic use, fire protection, and recreation in the San Lorenzo Valley. Additionally, the District provides sewer service to the Bear Creek Estates area within the District. The District utilizes separate Water and a Sewer funds to account for District operations. The District is governed by a five member Board of Directors elected by the voters in the area to four-year terms. The District provides water and sewer service to approximately 7,400 customers within its service area.

Lompico County Water District (Lompico) was organized on April 3, 1963. Lompico provides facilities and services in the rural area known as Lompico, California. Lompico utilizes Water fund to account for its operations. Lompico provides water service to approximately 500 customers within its service area.

On June 1, 2016, Lompico was dissolved and annexed with the District. Pursuant to Government Code Section 57200, a certificate is issued by the Executive Officer of the Local Agency Formation Commission (LAFCO) of Santa Cruz County, California to complete the reorganization between Lompico and the District. The reorganization between Lompico and the District was approved by the Local Agency Formation Commission (LAFCO) on August 6, 2014, under LAFCO Resolution No. 953-A. Please see note 11 for a detailed discussion of the transfer of operations between Lompico and the District.

The criteria used in determining the transfer of operations is based on the provisions of Governmental Accounting Statements No. 69 (GASB 69), *Government Combinations and Disposals of Government Operations*. The effective transfer date of operations is June 1, 2016, which is the date the District obtains control of the assets and deferred outflows of resources and becomes obligated for the liabilities and deferred inflows of resources of Lompico's operation transferred. The District should recognize the carrying values of assets, deferred outflows of resources, liabilities and deferred inflows of resources of the operations of Lompico as of June 1, 2016. The net position received or assumed by the District should be reported as a special item in the statement of revenues, expenditures and changes in fund balances in the period in which the transfer occurs.

B. Basis of Accounting and Measurement Focus

The District 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 District is that the costs of providing water and sewer services to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer service fees). Revenues and expenses are recognized on the full accrual basis of accounting. 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.

Operating revenues, such as water and sewer fees, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

The District recognizes revenue from water and sewer service charges based on cycle billings preformed every month. The District accrues revenues with respect to water and sewer service sold, but not billed, at the end of a fiscal period.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

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

Government Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for periods beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

Government Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015.

The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

Government Accounting Standards Board Statement No. 78

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for financial statements for periods beginning after December 15, 2015.

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

C. Financial Reporting, continued

Government Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, effective for financial statements for periods beginning after June 15, 2016.

The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Government Accounting Standards Board Statement No. 82

In March 2016, the GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for financial statements for periods beginning after June 15, 2016.

This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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, liabilities, deferred inflows, and disclosures of contingent assets and liabilities 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

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing the Finance Manager to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

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. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

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

4. Fair Value Measurement, continued

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

6. Property Taxes and Assessments

The Santa Cruz County Assessor's Office assesses all real and personal property within the County each year. The Santa Cruz Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The Santa Cruz County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the Santa Cruz County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

7. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

8. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

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

9. Prepaid Connection Fees

Connection fees are collected by the District to cover the cost of service connections within the District. Funds in excess of connection costs are refunded to the customer.

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value rather than fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 33 to 50 years
- Buildings – 33 years
- Transportation and other equipment – 10 years
- Computer and office equipment – 5 years

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

12. Compensated Absences

The District's policy is to permit employees to accumulate earned paid time off. The liability for vested vacation and sick leave is recorded as an expense when earned.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused paid time off except for those employees that have not completed the probationary period.

13. Construction Advances and Deposits

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

15. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

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

15. Pensions, continued

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For fiscal year 2017, the following timeframes are used:

- Valuation Date: June 30, 2015 and 2014
- Measurement Date: June 30, 2016 and 2015
- Measurement Period: July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015

16. Water and Sewer Sales

The District recognizes water and sewer services charges based on cycle billings rendered to the customers each month.

17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

18. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

19. Net Position

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

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 417,323	1,676,923
Cash and cash equivalents – restricted	322,728	403,624
Investments – current	<u>1,866,407</u>	<u>930,412</u>
Total cash and investments	<u>\$ 2,606,458</u>	<u>3,010,959</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Cash and investments as of June 30, consist of the following:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 350	600
Deposits with financial institutions	413,588	1,728,641
Investments	<u>2,192,520</u>	<u>1,281,718</u>
Total cash and investments	<u>\$ 2,606,458</u>	<u>3,010,959</u>

As of June 30, the District's authorized deposits had the following maturities:

	<u>2017</u>	<u>2016</u>
Deposits held with the California Local Agency Investment Fund	194 days	167 days
Deposits held with the County of Santa Cruz Investment Fund	319 days	377 days

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
County of Santa Cruz Investment Fund	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Portfolio Diversification

Pursuant to California Government Code Section 53601 (i), certificates of deposit invested outside of an authorized pool shall not exceed thirty percent (30%) of the District's total investment portfolio. At June 30, 2016, the District held 7.8% or \$100,289 of its investment portfolio in certificates of deposit.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Investment in County of Santa Cruz Investment Pool

The District is a voluntary participant in the County of Santa Cruz Investment Fund (Fund) that is established and controlled by the Treasury-Tax Department of the County Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, including higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Fund is delegated to the County of Santa Cruz Treasurer. The fair value of the District's investment in this fund is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Fund for the entire Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Fund, which are stated at cost in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Investment in County of Santa Cruz Investment Pool, continued

The District's deposit and withdrawal restrictions and limitations are as follows:

- Notice must be submitted to the County at least one day prior to actual fund transfer or withdrawal.
- Transactions amounting to \$1,000,000 must be provided with a 2 day notice.
- All requests must be in writing. Verbal transactions are not permitted.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations. Information about the sensitivity of fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Maturities of investments at June 30, 2017, are as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	61 and Thereafter
Local Agency Investment Fund	\$ 3,385	3,385	-	-	-
County of Santa Cruz Investment Fund	1,915,875	1,915,875	-	-	-
Held by bond trustee:					
Money market funds	273,260	273,260	-	-	-
Total	\$ 2,192,520	2,192,520	-	-	-

Maturities of investments at June 30, 2016, are as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	61 and Thereafter
Certificates of deposit	\$ 100,289	100,289	-	-	-
Local Agency Investment Fund	3,363	3,363	-	-	-
County of Santa Cruz Investment Fund	828,329	828,329	-	-	-
Held by bond trustee:					
Money market funds	349,737	349,737	-	-	-
Total	\$ 1,281,718	1,281,718	-	-	-

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at June 30, 2017 and 2016.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2017, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AA+	Not Rated
Local Agency Investment Fund	\$ 3,385	N/A	-	-	3,385
County of Santa Cruz Investment Fund	1,915,875	N/A	-	-	1,915,875
Held by bond trustee:					
Money market funds	273,260	AAA	273,260	-	-
Total	\$ 2,192,520		273,260	-	1,919,260

Credit ratings of investments as of June 30, 2016, were as follows:

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AA+	Not Rated
Certificates of deposit	\$ 100,289	N/A	-	-	100,289
Local Agency Investment Fund	3,363	N/A	-	-	3,363
County of Santa Cruz Investment Fund	828,329	N/A	-	-	828,329
Held by bond trustee:					
Money market funds	349,737	AAA	349,737	-	-
Total	\$ 1,281,718		349,737	-	931,981

(3) Accounts Receivable – Settlement Agreement

In September 2010, the District entered into a third party escrow agreement with Manana Woods Mutual Water Company (Manana Woods) for reimbursement of operating and maintenance costs of their water treatment system at the Manana Woods well pursuant to the Annexation Agreement entered into by and among the District, Manana Woods and the Oil Companies. Amounts receivable were \$46,392 and \$36,392 for the years ended June 30, 2017 and 2016, respectively. Total reimbursement revenue was \$10,000 for the year ended June 30, 2017.

(4) Accounts Receivable – Grant and Loan Receivable

The balance at June 30, consists of the following:

	2017	2016
Scotts Valley Water District	\$ -	31,530
Accounts receivable – grant and loan receivable	\$ -	31,530

In November 2013, the District was involved with various System Intertie Projects with Scotts Valley Water District (Scotts Valley) pursuant to the latter's funding agreement with the State of California's Department of Public Health ("State") under the provisions of the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, Division 26.5 of the Water Code. Total receivable from Scotts Valley was \$31,530 for the year ended June 30, 2016.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(5) Capital Assets

Changes in capital assets for 2017, were as follows:

	<u>Balance 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Non-depreciable assets:				
Land	\$ 5,107,583	-	-	5,107,583
Construction-in process	<u>9,864,871</u>	<u>946,712</u>	<u>(8,894,929)</u>	<u>1,916,654</u>
Total non-depreciable assets	<u>14,972,454</u>	<u>946,712</u>	<u>(8,894,929)</u>	<u>7,024,237</u>
Depreciable assets:				
Water transmission and distribution	42,274,057	8,475,905	-	50,749,962
Wastewater system	1,447,521	-	-	1,447,521
Buildings and structures	2,943,834	-	-	2,943,834
Transportation equipment	912,915	116,086	-	1,029,001
Field and shop equipment	867,710	340,573	-	1,208,283
Office equipment	<u>837,698</u>	<u>-</u>	<u>-</u>	<u>837,698</u>
Total depreciable assets	<u>49,283,735</u>	<u>8,932,564</u>	<u>-</u>	<u>58,216,299</u>
Accumulated depreciation:				
Water transmission and distribution	(24,726,420)	(1,097,725)	-	(25,824,145)
Wastewater system	(988,434)	(42,356)	-	(1,030,790)
Buildings and structures	(1,327,429)	(100,936)	-	(1,428,365)
Transportation equipment	(768,998)	(44,699)	-	(813,697)
Field and shop equipment	(677,180)	(58,804)	-	(735,984)
Office equipment	<u>(561,502)</u>	<u>(72,957)</u>	<u>-</u>	<u>(634,459)</u>
Total accumulated depreciation	<u>(29,049,963)</u>	<u>(1,417,477)</u>	<u>-</u>	<u>(30,467,440)</u>
Total depreciable assets, net	<u>20,233,772</u>	<u>7,515,087</u>	<u>-</u>	<u>27,748,859</u>
Total capital assets, net	<u>\$ 35,206,226</u>	<u>8,461,799</u>	<u>(8,894,929)</u>	<u>34,773,096</u>

In fiscal year 2017, major capital assets additions include upgrades as follows: water transmission and distribution systems \$8,475,905, field and shop equipment \$340,573, and transportation equipment \$116,086.

In fiscal year 2017, depreciation expense was charged to the District's water and sewer fund amounting to \$1,375,120 and \$42,357, respectively.

Construction-In-Process

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. Construction in process during fiscal year 2017, which were in process at the beginning of the year, consisted of the following: Solar Panels \$325,983, Felton Meter Change-Out Project \$105,697, and various miscellaneous projects \$515,032 totaling \$946,712. The balance of construction-in-process was \$1,916,654 at June 30, 2017.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(5) Capital Assets, continued

Changes in capital assets for 2016, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land	\$ 5,072,763	34,820	-	5,107,583
Construction-in process	8,906,664	4,755,064	(3,796,857)	9,864,871
Total non-depreciable assets	13,979,427	4,789,884	(3,796,857)	14,972,454
Depreciable assets:				
Water transmission and distribution	34,732,246	7,541,811	-	42,274,057
Wastewater system	1,447,521	-	-	1,447,521
Buildings and structures	2,904,194	39,640	-	2,943,834
Transportation equipment	912,915	-	-	912,915
Field and shop equipment	867,710	-	-	867,710
Office equipment	518,989	318,709	-	837,698
Total depreciable assets	41,383,575	7,900,160	-	49,283,735
Accumulated depreciation:				
Water transmission and distribution	(20,820,173)	(3,906,247)	-	(24,726,420)
Wastewater system	(948,984)	(39,450)	-	(988,434)
Buildings and structures	(1,235,120)	(92,309)	-	(1,327,429)
Transportation equipment	(728,179)	(40,819)	-	(768,998)
Field and shop equipment	(639,583)	(37,597)	-	(677,180)
Office equipment	(465,367)	(96,135)	-	(561,502)
Total accumulated depreciation	(24,837,406)	(4,212,557)	-	(29,049,963)
Total depreciable assets, net	16,546,169	3,687,603	-	20,233,772
Total capital assets, net	\$ 30,525,596	8,477,487	(3,796,857)	35,206,226

In fiscal year 2016, major capital assets additions include upgrades as follows: water transmission and distribution systems \$7,541,811 (includes the transfer from Lompico amounting to \$3,766,240), office equipment \$318,709 (includes the transfer from Lompico amounting to \$86,902).

In fiscal year 2016, the District's additions to accumulated depreciation of \$4,212,557 include depreciation expense of \$1,326,056 and the transfer of accumulated depreciation balance from Lompico amounting to \$2,886,501. Of the District's total depreciation expense of \$1,326,056, \$1,286,606 and \$39,450 was charged to the District's water and sewer fund, respectively.

Construction-In-Process

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. Construction in process during fiscal year 2017 consisted of Intertie Projects \$1,968,844, Olympia Mutual Project \$1,708,993, Springbrook \$231,806 and various miscellaneous projects \$845,421, totaling \$4,755,064. The balance of construction-in-process was \$9,864,871 at June 30, 2016.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(6) Compensated Absences

Compensated absences comprise of unpaid time off which is accrued as earned. The District's liability for compensated absences is determined annually. Compensated absences turn-over each year, therefore the compensated absence balance of the District is recorded as a liability on the Statement of Net Position, and will be liquidated through the water fund.

Changes in compensated absences for the year ended June 30, 2017, are as follows:

Balance 2016	Additions	Deletions	Balance 2017	Due within One Year	Due in more than one year
\$ 457,159	394,584	(377,438)	474,305	170,750	303,555

Changes in compensated absences for the year ended June 30, 2016, are as follows:

Balance 2015	Additions	Deletions	Balance 2016	Current Portion	Due in more than one year
\$ 475,631	336,953	(355,425)	457,159	164,577	292,582

(7) Other Post-Employment Benefits Payable

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth on the following page.

Plan Description – Eligibility

Employees are eligible for post-employment benefits when they retire from the District on or after attaining age 55 with at least 5 years of service under CalPERS. Based on the length of service, the District will pay the retired members' health insurance premiums based on the schedule below:

	Per Month
Less than 15 years of service	\$ 175
15 to 24 years of service	225
25 + years of service	275

Membership in the OPEB plan consisted of the following members as of June 30:

	2017	2016	2015
Active plan members	22	23	26
Retirees and beneficiaries receiving benefits	6	5	3
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	28	28	29

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(7) Other Post-Employment Benefits Payable, continued

Plan Description – Benefits

The District offers post-employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 1.54% of the annual covered payroll.

Annual Cost

For the years ended June 30, 2017 and 2016, the District's ARC costs are \$41,738 for each year. The District's net OPEB payable obligation amounted to \$262,939 and \$238,911 for the years ended June 30, 2017 and 2016, respectively. The District contributed \$13,450 and \$13,705 in age adjusted contributions for current retiree OPEB premiums for the years ended June 30, 2017 and 2016, respectively.

The balance at June 30, consists of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 41,738	41,738	34,446
Interest on net OPEB obligation	9,556	8,588	7,820
Adjustment to annual required contribution	<u>(13,816)</u>	<u>(12,417)</u>	<u>(11,306)</u>
Total annual OPEB expense	37,478	37,909	30,960
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(13,450)</u>	<u>(13,705)</u>	<u>(11,741)</u>
Total change in net OPEB payable obligation	24,028	24,204	19,219
OPEB payable – beginning of period	<u>238,911</u>	<u>214,707</u>	<u>195,488</u>
OPEB payable – end of period	<u>\$ 262,939</u>	<u>238,911</u>	<u>214,707</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017, and two preceding years are as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2017	\$ 37,478	13,450	35.89%	\$ 262,939
2016	37,909	13,705	36.15%	238,911
2015	30,960	11,741	37.92%	214,707

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(7) Other Post-Employment Benefits Payable, continued

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability of \$400,654 and an Unfunded Actuarial Accrued Liability of \$400,654. The covered payroll (annual payroll of active employees covered by the plan) was \$2,495,551. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 16.05%. See the Schedule of Funding Status of the District's Other Post-Employment Benefits Obligation in the Required Supplementary Information Section on Page 56.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Valuation date	July 1, 2015
Actuarial cost method	Projected unit credit cost method
Average remaining amortization period	25 years as of the valuation date
Actuarial assumptions:	
Discount rate	4.0%
Ultimate trend rate	5.0%
Medical trend	8.0% at 2015 with 1.0% decrease per year until 5.0% at 2018
Dental; vision, and other trend	4.0%

(8) Prior Period Adjustment

Unbilled Receivable

In fiscal year 2015, the District did not recognize water usage for the unbilled month of June 2015. As a result, the District recorded a prior period adjustment to net position in the amount of \$164,581. The following table provides a summary of the restatement at June 30, 2016:

Net position at June 30, 2015, as previously stated	\$ 25,413,585
Effect of adjustment to record unbilled receivable	<u>164,581</u>
Net position at June 30, 2015, as restated	<u><u>\$ 25,578,166</u></u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(8) Prior Period Adjustment, continued

Net Pension Liability

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a net prior period adjustment in the amount of \$2,847,271 to decrease the proprietary activities' beginning net position as of July 1, 2014.

Net position at July 1, 2014, as previously stated	\$ 26,319,071
Effect of adjustment to record net pension liability	(3,159,197)
Effect of adjustment to record deferred pension outflows	<u>311,926</u>
Total adjustments	<u>(2,847,271)</u>
Net position at July 1, 2014, as restated	<u>\$ 23,471,800</u>

(9) Long-Term Debt

Changes in long-term debt for the year ended June 30, 2017, are as follows:

	<u>Balance 2016</u>	<u>Transfer/ Additions</u>	<u>Transfer/ Payments</u>	<u>Balance 2017</u>
Loans payable:				
Felton Safe Drinking Water Loan	\$ 1,794,766	-	(144,326)	1,650,440
State of California Revolving Fund Loan	1,622,227	-	(31,443)	1,590,784
Government Obligation Contract	<u>-</u>	<u>310,019</u>	<u>-</u>	<u>310,019</u>
Total loans payable	<u>3,416,993</u>	<u>310,019</u>	<u>(175,769)</u>	<u>3,551,243</u>
Bonds payable				
Bank of Nevada Refunding Bonds	3,127,332	-	(632,478)	2,494,854
Water Bond of 1964 - Third Division	89,000	-	(43,000)	46,000
Water Bond of 1964 - Second Division	8,000	-	(8,000)	-
Water Bond of 1964 - Fourth Division	<u>29,000</u>	<u>-</u>	<u>(14,000)</u>	<u>15,000</u>
Total bonds payable	<u>3,253,332</u>	<u>-</u>	<u>(697,478)</u>	<u>2,555,854</u>
Obligation under capital lease:				
Capital lease payable	<u>-</u>	<u>114,302</u>	<u>-</u>	<u>114,302</u>
Total capital lease payable	<u>-</u>	<u>114,302</u>	<u>-</u>	<u>114,302</u>
Total long-term debt payable	6,670,325	<u>424,321</u>	<u>(873,247)</u>	6,221,399
Less: current portion	<u>(873,247)</u>			<u>(971,437)</u>
Long-term portion \$	<u>5,797,078</u>			<u>5,249,962</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(9) Long-Term Debt, continued

Changes in long-term debt for the year ended June 30, 2016, are as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2016</u>
Loans payable:				
Felton Safe Drinking Water Loan	\$ 1,935,546	-	(140,780)	1,794,766
State of California Revolving Fund Loan	1,618,584	3,643	-	1,622,227
Total loans payable	<u>3,554,130</u>	<u>3,643</u>	<u>(140,780)</u>	<u>3,416,993</u>
Bonds payable				
Bank of Nevada Refunding Bonds	3,743,682	-	(616,350)	3,127,332
Water Bond of 1964 - Third Division	-	89,000	-	89,000
Water Bond of 1964 - Second Division	-	8,000	-	8,000
Water Bond of 1964 - Fourth Division	-	29,000	-	29,000
Total bonds payable	<u>3,743,682</u>	<u>126,000</u>	<u>(616,350)</u>	<u>3,253,332</u>
Total long-term debt payable	7,297,812	<u>129,643</u>	<u>(757,130)</u>	6,670,325
Less: current portion	<u>(757,130)</u>			<u>(873,247)</u>
Long-term portion \$	<u>6,540,682</u>			<u>5,797,078</u>

Felton Safe Drinking Water Loan

In fiscal year 2009, the District purchased the Felton water system and assumed Felton's California Safe Drinking Water Loan with a fixed rate of 2.42%, maturing on June 30, 2027. The District will make semi-annual payments of \$93,399, including principal and interest on July 1st and January 1st each year.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 147,777	39,021	186,798
2019	151,371	35,427	186,798
2020	155,010	31,788	186,798
2021	158,863	27,935	186,798
2022	162,686	24,112	186,798
2023-2027	<u>874,733</u>	<u>59,250</u>	<u>933,983</u>
Total	1,650,440	<u>217,533</u>	<u>1,867,973</u>
Less: current	<u>(147,777)</u>		
Long-term \$	<u>1,502,663</u>		

State of California Revolving Fund Loan

On June 30, 2014, the District entered into a grant funding agreement with California Department of Public Health ("State") for a construction loan and grant under the Safe Drinking Water State Revolving Fund Law of 1997 ("Revolving Fund Law") at a rate of 2.6%.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(9) Long-Term Debt, continued

State of California Revolving Fund Loan, continued

The District makes semi-annual payments of \$52,122, including principal and interest on July 1st and January 1st. Final maturity is January 1, 2037.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 63,768	40,476	104,244
2019	65,417	38,827	104,244
2020	67,109	37,135	104,244
2021	68,845	35,399	104,244
2022	70,626	33,618	104,244
2022-2026	381,493	139,726	521,219
2027-2031	433,449	87,770	521,219
2032-2036	440,077	28,738	468,815
Total	1,590,784	441,689	2,032,473
Less: current	(63,768)		
Long-term \$	<u>1,527,016</u>		

Government Obligation Contract

On November 7, 2016, the District entered into a loan agreement with NBH Bank at an interest rate of 3.67% in order to finance the installation of the solar electric system in three different locations as noted in Exhibit B of the agreement. The District makes monthly payments of \$3,250, including principal and interest commencing on December 15, 2016. Final maturity is November 15, 2026.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 28,084	10,910	38,994
2019	29,132	9,862	38,994
2020	30,220	8,775	38,995
2021	31,348	7,647	38,995
2022	32,518	6,477	38,995
2023-2027	158,717	13,457	172,174
Total	310,019	57,128	367,147
Less: current	(28,084)		
Long-term \$	<u>281,935</u>		

Bank of Nevada Refunding Bond

On March 22, 2012, the District entered into a refunding bond agreement with Bank of Nevada at a rate of 2.6% in order to pay off several other previously held loans. The District makes semi-annual payments of \$354,855, including principal and interest on September 1st and March 1st. Final maturity is September 1, 2022.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(9) Long-Term Debt, continued

Bank of Nevada Refunding Bond

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	649,030	60,680	709,710
2019		666,015	43,695	709,710
2020		582,031	26,267	608,298
2021		494,532	12,354	506,886
2022		103,246	1,345	104,591
Total		2,494,854	144,341	2,639,195
Less: current		(649,030)		
Long-term	\$	1,845,824		

General Obligation Bonds

Pursuant to an election held on June 9, 1964, Lompico was authorized to issue general obligation bonds in aggregate amount of \$1,500,000. The bonds were issued in four divisions as needed for construction purposes with the final issuance in May 1978. The bonds were issued in fully registered form in the name of the United States of America, Farmers Home Administration. The District acquired these general obligation bonds as of June 1, 2016. The Water Bond of 1964 - Second Division was paid off as of June 30, 2017 in the amount of \$8,000.

The bonds mature in installments of various amounts according to the following schedule:

Water Bond of 1964 - Third Division	February 15 and August 15
Water Bond of 1964 - Second Division	April 15 and October 15
Water Bond of 1964 - Fourth Division	May 15 and November 1

Water Bond of 1964 – Third Division

Future annual debt service requirements are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	46,000	1,141	47,141
Total		46,000	1,141	47,141
Less: current		(46,000)		
Long-term	\$	-		

Water Bond of 1964 – Fourth Division

Future annual debt service requirements are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	15,000	750	15,750
Total		15,000	750	15,750
Less: current		(15,000)		
Long-term	\$	-		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(9) Long-Term Debt, continued

Capital Lease

On May 31, 2017, the District entered into a municipal lease purchase agreement (agreement) with Leasource Financial Services, Inc to purchase the three vehicles (lease asset). The agreement has a bargain purchase option, where the District has the option to purchase the lease asset following the expiration of the lease at below market rate. Per Exhibit E of the agreement, the value at the end of the lease term is zero. As of June 30, 2017, the total amount of lease asset amounted to \$116,086.

The District makes monthly payments of \$2,101, including principal and interest commencing on June 30, 2017. Final maturity is May 31, 2022.

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	21,778	3,430	25,208
2019		22,505	2,703	25,208
2020		23,256	1,953	25,209
2021		24,031	1,177	25,208
2022		22,732	375	23,107
Total		114,302	9,638	123,940
Less: current		(21,778)		
Long-term	\$	92,524		

(10) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(10) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Pool	
	Classic	PEPRA
	Prior to January 1,	On or after January 1,
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	Monthly for life	
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.377%	6.55%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal years ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for the Plan was as follows:

	2017	2016
Contributions – employer	\$ 172,110	232,831

Net Pension Liability

As of June 30, 2017 and 2016, the District reported net pension liabilities for the proportionate share of the net pension liability of the Plan as follows:

	2017	2016
Proportionate share of net pension liability \$	3,511,169	2,522,518

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 and 2015 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014 (the valuation dates), rolled forward to June 30, 2016 and 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(10) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's proportionate share of the pension liability for the Plan as of the measurement date June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2014	0.03709%
Decrease in proportion	<u>-0.00034%</u>
Proportion – June 30, 2015	0.03675%
Increase in proportion	<u>0.00383%</u>
Proportion – June 30, 2016	<u><u>0.04058%</u></u>

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2017 and 2016, the District recognized pension expense (credit) of \$681,034 and \$(154,732).

As June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 522,774	-	172,110	-
Differences between actual and expected experience	7,467	-	15,077	-
Differences in actual contribution and proportionate share of contribution		(101,269)	191,508	
Changes in assumptions	-	(91,639)	-	(142,642)
Net differences between projected and actual earnings on plan investments	476,948		-	(71,508)
Adjustment due to differences in proportions of net pension liability	<u>-</u>	<u>(72,196)</u>	<u>-</u>	<u>(287,527)</u>
Total	<u>\$ 1,007,189</u>	<u>(265,104)</u>	<u>378,695</u>	<u>(501,677)</u>

As of June 30, 2017 and 2016, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to measurement date of \$522,774 and \$172,110, respectively and will be recognized as a reduction of the net pension liability for the fiscal years ended June 30, 2018 and 2017, respectively.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(10) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2017, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, which will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2018	\$ (68,328)
2019	(57,533)
2020	225,185
2021	119,987

Actuarial Assumptions

The total pension liabilities were determined by actuarial valuations as of June 30, 2015, which were rolled forward to June 30, 2016, using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Retirement	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(10) Defined Benefit Pension Plan, continued

Discount Rate, continued

The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2017, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100.0%		

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(10) Defined Benefit Pension Plan, continued

Discount Rate, continued

As of June 30, 2016, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

As of June 30, 2017, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1% 6.65%</u>	<u>Current Discount Rate 7.65%</u>	<u>Discount Rate + 1% 8.65%</u>
District's Net Pension Liability	\$ 5,330,876	3,511,169	1,843,811

As of June 30, 2016, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1% 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>Discount Rate + 1% 8.50%</u>
District's Net Pension Liability	\$ 4,109,537	2,522,518	1,080,639

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(10) Defined Benefit Pension Plan, continued

Payable to the Pension Plan

At June 30, 2017 and 2016, the District reported no payables for the outstanding amount of contribution to the pension plan.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 57 through 58 for the Required Supplementary Schedules.

(11) Net Position

Calculation of net position as of June 30, were as follows:

	2017	2016
Net investment in capital assets:		
Capital assets, net	\$ 34,773,096	35,206,226
Loans payable – current	(239,629)	(175,769)
Loans payable – non-current	(3,311,614)	(3,241,224)
Bonds payable – current	(710,030)	(697,478)
Bonds payable – non-current	(1,845,824)	(2,555,854)
Capital lease payable – current	(21,778)	-
Capital lease payable – non-current	(92,524)	-
Total net investment in capital assets	28,551,697	28,535,901
Restricted net position:		
Restricted for debt service	322,728	403,624
Total restricted net position	322,728	403,624
Unrestricted net position:		
Non-spendable net position		
Materials and supplies inventory	233,395	225,327
Total non-spendable net position	233,395	225,327
Spendable net position designated for the following purpose:		
Assessment Reserve Fund	363,292	-
Spendable net position are designated as follows:		
Unrestricted (deficit)	(1,215,677)	(950,335)
Total unrestricted net position (deficit)	(618,990)	(725,008)
Total net position	\$ 28,255,435	28,214,517

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(12) Transfer of Operations

Under the Local Agency Formation Commission (LAFCO) Resolution No. 953-A, the Lompico County Water District (Lompico) was dissolved and annexed by the District. On June 1, 2016, Lompico transferred its assets, deferred outflows, liabilities, and deferred inflows to the District and the District's service area has been expanded to include Lompico's service area.

The District recognized the following assets, deferred outflows, liabilities, deferred inflows, and net position:

		<u>Carrying Values</u>
Transferred Assets (Net)		
Cash & cash equivalents	\$ 284,207	
Accounts receivable	39,436	
Materials and supplies inventory	<u>2,295</u>	
Total current assets		\$ 325,938
Capital assets - not being depreciated	34,820	
Capital assets - being depreciated	<u>966,641</u>	
Total capital assets		<u>1,001,461</u>
Total assets		<u>1,327,399</u>
Transferred Deferred Outflows of Resources		
Deferred pension outflows		<u>17,754</u>
Transferred Liabilities (Net)		
Accounts payable and accrued expense	60,125	
Unearned revenues - customer deposits	18,250	
Accrued interest payable	1,834	
Bonds payable	<u>65,000</u>	
Total current liabilities		145,209
Net pension liability	107,880	
Bonds payable	<u>61,000</u>	
Total non-current liabilities		<u>168,880</u>
Total liabilities		<u>314,089</u>
Transferred Deferred Inflows of Resources		
Deferred pension inflows		<u>21,872</u>
Net Position of Transferred District Operation		
Net investment in capital assets	\$ 875,461	
Restricted for debt service	55,681	
Unrestricted	<u>78,050</u>	
Total net position		<u>\$ 1,009,192</u>

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(13) Risk Management

The District 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 District, a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2017, the District participated in the liability and property programs of the SDRMA as follows:

- General and automotive liability: \$5,000,000 per occurrence with \$500-\$1,000 per occurrence for third party general liability property damage.
- Public officials and employees' errors and omissions: \$5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Public officials' personal liability: \$500,000 per occurrence with \$500,000 annual aggregate limit per each elected/appointed official and a deductible of \$500 per claim.
- Employment practices and benefits liability: \$5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage: \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss: \$1,000,000,000 per occurrence with a \$2,000 deductible per occurrence.
- Boiler and machinery: \$100,000,000 per occurrence with a \$1,000 deductible.
- Workers compensation: \$5,000,000 each accident or each employee by disease.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(15) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to an audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

**San Lorenzo Valley Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016**

(15) Commitments and Contingencies, continued

Litigation

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

(16) Subsequent Event

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of December 7, 2017, which is the date the financial statements were available to be issued.

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Required Supplementary Information

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San Lorenzo Valley Water District
Schedules of Funding Status – Other Post-Employment Benefits
For the Fiscal Years Ended June 30, 2017 and 2016

Other Post-Employment Benefits Payable

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2015	\$ -	400,654	400,654	0.00%	\$ 2,495,551	16.05%
7/1/2012	136,529	451,717	315,188	30.22%	2,233,145	14.11%
6/30/2010	-	452,179	452,179	0.00%	1,908,411	23.69%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2019, based on the year ending June 30, 2018.

San Lorenzo Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement Dates		
	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the Net Pension Liability	<u>0.04058%</u>	<u>0.03675%</u>	<u>0.03709%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 3,511,169</u>	<u>2,522,518</u>	<u>2,307,630</u>
District's Covered-Employee Payroll	<u>\$ 2,446,674</u>	<u>2,319,224</u>	<u>1,995,604</u>
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	<u>143.51%</u>	<u>108.77%</u>	<u>115.64%</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>78.52%</u>	<u>83.11%</u>	<u>83.03%</u>

Notes to the Schedule of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms – For the June 30, 2016, measurement date, there were no changes in the benefit terms.

Changes of Assumptions – For the June 30, 2016, measurement date, there were no changes in assumptions.

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore only three years are shown.

**San Lorenzo Valley Water District
Schedules of Pension Plan Contributions
As of June 30, 2017
Last Ten Years***

Defined Benefit Pension Plan

<u>Description</u>	<u>Measurement Dates</u>		
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Actuarially Determined Contribution	\$ 324,612	282,083	193,763
Contributions in Relation to the Actuarially Determined Contribution	<u>(172,110)</u>	<u>(232,831)</u>	<u>(200,451)</u>
Contribution Deficiency (Excess)	\$ <u>152,502</u>	<u>49,252</u>	<u>(6,688)</u>
District's Covered Payroll	\$ <u>2,446,674</u>	<u>2,319,224</u>	<u>1,995,604</u>
Contribution's as a percentage of Covered-Employee Payroll	<u>7.03%</u>	<u>10.04%</u>	<u>10.04%</u>

Notes to the Schedule of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Supplemental Information

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San Lorenzo Valley Water District
Combining Schedule of Net Position
June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current assets:			
Cash & cash equivalents	\$ 417,323	-	417,323
Cash & cash equivalents – restricted	322,728	-	322,728
Investments	1,866,407	-	1,866,407
Accounts receivable – water sales and services, net	1,025,901	-	1,025,901
Accounts receivable – property taxes	2,398	-	2,398
Accounts receivable – settlement agreement	46,392	-	46,392
Accounts receivable – other	13,508	-	13,508
Internal balances	115,762	(115,762)	-
Prepaid expenses	160	-	160
Materials and supplies inventory	233,395	-	233,395
Total current assets	<u>4,043,974</u>	<u>(115,762)</u>	<u>3,928,212</u>
Non-current assets:			
Capital assets – not being depreciated	6,935,423	88,814	7,024,237
Capital assets – being depreciated	27,332,128	416,731	27,748,859
Total non-current assets	<u>34,267,551</u>	<u>505,545</u>	<u>34,773,096</u>
Total assets	<u>38,311,525</u>	<u>389,783</u>	<u>38,701,308</u>
Deferred outflows of resources			
Deferred pension outflows	1,007,189	-	1,007,189
Total deferred outflows of resources	<u>\$ 1,007,189</u>	<u>-</u>	<u>1,007,189</u>

Continued on next page

San Lorenzo Valley Water District
Combining Schedule of Net Position, continued
June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable and accrued expense	\$ 324,905	4,698	329,603
Accrued wages and related payables	216,305	-	216,305
Unearned revenues – customer deposits	54,992	-	54,992
Unearned revenues – construction deposits	95,622	-	95,622
Accrued interest payable	21,624	-	21,624
Long-term liabilities – due in one year:			
Compensated absences	170,750	-	170,750
Loans payable – current	239,629	-	239,629
Bonds payable – current	710,030	-	710,030
Capital lease payable – current	21,778	-	21,778
Total current liabilities	<u>1,855,635</u>	<u>4,698</u>	<u>1,860,333</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	303,555	-	303,555
Other post-employment benefits payable	262,939	-	262,939
Net pension liability	3,511,169	-	3,511,169
Loans payable – non-current	3,311,614	-	3,311,614
Bonds payable – non-current	1,845,824	-	1,845,824
Capital lease payable – non-current	92,524	-	92,524
Total non-current liabilities	<u>9,327,625</u>	<u>-</u>	<u>9,327,625</u>
Total liabilities	<u>11,183,260</u>	<u>4,698</u>	<u>11,187,958</u>
Deferred inflows of resources			
Deferred pension inflows	265,104	-	265,104
Total deferred inflows of resources	<u>265,104</u>	<u>-</u>	<u>265,104</u>
Net position			
Net investment in capital assets	28,046,152	505,545	28,551,697
Restricted for debt service	322,728	-	322,728
Unrestricted (deficit)	(498,530)	(120,460)	(618,990)
Total net position	<u>\$ 27,870,350</u>	<u>385,085</u>	<u>28,255,435</u>

San Lorenzo Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues:			
Water consumption sales	\$ 7,157,650	-	7,157,650
Wastewater service	-	102,107	102,107
Meter sales, charges and penalties	178,632	-	178,632
Other charges and services	7,741	-	7,741
Total operating revenues	<u>7,344,023</u>	<u>102,107</u>	<u>7,446,130</u>
Operating expenses:			
Salaries and benefits	4,498,595	-	4,498,595
Professional services	1,135,253	66,751	1,202,004
Operational	445,917	18,319	464,236
Maintenance	130,244	-	130,244
Facilities	490,997	8,403	499,400
General and administrative	314,979	-	314,979
Total operating expenses	<u>7,015,985</u>	<u>93,473</u>	<u>7,109,458</u>
Operating income before overhead absorption	328,038	8,634	336,672
Overhead absorption	101,681	(26,998)	74,683
Operating income (loss) before depreciation expense	429,719	(18,364)	411,355
Depreciation expense	(1,375,120)	(42,357)	(1,417,477)
Operating loss	<u>(945,401)</u>	<u>(60,721)</u>	<u>(1,006,122)</u>
Non-operating revenues (expenses):			
Property tax/assessment revenues	1,129,838	-	1,129,838
Investment earnings	13,858	-	13,858
Rental revenues	59,548	-	59,548
Interest expenses	(166,204)	-	(166,204)
Settlement and purchase agreements	10,000	-	10,000
Total non-operating revenues, net	<u>1,047,040</u>	<u>-</u>	<u>1,047,040</u>
Change in net position	<u>101,639</u>	<u>(60,721)</u>	<u>40,918</u>
Net position – beginning of year	<u>27,768,711</u>	<u>445,806</u>	<u>28,214,517</u>
Net position – end of year	<u>\$ 27,870,350</u>	<u>385,085</u>	<u>28,255,435</u>

San Lorenzo Valley Water District
Combining Schedule of Net Position
June 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current assets:			
Cash & cash equivalents	\$ 1,676,923	-	1,676,923
Cash & cash equivalents – restricted	403,624	-	403,624
Accrued interest receivable	155	-	155
Investments	930,412	-	930,412
Accounts receivable – water sales and services, net	993,952	-	993,952
Accounts receivable – property taxes	1,296	-	1,296
Accounts receivable – settlement agreement	36,392	-	36,392
Accounts receivable – grant funding	31,530	-	31,530
Accounts receivable – other	29,986	-	29,986
Internal balances	52,791	(52,791)	-
Prepaid expenses	41,526	-	41,526
Materials and supplies inventory	225,327	-	225,327
Total current assets	<u>4,423,914</u>	<u>(52,791)</u>	<u>4,371,123</u>
Non-current assets:			
Capital assets – not being depreciated	14,925,498	46,956	14,972,454
Capital assets – being depreciated	19,774,685	459,087	20,233,772
Total non-current assets	<u>34,700,183</u>	<u>506,043</u>	<u>35,206,226</u>
Total assets	<u>39,124,097</u>	<u>453,252</u>	<u>39,577,349</u>
Deferred outflows of resources			
Deferred pension outflows	378,695	-	378,695
Total deferred outflows of resources	<u>\$ 378,695</u>	<u>-</u>	<u>378,695</u>

Continued on next page

San Lorenzo Valley Water District
Combining Schedule of Net Position, continued
June 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable and accrued expense	\$ 933,929	7,446	941,375
Accrued wages and related payables	175,956	-	175,956
Unearned revenues – customer deposits	83,306	-	83,306
Unearned revenues – construction deposits	121,360	-	121,360
Accrued interest payable	28,940	-	28,940
Long-term liabilities – due in one year:			
Compensated absences	164,577	-	164,577
Loans payable – current	175,769	-	175,769
Bonds payable – current	697,478	-	697,478
Total current liabilities	<u>2,381,315</u>	<u>7,446</u>	<u>2,388,761</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	292,582	-	292,582
Other post-employment benefits payable	238,911	-	238,911
Net pension liability	2,522,518	-	2,522,518
Loans payable – non-current	3,241,224	-	3,241,224
Bonds payable – non-current	2,555,854	-	2,555,854
Total non-current liabilities	<u>8,851,089</u>	<u>-</u>	<u>8,851,089</u>
Total liabilities	<u>11,232,404</u>	<u>7,446</u>	<u>11,239,850</u>
Deferred inflows of resources			
Deferred pension inflows	501,677	-	501,677
Total deferred inflows of resources	<u>501,677</u>	<u>-</u>	<u>501,677</u>
Net position			
Net investment in capital assets	28,029,858	506,043	28,535,901
Restricted for debt service	403,624	-	403,624
Unrestricted (deficit)	(664,771)	(60,237)	(725,008)
Total net position	<u>\$ 27,768,711</u>	<u>445,806</u>	<u>28,214,517</u>

San Lorenzo Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues:			
Water consumption sales	\$ 6,145,076	-	6,145,076
Wastewater service	-	98,262	98,262
Meter sales, charges and penalties	194,444	-	194,444
Other charges and services	18,399	-	18,399
Total operating revenues	<u>6,357,919</u>	<u>98,262</u>	<u>6,456,181</u>
Operating expenses:			
Salaries and benefits	3,304,540	-	3,304,540
Professional services	834,427	33,791	868,218
Operational	398,057	12,285	410,342
Maintenance	183,215	-	183,215
Facilities	426,528	15,486	442,014
General and administrative	352,510	-	352,510
Total operating expenses	<u>5,499,277</u>	<u>61,562</u>	<u>5,560,839</u>
Operating income before overhead absorption	858,642	36,700	895,342
Overhead absorption	42,624	(22,987)	19,637
Operating income before depreciation expense	901,266	13,713	914,979
Depreciation expense	(1,286,606)	(39,450)	(1,326,056)
Operating loss	<u>(385,340)</u>	<u>(25,737)</u>	<u>(411,077)</u>
Non-operating revenues (expenses):			
Property tax/assessment revenues	610,634	-	610,634
Investment earnings	11,502	-	11,502
Rental revenues	43,922	-	43,922
Interest expenses	(185,411)	-	(185,411)
Total non-operating revenues, net	<u>480,647</u>	<u>-</u>	<u>480,647</u>
Net loss before capital contributions	<u>95,307</u>	<u>(25,737)</u>	<u>69,570</u>
Capital contributions:			
Capital grants - other governments	1,557,589	-	1,557,589
Total capital contributions	<u>1,557,589</u>	<u>-</u>	<u>1,557,589</u>
Change in net position	1,652,896	(25,737)	1,627,159
Transfer in due to merger	1,009,192		1,009,192
Net position – beginning of year	<u>25,106,623</u>	<u>471,543</u>	<u>25,578,166</u>
Net position – end of year	<u>\$ 27,768,711</u>	<u>445,806</u>	<u>28,214,517</u>

Statistical Information Section

San Lorenzo Valley Water District Statistical Section

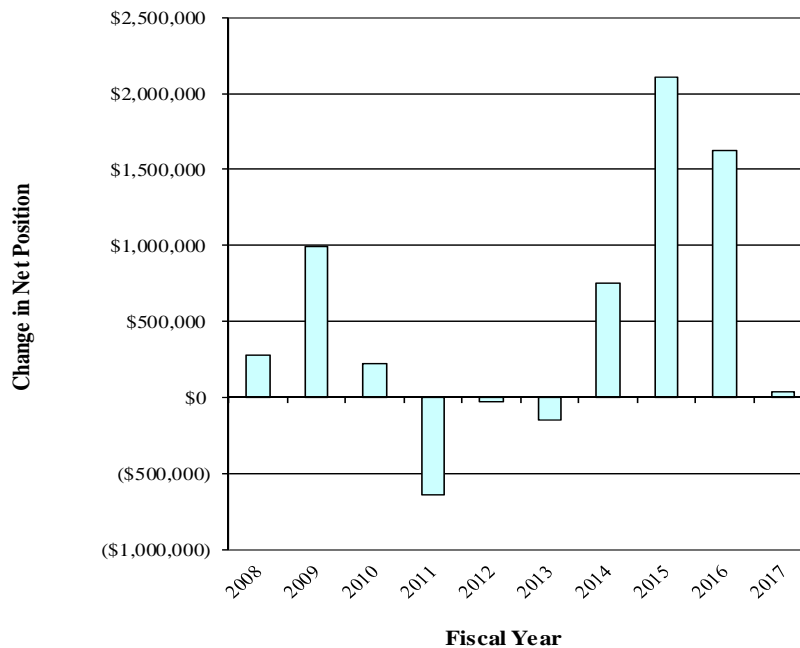
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the District's overall financial health.

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Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	66-69
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	70-73
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	74-75
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	76
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	77-78

San Lorenzo Valley Water District Changes in Net Position Last Ten Fiscal Years

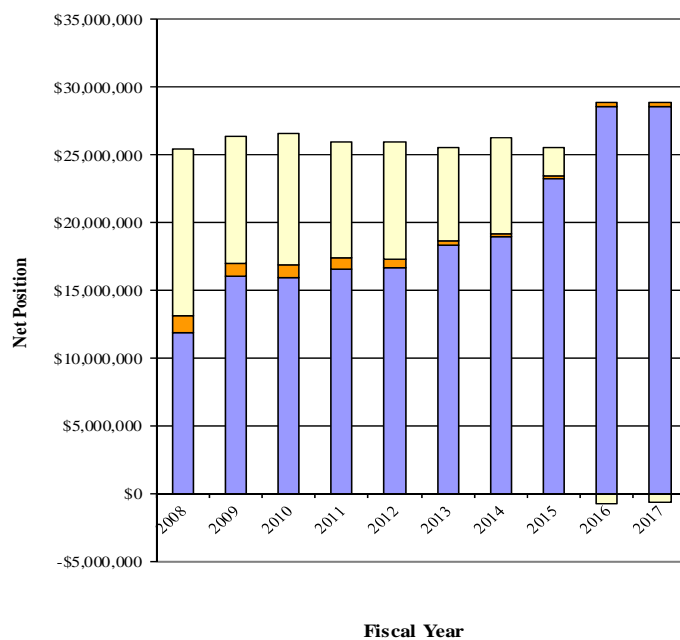
	Fiscal Year				
	2008	2009	2010	2011	2012
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 3,459,598	4,004,362	4,481,317	4,819,542	5,292,035
Operating expenses (see Schedule 3)	(4,456,030)	(4,234,583)	(4,275,569)	(4,245,987)	(4,399,636)
Overhead absorption					
Depreciation and amortization	(947,839)	(1,245,221)	(1,379,615)	(1,334,021)	(1,293,195)
Operating income(loss)	(1,944,271)	(1,475,442)	(1,173,867)	(760,466)	(400,796)
Non-operating revenues(expenses)					
Property taxes	505,233	527,421	504,342	492,443	467,181
Rental income	23,186	25,216	26,038	24,468	23,402
Assessment Revenue					
Investment income/(loss)	708,836	603,405	532,957	217,145	233,421
Amortization of deferred charges		(25,252)	(25,252)	(25,252)	(35,021)
Gain/(Loss) on sale/disposition of assets	(156,812)	(38,877)	-	(236,970)	-
Interest expense	(406,676)	(455,204)	(349,705)	(357,274)	(352,109)
Grant related expenses					
Other revenue/(expense), net	1,073,977	-	711,712	8,748	31,412
Total non-operating revenues(expenses), net	1,747,744	636,709	1,400,092	123,308	368,286
Net income(loss) before capital contributions	(196,527)	(838,733)	226,225	(637,158)	(32,510)
Capital contributions	477,570	1,833,993			
Changes in net position	\$ 281,043	995,260	226,225	(637,158)	(32,510)
Net position by component:					
Invested in capital assets, net of related debt	\$ 11,901,216	15,999,096	15,991,991	16,564,381	16,665,481
Restricted	1,171,630	940,077	935,665	865,923	653,538
Unrestricted	12,321,355	9,450,288	9,688,030	8,548,224	8,626,999
Total net position	\$ 25,394,201	26,389,461	26,615,686	25,978,528	25,946,018



Source: SLVWD Finance Department

Schedule 1

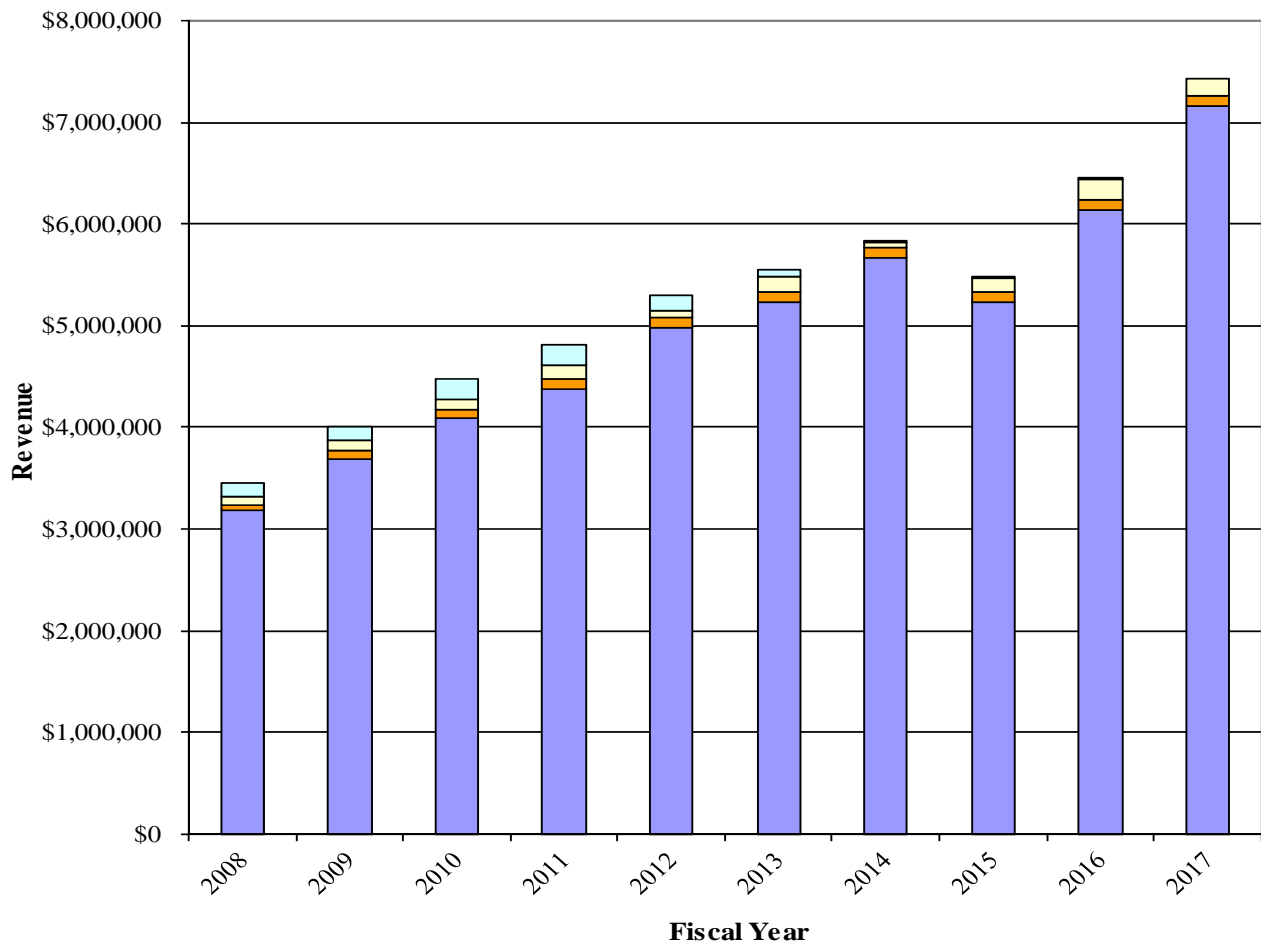
Fiscal Year				
2013	2014	2015	2016	2017
5,544,632	5,838,488	5,643,471	6,456,181	7,446,130
(4,736,829)	(5,173,764)	(5,552,334)	(5,560,839)	(7,109,458)
48,543	132,347	24,644	19,637	74,683
(1,293,732)	(1,172,504)	(1,139,110)	(1,326,056)	(1,417,477)
(437,386)	(375,433)	(1,023,329)	(411,076)	(1,006,122)
459,834	478,632	527,308	577,023	707,262
28,461	30,378	29,713	43,921	59,548
		235,444	33,611	358,469
(80,321)	159,023	(1,909)	11,502	13,858
				-
1,874	2,000	34,499	-	-
(211,233)	(295,513)	(127,850)	(185,411)	(166,204)
85,369	3,352	145,257	-	74,107
283,984	377,872	842,462	480,647	1,047,040
(153,402)	2,439	(180,867)	69,570	40,918
	753,600	2,287,233	1,557,589	-
(153,402)	756,039	2,106,366	1,627,159	40,918
18,309,392	18,981,706	23,227,784	28,535,901	28,551,697
355,162	168,185	229,790	403,624	322,728
6,898,478	7,169,180	2,120,592	(725,008)	(618,990)
25,563,032	26,319,071	25,578,166	28,214,517	28,255,435



San Lorenzo Valley Water District Operating Revenue by Source Last Ten Fiscal Years

Schedule 2

Fiscal Year	Water Services	Wastewater Services	Meter Sales, Charges and Penalties	Other Charges and Services (1)	Total Operating Revenue
2008	3,188,266	47,036	89,981	134,315	3,459,598
2009	3,694,064	81,466	92,574	136,258	4,004,362
2010	4,093,942	89,519	98,412	199,444	4,481,317
2011	4,369,713	99,764	149,469	200,596	4,819,542
2012	4,976,987	99,199	76,113	139,736	5,292,035
2013	5,226,845	98,653	155,973	63,161	5,544,632
2014	5,669,459	101,637	54,111	13,281	5,838,488
2015	5,237,534	100,088	124,896	16,372	5,478,890
2016	6,145,076	98,262	194,444	18,399	6,456,181
2017	7,157,650	102,107	178,632	7,741	7,446,130



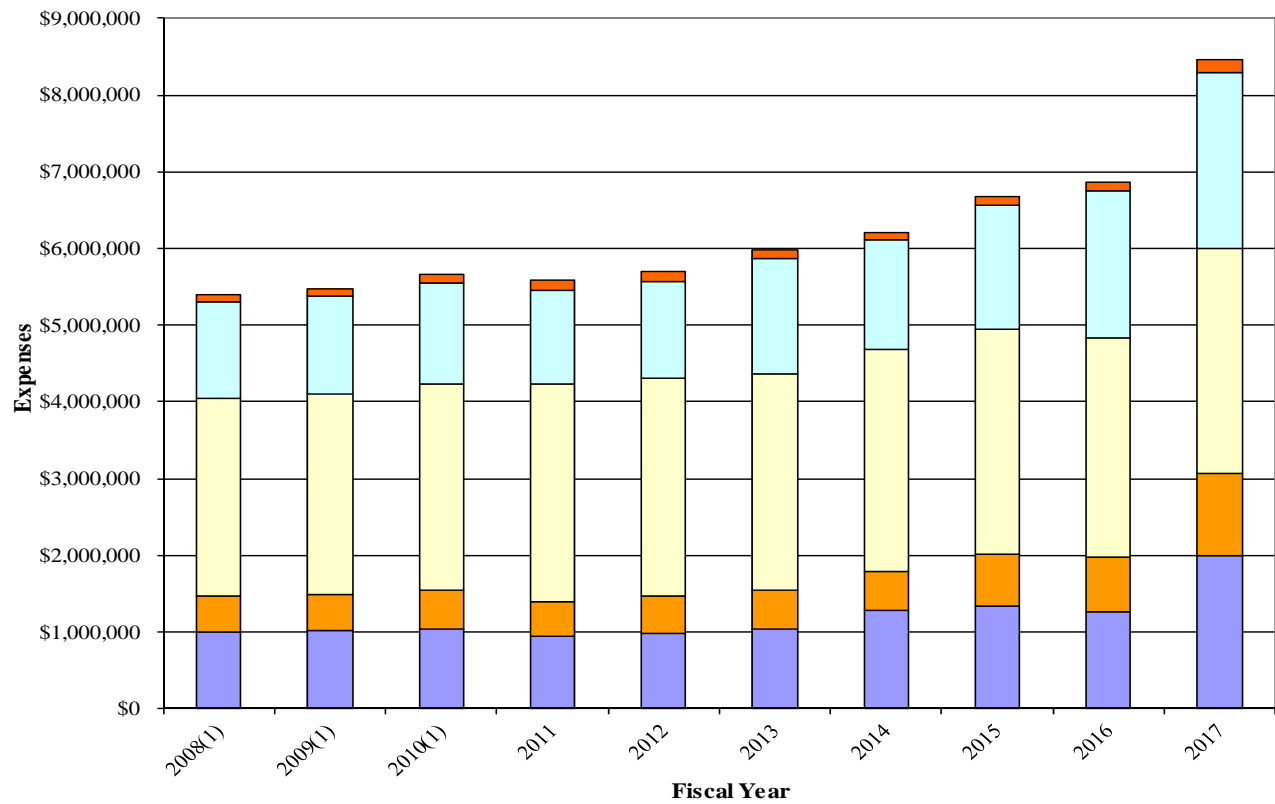
Note: (1) Prior years had "Other Charges & Services" listed as operating, these are deemed more miscellaneous and have been reclassified.

Source: SLVWD Finance Department

San Lorenzo Valley Water District Operating Expenses by Activity Last Ten Fiscal Years

Schedule 3

Fiscal Year	General and Administrative	Finance Customer Service	Transmission and Distribution	Water Treatment	Wastewater Fund	Total Operating Expenses
2008(1)	999,827	474,851	2,565,914	1,264,154	99,123	5,403,869
2009(1)	1,013,877	481,524	2,601,970	1,281,918	100,515	5,479,804
2010(1)	1,046,326	496,935	2,685,246	1,322,945	103,732	5,655,184
2011	939,754	458,070	2,833,504	1,222,661	126,019	5,580,008
2012	977,775	500,906	2,837,272	1,258,211	118,667	5,692,831
2013	1,042,651	502,235	2,811,020	1,515,459	110,653	5,982,018
2014	1,281,334	504,981	2,901,718	1,430,749	95,139	6,213,921
2015	1,334,189	681,895	2,925,734	1,622,687	102,296	6,666,800
2016	1,265,030	719,525	2,850,569	1,908,139	123,998	6,867,261
2017	2,002,222	1,060,345	2,937,280	2,289,576	162,829	8,452,252



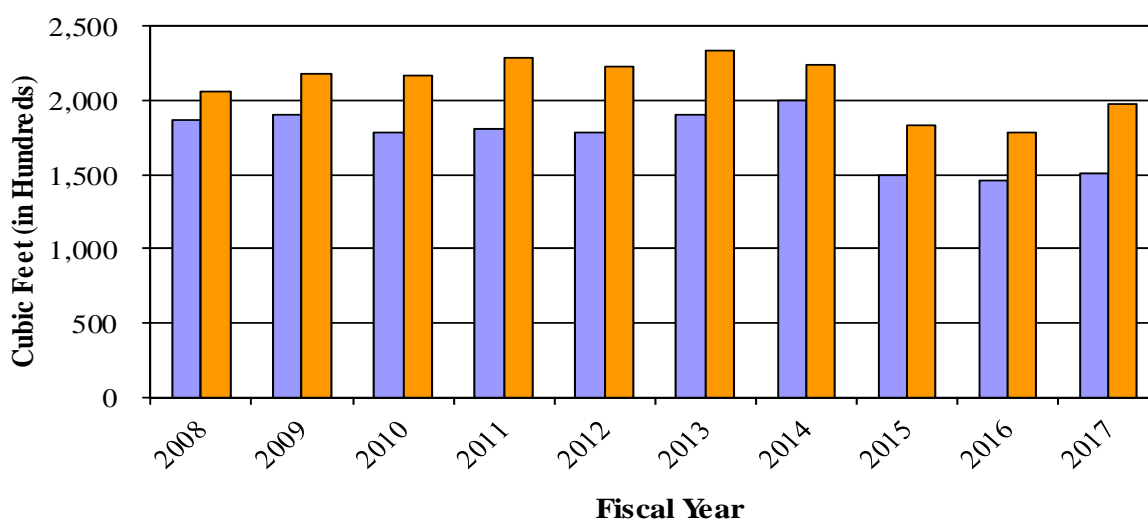
Note: (1) Activity break down data not available, a ratio of the next 5 years was applied to the total Operating Expenses.

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 4

Fiscal Year	Water Sales (Acre Feet)	Water Produced (Acre Feet)
2008	1,872	2,055
2009	1,905	2,180
2010	1,781	2,168
2011	1,806	2,283
2012	1,789	2,234
2013	1,910	2,335
2014	1,995	2,239
2015	1,500	1,828
2016	1,461	1,787
(1) 2017	1,503	1,976



Notes: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

(1) Fiscal Year 2017 saw a more dramatic loss from water production to water sales. This discrepancy was due to loss from storm damage and a more significant flushing process with the Lompico system.

Source: SLVWD Finance Department

San Lorenzo Valley Water District
Revenue Rates⁽¹⁾
Last Ten Fiscal Years

Schedule 5

Water Consumption Rates

Fiscal Year		2008(2)	2009(2)	2010(2)	2011(2)	2012(2)	2013(2)	2014	2015	2016	2017
Residential - Tier 1 (per HCF)	\$	1.950	2.180	2.360	2.710	2.710	2.710	3.090	3.430	3.810	3.810
Residential - Tier 2 (per HCF)		2.550	2.860	3.080	3.540	3.540	3.540	4.040	4.480	4.970	4.970
Residential - Tier 3 (per HCF)		3.050	3.420	3.690	4.240	4.240	4.240	4.840	5.370	5.960	5.960
Residential - Tier 4 (per HCF)		3.300	3.700	3.990	4.590	4.590	4.590	5.360	5.950	6.610	6.610
Residential - Tier 5 (per HCF)		3.600	4.030	4.350	5.000	5.000	5.000				
Commercial/Flat (per HCF)		*	*	*	*	*	*	3.770	4.180	4.640	4.640
Wholesale - Boulder Creek (per HCF)		*	*	*	*	*	*	*	10.000	10.000	10.000

* based on residential tiers above

Ready-to-serve Fees per Month

Meter Size		2008(2)	2009(2)	2010(2)	2011(2)	2012(2)	2013(2)	2014	2015	2016	2017
3/4" or smaller	\$	35.75	40.04	43.24	49.73	49.73	49.73	55.20	30.64	34.00	34.00
1"		59.60	66.75	72.09	82.90	82.90	82.90	92.02	51.00	56.50	56.50
1 1/2"		120.00	134.40	145.15	166.92	166.92	166.92	185.00	102.50	114.00	114.00
2"		191.00	213.92	231.03	265.68	265.68	265.68	295.00	163.50	181.50	181.50
3"		358.45	401.46	433.58	498.62	498.62	498.62	553.00	307.00	341.00	341.00
4"		596.50	668.08	721.53	829.76	829.76	829.76	921.00	511.00	567.00	567.00
6"		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8"		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10"		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire service per inch diameter		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

(1) Rates as of June 30 of each fiscal year.

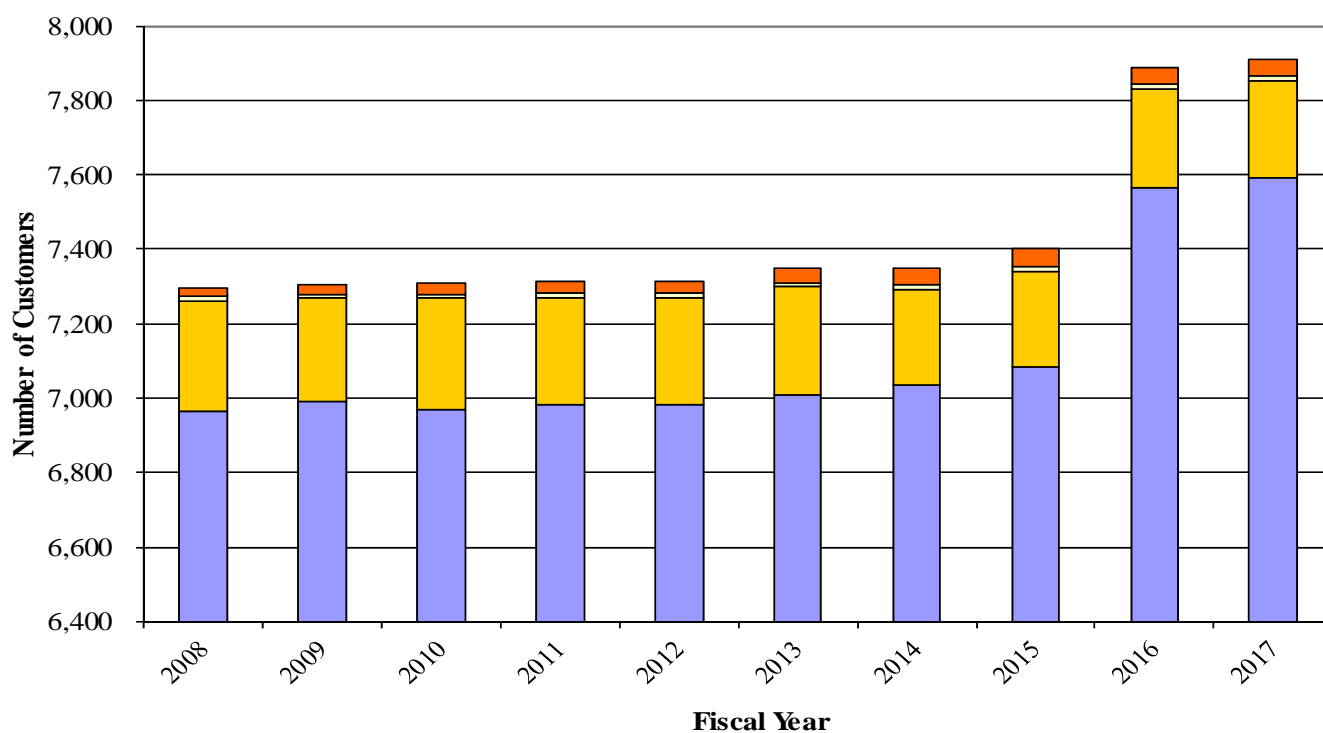
(2) Bi-Monthly Billing Rates

Source: SLVWD Board of Directors approved Rates and Charges

**San Lorenzo Valley Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

Fiscal Year	Customer Type				Total
	Residential	Industrial	Landscape	Wholesale	
2008	6,964	298	11	23	7,296
2009	6,990	278	11	26	7,305
2010	6,968	300	12	29	7,309
2011	6,982	289	12	31	7,314
2012	6,981	289	12	33	7,315
2013	7,010	289	12	37	7,348
2014	7,035	258	12	44	7,349
2015	7,083	258	12	50	7,403
2016	7,566	266	13	42	7,887
2017	7,592	260	14	42	7,908



Note: Number of customers as of June 30 of fiscal year.

Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Principal Customers
Current Fiscal Year and Ten Years Ago**

Schedule 7

Customer	2017		2013 ⁽¹⁾	
	Water Consumed (AF)	Percentage of Total	Water Consumed (AF)	Percentage of Total
005165-000	34	2.26%	34	1.82%
005534-000	30	2.00%	30	1.60%
006297-000	17	1.13%	17	0.91%
009080-000	11	0.73%	11	0.59%
011506-000	10	0.67%	10	0.53%
005279-000	9	0.60%	9	0.48%
006854-000	8	0.53%	8	0.43%
005280-000	7	0.47%	7	0.37%
006011-000	6	0.40%	6	0.32%
007497-000	6	0.40%	6	0.32%
Total	138	9.18%	138	7.37%
Total Water Consumed (AF)	1,503	100.00%	1,872	100.00%

AF = Acre Feet

Notes:

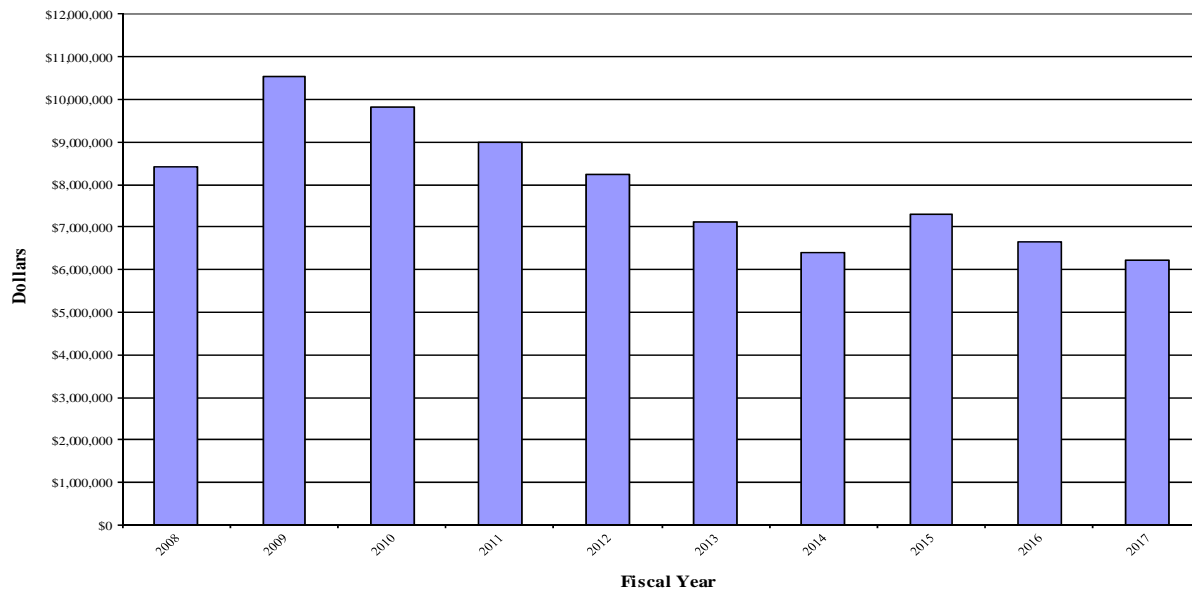
(1) Individual records will continue to be maintained to allow for a ten year comparison over time.

Source: SLVWD Finance Department

San Lorenzo Valley Water District Ratio of Outstanding Debt Last Ten Fiscal Years

Schedule 8

Fiscal Year	Bonds Payable	Notes Payable	Capital Lease	Total Debt	Per Capita	As a Share of Personal Income
2008	720,000	7,694,095		8,414,095	460.73	0.99%
2009	645,000	9,892,885		10,537,885	576.71	1.35%
2010	565,000	9,268,985		9,833,985	537.82	1.26%
2011	480,000	8,519,250		8,999,250	492.10	1.08%
2012	5,898,472	2,338,401		8,236,873	448.39	0.91%
2013	4,930,026	2,207,278		7,137,304	388.48	0.78%
2014	4,344,115	2,073,045		6,417,160	346.73	0.66%
2015	3,743,682	3,554,130		7,297,812	370.12	0.65%
2016	3,253,332	3,416,993		6,670,325	338.29	*
2017	2,555,854	3,551,243	114,302	6,221,399	314.69	*



Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Debt Coverage
Last Ten Fiscal Years**

Schedule 9

Fiscal Year	Net Revenues	Operating Expenses⁽¹⁾	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2008	5,207,342	(4,456,030)	751,312	(581,662)	(406,676)	(988,338)	(0.76)
2009	4,641,071	(4,234,583)	406,488	(708,425)	(455,204)	(1,163,629)	(0.35)
2010	5,881,409	(4,275,569)	1,605,840	(703,900)	(349,705)	(1,053,605)	(1.52)
2011	4,942,850	(4,245,987)	696,863	(834,735)	(357,274)	(1,192,009)	(0.58)
2012	5,660,321	(4,399,636)	1,260,685	(762,377)	(352,109)	(1,114,486)	(1.13)
2013	5,828,616	(4,736,829)	1,091,787	(1,099,569)	(211,233)	(1,310,802)	(0.83)
2014	6,216,360	(5,173,764)	1,042,596	(720,144)	(295,513)	(1,015,657)	(1.03)
2015	6,485,933	(5,552,334)	933,599	(737,932)	(127,850)	(865,782)	(1.08)
2016	6,936,828	(5,560,839)	1,375,989	(757,130)	(185,411)	(942,541)	(1.46)
2017	8,493,170	(7,109,458)	1,383,712	(757,130)	(166,204)	(923,334)	(1.50)

Notes:

(1) Operating expenses exclude depreciation expense.

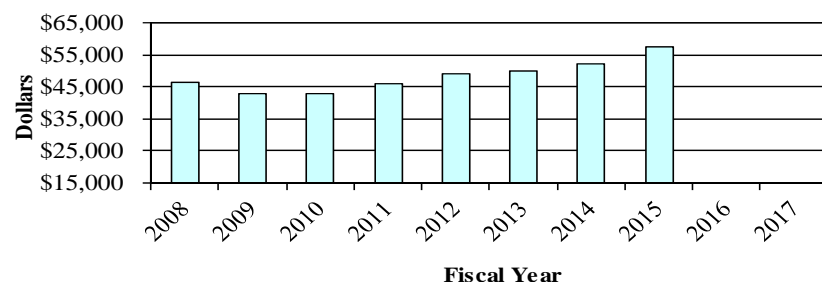
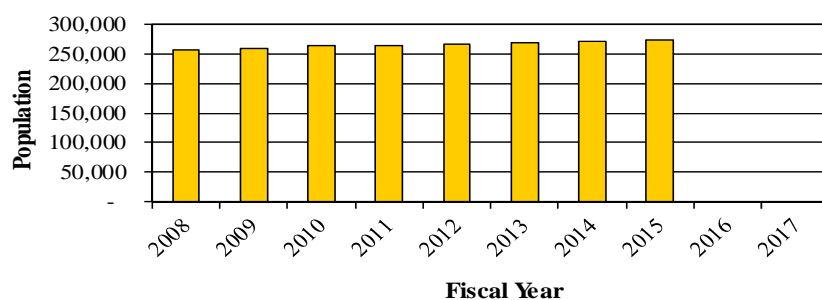
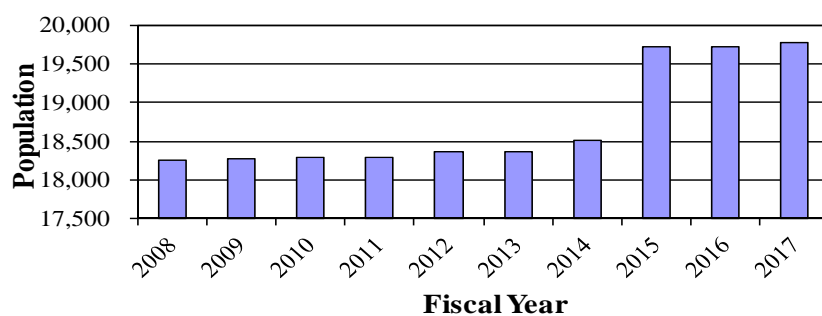
Source: SLVWD Finance Department

San Lorenzo Valley Water District Demographics and Economics Statistics Last Ten Fiscal Years

Schedule 10

County of Santa Cruz ⁽¹⁾					
Year	District Population ⁽²⁾	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2008	18,263	7.4%	256,520	11,940,819	46,549
2009	18,273	11.1%	260,009	11,080,626	42,616
2010	18,285	13.3%	263,213	11,267,634	42,808
2011	18,288	13.1%	264,923	12,125,514	45,770
2012	18,370	11.8%	266,632	13,116,916	49,195
2013	18,373	10.3%	269,444	13,456,565	49,942
2014	18,508	8.7%	271,804	14,209,814	52,280
2015	19,718	7.5%	274,146	15,696,689	57,257
2016	19,718	6.9%	*	*	*
2017	19,770	*	*	*	*

* Current data not available yet



Notes:

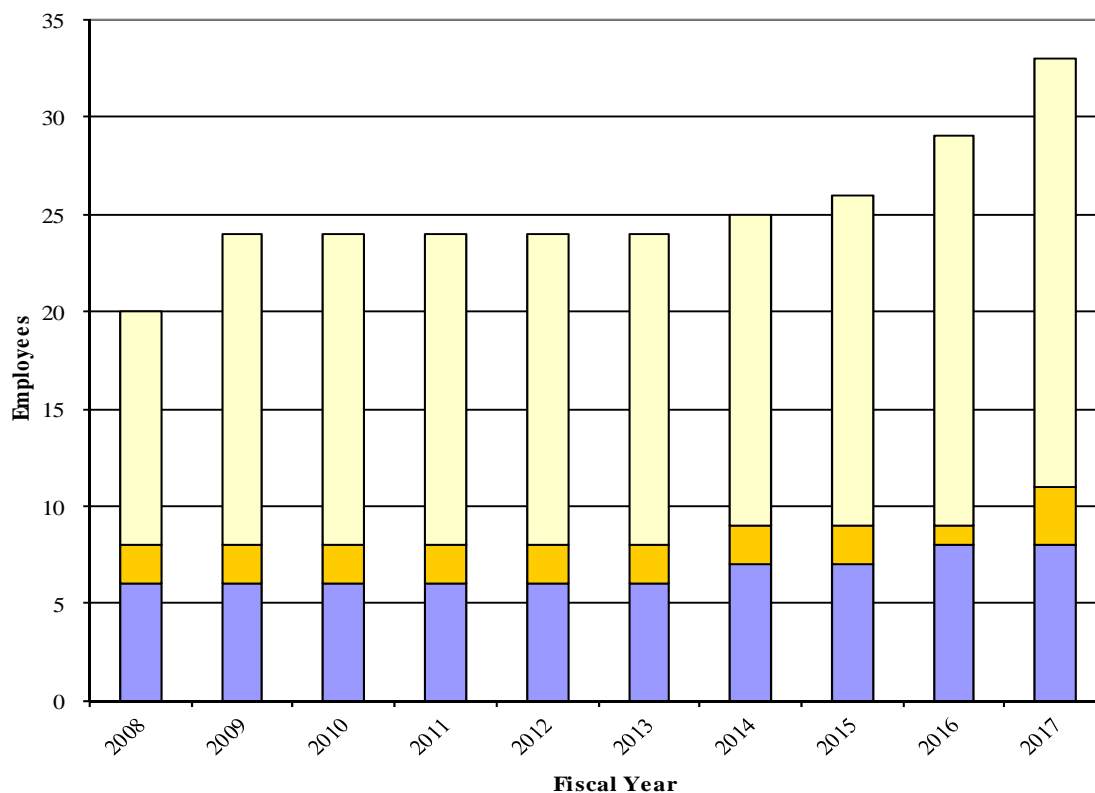
- (1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.
- (2) Population data is assumed at 2.5 persons per connection.

Sources: California Department of Finance, Bureau of Economic Analysis (BEA)
Bureau of Labor Statistics

**San Lorenzo Valley Water District
Full-Time Equivalent Employees
Last Ten Fiscal Years**

Schedule 11

Full-time Equivalent District Employees by Department				
Fiscal Year	District Administration	Watershed & Engineering	Treatment & Operations	Total
2008	6	2	12	20
2009	6	2	16	24
2010	6	2	16	24
2011	6	2	16	24
2012	6	2	16	24
2013	6	2	16	24
2014	7	2	16	25
2015	7	2	17	26
2016	8	1	20	29
2017	8	3	22	33



Source: SLVWD Finance Department

**San Lorenzo Valley Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 12

Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Capacity (MG)	Production Capacity TP ⁽¹⁾ (MGD)	Production Capacity Wells ⁽¹⁾ (MGD)
2008	58	140	8,472,000	2,300,000	1,800,000
2009	58	140	8,472,000	2,300,000	1,800,000
2010	58	140	8,472,000	2,300,000	1,800,000
2011	58	140	8,472,000	2,300,000	1,800,000
2012	58	140	8,472,000	2,300,000	1,800,000
2013	58	140	8,472,000	2,300,000	1,800,000
2014	58	140	8,472,000	2,300,000	1,800,000
2015	58	140	8,472,000	2,300,000	1,800,000
2016	60	169	9,297,000	2,700,000	1,800,000
2017	60	169	9,297,000	2,700,000	1,800,000

MG - Millions of Gallons

MGD - Millions of Gallons per Day

TP - Treatment Plant

Notes:

(1) Production capacity varies based on water levels during the year.

Sources: SLVWD Operations Department and Urban Water Management Plan

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Report on Internal Controls and Compliance

DRAFT

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

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, 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 San Lorenzo Valley Water District (District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 audits, 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 Control Over Financial Reporting
and on Compliance and Other Matters Based on Audits 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
December 7, 2017

MEMO

To: Board of Directors

From: District Manager

Subject: PROFFESIONAL CONTRACT AWARD TO WSC ENGINEERING FOR SERVICES RELATED TO APPLICATION FOR \$5M USDA CAPITAL PROJECT LOAN

Date: December 7, 2017

RECOMMENDATION:

Staff recommends the Board award a contract to WSC Engineering to assist the District in applying for a low interest, United States Department of Agriculture (USDA) Loan in the amount of \$5M. Said contract shall be a time and material contract not to exceed \$274,230.

BACKGROUND:

The District has been working toward submitting an application to the USDA for a rural assistance loan for the replacement of capital facilities (pipes, pumps and tanks). With the assistance of WSC Engineering, staff has completed the initial review of the USDA loan program and is ready to begin the formal application process. The final list of projects staff intends to include under the USDA Loan application is attached. Probation Tank was removed from the list after review determined that over 75% of the Probation Tank Service area was within the City of Scotts Valley, the only area of the District ineligible for USDA funding. Staff intends to bid the Probation Tank project early next year for a late spring / early summer construction. Swim tank will be bid on its own after securing the USDA loan. This is a change from staff's most recent public statement to bid the projects together.

The process of applying for the USDA loan is time and labor consuming. Engineering reports will be required for every project, coordination with design engineers and environmental specialist will be required. Additionally, the actual process of filling out required governmental forms requires time and labor. WSC has proposed to facilitate the application process for a not-to-exceed amount of \$274,230. This represents approximately 5% of the loan total, in staff's opinion a reasonable cost of applying for a government loan.

The needs to apply for the loan are specialized and require specific experience and professional skills. Normally, staff would issue a Request for Proposals (RFP) to solicit professional engineering firms to accomplish the work required and District staff would make a qualifications based selection. The normal preparation and solicitation process for RFPs takes four to six months or longer. Staff is requesting that the Board wave the normal RFP process and accept WSC Engineering's proposal to provide said services for the process of applying for USDA funds. The reasons for requesting an award to WSC without a formal proposal process are due to the following: with the recent rate increase behind us, the District needs to start replacing capital facilities, WSC has assisted multiple agencies in securing USDA loans, WSC has been instrumental in assisting staff in reviewing USDA loan options to date, WSC has done the

preliminary work such as setting up and attending joint meetings with USDA and District staff to coordinate the SLVWD loan approval, and WSC currently has an on-call, as-needed contract with the District for engineering services.

At this moment in time WSC is, for all intents and purposes, the District's Engineering Department. Staff is moving forward with releasing an RFP for future Professional Engineering Services to secure three or four firms for on-call / as-needed services. That process is expected to take at least four months. Staff is requesting the Board award this contract to allow for the USDA application process to proceed immediately.

The USDA application process is expected to take at least six months; likely longer.

STRATEGIC PLAN:

Element 5.2 - Funding Infrastructure Replacement

FISCAL IMPACT:

\$274,230- Professional Services

AGREEMENT FOR PROFESSIONAL SERVICES
by and between the
SAN LORENZO VALLEY WATER DISTRICT (District)
and
WATER SYSTEMS CONSULTING, INC. (Consultant)

PREAMBLE

This agreement for the performance of professional services ("Agreement") is made and entered into on this **8th** day of **December, 2017** ("Effective Date"), by and between **WATER SYSTEMS CONSULTING, INC.** with its principal place of business located at **SAN LUIS OBISPO** ("Consultant") and the San Lorenzo Valley Water District, a California County Water District, with its principal place of business located at 13060 Highway 9, Boulder Creek, CA 95006 ("District"). District and Consultant may be referred to individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

RECITALS

- A.** District desires to secure professional services as described in Exhibit A, entitled "Scope of Services"; for **SUPPORT SERVICES TO PURSUE USDA FUNDING**
- B.** Consultant represents that it possesses the professional qualifications and expertise to provide such services and
- C.** The Parties have specified herein the terms and conditions under which such services will be provided and paid for.

The Parties agree as follows:

AGREEMENT PROVISIONS

1. SCOPE OF SERVICES

Except as specified in this Agreement, Consultant shall furnish all technical, legal and professional services, including labor, material, equipment, transportation, supervision and expertise (collectively referred to as "Services") to satisfactorily complete the work required by District at its own risk and expense. Services to be provided to District are more fully described in Exhibit A, entitled "Scope of Services.". All of the exhibits referenced in this Agreement are attached and incorporated by this reference.

2. TERM OF AGREEMENT

Consultant shall provide the services under the requirements of this Agreement commencing upon the date of execution of this Agreement by the parties. Consultant shall complete services within the time limits set forth in Scope of Services or as mutually determined in writing by Parties.

3. RESPONSIBILITY OF CONSULTANT

Consultant shall be responsible for the quality, technical accuracy, and coordination of services furnished by it under this Agreement as outlined in Exhibit A. Consultant will endeavor to provide services in a manner consistent with the level of care and skill ordinarily exercised by other professionals providing the same service in the same locale. Consultant shall be solely responsible to District for the performance of Consultant, and

any of his or her employees, agents, subcontractors, or suppliers, under these Agreement Documents.

4. RESPONSIBILITY OF DISTRICT

- A.** The District Manager, or designee, shall be District's authorized representative and will ensure all required budget, purchase orders, service orders and any other internal documentation necessary to comply with the terms of this Agreement are properly and timely prepared in order to enable Consultant to commence and continue services according to terms of the Agreement.
- B.** On behalf of District, the District Manager, or designee, shall be District's authorized representative in the interpretation and enforcement of all work performed in connection with this Agreement. The District Manager, or designee, shall render decisions in a timely manner pertaining to documents submitted by Consultant in order to avoid unreasonable delay in the orderly and sequential progress of Consultant's services. Consultant shall promptly comply with instructions from District Manager or designee. The District Manager will ensure all required budget, purchase orders, service orders and any other internal documentation necessary to comply with the terms of this agreement are properly and timely prepared in order to enable Consultant to continue services according to the terms of this Agreement.

5. PAYMENT OF COMPENSATION

- A.** In consideration for Consultant's performance of services, District shall pay Consultant for all services rendered by Consultant pursuant to Consultant's Standard Rate Schedule, the current version of which is outlined in Exhibit B, "Services Fee Schedule." Payments made by District under this Agreement shall be the amounts charged for Services provided and billed by Consultant, subject to verification by District, pursuant to the standard rates set forth in the "Services Fee Schedule" attached as Exhibit B. Consultant may begin services prior to the effective date of this agreement at its own risk, with the understanding that, upon District approval, District may choose to compensate consultant for services performed prior to authorization by District's Board of Directors, with the limits of the District Manager's authority.
- B.** Consultant shall bill District on a monthly basis for services provided by Consultant during the preceding month, subject to verification by District. Payment to Consultant for services will be made within thirty (30) days of date of Consultant invoice.
- C.** Compensation for the services hereunder shall be on a time and material basis, with a total contract not-to-exceed limit of **\$274,230** unless changed in writing by District.

6. RIGHT TO TERMINATION

Both parties reserve the right to terminate this Agreement at any time, with or without cause, upon sixty (60) days written notice to the other party. As of the date of termination, Consultant shall immediately cease all services hereunder, except such as may be specifically approved by both Consultant and District's authorized representative. Consultant shall be entitled to compensation for all services rendered prior to termination and for any services authorized by the authorized representative thereafter.

7. NO ASSIGNMENT OF AGREEMENT/SUCCESSORS IN INTEREST

This Agreement is a contract for professional services. District and Consultant bind themselves, their partners, successors, assigns, executors and administrators to all covenants of this Agreement. Except as otherwise set forth in this Agreement, no interest in this Agreement shall be assigned or transferred, either voluntarily or by operation of law, without the prior written approval of both parties.

8. NO AGENCY

Consultant shall not have authority, expressed or implied, to act on behalf of District as an agent, or to bind District to any obligations whatsoever, unless specifically authorized in writing by the District Manager or authorized representative.

9. NO THIRD-PARTY BENEFICIARY

This Agreement shall not be construed to be an Agreement for the benefit of any third party or parties and no third party or parties shall have any claim or right of action under this Agreement for any cause whatsoever.

10. CONSULTANT IS AN INDEPENDENT CONTRACTOR

It is agreed that in performing the work required under this Agreement, Consultant and any person employed by or contracted with Consultant to furnish labor and/or materials under this Agreement is neither an agent nor employee of District. Consultant has full rights to manage its employees subject to the requirements of the law.

11. CONFIDENTIALITY OF MATERIAL

All memoranda, specifications, plans, data, drawings, descriptions, documents, discussions or other information received by or for Consultant and all other written information submitted to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant and shall not, without the prior written consent of District, be used for any purposes other than the performance of the services nor be disclosed to an entity not connected with performance of the services. Nothing furnished to Consultant, which is otherwise known to Consultant or becomes generally known to the public or is of public record, shall be deemed confidential.

12. RIGHT OF DISTRICT TO INSPECT RECORDS OF CONSULTANT

District, through its authorized employees, representatives or agents shall have the right during the term of this Agreement and for three (3) years from the date of final payment for goods or services provided under this Agreement, to audit the books and records of Consultant for the purpose of verifying any and all charges made by Consultant in connection with Consultant's compensation under this Agreement, including termination of Consultant. Consultant agrees to maintain sufficient books and records in accordance with generally accepted accounting principles to establish the correctness of all charges submitted to District. District shall disallow any expenses not so recorded.

Consultant shall submit to District any and all reports concerning its performance under this Agreement that may be requested by District in writing. Consultant agrees to assist District in meeting District's reporting requirements to the State and other agencies with respect to Consultant's services hereunder.

13. CORRECTION OF SERVICES

Consultant will be given the opportunity and agrees to correct any incomplete, inaccurate or defective services at no further cost to District, when such defects are due to the negligence, errors or omissions of Consultant.

14. FORCE MAJEURE

The time for performance of services to be rendered pursuant to this Agreement may be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of Consultant, including, but not restricted to, acts of God or of any public enemy, acts of the government, fires, earthquakes, floods, epidemic, quarantine restrictions, riots, strikes, freight embargoes and unusually severe weather if Consultant shall, within ten (10) days of the commencement of such condition, notify the District Manager who shall thereupon ascertain the facts and extent of any necessary delay, and extend the time for performing services for period of enforced delay when and if the District Manager's determination shall be final and conclusive upon the parties to this Agreement.

15. FAIR EMPLOYMENT

Consultant shall not discriminate against any employee or applicant for employment because of race, color, creed, national origin, sex, age, condition of physical handicap, religion, ethnic background, or marital status, in violation of state or federal law.

16. HOLD HARMLESS/INDEMNIFICATION

Consultant agrees, to the fullest extent permitted by law, to indemnify and hold District, its Board members, officers, and employees, harmless from any damage, liability or cost (including reasonable attorneys' fees and costs of defense) to the extent caused by Consultant's negligent acts, errors or omissions in the performance of professional services under this Agreement and those of his or her sub-consultants or anyone for whom Consultant is legally liable.

Consultant is not obligated to indemnify District in any manner whatsoever for District's own negligence.

17. INSURANCE REQUIREMENTS

A. Without limiting Consultant's indemnification of District, and prior to commencing any Services required under this Agreement, Consultant shall purchase and maintain in full force and effect, at its sole cost and expense, the following insurance policies with at least the indicated coverages, provisions and endorsements:

1. Commercial General Liability Policy (bodily injury and property damage):
Policy limits are subject to review, but shall in no event be less than, the following:

\$1,000,000 Each Occurrence
\$1,000,000 General Aggregate
\$1,000,000 Products/Completed Operations Aggregate
\$1,000,000 Personal Injury

2. Workers' Compensation Insurance Policy as required by statute and employer's liability with limits of at least one million dollars (\$1,000,000) policy limit Bodily Injury by disease, one million dollars (\$1,000,000) each accident/Bodily Injury and one million dollars (\$1,000,000) each employee Bodily Injury by disease.
3. Comprehensive Business Automobile Liability Insurance Policy with policy limits at minimum limit of not less than one million dollars (\$1,000,000) each accident using. Liability coverage shall apply to all owned, non-owned and hired autos.
4. Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of Consultant. Coverage shall be in an amount of not less than one million dollars (\$1,000,000) per claim/aggregate.

B. EVIDENCE OF COVERAGE

Prior to commencement of any services under this Agreement, Consultant, shall, at its sole cost and expense, purchase and maintain not less than the minimum insurance coverage with endorsements and deductibles indicated in this Agreement. Consultant shall file with District all certificates for required insurance policies for District's approval as to adequacy of insurance protection.

18. AMENDMENTS

It is mutually understood and agreed that no alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the Parties and incorporated into this Agreement. Such changes, which are mutually agreed upon by District and Consultant, shall be incorporated in amendments to this Agreement.

19. WAIVER

No term or provision hereof shall be deemed waived and no default or breach excused, unless such waiver or consent shall be in writing and signed by the party claimed to have waived or consented to such breach. The consent by any party to, or waiver of, a breach or default by the other shall not constitute a consent to, waiver of, or excuse for, any other different or subsequent breach or default.

The failure of either party to insist upon or enforce strict conformance by the other party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment of such party's right unless made in writing and shall not constitute any subsequent waiver or relinquishment.

20. INTEGRATED DOCUMENT - TOTALITY OF AGREEMENT

This Agreement embodies the Agreement between District and Consultant and its terms and conditions. No other understanding, agreements, conversations or otherwise, with any officer, agent or employee of District prior to execution of this Agreement shall affect or modify any of the terms or obligations contained in any documents comprising this Agreement. Any such verbal agreement shall be considered as unofficial information and in no way binding upon District.

Agreement Documents comprise the entire Agreement between District and Consultant concerning the work to be performed for this project. Agreement Documents are complementary; what is called for in one of the Agreement Documents is binding as if called for by all of them.

21. SEVERABILITY CLAUSE

In the event any one or more of the provisions contained herein shall, for any reason, be held invalid, illegal or unenforceable in any respect, it shall not affect the validity of the other provisions, which shall remain in full force and effect.

If any part of this agreement is for any reason held to be excessively broad as to time, duration, geographical scope, activity or subject, it will be construed, by limiting or reducing it, so as to be enforceable to the extent reasonably necessary for the protection of the parties.

22. NOTICES

All notices to the Parties shall, unless otherwise requested in writing, be sent to District addressed as follows:

Brian C. Lee
District Manager
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

And to Consultant addressed as follows:

**JEFFERY SZYTEL
PRINCIPAL
WATER SYSTEMS CONSULTING, INC.
PO BOX 4255
SAN LUIS OBISPO, CA 93403**

23. STATUTES AND LAW GOVERNING AGREEMENT

This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California.

24. WAIVER OF CONSEQUENTIAL DAMAGES

District and Consultant mutually agree to waive all claims of consequential damages arising from disputes, claims, or other matters relating to this Agreement.

25. DISPUTE RESOLUTION

A. Unless otherwise mutually agreed to by the Parties, any controversies between Consultant and District regarding the construction or application of this Agreement, and claims arising out of this agreement or its breach, shall be submitted to mediation within thirty (30) days of the written request of one Party after the service of that request on the other Party.

- B. The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request that the Superior Court, State of California, County of Santa Cruz appoint a mediator. The mediation meeting shall not exceed one day or eight (8) hours. The Parties may agree to extend the time allowed for mediation under this Agreement.
- C. The costs of mediation shall be borne by the Parties equally.
- D. Mediation under this section is a condition precedent to filing an action in any court. In the event any legal action or proceeding is commenced to interpret or enforce the terms of, or obligations arising out of this Agreement, or to recover damages for the breach thereof, the Party prevailing in any such action or proceeding shall be entitled to recover from the non-prevailing Party all reasonable attorneys' fees, costs and expenses incurred by the prevailing Party.

26. VENUE

In the event that suit shall be brought by either Party, the Parties agree that the venue shall be exclusively vested in the state courts of the State of California, County of Santa Cruz, or where otherwise appropriate, exclusively in the United States District Court, Northern District of California, San Jose.

27. SIGNATURES

The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of Consultant and District.

The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly authorized representatives. It is the intent of the Parties that this Agreement shall become operative on the Effective Date.

SAN LORENZO VALLEY WATER DISTRICT,

Brian C. Lee
District Manager
San Lorenzo Valley Water District



Jeroen Olthof
Chief Operating Officer
Water Systems Consulting, Inc.

Approved as to form:

Gina Nicholls,
District Counsel



2017 Classifications and Rates

Labor Classification	Hourly Rate
Principal	\$275
Senior Engineer V	\$255
Senior Engineer IV	\$240
Senior Engineer III	\$225
Senior Engineer II	\$210
Senior Engineer I	\$200
Associate Planner/Engineer III	\$185
Associate Planner/Engineer II	\$175
Associate Planner/Engineer I	\$165
Staff Planner/Engineer III	\$159
Staff Planner/Engineer II	\$150
Staff Planner/Engineer I	\$137
Assistant Engineer	\$126
Engineering Intern	\$110
Construction Inspector (Prevailing Wage – Group 1)	\$154
Construction Inspector (Prevailing Wage – Group 2)	\$148
Construction Inspector (Prevailing Wage – Group 3)	\$133
Construction Inspector (Prevailing Wage – Group 4)	\$120
Construction Inspector (Non-Prevailing Wage)	\$120
Senior Technician/ CAD Designer	\$125
Technician/ CAD Operator	\$110
Outreach Specialist / Facilitator	\$185
Project Coordinator / Controller	\$110
Administration / Clerical	\$90

10% mark-up on direct expenses; 15% mark-up for sub-contracted services

Standard mileage rate \$0.535 per mile (or current Federal Mileage Reimbursement Rate)

Airplane mileage rate \$1.15 per mile (or current Federal Airplane Mileage Reimbursement Rate)

Rates are subject to revision as of January 1, 2018

San Lorenzo Valley Water District – Support for USDA Loan Funding Application (Phase 1 Projects)

Scope of Work

TASK 1.0 PROJECT MANAGEMENT & MEETINGS

1.1 Project Administration

- Provide project administration and coordination, prepare project schedule and update as-required based upon actual progress and the District's direction.

1.2 Meetings

- WSC will prepare materials for and facilitate the following four (4) meetings: (1) Meeting with District to discuss projects, data needs, project alternatives, and coordination for completing funding application; (2) Progress meeting with USDA staff to discuss the application process and proposed projects for funding consideration; (3) Progress meeting with the District and presentation to District Board; and (4) District Board Meeting Presentation upon finalizing USDA funding.

1.3 Consultant Coordination

- Coordination with the District and District Consultants completing separate elements of the USDA application.

1.4 QA/QC

- Perform quality control reviews of all deliverables.

Deliverable: Agendas & Meeting Minutes

TASK 2.0 DATA & INFORMATION

2.1 Data Collection

- Prepare a data log for submission to the District and coordination to obtain required information for up to thirteen proposed water production, water storage, and water transmission projects pursuing funding.
- Provide USDA with preliminary project descriptions, cost estimates, and available environmental documents for preliminary review.

2.2 Information Review

- Review documents provided by the District for incorporation into the funding application as applicable.

Deliverable: Data Request Log

Scope of Work

TASK 3.0 PRELIMINARY ENGINEERING REPORT (PER)

3.1 Prepare Draft Preliminary Engineering Report

- WSC will prepare a draft PER per USDA guidelines. Consistent with USDA Bulletin 1780-2, the PER will include the following sections:
 1. Executive Summary
 2. Introduction
 3. Project Planning Area
 4. Existing Facilities
 5. Need for Project
 6. Alternatives Considered
 7. Selection of an Alternative
 8. Proposed Project
 9. Conclusions and Recommendations
- WSC will summarize environmental impacts from the District's environmental documentation, relay land requirements, discuss construction problems and concerns that may affect cost or facility operation, and provide USDA with District estimated costs for each project alternative.
- WSC will prepare and submit a draft of the PER to the District and USDA for review. The PER and all attachments will be provided in PDF and MS Word format and will be submitted via email.

3.2 Prepare Final PER

- Address District and USDA comments and prepare final PER for upload to RD Apply.

<i>Deliverable: Draft and Final Preliminary Engineering Report</i>

TASK 4.0 USDA APPLICATION PACKAGE

4.1 RD Apply

- WSC staff will register online with RD Apply for eAuthentication Level II registration.
- Assist the District with the Authorized Representative Request in order for WSC to receive access to the District's application.
- The required application for the USDA Water & Waste Disposal Loan Program will be set up in RD Apply.

4.2 Compile Complete USDA Application Package

- With support from the District, WSC will compile a complete application package. WSC will prepare a checklist of required items, and manage the process of compiling all required information for District approval, signatures and submission to USDA.
- Submit USDA application through RD Apply.

4.3 USDA Coordination

- Coordination with USDA through the application process, which will include application preparation, submission, review, and response to comments.

Scope of Work

- Coordination with USDA, Regulatory Agencies, District, and District Consultants to satisfy NEPA requirements.
- WSC's budget is based on an assumed 110 hours of effort.

TASK 5.0 ENGINEERING COORDINATION & SUPPORT

5.1 Engineering Coordination & Support

- Project related engineering coordination and support including creation of exhibits and performing calculations. WSC's budget is based on an assumed 100 hours of effort.

<i>Deliverable: Complete & Submit USDA Application Package</i>

Assumptions

- Scope does not include additional meetings or coordination after a decision is made by USDA regarding the award of funding.
- Scope does not include preparation of bidding documents or efforts to advance projects to construction.
- Scope does not include project pre-design, project design, geologic work, geotechnical investigations, environmental or permitting work, cost estimates, or assistance with property acquisitions.
- WSC anticipates receiving previous documents in their native editable format (Word, Excel, etc.), for use in preparing the USDA application package.
- Final application package will be available to the District in electronic format via the USDA RD Apply website. Hardcopy documents will not be provided.
- Supporting documentation will be provided by the District or external consultants acting on behalf of the District. Development of supporting documents is not included.
- WSC's scope does not include preparation of CEQA/NEPA documentation.
- Financial deliverables will be prepared by the District.

Estimated Cost

Estimated Cost

WSC estimates that the cost to complete the USDA Water & Waste Disposal Loan Program Application is \$274,230. A detailed hourly and cost breakdown by task is attached.

San Lorenzo Valley Water District
 USDA Phase 1 Funding Support
 Cost Proposal
 12/7/2017



PM

Task No.	Task Description	WSC							
		Principal	Senior Engineer III	Associate Planner I /Engineer I	Clerical/ Admin	Total Labor Hours	Total Labor	Expenses	Fee
Billing rates, \$/hr		\$275	\$225	\$165	\$90				
1	Project Management	16	152	184	8	360	\$ 69,680	\$2,700	\$73,080
1.1	Project Administration		32	40	8	80	\$ 14,520	\$700	\$15,220
1.2	Meetings		40	48		88	\$ 16,920	\$800	\$17,720
1.3	Consultant Coordination		40	96		136	\$ 24,840	\$1,200	\$26,040
1.4	QA/QC	16	40			56	\$ 13,400	\$700	\$14,100
2	Data & Information	0	24	116	0	140	\$ 24,540	\$1,200	\$25,740
2.1	Data Collection		12	32		44	\$ 7,980	\$400	\$8,380
2.2	Information Review		12	84		96	\$ 16,560	\$800	\$17,360
3	Preliminary Engineering Report	0	108	512	0	620	\$ 108,780	\$5,500	\$114,280
3.1	Draft PER		100	480		580	\$ 101,700	\$5,100	\$106,800
3.2	Final PER		8	32		40	\$ 7,080	\$400	\$7,480
4	USDA Application Package	0	54	172	0	226	\$ 40,530	\$2,000	\$42,530
4.1	RD Apply		16	32		48	\$ 8,880	\$400	\$9,280
4.2	Compile & Submit USDA Application Package		8	60		68	\$ 11,700	\$600	\$12,300
4.3	USDA Coordination		30	80		110	\$ 19,950	\$1,000	\$20,950
5	Engineering Support	0	20	80	0	100	\$ 17,700	\$900	\$18,600
5.1	Engineering Support		20	80		100	\$ 17,700	\$900	\$18,600
Column Totals		16	358	1,064	8	1,446	261,230	12,300	274,230

USDA Loan Projects	
Swim Tank	\$ 678,000
Hihn Road Pipel	\$ 90,000
Lyon Pipe	\$ 450,000
Worth Lane Pipe	\$ 120,000
Sequoia Road Pipe	\$ 120,000
Bennet Booster	\$ 390,000
Felton Acres Tank and Booster	\$ 300,000
Hillside Drive Pipe	\$ 240,000
Riverview Drive Pipe	\$ 240,000
Two Bar Road Pipe	\$ 450,000
Orman Road Pipe	\$ 300,000
California Drive Pipe	\$ 240,000
Fall Creek Fish Ladder	\$ 1,160,000
SUM TOTAL	\$ 4,778,000

Project Name	HihnRdPipe
Estimated Project Cost	\$90,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
4	16
4	16
5	15
3	9
5	15
Final Score	116

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: HIHN ROAD WATER DISTRIBUTION
SYSTEM

PROGRAM: Water Supply - DISTRIBUTION
SYSTEM

PRIORITY: 116

PROJECT No.

District Contact: Brian Lee

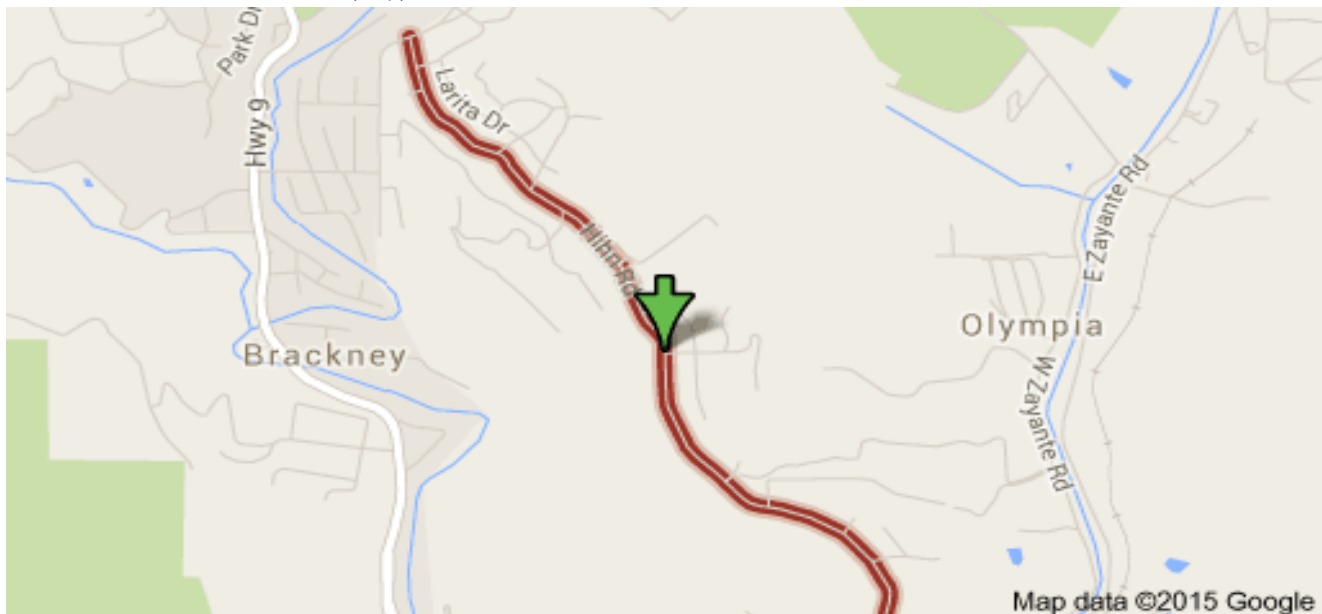
blee@slvwd.com

PROJECT DESCRIPTION

The Hihn Road Water Distribution System, located off Hihn Road in Ben Lomond, would be required in conjunction with the Desert Line Replacement Project. The Desert Line Replacement Project would allow the District to abandon the existing cross-country supply line commonly known as the "Desert Line". The "Desert Line" is an existing 6-inch asbestos cement water main installed above ground and traverses sensitive habitat. This project installation of 600 LF of six-inch water main, would extend water service from the higher elevation University Zone into a portion of the existing Quail Hollow Zone (Ridgeview Drive). Extension of the University Zone would provide adequate water pressure to the highest elevation homes in the vicinity of Ridgeview Drive which are currently being supplied water from the "Desert Line". The Hihn Road Water Distribution System project would transfer the water supply and distribution for approximately twelve (12) service connections from the Quail Zone to the University Zone.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION (map)



Project Name	LyonPipe
Estimated Project Cost	\$450,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
5	25
5	20
1	4
4	16
2	6
3	9
5	15
Final Score	115

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

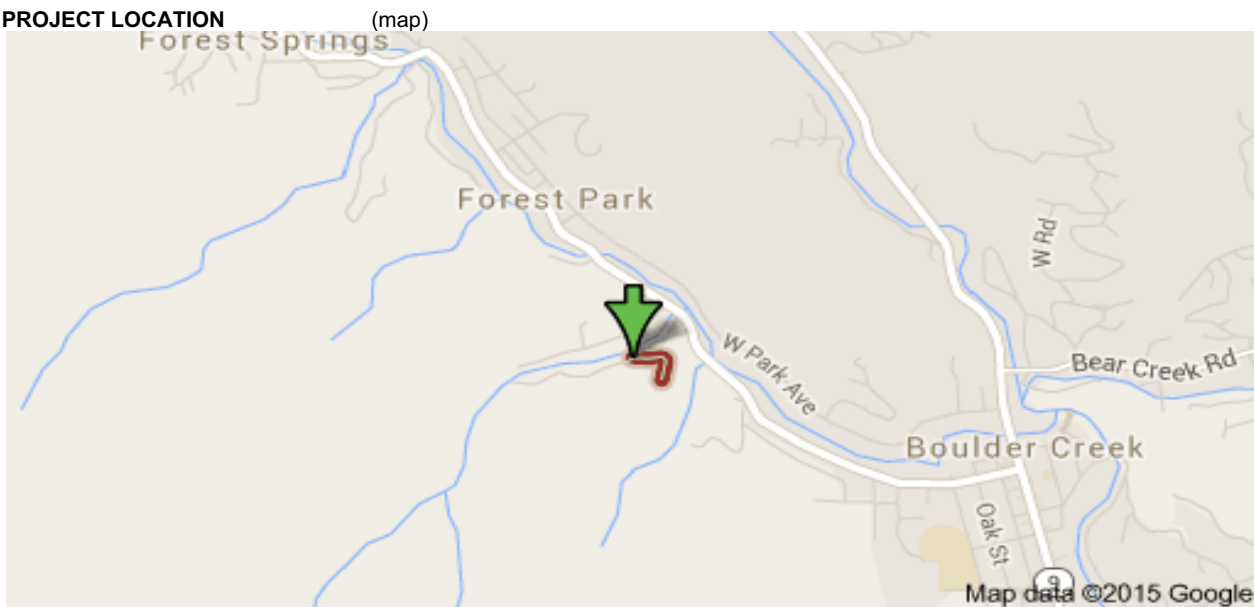
PROJECT	LYON ZONE WATER
PROGRAM	DISTRIBUTION SYSTEM Water Supply - DISTRIBUTION
PRIORITY	115
PROJECT No.	
District Contact	Brian Lee blee@slvwd.com

PROJECT DESCRIPTION

Construction of approximately 3,000 lineal feet of new 10-inch water main and appurtenances thereto. This project will replace the existing 6-inch water main along Highway 236 from Big Steel Water Storage Tank to Highway 9. The existing distribution system is outside the Highway 236 right-of-way and traverses under homes. Undersized water main is the source of flow capacity restriction between Big Steel, Brookdale and Reader Zones. This project is an estimate only and needs additional study to quantify project alternatives and costs.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION



Project Name	WorthLnPipe
Estimated Project Cost	\$120,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
4	12
3	9
5	15
Final Score	101

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

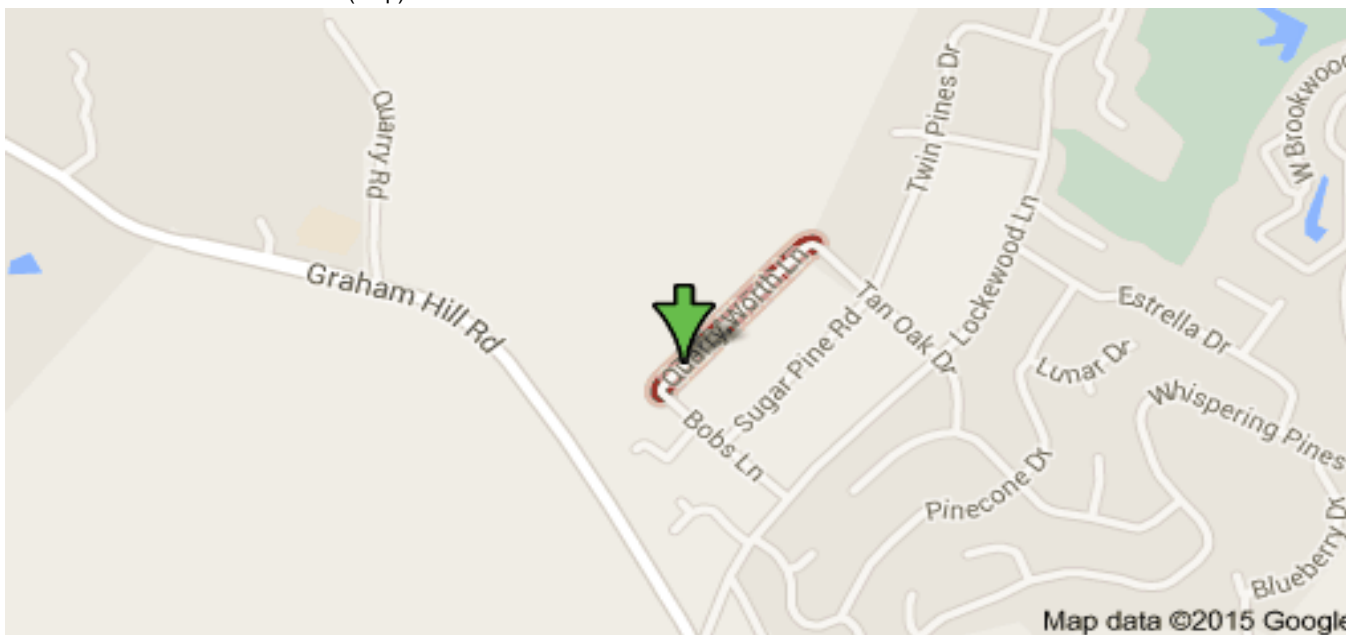
PROJECT: WORTH LANE WATER DISTRIBUTION
SYSTEM
PROGRAM: Water Supply - DISTRIBUTION
SYSTEM
PRIORITY: 101
PROJECT No.
District Contact: Brian Lee
blee@slvwd.com

PROJECT DESCRIPTION

Construction of approximately 800 lineal feet of new 6-inch water main and appurtenances thereto. The project will fill in a break in the distribution system from Worth Lane to Lockwood Lane creating a looped main line system. Undersize water mains are the source of intermittent low water pressure, interruption of water service, and inadequate fire flow.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION (map)



Project Name	SequoiaRdPipe
Estimated Project Cost	\$120,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
4	12
3	9
4	12
Final Score	98

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: SEQUOIA AVENUE WATER
DISTRIBUTION
PROGRAM: Water Supply - DISTRIBUTION
SYSTEM
PRIORITY: 98
PROJECT No.
District Contact: Brian Lee
blee@slvwd.com

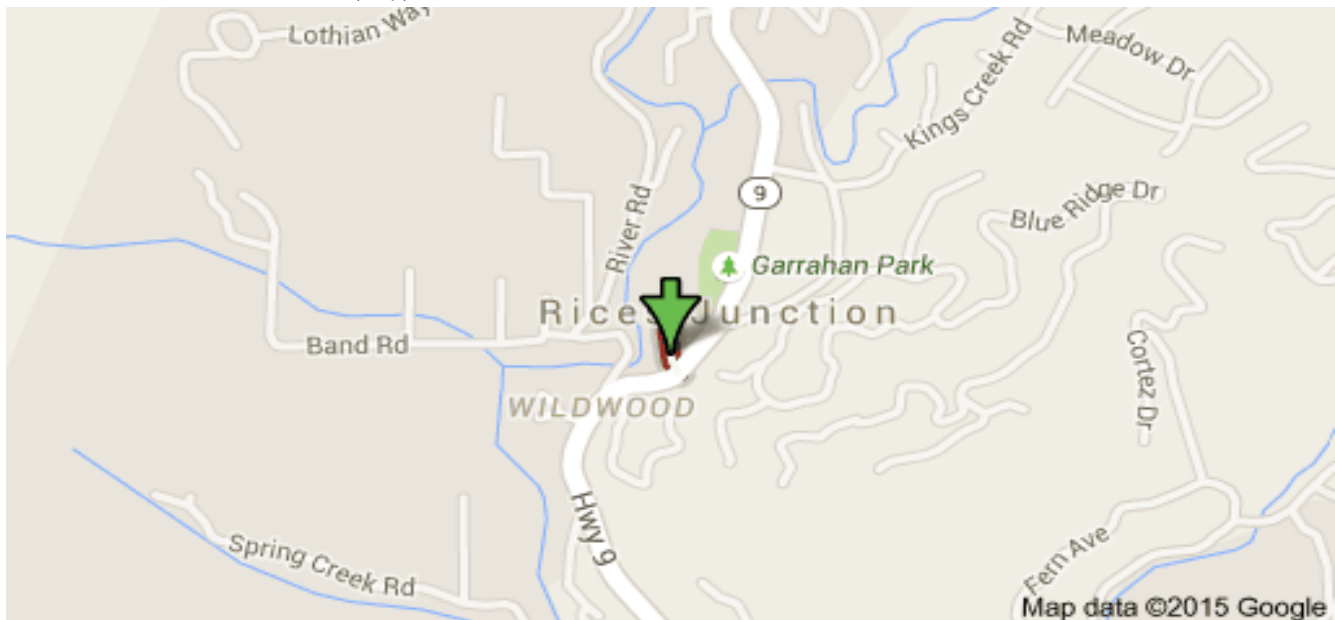
PROJECT DESCRIPTION

Construction of approximately 800 lineal feet of new 8-inch HDPE water main and appurtenances thereto. This project will replace existing 6-inch water main above ground cross-country between the Districts Reader Water Storage Tank and Sequoia Avenue providing a loop feed in the Reader Zone.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION

(map)



Project Name	BenetBooster
Estimated Project Cost	\$390,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
1	5
5	25
5	20
1	4
4	16
3	9
3	9
2	6
Final Score	94

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: BENET BOOSTER PUMP
STATION
PROGRAM: Water Supply - PRODUCTION

PRIORITY: 94
PROJECT No.
District Contact: Brian Lee
blee@slvwd.com



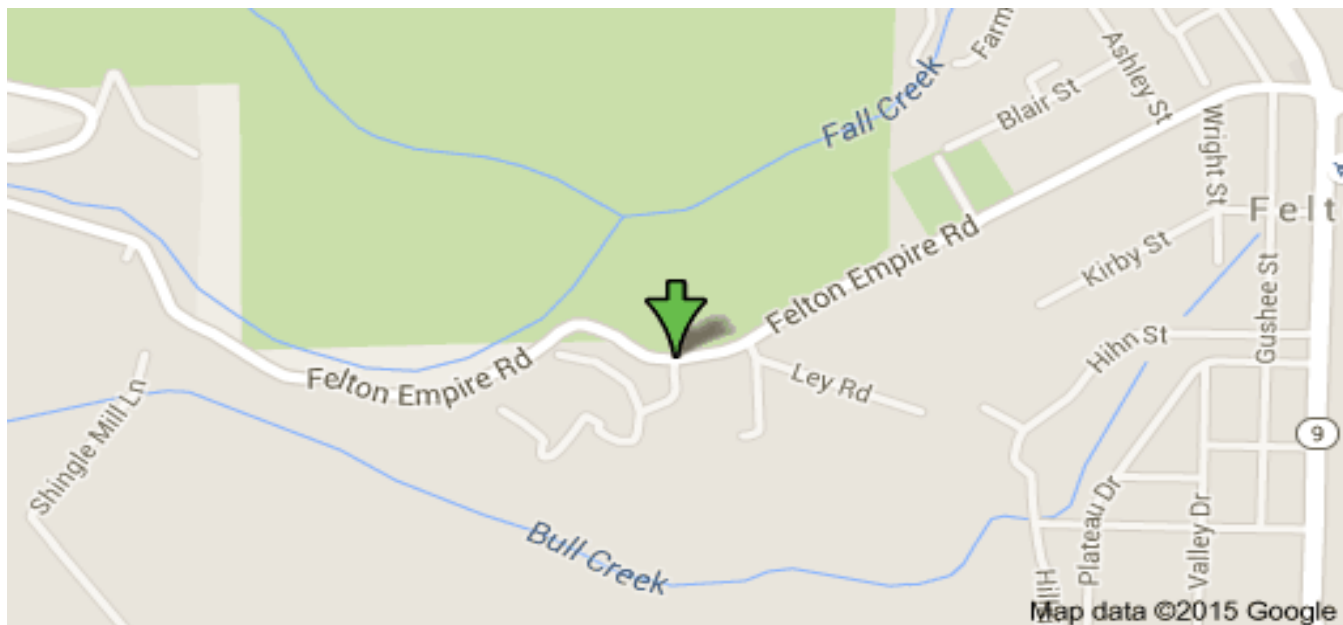
PROJECT DESCRIPTION

The Project consist of construction of a pumping station and the installation of approximately 4,200 lineal feet of new 4-inch HDPE pump-up transmission line, SCADA control, and appurtenances thereto. Additional rights-of-way for the pump station location may need to be obtained from private property owner prior to construction

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION

(map)



Project Name	FeltonAcresTankandBooster
Estimated Project Cost	\$300,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
3	9
3	9
3	9
Final Score	92

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: FELTON ACRES WATER STORAGE TANK
AND BOOSTER PUMP STATION

PROGRAM: Water Supply - DISTRIBUTION
SYSTEM

PRIORITY: 92

PROJECT No.

District Contact: Brian Lee
blee@slvwd.com

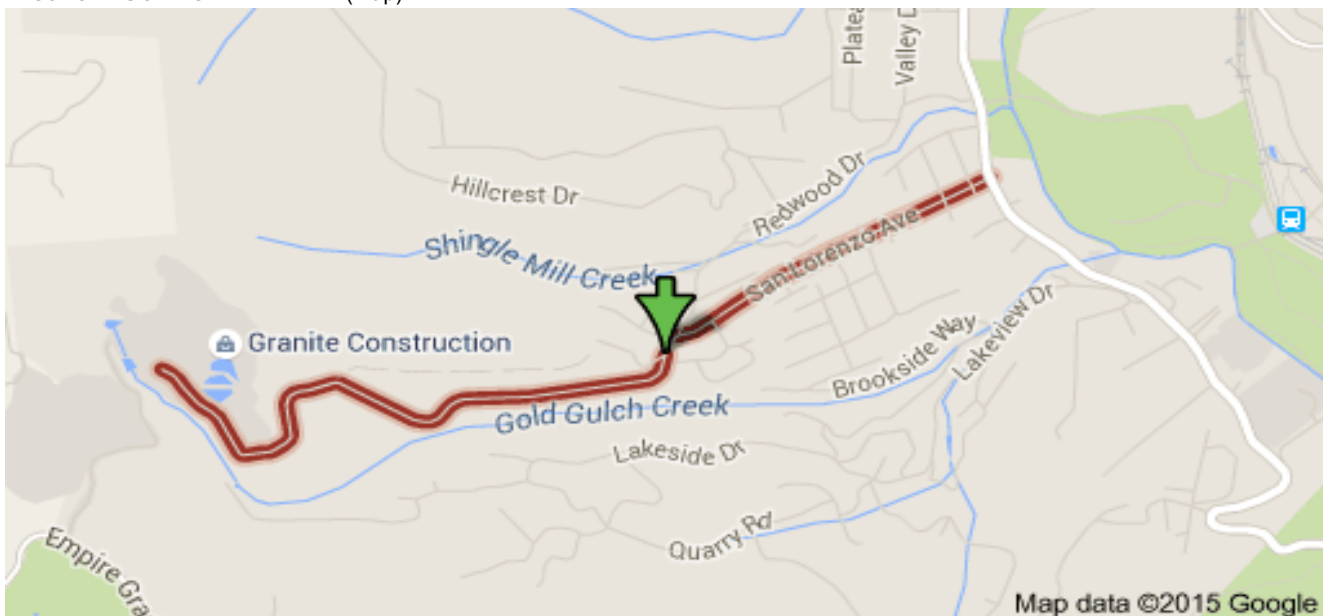


PROJECT DESCRIPTION

The Felton Acres Water Storage Tank and Booster Pump Station, located off San Lorenzo Avenue in Felton, is part of the water system acquired by the District in 2007 from the California-American Water Company. This facility provides water service to approximately two hundred (200) service connections in the Pine Zone. The existing storage tank consists of a 100,000 gallon redwood storage tank. The purpose of this tank is to provide a wet well for the booster pump station. The existing booster pump station, located adjacent to the water storage tank, pumps water to the Pine Tank. Two (2) 1,000 gallon steel pressure tanks are also located at this facility. The smaller tanks provide pressure system service for the Pine Zone. The redwood tank is greatly oversized for the purpose of a booster pump wet well. The redwood tank is leaking and is reaching its life expectancy. The booster pump station has reached its life expectancy and requires replacement. Further investigation is needed to understand the function of the two steel pressure tanks. The function of the two (2) pressure tanks may be eliminated by the installation of SCDA control between the Pine Tank and the Booster Pump Station.

- * Bulit item 1
- * Bulit item 2
- * Bulit item 3

PROJECT LOCATION (map)



Project Name	HillsideDrPipe
Estimated Project Cost	\$240,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
4	12
3	9
2	6
Final Score	92

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: HILLSIDE DRIVE WATER
DISTRIBUTION SYSTEM
PROGRAM: Water Supply - DISTRIBUTION
SYSTEM
PRIORITY: 92
PROJECT No.
District Contact: Brian Lee
blee@slvwd.com

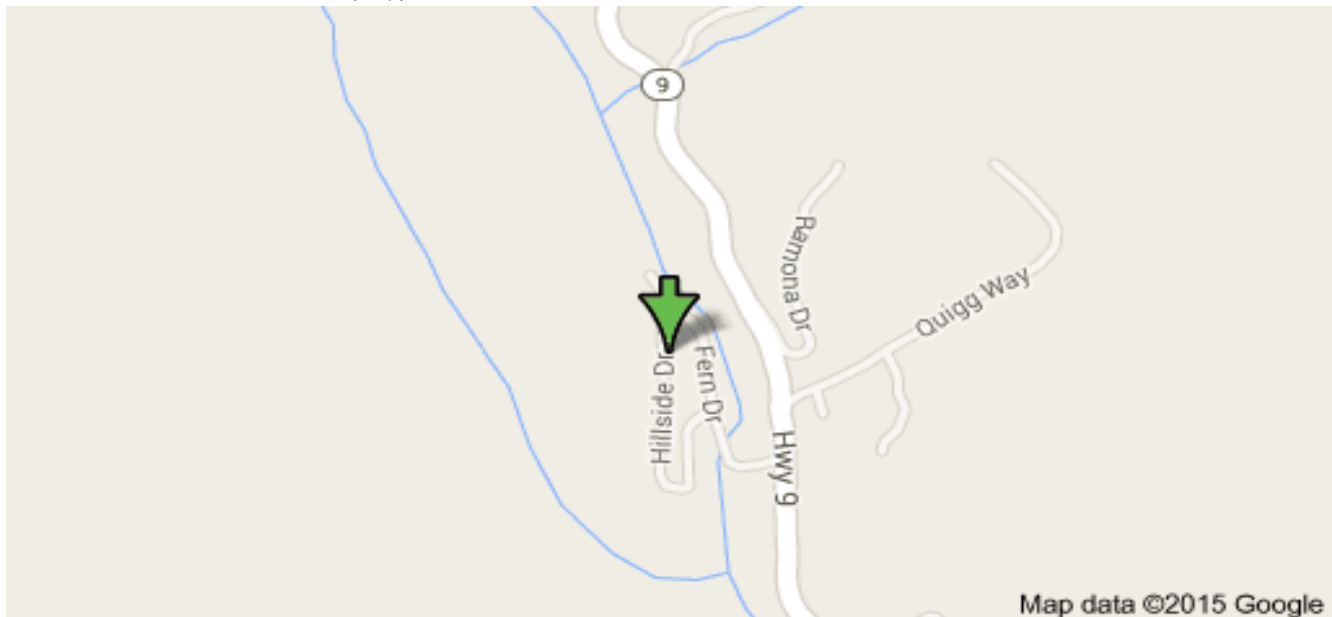
PROJECT DESCRIPTION

The Hillside Drive Water Distribution System, located off Hillside Drive in Boulder Creek, is part of the water distribution system acquired by the District in 1992 from the North Boulder Creek Improvement District Project (acquisition of San Lorenzo Woods Mutual Water Company and Park Mutual Water Company). The existing distribution system consists of 1,600 LF of 4- inch PVC water main which is installed in an area with geological instability. On-going ground movement has resulted in frequent damage to the existing water main. The Hillside Water Distribution System provides water service to approximately thirty (30) service connections in the North Boulder Creek Zone. The project would be installation of 1,600 LF of HDPE.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION

(map)



Project Name	RiverviewDrPipe
Estimated Project Cost	\$240,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
4	12
3	9
2	6
Final Score	92

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: RIVERVIEW DRIVE WATER DISTRIBUTION
SYSTEM

PROGRAM: Water Supply - DISTRIBUTION

PRIORITY: 92

PROJECT No.

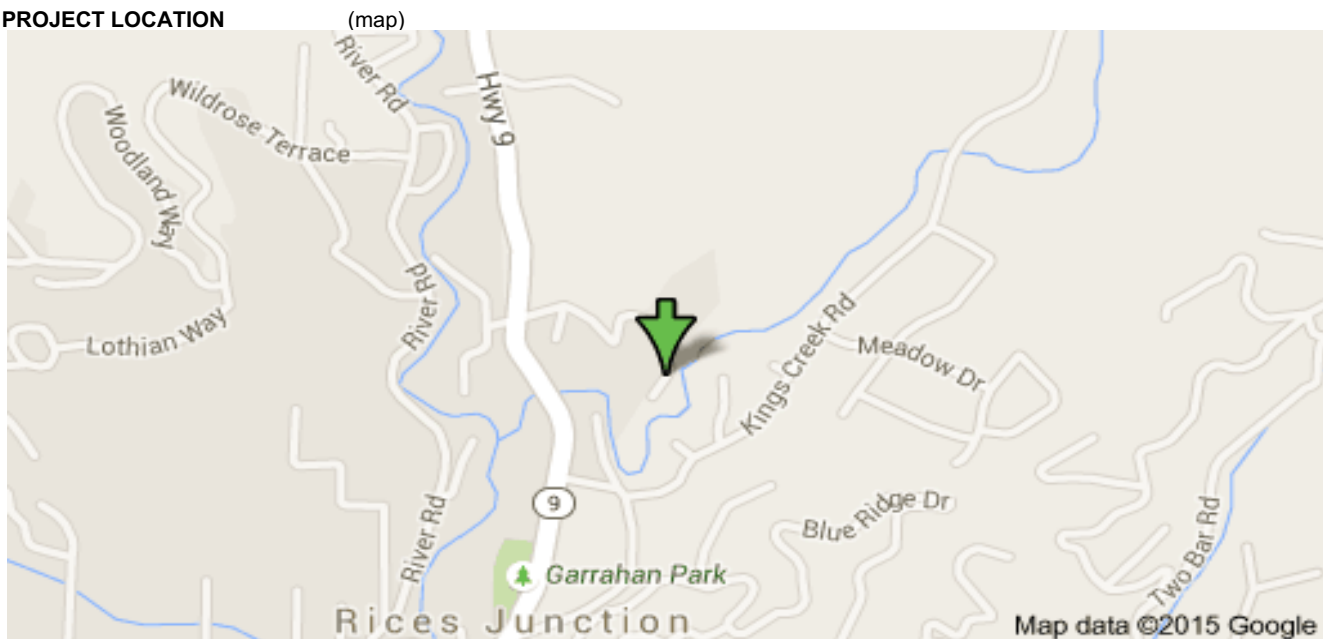
District Contact: Brian Lee
blee@slvwd.com

PROJECT DESCRIPTION

Construction of approximately 1,200 lineal feet of new 6-inch water main and appurtenances thereto. This project will replace the existing two-inch water main along Riverview Drive from Highway 9 to the Riverview Drive split. The project includes Highway 9 bore and jack crossing. Undersized water main is the source of intermittent low water pressure and inadequate fire flow capacity.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION



Project Name	TwoBarRdPipe
Estimated Project Cost	\$450,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
3	9
3	9
2	6
Final Score	89

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: TWO BAR ROAD WATER DISTRIBUTION
SYSTEM

PROGRAM: Water Supply - DISTRIBUTION

PRIORITY: 89

PROJECT No.

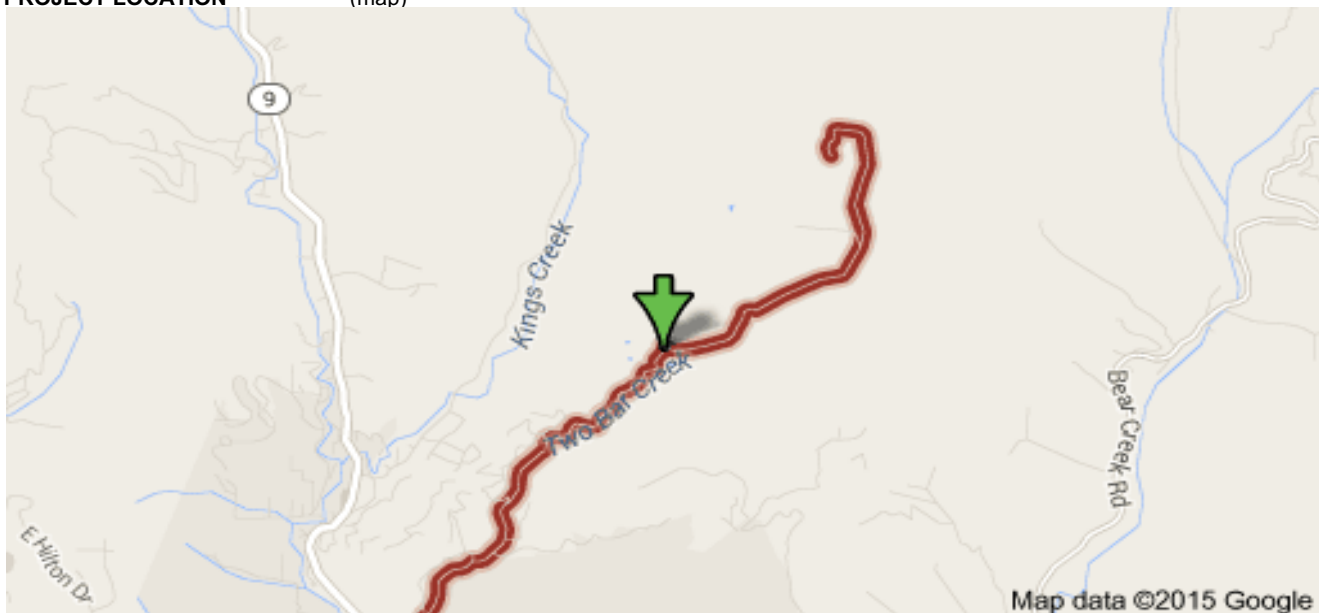
District Contact: Brian Lee
blee@slvwd.com

PROJECT DESCRIPTION

Construction of approximately 3,000 lineal feet of new 8-inch water main and appurtenances thereto. This project will replace the existing 2-inch water main along Two Bar Road from approximately Redwood Christian Park to the end of the distribution system. Undersized water main is the source of intermittent low water pressure, interruption of water service, and inadequate fire flow capacity.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION (map)



Project Name	OrmanRdPipe
Estimated Project Cost	\$300,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
4	20
1	5
5	20
1	4
4	16
3	9
3	9
1	3
Final Score	86

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

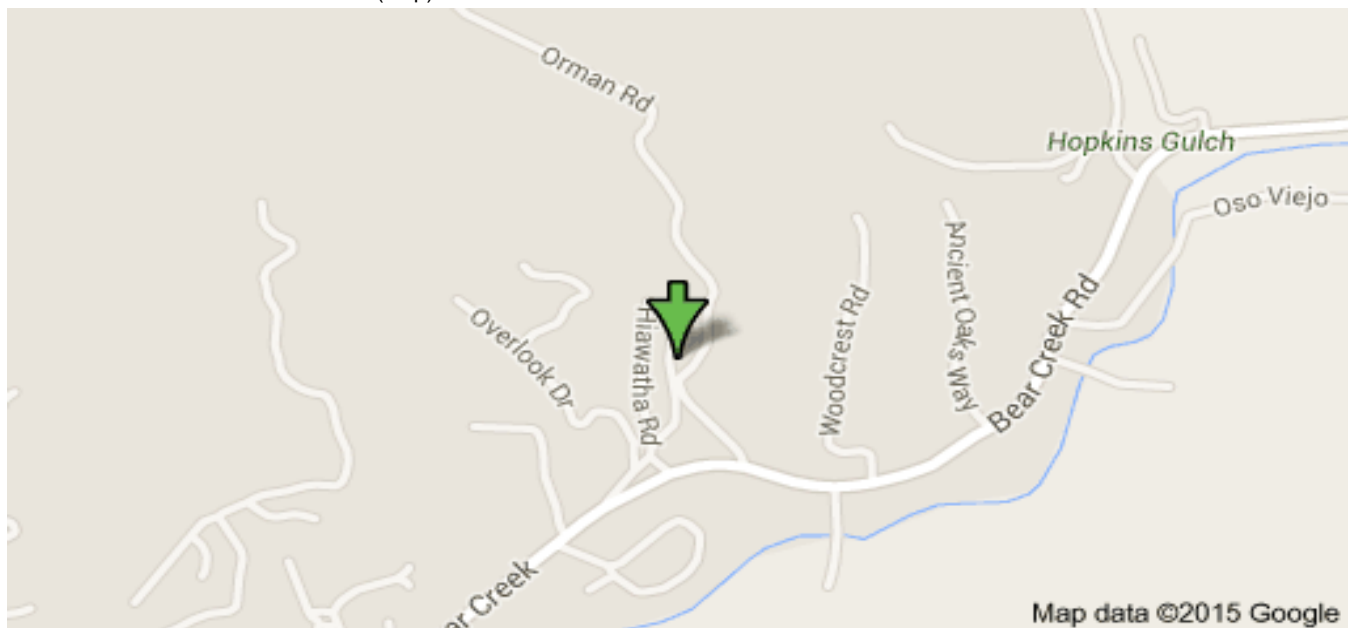
PROJECT: ORMAN ROAD WATER
DISTRIBUTION SYSTEM
PROGRAM: Water Supply - DISTRIBUTION
SYSTEM
PRIORITY: 86
PROJECT No.
District Contact: Brian Lee
blee@slvwd.com

PROJECT DESCRIPTION

Construction of approximately 2,000 lineal feet of new 8-inch water main and appurtenances thereto. The project will replace the existing 2-inch and 1 ½-inch water main along Orman Road. Undersize water mains are the source of intermittent low water pressure, interruption of water service, and inadequate fire flow.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION (map)



Project Name	CaliforniaDrPipe
Estimated Project Cost	\$240,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
1	5
1	5
5	20
1	4
4	16
4	12
3	9
2	6
Final Score	77

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: CALIFORNIA DRIVE WATER
DISTRIBUTION SYSTEM
PROGRAM: Water Supply - DISTRIBUTION
SYSTEM
PRIORITY: 77
PROJECT No.
District Contact: Brian Lee
blee@slvwd.com

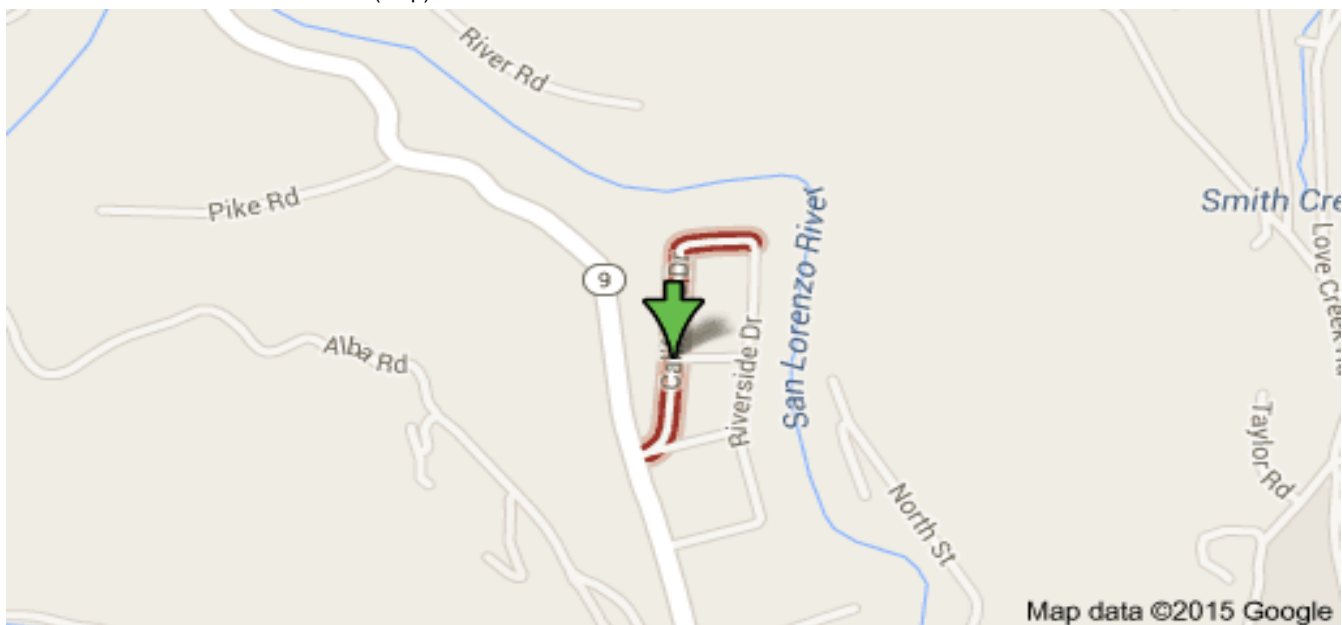
PROJECT DESCRIPTION

Construction of approximately 1,600 lineal feet of new 6-inch water main and appurtenances thereto. The project will replace the existing 2-inch water main along California Drive and Berkley way providing a loop system connecting into the existing 10-inch water main. Undersize water mains are the source of intermittent low water pressure, interruption of water service, and inadequate fire flow.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION

(map)



Project Name	FallCreekFishLadder
Estimated Project Cost	\$800,000

District Priorities	Priority	Rank				
		1	2	3	4	5
Risk of Failure/Hardship of Failure	5	No			Yes	
Water Supply Addition / Protection / Efficiency	5	No				Yes
Fire Service / Community Safety - Does this project improve fire service	4	No			Storage	Flow
Environmental Stewardship - Improve or 'fix' enviro issues	4	No			Yes	
Water Quality - Does this project protect / improve our water quality	4	No			Yes	
Estimated Cost	3	> \$1M	\$500k < x < \$1M	\$250k < x < \$500k	\$100K < x < \$250k	< \$100k
Cost Savings / Avoidance / ROI / Net Cost / Maintenance Costs / Frequency of Repair	3	No		Yes		
Population Served	3	< 50	50 < x < 250	250 < x < 500	500 < x < 1,000	> 1,000

Project Rank	Priority Score
1	5
5	25
1	4
4	16
4	16
2	6
1	3
5	15
Final Score	90

SAN LORENZO VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROPOSED PROJECTS LIST

Agenda: 12.7.17
Item: 9d

PROJECT: FALL CREEK DIVERSION FACILITY

PROGRAM: Water Supply - SOURCE

PRIORITY: 90

PROJECT No.

District Contact: Brian Lee

blee@slvwd.com



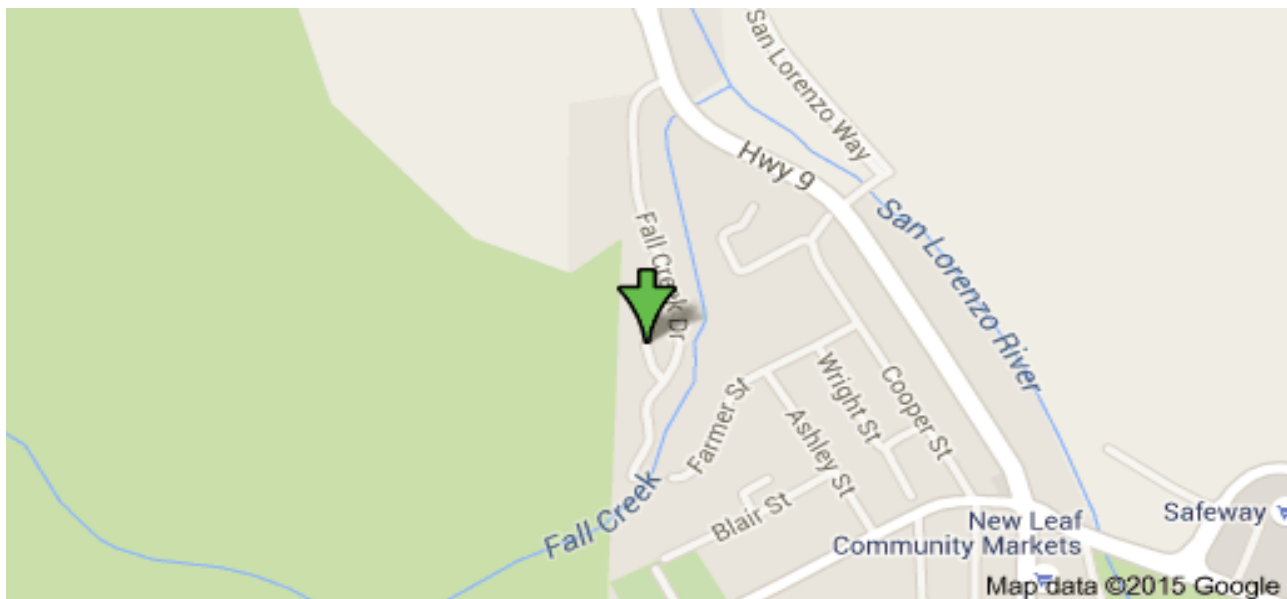
PROJECT DESCRIPTION

The Fall Creek Diversion Facility, located off Fall Creek Road in Felton, is part of the water system acquired by the District in 2007 from the California-American Water Company. This facility supplies raw water from Fall Creek to the Kirby Water Treatment Plant in Felton. The existing intake facilities consist of a concrete dam, two submersible pumps, and electrical supply. Currently, the downstream splash pans that protect the dam from erosion are in need of repair due to years of undermining from stream flows. In addition, the fish ladder is not in compliance with current fishery requirements and replacement is required.

- * Bullit item 1
- * Bullit item 2
- * Bullit item 3

PROJECT LOCATION

(map)



MEMO

To: Board of Directors
From: District Manager
Subject: SANTA MARGARITA GROUNDWATER AGENCY DRAFT BY-LAWS
Date: December 7, 2017

RECOMMENDATION:

Each Director review the attached versions of the Santa Margarita Groundwater Agency's draft by-laws and provide direction to staff.

BACKGROUND:

Director Baughman has requested that staff bring the three various versions of the Joint Powers Agency (JPA) by-laws to the full Board for a discussion. Each of the attached documents exists for a specific reason. Also attached are the by-laws of the Mid-County GSA JPA.

STRATEGIC PLAN:

Element 7.3 - Work with neighboring Agencies and Impacted Private Well Owners to develop a Groundwater Sustainability Agency (GSA)

FISCAL IMPACT:

None

BYLAWS

of the

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

May 19, 2016

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PREAMBLE

These Bylaws are adopted and effective as of May 19, 2016, pursuant to the Joint Exercise of Powers Agreement of the Santa Cruz Mid-County Groundwater Agency (the "Agreement").

ARTICLE 1. THE AGENCY

1.1 NAME OF AGENCY. The name of the Agency created by the Agreement shall be the Santa Cruz Mid-County Groundwater Agency ("MGA" or "Agency").

1.2 OFFICE OF AGENCY. The principal office of the Agency shall be at the Soquel Creek Water District located at 5180 Soquel Drive, Soquel, CA 95073, or at such other location as the Board may designate by resolution.

1.3 POWERS. The powers of the Agency shall be as set forth in Article 4 of the Agreement.

ARTICLE 2. BOARD OF DIRECTORS

2.1 BOARD OF DIRECTORS. The Agency shall be governed by a Board of Directors (the "Board") as set forth in Article 6 of the Agreement.

2.2 PROCEDURE FOR APPOINTMENT OF DIRECTORS REPRESENTING PRIVATE WELL OWNERS.

2.2.1 Notification. The Board shall issue formal notification of the opportunity to apply for the appointment to the Board as Directors representing the interests of private well owners.

- I. The notification shall include a description of the work of the Agency, the desired characteristics and skills of Directors representing the interests of private well owners and the screening criteria to be used in evaluating applications received, as well as the timeline for decision-making on appointees.
- II. The Board shall use a variety of print media, electronic and other formal and informal communication mechanisms in this notification, and the period of notification will cover, at a minimum, 10 working days.
- III. A standardized application will be required as part of each applicant's submittal.
- IV. Applications submitted by hand delivery, mail or electronically must be received in the Agency's offices (the Soquel Creek Water District) by the close of the filing period.

2.2.2 Screening and Interviews. A subcommittee of the Board, with member agency staff participation as appropriate, shall screen applications using the set of screening criteria included in the notification described in 2.2.1. The subcommittee shall hold interviews with the top candidates from the screening process and develop recommendations for the full Board's consideration.

2.2.3 Nomination. The subcommittee of the Board involved with screening and interview of candidates shall nominate candidates for appointment to the Director positions representing private well owners.

2.2.4 Appointment. Appointment of Directors representing private well owners shall be made by a majority vote of the Member Directors in compliance with Section 6.3.5 of the Agreement.

ARTICLE 3. BOARD MEETINGS

3.1 MEETINGS. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four directors by written request. Board meetings shall be conducted in compliance with Article 8 of the Agreement, all applicable laws, and as further specified herein.

3.2 QUORUM. In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is formally representing an absent appointed Director.

3.3 ORDER OF BUSINESS. In general, at the regular meetings of the Board, the following will be the order of business:

3.3.1 Call to Order.

3.3.2 Roll Call.

3.3.3 Oral Communications Related to Items Not on the Agenda.

3.3.4 Approval of Minutes of the Previous Meeting.

3.3.5 Agenda Items, including any appropriate combination of consent items, regular business items, or public hearing items.

3.3.6 Oral Updates from Directors and Staff.

3.3.7 Adjournment.

3.4 ACTION BY THE BOARD. Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair, and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. The Chair shall announce the results of the vote including the names of the Directors, if any, voting in the minority.

3.5 RULE OF ORDER. All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "Rosenberg's Rules of Order;"¹ provided, however, that no action of the

¹ Rosenberg's Rules of Order is appended to these Bylaws as Attachment A

Board shall be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4. OFFICERS

4.1 OFFICERS. The Officers of the Agency are the Chair, Vice-Chair, and Secretary, as provided for in Article 6 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice Chair, and the Secretary must be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, will not be a Director.

4.2 ELECTION OF OFFICERS. At the first meeting of the Board of each fiscal year, nominations for the Officers will be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their election to office until June 30, 2017. Thereafter, each Officer shall serve a term of one (1) year. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 REMOVAL OF ELECTED OFFICERS. An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 VACANCIES. Any vacancy in the offices because of death, resignation, removal, disqualification, or any other cause will be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board.

4.5 RESIGNATION OF OFFICERS. Any Officer may resign at any time by giving written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.6 RESPONSIBILITIES OF OFFICERS.

4.6.1 Chair of the Board. The Chair of the Board shall preside at meetings of the Board and exercise and perform such other powers and duties as may be assigned to him/her by the Board or prescribed by these Bylaws.

4.6.2 Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 Secretary. The Secretary shall perform, but not be limited to, the following duties:

- I. Book of Minutes. Keep or cause to be kept, at the principal executive office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and Committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those

present and absent at such meetings and the proceedings of such meetings. Minutes will be in the form of Action Minutes and a meeting summary.

- II. Notices and Other Duties. Prepare, give, or cause to be given, notice of, and agendas for, all meetings of the Board and committees of the Agency.
- III. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

ARTICLE 5. BOARD COMMITTEES, WORKING GROUPS, AND ADVISORY COMMITTEES

5.1 BOARD COMMITTEES. The Board may establish temporary or permanent Board Committees composed entirely of Board Members to facilitate conduct of its work. Temporary Board Committees will have a specific charge and operational duration not to exceed six months and are not subject to the Brown Act unless they include more than six Directors as Committee members. Permanent Committees will be given a specific role and regardless of the number of Directors appointed shall be subject to compliance with the Brown Act. All Board Committees will make provide regular updates to the full Board about their activities and the progress of their work.

5.2 WORKING GROUPS. Informal working groups may be formed from time to time to provide opportunities for a small subset of Directors to work with staff on specific planning, analytical, or community engagement activities. Such working groups will have a defined area as the focus for its work and may function for a duration of up to six months, and may include such membership as needed to accomplish the object for which the working group was created.

5.3 ADVISORY COMMITTEES. Pursuant to Section 12 of the Agreement, the Board may establish one or more advisory committees to assist in carrying out the purposes and objectives of the Agency.

5.3.1 In establishing an Advisory Committee, the Board shall provide specific direction to the Committee as to its charge, expected duration for completion of its charge, and a summary of the resources, including staff or consultant support available to the Committee in performing its work.

5.3.2 Advisory Committee membership and appointments shall be at the Board's discretion based on the creating the membership needed to meet the purpose for which the Advisory Committee was created.

5.3.3 Any advisory committee shall exercise such powers as may be delegated to it, except that no committee may:

- i. Take any final action on matters which, under the Agreement, require approval by a majority vote of the Board;
- ii. Amend or repeal the Bylaws or adopt new Bylaws;
- iii. Amend or repeal any resolution of the Board; or
- iv. Appoint any other committees of the Board or the members of these committees.

5.3.4 Advisory committees shall meet at the call of their respective committee chairs. All advisory committee meetings shall be conducted in accordance with the Ralph M. Brown Act (California Government Code sections 54950 et seq.). Minutes of committee meetings shall be recorded and upon approval shall be distributed to the Board.

ARTICLE 6. AGENCY ADMINISTRATION, MANAGEMENT AND STAFFING

6.1 COLLABORATIVE MANAGEMENT. Except for the Agency's Treasurer function, Agency administration and management will be conducted using a collaborative staffing model in which the professional and technical staff of the member agencies work together to provide staff leadership, management and administration of the agency.

6.1.1 Staffing Support for Agency Officers and Board Members. Senior level executive staff will work together to provide staff support for the Agency Officers and Board members. Board agenda and meeting materials will generally be prepared by or reviewed by one or more members of the executive staff prior to being finalized. Should member agency senior level staff not be in agreement on any topic, the Agency Board Chair and Vice-Chair will be consulted to provide the necessary direction. Any issue not resolvable by member agency senior staff and the Agency Board Chair and Vice-Chair will be referred to the full Board for decision.

6.1.2 Staffing support for Implementation of the Agency Work Plan. Both senior level executive staff from the Agreement member agencies and other professional and technical staff from the member agencies will be involved in providing staff support for the Agency.

6.1.3 In-Kind Contribution of Staff. Unless otherwise specified in the Agreement or these Bylaws, member agency staff contributions will be in the form of "in kind" contributions. The Agency will not budget for or reimburse member agencies for the work contributed by their staff to the administration or management of the Agency.

6.1.4 Agreement with Community Foundation for Planning and Administrative Support Staff. The Board has agreed to contract with the Community Foundation ("Foundation") for a senior planner to work on development of the Groundwater Sustainability Plan ("GSP") and a part time administrative staff person.

- i. Professional staff hired through the Agreement with the Community Foundation will provide professional level planning services and will receive day-to-day direction by the General Manager of the Soquel Creek Water District.
- ii. Administrative support staff hired through the Agreement with the Community Foundation will provide administrative support for the Board, including preparing meeting packets and meeting minutes, and being responsible for developing and posting notices required to comply with the Brown Act.

6.2 TREASURER. The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source, and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections 6505, 6505.5, and all other applicable laws and regulations, including any subsequent amendments thereto.

6.2.1 Memorandum of Understanding (“MOU”) for Treasurer Services with the Soquel Creek Water District (“District”). The Board has appointed the Finance Manager of the Soquel Creek Water District as Agency Treasurer and will execute a MOU with the District to reimburse them for these services. Reimbursement will include necessary staff time as well as the purchase and maintenance of any necessary materials and/or equipment required by the Treasurer in order to complete the work.

6.2.2 Treasurer’s Duties. Particularly, the Treasurer shall perform, but not be limited to, the following duties:

- I. Books of Account. Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account will be open to inspection by any Director at all reasonable times.
- II. Deposit and Disbursement of Money and Valuables. Consistent with the provisions of Article 14 of the Agreement, deposit all money and other valuables in the name and to the credit of the Agency within such depository accounts as may be designated by the Board; disburse the funds of the Agency as may be ordered by the Board; and render to the Board, whenever requested, an account of all of his/her transactions as Treasurer and of the financial condition of the Agency.
- III. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

6.3 STAFFING STRATEGY REVIEW UPON COMPLETION OF THE GROUNDWATER SUSTAINABILITY PLAN. The collaborative staffing model for the Agency will be reviewed and revised if or as needed upon completion of the development of the Groundwater Sustainability Plan. In particular, the performance of the collaborative staffing model in meeting the Agency’s needs and the proposed role of the Agency in implementing projects identified and recommended for implementation in the GSP will be considered when determining the potential need future staffing needs of the Agency.

ARTICLE 7. FINANCES

7.1 DEPOSIT AND DISBURSEMENT OF FUNDS. All funds of the Agency shall be deposited in one or more depository accounts as may be designated by the Board. Such accounts shall be independent of any account owned by or exclusively controlled by any of the Members. No disbursements of such funds shall be made unless the same shall have been approved in the annual operating budget, or otherwise specifically approved by the Board. All disbursements shall be by check. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair’s absence, the Vice-Chair. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair or Vice-Chair in order to facilitate efficient operation of the Agency.

7.2 BUDGET. The Agency shall operate pursuant to an operating budget to be adopted prior to the beginning of each new fiscal year. The Agency shall endeavor to operate each year pursuant to an annually balanced budget so that projected annual expenses do not exceed projected annual revenues. Budget adjustments to the annual

budget shall be reviewed and acted upon by the Board at a regularly scheduled Board meeting occurring after January 1 of each calendar year. The Board may take action to amend the budget at other times if circumstances require more immediate action.

ARTICLE 8. DEBTS AND LIABILITIES

The debts, liabilities and obligations of the Agency are not and will not be the debts, liabilities or obligations of any or all of the Members. However, nothing in this Article or in the Agreement prevents, or impairs the ability of, a Member or Members, from agreeing, in a separate agreement, to be jointly and/or severally liable, in whole or in part, for any debt, obligation or liability of the Agency, including but not limited to, any bond or other debt instrument issued by the Agency.

ARTICLE 9. RECORDS RETENTION

9.1 MAINTENANCE OF THE AGENCY RECORDS. The Agency will keep:

9.1.1 Adequate and correct books and records of account; and of the Board.

9.1.2 Minutes in written form of the proceedings of its Board, and committees, and advisory committees, if any.

9.1.3 All such records will be kept at the Agency's principal office.

9.2 RECORDS RETENTION POLICY AND SCHEDULE. By June 30, 2017 the Board will review and adopt a Records Retention Policy and Schedule that specifies the retention period of different categories of materials. Implementation of this Policy will be the responsibility of Agency staff.

9.3 INSPECTION RIGHTS.

9.3.1 Any Member may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.

9.3.2 Any inspection and copying under this Section may be made in person or by an agent or attorney or the entity entitled thereto and the right of inspection includes the right to copy.

9.4 MAINTENANCE AND INSPECTION OF AGREEMENT AND BYLAWS. The Agency will keep at its principal executive office the original or copy of the Agreement and these Bylaws as amended to date, which will be open to inspection by the Agency or any Member at all reasonable times during office hours.

9.5 INSPECTION BY DIRECTORS. Every Director has the absolute right at any reasonable time to inspect all non-confidential books, records, and documents of every kind and the physical properties of the Agency. This inspection by a Director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE 10. ETHICS AND CONFLICTS OF INTEREST

The Agency shall be subject to the conflict of interest rules set forth in the Political Reform Act (commencing with Section 81000 of the Government Code of the State of California) and Sections 1090 et seq. of the Government Code of the State of California, and the Agency shall adopt an ethics policy as well as a conflict of interest code as required and as provided by the implementing regulations of the Political Reform Act.

ARTICLE 11. AMENDMENT

These Bylaws may be amended from time to time by resolution of the Board duly adopted upon majority of the Board at a regular or special meeting of the Board; provided, however, that no such amendment shall be adopted unless at least thirty (30) days written notice thereof has previously been given to all members of the Board. Such notice shall identify the Article to be amended, the proposed amendment, and the reason for the proposed amendment.

ARTICLE 12. DEFINITIONS AND CONSTRUCTION

Unless specifically defined in these Bylaws, all defined terms shall have the same meaning ascribed to them in the Agreement. If any term of these Bylaws conflicts with any term of the Agreement, the Agreement's terms shall prevail, and these Bylaws shall be amended to eliminate such conflict of terms. Unless the context or reference to the Agreement requires otherwise, the general provisions, rules of construction, and definitions in the California Civil Code will govern the construction of these Bylaws.

BYLAWS

SANTA MARGARITA GROUNDWATER AGENCY

XXXX XX, 2017

JPA Board Packet Version 10/25

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PREAMBLE

These Bylaws are adopted and effective as of xx xx, 2017, pursuant to the Joint Exercise of Powers Agreement of the Santa Margarita Groundwater Agency (~~the~~ "Agreement").

ARTICLE 1. THE AGENCY

1.1 NAME OF AGENCY. The name of the Agency created by the Agreement shall be the Santa Margarita Groundwater Agency ("SMGWA" or "Agency").

1.2 PRINCIPAL OFFICE AND BUSINESS AGENT OF AGENCY. The principal office and the business agent of the Agency shall be at the Scotts Valley Water District located at 2 Civic Center Drive, Scotts Valley, CA 95066, or at an alternate~~such other~~ location as the Board may designate by resolution. Principal office shall be used for the main mailing address for all correspondence and as the central records storage. Business agent shall be responsible for managing routine administrative tasks and acting within the scope of authority on behalf of the Agency. Business agent's procedures and policies serve as the basis for restricting and determining how the Agency exercises its powers unless the Board adopts separate procedures and policies for the Agency.

1.3 POWERS. The powers of the Agency shall be as set forth in Article 4 of the Agreement.

ARTICLE 2. BOARD OF DIRECTORS

2.1 BOARD OF DIRECTORS. The Agency shall be governed by a Board of Directors (the "Board") as set forth in Article 6 of the Agreement.

2.2 TERM OF APPOINTMENTS. The Agency does not set the terms for the Directors. The duration of the appointment for each Director on the Board is established by each respective agency or group they represent.

2.23 PROCEDURE FOR APPOINTMENT OF DIRECTORS REPRESENTING PRIVATE WELL OWNERS.

A procedure shall be followed that allows for the private well owners as a group to select their representatives to the Board. If the private well owners as a group are willing and able to agree on the two representatives for Directors positions and one representative for Alternate Director position, then those nominations shall be approved by the Member Agency Directors. If more applications are received than the number of positions available, the private well owner representatives shall be selected in the manner described in section 2.3.3 below.

2.23.1 Notification. The Board shall issue formal notification of the opportunity to apply for the appointment to the Board as Directors representing the interests of private well owners.

- I. The notification shall include a description of the work of the Agency, the desired characteristics and skills of Directors representing the interests of private well owners and the screening criteria to be used in evaluating applications received, as well as the timeline for decision-making on appointees.,

- II. The notification shall also describe the opportunity for the private well owners as a group to self-select their representatives by limiting the number of applications to only the number of positions available.
- III. The Board shall use a variety of print media, electronic and other formal and informal communication mechanisms in this notification, and the period of notification ~~will~~shall cover, at a minimum, 10 working days.
- IV. A standardized application ~~will~~shall be required as part of each applicant's submittal.
- V. Applications must be received in the Agency's offices (~~Scotts Valley Water District~~) by the close of the filing period.

~~2.23.2~~ Opportunity for Self-Selection. Upon the close of the filing period, if there are more applicants than the number of positions available, the applicants shall be notified of the opportunity to act as a group to select the representatives of the private well owners by reaching agreement among themselves for some applicants to withdraw their applications so that the remaining number of applications is the same as the number of positions available. Applicants shall be given the names and contact information of the other applicants and shall be allowed ~~430~~ days to meet and confer and seek agreement on which applicant(s) shall become the group representative(s). Withdrawal of an application must be done by submitting a request to withdraw signed by the applicant at the Agency office. If after ~~340~~ days, the number of applications is greater than the number of positions available, the procedure for selection described below ~~will~~shall be followed.

~~2.23.3~~ Screening and Nomination~~Interviews~~. If the self-selection process did not result in the final nominees as the private well owner representatives, A subcommittee of the Board, with member agency staff participation as appropriate, shall screen applications using the set of screening criteria included in the notification described in 2.2.1. The subcommittee shall hold interviews with the top candidates from the screening process and develop recommendations for the full Board's consideration.

~~2.2.4 — Nomination.~~ The subcommittee of the Board involved with screening and interview of candidates shall nominate candidates for appointment to the Director positions representing private well owners, including one Alternate Director.

~~2.3.42-5~~ Appointment. Appointment of Directors and Alternate Director representing private well owners shall be made by a unanimous vote of the Member Agency Directors in compliance with Section 6.3.7 of the Agreement. If the private well owners have self-selected their representatives, as described in Section ~~2.23.2~~, the Board shall appoint those representatives.

2.3 CODE OF CONDUCT. The Board understands the importance and value of a positive and constructive culture to the overall performance of the Agency. In order for the Board to function in an effective manner, it is important that the Directors understand their respective roles and the level of performance necessary to carry out the duties of a Director. All Directors shall agree in writing to follow the Code of Conduct as presented in Appendix A.

ARTICLE 3. BOARD MEETINGS

3.1 MEETINGS. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four directors

by written request. Board meetings shall be conducted in compliance with Article 8 of the Agreement, all applicable laws, and as further specified herein.

3.2 QUORUM. In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is formally representing an absent appointed Director.

3.3 ORDER OF BUSINESS. ~~The In general order of business for, at the regular and special meetings of the Board shall be established by the member agency senior staff in consultation with the Agency Board Chair and Vice-Chair, the following will~~shall be the order of business:

~~3.3.1 — Call to Order.~~

~~3.3.2 — Roll Call.~~

~~3.3.3 — Oral Communications Related to Items Not on the Agenda.~~

~~3.3.4 — Approval of Minutes of the Previous Meeting.~~

~~3.3.5 — Agenda Items, including any appropriate combination of consent items, regular business items, or public hearing items.~~

~~3.3.6 — Oral Updates from Directors and Staff.~~

~~3.3.7 — Adjournment.~~

3.4 ACTION BY THE BOARD. Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair, and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. ~~The Chair shall announce the results of the vote including the names of the Directors, if any, voting in the minority.~~ The Chair shall announce the results of the vote.—

3.5 RULE OF ORDER. All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "Rosenberg's Rules of Order;"¹ provided, however, that no action of the Board shall be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4. OFFICERS

4.1 OFFICERS. The Officers of the Agency are the Chair, Vice-Chair, and Secretary, as provided for in Article 6 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice Chair, and the Secretary must

¹ Rosenberg's Rules of Order is appended to these Bylaws as Attachment A

be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, and will~~shall~~ not be a Director.

4.2 ELECTION OF OFFICERS. At the first meeting of the Board of each ~~calendar~~fiscal year, nominations for the Officers will~~shall~~ be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their election to office until the first Board meeting in 2018~~June 30, 2017~~. Thereafter, each Officer shall serve a term of one (1) year. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 REMOVAL OF ELECTED OFFICERS. An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 VACANCIES. Any vacancy in the offices because of death, resignation, removal, disqualification, or any other cause will~~shall~~ be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board.

4.5 RESIGNATION OF OFFICERS. Any Officer may resign at any time by giving written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.6 RESPONSIBILITIES OF OFFICERS.

4.6.1 Chair of the Board. The Chair of the Board shall preside at meetings of the Board and exercise and perform such other powers and duties as may be assigned to him/her by the Board or prescribed by these Bylaws.

4.6.2 Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 Secretary. The Secretary shall perform, but not be limited to, the following duties:

- I. Book of Minutes. Keep or cause to be kept, at the principal executive office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and Committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those present and absent at such meetings and the proceedings of such meetings. Minutes will~~shall~~ be in the form of Action Minutes and a meeting summary.
- II. Notices and Other Duties. Prepare, give, or cause to be given, notice of, and agendas for, all meetings of the Board and committees of the Agency.
- III. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

ARTICLE 5. BOARD COMMITTEES, WORKING GROUPS, AND ADVISORY COMMITTEES

5.1 BOARD COMMITTEES. The Board may establish temporary or permanent Board Committees composed entirely of Board Members to facilitate conduct of its work. Permanent Committees ~~will~~shall be given a specific role and regardless of the number of Directors appointed shall be subject to compliance with the Ralph M. Brown Act, California Government Code sections 54950 et seq. (Brown Act). Temporary Board Committees ~~will~~shall have a specific charge and operational duration not to exceed six months and are not subject to the Brown Act unless they include more than ~~seven~~five (5) Directors as Committee members. All Board Committees ~~will~~shall make provide regular updates to the full Board about their activities and the progress of their work.

5.2 WORKING GROUPS. Informal working groups may be formed from time to time to provide opportunities for a small subset of Directors to work with staff on specific planning, analytical, or community engagement activities. Such working groups ~~will~~shall have a defined area as the focus for its work and may function for a duration of up to six months, and may include such membership as needed to accomplish the object for which the working group was created. The working groups are not subject to the Brown Act unless they include more than five (5) Directors in a working group.

5.3 ADVISORY COMMITTEES. Pursuant to Section 12 of the Agreement, the Board may establish one or more advisory committees to assist in carrying out the purposes and objectives of the Agency.

5.3.1 In establishing an Advisory Committee, the Board shall provide specific direction to the Committee as to its charge, expected duration for completion of its charge, and a summary of the resources, including staff or consultant support available to the Committee in performing its work.

5.3.2 Advisory Committee membership and appointments shall be at the Board's discretion based on the purpose for which the Advisory Committee was created.

5.3.3 Any advisory committee shall exercise such powers as may be delegated to it, except that no committee may:

- i. Take any final action on matters which, under the Agreement, require approval by a majority vote of the Board;
- ii. Amend or repeal the Bylaws or adopt new Bylaws;
- iii. Amend or repeal any resolution of the Board; or
- iv. Appoint any other committees of the Board or the members of these committees.

5.3.4 Advisory committees shall meet at the call of their respective committee chairs. All advisory committee meetings shall be conducted in accordance with the ~~Ralph M. Brown Act (California Government Code sections 54950 et seq.)~~. Minutes of committee meetings shall be recorded and upon approval shall be distributed to the Board.

ARTICLE 6. AGENCY ADMINISTRATION, MANAGEMENT AND STAFFING

6.1 COLLABORATIVE MANAGEMENT. Except for the Agency's Treasurer function, Agency administration and management willshall be conducted using a collaborative staffing model in which the professional and technical staff of the member agencies work together to provide staff leadership, management and administration of the agency.

6.1.1 Staffing support for Agency Officers and Board Members. Senior level executive staff willshall work together to provide staff support for the Agency Officers and Board members. Board agenda and meeting materials willshall generally be prepared by or reviewed by one or more members of the executive staff prior to being finalized. Should member agency senior level staff not be in agreement on any topic, the Agency Board Chair and Vice-Chair willshall be consulted to provide the necessary direction. Any issue not resolvable by member agency senior staff and the Agency Board Chair and Vice-Chair willshall be referred to the full Board for decision.

Designated administrative staff may be required to support the Agency. The Agency shall budget and reimburse member agencies for the salary and benefit costs of designated staff.

6.1.2 Staffing support for implementation of the Agency Work Plan. Both senior level executive staff from the Agreement member agencies and other professional and technical staff from the member agencies willshall be involved in providing staff support for the Agency. The Board may agree to contract for staffing resources as needed.

6.1.3 In-Kind Contribution of Staff. Unless otherwise specified in the Agreement or these Bylaws, member agency staff contributions willshall be in the form of "in kind" contributions. The Agency willshall not budget for or reimburse member agencies for the work contributed by their staff to the administration or management of the Agency.

6.2 TREASURER. The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source, and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections 6505, 6505.5, and all other applicable laws and regulations, including any subsequent amendments thereto.

6.2.1 ~~Memorandum of Understanding ("MOU") for Treasurer Services with the Scotts Valley Water District ("District").~~ The Board ~~has appointed~~ the Finance Manager of one of member agency's the Scotts Valley Water District as Agency Treasurer and ~~willshall execute a MOU with the District to~~ reimburse them for these services. Reimbursement willshall include necessary staff time as well as the purchase and maintenance of any necessary materials and/or equipment required by the Treasurer in order to complete the work.

6.2.2 Treasurer's Duties. Particularly, the Treasurer shall perform, but not be limited to, the following duties:

- I. Books of Account. Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account willshall be open to inspection by any Director at all reasonable times.

- II. Deposit and Disbursement of Money and Valuables. Consistent with the provisions of Article 14 of the Agreement, deposit all money and other valuables in the name and to the credit of the Agency within such depository accounts as may be designated by the Board; disburse the funds of the Agency as may be ordered by the Board; and render to the Board, whenever requested, an account of all of his/her transactions as Treasurer and of the financial condition of the Agency.
- III. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

6.3 STAFFING STRATEGY REVIEW UPON COMPLETION OF THE GROUNDWATER SUSTAINABILITY PLAN. The collaborative staffing model for the Agency ~~will~~shall be reviewed and revised if or as needed upon completion of the development of the Groundwater Sustainability Plan. In particular, the performance of the collaborative staffing model in meeting the Agency's needs and the proposed role of the Agency in implementing projects identified and recommended for implementation in the GSP ~~will~~shall be considered when determining the potential staffing needs of the Agency.

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7.1 DEPOSIT AND DISBURSEMENT OF FUNDS. All funds of the Agency shall be deposited in one or more depository accounts as may be designated by the Board. Such accounts shall be independent of any account owned by or exclusively controlled by any of the Members. No disbursements of such funds shall be made unless the same shall have been approved in the annual operating budget, or otherwise specifically approved by the Board. All disbursements shall be by check. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair's absence, the Vice-Chair or the Secretary. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair, ~~or~~ Vice-Chair, or Secretary in order to facilitate efficient operation of the Agency.

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ARTICLE 9. RECORDS RETENTION

9.1 MAINTENANCE OF THE AGENCY RECORDS. The Agency ~~will~~shall keep:

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9.1.2 Minutes in written form of the proceedings of its Board, and committees, and advisory committees, if any.

9.1.3 All such records ~~will~~shall be kept at the Agency's principal office.

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8.2.1 Any Member may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.

8.2.2 Any inspection and copying under this Section may be made in person or by an agent or attorney or the entity entitled thereto and the right of inspection includes the right to copy and make extracts.

9.4 MAINTENANCE AND INSPECTION OF AGREEMENT AND BYLAWS. The Agency ~~will~~shall keep at its principal executive office the original or copy of the Agreement and these Bylaws as amended to date, which ~~will~~shall be open to inspection by the Agency or any Member at all reasonable times during office hours.

9.5 INSPECTION BY DIRECTORS. Every Director has the absolute right at any reasonable time to inspect all non-confidential books, records, and documents of every kind and the physical properties of the Agency. This inspection by a Director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE 10. ETHICS AND CONFLICTS OF INTEREST

The Agency shall be subject to the conflict of interest rules set forth in the Political Reform Act (commencing with Section 81000 of the Government Code of the State of California) and Sections 1090 et seq. of the Government Code of the State of California, and the Agency shall adopt an ethics policy as well as a conflict of interest code as required and as provided by the implementing regulations of the Political Reform Act.

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These Bylaws may be amended from time to time by resolution of the Board duly adopted upon majority of the Board at a regular or special meeting of the Board; provided, however, that no such amendment shall be

adopted unless at least thirty (30) days written notice thereof has previously been given to all members of the Board. Such notice shall identify the Article to be amended, the proposed amendment, and the reason for the proposed amendment.

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Santa Margarita Groundwater Agency
Board of Directors

CODE OF CONDUCT

As members of the Santa Margarita Groundwater Agency (Agency) Board of Directors (Board), we are committed to preserving the public trust and representing the best interests of our constituents.

Principles and Performance Expectations

- 1) Board functions as a participatory team,
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- I ~~will~~shall keep the common good as my highest purpose and focus on achieving constructive solutions for the public benefit.
- I ~~will~~shall avoid and discourage conduct, which is divisive or harmful to the best interest of the Agency.
- I ~~will~~shall treat all people with whom I come into contact with in a manner in which I wish to be treated.

Name

Date

Title

BYLAWS

SANTA MARGARITA GROUNDWATER AGENCY

XXXX XX, 2017

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PREAMBLE

These Bylaws are adopted and effective as of xx xx, 2017, pursuant to the Joint Exercise of Powers Agreement of the Santa Margarita Groundwater Agency ("Agreement").

ARTICLE 1. THE AGENCY

1.1 NAME OF AGENCY. The name of the Agency created by the Agreement shall be the Santa Margarita Groundwater Agency ("SMGWA" or "Agency").

1.2 PRINCIPAL OFFICE AND BUSINESS AGENT. The principal office and the business agent of the Agency shall be at the Scotts Valley Water District located at 2 Civic Center Drive, Scotts Valley, CA 95066, or at an alternate location as the Board may designate by resolution. Principal office shall be used for the main mailing address for all correspondence and as the central records storage. Business agent shall be responsible for managing routine administrative tasks and acting within the scope of authority on behalf of the Agency. Business agent's procedures and policies serve as the basis for restricting and determining how the Agency exercises its powers unless the Board adopts separate procedures and policies for the Agency.

1.3 POWERS. The powers of the Agency shall be as set forth in Article 4 of the Agreement.

ARTICLE 2. BOARD OF DIRECTORS

2.1 BOARD OF DIRECTORS. The Agency shall be governed by a Board of Directors (the "Board") as set forth in Article 6 of the Agreement.

2.2 TERM OF APPOINTMENTS. The Agency does not set the terms for the Directors. The duration of the appointment for each Director on the Board is established by each respective agency or group they represent.

2.3 PROCEDURE FOR APPOINTMENT OF DIRECTORS REPRESENTING PRIVATE WELL OWNERS.

A procedure shall be followed that allows for the private well owners as a group to select their representatives to the Board. If the private well owners as a group are willing and able to agree on the two representatives for Directors positions and one representative for Alternate Director position, then those nominations shall be approved by the Member Agency Directors. If more applications are received than the number of positions available, the private well owner representatives shall be selected in the manner described in section 2.3.3.

2.3.1 Notification. The Board shall issue formal notification of the opportunity to apply for the appointment to the Board as Directors representing the interests of private well owners.

- I. The notification shall include a description of the work of the Agency, the desired characteristics and skills of Directors representing the interests of private well owners and the screening criteria to be used in evaluating applications received, as well as the timeline for decision-making on appointees.,

- II. The notification shall also describe the opportunity for the private well owners as a group to self-select their representatives by limiting the number of applications to only the number of positions available.
- III. The Board shall use a variety of print media, electronic and other formal and informal communication mechanisms in this notification, and the period of notification shall cover, at a minimum, 10 working days.
- IV. A standardized application shall be required as part of each applicant's submittal.
- V. Applications must be received in the Agency's offices by the close of the filing period.

2.3.2 Opportunity for Self-Selection. Upon the close of the filing period, if there are more applicants than the number of positions available, the applicants shall be notified of the opportunity to act as a group to select the representatives of the private well owners by reaching agreement among themselves for some applicants to withdraw their applications so that the remaining number of applications is the same as the number of positions available. Applicants shall be given the names and contact information of the other applicants and shall be allowed 40 days to meet and confer and seek agreement on which applicant(s) shall become the group representative(s). Withdrawal of an application must be done by submitting a request to withdraw signed by the applicant at the Agency office. If after 40 days, the number of applications is greater than the number of positions available, the procedure for selection described below shall be followed.

2.3.3 Screening and Nomination. If the self-selection process did not result in the final nominees as the private well owner representatives, a subcommittee of the Board, with member agency staff participation as appropriate, shall screen applications using the set of screening criteria included in the notification described in 2.2.1. The subcommittee shall hold interviews with the top candidates from the screening process and develop recommendations for the full Board's consideration. The subcommittee of the Board involved with screening and interview of candidates shall nominate candidates for appointment to the Director positions representing private well owners, including one Alternate Director.

2.3.4 Appointment. Appointment of Directors and Alternate Director representing private well owners shall be made by a unanimous vote of the Member Agency Directors in compliance with Section 6.3.7 of the Agreement. If the private well owners have self-selected their representatives, as described in Section 2.3.2, the Board shall appoint those representatives.

2.3 CODE OF CONDUCT. The Board understands the importance and value of a positive and constructive culture to the overall performance of the Agency. In order for the Board to function in an effective manner, it is important that the Directors understand their respective roles and the level of performance necessary to carry out the duties of a Director. All Directors shall agree in writing to follow the Code of Conduct as presented in Appendix A.

ARTICLE 3. BOARD MEETINGS

3.1 MEETINGS. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four directors by written request. Board meetings shall be conducted in compliance with Article 8 of the Agreement, all applicable laws, and as further specified herein.

3.2 **QUORUM.** In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is formally representing an absent appointed Director.

3.3 **ORDER OF BUSINESS.** The general order of business for the regular and special meetings of the Board shall be established by the member agency senior staff in consultation with the Agency Board Chair and Vice-Chair.

3.4 **ACTION BY THE BOARD.** Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair, and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. The Chair shall announce the results of the vote.

3.5 **RULE OF ORDER.** All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "Rosenberg's Rules of Order;"¹ provided, however, that no action of the Board shall be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4. OFFICERS

4.1 **OFFICERS.** The Officers of the Agency are the Chair, Vice-Chair, and Secretary, as provided for in Article 6 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice Chair, and the Secretary must be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, and shall not be a Director.

4.2 **ELECTION OF OFFICERS.** At the first meeting of the Board of each calendar year, nominations for the Officers shall be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their election to office until the first Board meeting in 2018. Thereafter, each Officer shall serve a term of one (1) year. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 **REMOVAL OF ELECTED OFFICERS.** An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 **VACANCIES.** Any vacancy in the offices because of death, resignation, removal, disqualification, or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board.

¹ Rosenberg's Rules of Order is appended to these Bylaws as Attachment A

4.5 RESIGNATION OF OFFICERS. Any Officer may resign at any time by giving written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.6 RESPONSIBILITIES OF OFFICERS.

4.6.1 Chair of the Board. The Chair of the Board shall preside at meetings of the Board and exercise and perform such other powers and duties as may be assigned to him/her by the Board or prescribed by these Bylaws.

4.6.2 Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 Secretary. The Secretary shall perform, but not be limited to, the following duties:

- I. Book of Minutes. Keep or cause to be kept, at the principal executive office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and Committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those present and absent at such meetings and the proceedings of such meetings. Minutes shall be in the form of Action Minutes and a meeting summary.
- II. Notices and Other Duties. Prepare, give, or cause to be given, notice of, and agendas for, all meetings of the Board and committees of the Agency.
- III. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

ARTICLE 5. BOARD COMMITTEES, WORKING GROUPS, AND ADVISORY COMMITTEES

5.1 BOARD COMMITTEES. The Board may establish temporary or permanent Board Committees composed entirely of Board Members to facilitate conduct of its work. Permanent Committees shall be given a specific role and regardless of the number of Directors appointed shall be subject to compliance with the Ralph M. Brown Act, California Government Code sections 54950 et seq. (Brown Act). Temporary Board Committees shall have a specific charge and operational duration not to exceed six months and are not subject to the Brown Act unless they include more than five (5) Directors as Committee members. All Board Committees shall make provide regular updates to the full Board about their activities and the progress of their work.

5.2 WORKING GROUPS. Informal working groups may be formed from time to time to provide opportunities for a small subset of Directors to work with staff on specific planning, analytical, or community engagement activities. Such working groups shall have a defined area as the focus for its work and may function for a duration of up to six months, and may include such membership as needed to accomplish the object for which the working

group was created. The working groups are not subject to the Brown Act unless they include more than five (5) Directors in a working group.

5.3 ADVISORY COMMITTEES. Pursuant to Section 12 of the Agreement, the Board may establish one or more advisory committees to assist in carrying out the purposes and objectives of the Agency.

5.3.1 In establishing an Advisory Committee, the Board shall provide specific direction to the Committee as to its charge, expected duration for completion of its charge, and a summary of the resources, including staff or consultant support available to the Committee in performing its work.

5.3.2 Advisory Committee membership and appointments shall be at the Board's discretion based on the purpose for which the Advisory Committee was created.

5.3.3 Any advisory committee shall exercise such powers as may be delegated to it, except that no committee may:

- i. Take any final action on matters which, under the Agreement, require approval by a majority vote of the Board;
- ii. Amend or repeal the Bylaws or adopt new Bylaws;
- iii. Amend or repeal any resolution of the Board; or
- iv. Appoint any other committees of the Board or the members of these committees.

5.3.4 Advisory committees shall meet at the call of their respective committee chairs. All advisory committee meetings shall be conducted in accordance with the Brown Act. Minutes of committee meetings shall be recorded and upon approval shall be distributed to the Board.

ARTICLE 6. AGENCY ADMINISTRATION, MANAGEMENT AND STAFFING

6.1 COLLABORATIVE MANAGEMENT. Except for the Agency's Treasurer function, Agency administration and management shall be conducted using a collaborative staffing model in which the professional and technical staff of the member agencies work together to provide staff leadership, management and administration of the agency.

6.1.1 Staffing support for Agency Officers and Board Members. Senior level executive staff shall work together to provide staff support for the Agency Officers and Board members. Board agenda and meeting materials shall generally be prepared by or reviewed by one or more members of the executive staff prior to being finalized. Should member agency senior level staff not be in agreement on any topic, the Agency Board Chair and Vice-Chair shall be consulted to provide the necessary direction. Any issue not resolvable by member agency senior staff and the Agency Board Chair and Vice-Chair shall be referred to the full Board for decision.

Designated administrative staff may be required to support the Agency. The Agency shall budget and reimburse member agencies for the salary and benefit costs of designated staff.

6.1.2 Staffing support for implementation of the Agency Work Plan. Both senior level executive staff from the Agreement member agencies and other professional and technical staff from the member agencies shall be involved in providing staff support for the Agency. The Board may agree to contract for staffing resources as needed.

6.1.3 In-Kind Contribution of Staff. Unless otherwise specified in the Agreement or these Bylaws, member agency staff contributions shall be in the form of “in kind” contributions. The Agency shall not budget for or reimburse member agencies for the work contributed by their staff to the administration or management of the Agency.

6.2 TREASURER. The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source, and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections 6505, 6505.5, and all other applicable laws and regulations, including any subsequent amendments thereto.

6.2.1 The Board appoints the Finance Manager of one of member agency's as Agency Treasurer and shall reimburse them for these services. Reimbursement shall include necessary staff time as well as the purchase and maintenance of any necessary materials and/or equipment required by the Treasurer in order to complete the work.

6.2.2 Treasurer's Duties. Particularly, the Treasurer shall perform, but not be limited to, the following duties:

- I. Books of Account. Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.
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- III. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

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shall have been approved in the annual operating budget, or otherwise specifically approved by the Board. All disbursements shall be by check. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair's absence, the Vice-Chair or the Secretary. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair, Vice-Chair, or Secretary in order to facilitate efficient operation of the Agency.

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8.2.1 Any Member may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.

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- I shall recognize the worth of individual Board members and appreciate their talents, perspectives and contributions.
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- I shall conduct my personal business and public affairs with honesty, integrity, fairness and respect for others.
- I shall keep the common good as my highest purpose and focus on achieving constructive solutions for the public benefit.
- I shall avoid and discourage conduct, which is divisive or harmful to the best interest of the Agency.
- I shall treat all people with whom I come into contact with in a manner in which I wish to be treated.

Name

Date

Title

BYLAWS of the
SANTA MARGARITA GROUNDWATER AGENCY .
a Joint Powers Agency composed of the Scotts Valley Water District, the San Lorenzo Valley Water
District, and the County of Santa Cruz

~~XXXXXX~~ Date: _____, 2017

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BYLAWS of the
SANTA MARGARITA GROUNDWATER AGENCY,
a Joint Powers Agency composed of the Scotts Valley Water District, the San Lorenzo Valley Water
District, and the County of Santa Cruz

Date: _____, 2017

PREAMBLE

These Bylaws are adopted and effective as of xx xx, 2017, pursuant to the Joint Exercise of Powers Agreement ~~of~~by and among the Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz creating the Santa Margarita Groundwater Agency dated June 1, 2017 ("Agreement").

ARTICLE 1. THE AGENCY

1.1 ~~NAME OF AGENCY. _____ NAME OF AGENCY.~~ The name of the Agency created by the Agreement shall be the Santa Margarita ~~Groundwater Agency ("SMGWA" or "Agency").~~

~~1.2 _____~~

Groundwater Agency ("Agency").

1.2. MEMBERS OF THE AGENCY. The Scotts Valley Water District, the San Lorenzo Valley Water District, and the County of Santa Cruz, sometimes referred to herein individually as a "Member" and collectively as the "Members" entered into the Agreement for the purpose of forming the Agency.

1.3. PRINCIPAL OFFICE AND BUSINESS AGENT of the AGENCY.

1.3.1. The principal office and the business agent of the Agency shall be at the Scotts Valley Water District ("Business Agent") located at 2 Civic Center Drive, Scotts Valley, CA ~~95066~~, 95066 ("Principal Office"), or at an alternate location as the Board may designate by resolution. ~~Business agent~~ or agenda item.

1.3.2. The Principal Office shall be used for the main mailing address for all correspondence and for the Agency's central records storage.

1.3.3. The Business Agent shall provide administrative services pursuant to the Agreement, these Bylaws or an administrative services agreement with the Agency. ~~1.3 POWERS.~~

1.3.4. The administration, management and operation of the Agency shall be in accordance with the Business Agent's existing policies and procedures, unless and until the Agency adopts its own administration, management and operation policies and procedures.

1.4. POWERS. The powers of the Agency shall be as set forth in Article 4 of the Agreement.

ARTICLE 2. BOARD OF DIRECTORS

2.1 ~~BOARD OF DIRECTORS.~~ BOARD OF DIRECTORS. The Agency shall be governed by a Board of Directors (the "Board") consisting of 11 Directors as set forth in Article 6 of the Agreement.

Two (2) representatives appointed by the governing body of each of the following public agency Members: The Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz

One (1) representative appointed by the governing body of the City of Scotts Valley

One (1) representative appointed by the governing body of the City of Santa Cruz

One (1) representative of the Mt. Hermon Association Community Water System

Two (2) representatives of private well owners or small public water systems within the boundaries of the Agency.

~~2.2.2.~~ TERM OF APPOINTMENTS. The Agency does not set the terms for the Directors. The duration of the appointment for each Director on the Board ~~is~~shall be established by each respective agency or group they represent.

~~2.3~~ PROCEDURE FOR APPOINTMENT OF DIRECTORS REPRESENTING PRIVATE WELL OWNERS.

2.3. PROCEDURE FOR APPOINTMENT OF DIRECTORS REPRESENTING PRIVATE WELL OWNERS.

~~A procedure shall be followed that allows for~~ 2.3.1. The Agreement. Paragraph 6.3.7 of the Agreement provides: "The two representatives of private well owners shall be appointed by unanimous vote of the Member Agency Directors unless the private well owners as a group to select their representatives to the Board, choose their representatives by a method of self-selection as described in the Bylaws. The procedures for nominating the private well owners shall be set forth in the Bylaws. Prior to the adoption of the Bylaws and selection of the private well owner representatives, the Board may appoint temporary Directors to serve as the representatives of the private well owners."

2.3.2. Self-Selection Authorized. These Bylaws hereby authorize a self-selection process for the appointment of Directors representing private well owners as provided herein.

2.3.3. Process. If the private well owners as a group are willing and able to agree on the two ~~representatives for representative~~ Directors ~~positions~~ and one representative ~~for~~ Alternate Director ~~position~~ ("Well-Owner Representatives"), then those ~~nominations shall be approved by the Member Agency Directors. If more applications are received than the number of positions available, the private well owner representatives shall be selected~~ applications shall be approved in the manner described ~~in section 2.3.3.~~ this Section 2.3 of the Bylaws.

~~2.3.1~~ 2.3.4. Formal Notification: and Application Process.

2.3.4.1. The ~~Board~~Agency shall ~~issue~~provide formal notification of the opportunity to apply for the appointment to the Board as ~~Directors representing the interests of private well owners. I. a Well Owner Representative.~~ The notification shall include a description of the work of the Agency, the minimum qualifications of Well Owner Representatives, the desired characteristics and skills of ~~Directors representing the interests of private well owners and~~ the Well Owner Representatives, the screening criteria to be used in evaluating applications received, as well as the timeline for decision-making on appointees. ~~II. The notification shall also describe the opportunity for the private well owners as a group to self-select their representatives~~ Well Owner Representatives by limiting the number of applications to only the number of positions available. ~~III. The Board shall use~~ To encourage participation, a variety of print media, electronic and other formal and informal

communication mechanisms shall be utilized in this notification, and the period of notification shall cover, at a minimum, 10 working days.

~~IV- 2.3.4.2.~~ A standardized application shall be required as part of each applicant's submittal.

~~2.3.4.3. V.~~ Applications must be received in the ~~Agency's offices~~ Principal Office by the close of the filing period.

~~2.3.2 — Opportunity for Self Selection.~~ 2.3.4. Meet and Confer by Private Well Owners. Upon the close of the submission filing period, if there are more applicants than the number of positions available, all the applicants shall be notified of the opportunity to act as a group to select the representatives of the private well owners by reaching agreement among themselves for some applicants to withdraw their applications so that the remaining number of applications is the same as the number of positions available. Applicants shall be given the names and contact information of the other applicants and shall be allowed at least 40 days ("Deadline") to meet and confer and seek agreement on which applicant(s) shall become the group representative(s). Withdrawal of an application must be done by submitting a request to withdraw signed by the applicant ~~at the Agency office. If after 40 days, and~~ delivered to the Principal Office. If before the Deadline, the Well Owner Representatives are identified by the private well owners and any remaining applicants voluntarily withdraw their application, then the Board shall appoint those representatives, provided they meet the qualifications established by the Agency.

2.3.5. Inability to Select Representatives. If the self-selection process did not result in the final selection Well Owner Representatives, or if the number of applications ~~is~~ remains greater than the number of positions available, the procedure for selection described below shall be followed:

~~2.3.3 — Screening and Nomination. If the self-selection process did not result in the final nominees as the private well owner representatives, a~~ 2.3.5.1. A subcommittee of the Board, with ~~m~~ Member agency staff participation as appropriate, shall screen applications using the set of screening criteria ~~included in the notification described in 2.2.1, approved by the Board.~~ The subcommittee shall hold interviews with the top candidates from the screening process and develop recommendations for the full Board's consideration.

2.3.5.2. The subcommittee of the Board involved with screening and interview of candidates shall nominate candidates for appointment to the Director positions representing private well owners, including one Alternate Director.

~~2.3.4 — Appointment.~~ 2.3.5.3. Appointment of ~~Directors and Alternate Director representing private well owners~~ Well Owner Representatives shall be made by a unanimous vote of the Member Agency Directors in compliance with Section 6.3.7 of the Agreement. ~~If the private well owners have self-selected their representatives, as described in Section 2.3.2, the Board shall appoint those representatives.~~

TR Comment, the Brown Act provides that Interviews for appointments to district legislative or advisory bodies must be conducted in open session. While candidates for such positions cannot be compelled to stay outside the room where the interview is held while other candidates are being interviewed, most will comply with a request to do so.

2.4 CODE OF CONDUCT. The Board understands the importance and value of a positive and constructive culture to the overall performance of the Agency. In order for the Board to function in an effective manner, it is important that the Directors understand their respective roles and the level of performance necessary to carry out the duties of a Director. All Directors shall agree in writing to follow the Code of Conduct as presented in Appendix A.

~~"2.5 Director Compensation"~~ 2.5. DIRECTOR COMPENSATION. Directors and members of committees shall serve without compensation from the Agency. Each Director may, however, be provided compensation by

their Represented Agency. Each Director or committee member may be reimbursed his or her necessary and actual expenses by the Agency, including travel incident to services as a Director or committee member, as may be ~~determined~~approved by the Board ~~to be just and reasonable.~~ Any Director or committee member may elect, however, to decline said reimbursement.

ARTICLE 3. BOARD MEETINGS

3.1 ~~MEETINGS~~ MEETINGS. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four ~~d~~irectors by written request. Board meetings shall be conducted in compliance with Article 8 of the Agreement, all applicable laws, and as further specified herein.

3.2 ~~QUORUM.~~ QUORUM. In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is ~~formally~~ representing an absent appointed Director.

3.3 ~~ORDER OF BUSINESS.~~ MEETING AGENDAS AND ORDER OF BUSINESS. The general order of business for the regular and special meetings of the Board shall be established by the ~~m~~ember agency senior level executive staff in consultation with the Agency Board Chair and Vice-Chair, and shall include agenda items, including any appropriate combination of consent items, regular business items, or public hearing items.

3.4. REQUEST TO PLACE ITEMS ON THE AGENDA. Any Director may require that an item be placed on the agenda ~~for of~~ any regular meeting of the Board by submitting a written request to the Agency Board Chair and Vice Chair at least 30 calendar days before the meeting. Said Director must, at the time of the request, notify all ~~Board members~~ Directors, and executive and administrative staff. ~~3.4 ACTION BY of the BOARD proposed agenda item.~~

3.5. ACTION BY THE BOARD. Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair (or acting alternate), and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. The Chair shall announce the results of the vote, including the names of the Directors, if any, voting in the minority. IS THIS DONE ON ALL ACTION ITEMS?

~~3.5 RULE OF ORDER.~~ 3.6. RULES OF ORDER. All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "Rosenberg's Rules of Order," ¹ (a copy of which is attached hereto as Exhibit A), provided, however, that no action of the Board shall be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4. ~~POWERS~~OFFICERS

4.1 ~~OFFICERS.~~ OFFICERS. The Officers of the Agency are the Chair, Vice-Chair, and Secretary, as provided for in Article ~~6~~7 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice Chair, and the Secretary must be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, and shall not be a Director.

4.2 ~~ELECTION OF OFFICERS.~~ ELECTION OF OFFICERS. At the first meeting of the Board of each calendar year, nominations for the Officers shall be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their election to office until the first Board meeting in 2018. Thereafter, each Officer shall serve a term of one (1) year. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 ~~REMOVAL OF ELECTED OFFICERS~~ REMOVAL OF ELECTED OFFICERS. An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 ~~VACANCIES. Any vacancy in the offices~~ VACANCIES. Any Officer's position that is vacant because of death, resignation, removal, disqualification, or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board.

4.5 ~~RESIGNATION OF OFFICERS.~~ RESIGNATION OF OFFICERS. Any Officer may resign at any time by giving written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.6 RESPONSIBILITIES OF OFFICERS.

~~RESPONSIBILITIES OF OFFICERS.~~ 4.6.1 Chair of the Board. The Chair of the Board shall preside at meetings of the Board and exercise and perform such other powers and duties as may be assigned to him/her by the Board or prescribed by these Bylaws.

4.6.2 Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 Secretary. The Secretary shall perform, but not be limited to, the following duties:

~~I. 4.6.3.1.~~ Book of Minutes. Keep or cause to be kept, at the ~~principal executive office~~ Principal Office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and Committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those present and absent at such meetings and the proceedings of such meetings. Minutes shall be in the form of Action Minutes and a meeting summary.

~~II. 4.6.3.2.~~ Notices and Other Duties. Prepare, give, or cause to be given, notice of, and agendas for, all meetings of the Board and committees of the Agency.

~~III. 4.6.3.3.~~ Exercise and perform such other powers and ~~pre~~form such other duties as may be assigned to him/her by the Board.

ARTICLE 5. BOARD COMMITTEES, WORKING GROUPS, AND ADVISORY COMMITTEES

5.1 BOARD COMMITTEES.

~~BOARD COMMITTEES. The~~ 5.1.1. Board Committees. Pursuant to Articles 12 and 13 of the Agreement, the Board may establish ~~temporary~~ standing or ~~permanent~~ ad hoc Board ~~C~~committees composed entirely of ~~Board Members~~ Directors to facilitate conduct of its work. Article 13 of the Agreement provides that no committee or participant on such committee shall have authority to act on behalf of the Agency except as authorized by the Board. ~~Permanent~~

5.1.2. Standing and Ad Hoc Director Committees. Standing Committees shall be given a specific role and regardless of the number of Directors appointed shall be subject to compliance with the Ralph M. Brown Act, California Government Code sections 54950 et seq. (Brown Act). ~~Temporary Board~~ Ad hoc Committees shall have a specific charge and operational duration not to exceed six months and are not subject to the Brown Act unless

they include more than five (5) Directors as ~~C~~committee members. ~~All Board Committees~~committees shall provide regular updates to the full Board about their activities and the progress of their work.

5.2 ~~WORKING GROUPS.~~ WORKING GROUPS. Informal working groups may be formed from time to time to provide opportunities for a small subset of Directors to work with staff on specific planning, analytical, or community engagement activities. Such working groups shall have a defined area as the focus for its work and may function for a duration of up to six months, and may include such membership as needed to accomplish the object for which the working group was created. The working groups are not subject to the Brown Act unless they include more than five (5) Directors in a working group. Each working group shall include a Director as the chair thereof.

5.3 ADVISORY COMMITTEES.

5.3.1. Advisory ~~COMMITTEES~~Committee. Pursuant to Section 12 of the Agreement, the Board may establish one or more advisory committees ("Advisory Committees") to assist in carrying out the purposes and objectives of the Agency. Advisory Committees shall be composed of Directors, staff or others as selected by the Board. Each committee shall include a Director as the chair thereof.

~~5.3.1~~ 5.3.2. Direction from Board. In establishing an Advisory Committee, the Board shall provide specific direction to the Advisory Committee as to its charge, expected duration for completion of its charge, and a summary of the resources, including staff or consultant support available to the Advisory Committee in performing its work.

5.3.3. Appointments. ~~5.3.2~~ Advisory Committee membership and appointments shall be at the Board's discretion based on the purpose for which the Advisory Committee was created.

~~5.3.3~~ 5.3.4. Limits on Powers. Any Advisory Committee shall exercise such powers as may be expressly delegated to it, except that no ~~committee~~Advisory Committee may:
i. ~~Take~~ (a) take any final action on matters which, under the Agreement, require approval by a majority vote of the Board;
ii. ~~Amend~~ (b) amend or repeal the Bylaws or adopt new Bylaws;
iii. ~~Amend~~ (c) amend or repeal any resolution of the Board;
iv. ~~Appoint~~ (d) appoint any other committees of the Board or the members of these committees.

~~5.3.4~~ 5.3.5 Meetings. Advisory ~~e~~Ccommittees shall meet at the call of their respective committee chairs. All ~~a~~Advisory ~~e~~Ccommittee meetings shall be conducted in accordance with the Brown Act. Minutes of committee meetings shall be recorded and upon approval shall be distributed to the Board.

ARTICLE 6. AGENCY ADMINISTRATION, MANAGEMENT AND STAFFING

6.1 ~~COLLABORATIVE MANAGEMENT~~ COLLABORATIVE MANAGEMENT. Except for the Agency's Treasurer function, Agency administration and management shall be conducted using a collaborative staffing model in which the professional and technical staff of the ~~m~~Member agencies work together to provide staff leadership, management and administration of the ~~agency.~~ Agency.

~~6.1.1~~ 6.1.1. Staffing support for Agency Officers and ~~Board Members.~~ Directors. Senior level executive staff shall work together to provide staff support for the Agency Officers and ~~Board members.~~ Directors. Board agenda and meeting materials shall generally be prepared by or reviewed by one or more members of the executive staff prior to being finalized. Should ~~m~~Member agency senior level executive staff not be in agreement on any topic, the Agency Board Chair and Vice-Chair shall be consulted to provide the necessary direction. Any issue not resolvable by ~~m~~Member agency senior level executive staff and the Agency Board Chair and Vice-Chair shall be referred to the full Board for decision.

6.1.2. Administrative Staff. Designated administrative staff ~~may~~will be required to support the Agency. The Agency shall budget and reimburse ~~m~~Member agencies for the salary and benefit costs of designated staff subject to review and approval by the Board.

~~6.1.2~~ 6.1.3. Professional and Technical Staff. Staffing support will be required for implementation of the Agency Work Plan. Both senior level executive staff from the ~~Agreement member~~Member agencies and other professional and technical staff from the ~~m~~Member agencies shall be involved in providing staff support for the Agency. The Board may agree to contract for staffing resources as needed.

~~6.1.3~~ 6.1.4. In-Kind Contribution of Staff. Unless otherwise specified in the Agreement or these Bylaws, ~~m~~Member agency staff contributions shall be in the form of "in kind" contributions. The Agency shall not budget for or reimburse ~~m~~Member agencies for the work contributed by their staff to the administration or management of the Agency. ~~Designated administrative support staff may be required to support the Agency. The Agency shall budget and reimburse Member Agencies for the salary and benefit costs of designated staff subject to review and approval by the Board."~~

~~6.2~~ ~~TREASURER.~~ TREASURER. The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source, and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections ~~6505, 6505 and~~ 6505.5, and all other applicable laws and regulations, including any subsequent amendments thereto.

6.2.1 Agency Treasurer. The Board shall appoint the Finance Manager of one of ~~member agency's~~ the Member agencies to serve as Agency Treasurer ~~and, The Agency shall reimburse them for these~~ the Member agency the cost of providing the services of Agency Treasurer. Reimbursement shall include necessary staff time at the weighted labor rate? as well as the ~~purchase and maintenance~~ reimbursement of the cost of any necessary materials and/or equipment required by the Treasurer in order to complete the work.

6.2.2 Treasurer's Duties. ~~Particularly, the~~ The Treasurer shall perform, but not be limited to, the following duties:

~~I-~~ 6.2.3. Books of Account. Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.

~~II-~~ 6.2.4. Deposit and Disbursement of Money and Valuables. Consistent with the provisions of Article 14 of the Agreement, deposit all money and other valuables in the name and to the credit of the Agency within such depository accounts as may be designated by the Board; disburse the funds of the Agency as may be ordered or otherwise authorized by the Board; and render to the Board, whenever requested, an account of all of his/her transactions as Treasurer and of the financial condition of the Agency.

6.2.5. Audit. Cause an independent audit to be made by a certified public accountant, or public accountant, in compliance with Government Code Section 6505.

~~III-~~ 6.2.6. Other Duties. Exercise and perform such other powers and perform such other duties as may be assigned to him/her by the Board.

6.3 STAFFING STRATEGY REVIEW UPON COMPLETION OF THE GROUNDWATER SUSTAINABILITY PLAN STAFFING STRATEGY REVIEW UPON COMPLETION OF THE GROUNDWATER SUSTAINABILITY PLAN. The collaborative staffing model for the Agency shall be reviewed and revised if or as needed upon completion of the development of the Groundwater Sustainability Plan. In particular, the performance of the collaborative staffing

model in meeting the Agency's needs and the proposed role of the Agency in implementing projects identified and recommended for implementation in the ~~GSP~~[Groundwater Sustainability Plan](#) shall be considered when determining the potential staffing needs of the Agency.

ARTICLE 7. FINANCES

7.1 ~~DEPOSIT AND DISBURSEMENT OF FUNDS~~ [DEPOSIT AND DISBURSEMENT OF FUNDS](#). All funds of the Agency shall be deposited in one or more depository accounts as may be designated by the Board. Such accounts shall be independent of any account owned by or exclusively controlled by any of the Members. No disbursements of such funds shall be made unless the same shall have been approved in the annual operating budget, or otherwise specifically approved by the Board. All disbursements shall be by check. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair's absence, the Vice-Chair or the Secretary. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair, Vice-Chair, or Secretary in order to facilitate efficient operation of the Agency.

7.2 ~~BUDGET~~ [BUDGET](#). The Agency shall operate pursuant to an operating budget to be adopted prior to the beginning of each new fiscal year. The Agency shall endeavor to operate each year pursuant to an annually balanced budget so that projected annual expenses do not exceed projected annual revenues. Budget adjustments to the annual budget shall be reviewed and acted upon by the Board at a regularly scheduled Board meeting occurring after January 1 of each calendar year. The Board may take action to amend the budget at other times if circumstances require more immediate action.

ARTICLE 8. DEBTS AND LIABILITIES

The debts, liabilities and obligations of the Agency are not and shall not be the debts, liabilities or obligations of any or all of the Members [or any of the Represented Agencies](#). However, nothing in this Article or in the Agreement prevents, or impairs the ability of, a Member or Members, from agreeing, in a separate agreement, to be jointly and/or severally liable, in whole or in part, for any debt, obligation or liability of the Agency, including but not limited to, any bond or other debt instrument issued by the Agency.

ARTICLE 9. RECORDS RETENTION

~~9.1 — MAINTENANCE OF THE AGENCY RECORDS~~ [9.1 MAINTENANCE OF THE AGENCY RECORDS](#). The Agency shall keep:

9.1.1 Adequate and correct books and records of account; and of the Board.

9.1.2 Minutes in written form of the proceedings of its Board, and committees, and advisory committees, if any.

9.1.3 All such records shall be kept at the Agency's ~~p~~[P](#)Principal ~~o~~[O](#)ffice.

~~9.2 — RECORDS RETENTION POLICY AND SCHEDULE~~ [9.2 RECORDS RETENTION POLICY AND SCHEDULE](#). By June 30, 2018 the Board shall review and adopt a Records Retention Policy and Schedule that specifies the retention period of different categories of materials. Implementation of this Policy shall be the responsibility of Agency staff.

~~9.3 — INSPECTION RIGHTS~~ [9.3 INSPECTION RIGHTS](#).

~~9.2.1 — Any Member may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.~~

~~9.2.2 — Any inspection and copying under this Section may be made in person or by an agent or attorney or the entity entitled thereto and the right of inspection includes the right to copy and make extracts.~~

~~9.4 — MAINTENANCE AND INSPECTION OF~~ 9.3.1. The Agreement and Bylaws. The Agency shall keep at its principal executive office the original or copy of the Agreement and these Bylaws as amended to date, which shall be open to inspection by the Agency or any ~~Member~~Director at all reasonable times during office hours.

~~9.5~~ 9.3.2. Accounting Books and Records. Any Member **[WHY NOT DIRECTOR]** may inspect the accounting books records and minutes of the proceedings of the Board and Agency committees, at any reasonable time, for a purpose reasonably related to the business of the Agency.

9.3.3. Inspection by Directors. Every Director has the absolute right at any reasonable time to inspect all ~~non-confidential~~ books, records, and documents of every kind and the physical properties of the Agency. ~~This~~ for purposes reasonably related to the business of the Agency.

9.3.4. The right of inspection ~~by a Director~~ may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

9.3.4. Confidential Records. Member's and Director's inspection rights shall not include documents which are confidential under the Public Records Act.

ARTICLE 10. ETHICS AND CONFLICTS OF INTEREST

The Agency shall be subject to the conflict of interest rules set forth in the Political Reform Act (commencing with Section 81000 of the Government Code of the State of California) and Sections 1090 et seq. of the Government Code of the State of California, and the Agency shall adopt an ethics policy as well as a conflict of interest code as required and as provided by the implementing regulations of the Political Reform Act.

ARTICLE 11. AMENDMENT

These Bylaws may be restated, repealed or amended from time to time by resolution of the Board duly adopted upon majority of the Board at a regular or special meeting of the Board; ~~provided, however, that no~~ No such restatement, repeal or amendment shall be adopted unless at least thirty (30) days written notice thereof has previously been given to all ~~members of the Board~~ Directors. Such notice shall identify the Article to be amended, the proposed amendment, and the reason for the proposed amendment. **[WHAT PERCENTAGE VOTE?]**

ARTICLE 12. DEFINITIONS AND CONSTRUCTION

Unless specifically defined in these Bylaws, all defined terms shall have the same meaning ascribed to them in the Agreement. If any term of these Bylaws conflicts with any term of the Agreement, the Agreement's terms shall prevail, and these Bylaws shall be amended to eliminate such conflict of terms. Unless the context or reference to the Agreement requires otherwise, the general provisions, rules of construction, and definitions in the Agreement and in the California Civil Code shall govern the construction of these Bylaws.

As used herein, "Member agency Directors" means all Directors represented or appointed by the Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz.

As used herein, "Member agencies" means the Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz.

As used herein, "Represented Agency" or Represented Agencies means the Scotts Valley Water District, the San Lorenzo Valley Water District, the County of Santa Cruz, the City of Santa Cruz, and the Mt. Hermon Association Community Water System.

**Santa Margarita Groundwater Agency
Board of Directors**

CODE OF CONDUCT

As members of the Santa Margarita Groundwater Agency (Agency) Board of Directors (Board), we are committed to preserving the public trust and representing the best interests of our constituents.

Principles and Performance Expectations

1. Board functions as a participatory team,
2. Board values a visionary, constructive, high-energy work environment,
3. Board values open and honest communication with open agendas,
4. Board works for the common good of its constituents,
5. Members of the Board (Members or Directors) are prepared for Board meetings and are responsible for initiating resolutions,
6. Members are respectful of each other, the staff and the public.

Board Interaction and Communication

1. Directors maintain informal and professional relationships among each other,
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I agree to uphold the following principles, which demonstrate my commitment to the Agency:

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3. I shall conduct my personal business and public affairs with honesty, integrity, fairness and respect for others.
4. I shall keep the common good as my highest purpose and focus on achieving constructive solutions for the public benefit.
5. I shall avoid and discourage conduct, which is divisive or harmful to the best interest of the Agency.
6. I shall treat all people with whom I come into contact with in a manner in which I wish to be treated.

Name
Date

Title

Document comparison by Workshare 9 on Thursday, November 09, 2017
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Statistics:	
	Count
Insertions	260

Deletions	149
Moved from	13
Moved to	13
Style change	0
Format changed	0
Total changes	435

**BYLAWS OF THE
SANTA MARGARITA GROUNDWATER AGENCY,**

a Joint Powers Agency composed of the Scotts Valley Water District, the San Lorenzo Valley
Water District, and the County of Santa Cruz

Date: , 2017

Staff Distributed Draft
11/22

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**BYLAWS OF THE
SANTA MARGARITA GROUNDWATER AGENCY**

*a Joint Powers Agency composed of the Scotts Valley Water District,
the San Lorenzo Valley Water District, and the County of Santa Cruz*

Date: _____, 2017

PREAMBLE

These Bylaws are adopted and effective as of _____ 2017, pursuant to the Joint Exercise of Powers Agreement by and among the Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz creating the Santa Margarita Groundwater Agency dated June 1, 2017 (“**Agreement**”).

**ARTICLE 1
THE AGENCY**

1.1 Definitions.

Unless specifically defined in these Bylaws, all defined terms shall have the same meaning ascribed to them in the Agreement. If any term of these Bylaws conflicts with any term of the Agreement, the Agreement's terms shall prevail, and these Bylaws shall be amended to eliminate such conflict of terms. Unless the context or reference to the Agreement requires otherwise, the general provisions, rules of construction, and definitions in the Agreement and in the California Civil Code shall govern the construction of these Bylaws.

“**Agency**” has the meaning in section 1.2

“**Agreement**” has the meaning in the Preamble

“**Board of Directors**” or “**Board**” has the meaning in section 2.1

“**Business Agent**” has the meaning in section 1.3

“**Designated Staff**” has the meaning in section 6.1.1

“**Members**” means the Scotts Valley Water District, the San Lorenzo Valley Water District, and the County of Santa Cruz

“**Principal Office**” has the meaning in section 1.3

“**Well Owner Representative**” has the meaning in section 2.1

“**Represented Entity**” has the meaning in section 2.2.

1.2 The Agency. The name of the Agency created by the Agreement is the Santa Margarita Groundwater Agency (“**Agency**”), a joint powers agency composed of the Members.

1.3 Principal Office and Business Agent.

1.3.1 The principal office and the business agent of the Agency shall be at the Scotts Valley Water District (“**Business Agent**”) located at 2 Civic Center Drive, Scotts Valley, CA 95066 (“**Principal Office**”), or at an alternate location as the Board may designate.

1.3.2 The Principal Office shall be used for the main mailing address for all correspondence and for the Agency’s central records storage.

1.3.3 The Business Agent shall provide administrative services pursuant to the Agreement, these Bylaws or an administrative services agreement with the Agency.

1.3.4 The administration, management, and operation of the Agency shall be in accordance with the Business Agent’s existing policies and procedures, unless and until the Agency adopts its own administration, management and operation policies and procedures.

1.4 Powers. The powers of the Agency are set forth in Article 4 of the Agreement.

ARTICLE 2 BOARD OF DIRECTORS

2.1 Board of Directors. The Agency shall be governed by a Board of Directors (the “**Board of Directors**” or “**Board**”) consisting of 11 Directors as set forth in Article 6 of the Agreement and as follows:

Two (2) representatives appointed by the governing body of each of the Members
One (1) representative appointed by the governing body of the City of Scotts Valley
One (1) representative appointed by the governing body of the City of Santa Cruz
One (1) representative of the Mt. Hermon Association Community Water System
Two (2) representatives of private well owners or small public water systems within the boundaries of the Agency (“**Well Owner Representatives**”).

2.2 Term of Appointments. The term of the appointment for each Director on the Board shall be established by each entity they represent (“**Represented Entity**”). If a Director has no Represented Entity (as may be the case for a Well Owner Representative), the term of appointment shall be three years.

2.3 Procedure for Appointment of Well Owner Representatives.

2.3.1 Under section 6.3.7 of the Agreement, Well Owner Representatives may be chosen by self-selection through a procedure described in the Bylaws.

2.3.2 The Agency shall provide notice of the opportunity for individuals to submit an application to serve as a Well Owner Representative or an Alternate. The notice shall include a description of the work of the Agency, the minimum qualifications of Well Owner Representatives, the desired characteristics and skills of Well Owner Representatives, criteria to be used in evaluating applications received, as well as the timeline for decision-making on appointees. The notice shall also describe the opportunity for the applicants as a group to self-select Well Owner Representatives by limiting the number of applications to only the number of positions available. To encourage participation, a variety of print media, electronic and other formal and informal communication mechanisms shall be utilized, and the period of notice shall cover, at a minimum, 10 working days.

2.3.3 Any person meeting the qualifications of a Well Owner Representative may apply in writing to serve as a Well Owner Representative (“**Applicant**” or “**Applicants**”). At a minimum, an Applicant must (a) reside or have its principal place of business **within the Basin**, (b) be at least 18 years of age; and (c) exhibit high standards of integrity, commitment, and good judgment.

At the conclusion of the period for receiving applications, if there are more Applicants than the number of positions available, the Applicants shall be notified of the opportunity to act as a group to self-select the Well Owner Representatives and their Alternate by reaching agreement among themselves for some Applicants to withdraw their applications so that the remaining number of applications is the same as the number of positions available.

Applicants shall be given the names and contact information of the other Applicants and shall be allowed at least 40 days (“**Deadline**”) to meet and/or confer and endeavor to seek agreement on which Applicants shall voluntarily withdraw their applications and which Applicants shall be recommended to fill the positions available. An Applicant may withdraw his/her application by delivering a written request to the Principal Office. If before the Deadline, the proposed Well Owner Representatives are identified by the Applicants and all other Applicants voluntarily withdraw their applications, then the Board shall consider the remaining Applicants and appoint them as Well Owner Representatives if they meet the qualifications established by the Agency.

2.3.4 If the self-selection process does not result in the final selection Well Owner Representatives, or if the number of Applicants remains greater than the number of positions available, then a committee of the Board, with the participation of Designated Staff shall review and evaluate the applications. The committee may hold interviews with the top Applicants and develop recommendations for consideration by the Members. Final Appointment of Well Owner Representatives shall be made by a unanimous vote of the Member in compliance with Section 6.3.7 of the Agreement.

2.4 Code of Conduct. The Board understands the importance and value of a positive and constructive culture to the overall performance of the Agency. In order for the Board to function in an effective manner, it is important that the Directors acknowledge their respective roles and the level of performance necessary to carry out the duties of a Director. All Directors shall agree in writing to follow the Code of Conduct as set forth in **Appendix A**.

2.5 Director Compensation. Directors and Committee members shall serve without compensation from the Agency. Each Director may, however, be compensated by their Represented Entity. Directors or Committee members may be reimbursed his or her necessary and actual expenses by the Agency, including travel expenses relating to Agency business, as approved by the Board. Any Director or Board Committee member may elect to decline said reimbursement.

ARTICLE 3 BOARD MEETINGS

3.1 Meetings. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four Directors by written request to the Chair. Board meetings shall be conducted in compliance with Article 8 of the Agreement, these Bylaws, and all applicable laws and regulations.

3.2 Quorum. In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is representing an absent appointed Director.

3.3 General Order of Business. The general order of business for regular and special meetings of the Board shall be established by the Designated Staff, and may include any combination of consent items, regular business items, informational items or public hearing items.

3.4 Request to Place Items on the Agenda. Any Director may request that an item be placed on the agenda of any regular meeting of the Board by submitting a written request to the Chair, Vice Chair, and Designated Staff at least 30 calendar days before the meeting.

3.5 Action by the Board. Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. The minutes shall reflect the results of the vote, including the names of the Directors if any, voting in the minority.

3.6 Rules of Order. All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "[Rosenberg's Rules of Order](#)" (a copy of which is attached hereto as **Appendix B** provided, however, that no action of the Board shall

be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4 OFFICERS

4.1 Officers. The Officers of the Agency are the Chair, Vice-Chair, and Secretary, as provided in Article 7 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice Chair, and the Secretary must be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, and shall not be a Director. Officers shall serve at the pleasure of the Board.

4.2 Election. At the first meeting of the Board of each calendar year, nominations for the Officers shall be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their election to office until the first Board meeting in 2018. Thereafter, each Officer shall serve a term of one (1) year. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 Removal. An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 Resignation. Any Officer may resign at any time by giving written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.5 Vacancies. An Officer's position that is vacant because of death, resignation, removal, disqualification or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular election to that position at any regular or special meeting of the Board.

4.6. Responsibilities.

4.6.1 The Chair shall preside at meetings of the Board and perform such other duties as prescribed by these Bylaws or the policies of the Agency or as may be assigned to him/her by the Board.

4.6.2 The Vice-Chair shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 The Secretary shall perform, but not be limited to, the following duties:

4.6.3.1 Keep or cause to be kept, at the Principal Office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those present and absent at such meetings and the proceedings of such meetings. Minutes shall be in the form of Action Minutes and a meeting summary.

4.6.3.2 Prepare, give or cause to be prepared or given, notice of, and agendas for, all meetings of the Board and committees of the Agency.

4.6.3.3 Exercise and perform such other powers and preform such other duties as prescribed by these Bylaws or the policies of the Agency or as may be assigned to him/her by the Board.

4.7 Treasurer.

4.7.1 The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections 6505 and 6505.5, and all other applicable laws and regulations, including any subsequent amendments thereto. The Treasurer shall cause an independent audit to be made.

4.7.2 The Board shall appoint the Finance Manager from one of the Members to serve as Agency Treasurer. The Agency shall budget for and reimburse the Member providing Treasury services to the Agency. The Board may also contract for accounting and financial services as needed.

4.7.3 The Treasurer shall perform, but not be limited to, the following duties:

4.7.3.1 Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.

4.7.3.2 Consistent with the provisions of Article 14 of the Agreement, deposit all money and other valuables in the name and to the credit of the Agency within such depository accounts as may be designated by the Board; disburse the funds of the Agency as may be ordered or otherwise authorized by the Board; and render to the Board, whenever requested, an account of all of his/her transactions as Treasurer and of the financial condition of the Agency.

4.7.3.3 Exercise and perform such other powers and preform such other duties as prescribed by these Bylaws or the policies of the Agency or as may be assigned to him/her by the Board.

ARTICLE 5

COMMITTEES AND WORKING GROUPS

5.1 Committees. Pursuant to Section 12 of the Agreement, the Board may establish one or more advisory committees to assist in carrying out the purposes and objectives of the Agency. No committee or participant on a committee shall have any authority to act on behalf of the Agency except as duly authorized by the Board.

5.2 Composition. Committees may be composed of Directors, Designated Staff or others as selected by the Board. Each committee shall include a Director as the chair thereof. The Board shall provide specific direction to the committee as to its charge, expected duration for completion of its charge, and a summary of the resources, including staff or consultant support available to the committee in performing its work.

5.3 Limits on Powers. Any committee shall exercise such powers as may be expressly delegated to it, except that no committee may: (a) take any final action on matters which, under the Agreement, require approval by a majority vote of the Board; (b) amend or repeal the Bylaws or adopt new Bylaws; (c) amend or repeal any resolution of the Board; or (d) appoint any other committees of the Board or the members of these committees.

5.4 Meetings. Committees shall meet at the call of their respective committee chairs.

5.4.1 Standing Committees shall be given a specific role and regardless of the number of Directors appointed shall be subject to compliance with the Ralph M. Brown Act, California Government Code sections 54950 et seq. (Brown Act).

5.4.2 Ad hoc Committees shall have a specific charge and operational duration not to exceed six months and are not subject to the Brown Act unless they include more than five (5) Directors as committee members. Committees shall provide regular updates to the full Board about their activities and the progress of their work.

5.5 Working Groups. Informal working groups may be formed from time to time to provide opportunities to work on specific planning, analytical, or community engagement activities.

ARTICLE 6

AGENCY ADMINISTRATION, MANAGEMENT, AND STAFFING

6.1 Collaborative Management. Except for the Agency's Treasurer function, Agency administration and management shall be conducted using a collaborative staffing model in which

professional and technical staff designated by each of the Members (“**Designated Staff**”) work together to provide staff leadership, management, and administration of the Agency.

6.1.1 Designated Staff shall work together to provide administrative, technical or professional support to the Agency. Board agenda and meeting materials shall generally be prepared by or reviewed by the Designated Staff prior to being finalized. Should Designated Staff not be in agreement on a topic, the Chair shall be consulted to provide the necessary direction. Any issue not resolved by the Chair shall be referred to the Board for decision.

6.1.2 The Agency shall budget for and reimburse the Member providing Designated Staff for administrative services to the Agency. The Board may also contract for staffing resources as needed.

6.1.3 Professional and technical Staff shall be required to support the Agency. The Board may agree to contract for professional and technical support as needed.

6.1.4 Unless otherwise specified in the Agreement or these Bylaws, contributions by Designated Staff shall be in the form of “in kind” contributions. The Agency shall not budget for or reimburse Members for the work contributed by their staff to the administration or management of the Agency.

6.2 Staffing Model Review Upon Completion of GSP. The collaborative staffing model for the Agency shall be reviewed and revised upon completion of the Groundwater Sustainability Plan. The performance of the collaborative staffing model in meeting the Agency’s needs and the proposed role of the Agency in implementing projects identified and recommended for implementation in the Groundwater Sustainability Plan shall be considered when determining future staffing needs of the Agency.

ARTICLE 7 FINANCES

7.1 Deposit and Disbursement of Funds. All funds of the Agency shall be deposited in one or more depository accounts as may be designated by the Board. Such accounts shall be independent of any account owned by or exclusively controlled by any of the Members. No disbursements of such funds shall be made unless the disbursement is included in the adopted budget or otherwise approved by the Board. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair’s absence, the Vice-Chair or the Secretary. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair, Vice-Chair, or Secretary in order to facilitate efficient operation of the Agency.

7.2 Budget. The Agency shall operate pursuant to a budget to be adopted prior to the beginning of each new fiscal year. The Agency shall endeavor to operate each year pursuant to

an annually balanced budget so that projected annual expenses do not exceed projected annual revenues. Budget adjustments to the annual budget shall be reviewed and acted upon by the Board.

ARTICLE 8 DEBTS AND LIABILITIES

The debts, liabilities, and obligations of the Agency are not and shall not be the debts, liabilities or obligations of any or all of the Members, Directors or any of the Represented Entities. However, nothing in this Article or in the Agreement prevents, or impairs the ability of, a Member or Members, from agreeing, in a separate agreement, to be jointly and/or severally liable, in whole or in part, for any debt, obligation or liability of the Agency, including but not limited to, any bond or other debt instrument issued by the Agency.

ARTICLE 9 RECORDS RETENTION

9.1 Agency Records. The Agency shall keep at the Agency's Principal Office: adequate and correct books and records of the Board and minutes in written form of the proceedings of the Board and its committees. **Financial records shall be maintained by the Treasurer at the Treasurer's place of business.**

9.2. Inspection Rights.

9.2.1 The Agreement and Bylaws. The Agency shall keep at its principal executive office the original or copy of the Agreement and these Bylaws as amended to date, which shall be open to inspection by the Agency or any Director at all reasonable times during office hours.

9.2.2 Directors have the right to review the financial records of the Agency.

9.2.3 Directors have the right to inspect the Agency's books and records for a purpose reasonably related to the Director's position as a Director except as follows: Directors shall not have the right to review records if the disclosure would violate the privacy rights of others, would result in or be in furtherance of a conflict of interest or would be inconsistent with information protected by the attorney-client privilege, attorney work product, privileged information under the Public Records Act.

ARTICLE 10 ETHICS AND CONFLICTS OF INTEREST

The Agency shall be subject to the conflict of interest rules set forth in the Political Reform Act (commencing with Section 81000 of the Government Code of the State of California) and

Sections 1090 et seq. of the Government Code of the State of California, and the Agency shall adopt an ethics policy as well as a conflict of interest code as required and as provided by the implementing regulations of the Political Reform Act.

ARTICLE 11 AMENDMENT

These Bylaws may be restated, repealed or amended from time to time by resolution of the Board at a regular or special meeting of the Board. No such restatement, repeal or amendment shall be adopted unless at least thirty (30) days written notice thereof has previously been given to all Directors. Such notice shall identify the Article to be amended, the proposed amendment, and the reason for the proposed amendment.

DRAFT

Bylaws, Appendix A

**Santa Margarita Groundwater Agency
Board of Directors**

CODE OF CONDUCT

As members of the Santa Margarita Groundwater Agency (Agency) Board of Directors (Board), we are committed to preserving the public trust and representing the best interests of our constituents.

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Name/Title

Date

Santa Margarita Groundwater
Agency Bylaws Draft 11.22.17
Page 14

M E M O

To: Board of Directors
From: District Manager
Subject: AS-NEEDED CONTRACT WITH EXPONENT
Date: December 7, 2017

RECOMMENDATION:

Staff recommends the Board authorize staff to execute the attached retention letter with Exponent for on-call / as-needed services for a not-to-exceed amount of \$48,000.

BACKGROUND:

Nick Johnson has been instrumental in the District's understanding and efforts for groundwater and stream flow work in the past. Mr. Johnson recently relocated to a new company, Exponent. The District had an on-call / as-needed contract with Mr. Johnson's prior company. Staff is requesting that the Board authorize a contract with Exponent to continue utilizing Mr. Johnson's experience and knowledge. Specific needs include the stream flow and temperature monitoring project and work on the Santa Margarita Groundwater Basin and associated JPA.

STRATEGIC PLAN:

Element 7.3 - Work with neighboring Agencies and Impacted Private Well Owners to develop a Groundwater Sustainability Agency (GSA)

FISCAL IMPACT:

\$48,000 - professional services



Exponent
475 14th Street, Suite 400
Oakland, CA 94612

telephone 510-268-5000
facsimile 510-268-5099
www.exponent.com

November 14, 2017

Ms. Jen Michelsen
Environmental Programs Manager
San Lorenzo Valley Water District
13060 Hwy 9
Boulder Creek, CA 95006

Subject: SLVWD As-Needed Consulting Services
Exponent Project No. 1709437.000

Dear Ms. Michelsen:

Thank you for your interest in retaining Exponent, Inc. (Exponent) to provide services related to the above-referenced project. This letter presents our current understanding of the scope of services sought and terms of the engagement.

Our scope of services is anticipated to include hydrogeology and water-resources consulting services provided by Nick Johnson, Exponent Senior Managing Scientist, for as-needed support to the San Lorenzo Valley Water District (District) during the remainder of 2017 and 2018. Project work may include, but is not limited to, preparation for and attendance at meetings with District staff, Board of Directors, and the staff and consultants of other agencies during the project period; review of relevant documents and data; analysis and reporting on specific issues that may arise; and client communication. Exponent's services will be provided on a time-and-expense basis. Charges will include professional fees, equipment usage fees, and other out-of-pocket expenses according to our *Schedule of Rates & Charges*, a copy of which is enclosed and made a part hereof by reference. The estimate for this scope of services is \$47,300 based on an average of 12 hours per month of Nick's time at a billing rate of \$300/hour and travel to attend six meetings.

Exponent's services are provided only in accordance with our *Terms and Conditions of Agreement*, a copy of which is enclosed and made a part hereof by reference. It is our understanding that Exponent's proposed retention on this project is with your organization and all charges (i.e., fees and expenses) incurred by Exponent on this project will be the responsibility of San Lorenzo Valley Water District, independent of other parties/payees involved.

Ms. Jen Michelsen
November 14, 2017
Page 2

Based on the information you have provided, we have performed a conflict-of-interest check for the following parties:

- San Lorenzo Valley Water District
- Santa Cruz County government
- Scotts Valley Water District
- Soquel Creek Water District
- City of Santa Cruz Water Department
- Granite Rock

Using this information, Exponent has determined that it does not currently have a conflict that would preclude us from assisting you in this matter. Please inform us as soon as possible if this list of parties is inaccurate or incomplete, and if other parties become involved as this matter proceeds.

This proposed retention letter is valid for 15 days from the date first set forth above. Please sign and return this letter if you would like us to proceed with this work. If you have any questions or require additional information, please do not hesitate to contact me at (510) 268-5072. We look forward to working with you.

Sincerely,



Nick Johnson
Senior Managing Scientist

Enclosures (2)

Accepted by:

Authorized Signature

Name and Title

Organization

Date

SCHEDULE OF RATES AND CHARGES**PROFESSIONAL FEES**

Exponent charges its clients for services provided according to the qualifications and experience level of the individuals assigned to the client's project at each employee's specific current hourly rate. These rates are modified annually on or about January 1. Exponent provides the following staff classifications that designate relative experience, training, and accomplishment within a technical field, together with the range of hourly rates. Payment is required in U.S. dollars within 30 days after the date of the invoice, or interest charges may be applied.

Principal/Officer	Senior-level technical or management person, responsible for technical direction or general management or administration.	\$275-\$750
Senior Manager	Senior technical professional providing high-level or individual consulting assignments, or overall technical direction of projects, may have management responsibility for a technical field.	\$250-\$500
Manager	Senior technical professional providing high-level or individual consulting assignments or overall technical direction of projects.	\$200-\$425
Senior Engineer/ Scientist/Associate	Experienced technical professional skilled in planning, organizing, controlling, and executing complex, higher-order projects or assignments.	\$175-\$325
Engineer/Scientist/ Associate	Trained/degreed professional responsible for executing technical assignments in support of client projects.	\$150-\$275
Technical/Research Specialist	Personnel experienced in instrumentation, programming, testing, library science, or the development or execution of research methodologies in support of projects.	\$135-\$200
Technical/Research Assistant	Laboratory, data processing, engineering-graphics, engineering technician, or other personnel responsible for the execution of specialized tasks in support of projects.	\$90-\$150
Non-technical Assistant	Personnel who assist technical staff in various non-technical areas, including scheduling, report productions, communications, logistics, and project support.	\$ 75-\$125

TECHNICAL EQUIPMENT, SOFTWARE AND LAB CHARGES

Exponent personnel may utilize Exponent's technical equipment and software to assist them in the performance of client's project. Exponent charges an hourly or daily usage fee for selected equipment, software and labs (e.g., scanning electron microscope, finite element software and biomedical laboratory).

TRAVEL AND MEAL EXPENSES

Travel and meal expenses are charged at Exponent's cost. Local mileage is charged in accordance with I.R.S. guidelines. The most effective air travel for the project will be utilized and personnel below the Principal classification will charge coach fares.

OTHER PROJECT EXPENSES

Project expenses including materials, subcontractors and third-party vendors are charged at cost plus fifteen percent. If the client prefers to procure the project expenses directly to avoid the additional fifteen percent charge then notify Exponent at the initiation of the engagement. Consumable materials may be charged on an applied rate rather than an incurred cost basis.

TERMS AND CONDITIONS OF AGREEMENT

1. Work performed on a time-and-expenses basis will be billed in accordance with Exponent's most current Schedule of Rates and Charges. Work performed under a fixed-price arrangement will be billed at the agreed fixed amount. A payment in advance or a suitable retainer may be required from the client. Exponent will hold any retainer until the final invoice is prepared, at which time it will reconcile the client's account. Following Exponent's completion of work, the client is responsible for and may be charged for the storage and disposal of evidence, exemplars and samples. Exponent will charge taxes where applicable.
2. Invoices are typically rendered monthly or in accordance with the agreed upon payment schedule, and are due in U.S. dollars within 30 days of the date of the invoice. Exponent, without liability, may withhold delivery of reports and other data, and may suspend performance of its obligations to the client, pending payment of outstanding charges. Exponent reserves the right to decline further work with any client who has been delinquent in payment of Exponent's invoices.
3. Exponent will perform its services consistent with the professional skill and care ordinarily provided by professionals practicing in the same or similar locality under the same or similar circumstances. In the event that Exponent fails to meet the foregoing standard of care or that the client has any other claim, client's sole and exclusive remedy shall be limited to Exponent re-performing the work at Exponent's expense, or reimbursing the client up to the amount the client paid Exponent for the work. No other warranty, express or implied, is made concerning work performed under the agreement.
4. The client assumes full and complete responsibility for all uses and applications of Exponent's recommendations or work under this agreement, or failure to use recommendations or work, and agrees to indemnify and hold harmless Exponent, its affiliates, officers, directors, employees, agents, and stockholders against any and all liabilities, damages, losses, claims, demands, actions, causes of action, and costs including attorney's fees and expenses resulting from the death or injury to any person or damage to any property or any other alleged or actual damages resulting from the aforementioned use, application, or nonuse of Exponent's recommendations or work under this agreement.
5. In no event shall Exponent, its affiliates, officers, directors, employees, agents, or stockholders be liable for any incidental or consequential damages.
6. Exponent will hold in confidence all information provided by the client that the client designates and/or marks as confidential or proprietary. If Exponent and the client have entered into a separate non-disclosure agreement, it is deemed incorporated herein. All deliverables and any improvements to the client's processes or products arising from this agreement shall be and remain the property of client; however, Exponent has a right to retain a copy of such deliverable(s). Exponent shall retain all rights, title, and interest in and to its proprietary information (along with any modifications or improvements to such information), including, but not limited to Exponent's know-how, methodologies, techniques, processes, tools, test fixtures, technologies, trade secrets, software, data, databases, algorithms, source code, computational engines, logic formulas, non-interface worksheets, macros, and other materials used by Exponent in connection with providing its services.
7. Anybody required to be present at Exponent's laboratories for the project, including other parties and the like, will be required to sign an agreement that contains confidentiality obligations and a general release of claims for injuries or damages to property related to the visit.
8. Client understands that evidence, materials, test articles or the like ("Articles") may be damaged or destroyed during testing and as such Exponent is not responsible for any loss or damage thereto. The client shall bear the risk of loss of the Articles while they are in transit. Notwithstanding any language to the contrary herein, should Exponent be obligated to replace the Articles, the cost of such replacement shall be its fair market value and not any implicit value. Exponent, unless other specific arrangements are made, will maintain technical files and evidence for 30 days after the completion of work. Exponent will retain financial records according to I.R.S. requirements, but in no event less than 1 year after completion of the work.
9. Client shall not use Exponent's (or any of its affiliates' or its personnel's) name(s), trade names, service marks, trademarks, trade dresses, logos, symbols, or the like in any form for advertising, publicity, marketing, or in any way that could be construed as endorsement or promotion and the like without the prior written consent of Exponent in each instance.
10. This agreement is solely between, and may only be enforced by, Exponent and the client, and this agreement shall not create or be construed to create any third party rights, obligations, or liabilities including, but not limited to, affiliates, employees, contractors, stockholders, licensees, or the like. Any deliverables, recommendations, or service provided by Exponent shall be for the client's use only. Exponent's services are expressly limited to the terms herein and are not modified or supplemented by terms from the client's purchase order. Exponent will reference the client's purchase order for billing purposes only.
11. Upon receipt of written notice from the client, Exponent will terminate work under this agreement. Work under a fixed-price agreement that is terminated before completion will be billed on a percentage of completion basis. Exponent may terminate work under this Agreement only for cause. "Cause" includes, but is not limited to, development of a material conflict of interest, delinquency in payment, judicially required participation in onerous discovery or other legal process outside the intended scope of the work, or the presence of circumstances beyond Exponent's control, such as natural disasters or government intervention. Exponent shall not be liable for any delay or failure to perform resulting from unforeseen causes beyond its reasonable control.
12. If Exponent is required to testify or to produce information regarding work under this agreement in any third party litigation, including but not limited by subpoena or court order, the client agrees to provide counsel of its choosing and to pay Exponent's reasonable time and expenses, including attorney's fees associated with responding to such request. In the event of any such request, Exponent will promptly notify the client to enable the client to object to any such testimony or production. This paragraph is not intended to apply to claims between Exponent and the client.
13. This agreement shall be construed, and the legal relations between the parties hereto shall be determined, in accordance with the internal laws of the state of California, without regard to the conflicts of laws principles of such state. The parties to this agreement consent to the jurisdiction of any state or federal court located in San Francisco, California. The prevailing party in any action shall recover from the losing party its reasonable attorney's fees and costs of suit incurred in addition to any other relief granted.

**SAN LORENZO VALLEY WATER DISTRICT
BOARD MEETING MINUTES**

November 16, 2017

5:00 p.m.

CONVENE MEETING/ROLL CALL:

President Ratcliffe convened the meeting at 5:00 p.m.

Drs. Hammer, Ratcliffe and Baughman were present. District Manager Lee, Director of Operations Rogers and Legal Counsel Nicholls were also present.

President Ratcliffe informed the Board that Director Bruce had contacted her to say that she would be late to the meeting but should arrive in time for Open Session. A motion was made to excuse Dir. Bruce's absence. All present voted in favor of the motion.

ORAL COMMUNICATIONS: None

ADJOURNMENT TO CLOSED SESSION:

President Ratcliffe adjourned to closed session at 5:03 p.m.

RECONVENE TO OPEN SESSION:

Pres. Ratcliffe reconvened the meeting to open session at 6:30 p.m.

REPORT ACTIONS TAKEN IN CLOSED SESSION:

President Ratcliffe reported no reportable actions taken in Closed Session.

ORAL COMMUNICATIONS:

D. Loewen, B. Holloway and L. Henry addressed the Board.

NEW BUSINESS:

9a MID-YEAR BUDGET REVIEW & REVISION

District Manager Lee introduced this item.

B. Holloway and L. Henry addressed the Board.

Board discussion followed.

A motion was made to approve the revised budget and rate stabilization rate.

The motion was passed with a vote of 3 in favor, Dir. Smallman opposed.

UNFINISHED BUSINESS:

10a MITIGATION AGREEMENT OF CONSERVATION EASEMENT

District Manager Lee introduced this item followed by clarifying information by Environmental Programs Manager Michelsen.

The Board discussed the item.

L. Henry and J. Fasolas addressed the Board.

Further discussion by the Board.

J. Fasolas, J. Hayes and B. Fultz addressed the Board.

Ms. Michelsen again provided information followed by Board discussion.

A motion was made to approve the District Manager signing the agreement with the Santa Cruz Land Trust.

All present voted in favor of the motion.

10b CIP RANKING AND PRIORITIZATION UPDATE

DM Lee described this item followed by Board discussion.

J. Hayes, B. Fultz (x2), L. Farris, D. Loewen, B. Holloway, J. Fasolas, E. Frech and B. Hoffman addressed the Board.

The Board directed staff to take this item back to committee.

10c INCREASE OF \$20,000 FOR AS-NEEDED ENGINEERING

DM Lee introduced this item.

Board discussion.

A motion was made to approve the increase for as-needed engineering.

All present voted in favor of the motion.

CONSENT AGENDA:

11a Minutes of Special BoD Meeting 11.9.17

A motion to approve the Consent Agenda was made. All present voted in favor of the motion.

DISTRICT REPORTS:

Board discussion.

B. Hoffman, B. Holloway and L. Farris addressed the Board.

ADJOURNMENT:

President Ratcliffe adjourned the meeting at 9:23 p.m.

**SAN LORENZO VALLEY WATER DISTRICT
BUDGET & FINANCE COMMITTEE MEETING MINUTES
November 14, 2017
9:30 a.m.**

CONVENE MEETING/ROLL CALL:

Chair Baughman convened the meeting at 9:32 a.m.

Director Baughman, Director Ratcliffe and Public Committee Member John Hayes were present as well as Director of Finance and Business Services Hill.

ORAL COMMUNICATIONS: None

UNFINISHED BUSINESS:

3a COMPENSATION STUDY

S. Hill described this item followed by Committee & staff discussion.

L. Farris and B. Holloway addressed the Committee.

NEW BUSINESS:

4a CAFR

S. Hill introduced this item followed by Committee & staff discussion.

B. Holloway, L. Farris and D. Loewen addressed the Committee.

4b 17/18 FY UDGET REVISION

S. Hill introduced this item followed by Committee & staff discussion.

B. Holloway addressed the Committee.

The Committee continue discussion.

4c STABILIZATION RATE

S. Hill introduced this item followed by Committee & staff discussion.

NEXT COMMITTEE MEETING:

Draft Budget

Compensation Study

ADJOURNMENT:

Chair Baughman adjourned the meeting at 10:53 a.m.

**SAN LORENZO VALLEY WATER DISTRICT
ENGINEERING COMMITTEE MEETING MINUTES**
November 27, 2017
9:00 a.m.

CONVENE MEETING/ROLL CALL:

Vice Chair Smallman convened the meeting at 9:04 a.m.

Dir. Smallman and Public Committee Member Dan Fitzpatrick were present as well as District Manager Lee. Dir. Hammer is on vacation.

ORAL COMMUNICATIONS: None

UNFINISHED BUSINESS:

3A REVIEW CAPITAL IMPROVEMENT PROJECTS 10 YR PRIORITIZATION

Discussion by Committee regarding CIP.

ADJOURNMENT:

Vice Chair Smallman adjourned the meeting at 9:49 a.m.



RECEIVED

NOV 15 2017

SAN LORENZO VALLEY
WATER DISTRICT

Agenda: 12.7.17
Item: 13a

Santa Cruz Local Agency
Formation Commission
701 Ocean Street, Room 318-D
Santa Cruz, California 95060
Phone: (831) 454-2055

Email: info@santacruzlafco.org
Website: www.santacruzlafco.org

To: General Managers of Independent Special Districts in Santa Cruz County
From: Patrick McCormick, Executive Officer
Subject: Appointments to Consolidated Redevelopment Oversight Board for Santa Cruz County
Date: November 13, 2017

I am writing to begin the appointment process for the independent special districts' member and alternate on the Consolidated Redevelopment Oversight Board in Santa Cruz County. Please inquire with your board members whether any of them is interested in serving in either position. If so, please submit nominations for each position no later than January 10, 2018. Nomination forms for each position are attached (Attachment A for Regular Member, Attachment B for Alternate).

Senate Bill 107 of 2015 sets up the Consolidated Redevelopment Oversight Board, and specifies its duties and Board appointments. The Board will oversee the dissolutions of the five redevelopment agencies in Santa Cruz County: Live Oak-Soquel (County), City of Capitola, City of Santa Cruz, City of Scotts Valley, and City of Watsonville. The law requires certain cash assets of the former redevelopment agencies to be distributed to the county, cities, school districts, and special districts that share in the general 1% property tax. The independent special districts get a seat on that Board to help assure that the proper distributions are made.

People eligible to serve on the Consolidated Redevelopment Oversight Board are district directors of agencies receiving a share of the 1% property tax. The independent districts that receive a share of the Santa Cruz County property tax are listed in column 2 of Attachment C. Any district board director of the agencies listed in column 2 is eligible to be nominated. Since the Consolidated Redevelopment Oversight Board will be reviewing complicated governmental finance information, skills involving financial matters would be helpful for appointees to the Board.

The appointment process for the regular position and the alternate will be in accordance with the rules of the Independent Special District Selection Committee. This is the Committee that appoints district board members to LAFCO. Background materials, including the rules of the Independent Special District Selection Committee, Senate Bill 107, and the County Auditor's request for appointments can be found by following the Redevelopment Oversight link on LAFCO's home webpage: www.santacruzlafco.org. Also, the LAFCO staff (454-2055) and Laura Bowers of the County Auditor's staff (454-2500) are available to answer questions about this matter.

Very truly yours,

Patrick M. McCormick, Executive Officer

Attachments: A - Nomination Form for Regular Oversight Board Member
B - Nomination Form for Alternate Oversight Board Member
C - List of Independent Special Districts

**NOMINATION FOR POSITION OF
REGULAR SPECIAL DISTRICT MEMBER
ON THE CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD
FOR SANTA CRUZ COUNTY**

INSTRUCTIONS:

If you are interested in serving as a **regular** special district member on the Consolidated Redevelopment Oversight Board for Santa Cruz County, please complete and sign the following application and mail or email as a .pdf form with your signature to:

Mailing address:
Santa Cruz LAFCO
701 Ocean Street #318D
Santa Cruz CA 95060

email:
debra@santacruzlafco.org

Applications must be received in the LAFCO office no later than **5:00 p.m. on January 10, 2018.**

NAME: _____

MAILING ADDRESS: Street _____

City, Zip: _____

PHONE(s): _____

EMAIL: _____

DISTRICT BOARD ON WHICH YOU SERVE: _____

STATEMENT OF INTEREST:

You may attach a separate sheet to present additional qualifications or a statement of interest in serving on LAFCO.

CERTIFICATION:

I certify that the above information is true and correct and I authorize the verification of the information in the application.

Signature of Board Member Interested in Serving

Date

**NOMINATION FOR POSITION OF
ALTERNATE SPECIAL DISTRICT MEMBER
ON THE CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD
FOR SANTA CRUZ COUNTY**

INSTRUCTIONS:

If you are interested in serving as an **alternate** special district member on the Consolidated Redevelopment Oversight Board for Santa Cruz County, please complete and sign the following application and mail or email as a .pdf form with your signature to:

Mailing address:
Santa Cruz LAFCO
701 Ocean Street #318D
Santa Cruz CA 95060

email:
debra@santacruzlafco.org

Applications must be received in the LAFCO office no later than **5:00 p.m. on January 10, 2018.**

NAME: _____

MAILING ADDRESS: Street _____

City, Zip: _____

PHONE(s): _____

EMAIL: _____

DISTRICT BOARD ON WHICH YOU SERVE: _____

STATEMENT OF INTEREST:

You may attach a separate sheet to present additional qualifications or a statement of interest in serving on LAFCO.

CERTIFICATION:

I certify that the above information is true and correct and I authorize the verification of the information in the application.

Signature of Board Member Interested in Serving

Date

Attachment C

2017 APPOINTMENT PROCESS FOR REDEVELOPMENT OVERSIGHT COMMITTEE		
1	2	3
DISTRICT	BOARD MEMBERS ELIGIBLE FOR NOMINATION TO COUNTYWIDE REDEVELOPMENT OVERSIGHT BOARD	ELIGIBLE TO VOTE ON APPOINTMENTS
Alba Recreation and Park District		X
Aptos/La Selva Fire Protection District	X	X
Aromas Fire Protection District	X	
Ben Lomond Fire Protection District	X	X
Boulder Creek Fire Protection District	X	X
Boulder Creek Recreation and Park District	X	X
Branciforte Fire Protection District	X	X
Central Fire Protection District	X	X
Central Water District	X	X
Felton Fire Protection District	X	X
La Selva Recreation and Park District	X	X
Opal Cliffs Recreation and Park District	X	X
Pajaro Valley Fire Protection District	X	X
Pajaro Valley Public Cemetery District	X	X
Pajaro Valley Water Management Agency		X
Reclamation District 2049, College Lake		X
Salsipuedes Sanitary District	X	X
San Lorenzo Valley Water District	X	X
Santa Cruz County Resource Conservation District	X	X
Santa Cruz Port District	X	X
Scotts Valley Water District	X	X
Scotts Valley Fire Protection District	X	X
Soquel Creek Water District		X
Zayante Fire Protection District	X	X

New Climate Action Plan/Energy Policy

By [Michael Oppenheimer](#) on November 15, 2017

BOULDER CREEK — The San Lorenzo Valley Water District (SLVWD) announced the Board of Directors has unanimously (5-0) approved a resolution that confirms the district's commitment to the goals of the Paris Climate Accord and sets new goals and policies on energy efficiency, distributed energy generation & energy procurement, and climate change adaptation.

"San Lorenzo Valley Water District's commitment to the Paris Agreement, and their plans to set specific goals to eliminate carbon from their operations, is a prime example of how local and state governments have begun leading the charge on climate action," said John Laird, California Natural Resources Secretary. "We all need to be working toward a post-carbon future."

The resolution approved by the Board of Directors includes:

1. SLVWD's commitment to the elements of the Paris Agreement that are applicable to the Water District.
2. Direction to SLVWD staff to prepare a Climate Action Plan and District Energy/Climate Policy, elements of which could include:

- Inventory existing energy uses and identify cost savings/energy efficiency priorities.
- Reduce and eventually eliminate greenhouse gas (GHG) emissions resulting from activities related to serving water to the San Lorenzo Valley Water District community.
- Identify and ensure energy and water reliability/resiliency with regard to climate impacts experienced locally.
- Emphasize communication, transparency and education by affirming the importance of education, training, public awareness, public participation and public access to information and cooperation.
- Expand focus on water conservation because it results in conserving electricity, reduces greenhouse gas emissions and promotes sustainable use of water resources.
- Explore development of renewable energy sources, which could include solar, wind, micro hydro, anaerobic digestion or purchasing power through Monterey Bay Community Power.
- Produce an annual report on energy use, conservation and cost.
- Identify strategies for identifying, assessing and adapting to climate change impacts likely to occur in the District's service area.

3. Implementation of the approved plan and policies.

In September 2008, SLVWD adopted resolution No. 2 (08-09) Climate Change and Water Resource Management through which the district committed to implementing the

goal of the California Global Warming Solutions Act (AB 32) to reduce GHG emissions to 1990 levels by 2020; and to further reduce GHG emissions to 80% below 1990 levels by 2050.

The district's actions regarding climate action are both aligned with the state's goals, and may be able to take advantage of programs and funding sources supporting climate action.

...

The San Lorenzo Valley Water District serves more than 7,800 metered connections providing water to the communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, Scotts Valley, Mañana Woods, Felton and Lompico. For more information, visit www.slvwd.com or www.facebook.com/slvwaterdistrict.