



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

AGENDA

SOUTHEAST WATER COALITION

REGULAR MEETING OF THE ADMINISTRATIVE ENTITY

**CITY OF WHITTIER
PALM PARK AQUATIC CENTER
5703 PALM AVE.
WHITTIER, CA 90601**

**THURSDAY, JANUARY 16, 2020
11:30 AM**

- 1. ROLL CALL**
- 2. PUBLIC COMMENTS**
- 3. CONSENT CALENDAR**

*****Consent Calendar items will be considered and approved in one motion unless removed by an Administrative Entity Member for discussion.*****

- a. **SEWC ADMINISTRATIVE ENTITY MINUTES OF SEPTEMBER 19, 2019
REGULAR MEETING**

Recommendation: Approve minutes as submitted.

*****End of Consent Calendar*****

4. UPDATE ON CENTRAL BASIN LAWSUIT

Ray Cordero, AE Chair, City of Whittier
Nicolas Ghirelli, Richards Watson & Gershon

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on the status of *City of Cerritos et al. v. Central Basin Municipal Water District*.

5. FORMATION OF LEAD AGENCY TRANSITION AD HOC COMMITTEE

Ray Cordero, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following action:

Vote to approve the membership of an ad hoc committee to facilitate the transition between outgoing and incoming Lead Agency, and incoming Vice-Chair.

6. FISCAL YEAR (FY) 2018-2019 SOUTHEAST WATER COALITION (SEWC) DRAFT AUDIT

Ray Cordero, AE Chair, City of Whittier

Recommendation: That the Administrative Entity take the following actions:

- 1) Accept the Southeast Water Coalition (SEWC) Draft Financial Statements for Fiscal Year 2018-2019 with Report on Audit; and
- 2) Prepare a Management Letter for the final audit report; and
- 3) Recommend the Board of Directors approve the SEWC Draft Financial Statements for Fiscal Year 2018-2019 with Report on Audit, dated June 30, 2019, and to authorize the draft audit report be finalized and filed with the County.

7. LEGISLATIVE UPDATE - STATEWIDE WATER CONSERVATION

Ray Cordero, AE Chair, City of Whittier
Jason Wen, City of Lakewood

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on statewide water conservation legislation.

8. **FEBRUARY 6, 2020 BOARD OF DIRECTORS AGENDA**
Kristen Sales, KJServices Environmental Consulting
Recommendation: Consider Draft SEWC JPA Board of Directors Agenda

9. **WRITTEN COMMUNICATIONS**

10. **ADMINISTRATIVE ENTITY MEMBER COMMENTS**

AMERICANS WITH DISABILITIES ACT: In compliance with the Americans with Disabilities Act of 1990, the City of Whittier is committed to providing reasonable accommodations for a person with a disability. Please call Veronica Barrios with the City of Whittier at (562) 567-9501, if special accommodations are necessary and/or if information is needed in an alternative format. Special requests must be made in a reasonable amount of time in order that accommodations can be arranged.

The next meeting of the Southeast Water Coalition Administrative Entity will be on Thursday, March 19, 2020, 11:30 am, Palm Park Aquatics Center, 5703 Palm Ave., Whittier, CA 90601.

I, Veronica Barrios, City of Whittier, do hereby certify, under penalty of perjury under the laws of the State of California that the foregoing notice was posted pursuant to Government Code Section 54950 Et. Seq. and City of Whittier Ordinance at the following locations: Whittier City Hall, Whittier Public Library, and the Whittwood Branch Library.

Dated: January 13, 2020



Veronica Barrios
Administrative Secretary
Department of Public Works

**MINUTES OF THE
SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
REGULAR MEETING OF THE ADMINISTRATIVE ENTITY**

**CITY OF WHITTIER
PALM PARK AQUATIC CENTER
5703 PALM AVE.
WHITTIER, CA 90601**

**THURSDAY, SEPTEMBER 19, 2019
11:30 AM**

The regular meeting of the Southeast Water Coalition Joint Powers Authority Administrative Entity was called to order at 11:38 a.m. by AE Chair Ray Cordero. At the time the meeting was called to order a quorum of members were present. Roll call was taken with the following Administrative Entity members present:

1. ROLL CALL

Dan Mueller	City of Downey
Jason Wen	City of Lakewood
Adriana Figueroa	City of Paramount
Gladis Deras	City of South Gate
Joanna Moreno	City of Vernon
Ray Cordero, AE Chair	City of Whittier
Kyle Cason	City of Whittier

Others in Attendance

Mark Ammenato	City of Vernon
Kristen Sales	KJServices Environmental Consulting

2. PUBLIC COMMENTS

No Public Comments were received.

3. CONSENT CALENDAR

Administrative Entity (AE) Chair Ray Cordero (Whittier) called for a motion to

approve the Consent Calendar.

Adriana Figueroa (Paramount) made a motion to approve the Consent Calendar. The motion was seconded by Joanna Moreno (Vernon). With abstentions from Jason Wen (Lakewood), Gladis Deras (South Gate), and Dan Mueller (Downey), the motion was approved by a unanimous voice vote of the Administrative Entity members.

4. **UPDATE ON CLOSED SESSION CONSULTATION WITH SEWC LEGAL COUNSEL**

Administrative Entity (AE) Chair Ray Cordero (Whittier) introduced Kristen Sales (KJServices Environmental Consulting) to provide an overview of this item.

Ms. Sales summarized the events of SEWC's closed session consultation with legal counsel at the August 29, 2019 Board of Directors Special Meeting. Ms. Sales stated that the SEWC Board voted to allocate up to \$10,000 to the lawsuit challenging Central Basin Municipal Water District's proposed retail meter charge, inclusive of filing an amicus brief in support of the water purveyors, and with the option of returning to the issue at a later date to discuss further support. Ms. Sales stated that the motion passed with a vote of nine (9) Ayes to one (1) No, with one Board Member absent from the meeting.

Adriana Figueroa (Paramount) stated that the goal of allocating monies to the Central Basin lawsuit would be to utilize the SEWC group monies to alleviate the individual legal costs of the cities who are a party to the suit. Ms. Figueroa asked the AE if an amicus brief would be an option in this case, and suggested that SEWC consult a lawyer on the sufficiency of this recourse. Jason Wen (Lakewood) added that he would reach out to the purveyors' litigation lawyer, Christine Carson, to present an overview of the lawsuit to the Board of Directors at their October, 2019 meeting.

AE Chair Cordero asked for a motion to receive and file the item. The motion was made by Jason Wen (Lakewood), and seconded by Adriana Figueroa (Paramount). The motion was approved by a unanimous voice vote of the Administrative Entity.

5. **SEWC LEAD AGENCY SUCCESSION**

Administrative Entity (AE) Chair Ray Cordero (Whittier) introduced Kristen Sales (KJServices Environmental Consulting) to provide an overview of this item.

Ms. Sales stated that the Board of Directors representative for the City of Commerce had expressed their inability to fulfill the City's duties as incoming SEWC Lead Agency. In October, 2017, the SEWC Board of Directors had previously passed a motion to approve a SEWC Lead Agency Transition History document, which set a standard order for the terms of Lead Agency and Vice-Chair. According to this document, the City of Whittier is Lead Agency until June, 2020. The City of Commerce would then become Lead Agency from July 2020 to June 2022. The City

of Vernon would be the Vice-Chair during Commerce's term as Lead Agency.

Dan Mueller (Downey) stated that Commerce's argument was untenable, and the City should take their turn as Lead Agency, as planned and approved by the Board of Directors. Adriana Figueroa (Paramount) added that whatever the City of Commerce decides to do, it is the responsibility of the Administrative Entity to make a recommended action on this issue to the Board. Ms. Figueroa added that each AE member should discuss the issue with their Board representative prior to the October 3, 2019 Board Meeting. Kyle Cason (Whittier) added that the AE should reach out to Board of Directors Chair Fernando Dutra (Whittier) regarding this item.

After some discussion, the AE members decided that its recommendation to the Board of Directors at their October 3, 2019 meeting would be two-fold: receive a presentation from the City of Commerce Board Member on their decision; and vote to either reject or accept Commerce's decision, and then provide direction on next steps in the Lead Agency Transition process.

AE Chair Cordero asked for a motion to approve the Commerce representative present on item to the SEWC Board of Directors on the decision to abdicate as incoming Lead Agency, and have the Board vote to accept or reject Commerce's decision, and provide direction moving forward. The motion was made by Adriana Figueroa (Paramount), and seconded by Kyle Cason (Whittier). The motion was approved by a unanimous voice vote of the Administrative Entity.

6. **MOVING LOCATION OF SEWC BOARD OF DIRECTORS MEETINGS TO ALBERT ROBLES CENTER**

AE Chair Alternate Kyle Cason (Whittier) introduced this item. Mr. Cason stated that Board of Directors Chair Fernando Dutra (Whittier) had suggested SEWC move the location of their Board Meetings to WRD's newly opened Albert Robles Center (ARC) for the remainder of Whittier's Lead Agency Term.

Ms. Sales (KJServices Environmental Consulting) added that she had reached out to WRD regarding hosting meetings, and they had agreed to do so through June, 2020.

Adriana Figueroa (Paramount) said she was against moving the Board Meetings, stating that it was the Lead Agency's responsibility to host SEWC meetings. Dan Mueller (Downey) suggested that perhaps the Lead Agency Whittier could select one specific meeting to be held at the ARC.

The AE members also discussed that since the December Board Meeting is often cancelled, the AE could return to this proposal in the New Year. Mr. Mueller (Downey) suggested that the AE table this item until their next meeting.

AE Chair Alternate Cason (Whittier) asked for a motion to table the item. The motion was made by Ray Cordero (Whittier), and seconded by Adriana Figueroa (Paramount). The motion was approved by a unanimous voice vote of the

Administrative Entity.

7. **LEGISLATIVE UPDATE**

Kristen Sales (KJServices Environmental Consulting) provided an overview of this item.

Ms. Sales stated that September 13, 2019 was the last day for bills to be introduced in the Senate or House during the current legislation. After this, the Governor has until October 13, 2019 to sign or veto all the Bills on his desk.

SEWC Legislative Consultant, Paul Gonsalves of Joe A. Gonsalves & Son, emailed a summary of the progress of Senate Bill (SB) 1 (Atkins) California Environmental, Public Health, and Workers Defense Act of 2019. Mr. Gonsalves' memo stated that SB1 had been amended to extend beyond the author's original intent, including repealing the Voluntary Agreements section of the State Water Project. Mr. Gonsalves' memo continued that Voluntary Agreements allow purveyors to import water from the State Water Project, with allowed exemptions to the requirements of the Endangered Species Act. Because SB1 now includes a repeal on Voluntary Agreements, the bill is opposed by ACWA and Metropolitan has taken a position of Oppose Unless Amended.

Ms. Sales added that since the September 13 deadline had passed without the Endangered Species Act language being changed, it was now likely that the Governor would veto SB1.

AE Chair Cordero asked for a motion to receive and file the item. The motion was made by Joanna Moreno (Vernon) and seconded by Jason Wen (Lakewood). The motion was approved by a unanimous voice vote of the Administrative Entity.

8. **OCTOBER 3, 2019 BOARD OF DIRECTORS AGENDA**

Ms. Kristen Sales (KJServices) provided an overview of the following items to present at the next Policy Board meeting on October 3, 2019:

- 1) Lead Agency Succession vote for next Chair & Vice-Chair
- 2) Legislative Update
- 3) Update on Central Basin lawsuit from attorney Christine Carson
- 4) Presentation from Mark Grajeda on managing response to PFAS/PFOS detection
- 5) Presentation from Jeff O'Keefe regarding the Department of Drinking Water's actions in response to PFAS/PFOS

AE Chair Ray Cordero (Whittier) asked for a motion to add the presentations from Mark Grajeda and Jeff O'Keefe to the October 3, 2019 SEWC Board of Directors agenda. The motion was made by Gladis Deras (South Gate), and seconded by Jason Wen (Lakewood). The motion was approved by a unanimous voice vote of the Administrative Entity.

9. **WRITTEN COMMUNICATIONS**

No written communications were received.

10. **ADMINISTRATIVE ENTITY MEMBER COMMENTS**

Ms. Sales (KJServices) reminded the AE members to submit the assigning documents and Forms 700 to KJServices and/or the Lead Agency when new staff is assigning to SEWC, and when outgoing staff leave office.

Kyle Cason (Whittier) stated that Ray Cordero had officially been made AE Chair, and would be leading the October 3, 2019 Board of Directors Meeting. Mr. Cason stated he would remain on the Administrative Entity, as Whittier’s alternate representative.

Dan Mueller (Downey) stated that sources of PFOS were being found in the wastewater that gets treated with recycled and blending water. Mr. Mueller stated that the spreading grounds in Pico Rivera could be a source of PFOS exposure, since it uses blended water. Mr. Mueller asked the AE members if they had thoughts on WRD’s responsibility to treat the wastewater before blending. Jason Wen (Lakewood) answered that SEWC should take the lead in slowing down the regulation process for PFOS. Mr. Wen added that the L.A. County Sanitation Districts could be take up the task of treating the wastewater prior to recharge.

11. **ADJOURNMENT**

AE Chair Cordero adjourned the meeting at 12:54 p.m.

CHAIR

ATTEST:



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

Date: January 16, 2020
To: Southeast Water Coalition Administrative Entity
From: Ray Cordero, AE Chair, City of Whittier
Nicholas Ghirelli, Richards Watson & Gershon

Subject: Update on Central Basin Lawsuit

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on the status of *City of Cerritos et al. v. Central Basin Municipal Water District*.

Background

At their August 29, 2019 Special Meeting, the SEWC Board of Directors approved the allocation of up to \$10,000 in SEWC funds towards legal fees relating to *City of Cerritos et al. v. Central Basin Municipal Water District*, inclusive of filing an amicus brief in favor of the purveyors, with the option of returning to the issue at a later date to discuss further support.

To that end, it is recommended that the Administrative Entity receive and file an update on the status of this lawsuit.



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

Date: January 16, 2020
To: Southeast Water Coalition Administrative Entity
From: Ray Cordero, AE Chair, City of Whittier

Subject: Formation of Lead Agency Transition Ad Hoc Committee

Recommendation: That the Administrative Entity take the following action:

Vote to approve the membership of an ad hoc committee to facilitate the transition between outgoing and incoming Lead Agency, and incoming Vice-Chair.

Background

At the October 3, 2019 SEWC Board of Directors, the Board representative for the City of Commerce accepted the position as incoming Lead Agency, beginning July 1, 2020. Per the SEWC Lead Agency Transition History document, when Commerce becomes Lead Agency, the City of Vernon will become Vice-Chair.

In order to ensure a smooth transition between Lead Agencies, it is recommended that the Administrative Entity establish an ad hoc committee to facilitate the transition.

Attachment(s):

1. SEWC Lead Agency Transition History document
2. Calendar Year 2020 SEWC Meeting Calendar

Lead Agency Transition History

- Norwalk 1991--1994
- Pico Rivera 1994--1996
- Whittier 1996--1998
- Downey 1998--2000
- South Gate 2000--2002
- Norwalk 2002--2004
- Cerritos July 2004 -- June 2006
- Paramount July 2006 -- June 2008
- Lakewood July 2008 -- June 2010
- Santa Fe Springs July 2010 -- June 2012
- Pico Rivera July 2012 -- June 2014
- South Gate July 2014 -- June 2016
- Downey July 2016 -- June 2018

- Commerce Unknown
- Vernon Unknown

Proposed Fixed Succession of Lead Agency going forward:

- Whittier July 2018 -- June 2020
- Commerce July 2020 -- June 2022
- Vernon July 2022 -- June 2024

Whittier is currently the SEWC Vice-Chair. Whittier slated to be SEWC Lead Agency next after Downey. Following current procedure, the Vice-Chair will be adopted at the same time as the Chair.

After the Chair's two-year term, the Vice-Chair will then become the Chair. (ex. when Whittier becomes Lead Agency in July 2018, Commerce will become Vice-Chair.)

Beginning in July 2024, Lead Agency schedule repeats: Norwalk, Cerritos, Paramount, Lakewood, Santa Fe Springs, Pico Rivera, South Gate, Downey, Whittier, Commerce, Vernon, etc.

**Southeast Water Coalition Joint Powers Authority
Meeting Calendar – Remainder of FY 19-20**

Board of Directors (1st Thursday)

February 6, 2020

April 2, 2020

June 4, 2020

City of Whittier – Emergency Operations Center
13200 Penn Street
Whittier, CA 90602

Dinner Served at 6:00 p.m.
Meeting begins at 6:30 p.m.

Administrative Entity (3rd Thursday)

January 16, 2020

March 19, 2020

May 21, 2020

Palm Park Aquatic Center
5703 Palm Ave.
Whittier, CA 90601

Lunch Served at 11:15 a.m.
Meeting begins at 11:30 a.m.



Southeast Water Coalition

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SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

Date: January 16, 2020
To: Southeast Water Coalition Administrative Entity
From: Ray Cordero, AE Chair, City of Whittier
Subject: **Fiscal Year (FY) 2018-2019 Southeast Water Coalition (SEWC) Draft Audit**

Recommendation: That the Administrative Entity take the following actions:

- 1) Accept the Southeast Water Coalition (SEWC) Draft Financial Statements for Fiscal Year 2018-2019 with Report on Audit; and
- 2) Prepare a Management Letter for the final audit report; and
- 3) Recommend the Board of Directors approve the SEWC Draft Financial Statements for Fiscal Year 2018-2019 with Report on Audit, dated June 30, 2019, and to authorize the draft audit report be finalized and filed with the County.

Discussion

Sections 7.i. and 14.b. of the Southeast Water Coalition (SEWC) Joint Powers Agreement (Agreement), dated June 28, 2005, outline SEWC's budget policies. According to the Agreement, an independent annual audit of SEWC's financial statements shall be conducted by a certified public accountant in compliance with Government Code Section 26909. Additionally, the report of said audit shall be filed as a public record with each agency and the County Auditor.

The SEWC Board of Directors authorized the City of Whittier's Director of Finance, servicing as SEWC Treasurer and Controller, to award a sole source contract to White Nelson Diehl Evans, LLP to administer the annual audit of SEWC financial documents for Fiscal Year (FY) 2018-2019 and prepare the Financial Transactions Report and Supplement for the total cost of \$5,450.

SEWC received the Draft Financial Statements from WNDE on January 13, 2020. The audit finds that SEWC's financial statements were presented in conformity and in accordance with accounting principles generally accepted in the United States of America.

If the draft audit report is accepted by the Administrative Entity, the next steps are:

- 1) for the Lead Agency Whittier to prepare a Management Letter for the final audit report; and
- 2) bring the report to the SEWC Board of Directors at their February 6, 2020 meeting for approval and to direct White Nelson Diehl Evans to submit the Finalized Audit Report.

Attachment(s):

1. Draft SEWC Audit Communication Letter from WNDE
2. Draft SEWC Financial Statements from WNDE

To the Administrative Entity Members
of the Southeast Water Coalition
Whittier, California

We have audited the financial statements of the Southeast Water Coalition (the Coalition) as of and for the year ended June 30, 2019, and have issued our report thereon dated **REPORT DATE**. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 10, 2019, and our letter on planning matters dated July 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Coalition are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the Coalition during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Coalition's financial statements is management's estimate of the fair value of investments, which is the price that would be received to sell an asset in an orderly transaction between market participants, which is based on market values provided by outside sources.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Significant Audit Findings (Continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management of the Lead Agency, the City of Whittier, that are included in separate management representation letter dated **REP LETTER DATE**.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

We did notice that the annual member contributions for the year ended June 30, 2019 were not billed out until late in the fiscal year. Typically, this process has been done at the beginning of the fiscal year. The delay appears to have been the result of the transition of the financial recordkeeping from the City of Downey to the City of Whittier.

Restriction on Use

This information is intended solely for the use of the Board of Directors, Administrative Entity Members, management, and others within the Southeast Water Coalition and is not intended to be and should not be, used by anyone other than these specified parties.

Irvine, California

DATE

SOUTHEAST WATER COALITION
FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2019

PRELIMINARY DRAFT

SOUTHEAST WATER COALITION

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June 30, 2019

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PRELIMINARY DRAFT

INDEPENDENT AUDITORS' REPORT

To the Administrative Entity Members
of the Southeast Water Coalition
Whittier, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and general fund of the Southeast Water Coalition (the Coalition) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Coalition'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 auditors consider internal control relevant to the Coalition'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 Coalition'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and the general fund of the Coalition as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Irvine, California

REPORT DATE

PRELIMINARY DRAFT

SOUTHEAST WATER COALITION

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2019

	General Fund	Adjustments (Note 1D)	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 168,317	\$ -	\$ 168,317
Due from member agencies	55,000	-	55,000
Interest receivable	901	-	901
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 224,218</u>	-	224,218
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$ 3,274	-	3,274
Due to other governments	3,000	-	3,000
FUND BALANCE/NET POSITION			
FUND BALANCE:			
Unassigned	<u>217,944</u>	<u>(217,944)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 224,218</u>		
NET POSITION:			
Unrestricted net position		<u>\$ 217,944</u>	<u>\$ 217,944</u>

See accompanying notes to financial statements.

SOUTHEAST WATER COALITION

STATEMENT OF ACTIVITIES AND STATEMENT OF GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended June 30, 2019

	General Fund	Adjustments (Note 1D)	Statement of Activities
EXPENDITURES/EXPENSES:			
Current:			
Contract services	\$ 16,780	\$ -	\$ 16,780
Professional services	9,553	-	9,553
Travel, supplies, and meetings	3,729	-	3,729
Policy Board compensation	6,000	-	6,000
	<u>36,062</u>	<u>-</u>	<u>36,062</u>
TOTAL EXPENDITURES/EXPENSES			
PROGRAM REVENUES:			
Operating grants and contributions:			
Contributions from members	55,000	-	55,000
Investment income	6,201	-	6,201
	<u>61,201</u>	<u>-</u>	<u>61,201</u>
TOTAL PROGRAM REVENUES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/ CHANGE IN NET POSITION			
	25,139	-	25,139
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>192,805</u>	<u>-</u>	<u>192,805</u>
END OF YEAR	<u>\$ 217,944</u>	<u>\$ -</u>	<u>\$ 217,944</u>

See accompanying notes to financial statements.

SOUTHEAST WATER COALITION

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Operating contributions from members	\$ 55,000	\$ 55,000	\$ -
Investment income	1,000	6,201	5,201
TOTAL REVENUES	56,000	61,201	5,201
EXPENDITURES:			
Current:			
Contract services	37,000	16,780	20,220
Professional services	71,500	9,553	61,947
Travel, supplies, and meetings	5,100	3,729	1,371
Policy Board compensation	9,900	6,000	3,900
TOTAL EXPENDITURES	123,500	36,062	87,438
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(67,500)	25,139	92,639
FUND BALANCE - BEGINNING OF YEAR	192,805	192,805	-
FUND BALANCE - END OF YEAR	\$ 125,305	\$ 217,944	\$ 92,639

See accompanying notes to financial statements.

SOUTHEAST WATER COALITION
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

On July 1, 1991, certain public agencies entered into a joint powers agreement to form the Southeast Water Coalition (the Coalition). Each member has one representative on the Policy Board and on the Administrative Entity. The purpose of the Coalition is to jointly exercise its powers for the purpose of improving the quality and quantity of potable water in the southeast area of Los Angeles County. The Coalition members are the cities of Downey, Whittier, Paramount, Pico Rivera, Lakewood, Norwalk, Commerce, Vernon, Cerritos, South Gate, and Santa Fe Springs.

It is the firm position of the Coalition that both the containment at Whittier Narrows and cleanup of the San Gabriel Basin are essential to the protection of the Central Basin. The containment program is the Coalition's primary short-term focus because the Whittier Narrows containment program serves primarily to protect the Central Basin.

In addition, the Coalition will work with communities and agencies in the San Gabriel Basin to expedite the cleanup of the San Gabriel Basin as a no less important, but longer term, focus. In addition, it is the goal of the Coalition to return the decision-making authority, both in terms of alternatives chosen and lead agency status with respect to the implementation of the containment program at Whittier Narrows and the cleanup of the San Gabriel Basin, to agencies at the local or state level while pursuing funds at the federal, state, and local levels.

B. Financial Statement Presentation

Governmental entities are required to report information on a government-wide basis and on a fund basis (with emphasis placed on major funds of the entity). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. The governmental fund financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balance) report information on individual funds of the government. A fund is considered to be a separate accounting entity with a self-balancing set of accounts.

SOUTHEAST WATER COALITION

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Statement Presentation (Continued)

Since the Coalition is engaged in a single governmental activity and has no component units, the government-wide and governmental fund financial statements have been combined on the same statement with a reconciliation of the individual line items in a separate column titled “Adjustments.” The government-wide financial statements are reported in the “Statement of Net Position” and the “Statement of Activities” columns. The governmental fund financial statements are reported in the “General Fund” column.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Under the modified accrual basis of accounting, revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Coalition considers revenues to be available if they are collected within a 60-day period to pay current liabilities at the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts reported as program revenues are charges to member cities for goods, services, or privileges provided and related investment income.

SOUTHEAST WATER COALITION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-wide and Fund Financial Statements

Certain line items in the basic financial statements may require adjustments to convert from the fund financial statements, which are reported using the current financial resources measurement focus and modified accrual basis of accounting, to the government-wide financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting. For the year ended June 30, 2019, the Coalition did not have any adjustments to make.

E. New Accounting Pronouncements

Current-Year Standards

The following are Governmental Accounting Standards Board (GASB) current-year standards:

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018. This standard did not impact the Coalition.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018. This standard did not impact the Coalition.

Pending Accounting Standards

GASB has issued the following statements that may impact the Coalition's financial reporting requirements in the future:

GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.

GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.

GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

SOUTHEAST WATER COALITION

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data

The Coalition adopts an annual budget at the beginning of each fiscal year. The budget is prepared by the Budget Adhoc Committee and submitted to the Administrative Entity. The Administrative Entity reviews the budget, makes adjustments, and prepares the budget report for presentation to the Policy Board. The budget is legally enacted by a majority vote of the Policy Board at a noticed meeting. Any amendments must be approved by the Policy Board in accordance with prescribed procedures.

G. Net Position and Fund Balances

Classification of Net Position

Net position in the government-wide financial statements is reported as follows:

Unrestricted Net Position - This category represents the net position of the Coalition that is not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Coalition's policy is to apply restricted net position first. The Coalition did not have restricted net position during the current year.

Governmental Fund Balance Classifications

Fund balance is reported on the fund statements as follows:

Unassigned Fund Balance - This classification includes the residual balance for the Coalition's general fund and includes all spendable amounts that have not been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Coalition's policy is to apply the restricted fund balance first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Coalition's policy is to apply the committed fund balance first, then the assigned fund balance, and finally the unassigned fund balance. The Coalition did not have restricted, committed, or assigned fund balances during the current year.

SOUTHEAST WATER COALITION

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates

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

I. Subsequent Events

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through **REPORT DATE**, the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The Coalition's cash was maintained in a deposit and investment pool managed by the City of Whittier during the year ended June 30, 2019. This pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council of the City of Whittier. The Coalition has not adopted a deposit and investment policy separate from that of the City of Whittier.

Information regarding the City of Whittier's deposit and investment pool, including interest rate, credit, and custodial credit risks, can be found in the City of Whittier's Comprehensive Annual Financial Report for the year ended June 30, 2019, located at City Hall and on the City of Whittier's website.



A joint powers authority to protect the Central Groundwater Basin

**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT**

Date: September 19, 2019
To: Southeast Water Coalition Administrative Entity
From: Ray Cordero, AE Chair, City of Whittier
Jason Wen, City of Lakewood

Subject: Legislative Update - Statewide Water Conservation

Recommendation: That the Administrative Entity take the following action:

Receive and file an update on and statewide water conservation legislation.

Discussion: Water Conservation and Efficiency Legislation (after 2012-2017 drought)

Statutes

Water Conservation & Drought Planning, AB 1668 (Friedman, 2018)/SB 606 (Hertzberg, 2018)

SB 606 and AB 1668 establish guidelines for efficient water use and a framework for the implementation and oversight of the new standards, which must be in place by June 2022.

- Establishing water use objectives and long-term standards for efficient water use that apply to urban retail water suppliers; comprised of indoor residential water use, outdoor residential water use, commercial, industrial and institutional (CII) irrigation with dedicated meters, water loss, and other unique local uses.
- Providing incentives for water suppliers to recycle water.
- Requiring both urban and agricultural water suppliers to set annual water budgets and prepare for drought.
- Compliance is to meet system aggregate objectives; enforcement may start November 2023 with a potential fines of up to \$100/day (fine may start November 2025).

Landscape Water Use Efficiency Opens in New Window , AB 2371 (Carrillo, 2018)

- This bill would require the board to confer with specified entities to determine whether any updates or revisions to the examination are needed to reflect new and emerging landscape irrigation efficiency practices, as specified.
- This bill would authorize a home inspection report on a dwelling unit on a parcel containing an in-ground landscape irrigation system to include certain information regarding the operation and observation of the irrigation system.

Onsite Treated Nonpotable Water Systems, Opens in New Window SB 966 (Wiener, 2018)

- By December 1, 2022, require to adopt regulations for risk-based water quality standards for the onsite treatment and reuse of nonpotable water, as provided.
- By December 1, 2023, require to develop and propose for adoption any necessary corresponding building standards to support the risk-based water quality standards.

Regulations

Rulemaking to implement 2018 Water Efficiency Legislation

Rulemaking on Urban Water Supplier Monthly Water Conservation Reports – (Public comment period: December 18, 2019 through Friday, January 31, 2020.)

Rulemaking on Water Loss Control – (Started 2018, currently pre-formal rulemaking phase)

- Develop water loss performance standards for urban retail water suppliers between January 2019 and July 2020, and to evaluate the life-cycle cost of achieving these standards.

Rulemaking on Waste and Unreasonable Water Uses – (Started 2017, In-progress)

- Prohibit wasteful water use practices

Highlights of Regulatory Activities

Legislation passed in 2018 (AB 1668 and SB 606) directed the State Water Board to adopt long-term standards for the efficient use of water by June 30, 2022. The formal rulemaking will begin in 2021. The standards include the following:

- A standard for indoor residential use, which the Legislature has provisionally set

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LEGISLATIVE UPDATE

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at 55 gallons per capita per day (GPCD). The indoor standard is set to decrease to 52.5 GPCD beginning January 2025, and to 50 GPCD beginning in 2030. Based on the results of a forthcoming report, the standard may be adjusted upwards.

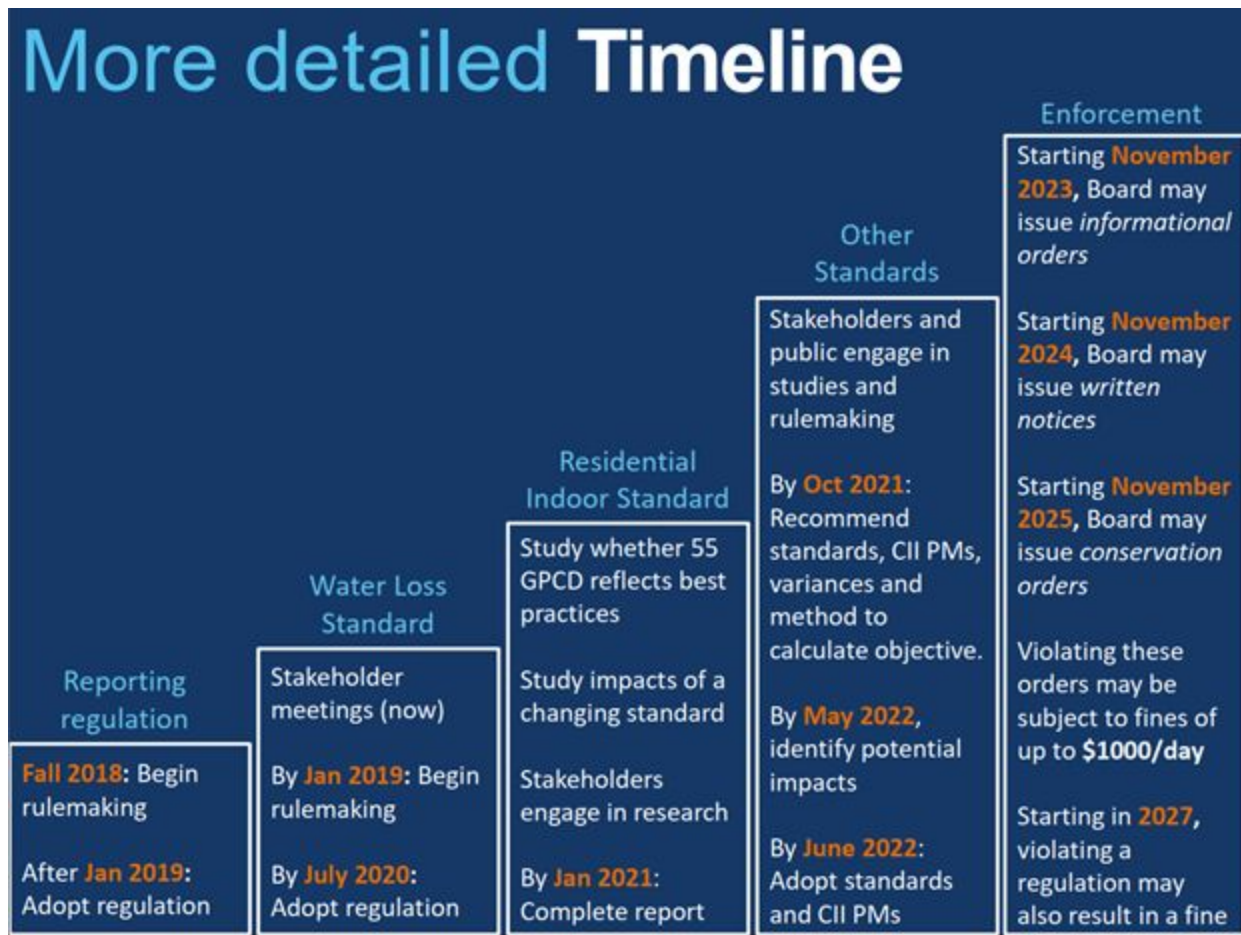
- To-be-determined standards for 1) outdoor residential use, 2) outdoor irrigation of landscape areas with dedicated irrigation meters in connection with Commercial, Industrial, and Institutional (CII) properties and 3) water loss from water distribution systems.

Key Provisions:

- Monthly report requirement
- Shift percent reduction to efficiency-based approach
- Progressive enforcement approach
- New requirements for urban and agricultural water management planning.

Attachment(s):

1. Efficiency Standards Timeline
2. Statewide Residential GPCD Data



Statewide Residential GPCD Data

Hydrologic Region	January				
	2015	2016	2017	2018	2019
Central Coast	60	49	49	57	51
Colorado River	118	93	89	115	112
North Coast	54	50	50	53	48
North Lahontan	70	58	60	59	60
Sacramento River	74	68	69	69	66
San Francisco Bay	57	49	51	53	50
San Joaquin River	68	62	63	71	66
South Coast	73	62	57	74	65
South Lahontan	71	68	60	77	66
Tulare Lake	75	70	72	82	75
Statewide R-GPCD	70	61	58	70	63

Hydrologic Region	June					
	2014	2015	2016	2017	2018	2019
Central Coast	100	76	80	86	86	80
Colorado River	222	170	170	199	193	197
North Coast	88	79	86	76	81	75
North Lahontan	162	115	134	140	140	125
Sacramento River	187	137	163	172	170	150
San Francisco Bay	99	70	79	84	83	81
San Joaquin River	195	127	138	143	153	145
South Coast	121	91	95	99	97	89
South Lahontan	188	133	145	138	152	141
Tulare Lake	201	155	167	182	184	170
Statewide R-GPCD	132	98	105	111	110	102