

## Meeting Agenda Announcement

On March 12, 2020, Governor Newsom issued Executive Order No. N-25-20, which allows SEWC Board Members to attend Policy Board meetings telephonically. Please be advised that some, or all, SEWC Board Members may attend this meeting telephonically.

Consistent with mandates of Executive Order No. N-29-20, a physical location from which members of the public may observe the meeting or offer public comment will not be made available. Whittier Emergency Operations Center will not be open to the public for this meeting; however viewing and public comment options are provided below.

View live open session meeting remotely via Zoom:

Join Zoom Meeting:

<https://us02web.zoom.us/j/82178693181?pwd=VVYwdnI5bEw3RW4wd1FXckNYWlhYQT09>

Meeting ID: 821 7869 3181

Password: 268962

One tap mobile:

+ 16699006833,,82178693181#,,1#,268962# US

Public Comment/Question options:

- Email: [kjservicesenviro@gmail.com](mailto:kjservicesenviro@gmail.com)
- Voicemail: (562) 567-9500

Please submit email and voicemail public comments by at least 5:30 p.m. on the date of the meeting to ensure SEWC Board Members receive and have time to review them. All email and voicemails received by 5:30 p.m. are forwarded to SEWC Board Members. Email and voicemails received after 5:30 p.m. but before the conclusion of the public comment portion will be entered into the record.

**AGENDA**

**SOUTHEAST WATER COALITION**

**REGULAR MEETING OF THE POLICY BOARD**

**THURSDAY, JUNE 4, 2020**

**6:30 PM**

1. **ROLL CALL**
2. **PUBLIC COMMENTS**
3. **CONSENT CALENDAR**
  - a. **SEWC BOARD OF DIRECTORS MINUTES OF MARCH 5, 2020 SPECIAL MEETING**  
Recommendation: Approve minutes as submitted.
  - b. **SEWC BOARD OF DIRECTORS MINUTES OF MAY 28, 2020 SPECIAL MEETING**  
Recommendation: Approve minute as submitted.
  - c. **WARRANT REGISTER**  
Recommendation: Approve Warrant Register.

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

3. **UPDATE ON SB 625: CENTRAL BASIN MUNICIPAL WATER DISTRICT: RECEIVERSHIP**  
Ray Cordero, Chair, Administrative Entity  
Recommendation: That the Board take the following action:

Receive and file an update on the status of Senate Bill 625: Central Basin Municipal Water District: receivership.

**4. AUTHORIZATION TO RETAIN AUDIT FIRM TO COMPLETE FISCAL YEAR 2019 / 2020 SOUTHEAST WATER COALITION (SEWC) AUDIT**

Ray Cordero, Chair, Administrative Entity

Recommendation: That the Board take the following action:

Authorize the City of Whittier's Director of Finance, serving 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 statements for Fiscal Year 2019-2020 and prepare the Financial Transactions Report and Supplement.

**5. SOUTHEAST WATER COALITION (SEWC) JOINT POWERS AUTHORITY (JPA) FISCAL YEAR 2020 / 2021 DRAFT BUDGET**

Ray Cordero, Chair, Administrative Entity

Recommendation: That the Board take the following action:

Review and approve the Southeast Water Coalition (SEWC) Joint Powers Authority (JPA) Fiscal Year 2020/2021 Draft Budget.

**6. ADOPT RESOLUTION NO. 2020-01 OF THE BOARD OF DIRECTORS OF THE**

**SOUTHEAST WATER COALITION (SEWC) JOINT POWERS AUTHORITY (JPA) DESIGNATING A LEAD AGENCY FOR THE PERIOD BEGINNING JULY 1, 2020 THROUGH JUNE 30, 2022 AND PROVIDING FOR MEETINGS OF THE BOARD OF DIRECTORS AND ADMINISTRATIVE ENTITY**

Ray Cordero, Chair, Administrative Entity

Gina Nila, Vice-Chair, Administrative Entity

Recommendation: That the Board take the following action:

Adopt Resolution No. 2020-01 of the Board of Directors of the Southeast Water Coalition Joint Powers Authority designating a Lead Agency for the period beginning July 1, 2018 through June 30, 2020 and providing for meetings of the Board of Directors and Administrative Entity.

**7. BOARD OF DIRECTORS COMMENTS**

**8. ADMINISTRATIVE ENTITY CHAIR / LEAD AGENCY COMMENTS**

**9. ADJOURNMENT**

**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 Joint Powers Authority Board of Directors is Thursday, August 6, 2020 at 6:30 p.m. Pursuant to mandates of Executive Order No. N-29-20, a physical location from which members of the public may observe the meeting or offer public comment will not be made available.

*I, Veronica Barrios, City of Whittier, do hereby certify, under penalty of perjury under the laws of the State of California that the foregoing agenda 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 Whittwood Branch Library.*

Dated: June 1, 2020



Veronica Barrios  
Administrative Secretary  
Department of Public Works

**MINUTES OF THE  
SOUTHEAST WATER COALITION  
JOINT POWERS AUTHORITY**

**SPECIAL MEETING OF THE POLICY BOARD**

**CITY OF WHITTIER  
EMERGENCY OPERATIONS CENTER  
13200 PENN STREET  
WHITTIER, CA 90602**

**THURSDAY, MARCH 5, 2020  
6:30 P.M.**

The special meeting of the Southeast Water Coalition Joint Powers Authority Policy Board was called to order at 6:46 p.m. by Policy Board Chair Fernando Dutra.

**1. PLEDGE OF ALLEGIANCE**

Policy Board Chair, Fernando Dutra, asked Todd Rogers, City of Lakewood Board Member, to lead the Pledge of Allegiance.

**2. ROLL CALL**

Frank Yokoyama	City of Cerritos
Oralia Rebollo	City of Commerce
Alex Saab	City of Downey
Todd Rogers	City of Lakewood
John Mora	City of Santa Fe Springs
Fernando Dutra	City of Whittier, Board Chair

**Also Present:**

Bob Ortega	City of Cerritos
Dan Mueller	City of Downey
Jason Wen	City of Lakewood
Adriana Figueroa	City of Paramount
Noe Negrete	City of Santa Fe Springs
Chris Castillo	City of South Gate
Joanna Moreno	City of Vernon
Ray Cordero	City of Whittier, AE Chair
Kyle Cason	City of Whittier

Daniel Hernandez	City of Commerce
Todd Dusenberry	City of Vernon
Nick Ghirelli	RW&G
Kristen Sales	KJServices Environmental Consulting

**3. PUBLIC COMMENTS**

No Public Comments were received.

**4. CONSENT CALENDAR**

Policy Board Chair Fernando Dutra (Whittier) called for a motion to approve the Consent Calendar. Frank Yokoyama (Cerritos) made the motion, and Alex Saab (Downey) seconded the motion. The motion was approved by a unanimous voice vote of the Policy Board.

**5. RECEIVE AN UPDATE ON CBMWD BOARD AND AUTHORIZE SENDING LETTER RE: CENTRAL BASIN BOARD ACTIONS**

AE Chair Ray Cordero (Whittier) summarized the staff report of this item. AE Chair Cordero stated that at their February 25, 2020 meeting, the SEWC Administrative Entity members enlisted SEWC Legal Counsel Nick Ghirelli, of Richards, Watson & Gerhson, to draft a letter on behalf of SEWC, expressing concerns over recent actions taken by the Central Basin Municipal Water District (CBMWD) Board of Directors.

AE Chair Cordero then introduced Mr. Ghirelli, and Mr. Ghirelli provided a summary of the issues covered in the letter. Mr. Ghirelli stated that the aim of SEWC's letter is more of a political purpose, than a legal purpose, since the SEWC Board of Directors is composed of local elected officials. Mr. Ghirelli added that legal counsel for CBWA believes that the problems at Central Basin will need to be "solved" by new state legislation. Mr. Ghirelli stated that SEWC's letter does not demand new or different action than what has previously been suggested in other agencies' letters.

Board Member Todd Rogers (Lakewood) inquired if the CBMWD Board's interpretation of quorum is for a 7-member Board, rather than the 8-member Board currently in place, but with one position vacant. Mr. Ghirelli answered that yes, their argument is that their Board is 7 Members, meaning a quorum of Members would be four; however, Mr. Ghirelli added that the CBMWD Administrative Code requires a 5 member quorum, specifically. Board Member Rogers then asked if SEWC should provide official notice of this letter to the plaintiffs in the purveyors' lawsuit against Central Basin.

AE Alternate Chair Kyle Cason (Whittier) replied that the SEWC letter was being sent to the SEWC Board of Directors, SEWC AE, Assemblymember Cristina Garcia, Supervisor Janice Hahn, and the Gateway Cities Council of Governments.

Board Member Oralia Rebollo (Commerce) added that the SEWC letter should

also be sent to Supervisor Hilda Solis, to which all the other Board Members agreed. AE Alternate Chair Cason stated that the letter should “cc” Dave Aleshire as well. AE Member Adriana Figueroa (Paramount) added that Cristina Garcia had already sent a letter on this issue to L.A. District Attorney Jackie Lacey.

AE Member Noe Negrete (Santa Fe Springs) asked for clarification on the phrase “management team” in paragraph three of SEWC’s letter to the CBMWD Board. Mr. Negrete asked if the “management team” referred to both CB’s General Manager and General Counsel. AE Alternate Chair Cason answered in the affirmative.

Board Member John Mora (Santa Fe Springs) asked if Signal Hill and Lakewood had or would be sending their own letters. AE Alternate Chair Cason answered that the City of Signal Hill had drafted a letter of their own, onto which many other cities had signed, including Lakewood, and more cities probably would sign. AE Alternate Chair Cason added that CBMWD Board Member Leticia Vasquez’s response to the Signal Hill letter was that Signal Hill misrepresented the concerns of their rate payers. AE Alternate Chair Cason stated that a SEWC letter would carry more weight, since the SEWC Board is composed of elected officials directly responsible to their residents and water ratepayers.

Board Member Alex Saab (Downey) inquired if there were other examples of outside agencies stepping in to intervene in the Central Basin, for example, the County of L.A. Mr. Ghirelli stated that legislative action would probably need to be taken for L.A. County to step in, or the CBWA/water purveyors would have to file an injunction to declare acts un-enforceable. Mr. Ghirelli added that an injunction would be a short-term solution, but eventually legislation would be necessary.

Board Member Saab asked if the letter should be forwarded to Senator Bob Archuleta. Board Chair Fernando Dutra (Whittier) stated that he had already reached out to Mr. Archuleta. AE Member Figuera added that SEWC should “cc” Speaker Anthony Rendon as well as Senator Archuleta.

Board Member Rebollo asked what would happen with all the motions and actions that the CBMWD Board passed illegally. Mr. Ghirelli answered that the CB Board’s appointments of new General Counsel and General Manager might get reversed if an injunction is made against them.

AE Member Dan Mueller (Downey) added that CBMWD’s liability insurance is due to expire, and without legal Board action, their coverage is in jeopardy. AE Member Negrete stated that CB Board is acting irrationally and behaving illegally, as well as working to get the purveyor representatives on the Board to resign. Mr. Negrete continued that the appointed purveyor representatives are engineers with technical expertise, not politicians, while he noted that CB Board Members Camacho-Rodriguez, Vasquez and Hawkins are all up for re-election in

November.

SEWC Board Chair Dutra asked if it was possible for WRD to act on behalf of the purveyors or step in to manage the CB Board. AE Alternate Chair Cason stated that City Managers met last week regarding the CB Board and CWA is talking with Cristina Garcia on options to restructure the makeup of the CB Board, and the possibility of West Basin or WRD taking over. The ultimate goal, AE Alternate Chair Cason stated, is to get the illegal actions to stop. He added that the Metropolitan Water District is also aware of Central Basin's issues and are against the CB Board's recent actions.

Board Chair Dutra asked the SEWC Board Members if they thought the letter should also be sent to the Whittier Daily News. All the Board Members agreed to "cc" Whittier Daily News and other local media outlets.

Board Member Saab inquired if the CB situation could be similar to the case of Sativa Water in the City of Commerce, which had some legal entanglements and legislative action was taken to remedy the issue.

AE Member Figueroa stated that purveyors face daily changes, and CBWA has approved funding for an injunction against the CB Board, and she suggested that cities with legal standing should join on existing lawsuits. Ms. Figueroa added that the CB Board has a parcel tax incoming, but still need to file financial and engineering reports, and if they don't approve the parcel tax, the Basin won't get that income and the resulting loss of revenue would be passed down through increased water rates to purveyors.

Mr. Ghirelli added to Ms. Figueroa's comments, noting that "legal standing" would be those agencies (cities or water companies) that purchase water from the CBMWD. He clarified that while SEWC does not have legal standing, the agency could file to be an associate party on a lawsuit.

SEWC Board Chair Dutra asked for a motion to approve sending the SEWC letter to the CB Board and all the "cc'd" parties heretofore mentioned. The motion was made by Alex Saab (Downey) and seconded by Oralia Rebollo (Commerce). The motion was approved by a unanimous voice vote of the Policy Board.

**6. BOARD OF DIRECTORS COMMENTS**

No comments were received.

**7. ADMINISTRATIVE ENTITY CHAIR / LEAD AGENCY COMMENTS**

No comments were received.

**8. ADJOURNMENT**



Policy Board Chair Dutra (Whittier) adjourned the meeting at 7:20pm.

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CHAIRMAN

ATTEST:

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**MINUTES OF THE  
SOUTHEAST WATER COALITION  
JOINT POWERS AUTHORITY**

**SPECIAL MEETING OF THE POLICY BOARD**

**THURSDAY, MAY 28, 2020  
3:30 P.M.**

The special meeting of the Southeast Water Coalition Joint Powers Authority Policy Board, conducted electronically over Zoom, was called to order at 3:39 p.m. by Policy Board Chair Fernando Dutra.

**1. ROLL CALL**

Kristen Sales (KJServices Environmental Consulting) called roll and all present on the Zoom call.

Frank Yokoyama	City of Cerritos
Oralia Rebollo	City of Commerce (arrived at 3:50 p.m.)
Alex Saab	City of Downey
Todd Rogers	City of Lakewood
Margarita Rios	City of Norwalk
Isabel Aguayo	City of Paramount
Annette Rodriguez	City of Santa Fe Springs
Maria Davila	City of South Gate
Melissa Ybarra	City of Vernon
Fernando Dutra	City of Whittier, Board Chair

Also Present:

Bob Ortega	City of Cerritos
Gina Nila	City of Commerce
Dan Mueller	City of Downey
Jason Wen	City of Lakewood
Adriana Figueroa	City of Paramount
Sarah Ho	City of Paramount
Noe Negrete	City of Santa Fe Springs
Chris Castillo	City of South Gate
Joanna Moreno	City of Vernon
Ray Cordero	City of Whittier, AE Chair
Kyle Cason	City of Whittier

Cesar Rangel	City of Whittier
Todd Dusenberry	City of Vernon
Nick Ghirelli	RW&G
Kristen Sales	KJServices Environmental Consulting
Kevin Sales	KJServices Environmental Consulting

## **2. PUBLIC COMMENTS**

No Public Comments were received.

## **3. AUTHORIZE SENDING LETTER IN SUPPORT OF SB 625: CENTRAL BASIN MUNICIPAL WATER DISTRICT: RECEIVERSHIP**

AE Alternate Chair Kyle Cason (Whittier) provided a summary of the item, and shared his screen with the group to go over the draft letter in detail. AE Alternate Chair Cason asked if there were any questions on the draft letter, and invited Board Members to submit their comments.

Board Member Alex Saab (Downey) stated that SEWC draft letter is well-written, gives adequate background, and makes its point clearly. Board Member Saab made a motion to approve sending the letter. Board Member Todd Rogers (Lakewood) seconded the motion.

Board Member Rogers stated that the legislation is very well thought-out, and probably the best chance to enact reform at the CBMWD. He stated that the City of Lakewood supports it, and applauded the legislature for their authorship.

Board Member Saab added that protests in the City of Downey often bring up the Central Basin as a point of contention, and that SB 625 represents the efforts of a coalition of long standing work.

SEWC Board Chair Dutra expressed his thanks to Board Member Rogers for his long term leadership and guidance on this issue, and his apologies to Board Member Saab for the protestors' tactics and rhetoric. Board Member Saab stated that the protestors' argument is that the Central Basin Board is moving to privatize water, which is a false claim.

Board Chair Dutra added that the Central Basin Board has been problematic for years, and that SB 625 represents the culmination of at least five years' active efforts from purveyors. He expressed his sympathy for Central Basin staff, who do not have leadership or job security, and have been harassed by rogue Board Members as the situation has deteriorated over the last several months.

Board Member Frank Yokoyama (Cerritos) also expressed his thanks for everyone's hard work on the issue. Board Member Yokoyama continued that, at the direction of his City Manager, he would be abstaining from voting on this item.

Board Member Maria Davila (South Gate) stated that she had to leave for another meeting, and she supports sending the letter and votes "aye" on the item. Board Member Davila left the Zoom meeting at 3:53 p.m.

During the roll call vote for this item, Board Member Oralia Rebollo (Commerce) lost internet connection with the Zoom meeting. After staff attempted to call her cell phone, Board Member Rebollo voted "aye" on the item.

SEWC Board Chair Dutra asked for a motion to approve sending the SEWC letter in support of SB 625 to the Assembly Committee on Local Government ahead of their hearing on June 1, 2020. The motion was made by Alex Saab (Downey) and seconded by Todd Rogers (Commerce). With an abstention from Frank Yokoyama (Cerritos), the motion was approved by a unanimous roll call vote of the Policy Board.

**4. BOARD OF DIRECTORS COMMENTS**

Board Chair Fernando Dutra (Whittier) expressed his thanks to all the current and former SEWC Board Members, particularly from Commerce and Downey, for their leadership on the Central Basin issue. He expressed gratitude to the staff and thanked other agencies for sending letters of support for SB 625. Chair Dutra expressed his thanks to SEWC Legal Counsel Nick Ghirelli for his hard work. Mr. Ghirelli in turn thanked AE Alternate Chair Kyle Cason (Whittier), AE Vice Chair Gina Nila (Commerce), and Kristen Sales (KJServices) for their teamwork on putting together the letter and the Special Meeting.

**5. ADMINISTRATIVE ENTITY CHAIR / LEAD AGENCY COMMENTS**

AE Member Adriana Figueroa suggested that since SEWC supports SB 625, that SEWC legislative lobbyist Jason Gonsalves be cc'd on the letter.

Kristen Sales (KJServices) reminded Board Members that their Annual Form 700 Form is due Monday, June 1, 2020. Ms. Sales stated that Forms were still outstanding from Board Members Yokoyama (Cerritos), Camacho (Pico Rivera), Ybarra (Vernon) and Lopez (Vernon).

**6. ADJOURNMENT**

Policy Board Chair Dutra (Whittier) adjourned the meeting at 3:59pm.

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CHAIRMAN

ATTEST:

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**Southeast Water Coalition**  
**Warrant Listing January 25, 2020 thru June 1, 2020**

Check #	Amount	Check Date	Transaction Description	Vendor Name
303865	\$ 188.89	2/7/2020	SEWC AE MEETING	CREPES & GRAPES CAFE
304192	\$ 150.00	2/20/2020	SEWC BOARD MEETING	ANNETTE RODRIGUEZ
304205	\$ 150.00	2/20/2020	SEWC BOARD MEETING	MARIA BELEN BERNAL
304214	\$ 150.00	2/20/2020	SEWC BOARD MEETING	GUSTAVO CAMACHO
304232	\$ 150.00	2/20/2020	SEWC BOARD MEETING	FERNANDO DUTRA
304237	\$ 150.00	2/20/2020	SEWC BOARD MEETING	FRANK YOKOYAMA
304257	\$ 1,680.00	2/20/2020	ENVIRON SVC-DEC,JAN	KJSERVICES ENVIRONMENTAL CONSULTING
304296	\$ 969.00	2/20/2020	SEWC PROF SERVICES	RICHARDS,WATSON & GERSHON
304300	\$ 150.00	2/20/2020	SEWC BOARD MEETING	TODD SCOTT RANDALL ROGERS
304304	\$ 150.00	2/20/2020	SEWC BOARD MEETING	ALEXIS SAAB
304325	\$ 150.00	2/20/2020	SEWC BOARD MEETING	THOMAS S. HANSEN
304342	\$ 150.00	2/20/2020	SEWC BOARD MEETING	MELISSA ANNA YBARRA
304469	\$ 27.23	2/28/2020	SEWC BOARD MEETING	SMART AND FINAL IRIS
304645	\$ 1,800.00	3/6/2020	AUDIT/SCR FY 18-19	WHITE NELSON DIEHL EVANS LLP
304906	\$ 150.00	3/20/2020	SEWC BOARD MEETING	FERNANDO DUTRA
304916	\$ 150.00	3/20/2020	SEWC BOARD MEETING	FRANK YOKOYAMA
304946	\$ 150.00	3/20/2020	SEWC BOARD MEETING	JOHN MORA
304964	\$ 150.00	3/20/2020	SEWC BOARD MEETING	ORALIA Y. REBOLLO
304969	\$ 150.00	3/20/2020	SEWC BOARD MEETING	TODD SCOTT RANDALL ROGERS
304971	\$ 150.00	3/20/2020	SEWC BOARD MEETING	ALEXIS SAAB
305066	\$ 1,800.00	3/27/2020	CONSULTING FEES	KJSERVICES ENVIRONMENTAL CONSULTING
305341	\$ 1,238.60	4/3/2020	LEGAL FEES	RICHARDS,WATSON & GERSHON
305706	\$ 400.00	4/10/2020	AUDIT 6/30/19	WHITE NELSON DIEHL EVANS LLP
305977	\$ 1,376.95	4/17/2020	SEWC CONSULTING	KJSERVICES ENVIRONMENTAL CONSULTING
306153	\$ 1,479.00	4/24/2020	SEWC PROF SERVICES	RICHARDS,WATSON & GERSHON
306283	\$ 6.74	5/1/2020	SEWC SPECIAL MEETING	SMART AND FINAL IRIS
306806	\$ 160.00	5/29/2020	CONSULTING SRV	KJSERVICES ENVIRONMENTAL CONSULTING

**Total** \$13,376.41



A joint powers authority to protect the Central Groundwater Basin

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

**Date:** June 4, 2020  
**To:** Southeast Water Coalition Board of Directors  
**From:** Ray Cordero, Chair, Administrative Entity

**Subject: Update on SB 625: Central Basin Municipal Water District: Receivership**

**Recommendation:** That the Board of Directors take the following action:

Receive and file an update on the status of Senate Bill 625: Central Basin Municipal Water District: receivership.

**Background**

SB 625 (Bradford), as written, would dissolve the Central Basin Municipal Water District (CBMWD) Board of Directors and would allow the Water Replenishment District (WRD) to act as as the receiver of the CBMWD, and vest all CBMWD Board powers with the WRD Board, except as specified.

SB 625 was drafted in response to longstanding mismanagement on the CBWMD Board of Directors, recent illegal actions taken by rogue Board Members, and is concurrent with two ongoing lawsuits levied by purveyors against Central Basin. These items are detailed in the text of the bill (see Attachments). SB 625 would also require the Local Agency Formation Commission for the County of Los Angeles (LAFCO) to conduct a municipal service review of the CBMWD.

At their Special Meeting on May 28, 2020, the SEWC Board of Directors voted to approve sending a letter in support of SB 625. That letter, signed by SEWC Board Chair Fernando Dutra (Whittier), was emailed to the Assembly Committee on Local Government on May 28, 2020 (see attached).

**Discussion**

On June 1, 2020, Senate Bill (SB) 625 was heard in the Assembly Committee on Local Government. After hearing call-in comments from members of the public who

support--including SEWC Board Chair Fernando Dutra (Whittier)--and members of the public who oppose, SB 625, the Committee on Local Government voted as follows:

Chair Aguiar-Curry asked for a vote to add an emergency clause and pass the bill with amendments, and refer the bill to Assembly Appropriations. The motion passed with an unanimous vote of 8 Ayes, 0 Noes.

It is recommended that the SEWC Board of Directors receive and file an update on the current status of SB 625.

**Attachments:**

- 1) SEWC Letter in support of SB 625
- 2) Assembly Committee on Local Government SB 625 Bill Analysis



## **Southeast Water Coalition**

A joint powers authority to protect the Central Groundwater Basin

May 28, 2020

The Honorable Cecilia Aguiar-Curry  
Chair, Assembly Local Government Committee  
California State Assembly  
State Capitol, Room  
Sacramento, CA 95814

Re: Senate Bill 625 (Bradford) Central Basin Municipal Water District Receivership Support

Dear Chair Aguiar-Curry:

On behalf of the Southeast Water Coalition (SEWC) I write in support of SB 625 (Bradford), which will undoubtedly improve the operations and financial management of the drinking water supply in the Central Basin Municipal Water District (District).

SEWC is a joint powers authority comprised of eleven cities in southeast Los Angeles County: Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon, and Whittier. SEWC's Board of Directors is comprised of one council member from each of these eleven cities. Our member cities are purveyors of water service to businesses and residents within their communities, and they collectively serve a population of 670,000 in a service area of over 93 square miles. SEWC provides leadership and collaborates to ensure a safe, reliable, and affordable water supply within the Central Basin. To that end, SEWC regularly monitors the District's activities and advocates for effective water policy and good governance regulation applicable to the District.

For far too many years, the District has been unable to meet its obligations as a local public agency. Despite multiple efforts by the State Legislature, the findings of a state-mandated audit and the 2016 legislation authored by Assemblywoman Cristina Garcia seeking to improve the operations of the District, nothing has changed. Poor leadership, the inability to make decisions and the lack of oversight continue to plague the district.

The District operates at a deficit and it has failed to enact cost-cutting measures in light of a substantial loss of water sales revenue. Over the course of the last five years, the District has increased its rates exponentially to offset its chronic budget shortfalls causing its rate payers to carry the burden of its financial mismanagement and challenges. The District has not adopted a budget for the 2020–21 fiscal year and has not started the process required to impose the standby charge it has imposed since 1991. Failure to approve the standby charge would reduce the district's annual revenues by more than \$3,000,000.



Page Two  
The Honorable Cecilia Aguiar-Curry  
May 28, 2020

Furthermore, the District has failed to legally appoint a general manager or general counsel with the necessary five directors to approve those appointments. The District has failed to contract for information technology support services, resulting in risk to its supervisory control and data acquisition (SCADA) system, billing system, payroll system, and computer network.

Over the course of the last four months, the District has consistently failed to hold a meeting. As a result, an ever increasing number of vital issues requiring action by District's Board of Directors have not been addressed exposing the District to additional legal and financial challenges.

This unrepresented and unsustainable dysfunction will undoubtedly result in higher water rates imposed on those with the least ability to pay, and will jeopardize access to safe imported water vital to Southern California. SB 625 will resolve the District's failure in meeting its obligations and responsibilities by temporarily putting the Water Replenishment District in charge of the District's day-to-day operations. Moreover, this bill would require the Local Agency Formation Commission for the County of Los Angeles to conduct a municipal service review of CBMWD and to seek ideas through a public process for governance of District and report the results of those activities to the Legislature.

The SEWC Board kindly requests an "aye" vote on this measure. Thank you for taking our support into consideration and please reach out if you have any questions.

Very truly yours,



Fernando Dutra  
SEWC Board Chair  
Council Member, City of Whittier

CC: via email  
The Honorable Steve Bradford, Author [senator.bradford@senate.ca.gov](mailto:senator.bradford@senate.ca.gov)  
The Honorable Members, Assembly Local Government Committee:  
Jimmy MacDonald, Principal Consultant, Assembly Local Government Committee-  
[jimmy.macdonald@sen.ca.gov](mailto:jimmy.macdonald@sen.ca.gov)  
Jason Gonsalves, Joe A. Gonsalves & Sons  
SEWC Board of Directors  
SEWC Administrative Entity  
Assembly Member Cristina Garcia  
Gateway Cities Council of Governments  
Supervisor Janice Hahn

Date of Hearing: June 1, 2020

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

SB 625 (Bradford) – As Amended May 26, 2020

**SENATE VOTE:** Not relevant

**SUBJECT:** Central Basin Municipal Water District: receivership.

**SUMMARY:** Dissolves the Board of Directors (Board) of the Central Basin Municipal Water District (CBMWD) and requires the Water Replenishment District of Southern California (WRD) to act as the receiver for CBMWD, among other changes. Specifically, **this bill:**

- 1) Specifies that the Board is hereby dissolved, and that a member of the Board shall have no claim for benefits other than those the member actually received while a member of the Board.
- 2) Provides that the Board shall surrender all control of the district and its resources to WRD, and that the Board shall surrender to CBMWD staff all CBMWD property, including, but not limited to, keys, mobile telephones, and credit cards, and access to CBMWD bank accounts and other resources or information provided to the Board in their capacity as directors.
- 3) Specifies that the Board shall not have any authority, including, but not limited to, the authority to do either of the following:
  - a) Represent the interests of the voters or public water systems within the service territory of CBMWD; or,
  - b) Influence the operation of CBMWD.
- 4) Provides that the November 3, 2020, election for directors of the Board shall not occur.
- 5) Requires WRD to act as the receiver for CBMWD.
- 6) Specifies that WRD shall have all necessary powers as described in this bill to take control of CBMWD, including, but not limited to, powers related to assets, revenues, employees, facilities, and services.
- 7) Requires any financial institutions holding money or other assets owned by CBMWD to transfer control of those assets to WRD.
- 8) Provides that all powers vested in the Board are hereby transferred to the board of directors of WRD, except that WRD shall not have the authority to do either of the following:
  - a) Dissolve CBMWD; or,
  - b) Revise the transfer of powers from CBMWD to WRD as provided in this bill.

- 9) Specifies that the board of directors of WRD shall, on or before 30 days after the effective date of this bill, present a financial plan for managing the receivership to its existing budget advisory committee.
- 10) Requires WRD to, on or before 60 days after the effective date of this bill, complete the annual process required by the Uniform Standby Charge Procedures Act to impose the standby charge that CBMWD has imposed annually since 1991.
- 11) Provides that WRD shall use only CBMWD's revenues to pay the costs of the receivership and the reasonable costs for the Los Angeles County Local Agency Formation Commission (LAFCO) to complete the municipal service review (MSR), as required by this bill.
- 12) Specifies that to the extent permitted under the Constitution of the United States or the Constitution of the State of California, WRD shall not be held liable for claims concerning the operation and supply of water from CBMWD before the commencement of receivership.
- 13) Requires the LAFCO to, using its existing authority, conduct an MSR of CBMWD.
- 14) Specifies that the LAFCO shall report the results of the MSR to the Legislature on or before six months after the effective date of this bill or December 31, 2020, whichever date occurs later.
- 15) Provides that the report shall focus, as specified, by recommending alternatives for long-term governance of the services of selling Metropolitan Water District of Southern California (Met) water to public water systems in the service territory of CBMWD and selling recycled water from the Los Angeles County Sanitation Districts.
- 16) Requires the LAFCO to, through a public process, seek ideas for governance of CBMWD from all of the following:
  - a) Customers who buy water from CBMWD, represented by the Central Basin Water Association;
  - b) Other public agencies in or near CBMWD's service territory, including, but not limited to, the County of Los Angeles, WRD, and Met; and,
  - c) The general public in and near CBMWD's service territory.
- 17) Specifies that the LAFCO shall include the results of the public process in the report.
- 18) Provides that the changes in this bill shall become inoperative 18 months after the effective date of this part, and as of January 1 of the following year, is repealed.
- 19) Contains numerous findings and declarations to support its purposes.
- 20) Specifies that no reimbursement is required by this act because a local agency or school district has the authority to levy service charges, fees, or assessment sufficient to pay for the program or level of service mandated by this act. However, if the Commission of State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made.

**EXISTING LAW:**

- 1) Provides, within the Municipal Water District Law of 1911, for the formation of municipal water district and grants those districts specified powers.
- 2) Permits a municipal water district to acquire, control, distribute, store, spread, sink, treat, purify, recycle, recapture, and salvage any water for the beneficial use of the district, its inhabitants, or the owners of rights to water in the district.
- 3) Requires the CBMWD Board to be composed of eight directors until the elected directors elected at the November 8, 2022, election take office, when the Board would be composed of seven directors, as specified.
- 4) Enacts the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), which:
  - a) Controls how local officials change the boundaries of cities and special districts, putting LAFCOs in charge of the proceedings; and,
  - b) Directs LAFCOs to ensure that services are effectively and efficiently delivered, and local governments can only exercise their powers and provide services where allowed to by LAFCO, including the formation of new cities and special districts, modifications of existing boundaries, and dissolutions of unsustainable special districts.

**FISCAL EFFECT:** This bill is keyed fiscal and contains a state-mandated local program.

**COMMENTS:**

- 1) **Bill Summary.** This bill dissolves the CBMWD Board and requires WRD to act as a receiver for CBMWD. This bill restricts the authority of the Board and provides that the November 3, 2020, election for directors of the Board shall not occur. This bill specifies that WRD shall have all necessary powers to take control of the district, including, but not limited to, powers related to assets, revenues, employees, facilities, and services. This bill also requires the LAFCO to conduct an MSR and provide recommended alternatives for governance of CBMWD. Lastly, this bill requires the LAFCO to report the results of the MSR to the Legislature, as specified. This bill is sponsored by the author.
- 2) **Author's Statement.** According to the author, "The Central Basin Municipal Water District (CBMWD) is in disarray. The legitimacy of its Board of Directors has been called into question. Four members of an eight-member board took over the district in January, arguing they constituted a majority because one member had resigned. The LA County DA's Office demanded that the Board cure its violations of the Brown Act, but the Board's attorney refused to comply. Current meetings continuously fail to accomplish vital agenda items, as the directors argue about who chairs the meeting and then adjourn. CBMWD will not be able to act until the issue of control is resolved.

"Due to the COVID-19 pandemic, a consistent water supply for our communities is more essential than ever. CBMWD serves over 1.5 million people from 24 cities and unincorporated areas in southeast Los Angeles. In order to maintain the District's operations, SB 625 will appoint the Water Replenishment District of Southern California as a temporary

receiver for CBMWD. Simultaneously, this bill will task the Local Agency Formation Commission of Los Angeles (LAFCo) with finding the best way to make long-term governance corrections for CBMWD. SB 625 takes immediate action to protect the needs of the people of Southeast Los Angeles County by ensuring a reliable supply of water is maintained now and develops a plan for how the District's responsibilities can be best managed when the receivership ends."

- 3) **Central Basin Municipal Water District.** CBMWD was formed in 1952 by the voters, pursuant to the Municipal Water District Act of 1911, to help mitigate the over pumping of groundwater in southeast Los Angeles County. CBMWD is a member agency of Met and purchases imported water from MWD to wholesale to 40 retail water agencies and one wholesaler, which includes cities, water districts, mutual water companies, investor-owned utilities, and private companies. A smaller source of CBMWD incoming revenue is from the sale of recycled water for municipal, commercial, and industrial use. CBMWD serves nearly two million people in 24 cities in southeast Los Angeles County and in some unincorporated areas of the County.
- 4) **State Audit.** In December 2015, the Bureau of State Audits (BSA) issued a report that identified several key findings: a) the Board has failed to provide the leadership necessary for CBMWD to fulfill its responsibilities; b) a lack of policies to safeguard CBMWD's long-term financial viability; c) CBMWD's debt coverage ratio is insufficient and the CBMWD's credit rating has been downgraded several times; d) the Board's actions caused CBMWD to lose its insurance coverage; e) the Board violated state law in 2010 when it approved the establishment of a legal trust fund without adequate public disclosure; f) CBMWD frequently inappropriately avoided its competitive bidding processes while awarding contracts to vendors; g) CBMWD spent thousands of dollars on purposes unrelated to its underlying authority; and, h) CBMWD failed to follow its policies for hiring employees and failed to ensure stability in its key executive management position. To address these findings the audit made numerous recommendations, most of which did not require legislation. Additionally, the audit included an addendum report from CBMWD, which included actions to put in place many of the recommendations contained in the audit.

The audit only included one recommendation that required legislation: "To ensure the efficient and effective delivery of imported and recycled water in southeastern Los Angeles County, the Legislature should pass special legislation to preserve the district as an independent entity but modify CBMWD's governance structure. In doing so, the Legislature should consider a governance structure that ensures CBMWD remains accountable to those it serves, for example, by changing CBMWD's board from one elected by the public at large to one appointed by CBMWD's customers."

- 5) **Response to Audit.** To respond to the audit, the Legislature adopted AB 1794 (Garcia), Chapter 401, Statutes of 2016, to establish a new board governance structure for CBMWD. AB 1794 established an interim board of five elected members and three appointed members. The interim board will transition into a permanent board in 2022, and it will consist of four elected and three appointed members. The process to appoint members to the board began in January 2017, and has since resulted in controversy.

The City of Huntington Park nominated an individual to serve on the Board as the appointed member that represents cities, but the nomination was denied. CBMWD denied the

nomination saying the individual was “not a qualified candidate for the city Directorship because he is not an employee or designated representative of the city.” The City of Huntington Park proclaimed its nomination was wrongfully denied and filed a lawsuit, *The People of the State of California, et al v. John Oskoui*.

Last year, AB 591 (Garcia), Chapter 124, Statutes of 2019, sought to address the above controversies by doing the following:

- a) Defined “representative” for the purposes of appointing CBMWD board members to mean a consultant to an entity, a contractor of an entity, or, if nominated by a mutual water company, a member of the governing board of the mutual water company;
  - b) Required a nominee for an appointed position to be an employee or a representative of the nominating entity;
  - c) Provided that in order to be eligible for nomination, a consultant to or contractor of an entity must have commenced services to that entity at least one year prior to nomination; and,
  - d) Stated that appointed board members take office at noon on the first Friday in December following that director’s appointment.
- 6) **Continuing Issues.** This bill contains a number of findings and declarations to support its need. As stated in the bill, and despite past legislative efforts, the Board has continued to mismanage CBMWD and has not resolved some of the issues found in the 2015 audit conducted by the BSA. Additionally, this bill states the following:
- a) In late 2019, four members of the Board started asserting that a majority of the Board only required four members, because one of the appointed members had resigned in October 2019;
  - b) On January 30, 2020, the four directors rejected the advice from CBMWD’s counsel at a public meeting that with only four members remaining, they no longer had a quorum and could not legally transact business;
  - c) On March 6, 2020, the Los Angeles District Attorney’s Office sent the Board a letter demanding that it cure the February 6, 2020, violations of the Brown Act’s open meeting requirements. Specifically, the letter demanded the cure of a deficient notice of the February 6, 2020, special meeting and the insufficient votes to appoint a new attorney. The Board responded in a letter rejecting the demand and arguing that four members constituted a majority; and,
  - d) On March 25, 2020, CBMWD customers filed *City of Commerce et al v. Central Basin Municipal Water District* to void the Board’s alleged illegal actions and to stop the Board from further illegal action. In response, the Board’s purported attorney filed an ex parte application for the superior court to order that four board members constituted a majority. The court denied the ex parte application, and set the trial for July 23, 2020.

- 7) **Water Replenishment District of Southern California.** State law allows the formation of water replenishment districts to recharge water into groundwater basins for later withdrawal by water purveyors. In 1959, the voters of Los Angeles County established the WRD. Created to counteract the effects of over pumping groundwater from the West Coast and Central basins, WRD's mission is "to provide, protect and preserve high-quality groundwater through innovative, cost-effective, and environmentally sensitive basin management practices for the benefit of residents and businesses of the Central and West Coast Basins." The WRD is the state's sole water replenishment district. It earns revenue by charging water replenishment assessments to the agencies, utilities, and companies that pump groundwater. The district also gets property tax revenues from its share of the 1% property tax rate. The WRD uses these funds to secure water – by purchasing imported water and constructing projects that produce local water supplies – that percolates into the groundwater basin.

Among other activities, the WRD administers a Safe Drinking Water Program to treat contaminated groundwater as a means to reduce reliance on imported surface water. As a part of that effort, the WRD established the Disadvantaged Communities Outreach Assistance Program that provides assistance to water systems in disadvantaged areas to apply for state funding for safe drinking water projects. To date, WRD has assisted 10 public water systems that serve disadvantaged communities with this program.

- 8) **LAFCO.** LAFCOs are responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structures, and preparing a sphere of influence for each city and special district within each county. The courts refer to LAFCOs as the Legislature's "watchdog" over local boundary changes. LAFCO law establishes procedures for local government changes of organization, including special district consolidations. LAFCOs regulate boundary changes through the approval or denial of proposals by other public agencies or individuals for these procedures.

The process for most boundary changes and agency formations requires numerous steps:

- a) Application to LAFCO, by petition or resolution, for an environmental review, property tax exchange agreement, and a plan for services that describe what services will be provided and how the services will be financed;
- b) Noticed public hearing, testimony, and approval or disapproval by LAFCO in which LAFCO can impose terms and conditions;
- c) Additional public hearing for protests. If a majority of the city's voters file protest, the disincorporation stops, and if not, LAFCO must order an election on the proposed disincorporation;
- d) If existing law requires it, an election that requires a majority vote approval; and,
- e) LAFCO staff files documents to complete the reorganization. LAFCOs are required to approve district consolidations where each merging district passes a resolution endorsing the consolidation, but provisions that govern protest and elections still apply.

- 9) **Policy Consideration.** LAFCO law currently authorizes the formation, dissolution, consolidation, or merger of a municipal water district through a deliberate, public process conducted at the local level. The Legislature created LAFCOs to coordinate the logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structures. The Committee may wish to consider if the exigent circumstances that CBMWD is facing make this bill necessary or if the decision of who provides local services is best left to the local communities.
- 10) **Recent Legislation.** AB 1577 (Gipson), Chapter 859, Statutes of 2018, required the State Water Resources Control Board (SWRCB) to order the Sativa-Los Angeles County Water District (Sativa) to accept administrative and managerial services from an administrator selected by SWRCB, and required that upon the appointment of an administrator, Sativa's board of directors shall surrender all control to the appointed administrator and thereafter cease to exist. This bill provided for the transfer of assets, liabilities, adjudicated water rights, responsibilities, and service obligations to any public water system. Lastly, this bill provides liability protection to any appointed administrator, any successor agency to Sativa designated by the LAFCO to take over Sativa, any receiving operator of a public water system that provides service to the territory of Sativa, any water corporation that acquires Sativa, and the LAFCO.
- 11) **Arguments in Support.** The City of Downey argues that, "Over the course of the last four months, the CBMWD has consistently failed to hold a meeting. As a result, an ever increasing number of vital issues requiring action by CBMWD's Board of Directors have not been addressed exposing CBMWD to additional legal and financial challenges. This unprecedented and unsustainable dysfunction will undoubtedly result in higher water rates imposed on those with the least ability to pay, and will jeopardize access to safe imported water vital to Southern California. SB 625 will resolve the CBMWD's failure in meeting its obligations and responsibilities by temporarily putting WRD in charge of CBMWD's day-to-day operations. Moreover, this bill would require the LAFCO to conduct a MSR of CBMWD and to seek ideas through a public process for governance of CBMWD and report results of those activities to the Legislature."
- 12) **Arguments in Opposition.** Art Chacon, CBMWD Director, argues that, "Senate Bill 625 is an attempt to privatize a public water agency and deny the public their right to elect their representatives. Central Basin is not in financial dire straits nor fiscally unstable. The issue with Central Basin is a local political battle between private water companies and Central Basin. This bill lacks transparency and smacks of a blatant power grab by special interests. Central Basin is currently in litigation which will address the very issues in SB 625. The author of this bill never reached out to CBMWD nor communicated any concern of Central Basin's operations. SB 625 should not be voted out of committee and let Central Basin handle its own political battles."
- 13) **Committee Amendments.** The Assembly Rules Committee approved the addition of an urgency clause to this bill on May 26, 2020, and is proposed to be added to this bill as a committee amendment. Additionally, the amendments make a few minor changes to the findings and declarations.



**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Association of Mutual Water Companies  
California Water Association  
Central Basin Water Association  
City of Downey  
City of Lakewood  
Los Angeles County Board of Supervisors  
Southeast Water Coalition

**Opposition**

Art Chacon, CBMWD Vice President  
Carlos Penilla, CBMWD Interim General Manager  
Leticia Vasquez Wilson, CBMWD Director, Division 4  
Phil Hawkins, CBMWD Director, Division 5

**Analysis Prepared by:** Jimmy MacDonald / L. GOV. / (916) 319-3958

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

**Date:** June 4, 2020  
**To:** Southeast Water Coalition Board of Directors  
**From:** Ray Cordero, Lead Agency, City of Whittier

**Subject: Authorization to Retain Audit Firm to Complete Fiscal Year (FY) 2019 / 2020 Southeast Water Coalition (SEWC) Audit**

**Recommendation:** That the Board take the following action:

Authorize the City of Whittier's Director of Finance, serving 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 statements for Fiscal Year 2019-2020 and prepare the Financial Transactions Report and Supplement.

**Background**

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.

Since 2008, White Nelson Diehl Evans (WNDE) has administered SEWC's annual audits. WNDE has prepared comprehensive audits at reasonably low fees and is recommended to administer the Fiscal Year (FY) 2019-2020 annual audit on a sole source basis due to their experience in performing such audits for SEWC.

WNDE has submitted a scope of work and fee proposal to conduct the FY 2019-2020 Audit for \$4,790 and prepare the accompanying Financial Transactions Report and Supplement for \$800 for a total cost of \$5,590.

This fee is reasonable given the services to be provided. Staff has confidence in WNDE's ability to complete the audits in a professional and timely manner.

**Budget Impact**

The Financial Audit costs have grown every year. Last year, WNDE's price for the FY 18-19 Audit plus State Controller's Report was \$5,450, which was a \$150 increase over the previous year.

This year, WNDE's quoted price for the FY 19-20 Audit, plus the State Controller's Report, is \$5,590. This is a \$140 increase over the FY 18-19 Audit.

In anticipation of Audit costs rising approximately \$150 per year, SEWC has allocated sufficient monies in its FY 20-21 Budget (\$6,000) to pay for WNDE's quoted audit price, with funds remaining.

**Attachment(s):**

1. WNDE FY 19-20 Engagement Letter and Audit Proposal
2. WDNE FY 19-20 State Controller's Report Proposal



May 14, 2020

Administrative Entity Members  
Southeast Water Coalition  
C/O City of Whittier  
13230 Penn Street  
Whittier, CA 90602

We are pleased to confirm our understanding of the services we are to provide the Southeast Water Coalition (the Coalition) for the year ended June 30, 2020. We will audit the financial statements of the governmental activities and general fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Coalition as of and for the year ended June 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Coalition's basic financial statements. It is our understanding that management's discussion and analysis will not be accompanying the Coalition's basic financial statements and our report will indicate this fact.

### **Audit Objective**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Coalition's financial statements. Our report will be addressed to the Administrative Entity Members of the Coalition. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

If circumstances occur related to the condition of your records, availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue reports, or withdrawing from the engagement.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Coalition or to acts by management or employees acting on behalf of the Coalition.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures - Internal Control**

Our audit will include obtaining an understanding of the Coalition and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Coalition's compliance with the provisions of applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Other Services**

We will also assist in preparing the financial statements and related notes of the Coalition in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Coalition from whom we determine it necessary to obtain audit evidence. Because of the importance of oral and written management representations to the effective performance of our services, the Coalition releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

### **Management Responsibilities (Continued)**

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Coalition involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Coalition received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Coalition complies with applicable laws and regulations.

You agree to assume all management responsibilities for financial statement preparation and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

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

### **Engagement Administration, Fees, and Other**

Noted below is a listing of some work required by Coalition staff to assist in the audit:

1. Preparation of trial balances for all funds, after posting of all year-end journal entries.
2. Preparation of supporting schedules for all material balance sheet accounts, and selected revenue and expenditure accounts.
3. Typing of all confirmation requests.
4. Pulling and refileing of all supporting documents required for audit verification.

**Engagement Administration, Fees, and Other (Continued)**

We expect to begin our audit in August 2020 and to issue our reports before the October 31, 2020. Mr. Nitin Patel, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be as follows:

	Fiscal Year <u>2019-20</u>
Coalition Audit	\$ <u>4,790</u>

The maximum annual fee stipulated herein contemplates that conditions satisfactory to the normal progress and completion of the examination will be encountered and the Coalition's accounting personnel will furnish the agreed upon assistance in connection with the audit. However, if unusual circumstances are encountered which make it necessary for us to do additional work; we shall report such conditions to the responsible Coalition officials and provide the Coalition with an estimate of the additional accounting fees involved.

Billings become delinquent if not paid within 30 days of the invoice date. If billings are not paid within 60 days from the invoice date, at our election, we will stop all work until your account is brought current, or we will withdraw from this engagement. The Coalition acknowledges and agrees that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. The Coalition further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

The audit documentation for this engagement is the property of White Nelson Diehl Evans LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to grantor agencies or their designees. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of White Nelson Diehl Evans LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

In accordance with our firm's current record retention policy, all of your original records will be returned to you at the conclusion of this engagement. Our audit documentation files will be kept for a period of seven years after the issuance of the audit report. All other files will be kept for as long as you retain us as your auditors. However, upon termination of our service, all records will be destroyed after a period of seven years. Physical deterioration or catastrophic events may further shorten the life of these records. The audit documentation files of our firm are not a substitute for your original records.



Administrative Entity Members  
Southeast Water Coalition  
May 14, 2020  
Page 6

**Engagement Administration, Fees, and Other (Continued)**

To ensure that White Nelson Diehl Evans LLP's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

We are pleased to be associated with the Southeast Water Coalition in the capacity of independent auditors. We will continue to provide the Coalition with a high level of professional services. Please feel free to call on us if we can be of assistance in any other financial or accounting matters.

If this letter accurately summarizes the significant terms of our engagement and fees, please indicate the Coalition's acceptance by a signature of an appropriate Coalition official in the space provided below and return it to us. If you have any questions, please let us know.

Very truly yours,

*White Nelson Diehl Evans LLP*

ACCEPTED:

SOUTHEAST WATER COALITION

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

May 14, 2020

Administrative Entity Members  
Southeast Water Coalition  
C/O City of Whittier  
13230 Penn Street  
Whittier, CA 90602

We are pleased to confirm our understanding of the services we are to provide the Southeast Water Coalition (the Coalition) for the year ended June 30, 2020. We will prepare the Special Districts Financial Transactions Report and Supplement to the Annual Report for the 2020 fiscal year in the form prescribed by the California State Controller's Office and perform a compilation engagement with respect to these reports.

### **Our Responsibilities**

The objective of our engagement is to -

1. prepare the Special Districts Financial Transactions Report and Supplement to the Annual Report in accordance with the format prescribed by the California State Controller's Office based on information provided by you, and
2. apply accounting and financial reporting expertise to assist you in the presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the Special Districts Financial Transactions Report and Supplement to the Annual Report in order for them to be in accordance with the format prescribed the California State Controller's Office.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services ("SSARS") promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants ("AICPA") and comply with the AICPA's *Code of Professional Conduct* including the ethical principles of integrity, objectivity, professional competence, and due care when performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the Special Districts Financial Transactions Report and Supplement to the Annual Report.

### **Our Responsibilities (Continued)**

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Coalition or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities since performing those procedures or taking such action would impair our independence.

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report in accordance with the format prescribed by the California State Controller's Office.

You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

1. The selection of the format prescribed by the California State Controller's Office as the financial reporting framework to be applied in the preparation of the Special Districts Financial Transactions Report and Supplement to the Annual Report.
2. The preparation and fair presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report in accordance with the format prescribed by the California State Controller's Office.
3. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report that are free from material misstatement, whether due to fraud or error.
4. The prevention and detection of fraud.
5. To ensure that the Coalition complies with the laws and regulations applicable to its activities.
6. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.

## **Your Responsibilities (Continued)**

7. To provide us with -

- access to all information of which you are aware that is relevant to the fair presentation of the Special Districts Financial Transactions Report and Supplement to the Annual Report, such as records, documentation, and other matters.
- additional information that we may request from you for the purpose of the compilation engagement.
- unrestricted access to persons within the Coalition of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your Special Districts Financial Transactions Report and Supplement to the Annual Report. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

## **Our Report**

As part of our engagement, we will issue a report that will state that we did not audit or review the Special Districts Financial Transactions Report and Supplement to the Annual Report and that, accordingly, we do not express an opinion, a conclusion, or provide any assurance on them. There may be circumstances in which the report differs from the expected form and content. If, for any reason, we are unable to complete the compilation of your Special Districts Financial Transactions Report and Supplement to the Annual Report, we will not issue a report on such annual reports as a result of this engagement.

Our report will disclose that the Special Districts Financial Transactions Report and Supplement to the Annual Report are presented in a prescribed form in accordance with the requirements of the California State Controller's Office and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

You agree to include our accountants' compilation report in any document containing the Special Districts Financial Transactions Report and Supplement to the Annual Report that indicates we have performed a compilation engagement on such annual reports and, prior to inclusion of the report, to ask our permission to do so.

**Other Relevant Information**

Nitin Patel is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for these services will be \$800. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

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

Very truly yours,

*White Nelson Dick Evans LLP*

**RESPONSE:**

This letter correctly sets forth the understanding of the Southeast Water Coalition.

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

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

**Date:** June 4, 2020  
**To:** Southeast Water Coalition Board of Directors  
**From:** Ray Cordero, Chair, Administrative Entity  
**Subject:** **Southeast Water Coalition (SEWC) Joint Powers Authority (JPA)  
Fiscal Year 2020/21 Draft Budget**

**Recommendation:** That the Board take the following action:

Review and approve the Southeast Water Coalition (SEWC) Joint Powers Authority (JPA) Fiscal Year 2020/2021 Draft Budget.

**Background**

Each year, SEWC approves the Fiscal Year (FY) budget for the year that follows. Budgets commonly include revenue from memberships and anticipated expenditures for services such as program management, legal services, legislative advocacy services, financial audit, and Policy Board compensation.

The Fiscal Year 2020-2021 SEWC Draft Budget (attached) assumes a credit of \$7,000 off of \$10,000 member agency annual dues, resulting in total annual dues of \$3,000. This represents an increase from the \$5,000 credit amount of the past several years.

The FY 2020-2021 Draft Budget would result in a projected total expenditure of \$131,000 and an ending balance of \$127,469.

It is the recommendation of the Administrative Entity that the Board of Directors review and approve the SEWC JPA 2018/2019 Draft Budget.

**Attachment(s):**

1. SEWC Fiscal Year 2020-2021 Draft Budget

**SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY  
FISCAL YEAR 2020-2021 DRAFT BUDGET - JUNE 4, 2020**

	FY 2019-2020		FY 2020-2021
	Approved Budget	Total Projected / To-Date Expenditures	Draft Budget
<b>Carryover Balance</b>	<b>\$200,209</b>	<b>\$200,209</b>	<b>\$224,469</b>
<b>Revenues:</b>			
Annual Assessments for Member Agencies	\$110,000	\$110,000	\$110,000
Less Credits to Member Agencies	(\$55,000)	(\$55,000)	(\$77,000)
Interest Income	\$1,000	\$1,000	\$1,000
<b>Total Revenues</b>	<b>\$56,000</b>	<b>\$56,000</b>	<b>\$34,000</b>
<b>Available Funds</b>	<b>\$256,209</b>	<b>\$256,209</b>	<b>\$258,469</b>
<b>Expenditures:</b>			
Program Management Services	\$20,000	\$10,540	\$20,000
As Needed Government Relations	\$20,000	\$0	\$20,000
Legal Services	\$7,500	\$6,271	\$10,000
Board/Staff Travel/Meeting Expense	\$1,000	\$0	\$1,000
Financial Audit	\$6,000	\$5,450	\$6,000
Policy Board Compensation	\$9,900	\$4,800	\$9,900
Office Supplies	\$100	\$0	\$100
Policy Board Meetings	\$3,000	\$1,178	\$3,000
Administrative Entity Meetings	\$1,000	\$501	\$1,000
Consultant Services	\$60,000	\$3,000	\$60,000
Consultant Services Contingencies	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$128,500</b>	<b>\$31,740</b>	<b>\$131,000</b>
<b>Ending Balance</b>	<b>\$127,709</b>	<b>\$224,469</b>	<b>\$127,469</b>

**Notes:**

1. Credits to Member Agencies - Assumes credit of \$7,000 off of \$10,000 member agency annual dues resulting in total annual dues of \$3,000



# Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

## SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY AGENDA REPORT

**Date:** June 4, 2020  
**To:** Southeast Water Coalition Board of Directors  
**From:** Ray Cordero, Chair, Administrative Entity  
Gina Nila, Vice-Chair, Administrative Entity

**Subject:** Southeast Water Coalition (SEWC) Lead Agency Transition

**Recommendation:** That the Board take the following action:

Adopt Resolution No. 2020-01 of the Board of Directors of the Southeast Water Coalition Joint Powers Authority designating a Lead Agency for the period beginning July 1, 2018 through June 30, 2020 and providing for meetings of the Board of Directors and Administrative Entity.

**Discussion:**

At their October 3, 2019 Regular Meeting, the SEWC Board of Directors voted to uphold the established Lead Agency Transition succession, and the Board Member from the City of Commerce affirmed their commitment to Chair SEWC for the period beginning July 1, 2020 through June 30, 2022. At this meeting, the Board Member from the City of Vernon affirmed their commitment to serve as Commerce's Vice-Chair during the same period.

Due to COVID-19, the City of Commerce is closed to the public and, at this time, the status of their reopening is unknown. While Governor Newsom has issued executive orders regarding public meetings in light of COVID-19, Gov. Code 54954(a) still requires that public agencies like SEWC, "provide, by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body, the time and place for holding regular meetings."

To that end, SEWC Legal Counsel Nicholas Ghirelli drafted Resolution 2020-01 to establish that Board of Directors and Administrative Entity meetings will be held at Commerce City Hall, but meetings will be held electronically until the COVID-19 emergency is concluded.



If, after the COVID-19 emergency is concluded, the Policy Board wishes to change the location and/or times of Board of Directors and/or Administrative Entity meetings, a new resolution will need to be drafted for approval.

**Attachment(s):**

1. Resolution No. 2020-01
2. Southeast Water Coalition Joint Powers Authority Meeting Calendar for FY 2020-2021

RESOLUTION NO. 2020-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY DESIGNATING A LEAD AGENCY FOR THE PERIOD BEGINNING JULY 1, 2020 THROUGH JUNE 30, 2022 AND PROVIDING FOR MEETINGS OF THE BOARD OF DIRECTORS AND ADMINISTRATIVE ENTITY

THE BOARD OF DIRECTORS OF THE SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. DESIGNATION OF LEAD AGENCY. The Board of Directors hereby designates the City of Commerce to serve as Lead Agency for the period beginning July 1, 2020 through June 30, 2022.

Section 2. BOARD OF DIRECTORS MEETINGS. The regular meetings of the Board of Directors shall be held, as necessary, on the first Thursday of every even numbered month at 6:30 P.M. at Commerce City Hall, 5655 Jillson Street, Commerce, California 90040. In response to the outbreak of COVID-19, Governor Newsom adopted Executive Orders N-25-20 and N-29-20 to allow local agencies to conduct public meetings telephonically or otherwise electronically without the physical presence of members of the legislative body, agency personnel, or the public. Until those Executive Orders are rescinded, or at such date determined by the Board of Directors, all meetings of the Board of Directors will be conducted by telephonic or other electronic means in accordance with applicable meeting requirements.

Section 3. ADMINISTRATIVE ENTITY MEETINGS. The regular meetings of the Administrative Entity shall be held, as necessary, on the third Thursday of every odd numbered month at 11:30 A.M. at Commerce City Hall, 5655 Jillson Street, Commerce, California 90040. Until Executive Orders N-25-20 and N-29-20 are rescinded, or at such date determined by the Board of Directors, all meetings of the Administrative Entity will be conducted by telephonic or other electronic means in accordance with applicable meeting requirements.

Section 4. This Resolution providing for the designation of Lead Agency and setting the date, time and place of regular meetings of the Board of Directors and Administrative Entity is effective July 1, 2020.

Section 5. The Chair of the Administrative Entity shall certify to the passage and adoption of this Resolution.

PASSED, APPROVED, and ADOPTED this 4th day of June 2020.

Chair, Board of Directors

ATTEST:

Administrative Entity Chair

**Southeast Water Coalition  
Joint Powers Authority  
Meeting Calendar  
FY 2020/2021**

**Board of Directors** (1<sup>st</sup> Thursday)

August 6, 2020  
October 1, 2020  
December 3, 2020  
February 4, 2021  
April 1, 2021  
June 3, 2021

Commerce City Hall  
5655 Jillson Street  
Commerce, CA 90040

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



**Administrative Entity** (3<sup>rd</sup> Thursday)

July 16, 2020  
September 17, 2020  
November 19, 2020  
January 21, 2021  
March 18, 2021  
May 20, 2021

Commerce City Hall  
5655 Jillson Street  
Commerce, CA 90040

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