



**FENNER VALLEY
WATER AUTHORITY**

**AGENDA
FENNER VALLEY WATER AUTHORITY
BOARD OF DIRECTORS'
REGULAR BOARD MEETING**

JUNE 25, 2020 8:30 AM

Members of the public may join the meeting telephonically or online at Microsoft Teams:

<https://tinyurl.com/y7gf62vj>

Phone Number: 1-323-553-2644 Conference ID: 222 364 767#

In an effort to protect the safety of the Authority and the public, and in compliance with Executive Order N-29-20 and N-33-20, members of the Board of Directors, employees, and the public may attend this meeting via telephonically and online. As always, members of the public have the opportunity to submit comments in writing via mail to Kelly Radvansky, Secretary to the Board of Directors at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688 or by email at kellyr@smwd.com.

In compliance with Section 202 of the Americans with Disabilities Act of 1990 any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Kelly Radvansky, Secretary to the Board of Directors, at (949) 459-6642 at least 48 hours before the meeting if possible.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available on the Authority's Internet Web Site, accessible at www.fvwa.org

- 1. ADMINISTRATION OF OATH OF OFFICE**
- 2. CALL MEETING TO ORDER**
- 3. PLEDGE OF ALLEGIANCE**
- 4. SELECTION OF OFFICERS**

4.1 Consideration and Action on Selection of Board Officers **Page 4**

Recommendation: Appoint the Authority Chair and Vice Chair.

5. ORAL COMMUNICATIONS

Persons wishing to address the Board of Directors are requested to submit a "Request To Be Heard" form to the Recording Secretary. Comments are limited to three minutes, unless further time is granted by the Presiding Officer.

6. CONSENT CALENDAR

- 6.1 Consideration and Action on the Minutes of the December 9, 2019 Board Meeting
Page 7
Recommendation: Approve the Minutes.

7. TREASURER ITEMS

- 7.1 Interim Financial Statements as of May 31, 2020 **Page 11**
- 7.2 Consideration and Action on the Fenner Valley Water Authority's Budget for Fiscal Year 2020-2021 **Page 13**
Recommendation: Approve annual budget in the amount of \$96,000.
- 7.3 Consideration and Action on Selection of Independent Certified Public Accountancy Firm **Page 16**
Recommendation: Authorize a five-year contract with Macias, Gini, & O'Connell, LLP for financial statement auditing services beginning with the Fiscal Year 2019/2020 audit.

8. INFORMATION ITEMS

- 8.1 Second Amendment to the Joint Exercise of Powers Agreement **Page 19**
- 8.2 Cadiz Valley Water Conservation, Recovery and Storage Project Update
- 8.3 Executive Director Report (verbal or written reports may be provided and shall be included in the record/minutes)
- 8.4 Directors' Reports of Outside or Other Meeting/Events (verbal or written reports may be provided and shall be included in the record/minutes)

9. ATTORNEY'S REPORT

10. ADJOURNMENT

The next Regular Board of Directors' Meeting is scheduled for July 30, 2020 at 8:30 a.m. at the Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, California.



FENNER VALLEY WATER AUTHORITY

MEMORANDUM

TO: Board of Directors **DATE:** June 25, 2020

FROM: Daniel R. Feron, Executive Director

SUBJECT: Consideration and Action on Selection of Board Officers

SUMMARY

Issue: In accordance with Article 6 of the Authority's Joint Exercise of Powers Authority Agreement (Agreement), the Board of Director's selects the Board and Executive Officers of the Authority at the first Board meeting following December 1 each year. The Santa Margarita Water District (SMWD) has named two new Board members to the Authority and it is appropriate for the Board of Directors to select a Chair and Vice Chair to replace the former Directors. In addition, SMWD was scheduled to consider a Second Amendment to the Joint Exercise of Powers Agreement on June 19th, changing the appointment process of Directors from an annual basis to an as needed basis. The Second Amendment would not change the practice of an annual appointment for the Authority's Chair and Vice Chair positions. An update on the Second Amendment is provided in a separate item on the agenda.

Recommendation: Appoint the Authority Chair and Vice Chair.

Fiscal Impact: No fiscal impact to the appointment of Chair and Vice Chair; Executive Officers and administrative costs are proposed to be funded by Cadiz, Inc., initially and then through the revenue generated by water sales.

Previously Related Action: At the December 9, 2019 Board Meeting the Board approved the 2020 appointments for Daniel Feron as Executive Director, Robert Grantham as Treasurer, and Kelly Radvansky as Secretary to the Board.

DISCUSSION

The Board of the Authority will consist of three Directors and two Alternate Directors after the administration of Oath of Office at the June 25, 2020 Board Meeting. Each Member of the Authority shall appoint one Director and one Alternate Director; the Managing Member of the authority shall appoint one additional Director and Alternate Director, as stated in Article 6 of the Agreement. At the Santa Margarita Water District (SMWD) Regular Board Meeting on December

10, 2019, Directors Sandra Jacobs and Frank Ury were appointed by the Board as Fenner Valley Water Authority representatives; Tricia Butler, SMWD Chief Engineer, and Daniel Peterson, SMWD Logistics and Regulatory Manager, were appointed as alternate representatives. The Fenner Valley Mutual Water Company appointed Ms. Natasha Raykhman as its representative and has not appointed an alternate to date. In past practice, the Authority's Board has annually nominated and appointed a Chair and Vice-Chair to its Board. The Second Amendment to the Joint Exercise of Powers Agreement does not change the annual appointment of the Authority's Chair and Vice Chair positions. The responsibilities of the Chair, and the Vice Chair when serving as a replacement for the Chair, include the following:

- Signing resolutions;
- Calling the meeting to order at the appointed time;
- Announcing and summarizing each item on the agenda;
- Enforcing the Board's policies regarding the conduct of meetings;
- Recognizing persons who desire to speak;
- Protecting the speaker who has the floor from disturbance or interference;
- Restating motions before the Board to guarantee clarity;
- Ruling on parliamentary procedure; and
- Putting motions to a vote and state clearly the results of the vote.

At the December 9, 2019 Board Meeting the Board approved the 2020 appointments for Daniel Ferons as Executive Director, Robert Grantham as Treasurer, and Kelly Radvansky as Secretary to the Board.

The Executive Officers of the Authority include the Executive Director, Treasurer, and Secretary to the Board, and shall be elected or appointed annually in accordance with the terms of the Authority's Agreement. With approval of the Managing Member's Board, its General Manager or his or her appointee shall be the Executive Director; the Treasurer will be the treasurer of the Managing Member; and the Secretary shall be appointed by the Board.

SMWD, General Manager, Daniel Ferons is the Executive Director. The Executive Director of the Authority is the chief executive officer of the Authority and shall act as the representative of the Managing Member to carry out the duties and obligations of the Managing Member pursuant to Article 4 of the Agreement.

SMWD Assistant General Manager-Finance, Robert Grantham is the Treasurer; the Treasurer will recommend to the Executive Director and the Board on financial matters of the Authority; and will oversee the Authority's finances, financial reporting, annual audit, and investments.

The Secretary to the Board (Secretary) is appointed by and serves at the pleasure of the Board. Due to the nature of the duties of the Secretary it is effective to have the Secretary be a member of the staff based at the District office. Ms. Radvansky holds the office for SMWD. Ms. Radvansky's

duties as Secretary will include oversight of preparation of the Board documents and packages, in-house coordination of documents and public records. She will also be responsible for coordination of the Board member outside activities as well as providing assistance, along with other administration staff, to the Executive Director.



**MINUTES
FENNER VALLEY WATER AUTHORITY
BOARD OF DIRECTORS'
SPECIAL BOARD MEETING**

**SANTA MARGARITA WATER DISTRICT BOARD ROOM
26111 ANTONIO PARKWAY, RANCHO SANTA MARGARITA, CA 92688
DECEMBER 9, 2019
8:30 AM**

ATTENDEES

Betty H. Olson	Director-Chair
Charles T. Gibson	Director-Vice Chair
Natasha Raykhman	Director
Daniel R. Ferons	Executive Director
Ruben Duran	General Counsel/Best Best & Krieger
Robert Grantham	Treasurer/FVWA
Kelly Radvansky	Secretary to the Board of Directors/FVWA
Don Bunts	Deputy General Manager/SMWD
Michelle Pickett	Brownstein Hyatt Farber Schreck
Jim Leach	Director of External Affairs/SMWD
Christine McIlrevey	Accounting Supervisor/SMWD
Erica Castillo	Controller/SMWD
Peter George	Macias Gini & O'Connell LLP

1. CALL MEETING TO ORDER

The meeting was called to order at 8:30 a.m. by Vice Chair Charles T. Gibson.

2. PLEDGE OF ALLEGIANCE

Robert Grantham, Treasurer, led the Pledge of Allegiance.

3. ORAL COMMUNICATIONS

There were no requests to speak.

4. CONSENT CALENDAR

- 4.1 Consideration and Action on the Minutes of the May 30, 2019 and June 21, 2019 Board Meetings

Recommendation: Approve the Minutes.

Motion: Approve as recommended.

Moved by: Betty H. Olson

Seconded by: Natasha Raykhman

Ayes: Olson, Raykhman, Gibson

Unanimously approved

5. ACTION ITEMS

- 5.1 Consideration and Action on Administration of Oath of Office and Seating of Board of Directors

Recommendation: Continue the administration of the oath of office and seating of the new Board until the January Regular Board meeting and consider drafting an amendment to the Joint Exercise of Powers Agreement for the Member agencies to consider.

The Board approved seeking an amendment to the Joint Exercise of Powers Agreement as described in the second option in the memorandum as follows:

Strike the clause below in Section 6.3:

Each Director and Alternate Director shall be appointed prior to the initial meeting of the Board, as set forth in Section 7.1, reappointed prior to the first Board meeting following December 1 of each year, and shall take office at that meeting.

Replace the clause with:

Directors and Alternate Directors will serve at the pleasure of the appointing Member, Members will inform the Authority of a change in its appointed Directors as needed.

Motion: Approve as recommended, and seek amendment as recommended in the second option provided in the memorandum.

Moved by: Charles T. Gibson

Seconded by: Natasha Raykhman

Ayes: Olson, Raykhman, Gibson

Unanimously approved

5.2 Consideration and Action on Appointment of Authority Officers

Recommendation: Affirm the following Officers, Daniel Ferons, Executive Director; Kelly Radvansky, Secretary; and Robert Grantham, Treasurer.

Motion: Approve as recommended.

Moved by: Betty H. Olson

Seconded by: Natasha Raykhman

Ayes: Olson, Raykhman, Gibson

Unanimously approved

5.3 Consideration and Action on Approving Resolution No. 19-12-01; Establishment of Time and Place of Regular Board Meetings for 2020

Recommendation: Approve Resolution No. 19-12-01.

Motion: Approve as recommended.

Moved by: Betty H. Olson

Seconded by: Natasha Raykhman

Ayes: Olson, Raykhman, Gibson

Unanimously approved

6. TREASURER'S REPORT

6.1 Consideration and Action on Draft Audited Financial Statements

Recommendation: Approve finalization of the Authority's Draft Financial Statements for the Fiscal Year 2019 and submission to the County of Orange Auditor Controller's Office.

Peter George with Macias Gini & O'Connell LLP reviewed the audit.

Motion: Approve as recommended.

Moved by: Betty H. Olson

Seconded by: Natasha Raykhman

Ayes: Olson, Raykhman, Gibson

Unanimously approved

6.2 Interim Financial Statements as of September 30, 2019

Mr. Grantham updated the Board on the Authority's financial statements.

7. INFORMATION ITEMS

7.1 Cadiz Valley Water Conservation, Recovery and Storage Project Update

Michelle Pickett, Brownstein Hyatt Farber Schreck, updated the Board on Cadiz Water Project being selected and recognized on October 21st at the North American Infrastructure Forum as one of the top ten infrastructure projects in North America.

Ms. Pickett noted an update on the Bureau of Land Management for January.

Vice Chair Gibson suggested getting on the agenda of the State Lands Commission for them to vote whether or not they acknowledge the expertise of the particular group that has been selected for the independent study.

7.2 Executive Director Report (verbal or written reports may be provided and shall be included in the record/minutes)

Dan Ferons, Executive Director, noted the state passed new legislation that requires the California Land Commission to review a project in extraordinary review. Mr. Ferons also noted one of the Authority's potential partners Three Valleys Municipal Water District (TVMWD) has been very interested in the project and understanding the differences of opinions on the project. TVMWD conducted a peer review and concluded with the proponents that there will not be any impact to the springs. TVMWD is contracting with Aqua Logic to prepare an independent study of the hydrology of the project, which will be an investigation of the Bonanza Springs, the alluvial aquifer, and Fenner Valley.

7.3 Directors' Reports of Outside or Other Meeting/Events (verbal or written reports may be provided and shall be included in the record/minutes)

Vice Chair Gibson reported his attendance at the ACWA Fall Conference, and noted one of the key things for everyone to keep in mind is the Colorado River is under stress and at one of the sessions he heard that the inflows are down 12%, in addition to being oversubscribed.

8. ATTORNEY'S REPORT

9. ADJOURNMENT

The next Regular Board of Directors' meeting is anticipated to be approved at the December 9, 2019 Board meeting for January 30, 2020 and shall be noticed at least 72 hours prior to the meeting located at the Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, California.

The meeting closed at 9:17 a.m.



FENNER VALLEY WATER AUTHORITY

MEMORANDUM

TO: Board of Directors **DATE:** June 25, 2020
FROM: Plante Moran, Accounting Consultants
SUBJECT: Interim Financial Statements as of May 31, 2020

FINANCIAL SUMMARY HIGHLIGHTS

For the Authority's period ending May 31, 2020, the total expenses incurred to date are \$57,097.32 (approximately 10.90% of the annual budget).

May activity comprised of the following:

- Accounting and legal fees were accrued and paid.
- The administrative expenses are accrued to be paid to SMWD in July 2020.
- Cadiz provided additional funding of \$66,500 in May.

Below are the details of both the Authority's Balance Sheet and Income Statement through May 31, 2020:

Fenner Valley Water Authority
 COMPARATIVE BALANCE SHEET

	PERIOD ENDED 06/30/2019	PERIOD ENDED 05/31/2020	CHANGE Period Diff	% CHANGE Period % Var
Assets				
Bank Accounts				
1100000 - Cash	63,949.13	74,240.81	10,291.68	16.09 %
Total Bank Accounts	63,949.13	74,240.81	10,291.68	16.09 %
Total Assets	63,949.13	74,240.81	10,291.68	16.09 %
Liabilities and Equity				
Liabilities				
Accounts Payable				
2000000 - Accounts Payable	585.00	1,080.00	495.00	84.61 %
2000001 - Manual Accounts Payable	29,017.19	0.00	(29,017.19)	(100.00) %
Total Accounts Payable	29,602.19	1,080.00	(28,522.19)	(96.35) %
Other Current Liabilities				
2019001 - Due to SMWD	20,967.46	337.95	(20,629.51)	(98.38) %
Total Other Current Liabilities	20,967.46	337.95	(20,629.51)	(98.38) %
Total Liabilities	50,569.65	1,417.95	(49,151.70)	(97.19) %
Equity				
Fund Balance				
3902000 - Unrestricted	0.00	13,379.48	13,379.48	0.00 %
Total Fund Balance	0.00	13,379.48	13,379.48	0.00 %
Net Revenue	13,379.48	59,443.38	46,063.90	344.28 %
Total Equity	13,379.48	72,822.86	59,443.38	444.28 %
Total Liabilities and Equity	63,949.13	74,240.81	10,291.68	16.09 %

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

Fenner Valley Water Authority
 REVENUE AND EXPENDITURE REPORT
 As of May 31, 2020

	Year Ending 06/30/2019 END BALANCE	Year Ending 06/30/2020 ORIGINAL BUDGET	AMENDED BUDGET	Year To Date 05/31/2020 YTD BALANCE	% BUDGET
Revenue					
4150600 - Bank Interest Income	23.10	0.00	0.00	40.70	0.00 %
4172501 - Miscellaneous Revenue - Refunds and Rebates	1,500.00	0.00	0.00	0.00	0.00 %
4172503 - Miscellaneous Revenue - Other Operating Revenue	325,614.50	524,000.00	524,000.00	116,500.00	22.23 %
Cadiz					
Total Revenue	327,137.60	524,000.00	524,000.00	116,540.70	22.24 %
Expenditures					
Operating					
5308300 - Insurance	3,396.00	5,000.00	5,000.00	3,446.00	68.92 %
5340410 - Accounting Services	20,250.00	50,000.00	50,000.00	11,115.00	22.23 %
5340420 - Administrative Services	66,068.24	100,000.00	100,000.00	14,456.48	14.46 %
5340440 - Auditing Services	11,700.00	15,000.00	15,000.00	12,000.00	80.00 %
5340490 - Information Technology	0.00	2,000.00	2,000.00	0.00	0.00 %
5340510 - Legal - Attorney Fees	104,579.61	100,000.00	100,000.00	16,065.57	16.07 %
5340580 - Consultant and Professional Services - External-Other	107,500.00	250,000.00	250,000.00	0.00	0.00 %
5390900 - Other Items of Expense - Bank Fees Services	96.20	1,000.00	1,000.00	0.00	0.00 %
5390901 - Other Items of Expense - Miscellaneous	168.07	1,000.00	1,000.00	14.27	1.43 %
Total Operating	313,758.12	524,000.00	524,000.00	57,097.32	10.90 %
Total Expenditures	313,758.12	524,000.00	524,000.00	57,097.32	10.90 %
Revenue in Excess of Expenses	13,379.48	0.00	0.00	59,443.38	0.00 %

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.



FENNER VALLEY WATER AUTHORITY

MEMORANDUM

TO: Board of Directors **DATE:** June 25, 2020

FROM: Robert Grantham, Treasurer
Plante Moran, Accounting Consultants

SUBJECT: Consideration and Action on the Fenner Valley Water Authority's Budget for Fiscal Year 2020-2021

SUMMARY

Issue: The Fenner Valley Water Authority (Authority) is preparing its operating budget for Fiscal Year 2020-2021 (FY 2021). The budget is based on estimated activity including financial services and potential engineering services. The FY 2021 annual budget projects operating expenses, which conforms to the Authority's goals and objectives as defined in its Joint Exercise of Powers Agreement.

Recommendation: Approve annual budget in the amount of \$96,000.

Fiscal Impact: Funding is proposed to be provided by Cadiz, Inc. per the Joinder Agreement initially and then through the revenue generated by water sales.

DISCUSSION

The Authority is an independent agency and Santa Margarita Water District (SMWD) as the Managing Member is responsible for preparation of an annual budget under Article 12 of the Joint Exercise of Powers Agreement and the Administrative Services Agreement.

The budget prepared by SMWD, expenses for the upcoming year are anticipated to include the following items:

Insurance: Annual insurance premium for Board of Directors and executives for errors and omissions coverage. When facilities are constructed and dedicated to the Authority, we will have increased costs. The proposed budget is \$5,000.

Accounting Services: Annual accounting services provided by Plante Moran on behalf of the Authority. Plante Moran's contract is on a time and material basis. The budget for accounting service is \$25,000.

Administrative Services: Reimbursement to SMWD for time spent by its executive team to manage the Authority and its proposed contracts. This is on a time and material basis and includes the Executive Director, Treasurer and Secretary to the Board, as well as Engineering and other District support. The budget is \$25,000.

Audit Services: As a municipal Joint Powers Authority, the Authority is required to conduct an annual audit. This audit also ensures public transparency and assurance the financial statements accurately represent the state of the Authority. The total budget for the independent auditor is \$12,500. The base contract for audit services is \$12,169.

Information Technology: This budget item covers the website fees and any other application or related fees incurred for the Authority. The budget is set at \$2,000.

Legal – Attorney Fees: General Counsel services provided by Best, Best and Krieger, are required for the Authority along with special services for development of Facility Operation Agreement with the Fenner Valley Mutual Water Company. Based on the projected activity level, the proposed budget is \$25,000.

Banking Fees & Service Charges: This budget item covers banking fees and service charges for the Authority's bank account and transactions. The budget is \$1,000.

Miscellaneous: This budget supports office supplies for the Authority, such as business cards for the Board of Directors and Executive team of the Authority. The budget is set at \$500.

On the following page are the details of the Authority's Fiscal Year 2020-2021 Proposed Budget.

Fenner Valley Water Authority Proposed Fiscal Year 2020-2021 Budget

GL Number	Description	FY 2020 Adopted Budget	FY 2020 Activity Thru 4/30/20	FY 2021 Proposed Budget	Comments
5308300	Insurance	\$5,000	\$3,446	\$5,000	No Change
5340410	Accounting Services	\$50,000	\$10,035	\$25,000	Retaining Plante Moran with one-year contract
5340420	Administrative Services	\$100,000	\$14,456	\$25,000	Budget for coordination and review of Three Valleys Work
5340440	Auditing Services	\$15,000	\$12,000	\$12,500	MGO budgeted \$12,169
5340490	Information Technology	\$2,000	\$ -	\$2,000	Website and data coordination
5340510	Legal – Attorney Fees	\$100,000	\$15,916	\$25,000	General Counsel and Environment support, specific project work can be added as needed
5340580	Consultant and Professional Services – External – Other	\$250,000	\$ -	\$ -	All consultant work on hold pending review by Three Valleys, budget amendment as needed
5390900	Other Items of Expense – Bank Fees Service Charges	\$1,000	\$ -	\$1,000	No Change
5390901	Other Items of Expense – Miscellaneous	\$1,000	\$14	\$500	Reduction
Total Expenses		\$524,000	\$55,868	\$96,000	



MEMORANDUM

TO: Board of Directors **DATE:** June 25, 2020

FROM: Robert Grantham, Treasurer

SUBJECT: Consideration and Action on Selection of Independent Certified Public Accountancy Firm

SUMMARY

Issue: Macias, Gini & O’Connell, LLP was selected through a competitive selection process and was approved by the Santa Margarita Water District’s (the District) Board on April 17, 2020 to perform the District’s year-end financial statement audit for a five-year period, as recommended by the Government Finance Officers Association (GFOA) and the State of California Controllers Office, beginning with Fiscal Year 2019/2020. The Authority’s external auditors for the last two fiscal years have been Macias, Gini, & O’Connell. LLP.

Recommendation: Authorize a five-year contract with Macias, Gini, & O’Connell, LLP for financial statement auditing services beginning with the Fiscal Year 2019/2020 audit.

Fiscal Impact: The Authority annually budgets for the independent audit by a professional Certified Public Accounting firm as part of its operating general administration budget. The five-year agreement totals \$64,606.

Previously Related Action: The Authority presented the external auditor selection for Fiscal Year 2018/2019 to the Board of Directors on April 25, 2019 as an information item, as the selection was within the Executive Director’s authorization level of up to \$24,999.

DISCUSSION

Annually, the Authority has an independent audit performed on its financial statements. The audit serves as a vital resource for financial information and fiscal transparency. The audit deliverable will include the Independent Auditor’s Report (Opinion) over the financial statements of the Authority; Audit work is scheduled to begin annually in August and be completed prior to the Authority’s December Board Meeting.

Request For Proposal Process

As aforementioned, the District released an RFP for auditing services, which included a proposal for the Authority's annual audit. In January 2020, the District received five (5) proposals. The District convened an RFP review committee consisting of the Controller, the Assistant General Manager – Finance, and three Finance Department staff to review each of the proposals. The District's Assistant General Manager – Finance serves as the Authority's Treasurer.

During the review process, each proposal was reviewed using the following criteria:

- Qualifications of the Firm
- Qualifications of Personnel
- Related Experience
- Completeness of Response

The District reviewed proposals noting which firms and engagement team members had extensive utility experience and focuses primarily on government audits in accordance with the Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB). Based on this review, the District selected the top four (4) firms for interviews:

- Eide Bailly LLP (Eide Bailly)
- Macias, Gini & O'Connell, LLP (MGO)
- Vasquez and Co. (Vasquez)
- White Nelson Diehl Evans (WNDE)

The interview expanded on each firm's breadth of knowledge of accounting and experience with utility independent audits, particularly water and wastewater organizations. In addition, staff performed reference checks for each of the firms interviewed.

The District recommends awarding the audit contract to MGO. Their breadth of experience auditing agencies such as Orange County Sanitation District, Metropolitan Water District, City of San Diego, etc., along with many other water agencies, sanitation agencies, cities and county governments reflects on MGO being a leader amongst governmental accounting firms. In addition, during discussions with references, they were characterized as very knowledgeable and a good partner to work with in solving new implementations and has strong satisfactory rating among their first-year clients. MGO has also served as the independent auditor of the Authority for the FY 2017/2018 and FY 2018/2019 audits and as a special project consultant for the District.

Audit Fees

MGO's fee proposal was competitive with the other proposers as well as in line with the FY 2018/2019 audit total of \$11,700.

The fees by year are listed below:

Fiscal Year 2019/2020	\$12,169
Fiscal Year 2020/2021	\$12,534
Fiscal Year 2021/2022	\$12,910
Fiscal Year 2022/2023	\$13,297
Fiscal Year 2023/2024	\$13,696
Five-Year Total	\$64,606

The fees are contingent on the Authority's continuance and, under contract, the contract would be void if the Authority enters dissolution.



MEMORANDUM

TO: Board of Directors **DATE:** June 25, 2020
FROM: Daniel R. Ferons, Executive Director
SUBJECT: Second Amendment to the Joint Exercise of Powers Agreement

DISCUSSION

Santa Margarita Water District (SMWD) and Fenner Valley Mutual Water Company (FVMWC) proposed revising the requirement in Section 6.3 of the Joint Exercise of Powers Agreement (Agreement) that Directors and Alternate Directors to the Authority Board be appointed by its member agency on an annual basis to an as needed basis. The revision will provide time and administrative cost savings for SMWD, FVMWC, and Fenner Valley Water Authority. This is the Second Amendment to the Agreement; the First Amendment removed the requirement that the Directors and Alternate Directors to the Authority Board be Directors of the member agency Board of Directors.

On December 9, 2019, the Authority's Board approved seeking an amendment to the Agreement as described below:

Strike the clause below in Section 6.3:

Each Director and Alternate Director shall be appointed prior to the initial meeting of the Board, as set forth in Section 7.1, reappointed prior to the first Board meeting following December 1 of each year, and shall take office at that meeting.

Replace the clause with:

Directors and Alternate Directors will serve at the pleasure of the appointing Member, Members will inform the Authority of a change in its appointed Directors as needed.

FVMWC has approved the amendment as described above and SMWD is scheduled to consider at its Board meeting on June 19, 2020. The amendment is attached in redline format.

**SECOND AMENDMENT TO
JOINT EXERCISE OF POWERS AGREEMENT
FENNER VALLEY WATER AUTHORITY**

THIS SECOND AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT (“Second Amendment”) is made and entered into on June 3, 2020 by and among Santa Margarita Water District, a California water district (“SMWD”) and Fenner Valley Mutual Water Company, a California nonprofit mutual benefit corporation (“FVMWC”) (each individually a “Member” and collectively “Members”), to amend the provisions related to the formation and governance of the Fenner Valley Water Authority (“Authority”).

RECITALS

- A. Members entered into a Joint Exercise of Powers Agreement on November 14, 2014.

- B. The First Amendment was approved by SMWD and FVMWC in October of 2017 and removed the requirement that the Directors and Alternate Directors to the Authority Board be Directors of the member agency Board of Directors. The Amendment provides flexibility and discretion in selecting individuals to serve. In addition, the Amendment allows for the Alternates appointed by the Managing Member (SMWD) to serve for either of its Board Members.

- C. On December 9, 2019, the Authority approved seeking an amendment to the Joint Exercise of Powers Agreement to provide flexibility in how Members are appointed the Board of Directors.

TERMS OF AGREEMENT

In consideration of the mutual promises and covenants herein contained, the Members agree to delete Article 6, Section 6.3 (“Directors”) in its entirety, replaced to read in full as follows:

6.3 Directors. The initial Board shall consist of three (3) Directors and three (3) Alternate Directors. Each Member shall appoint one Director and one Alternate Director to the Board. The Managing Member shall appoint one additional Director and one additional Alternate Director. Alternate Directors shall have no vote, and shall not participate in any discussions or deliberations of the Board, if the Director is present and qualified to participate. If a Director is not present, or if a Director has a disqualifying conflict of interest which precludes participation by the Director in any decision-making process of the Board, the Alternate Director appointed to act in his or her place shall assume all rights of the Director, and shall have the authority to act in his or her absence, including casting votes on matters before the Board. Alternate Directors appointed by the Managing Member may serve in the place of either Director appointed by the Managing Member in either Director’s absence or disqualification. ~~Each Director and Alternate Director shall be appointed prior to the initial meeting of the Board, as set forth in Section 7.1, reappointed prior to the first Board meeting following December 1 of each year, and shall take office at that meeting. Directors and Alternate Directors will serve at the pleasure of the appointing Member. Members will inform the Authority of a change in its appointed Directors as needed.~~

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IN WITNESS WHEREOF, the member hereto have executed this Second Amendment by authorized officials thereof on the dates indicated below.

SANTA MARGARITA WATER DISTRICT

DATED: _____

APPROVED AS TO FORM:

By: _____
Title:

By: _____
Title: General Counsel

Address: _____

FENNER VALLEY MUTUAL WATER
COMPANY

DATED: _____

APPROVED AS TO FORM:

By: _____
Title:

By: _____
Title: General Counsel

Address: _____