

UPPER VENTURA RIVER GROUNDWATER AGENCY

NOTICE OF REGULAR MEETING

NOTICE IS HEREBY GIVEN that the Upper Ventura River Groundwater Agency (“Agency”) Board of Directors (“Board”) will hold a **Regular Board Meeting at 1 P.M. on Thursday, May 9, 2019 at the Casitas Municipal Water District Meeting Room, 1055 Ventura Ave., Oak View California 93022.**

UPPER VENTURA RIVER GROUNDWATER AGENCY BOARD OF DIRECTORS **REGULAR MEETING AGENDA**

May 9, 2019

1. MEETING CALL TO ORDER AND ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENT FOR ITEMS NOT APPEARING ON THE AGENDA

The Board will receive public comments on items not appearing on the agenda and within the subject matter jurisdiction of the Agency. The Board will not enter into a detailed discussion or take any action on any items presented during public comments. Such items may only be referred to the Executive Director or other staff for administrative action or scheduled on a subsequent agenda for discussion. Persons wishing to speak on specific agenda items should do so at the time specified for those items. The presiding Chair shall limit public comments to three minutes.

4. CONSENT ITEMS

- a. Approve Minutes from April 11, 2019**
- b. Approve Financial Report for April 2019**
- c. Receive and File 3rd Quarter Budget Report**

5. DIRECTOR ANNOUNCEMENTS

6. EXECUTIVE DIRECTOR’S REPORT

7. ADMINISTRATIVE ITEMS

a. Resolution of Appreciation for Cece Vandermeer

The Board will consider adopting draft Resolution 2019-2 recognizing Ms. Vandermeer’s contributions to the Agency.

b. Fiscal Year 2017/2018 Audit Report

The Board will consider receiving and filing the Fiscal Year 2017/2018 audit report.

c. Basis of Accounting

The Board will consider adopting Resolution 2019-3 to officially change the basis of accounting from cash to accrual.

d. Financial Review Procedures

The Board will consider approving financial review procedures to address recent audit findings.

e. Regular Board Meetings for June through December 2019

The Board will consider providing feedback to staff concerning proposed utilization of scheduled regular Board meetings for the remainder of 2019.

f. Fiscal Year 2019/2020 Budget

The Board will discuss budgeting for the upcoming fiscal year and consider providing feedback to staff and/or the Ad Hoc Budget Committee.

8. GSP GRANT ELIGIBLE ITEMS

a. Fee Study Report (Grant Category (c) - Task 9: Organizational Activities)

The Board will consider receiving and filing the 2019 Fee Study report prepared by Hildebrand Consulting.

b. Extraction Fee Recommendations (Grant Category (c): Task 9: Organizational Activities)

The Board will consider accepting the Ad Hoc Funding Committee's recommendation to notice and schedule a public hearing on June 13, 2019 to consider adoption of extraction fees for fiscal years 2019-20 through 2023-24.

9. COMMITTEE REPORTS

a. Ad Hoc Stakeholder Engagement Committee

The committee will provide an update on implementation of the Stakeholder Engagement Plan.

10. ADJOURNMENT

The next scheduled Board meeting will be on June 13, 2019 at 1pm at the Casitas Municipal Water District Meeting Room, 1055 Ventura Ave, Oak View, CA 93022.

**UPPER VENTURA RIVER GROUNDWATER AGENCY
MINUTES OF REGULAR MEETING APRIL 11, 2019**

The Board meeting was held at the Casitas Municipal Water District meeting room at 1055 Ventura Avenue, Oak View, CA 93022. Directors present were: Bruce Kuebler, Diana Engle, Glenn Shephard, Susan Rungren, Angelo Spandrio and Larry Rose. Director Emily Ayala was absent. Also present were: Executive Director and GSP Project Manager Bryan Bondy, Administrative Assistant Cece Vandermeer, and Agency Counsel Jena Acos. Public present were Bert Rapp and John Krist.

- 1) CALL TO ORDER** – Chairperson Bruce Kuebler called the meeting to order at 1:05 P.M.
- 2) PLEDGE OF ALLEGIANCE** – Led by Chairperson Bruce Kuebler.
- 3) PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA** – None
- 4) CONSENT ITEMS**
 - a. Approve Minutes from March 14, 2019**
 - b. Approve Minutes from March 28, 2019**
 - c. Approve Financial Report for March 2019**

Director Rose motioned to approve the consent items. Seconded by Director Rungren.

Ayes: Bruce Kuebler, Diana Engle, Glenn Shephard, Susan Rungren, Angelo Spandrio and Larry Rose.

Director Ayala was absent.

5) DIRECTOR ANNOUNCEMENTS

None

6) EXECUTIVE DIRECTOR'S REPORT

The Executive Director provided the following updates:

- Audit results for partial year 2016-17 and full year 2017-18 will be presented to Board in May.
- Contract with Norm Brown for the Technical Review Group is being put on hold until the TRG begins in Fiscal Year 2020/2021.
- Kickoff meeting for the GSP grant will be held in late April.
- The surface water flow monitoring report is expected to be available in May or June.
- The new Treasurer-Bookkeeper, Karen Palm, is beginning to transition into her new role.
- The Treasurer-Bookkeeper will be applying for a debit card.

- The Agency Administrator, Summer Ward, is expected to start work in mid-May.

Counsel Acos described training requirements for Ethics, the Brown Act, and Sexual Harassment. She described options for obtaining training. Bert Rapp stated it was free and available anytime on-line for members of SDRMA and he will provide details to the Board members. Counsel Acos stated that the directors should provide copies of the training certificates to staff.

7) NON-GSP ITEMS

a. Localizing California Waters Conference

Aja Bulla-Richards representing Watershed Progressive presented information on the Localizing California Waters Conference. The Board discussed being listed as a conference supporter.

No public comments.

Director Kuebler motioned to approve the Agency as a conference supporter. Seconded by Director Rose.

Ayes: Bruce Kuebler, Angelo Spandrio and Larry Rose.

Noes: Diana Engle, Susan Rungren and Glenn Shephard.

Director Ayala was absent.

The motion failed to pass.

b. Agency Administrator

The Executive Director summarized the proposed agreement with Meiners Oaks Water District to provide Agency Administrator services. After discussion about the job description, employee related wording in the last sentence of “Working Conditions and Physical Requirements” will be removed.

No public comments.

Director Engle motioned to authorize the Executive Director to execute the agreement with Meiners Oaks Water District for Agency Administrator services, with the above described change and modification to section 2.2.2.1 (change “...as described in Section 2.2.2.1” to “...as described in Section 2.2.2.”) Seconded by Director Shephard.

Ayes: Bruce Kuebler, Diana Engle, Glenn Shephard, Susan Rungren, Angelo Spandrio and Larry Rose.

Director Ayala was absent.

8) GSP ITEMS

a. Multi-Year Budget and Groundwater Extraction Fee (Grant Category (c) – Task 9: Organizational Activities) (1:50 – 3:15pm)

The Executive Director summarized changes to the multi-year budget made pursuant to Board direction provided during the March 28 special meeting and additional review by himself and the Ad Hoc Budget Committee.

Chair Kuebler summarized status of groundwater extraction fee work by Ad Hoc Funding committee. Initial estimates of extractions by private pumpers have been re-evaluated based on site visits and consultation with the well owners, and changes made as appropriate. One well requires further review and is expected to be resolved soon. Total private pumping, originally estimated to be roughly 850 acre-feet, is expected to be close to 355 acre-feet. Chair Kuebler explained the private pumpers understand the fee is high because of the relatively small quantity of pumping in the basin.

The Executive Director stated that staff was told that the extraction numbers were final prior to March 28 special board meeting. He expressed concerns about the magnitude of the change this late in the fee process and the appearance it might give. Director Engle asked how the changes to the private pumping estimates will be documented. Counsel Acos suggested follow-up letters to private pumpers notifying them of their updated estimated 2017 extraction volumes and discussion in the fee study report. The Ad Hoc Funding Committee will draft the letters and obtain Counsel review before sending.

Director Engle stated that MOWD discovered an error in their extraction numbers and will be providing revised numbers.

The Executive Director updated the calculations of estimated extraction fees based on the updated extraction numbers reported at the meeting. The Board discussed the updated draft multi-year budget. The discussion focused on the merits of obtaining an interest-free loan or loans from the Member Agencies to help reduce the extraction fee in early years of the multi-year forecast. The directors from Ventura, MOWD, and VRWD indicated a willingness to seek approval for no-interest loans from their agencies. The Board reached consensus on a target loan amount of \$90,000. The Board agreed that the ideal arrangement would be for Ventura, MOWD, and VRWD each to loan \$30,000 to be repaid in Fiscal Year 2022/2023. The Board also discussed having the directors from each of those agencies seek approval for loans up to \$45,000 as a contingency plan.

Public Comment: John Krist, Ventura County Farm Bureau, thanked the Board for talking with private growers and highlighted difficulty of doing business in the Ojai Valley because of the lower value crops grown here and competition from other areas. Bert Rapp supported no-interest loans and is willing to ask the VRWD Board to make the full \$90,000 loan, if necessary.

Director Kuebler motioned to adopt the multi-year budget including line items for a \$90,000 no interest loan showing repayment in Fiscal Year 2022/2023 and to direct the Directors representing VRWD, MOWD, and the City of Ventura to request approval

from their respective boards for zero interest loans in an amount up to \$45,000 with repayment in Fiscal Year 2022/2023. Seconded by Director Engle.

Ayes: Bruce Kuebler, Diana Engle, Glenn Shephard, Susan Rungren, Angelo Spandrio and Larry Rose.

Director Ayala was absent.

b. GSP Development Support Services (Grant Category (c): Task 9: Organizational Activities) (3:15 – 3:20pm)

The Board considered approving a Master Services Agreement with Intera, Inc. for as needed GSP development support services. Director Shephard noted that the vendor's address is incomplete on the Statement of Work. The Executive Director will add the missing information.

No public comment

Director Rose motioned to approve the Master Service Agreement with Intera. Seconded by Director Shephard.

Ayes: Bruce Kuebler, Diana Engle, Glenn Shephard, Susan Rungren, Angelo Spandrio and Larry Rose.

Director Ayala was absent.

9) COMMITTEE REPORT

a. Ad Hoc Stakeholder Engagement Committee

Committee chair Rose said he would be reviewing the Stakeholder Engagement Plan for possible changes and will make a recommendation at the May Board meeting.

- 10) ADJOURNMENT** – The meeting was adjourned at 3:20 pm. The next regular Board meeting will be May 9, 2019 at 1:00 pm at the Casitas Municipal Water District Meeting Room, 1055 Ventura Ave., Oak View, CA 93022.

Action: _____

Motion: _____ Second: _____

B. Kuebler___ D. Engle___ A. Spandrio___ S. Rungren___ G. Shephard___ E. Ayala___ L. Rose___

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 4(b)

DATE: May 9, 2019
TO: Board of Directors
FROM: Agency Bookkeeper-Treasurer
SUBJECT: Financial Report for April 2019

March UVRGA Balance \$107,266.27

APRIL 2019 ACTIVITY:

Revenues - Casitas Municipal Water District 2d installmt paymt 25,000.00

April Expenditures Paid:

Auto	EDD	1 st Qtr State P/R Tax	231.77
Auto	IRS	1 st Qtr Federal P/R Tax	1,002.18
Auto	IRS	1 st Qtr Federal Unemploymt Tax	26.68
2020	Cece Vandermeer	Payroll 4/15	800.26
2021	Karen Palm	Payroll 4/15	1,157.96

Checks Pending Signature:

2022	Bartlett, Pringle & Wolf	16/17 & 17/18 Audit	4,124.00
2023	Bondy Groundwater	4/19 Services	8,217.50
2024	Brownstein Hyatt	3/19 Attorney Fees	9,392.32
2025	Cece Vandermeer	Medical 4/19	150.00
2026	Hildebrand Consulting	4/19 Services	2,000.00
2027	Kear Goundwater	3/19 Services	6,190.00
2028	OBGMA	Office Share Exp 4/19	715.24
2029	Cece Vandermeer	Payroll 4/30	223.81
2030	Karen Palm	Payroll 4/30	<u>1,375.90</u>

Total Expenditures Paid April \$35,607.62

April UVRGA Balance \$96,658.65

Action: _____

Motion: _____ Second: _____

B. Kuebler____ G. Shephard____ D. Engle____ A. Spandrio____ S. Rungren____ L. Rose____ E. Ayala

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 4(c)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: 3rd Quarter Budget Report

SUMMARY

The 3rd Quarter Budget Report is attached for review.

Pursuant to Board direction to only consider budget updates following 2nd and 4th quarters, the budget report was not sent to the Ad Hoc Committee for review prior to the Board meeting.

RECOMMENDED ACTIONS

Receive and file the 3rd Quarter budget report.

BACKGROUND

The Fiscal Year 18/19 budget was adopted on June 14, 2018 and budget updates were approved by the Board on March 14, 2019.

FISCAL SUMMARY

Not applicable

ATTACHEMENTS

A. 3rd Quarter Budget Report

Action: _____

Motion: _____ Second: _____

B. Kuebler___ D. Engle___ A. Spandrio___ S. Rungren___ G. Shephard___ E. Ayala___ L. Rose___

05/03/19

Profit & Loss Approved Budget vs. Actual

Accrual Basis

July 2018 through March 2019

	Jul '18 - Mar 19	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
40000 · Member Contributions	249,200.15	186,900.11	62,300.04	133.3%
41000 · Grant Income				
41100 · DWR GSP Grant Income	0.00	0.00	0.00	0.0%
41000 · Grant Income - Other	0.00	0.00	0.00	0.0%
Total 41000 · Grant Income	0.00	0.00	0.00	0.0%
42000 · Share of Cost Reimb	0.00	0.00	0.00	0.0%
Total Income	249,200.15	186,900.11	62,300.04	133.3%
Expense				
50001 · Personnel Expenses				
50100 · Salaries Expense	11,548.75	13,125.01	-1,576.26	88.0%
50200 · Payroll Taxes	1,072.54	900.00	172.54	119.2%
50300 · Medical Reimbursement	1,350.00	1,350.00	0.00	100.0%
50400 · Worker's Comp Insurance	1,045.00	1,575.00	-530.00	66.3%
50001 · Personnel Expenses - Other	0.00	0.00	0.00	0.0%
Total 50001 · Personnel Expenses	15,016.29	16,950.01	-1,933.72	88.6%
55000 · Administrative Exp				
55005 · Rent Expense	3,600.00	3,749.99	-149.99	96.0%
55010 · Telephone Expense	435.76	450.00	-14.24	96.8%
55011 · Computer Maintenance	117.50	176.26	-58.76	66.7%
55015 · Postage & Shipping	70.00	225.00	-155.00	31.1%
55020 · Office Supplies	1,106.59	1,274.99	-168.40	86.8%
55030 · Bank Service Charges	426.12	374.99	51.13	113.6%
55045 · Travel Expense	128.18			
55055 · Insurance Expense-SDRMA	1,748.66	1,311.50	437.16	133.3%
55060 · Memberships-CSDA	1,612.75	1,209.55	403.20	133.3%
Total 55000 · Administrative Exp	9,245.56	8,772.28	473.28	105.4%
58000 · Professional Fees				
58005 · GSP Manager	27,064.29	32,999.99	-5,935.70	82.0%
58010 · Legal Fees	31,200.82	72,000.00	-40,799.18	43.3%
58015 · Website	372.89	750.01	-377.12	49.7%
58020 · Accounting	10,212.50	11,250.00	-1,037.50	90.8%
58050 · Other Professional Services	8,787.50			
Total 58000 · Professional Fees	77,638.00	117,000.00	-39,362.00	66.4%
60000 · Grant/Program Expenses				
60001 · Grant Administration (A)				
62000 · Grant Admin -0	9,880.00	11,250.00	-1,370.00	87.8%
Total 60001 · Grant Administration (A)	9,880.00	11,250.00	-1,370.00	87.8%
60002 · Data Gap Analysis (B)				
61025 · Well Monitoring Network - 1	9,833.50	14,999.99	-5,166.49	65.6%
61100 · Groundwater Interface Monitor-3	12,530.50	14,999.99	-2,469.49	83.5%
61400 · Subsurface Inflow Data- 6	1,335.00	3,000.01	-1,665.01	44.5%
61500 · Surface Water Flow Data - 7	4,390.00	7,500.01	-3,110.01	58.5%
61600 · Habitat Evapotranspiration - 8	267.50	450.00	-182.50	59.4%
Total 60002 · Data Gap Analysis (B)	28,356.50	40,950.00	-12,593.50	69.2%
60003 · Planning Activities (C)				
61700 · Organization Activities - 9	48,859.73	31,500.00	17,359.73	155.1%
60003 · Planning Activities (C) - Other	0.00	0.00	0.00	0.0%
Total 60003 · Planning Activities (C)	48,859.73	31,500.00	17,359.73	155.1%
60004 · GSP Development (D)				
61800 · GSP Develop & Prep- 11	3,410.00	5,250.01	-1,840.01	65.0%
Total 60004 · GSP Development (D)	3,410.00	5,250.01	-1,840.01	65.0%
60000 · Grant/Program Expenses - Other	0.00			
Total 60000 · Grant/Program Expenses	90,506.23	88,950.01	1,556.22	101.7%

UVRGA: FY 2018-2019
Profit & Loss Approved Budget vs. Actual
 July 2018 through March 2019

	Jul '18 - Mar 19	Budget	\$ Over Budget	% of Budget
65000 · Other Income & Expense	-100.00			
Total Expense	192,306.08	231,672.30	-39,366.22	83.0%
Net Ordinary Income	56,894.07	-44,772.19	101,666.26	-127.1%
Net Income	56,894.07	-44,772.19	101,666.26	-127.1%

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 7(a)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Resolution of Appreciation for Cece Vandermeer

SUMMARY

Draft Resolution 2019-2 attached hereto has been prepared to recognize Cece Vandermeer's contributions to the agency during her tenure.

RECOMMENDED ACTIONS

Adopt Resolution 2019-2 recognizing Cece Vandermeer's contributions to the Agency.

BACKGROUND

Ms. Vandermeer served as the Agency Executive Director from August 2017 until March 2019. During this time, Ms. Vandermeer also served as Executive Secretary for Ojai Basin Groundwater Management Agency (OBGMA) but was willing to help the Agency by performing administrative functions while continuing as Executive Secretary for OBGMA. During her tenure, Ms. Vandermeer provided valuable assistance to the Agency.

FISCAL SUMMARY

Not applicable

ATTACHEMENTS

A. Draft Resolution 2019-02

Action: _____

Motion: _____ Second: _____

B. Kuebler____ D. Engle____ A. Spandrio____ S. Rungren____ G. Shephard____ E. Ayala____ L. Rose____

BOARD OF DIRECTORS

UPPER VENTURA RIVER GROUNDWATER AGENCY

RESOLUTION NO. 2019-2

**A RESOLUTION OF THE UPPER VENTURA RIVER GROUNDWATER AGENCY
(AGENCY) HONORING CECE VANDERMEER FOR HER SERVICE AS EXECUTIVE
DIRECTOR**

WHEREAS, the Agency had its first meeting in January 2017 and operated many months without a permanent Executive Director;

WHEREAS, Cece Vandermeer is Executive Secretary for Ojai Basin Groundwater Management Agency (OBGMA) but was willing to help the Agency by performing administrative functions while continuing as Executive Secretary for OBGMA;

WHEREAS, Ms. Vandermeer was appointed as the Agency Executive Director on August 24, 2017;

WHEREAS, Ms. Vandermeer provided valuable assistance to the Agency throughout her tenure as Executive Director by, among other things, moving into a new office shared with OBGMA, updating the Agency's website, and acquiring needed hardware and software; and

WHEREAS, Ms. Vandermeer handled increasing workloads from OBGMA and the Agency until it became necessary for the growing Agency to seek additional administrative help, independent of OBGMA, by appointing a new Executive Director, selecting an Agency Administrator, and selecting a Treasurer-Bookkeeper in March 2019.

NOW, THEREFORE, the Board of Directors of the Upper Ventura River Groundwater Agency does hereby resolve as follows:

1. The Board of Directors expresses its sincere appreciation and thanks to Ms. Vandermeer for her dedication and commitment to helping the Agency during its challenging early stage of development.
2. The Board of Directors wishes Ms. Vandermeer continuing success as Executive Secretary for OBGMA.

PASSED, APPROVED, AND ADOPTED this 9th day of May, 2019.

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Bruce Kuebler, Board Chair

ATTEST:

Bryan Bondy
Executive Director

APPROVED AS TO FORM

Upper Ventura River Groundwater Agency
General Counsel

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 7(b)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Fiscal Year 2017/2018 Audit Report

SUMMARY

The audit documents and associated letters attached hereto present the results of an independent audit of the Fiscal Year 2017/2018 financial statements and associated evaluation of internal controls over financial reporting. The audit was performed by the Board-approved firm Bartlett, Pringle, & Wolf, LLP. The principal audit findings are as follows:

- The Agency had no amounts recorded as of June 30, 2017; therefore, no audit was required for Fiscal Year 2016/2017.
- The Fiscal Year 2017/2018 financial statements were found to fairly present, in all material aspects, the financial position of the Agency as of June 30, 2018 and the change in financial position and cash flows in accordance with accounting principles generally accepted in the United States of America and accounting systems prescribed by the State Controller's Office and state regulations governing special districts.
- Accounting Basis – because the Agency is accounted for as an enterprise fund, the accrual method of accounting must be used for financial statement reporting purposes.
- The following internal control deficiencies were identified:
 - Proper accruals were not recorded at year-end. An adjusting journal entry was provided and will be recorded in the Agency's financial system.
 - Some aspects for internal control that rely on segregation of duties are missing due to the small number of individuals having the primary responsibility for performing the majority of the accounting and financial duties. The auditor notes that it is not practical to employ additional personnel solely to segregate duties. Additional supervision and period review procedures could be implemented to help mitigate the lack of segregation of duties.

Original hard copies of the audit documents will be provided at the Board meeting.

The audit documents will be filed with the County of Ventura Auditor-Controller.

RECOMMENDED ACTIONS

Receive and file the Fiscal Year 2017/2018 audit report.

BACKGROUND

Government Code section 6505(b) requires the Agency to retain a certified public accountant to perform an annual audit of the Agency's accounts and records. Agency Resolution 2018-3 established an annual audit frequency for the Agency. The Board of Directors approved a \$10,000 not-to-exceed contract to Bartlett, Pringle, & Wolf, LLP on November 8, 2018 for the audit.

FISCAL SUMMARY

Not applicable

ATTACHEMENTS

A. Fiscal Year 2017/2018 Audit Documents

Action: _____

Motion: _____ Second: _____

B. Kuebler____ D. Engle____ A. Spandrio____ S. Rungren____ G. Shephard____ E. Ayala____ L. Rose____



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

April 5, 2019

Board of Directors
Upper Ventura River Groundwater Agency
417 Bryant Circle, Suite #112
Ojai, CA 93023

To the Board of Directors:

In planning and performing our audit of the financial statements of the Upper Ventura River Groundwater Agency (the Agency) for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Control Deficiencies

Proper Year-End Accrual of Accounts Payable

During our audit, we noted proper accruals were not recorded at year-end. Bartlett, Pringle & Wolf, LLP recorded an adjusting journal entry to accurately record accounts payable as of June 30, 2018. It is our understanding that management had decided to utilize Bartlett, Pringle & Wolf, LLP for this function.

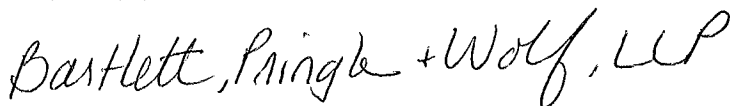
Segregation of Duties

A very small number of individuals have the primary responsibility for performing the majority of the accounting and financial duties. As a result, some of the aspects of internal control that rely upon adequate segregation of duties are missing. We recognize that it is not practical from a financial standpoint to employ additional personnel solely for the purpose of segregating duties. However, additional supervision and periodic review procedures could be put in place to help mitigate the lack of proper segregation of duties.

Conclusion

This communication is intended solely for the information and use of the Board of Directors, management, and others within the Agency, and is not intended to be and should not be used by anyone other than these specified parties. This letter does not affect our report dated April 5, 2019 on the financial statements of the Upper Ventura River Groundwater Agency.

Very truly yours,

A handwritten signature in cursive script that reads "Bartlett, Pringle & Wolf, LLP".

BARTLETT, PRINGLE & WOLF, LLP

Certified Public Accountants and Consultants



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

April 5, 2019

Board of Directors
Upper Ventura River Groundwater Agency

To the Board of Directors:

We are pleased to present this letter related to our audit of the financial statements of Upper Ventura River Groundwater Agency (the Agency) for the year ended June 30, 2018. This letter is to inform the Board of Directors about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and we can comply with professional standards.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated October 31, 2018, which includes communication regarding the planned scope and timing of our audit and our identification of and planned audit response to significant risks of material misstatement. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Alternative Treatments within Generally Accepted Accounting Principles Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year.

Statement No. 85 Omnibus 2017, addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits OPEB).

The impact of implementing this Statement was immaterial to the financial statements.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.

Audit Adjustments

Audit adjustments recorded after the initial receipt of the trial balance or as a result of our audit procedures are attached to this letter.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

The Agency began operations in January 2017 but outsourced its finance and accounting functions to one of its member agencies until the Agency established an office and an administrative staff during November 2017. After review of all of the 2017 transactions, it was determined the accounts were zero as no amounts were required to be recorded as of June 30, 2017.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Internal Control Matters

We have separately communicated any significant deficiencies and material weaknesses identified during our audit of the financial statements in a separate letter dated April 5, 2019.

Certain Written Communications between Management and Our Firm

In conjunction with the audit of the financial statements, we have been provided a letter of certain representations from management dated April 5, 2019.

Conclusion

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Bartlett, Pringle Wolf, LLP". The signature is written in a cursive, flowing style.

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants

**UPPER VENTURA RIVER
GROUNDWATER AGENCY**

June 30, 2018

FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

UPPER VENTURA RIVER GROUNDWATER AGENCY

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BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Upper Ventura River Groundwater Agency:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Upper Ventura River Groundwater Agency (the "Agency") for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Upper Ventura River Groundwater Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Ventura River Groundwater Agency as of June 30, 2018, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bartlett, Pringle + Wolf, LLP

Santa Barbara, California
April 5, 2019

UPPER VENTURA RIVER GROUNDWATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Upper Ventura River Groundwater Agency (the “Agency”), we offer readers of the Agency’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency’s basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements are designed to provide readers with a broad overview of the Agency’s finances, in a manner similar to a private-sector business. The basic financial statements can be found on pages 7-10 of this report. The Agency is governed by its seven-person board of directors, one from each of its five Member Agencies and stakeholder directors for agricultural and environmental interests. The Agency’s business is to develop and implement a groundwater sustainability plan (GSP) for the Upper Ventura River Groundwater Basin. For the formation of the Agency, funds were contributed by the five Member Agencies signatory to the Joint Powers Authority.

The *Statement of Net Position* is intended to disclose the financial position of the Agency at a specific point in time, June 30, 2018. It reflects the assets of the Agency, the liabilities and net position (equity). All assets and liabilities are liquid.

The *Statement of Revenues, Expenses and Changes in Net Position* is intended to disclose the results of operations over a period of time, the fiscal year ended June 30, 2018. This statement reflects revenues earned (whether collected or not), and expenses incurred (whether paid or not) during the year. This statement differs significantly from the statement of net position, yet coordinates well with that statement. The net earnings of the Agency flows into the net position of the Agency as reflected on the statement of net position.

The *Statement of Cash Flows* combines aspects of both the statement of net position and the statement of revenues, expenses and changes in net position and discloses how cash flows through the Agency.

Financial Analysis and Highlights

The assets of the Agency exceeded its liabilities at the close of its first fiscal year by \$62,419 (*net position*). All of this amount is considered unrestricted and may be used to meet the Agency’s ongoing obligations to prepare a Groundwater Sustainability Plan (GSP).

UPPER VENTURA RIVER GROUNDWATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Agency's total liabilities increased \$9,320 during its first year of operations. Net position increased by \$62,419. This entire amount is classified as unrestricted and may be used to meet the Agency's ongoing activities.

UPPER VENTURA RIVER GROUNDWATER AGENCY

Table 1
Net Position Components

Description	2018
Current assets	\$ 71,739
Total Assets	71,739
Current liabilities	9,320
Total Liabilities	9,320
Unrestricted net position	62,419
Total Net Position	\$ 62,419

At the end of the Agency's first full fiscal year in operation, the Agency is able to report positive balances in its net position.

UPPER VENTURA RIVER GROUNDWATER AGENCY

Table 2
Changes in Net Position

Description	2018
Operating Revenues	
Member contributions	\$ 189,412
Total Operating Revenues	189,412
Operating Expenses	
Salaries and related items	16,735
General and administrative	6,171
Grant and program expenses	42,693
Legal fees	29,031
Professional fees	32,363
Total Operating Expenses	126,993
Increase in net position	62,419
Net position beginning	-
Net Position Ending	\$ 62,419

UPPER VENTURA RIVER GROUNDWATER AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS

Analysis of balances and transactions of funds

The Agency is a single purpose, proprietary entity, and as such, does not maintain multiple fund types. Consequently, there are no inter-fund balances. The analysis of balances is shown above in tables one and two, and in the section labeled “Financial Highlights.”

Analysis of variations between original and final budget amounts

The Agency adopts its budget in accordance with California law. It is policy to not modify the budget in total, although certain reallocations of expenditures may occasionally be made. The budget is adopted on a projected cash flow basis.

Requests for information

This financial report is designed to provide a general overview of the Agency’s financial position for all those with an interest in the Agency’s finances. Questions or requests for additional financial information should be directed to: Upper Ventura River Groundwater Agency, 417 Bryant Circle, Suite #112, Ojai, CA 93023.

**UPPER VENTURA RIVER GROUNDWATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNING BOARD OF DIRECTORS
For the year ended June 30, 2018**

<u>Name</u>	<u>Office</u>
Bruce Kuebler	Chair
Mary Bergen	Vice Chair
Diana Engle	Secretary
Kevin Brown	Director
Emily Ayala	Director
Larry Rose	Director
Glenn Shephard	Director

Administration

Cece Van der Meer	Executive Director
Bryan Bondy	GSP Project Manager

UPPER VENTURA RIVER GROUNDWATER AGENCY
STATEMENT OF NET POSITION
June 30, 2018

ASSETS:

Current assets:

Cash in bank	\$ 71,739
Total current assets	<u>71,739</u>

Total assets	<u>71,739</u>
--------------	---------------

LIABILITIES:

Liabilities:

Accounts payable	7,328
Accrued payroll and related items	1,192
Payable to related party	<u>800</u>

Total liabilities	<u>9,320</u>
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NET POSITION:

Unrestricted	<u>62,419</u>
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Total net position	<u><u>\$ 62,419</u></u>
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See accompanying notes

UPPER VENTURA RIVER GROUNDWATER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2018

Operating revenues:	
Member contributions	\$ 189,412
Total operating revenues	<u>189,412</u>
Operating expenses:	
Salaries and related items	16,735
General and administrative	6,171
Grant and program expenses	42,693
Legal fees	29,031
Professional fees	<u>32,363</u>
Total operating expenses	<u>126,993</u>
Operating income	<u>62,419</u>
Change in net position	62,419
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 62,419</u></u>

See accompanying notes

UPPER VENTURA RIVER GROUNDWATER AGENCY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018

Cash flows from operating activities:	
Receipts from member agencies	\$ 190,212
Payments to employees	(15,543)
Payments to vendors and contractors	<u>(102,930)</u>
Net cash and cash equivalents provided by operating activities	<u>71,739</u>
 Increase in cash and cash equivalents	 71,739
 Cash and cash equivalents, beginning of year	 <u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 71,739</u></u>

See accompanying notes

UPPER VENTURA RIVER GROUNDWATER AGENCY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018

Cash flows from operating activities:

Operating income	\$ 62,419
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Adjustments to reconcile operating income to net
cash provided by operating activities:

Increase (decrease) in:

Accounts payable	7,328
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Accrued payroll and related items	1,192
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Payable to related party	<u>800</u>
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Net cash and cash equivalents provided by operating activities	<u><u>\$ 71,739</u></u>
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See accompanying notes

UPPER VENTURA RIVER GROUNDWATER AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Upper Ventura River Groundwater Agency was formed to develop and implement a groundwater sustainability plan (GSP) for the Upper Ventura River Groundwater Basin as mandated by the 2014 Sustainable Groundwater Management Act (SGMA). The Agency derives its powers and authorities from SGMA and its five Member Agencies. The Agency was formed through a joint powers agreement (JPA) in December, 2016 by the County of Ventura, the City of San Buenaventura, Casitas Municipal Water District, Meiners Oaks Water District, and Ventura River Water District. It is governed by a seven-member Board of Directors, consisting of one representative from each of the five Member Agencies, one representative of environmental interests, and one representative of agricultural interests.

The Upper Ventura River Groundwater Agency (the “Agency”) reporting entity includes all significant operations and revenue sources of which the Agency’s Board of Directors exercises oversight responsibility and is determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by GASB. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

B) Accounting Basis

The Agency is accounted for as an enterprise fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the Agency is accounted for as an enterprise fund, the accrual method of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

An enterprise fund is accounted for on a cost of services or “flow of economic resources” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the statement of net position.

UPPER VENTURA RIVER GROUNDWATER AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B) Accounting Basis (Continued)

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency during 2018 are contributions from its five-member agencies. Operating expenses of the Agency include start-up expenses, organization activities, legal fees, administrative expenses, and other grant and program expenses. All revenues and expenses met this definition for 2018 and the Agency had no non-operating revenues or expenses.

C) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and funds on deposit with financial institutions available for current use with an initial maturity of three months or less. All deposits are carried at cost plus accrued interest. As of December 31, 2018, the Agency's cash balance was covered by federal depository insurance.

D) Budget

The Agency is required to adopt an annual budget. The budget is presented on the basis of the funding sources available. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The Agency prepares a tentative budget for the next fiscal year beginning May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the final budget is adopted by the Agency. Once a budget is approved, it can be amended by the Board of Directors

E) Implementation of New Accounting Pronouncements

For the year ended June 30, 2018, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

Statement No. 85 *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits OPEB).

The impact of implementing this Statement was immaterial to the financial statements.

UPPER VENTURA RIVER GROUNDWATER AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

F) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Related Party

The Agency began operations in January 2017 but outsourced its finance and accounting functions to one of its member agencies until the Agency established an office and an administrative staff during November 2017. After review of all of the 2017 transactions, it was determined the accounts were zero as no amounts were required to be recorded as of June 30, 2017. During the current year, the Ventura River Water District (VRWD), one of UVRGA's member agencies, contributed \$800 in excess of their required yearly contribution of \$49,000. This amount represents the \$800 related party payable as seen in the Agency's financial statements as of the year ended June 30, 2018.

Note 3 - Commitment and Contingencies

Although not the Agency itself, some of its Member Agencies have been named in a pending claim that was filed. As of the date of these financial statements, it is not possible to evaluate the merit of the scope of this claim. No amounts have been recorded in the financial statements related to this claim.

Note 4 – Long Term Agreement

In December of 2017, the Agency entered into an office share agreement with the Ojai Basin Groundwater Management Agency (OBGMA). Per the terms of this agreement, both parties agree to equally share the office space and the associated costs. This agreement shall continue through June 2022, unless either party gives a 60-day termination notice or both parties agree to extend this agreement for another five years.

Total rent expenses were \$2,280 for the year ended June 30, 2018. Future minimum lease obligations are as follows for the years ended June 30:

2019	\$	4,800
2020		4,800
2021		4,800
2022		4,800
		<u>\$ 19,200</u>

UPPER VENTURA RIVER GROUNDWATER AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Subsequent Events

Management has evaluated subsequent events through April 5, 2019, the date which the financial statements were available to be issued.

During February 2019, the Department of Water Resources of the State of California finalized funding from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 to assist the Agency in financing project activities that will improve sustainable groundwater management, pursuant to Water Code Section 79700. The maximum grant amount shall not exceed \$630,061.

Client: UPPER VENTURA RIVER GROUNDWATER AGENCY (18233)
Engagement: 18233 - 2018 Audit-Upper Ventura River Groundwater Agency
Period Ending: 6/30/2018
Trial Balance: TB
Workpaper: 1 - AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		BB-2		
To correctly accrue for expenses at year end 06.30.2018				
58010	Professional Fees:58010 -+ Legal Fees		3,482.00	
61100	Grant/Program Expenses:60002 -+ Data Gap Analysis (B):61100 -+ Groundwater Interface Monitor-3		1,240.00	
61400	Grant/Program Expenses:60002 -+ Data Gap Analysis (B):61400 -+ Subsurface Inflow Data- 6		400.00	
61700	Grant/Program Expenses:60003 -+ Planning Activities (C):61700 -+ Organization Activities - 9		1,696.00	
20000	Accounts Payable			6,818.00
Total			6,818.00	6,818.00
Adjusting Journal Entries JE # 2				
To record VRWD overpayment and a related party payable at year end		PBC AJE: DD-2		
40000	Member Contributions		800.00	
BPW 1	Due to VRWD			800.00
Total			800.00	800.00
Total Adjusting Journal Entries			7,618.00	7,618.00
Total All Journal Entries			7,618.00	7,618.00

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 7(c)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Basis of Accounting

SUMMARY

As discussed in Item 7b, the recent audit identified that, because the Agency is accounted for as an enterprise fund, the accrual method of accounting must be used for financial statement reporting purposes. As such, draft Resolution 2019-3 attached hereto has been prepared to officially change the basis of accounting from cash to accrual.

RECOMMENDED ACTIONS

Adopt Resolution 2019-3 to officially change the basis of accounting from cash to accrual.

BACKGROUND

See Summary.

FISCAL SUMMARY

Not applicable

ATTACHEMENTS

A. Draft Resolution 2019-03

Action: _____

Motion: _____ Second: _____

B. Kuebler____ D. Engle____ A. Spandrio____ S. Rungren____ G. Shephard____ E. Ayala____ L. Rose____

BOARD OF DIRECTORS

UPPER VENTURA RIVER GROUNDWATER AGENCY

RESOLUTION NO. 2019-3

**A RESOLUTION OF THE UPPER VENTURA RIVER GROUNDWATER AGENCY
(AGENCY) ESTABLISHING A BASIS OF ACCOUNTING**

WHEREAS, Article 7.3 of the Bylaws of the Agency requires the Treasurer to maintain books of account in accordance with accepted accounting principles; and

WHEREAS, because the Agency is accounted for as an enterprise fund, the accrual method of accounting must be used for financial statement reporting purposes.

NOW, THEREFORE, the Board of Directors of the Upper Ventura River Groundwater Agency does hereby resolve, find, determine and order as follows:

1. Resolution 2018-2 is hereby repealed; and
2. Article 7 of the Bylaws is hereby amended by adding Article 7.5, to read in its entirety as follows:

7.5 Basis of Accounting. The accounting records of the Agency shall be maintained using the accrual basis of accounting.

PASSED, APPROVED, AND ADOPTED this 9th day of May, 2019.

Bruce Kuebler, Board Chair

ATTEST:

Bryan Bondy
Executive Director

APPROVED AS TO FORM

Upper Ventura River Groundwater Agency
General Counsel

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 7(d)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Financial Review Procedures

SUMMARY

As discussed in Item 7b, the recent audit identified some aspects for internal control that rely on segregation of duties are missing due to the small number of individuals having the primary responsibility for performing the majority of the accounting and financial duties. Separation of duties involves splitting responsibility for bookkeeping, deposits, reporting, and auditing. Auditing is already separated by virtue of the required annual independent audits. Bookkeeping, depositing, and reporting responsibilities cannot be divided because the Agency Bookkeeper-Treasurer performs both all of these duties.

The auditor notes that it is not practical to employ additional personnel solely to segregate duties. The auditor suggested that supervision and period review procedures could be implemented to help mitigate the lack of segregation of duties.

The Agency already implemented a number of measures since June 30, 2018

In October 2018, the Board adopted an invoice review procedure that requires involvement of four different individuals for most vendor payments (Agency Resolution 2018-5).

The Agency recently implemented a supervision measure by adopting the organization chart and job descriptions on March 28, 2019, which provide for supervision of the Agency Bookkeeper-Treasurer by the Executive Director. Previously the employee responsible for financial duties (Ms. Vandermeer) did not have a supervisor.

Additional measures have been recently implemented by staff. It is recommended that the Board formally adopt these measures. These new measures are as follows:

1. Payroll Review:
 - a. Executive Director is approving timesheets and employee expenses prior to payroll and expense entry into financial system by Bookkeeper-Treasurer; and
 - b. Officers that sign payroll checks are confirming timesheet approval by Executive Director prior to signing payroll checks.

2. Review of bank statements and bank account reconciliation reports:

- a. Monthly review is being completed by the Executive Director; and
- b. Bank statements and reconciliation reports are being made available to Officers who sign checks. In the future, the statements and reports will instead be made available to all directors for review via an online folder (online folder will be established after Agency Administrator begins working).

Other measures could be considered in the future, as needed.

RECOMMENDED ACTIONS

Approve financial review procedures to address recent audit findings (Item Nos. 1 and 2 above).

BACKGROUND

See Summary.

FISCAL SUMMARY

Not applicable

ATTACHEMENTS

None

Action: _____

Motion: _____ Second: _____

B. Kuebler____ D. Engle____ A. Spandrio____ S. Rungren____ G. Shephard____ E. Ayala____ L. Rose____

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 7(e)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Regular Board Meetings for June through December 2019

SUMMARY

Following the anticipated extraction fee adoption in June, staff will need to turn its focus to issuing fee invoices, completing the staffing transition, and preparing the first GSP grant progress report and invoice. The Agency Administrator's starting timeframe has been delayed until late June or early July. Thus, the administrative staffing transition will take place in July and August. The first GSP grant progress report and invoicing will also be under development at this time. Because Agency staff is part-time, these activities will consume most of their available time. Beyond August, there will be little Agency business to consider, as the extraction fee and budget will be in place and material work on the GSP will not have started yet. Going forward it will only be necessary for the Board to meet when there are time-sensitive business and/or GSP issues or work products to discuss. Meeting less frequently will help control administrative costs. The JPA requires board meetings be held no less frequently than quarterly¹.

Based on the foregoing, staff proposes the following utilization of scheduled regular Board meetings through the remainder of the year (Table 1). Regular meetings will not be cancelled until a week before the scheduled meeting date to allow flexibility in the event a meeting is needed for an urgent matter.

Table 1.

Regular Meeting	Proposed Primary Business or Status
June	Extraction fee adoption, fiscal year 19/20 budget adoption
July	Limited scope meeting – elect officers, update committees, Intera initial work order ²
August	Plan to cancel regular meeting
September	Plan to cancel regular meeting
October	GSP development overview and schedule, final financials for FY 18/19
November	Meet if necessary
December	Meet if necessary

¹ JPA Section 8.2.

² Initial work order to review background info, prepare a GSP template, and work with ED on GSP schedule.

RECOMMENDED ACTIONS

Discuss and provide feedback to staff concerning proposed utilization of scheduled regular Board meetings for the remainder of 2019.

BACKGROUND

None

FISCAL SUMMARY

Minimizing the number of board meetings will reduce administrative costs.

ATTACHEMENTS

None

Action: _____

Motion: _____ Second: _____

B. Kuebler___ D. Engle___ A. Spandrio___ S. Rungren___ G. Shephard___ E. Ayala___ L. Rose___

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 7(f)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Fiscal Year 2019/2020 Budget

SUMMARY

An annual budget must be adopted at the June 13, 2019 Board meeting so that a budget is in place at the beginning of the next fiscal year, which begins July 1, 2019.

Two key uncertainties exist with respect to budgeting for the next fiscal year: carryover funds and grant invoicing. Carryover funds will not be known until the current fiscal year books are closed, which will not occur until invoices for services provided through June 30, 2019 are received. This will occur no sooner than late July 2019. Thus, staff will not be able to determine the amount of carryover funds until early August 2019. Due to the Agency's small budget, the amount of carryover funds will influence the amount of work that can be completed next fiscal year. In terms of the grant, the first grant invoice will not be approved until approximately October 2019. The reason this is important is because there will remain uncertainty in the degree to which DWR will accept board member in-kind labor as cost share until the first invoice is approved.

While staff could certainly make assumptions and projections to account for the above-described uncertainties, those assumptions and projections will undoubtedly be different than reality and the budget will certainly need to be updated to match reality. Rather than expend agency funds to make projections that will require revisions anyway, staff proposes adoption of the Fiscal Year 2019/2020 budget from the adopted multi-year budget as an "interim" or "initial" budget for Fiscal Year 2019/2020. This would occur at the June 13, 2019 meeting. Staff proposes to then prepare a revised fiscal year budget for consideration after the Fiscal Year 2018/2019 books are closed and the first grant invoice has been approved (before or concurrently with the 2nd quarter budget report). Staff would review the proposed revised budget with the Ad Hoc Budget Committee prior to bringing it to the Board for consideration.

RECOMMENDED ACTIONS

Discuss budgeting for the upcoming fiscal year and consider providing feedback to staff and/or the Ad Hoc Budget Committee.

BACKGROUND

None.

FISCAL SUMMARY

See Summary.

ATTACHEMENTS

None.

Action: _____

Motion: _____ Second: _____

B. Kuebler___ D. Engle___ A. Spandrio___ S. Rungren___ G. Shephard___ E. Ayala___ L. Rose___

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 8(a)

DATE: May 9, 2019

TO: Board of Directors

FROM: Agency Staff

SUBJECT: Fee Study Report (Grant Category (c) - Task 9: Organizational Activities)

SUMMARY

The 2019 Fee Study report is attached for the Board and public's reference. Importantly, the fee study is an independent assessment of the Agency's fee options. The recommended fees were developed based on input provided by the Board of Directors, which, in turn, was influenced by Ad Hoc Funding Committee, staff, counsel, and public input provided during the study period. Staff and counsel reviewed a draft version of the report and provided comments focused on ensuring the final report is consistent with Board direction and accurately describes the study inputs, assumptions, and study-related activities completed by the Agency. Because the report is intended to be an independent evaluation, it is recommended that the Board receive and file the report as is.

RECOMMENDED ACTIONS

Receive and file the 2019 Fee Study report prepared by Hildebrand Consulting.

BACKGROUND

Please see Attachment A.

FISCAL SUMMARY

Not applicable

ATTACHEMENTS

A. Fee Study report

Action: _____

Motion: _____ Second: _____

B. Kuebler____ D. Engle____ A. Spandrio____ S. Rungren____ G. Shephard____ E. Ayala____ L. Rose____



2019 GSA Fee Study

Final Report

May 2, 2019



May 2, 2019

Board of Directors
Upper Ventura River Groundwater Agency



Re: 2019 Groundwater Fee Study

Dear Directors,

Hildebrand Consulting is pleased to present this 2019 GSA Fee Study (Study) that we performed for the Upper Ventura River Groundwater Agency (UVRGA). We appreciate the fine assistance provided by members of the board and consultants to UVRGA Agency (such as Brownstein Hyatt Farber Schreck, LLP and Bondy Groundwater Consulting, Inc.) who participated in the Study.

Should UVRGA have any questions, please do not hesitate to contact me at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of service to UVRGA and look forward to the possibility of doing so again in the near future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Hildebrand', is located below the 'Sincerely,' text.

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

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Attachment 2 – UVRGA Long Range Budget

Attachment 3 – UVRGA Cash Flow Proforma FY 2018/19 to FY 2023/24

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List of Acronyms

AF	acre-foot
DWR	Department of Water Resources
FY	fiscal year (which ends on June 30 for the District)
GPD	gallons per day
GSA	Groundwater Sustainability Agency
GSP	Groundwater Sustainability Plan
HCF	hundred of cubic feet
JPA	Joint Powers Agreement
MWC	mutual water company
SGMA	Sustainable Groundwater Management Act
SWRCB	State Water Resources Control Board
UVRGA	Upper Ventura River Groundwater Agency

Glossary

Operators	The owner of a groundwater extraction facility within the Subbasin, not including “de minimum” extractors (as defined by Water Code 10721).
Pre-GSP Fees	The fees to be imposed by UVRGA on Operators for eligible costs as authorized by Water Code Section 10730.
Member Agencies	Refers collectively to Casitas Municipal Water District, Meiners Oaks Water District, the City of Ventura, Ventura County, and the Ventura River Water District.
Study	Refers to the 2019 GSA Fee Study by Hildebrand Consulting for UVRGA, dated May 2, 2019
Subbasin	The Upper Ventura River Subbasin, also known as DWR Subbasin No. 4-003.01

SECTION 1. INTRODUCTION

Hildebrand Consulting, LLC has been retained by the Upper Ventura River Groundwater Agency (“UVRGA”) to conduct a fee study (“Study”). This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 SGMA BACKGROUND

In September of 2014, the California Legislature enacted comprehensive legislation aimed at strengthening local control and management of groundwater basins throughout the state. Known as the Sustainable Groundwater Management Act (“SGMA”), the legislation provides a framework for sustainable management of groundwater supplies by local authorities, with a limited role for state intervention when necessary to protect the resource. In order to achieve these goals, SGMA authorizes the creation of Groundwater Sustainability Agencies (“GSA”) which are required to manage their respective basin(s) or subbasin(s).

1.2 GROUNDWATER SUSTAINABILITY PLANS

As a means to managing groundwater resources, SGMA requires GSAs to develop, adopt, and implement a Groundwater Sustainability Plan (“GSP”). The GSP must outline measurable objectives and interim milestones to achieve the sustainability goal for the basin within a 20-year time frame. GSPs are required to include a physical description of the basin, including groundwater levels, groundwater quality, subsidence, and groundwater-surface water interaction; data on historical and projected water demands and supplies; and monitoring and management provisions to ensure that the basin is managed sustainably over a 20-year horizon.

SGMA also grants GSAs the authority to impose fees in order to, among other things, fund the development and adoption of the required GSP.

1.3 UVRGA BACKGROUND

The UVRGA was formed in December 2016 by Casitas Municipal Water District, Meiners Oaks Water District, the City of Ventura, Ventura County, and the Ventura River Water District (“Member Agencies”) using a Joint Powers Agreement (“JPA”). The UVRGA officially became a GSA on July 20, 2017. As part of its compliance with SGMA, the UVRGA is in the process of developing a Groundwater Sustainability Plan (“GSP”) for the Upper Ventura River Subbasin (“Subbasin”) (DWR Subbasin No. 4-003.01).

The Subbasin is located in the Ojai Valley under and next to the upper part of the Ventura River. It stretches from near the Camino Cielo Bridge just below the confluence of Matilija Creek and North Fork Matilija Creek, down to Foster Park below Casitas Springs. A map of the Subbasin has been provided in **Attachment 1**.

The UVRGA is governed by a seven-member Board of Directors consisting of one “member” director from each Member Agency and two stakeholder directors representing environmental and agricultural interests.

1.4 SCOPE & OBJECTIVES OF STUDY

The scope of this Study is to recommend fees to be imposed by UVRGA on eligible groundwater extractors (“Operators”)¹ for eligible costs as authorized by Water Code Section 10730 (hereafter referred to as the “Pre-GSP Fees”).² These Pre-GSP Fees are consistent with applicable law and are based on a multi-year financial plan that projected the UVRGA’s cash flow requirements for a 5-year period June 30, 2024. The primary objectives of this Study are to:

¹ As defined by SGMA, an Operator means the owner of a groundwater extraction facility. This Study did not consider “de minimus” extractors (as defined by SGMA) as Operators.

² Pre-GSP Fees may continue to be imposed on groundwater extractors after adoption of the GSP, as authorized by Water Code Section 10730.

- a. Develop a multi-year financial management plan that considers UVRGA's anticipated funding needs for costs that are authorized under Water Code Section 10730;
- b. Propose an equitable fee structure for Operators that complies with applicable law; and
- c. Propose a 5-year fee schedule that will provide adequate revenues to meet UVRGA's anticipated ongoing financial obligations.

This report describes the financial plan which details the basis for UVRGA's fee revenue requirements, the basis for the proposed fee structure, and a 5-year schedule for the Pre-GSP Fees.

1.5 LEGAL AUTHORITY

Water Code Section 10730, which was enacted through SGMA, grants a GSA the authority to impose fees to fund the costs of a GSP including, but not limited to, preparation of a GSP, adoption of a GSP, investigations, inspections, compliance assistance, and program administration, including a prudent reserve. After adoption of the GSP, the GSA also has the authority to impose fees for the costs of groundwater management. Section 10730 does not, however, explicitly cite which existing legal authority in California are applicable in authorizing the Pre-GSP Fee. Given the relatively nascent nature of SGMA and limited history of other GSAs with fees, the project team did a thorough evaluation of the legal mechanisms by which Pre-GSP Fees could be levied on Operators. The principal legal authority that were considered included California Constitution Article XIII C (as amended by Proposition 26) and California Constitution Article XIII D.

Constitution Article XIII C was amended by Proposition 26 in 2010 to redefine the meaning of the word "tax" to be any levy, charge, or exaction of any kind imposed by a local government with a list of exceptions. The exceptions that were deemed to be potentially relevant for this Study included (1) charges imposed for a specific benefit conferred to the payor, (2) charges imposed for a specific government service provided directly to the payor, and (3) charges for reasonable regulatory costs to a local government. In addition, California Constitution Article XIII D authorizes local governments to impose so-called "property-related" fees, which would have been a groundwater extraction fee in the context of this Study.

In reviewing the above options with UVRGA's legal counsel, it was determined that the Pre-GSP Fee described by Water Code 10730 is authorized by Constitution Article XIII C, section 1, subdivision (e)(5), which describes the exception given for charges related to reasonable regulatory costs to a local government. In this case the regulatory costs are UVRGA's costs associated with developing and adopting a GSP. The Pre-GSP Fee will be imposed on Operators based on the fact that they are the groundwater extractors in the Subbasin.

It should be noted that the project team also discussed the option of proposing a tax or assessment that would require voter approval. Specifically, a "special tax" (as defined in Constitution Article XIII C) could be adopted after approval by a 2/3rds majority of the qualified voters in the service area in order to generate a tax revenue for a specific purpose (in this case funding a GSA). Similarly, Constitution Article XIII D authorizes the imposition of "assessments" on parcels of real property to pay for benefits the parcels receive from local improvements. Such assessments need to be approved by a majority of property owners (after the votes are weighted according to the proportional financial obligation of the affect property). Upon legal analysis, none of these options were deemed necessary and would add additional costs, time, and unnecessary uncertainty to the fee development process.

SECTION 2. FINANCIAL PLAN

This section presents UVRGA’s financial plan, including a description of the source data, assumptions, UVRGA’s financial policies, and a description of UVRGA’s cash flow requirements for the next 5 years.

The 5-year financial plan was developed through several interactive work sessions, including numerous public meetings, with UVRGA consultants, legal counsel, the Board’s Ad Hoc Budget Committee, and the Board. As a result of this process, the Study has produced a robust financial plan that identifies UVRGA’s anticipated revenue requirements and financial performance objectives throughout the projection period while striving to minimize fees to Operators. UVRGA provided historical and budgeted financial information associated with the operation of UVRGA and also assisted in developing assumptions and policies, such as reserve targets.

2.1 BEGINNING FUND BALANCE

The financial plan spans from fiscal year³ (FY) 2019/20 through FY 2023/24. The beginning cash balances for FY 2018/19 was \$69,748.

2.2 REVENUES SOURCES

As described Section 1.3, the UVRGA was formed in December 2016 and therefore has been incurring administrative and planning costs since that time. Thus far all of UVRGA’s costs have been funded through voluntary contributions from UVRGA’s four Member Agencies (all of which are public agencies and which are also collectively and individually the Subbasin’s largest groundwater extractors).

³ Fiscal years begin on July 1 and end on June 30th

Additional sources of revenue in the future (aside from revenues from the proposed Pre-GSP Fees) will include grants from the Department of Water Resources (“DWR”) and a loan from one or more Member Agencies (see Section 2.5). In the future, UVRGA may receive interest income from its cash reserve balances, but the interest rate for those revenues are unknown and, therefore, have not been included in this financial plan.

2.3 EXPENSES

The annual operational and administrative costs included in this financial plan are eligible costs under Water Code Section 10730, and include labor costs, professional services (consulting contracts and legal counsel), grant-related activities, administrative costs and other expenses associated with GSP development and adoption. During this “Pre-GSP” phase, UVRGA is not incurring any groundwater *management* costs associated with the actual implementation of the (future) GSP. Figure 1 shows the budgeted cost categories for FY 2019/20 as percentages. The detailed adopted long-range budget (FY 2019/20 to FY 2023/24) is provided as **Attachment 2**. Those same budget numbers (along with the adopted budget values for FY 2018/19) are summarized in more general cost categories within the cash flow proforma in **Attachment 3**.

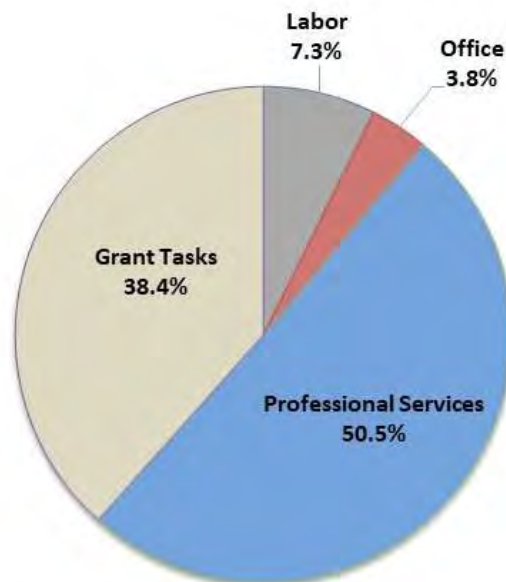


Figure 1: FY 2019/20 Budgeted Expense Categories

2.4 RESERVE TARGETS

Target cash reserves for local government agencies are balances retained for specific cash flow needs. The target for reserves is an important component when developing a multi-year financial plan. In this case, UVRGA, will rely on its reserves for financial stability as it faces uncertainty in both operating costs and grant revenue timing. The uncertainty in operating costs is particularly relevant for GSAs due to the “unchartered territory” associated with meeting the requirements of SGMA. That is to say that there is very little history to guide UVRGA in estimating the costs for developing and adopting its GSP.

The UVRGA Board adopted a long-range budget in April 11, 2019 which includes reserve targets for each fiscal year through FY 2023/24 (see Row 36 of **Attachment 2** and Row 15 of **Attachment 3**). The reserve target builds each year until it reaches (and remains at) \$122,000 in FY 2021/22.

2.5 FUTURE BORROWING ASSUMPTIONS

As discussed in Section 2, UVRGA has funded its activities until this point with voluntary contributions from the Member Agencies. The final voluntary contribution is being made this current FY 2018/19 (see Row 8 of **Attachment 3**). In order to maintain a positive cash balance, however, the long-range budget assumes that an additional (interest-free) \$90,000 loan (or combination of loans) from one or more Member Agencies will be obtained in FY2019/20, which will be reimbursed in FY2021/22 (see Row 9 of **Attachment 3**).

2.6 ANNUAL REVENUE REQUIREMENTS

All of the above information was entered into a financial planning model to produce a 5-year projection of fee revenues requirements. **Attachment 3** summarizes all of the information above and calculates the fee revenue requirement on Row 11.

Table 1 – Fee Revenue Requirements from FY 2019/20 to FY 2023/24

	FY2020	FY2021	FY2022	FY2023	FY2024
Fee Revenue Requirements	\$339,294	\$344,806	\$279,078	\$182,028	\$210,011

SECTION 3. PROPOSED PRE-GSP FEES

Based on financial planning results described in Section 2, this Study recommends that UVRGA levy a Pre-GSP Fee on Operators to generate sufficient revenue to fund UVRGA expenses associated with the development and adoption of a GSP. This section of the report describes the calculation of the Pre-GSP Fees.

3.1 FEE GOALS

In developing the Pre-GSP Fees, the project team was focused on achieving the following goals:

- 1) Fiscal responsibility – The revenue from the fees should be sufficient to meet the anticipated revenue requirements of UVRGA, as described in Section 2.
- 2) Equitability – The fees should be imposed on Operators in a manner that is as equitable as available resources and data will allow.
- 3) Feasibility – The fee structure must consider the availability of data and the feasibility of implementation.
- 4) Expense – The fee structure should seek to minimize costs to both UVRGA and Operators.
- 5) Stakeholder support – UVRGA acknowledges the importance of engaging stakeholders and proposing a revenue solution that has the community's support.

3.2 PROPOSED FEE STRUCTURE

The project team considered a variety of fee structures and evaluated them based on the above goals. Specifically, the team considered:

- 1) Metered Groundwater Extraction Fee – A fee based on actual groundwater volumes produced by Operators.

Pros:

- a. This was considered the most equitable solution (were the necessary data to be available); and

- b. Developing the ability to meter all groundwater extractions may be an effort that will be needed later when adopting Post-GSP Fees.

Cons

- a. The short-term costs for installing standardized meters on all wellheads will be expensive for both UVRGA and Operators (particularly since the effort would need to be expedited);
- b. The feasibility of installing meters in the required time-frame would be prohibitively difficult; and
- c. SGMA does not authorize GSAs to require the installation of meters on wellheads prior to the adoption of the GSP.

- 2) Estimated Groundwater Extraction Fee – A fee based on estimated groundwater volumes produced by Operators.

Pros:

- a. This is was considered the most equitable solution within the limits of available data;
- b. Estimating groundwater extractions can be done as a desktop exercise (with some outreach), therefore implementation costs are minimal; and
- c. The process for gathering data also promotes stakeholder involvement and support.

Cons

- a. Estimating pumping is not as equitable as using actual groundwater pumping data.

- 3) Flat Wellhead Fee – Impose a fee on each active wellhead, regardless of groundwater volumes being pumped.

Pros:

- a. This would only require identifying the eligible wellhead in the Subbasin, therefore implementation costs would be minimal; and
- b. The simple fee structure transparent and easy to understand.

Cons

- a. This is considered an inequitable approach given the vast differences in wellhead capacities and pumped volumes.

- 4) Flat Acreage Fee - Impose a fee on all parcels with a wellhead in the Subbasin based on the size of the parcel (in acres).

Pros:

- a. This would only require identifying the eligible parcels in the Subbasin therefore the implementation costs would be minimal.

Cons

- a. This was considered an inequitable approach given the weak correlation of acreage with water use when comparing Member Agency water usage (which includes indoor water usage) versus agricultural water usage; and
- b. The above inequities are further exacerbated by the limited understanding of which parcels are served by specific wellheads.

In assessing the above options, the project team determined that the fee structure that meets the most project goals, while meeting the legally defensible requirement, is the Estimated Groundwater Extraction Fee.

3.3 GROUNDWATER EXTRACTION ESTIMATES

The project team developed groundwater extraction estimates based on available data. The Study focused on historic groundwater usage prior to and during 2017 which pre-dates the catastrophic 2018 Thomas Fire, which had a material impact on water usage. The estimates developed as part of this Study will subsequently remain as static values for the duration of the fee study period (FY 2019/20 through FY 2023/24).

Water production data is readily available from all Member Agencies since wellheads are metered and the metering data is publicly available. As such, this Study used 5-year water production averages to establish the annual groundwater extraction estimates for Member Agencies (source data for metering data is detailed in **Attachment 4**).

Wellheads for mutual water companies (“MWC”) and other private Operators on the other hand are not necessarily metered. When the wellheads are metered, the data isn’t necessarily reported or a part of public record. Some well owners are required to self-report their annual groundwater production to the State Water Resources Control Board (“SWRCB”) and, in some

cases, the Division of Drinking Water (depending on the installation year and the size of the well). Since both MWC Operators in the Subbasin are required to report their annual water production, this Study used the reported values for 2017 as the basis for estimated groundwater extractions.

The water usage by other private Operators (who are primarily growers) within the Subbasin were estimated based primarily on calculation from aerial photography coupled with known information regarding crop water requirements. These desktop calculations were supplemented by any modifications offered by the private Operators in response to letters that were sent by UVGRA requesting data or information that should be considered in changing the estimate. UVRGA representatives also physically inspected a number of properties to verify type of crop/condition of wells and called or met individually with as many landowners as possible to discuss estimated extraction amounts.

The above work concluded that the Operators in the Subbasin extract an estimated 4,355.8 AF of groundwater per year. A summary of the groundwater extraction estimates, including data source notes, are provided as **Attachment 4**. To be clear, the groundwater extraction estimates derived by this Study will remain static (will not be updated) for the duration of the study period. The groundwater extraction estimates will only be modified in the event of a successful protest by an Operator (see Section 4.1).

3.4 PRE-GSP FEE CALCULATION

The required estimated annual Pre-GSP Fees were calculated by dividing the fee revenue requirements described in Section 2.6 by the groundwater extraction estimates (in AF) described in Section 3.3. The results of this calculation by fiscal year are summarized in Table 2.

Table 2 – Estimated Pre-GSP Fees, FY 2019/20 to FY 2023/24

	FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24
Fee Revenue Requirements:	\$339,294	\$344,806	\$279,078	\$182,028	\$210,011
Estimated Groundwater Extractions (AF):	4,355.8	4,355.8	4,355.8	4,355.8	4,355.8
GSA Fees (\$/AF)	\$77.89	\$79.16	\$64.07	\$41.79	\$48.21

This Study proposes to charge annual Pre-GSP Fees that will meet the expected fee revenue requirements for each respective fiscal year. Since the financial plan in this study may have over-estimated or underestimated the revenue requirements for each year, and in order to both ensure revenue sufficiency for UVRGA and avoid over-charging the Subbasin Operators, this Study proposes that the UVRGA adopt by ordinance the highest per AF amount it intends to charge over the 5-year planning period (\$79.16). Upon adoption of the ordinance, the UVRGA will have the authority to charge up to this amount on a per AF basis each year. At its discretion and based on actual budgetary requirements, the UVRGA will also have the ability to set the actual per AF fee at a lower amount. For example, based on the results of this Study (as summarized in Table 2), after voting to authorize the UVRGA to charge up to an annual \$79.16 per AF fee, the UVRGA will vote to set the fee at \$77.89 per AF during the first year (FY 2019/20). If the financial plan assumptions in this Study are accurate, the actual Pre-GSP Fees assessed by UVRGA will mirror those shown in Table 2.

SECTION 4. CONCLUSION

This Study has considered all applicable law in developing Pre-GSP Fees that are equitable to Operators and responsibly meet UVRGA's revenue needs for complying with the regulatory requirements of SGMA. The methodology for calculating the Pre-GSP Fees are aligned with industry standard practices for rate setting based on Hildebrand Consulting's professional experience.

4.1 PRE-GSP FEE ADOPTION

The Pre-GSP Fees will need to be adopted in accordance with the requirements of Water Code Section 10730. This process will require:

- 1) A public meeting which will be noticed pursuant to Government Code 6066, by posting the notice on the UVRGA's internet website, and by mail to any interested party who files a written request with the UVRGA for mailed notice of a meeting on new or increased fees.
- 2) At least ten (10) days prior to the above meeting, UVRGA shall make available to the public this Study, which includes data upon which the proposed fee is based;
- 3) Adoption of these Pre-GSP Fees by ordinance or resolution.
- 4) After adoption of the Pre-GSPs Fees, UVRGA will mail a written notice to each Operator, the UVRGA will notify each pumper that they have a right to protest the amount of extraction or associated total fee within 20 days of the mailing of the notice. If a protest is filed, UVRGA shall hold a hearing to determine the total amount of the groundwater production and the groundwater charges, interest, and penalties.

4.2 FAILURE TO ADOPT PRE-GSP FEES

If the UVRGA is unable to meet the requirements of SGMA due to inadequate funding (or for any other reason), the SWRCB has the authority to declare the Subbasin “probationary” and (following statutory requirements) may exercise the authority to impose its own fee structure in order to meet groundwater management goals (see Water Code Section 10735). Being managed by the SWRCB is more expensive (resulting in higher fees to Operators) and groundwater management decisions will be removed from local control, which is not a desirable outcome as expressed by the UVRGA Board.

ATTACHMENTS

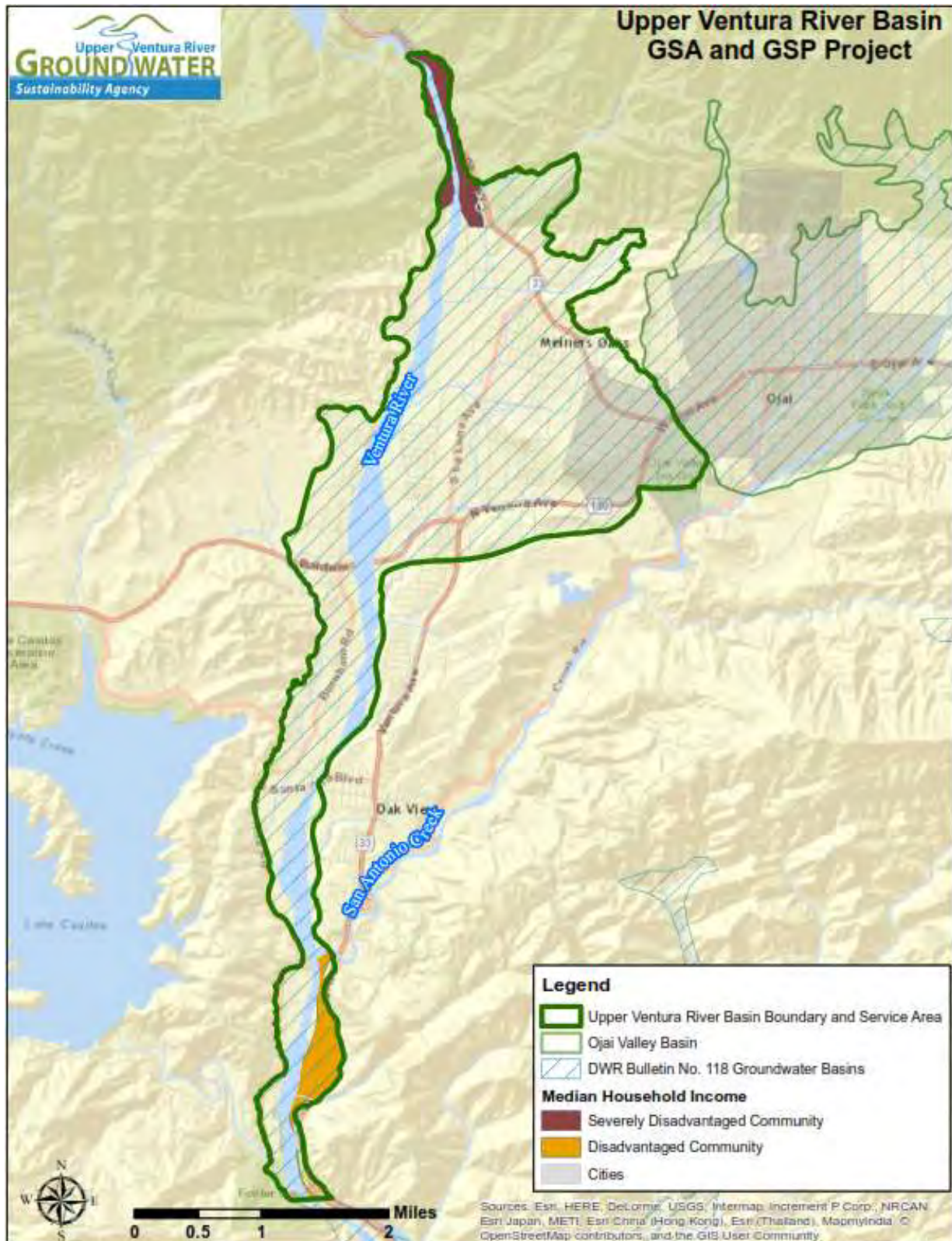
Attachment 1 – Upper Ventura River Subbasin Map

Attachment 2 – UVRGA Long Range Budget

Attachment 3 – UVRGA Cash Flow Proforma FY 2018/19 to FY 2023/24

Attachment 4 - UVRGA Estimated Groundwater Extractions

Attachment 1 – Upper Ventura River Subbasin Map



Attachment 2 – UVRGA Long Range Budget

Long Range Budget FY 19/20 through FY 23/24

Adopted April 11, 2019

		FY2019/20	FY2019/20	FY2019/20	FY2019/20	FY2019/20
EXPENSES						
Labor						
1	Payroll	\$ 38,586	\$ 39,744	\$ 40,936	\$ 42,164	\$ 43,429
2	Insurance	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796
Office						
3	Rent	\$ 600	\$ 618	\$ 637	\$ 656	\$ 675
4	Utilities	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159
5	Postage	\$ 309	\$ 318	\$ 328	\$ 338	\$ 348
6	Supplies	\$ 618	\$ 637	\$ 656	\$ 675	\$ 696
7	Office Equipment	\$ 4,195	\$ 1,741	\$ 1,789	\$ 1,838	\$ 1,889
8	Bank Charges	\$ -	\$ -	\$ -	\$ -	\$ -
9	Insurance Expense	\$ 1,801	\$ 1,855	\$ 1,911	\$ 1,968	\$ 2,027
10	Memberships - CSDA	\$ 1,661	\$ 1,711	\$ 1,762	\$ 1,815	\$ 1,870
Professional services (non-grant)						
11	GSP Manager	\$ 45,320	\$ 46,680	\$ 48,080	\$ 24,000	\$ 24,720
12	Legal	\$ 74,880	\$ 77,846	\$ 80,902	\$ 35,000	\$ 36,050
13	Website	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159
14	Accounting	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593
15	Annual Report	\$ -	\$ -	\$ -	\$ 40,000	\$ 41,200
16	Monitoring	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,900
17	Technical Review Group Mtgs	\$ -	\$ 16,250	\$ 32,500	\$ 6,500	\$ 6,500
18	SWRCB Flow Study Participation	\$ 15,000	\$ 20,000	\$ 20,000	\$ -	\$ -
Category A - Grant Admin						
19	Project Administration-Grant Mgmt	\$ 19,000	\$ 19,000	\$ 20,000	\$ -	\$ -
Category B - Data Gaps						
20	Task 1: Establish Well Monitoring Network	\$ 28,300	\$ -	\$ -	\$ -	\$ -
21	Task 2: Project Monitoring Plan	\$ -	\$ -	\$ -	\$ -	\$ -
22	Task 3: Surface Water-GW Interface Monitoring	\$ 17,695	\$ -	\$ -	\$ -	\$ -
23	Task 4: Groundwater Extraction Estimates	\$ -	\$ -	\$ -	\$ -	\$ -
24	Task 5: Water Year Hydrologic Data Analysis	\$ 10,000	\$ -	\$ -	\$ -	\$ -
25	Task 6: Subsurface Inflow Data	\$ 45,000	\$ 7,500	\$ -	\$ -	\$ -
26	Task 7: Surface Water Flow Data	\$ 8,000	\$ -	\$ -	\$ -	\$ -
27	Task 8: Natural Habitat EVT Analysis	\$ 1,870	\$ 1,870	\$ -	\$ -	\$ -
Category C - Planning Activities						
22	Task 9: Organizational Activities	\$ 5,000	\$ -	\$ -	\$ -	\$ -
23	Task 10: Stakeholder Outreach and Engagement	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -
Category D - GSP Development						
24	Task 11: Plan Area and Basin Setting	\$ 120,000	\$ 60,000	\$ -	\$ -	\$ -
25	Task 11: Sustainable Management Criteria	\$ 10,000	\$ 145,000	\$ 65,000	\$ -	\$ -
26	Task 11: GSP Chapter 4	\$ 5,000	\$ 40,000	\$ 15,000	\$ -	\$ -
27	Task 11: GSP Chapter 5	\$ 2,500	\$ 10,000	\$ 17,000	\$ -	\$ -
28	Task 11: GSP Intro, ES, Ref. & App.	\$ 7,500	\$ 15,000	\$ 10,000	\$ -	\$ -
Category E - GSP Reviews and Approvals						
29	Task 12: GSP Review & Approvals	\$ -	\$ -	\$ 50,000	\$ -	\$ -
30	Loan Reimbursement	\$ -	\$ -	\$ -	\$ 90,000	\$ -
31	Total Expense	\$ 564,345	\$ 557,806	\$ 459,078	\$ 294,089	\$ 210,011
NON-FEE REVENUES						
32	Anticipated Grant Payments	\$ 125,000	\$ 213,000	\$ 180,000	\$ 112,061	\$ -
33	Member Agency Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
34	Member Agency Loan	\$ 90,000	\$ -	\$ -	\$ -	\$ -
335	Total Non-Fee Revenues	\$ 225,052	\$ 213,000	\$ 180,000	\$ 112,061	\$ -
RESERVE TARGET						
36	Reserve Target	\$ 74,000	\$ 98,000	\$ 122,000	\$ 122,000	\$ 122,000

ATTACHMENT 3 – CASH FLOW PROFORMA FY 2018/19 to FY 2023/24

		FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24
	Expenses						
1	Labor	\$22,600	\$43,736	\$45,049	\$46,400	\$47,792	\$49,225
2	Office	\$11,696	\$10,214	\$7,941	\$8,176	\$8,416	\$8,664
3	Professional Services	\$156,000	\$146,530	\$172,446	\$193,502	\$147,881	\$152,122
4	Grant Tasks	\$118,600	\$289,865	\$308,370	\$187,000	\$0	\$0
5	Loan Reimbursement	\$0	\$0	\$0	\$0	\$90,000	\$0
6	Total Expenses	\$308,896	\$490,345	\$533,806	\$435,078	\$294,089	\$210,011
	Other Sources of Revenues						
7	DWR Grant Revenue	\$0	\$125,000	\$213,000	\$180,000	\$112,061	\$0
8	Scheduled Contributions	\$249,200	\$0	\$0	\$0	\$0	\$0
9	Member Agency Loan	\$0	\$90,000	\$0	\$0	\$0	\$0
10	Subtotal for Other Sources	\$249,200	\$215,000	\$213,000	\$180,000	\$112,061	\$0
11	Fee Revenue Requirement	\$0	\$339,294	\$344,806	\$279,078	\$182,028	\$210,011
12	Revenue Surplus / (Shortfall)	(\$59,696)	\$63,948	\$24,000	\$24,000	\$0	\$0
14	Beginning Fund Balance	\$69,748	\$10,052	\$74,000	\$98,000	\$122,000	\$122,000
15	Ending Fund Balance	\$10,052	\$74,000	\$98,000	\$122,000	\$122,000	\$122,000

ATTACHMENT 4 – UVRGA ESTIMATED GROUNDWATER EXTRACTIONS

Operator	Estimated Acre- Feet per Year	Source Data Period	Documentation/Comment
Public Agency Operators			
Casitas Municipal Water District	188.2	2012, 2013, and 2017	Per Angelo Spandrio, Casitas MWD - average of 2012, 2013, and 2017 is proposed in-lieu of 2013-2017 average because low production in 2014-2016 is not representative. Reference: Email from A. Spandrio to b. Bondy dated 3/26/19
City of San Buenaventura	2,384.0	2013-2017 Average	City Letter dated 3/8/19 states 2,384 AFY cited in the 1/10/19 presentation as the correct 5-yr average
Meiners Oaks Water District	542.0	2013-2017 Average	Email from D. Engle to B. Bondy dated 4/17/19
Ventura River Water District	858.4	2013-2017 Average	Email from B. Rapp to B. Bondy dated 3/19 /19
MWC Operators			
MWC-1	9.0	2017 Actual	Reported to State Water Resources Control Board, Division of Drinking Water
MWC-2	22.0	2017 Actual	Reported to State Water Resources Control Board, Division of Drinking Water
Other Private Operators			
Other Private-1	23.0	2017 Estimated	To determine how much each private pumper within the Basin pumped during 2017, the Agency has followed a multi-step process. For private landowners, the Agency estimated extraction volumes primarily using aerial photography from 2017. Next, letters were sent advising each pumper of the initial estimate and requesting any data or information that should be considered in changing the estimate be provided to the Agency. The Agency also physically inspected a number of properties, as necessary and appropriate, to verify type of crop and condition of wells and called or met individually with as many landowners as possible to discuss estimated extraction amounts. Initial estimates were revised, as appropriate, based on the results on the Agency's inquiries.
Other Private-2	47.0	2017 Estimated	
Other Private-3	90.0	2017 Estimated	
Other Private-4	54.0	2017 Estimated	
Other Private-5	70.0	2017 Estimated	
Other Private-6	14.0	2017 Estimated	
Other Private-7	12.0	2017 Estimated	
Other Private-8	2.2	2017 Estimated	
Other Private-9	40.0	2017 Estimated	
Total Estimated Extractions			4355.8 AF

UPPER VENTURA RIVER GROUNDWATER AGENCY Item No. 8(b)

DATE: May 9, 2019

TO: Board of Directors

FROM: Ad Hoc Funding Committee

SUBJECT: Extraction Fee Recommendations (Grant Category (c): Task 9: Organizational Activities)

SUMMARY

The Ad Hoc Funding Committee (Committee) will make recommendations to the Board on (1) pursuing extraction fees for fiscal years 2019-20 through 2023-23, and (2) holding a stakeholder meeting prior to Board consideration (and potential adoption) of those fees.

RECOMMENDED ACTIONS

It is recommended that the Board accept the Committee's recommendation to notice and schedule a public hearing on June 13, 2019 to consider adoption of extraction fees for fiscal years 2019-20 through 2023-24.

BACKGROUND

Estimating Groundwater Extractions

In collaboration with the Upper Ventura River Groundwater Agency's (Agency) fee consultant, the Committee developed groundwater extraction estimates based on available data. The Committee focused on historic groundwater usage during 2017 which pre-dates the catastrophic 2018 Thomas Fire, which had a material impact on water usage.

Water production data is readily available from public agencies since wellheads are metered and the metering data is publicly available. As such, the Committee used 5-year water production averages to establish the annual groundwater extraction estimates for each of the five public agencies overlying the Upper Ventura Groundwater Basin (Basin).

Wellheads for mutual water companies (MWC) and other private pumpers, on the other hand, are not necessarily metered. Further, even when the wellheads are metered, the data isn't necessarily reported or a part of public record. Some well owners, however, are required to self-report their annual groundwater production to the State Water Resources Control Board (SWRCB) and, in some cases, the Division of Drinking Water (depending on the installation year and the size of the well). Since both MWCs in the Basin are required to report their annual water production, the Committee used the reported values for 2017 as the basis for estimated groundwater extractions for this group of pumpers.

The water usage by other private pumpers (who are primarily growers) within the Basin were estimated based primarily on calculation from aerial photography coupled with known information regarding crop water requirements. These desktop calculations were supplemented by any modifications offered by the private pumpers in response to letters that were sent by Agency requesting data or information that should be considered in changing the estimate¹. Agency representatives also physically inspected a number of properties to verify type of crop/condition of wells and called or met individually with as many landowners as possible to discuss estimated extraction amounts.

Estimating Revenue Requirements and Calculating Annual Estimated Extraction Fees

Board adoption on April 11 of the multi-year budget and finalization of total pumping has made it possible for the Committee to recommend Board consideration and adoption of annual estimated extraction fees. The required estimated annual Pre-GSP Fees were calculated by dividing the Agency's fee revenue requirements by basin-wide groundwater extraction estimates (in AF). The results of this calculation by fiscal year are summarized in Table 2 of the UVRGA 2019 Fee Study report, which is reprinted below.

Table 2 from UVRGA 2019 Groundwater Fee Study Report

	FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24
Fee Revenue Requirements:	\$339,294	\$344,806	\$279,078	\$182,028	\$210,011
Estimated Groundwater Extractions (AF):	4,355.8	4,355.8	4,355.8	4,355.8	4,355.8
GSA Fees (\$/AF)	\$77.89	\$79.16	\$64.07	\$41.79	\$48.21

The Committee recommends charging annual Pre-GSP Fees that will meet the expected fee revenue requirements for each respective fiscal year. However, since the Agency's budgetary estimates and assumptions may have over-estimated or underestimated the revenue requirements for each year, and in order to both ensure revenue sufficiency for Agency and avoid over-charging the Basin pumpers, the Committee proposes that the Agency adopt by ordinance the highest per AF amount it intends to charge over the 5-year period (\$79.16). Upon adoption, the Agency will have the authority to charge up to this amount on a per AF basis each year. At its discretion and based on actual budgetary requirements, the Agency will also have the ability to set the actual per AF fee at a lower amount. For example, based on the calculations summarized in Table 2, after voting to authorize the Agency to charge up to an annual \$79.16 per AF fee, the Agency will vote to set the fee at \$77.89 per AF during the first year (FY 2019/20). If the Agency's budgetary assumptions are correct, the actual Pre-GSP Fees assessed by Agency will mirror those shown in Table 2 from the UVRGA 2019 Fee Study report (reprinted above).

¹ Initial letters with estimated extraction amounts were sent out on February 8, 2019. Based on responses to these letters and personal outreach by Committee members, estimated extractions for several private pumpers were modified (including reducing four private pumpers' extractions to a de minimis amount). Follow-up letters with final estimated extraction amounts were sent to all (non-de minimis) private pumpers on April 19, 2019. Personal contact by Committee members was attempted with as many of these private pumpers as possible to confirm receipt of these letters.

Additional information regarding the proposed recommended fee is provided in a report attached to Agenda Item No. 8a.

If adopted, these extraction fees would apply to fifteen pumpers who are estimated to extract more than two acre-feet per year from the Basin: four public agencies; two mutual water companies; and nine private pumpers.

Stakeholder Workshop

The Committee does not believe a stakeholder workshop is necessary due to its in-depth outreach to the nine private growers collectively in January and individually to discuss and refine the 2017 estimated extractions during March and April. The Committee believes significant issues with pumping amounts have been resolved.

Fee Adoption Public Hearing

The Committee further recommends the Board schedule a public hearing for June 13 to consider adopting the above referenced fees. The Board's rate consultant, Mark Hildebrand, will present his final report at that meeting, which will also be available to the public at least 10 days prior to the meeting.

FISCAL SUMMARY

Please See Item 8a, Attachment A, 2019 UVRGA Groundwater Fee Study

ATTACHEMENTS

None

Action: _____

Motion: _____ Second: _____

B. Kuebler____ D. Engle____ A. Spandrio____ S. Rungren____ G. Shephard____ E. Ayala____ L. Rose____