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February 5, 2020

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Board of Directors
United Water Conservation District

Subject: Fiscal Year 2019-20 Second Quarter Financial Report

Dear Board Members:

Enclosed for your review is the District's FY 2019-20 Second Quarter (July 1, 2018 through December 31, 2019) Financial Report. This report represents three months of financial information for District operations (50% of the total fiscal year). The report includes budget to actual comparisons for District revenues, expenditures, water deliveries, and a discussion of any significant variances. The financial data is unaudited and therefore subject to revisions.

This report focuses primarily on the operating funds of the District and corresponding Capital Improvement Project (CIP) funds:

- General/Water Conservation Fund
 - Recreation & Ranger Activities Sub-fund
- Freeman Fund
- Oxnard/Hueneme Pipeline (OHP) Fund
- Pleasant Valley Pipeline (PVP) Fund
- Pumping Trough Pipeline (PTP) Fund
- State Water Import Fund
- Overhead Fund

Staff provides the Board's Finance & Audit Committee with monthly cash position and pipeline delivery activities reports throughout the fiscal year. Quarterly financial reports are submitted to the Board to provide information on the financial status of the District and to assure the Directors and our rate payers that staff is operating within the parameters of the annual adopted budget, including any supplemental appropriations. At the end of each fiscal year, an outside certified public accounting firm performs an independent financial audit to test staff's financial reporting accuracy and internal controls. It is staff's responsibility to ensure that the Board has received adequate financial information throughout the year so that there are no surprises, and so that fiscally prudent decisions can be made when the Board is asked to consider approval of budgeted and unbudgeted expenditure requests.

This report compares the revenues and budget appropriations projected for the entire fiscal year with actual data to provide the Board and our rate payers with a preliminary financial view (subject to audit adjustments). The following discussion will provide a summary of the District's projected revenues and approved spending plan compared to what actually occurred throughout the year. It also provides an update on approved and funded capital improvement projects.

Operating Funds

Narrative and graphical analyses are provided by fund (and the Recreation sub-fund) on pages 1 through 8. Pipeline Water Delivery activity is provided on page 9.

CAPITAL IMPROVEMENT PROGRAM STATUS

A one-page summary of the District's current Five-Year Capital Improvement Program appears on page 10. As of December 31, 2019, all capital improvement projects (CIP) expenditures are within the total amount appropriated by the Board.

Most of the CIPs that have been funded are currently underway, in the planning, design or construction stages. An exception is the Santa Felicia Dam Sediment Management project which is on hold due to a backlog of other projects.

- *Well Replacement Program (CIP Project # 8000)* - This is an ongoing CIP to eventually replace all of the original groundwater wells serving the Oxnard-Hueneme Pipeline System. The project is funded by the Oxnard-Hueneme Pipeline Well Replacement Fund. The next well replacement project is scheduled for the 2020-21 Fiscal Year.
- *Freeman Diversion Rehabilitation (CIP Project # 8001)* – NHC and Stantec submitted the Hydraulic Basis of Design Reports for the Notch, Hardened Ramp and Vertical Slot fish passage design alternatives for NMFS review and comments. Staff continued holding frequent check-in calls with NMFS to discuss the design and use NMFS comments to refine and advance the respective design alternatives with the objective to select the most practicable fish passage alternative. The District retained ICF in September to support staff with project coordination services and managing the action items assigned to internal and external team members. This project is funded from the Freeman Diversion Fund (Zone B).
- *Santa Felicia Dam Outlet Works Rehabilitation (CIP Project # 8002)* – Based on the results of the field investigations and the Board of Consultants (BOC) comments from 2018, GEI continued to develop the 10% design for the Outlet Works Improvement project. As part of the 10% design work, GEI developed seven (7) Technical Memoranda (TMs) for staff review and comments. The revised TMs were compiled into a 10% design packet that was submitted to the BOC/ FERC and DSOD in November. The 10% design packet was presented by GEI to the BOC/ FERC and DSOD and staff received the BOC comments at the BOC meeting No. 4 held on December 4 and 5. As of December 1, 2019, the project is 75% complete and within the approved budget. \$120,762 of the approved budget remains.
- *Santa Felicia Dam Probable Maximum Flood Containment (CIP Project # 8003)* – Based on the results of the field investigations and the Board of Consultants (BOC) comments from 2018, GEI continued to develop the 10% design for the Spillway Improvement project. As part of the 10% design work, GEI developed nine (9) Technical Memorandums (TMs) for staff review and comments. The revised TMs were compiled into a 10% design packet that was submitted to the BOC/ FERC and DSOD in November. The 10% design packet was presented by GEI to the BOC/ FERC and

DSOD and staff received the BOC comments at the BOC meeting No. 4 held on December 4 and 5. As of December 1, 2019, the project is 86% complete and within the approved budget. \$79,406 of the approved budget remains.

- *Santa Felicia Dam Sediment Management (CIP Project # 8005)* - A milestone for this project was the recently completed 10-year sediment survey of the Lake Piru Reservoir. The current useable capacity of the reservoir is approximately 81,942 acre-feet. The sediment management project may be included in the SFD Outlet Works Improvement project.
- *Lower River Invasive Species Control (CIP Project # 8006)* –In November 2018, Staff started discussing one or more pilot studies and has been working with KASF Consulting, LLC to develop a pilot test plan. The goal of the proposed pilot study is twofold: (1) investigate the treatment efficacy of three chemical disinfectants (chlorine, copper sulfate and potassium permanganate) on quagga mussel veligers in water supplied by the Freeman Diversion and (2) determine the survivability of quagga mussel adults in 100% groundwater supplied by the PTP system. In September 2019, KASF Consulting completed the proposed pilot testing and submitted a final report. Staff is currently reviewing the report which recommends follow-up investigations of alternative chemical treatments. District staff continues to review the final draft report prepared by KASF Consulting entitled “Investigating chemical treatment options on quagga mussel veligers in static conditions for treating water supplied for agricultural use & determination of water source effect on adult quagga mussels.” In Addition, the District’s on-call consultant Catalyst reviewed the draft report prepared by KASF Consulting.
- *Oxnard Hueneme Pipeline Iron and Manganese Treatment (CIP Project # 8007)* - In support of the on-going design work, the District’s on-call consultants Stantec and Oakridge Geoscience completed surveying and geotechnical exploration services. The District made an initial determination that the project is categorically exempt under the California Environmental Quality Act (CEQA). The District’s on-call consultant, Rincon Consultants, has substantiated this determination through an environmental impact analysis. The work will be incorporated into the final design plans, specifications and estimates. On September 18, 2019, the District received the fully executed grant agreement in the amount of \$300,000 from the United States Department of the Interior Bureau of Reclamation. Staff also pursued an additional \$2.5 million grant application through the Proposition 1 Integrated Regional Water Management (IRWM) Implementation Grant Program. The project was among five projects that were selected for the final grant application which was submitted to the Department of Water Resources in November 2019. The announcement of awards is anticipated in spring of 2020. As of September 2019, 90% design of the Iron and Manganese Removal at the El Rio Water Treatment Plant was complete. Staff reviewed the design and technical specifications and provided comments to Kennedy/ Jenks Consultants in December 2019.
- *Quagga Decontamination Station (CIP Project # 8008)* – Project has not yet begun. The District is seeking grant funding for the project. The grant funding may require

special legislation to allow the use of funds set aside for monitoring activities to be used for construction of control facilities such as the decontamination station. In addition to the decontamination station, staff is considering constructing a boat and watercraft quarantine storage compound.

- *Lake Piru Asphalt Repairs (CIP Project # 8010)* – Project is complete.
- *Day Use Pavilion Rehab (CIP Project # 8011)* – Project is complete.
- *Juan Fernandez Day Use (CIP Project # 8013)* – The District retained Stantec to prepare a Recreation Management Plan (RMP) for the Lake Piru Recreation area. Construction of the Juan Fernandez Day Use facilities is required to comply with Article 412 of the FERC license for Santa Felicia Dam project. The FERC license compliance division has requested that the RMP be revised and resubmitted with a license amendment. The recreation management plan assessed the public need to install these additional facilities and is recommending alternative improvements that are less costly and more appropriate. The license amendment application and the RMP were submitted to the FERC on September 20, 2018. In October 2018, United Board of Directors adopted the RMP. Staff is currently in the process of providing the details of the proposed alternatives to FERC.
- *Ferro-Rose Recharge (CIP Project # 8018)* – Wellhead Energy (WE) still plans on placing solar panels on the floors of the Ferro and Rose Basins. The solar project would accelerate the need to construct the partition levees per the Northwest Hydraulic Consultant’s feasibility analysis for the Ferro-Rose Recharge Project.

The District intends to use the soil from the floor of Ferro Basin to construct the partition levees. The geological investigations conducted by Oakridge Geoscience in January 2019 determined that the fill materials occupy approximately 24-42 inches of the top soil layer in the Ferro Basin and the fill materials are expected to be suitable for levee construction/ maintenance. Wellhead Energy (WE) continues to pursue the Clean Power Alliance (CPA) or the Southern California Edison’s approval of the project.

If selected, WE is planning to complete the installation of the solar field and start operating the system by the end of 2022. The partition levee portion of the project is funded by the Water Conservation Activities subfund (Zone A).

- *Brackish Water Treatment (CIP Project # 8019)* - The proposed project would require a significant change in the Fox Canyon Groundwater Management Agency policy with regards to various approaches to abate the seawater intrusion problem near the coast. The District submitted an application for the Proposition 1 Ground Water Grant Program. The full proposal for the Coastal Brackish Water Treatment Plant – Basin Impact and Benefits Analysis project was submitted to the State Water Resources Control Board on March 4, 2019. The District received a letter from the State Water Resources Control Board on October 18, 2019 regarding a preliminary grant award of up to \$103,600 equivalent to a 50% match. The total project cost is \$207,200. A kick off meeting with the grant administrator was held on January 2, 2020 to discuss the

formal award and establishment of the final grant contract agreement. Based on the discussions, it is anticipated that the agreement will be finalized in Summer 2020. Staff initiated discussions with the Navy regarding a potential collaboration with the Navy on the project. Staff worked with Groundwater Resources staff to develop the conceptual design and prepared project narratives, maps and illustrations for a meeting with the Navy on November 5, 2019. The Navy expressed interest in the project and welcomed building a partnership with the District. The project concept was presented to the Groundwater Committee at the monthly committee meeting in November and to the Board of Directors at the December 2019 board meeting.

- *Rice Ave Overpass PTP (CIP Project # 8021)* –The City of Oxnard, Caltrans, County of Ventura Department of Public Works, and the Ventura County Transportation Commission (CTC) have made a final decision on design and construction of the Rice Avenue Grade Separation project. The revised design (formerly identified as Alternative 3B- Realigned Rice Avenue Single Collector), includes a single pass and a connector along Rice Avenue. The new design will impact the east side of the PTP Well # 4 site, however, the impact appears to be significantly less than the original design with two connectors. The detail of this alternative design is expected to become available to the District by the end of 2019. The District was formally informed about the change of the alternate and project alignment via a letter from the City of Oxnard on September 4, 2019.
- *PTP Turnout Metering System (CIP Project # 8022)* – This project proposes to replace 62 meter turnouts on the PTP pipeline. Grant funding that provides 50% matching funds for the meter replacements has been approved by the Department of Water Resources, and a Board resolution to accept the funds was approved by the Board in February 2017. Funding for a 50% portion of the project will be required by the PTP customers. Installation of the first phase of equipment by O&M personnel began in April 2018. To date, seventeen (17) electromagnetic (mag) flow meters have been installed on the PTP system which are currently integrated with the District’s Supervisory Control and Data Acquisition (SCADA) system. District staff has updated its standard design to include a wood utility pole option that elevates solar panels and batteries out of reach of potential theft and vandalism. This also eliminates the need to construct security fencing. This option could be used in locations where space is limited. To date 35 meter locations have been surveyed in order to prepare utility easement deeds and the District’s right-of-way consultant, Hamner, Jewell & Associates has issued letters to property owners requesting return of fully executed utility easement deeds at six (6) PTP turnout locations.
- *Pothole Trailhead (CIP Project # 8023)* – United retained Phoenix Civil Engineering to develop the parking lot and entrance road engineering plans. The parking area site plans and the manufactured restroom drawings were submitted on August 02, 2019 to both Public Works and Building and Safety as a first step towards a Grading and Building Permits, respectively. A Ventura County Fire Department Construction Permit was received on July 31, 2019. A Zoning Clearance was received from Planning on August 26, 2019. All permits, including the Grading and Building permits are expected to be received by November, 2019. On October 16, 2019 United submitted a project proposal

for Proposition 68 – Recreational Trails and Greenways grant funding. The proposed package would include realigning the first 1.8 miles of the Pothole Trail as well as an enhanced Parking Area project. If the grant is awarded, the total project cost would be \$929,000 of which the district would be required to match twenty percent. Projects selected to advance to the next step of the grant application process will be notified in mid to late February 2020. The grant award is expected to be announced in mid to late June 2020. In continued consultation with the Forest Service in December, new issues related to the ownership of the Piru Canyon Road and road maintenance responsibilities were raised. United is currently conducting a title search to identify any recorded easement agreements. The District has been granted a three-month time extension by FERC to resolve these issues by March 31, 2020. United's request for a time extension to complete the construction by December 31, 2020 was also granted by FERC.

- *New Headquarters (CIP Project # 8024)* – Newton Construction was awarded the contract for the tenant improvements in the middle of August. Construction started in late August and the construction of the first floor was substantially completed by November 22, 2019. The project is expected to be complete in February 2020 and the first and second floors are expected to be occupied by the District by the end of February 2020.
- *State Water Interconnection Project (CIP Project # 8025)* – United Water is partnering with the City of Ventura, Calleguas MWD and Casitas MWD to bring State Water Project water to western Ventura County. The City was served with a petition by California Water Impact Network (CWIN) on September 10, 2019. The Real Parties of Interest named by the petitioner, included United, Casitas and Calleguas and Metropolitan Water District of Southern California. United along with other three agencies were dismissed from the petition. The City request for Statements of Qualifications (SOQs) from consulting companies for design of steel transmission pipelines and or blending facilities for the project resulted in six SOQs. After the review of the SOQs by the City, Casitas, United and Ventura Water, the City interviewed the qualified consultants and selected Stantec/ HDR team. The City is in the process of reviewing the scope of work prepared by the Stantec/ HDR team for design the SWP Interconnection project. The final copy of the consultant agreement is anticipated to be presented to the City Council for approval in February 2020. Staff provided a copy of the District's standard specifications to the consultant for the design of the turnout that will be constructed along Rose Avenue. The draft agreement between the City of Ventura, Casitas Municipal Water District, Calleguas Municipal Water District and United for construction and operation of the SWP interconnection is being reviewed by the City.
- *Alternative Supply Assurance Supply Pipeline (CIP Project # 8030)* - Staff completed the review of the Alternative Supply Assurance Pipeline Project (ASAPP) report: ASAPP Feasibility Study: Conceptual Design, Yields and Benefits to Groundwater in May. Staff met with Civiltech Engineering (Civiltec) on July 19 to discuss the project planning and initial evaluation of potential environmental impacts as a result of project implementation. Civiltec has been working on alternative alignments. The ASAPP

Feasibility Study, Conceptual Design, Yields and Benefits to Groundwater was posted on the District’s website in September and is available to the Public.

- *Grand Canal Hydraulic Constraint Removal (CIP Project # 8032)* – NHC delivered a technical memorandum on alternatives for increasing the capacity of the Grand Canal headworks. Staff selected an alternative to take forward and NHC started working on the hydraulic and engineering design for that alternative. NHC delivered the final plans for the replacement of the pipeline at the entrance of the Grand Canal. Quotations were also provided for the entrance gates that will be owner furnished due to the 20-22 week estimated delivery time. Construction is likely to begin in the spring of 2020.

CASH POSITION AND INVESTMENTS OF THE DISTRICT

As of December 31, 2019, the District had a total of \$29.76M in cash and investments. As noted on the cash position report, some of the District’s resources are readily available for use while other funds have restrictions that limit how they can be used. The District must adhere to any legal, bond or contractual restrictions placed on funds. However, some restrictions are based on Board designations and can be redirected for other uses if the Board so determines.

The District’s cash, cash equivalents and securities held in the various accounts as compared to the prior year are as follows:

	Dec 31, 2019	Dec 31, 2018
Local Agency Investment Fund (LAIF)	\$ 23,032,877	\$ 24,832,306
Ventura County Investment Pool	\$ 0	\$ 1,488
Union Bank – 2009 COP Reserve Account	\$ 835,772	\$ 852,779
Union Bank – 2001, 2005 Account Balances	\$ 1,231	\$ 681
Bank of the Sierra Checking Account	\$ 5,884,553	\$ 1,095,785
County Treasury	\$ 392	\$ 50,512
Petty Cash	\$ 400	\$ 400
Total	\$ 29,755,225	\$ 26,833,950

Approximately \$836K is held by Union Bank as trustee which is held in reserve for future debt payments. Any restrictions on the remaining \$28.9M are listed in this report.

If you have any questions regarding this report on the financial position, please let me know.

Respectfully submitted,

Joseph Jereb, Chief Financial Officer