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May 6, 2020

Board of Directors  
United Water Conservation District

**Subject: Fiscal Year 2019-20 Third Quarter Financial Report**

Dear Board Members:

Enclosed for your review is the District's FY 2019-20 Third Quarter (July 1, 2019 through March 31, 2020) Financial Report. This report represents three months of financial information for District operations (75% 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 March 31, 2020, 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 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)* –This project is funded from the Freeman Diversion Fund (Zone B). NHC has continued its design efforts on the Hardened Ramp. NMFS reviewed and commented on the Hydraulic Basis of Design reports that were submitted last quarter. NHC then prepared and submitted a response to those comments, specifically on the Hydraulic Basis of Design report for the Hardened Ramp. In January of 2020, Staff, NMFS, Stantec, and Stillwater Sciences met to discuss the path forward for the Vertical Slot fish passage alternative. A contract was written and executed for Stantec to perform the first two Computational Fluid Dynamics (CFD) modeling for the Vertical Slot fish passage alternative.
- *Santa Felicia Dam Outlet Works Rehabilitation (CIP Project # 8002)* – GEI continued to develop the 10% design for the Outlet Works Improvement project. The 10% design packet was presented at the BOC meeting No. 4 to the BOC/ FERC and DSOD on December 4 and 5, 2019. The 10% design packet is being finalized and will be submitted to FERC and DSOD in April 2020. The 2020 Drilling Program Plan (DPP) was completed as part of the next design phase and was submitted to DSOD for review and approval. Staff worked with GEI to develop the scope of work for the next design phase. A Professional Services Agreement for the next design phase will be presented at the April 8, 2020 Board Meeting.
- *Santa Felicia Dam Probable Maximum Flood Containment (CIP Project # 8003)* –The 10% design packet was presented at the BOC meeting No. 4 to the BOC, FERC and DSOD on December 4 and 5, 2019. The 10% design packet is being finalized and will be submitted to FERC and DSOD in April 2020. The 2020 Drilling Program Plan (DPP) was completed as part of the next design phase and was submitted to DSOD for review and approval. Staff worked with GEI to develop the scope of work for the next design

phase. A Professional Services Agreement for the next design phase will be presented at the April 8, 2020 Board Meeting.

- *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 bathymetric survey of the Lake Piru Reservoir that is repeated every five years is due in 2020. Staff is working with Fugro to develop a scope of work for the 2020 bathymetric survey. Additionally, Staff received a proposal from GEI for development of a sediment management plan for the Lake Piru Reservoir.
- *Lower River Invasive Species Control (CIP Project # 8006)* – The District’s consultant, KASF Consulting, LLC completed a pilot study for investigating 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 for determining the survivability of quagga mussel adults in 100% groundwater supplied by the PTP system. None of the chemicals tested reached the goal of 100% quagga mussel veliger mortality within 24 hours (a goal intended for pipeline treatment). Additionally, quagga mussel adults were able to survive for long periods of time in both surface and groundwater. Staff submitted comments that included the District’s environmental consultant Catalyst to KASF Consulting for finalization. Staff is currently considering different alternatives for additional pilot testing that could improve treatment efficacy.
- *Oxnard Hueneme Pipeline Iron and Manganese Treatment (CIP Project # 8007)* - 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, substantiated this determination through an environmental impact analysis and finalized several technical memoranda in response to the District’s comments. The District filed a Notice of Exemption on December 12, 2019 and no comments were received during the public comment period that ended on February 4, 2020. The work will be incorporated into the final design plans, specifications and estimates. Kennedy/Jenks (K/J) Consultants and Staff worked together to complete the preliminary review of the 90% Design Documents and addressing comments. Shortly after, Staff and K/J discussed the design of the control system for the proposed Iron and Manganese treatment system. The District received an amendment request letter related to “out-of-scope design items” and “additional work items” in final design. K/J signed Amendment No.1 for final design in the amount of \$173,227, pending the General Manager’s authorization. Staff reviewed a potholing plan prepared by K/J to explore potential utility conflicts with the Iron and Manganese Treatment Plant design at the El Rio. Staff also worked with K/J to determine fire suppression system requirements. United is coordinating with the U.S. Bureau of Reclamation regarding NEPA compliance which awarded a \$300,000 WaterSmart grant under the Drought Resiliency Program. Staff sent a letter to the Honorable Assemblymember Jacqui Irwin regarding the status of the Iron and Manganese Treatment Project. The letter also included notice of the District’s \$2.5 million grant application as one of six projects submitted by the Watersheds Coalition of Ventura County through the Integrated Regional Water

Management Program (IRWMP) Proposition 1 Grant Program to the Department of Water Resources (DWR).

- *Quagga Decontamination Station (CIP Project # 8008)* –The scope of this project has changed. Currently, the Park Rangers are using a mobile unit to disinfect the visitor boats that have been in the water longer than 96 hours.
- *Juan Fernandez Day Use (CIP Project # 8013)* –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)* – The District has requested Northwest Hydraulic Consultants (NHC) to provide a proposal for the design of the replacement of the 3-barrel culvert and inverted siphon within the Freeman Conveyance system. Implementation of the replacements will allow conveyance of up to 750 cfs flow through those portions of the Freeman Conveyance. The design work is expected to be complete in the next fiscal year. The District is deferring construction of partition levees in the Ferro Basin until Wellhead Energy’s (WE) application for solar panels installation at the Ferro Basin is approved by the Clean Power Alliance (CPA) or the Southern California Edison. The next opportunity to submit an application to CPA or SCE is in 2021. 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 applied for the Proposition 1 Ground Water Grant Program. The District received a letter from the State Water Resources Control Board on October 18, 2019 regarding a preliminary grant award. A kickoff meeting with the grant administrator was held on January 2, 2020 to discuss the formal award and establishment of the final grant contract agreement. Through discussions with DWR, Staff revised the budget to include new items in the budget. The new items include three TAC meetings as requested by DWR, and three project status/coordination meetings with Fox Canyon GMA as an important outreach element. The budget estimate was also revised to include staff salaries in the 2010/2021 fiscal year when work on the grant tasks is scheduled to occur. Staff had a follow up grant coordination call with DWR on March 25 to discuss the revised budget and scope of work. Based on the discussions, it is anticipated that the agreement will be finalized in Summer 2020.

United continued discussions with the Navy and conducted a field assessment of Point Mugu on February 7 to identify and verify the proposed locations for the extraction well fields and the coastal brackish groundwater treatment plant on February 7, 2020. Staff and management met with the Navy on February 10 to provide a project update to the

Navy management and discuss options for entering into a formal agreement with the Navy. The Navy is currently evaluating two agreement options, including an easement or a lease. The process would take about 12 months before the agreement can be formalized.

- *Rice Ave Overpass PTP (CIP Project # 8021)* –The City of Oxnard (City), 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 new design appears to have less impact on the PTP Well # 4 well site and United’s 30-in transmission pipeline than the original design with two connectors. The City has reportedly secured both federal and state funding for the project. The District received correspondence from the City on February 3, 2020 and on March 9, 2020 regarding updated realignment plans. Staff responded to the City on February 12 regarding United’s superior rights for its existing facilities. Staff is currently reviewing two pipeline modification options for the 700-ft of the 30-in transmissions pipeline that will be impacted by the project. Staff is in communications with WKE’s subconsultant, Kennedy Jenks Consultants and the County of Ventura and is expected to meet with them to discuss the two options. Staff received a request from the City’s consultant, WKE to access the PTP Well No. 4 site for conducting geotechnical assessment necessary to continue the design efforts for the project. Upon review of WKE’s Site Investigation Work Plan, United granted site access to the WKE’s geotechnical team access. The investigations are scheduled in April 2020.
- *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 was approved by the Department of Water Resources (DWR), 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. On January 9, 2020, the District received the fully executed Amendment Letter A-2 authorizing scope of work and budget modifications to the Agricultural Water Use Efficiency Grant which was prepared by the DWR to reflect changes in the project delivery method (use of in-house staff versus contractors for construction). On January 17, 2020, District staff, Hamner, Jewell & Associates (HJA) and Stantec performed field reconnaissance work (prior to field surveying) to start Phase 3 of utility easement acquisition work along Laguna Road. In February and March, staff installed meters at PTP Turnout No. 119, 133, and 151 which brings the total number of new meters installed throughout the system to twenty (20). On March 6, 2020, HJA sent letters to owners requesting notarized signatures on utility easement deeds at PTP Turnout No. 100, 115, 117, 118, 120, 124 and 159. By March 31, 2020, Stantec completed surveying of all Phase 3 utility easement acquisition locations and provided draft maps for the District’s markup.
- *Pothole Trailhead (CIP Project # 8023)* – On March 19, 2020, Staff was informed that United’s proposal for Proposition 68 – Recreational Trails and Greenways grant funding was not selected for further consideration. United is seeking a debriefing from the California Natural Resources Agency. In continued consultation with the Forest



Service, United Staff discussed the Piru Canyon Road ownership, maintenance, liability, and easement documents and resolved those issues. The Forest Service concurred to be the party responsible for road maintenance and liable for risks incurred from public access to this stretch of road. The District does not need to perform additional CEQA for landowner access to properties beyond the new Pothole Gate because the Forest Service is the responsible party for delegating road access. United Staff completed interim improvements to the Pothole Trailhead Parking Area in March 2020. This included installing road signage, a new vehicular gate with a lock box, a boulder perimeter to restrict public access to areas outside the parking area/ Piru Canyon Road, portable restrooms, hand wash station and a trash receptacle. The Forest Service will open the Juan Fernandez gate to the public once the District has completed the interim improvements. All remaining permits, including the Grading and Building permits are expected to be received prior to the construction of the remaining improvements that are due by December 31, 2020.

- *New Headquarters (CIP Project # 8024)* – Newton Construction was awarded the contract for the tenant improvements in the middle of August 2019. Construction started in late August 2019 and was completed in February 2020. Subsequently, as the occupancy permit was changed from temporary to permanent, staff moved in on February 24, 2020 and the installation/ delivery of furniture has since been completed.
- *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 of Ventura continues to work on the Professional Service Agreement with Stantec /HDR consulting team who has been selected to design the SWP Interconnection project. 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)* - Engineering and Water Resources worked together to verify the proposed pipe size and the amount of imported water conveyed using the proposed alignment. The findings of the feasibility study and initial surface water modeling were presented at the Water Sustainability Summit. Staff revisited the project estimated cost and began evaluating the proposed alignment and identifying required easements.
- *Grand Canal Hydraulic Constraint Removal (CIP Project # 8032)* – NHC delivered the final plans for the replacement of the pipeline at the entrance of the Grand Canal. The gates will be owner-furnished due to a 20-week estimated delivery time. Construction is likely to begin in the summer of 2020.

- *Recycled Water Groundwater Replenishment and Reuse Program (CIP Project # 8042)*  
 Delivery of recycled water to the Saticoy groundwater recharge basins (Saticoy, Rose, Noble and Ferro) will increase groundwater recharge, reduce underutilized groundwater storage and improve water quality in the Oxnard Forebay. Design of the proposed Riverpark-Saticoy pipeline is currently underway and field surveying, easement acquisition, encroachment permits, and completion of the draft geotechnical study and CEQA initial study are planned for FY 2020-21.

**CASH POSITION AND INVESTMENTS OF THE DISTRICT**

As of March 31, 2020, the District had a total of \$32M 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:

	<u>Mar 31, 2020</u>	<u>Mar 31, 2019</u>
Local Agency Investment Fund (LAIF)	\$ 28,775,519	\$ 28,725,613
Ventura County Investment Pool	\$ 0	\$ 82
Union Bank – 2009 COP Reserve Account	\$ 814,685	\$ 848,530
Union Bank – 2001, 2005 Account Balances	\$ 1,000	\$ 269
Bank of the Sierra Checking Account	\$ 2,437,072	\$ 643,014
County Treasury	\$ 392	\$ 50,512
Petty Cash	\$ 400	\$ 400
<b>Total</b>	<u>\$ 32,029,068</u>	<u>\$ 30,268,420</u>

Approximately \$815K is held by Union Bank as trustee which is held in reserve for future debt payments. Any restrictions on the remaining \$31.2M 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