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October 8, 2020

Board of Directors
United Water Conservation District

Subject: Fiscal Year 2019-20 Year End Financial Report

Dear Board Members:

Enclosed for your review is the District's FY 2019-20 Year End (July 1, 2019 through June 30, 2020) Financial Report. This report is preliminary and represents twelve months of financial information for District operations (100% of the total fiscal year). The financial data for FY 2019-20 will not be fully closed until September and is 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 and 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 and 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 10.

CAPITAL IMPROVEMENT PROGRAM STATUS

A one-page summary of the District's current Five-Year Capital Improvement Program appears on page 12 along with Benchmark Interest Rates on page 13. As of June 30, 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 for replacement of 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 will most likely target Well No. 5 in 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 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. This project is funded from the Freeman Diversion Fund (Zone B). NHC has continued its design efforts on the Hardened Ramp. In April, United Staff met with National Marine Fisheries Service (NMFS) and California Department of Fish and Wildlife (CDFW) to discuss the design for the hardened ramp. Staff also attended a two-day (April 8-9, 2020) Multiple Species Habitat Conservation Plan (MSHCP) live edit meeting. On May 14, May 21, June 9, and June 23, Staff had teleconferences with NHC, NMFS and CDFW to discuss the Hardened Ramp Design. Last quarter, a contract with Stantec was executed for them to perform two Computational Fluid Dynamics (CFD) models for the Vertical Slot fish passage alternative design. Stantec has continued the CFD modeling.
- *Santa Felicia Dam Outlet Works Rehabilitation (CIP Project # 8002)* – This project is funded by the Water Conservation Activities subfund (Zone A). Upon completion of the 10% design phase in April, Staff submitted the electronic copy of the 10% design documents to FERC and DSOD for their review. A Professional Services Agreement (PSA) in amount of \$1,661,975.00 for the 30% design of the outlet works was presented

and approved by the Board at the April 8, 2020 Board Meeting. The 30% design work started on May 4, 2020 which expected to be complete by June 2021. The 30% design phase also includes development of the 2020 Drilling Program Plan (DPP) and the subsurface exploration field activity.

The DPP provides the necessary geotechnical information to support the detailed design phase of the project. Staff worked with GEI Consultants to finalize the DPP and to obtain the applicable permits from the Division of Safety of Dams (DSPD), California Department of Fish and Wildlife (CDFW) and the Federal Energy Regulatory Commission (FERC). DSOD and CDFW permits were received on July 24 and July 31, 2020, respectively. Staff responded to two rounds of comments received from FERC. FERC's initial approval was received on August 13, 2020. Their written authorization to proceed with the DPP was received on August 18. The DPP field activities were kick started on August 17. The subsurface exploration field activities began on August 17, 2020 and is expected to be completed in November 2020.

Staff completed the review of the draft Environmental Assessment (EA) as well as the draft Biological Assessment (BA) both prepared by Catalyst Environmental Solutions. The SFD FERC license amendment application, including the draft EA, and the draft BA were electronically submitted to FERC on May 26 and July 28, respectively. Both documents are currently under review by FERC and are a part of the National Environmental Policy Act (NEPA) permitting process.

The District entered into a contract with Encompass Consultant Group (ECG) to provide topographic survey services in amount of \$45,200 in support of the SFD Safety Improvement project.

Staff sought authorization from FERC and DSOD to install four new survey monuments at the spillway ogee crest. Due to FERC's concerns with potential damage to the rebar underneath the concrete surface of the ogee, on July 18, Staff requested FERC to consider authorizing the District to install new "scribed X" monitoring points in lieu of traditional brass-cap survey monuments. The installation of "scribed X" monitoring points will pose practically no risk to the underlying rebar. Staff is awaiting a response from FERC. As part of the dam safety measures, Staff hired Pavement Coatings Co. to perform a slurry seal of the dam crest asphalt.

- *Santa Felicia Dam Probable Maximum Flood Containment (CIP Project # 8003)* – This project is funded by the Water Conservation Activities subfund (Zone A). Staff submitted the electronic copy of the 10% design documents as well as the Spillway Condition Assessment final report to FERC and DSOD for their review. The Board of Consultants (BOC) recommended to conduct supplemental analyses for the 10 percent design at the BOC meeting No. 4 held on December 2019. A PSA in amount of \$1,795,941.00 for the spillway supplemental 10% design phase was approved by the Board at the April 8, 2020 Board Meeting. The Supplemental 10 percent design of the spillway started on May 4 and is expected to be complete by June 2021. This design phase also includes the above noted 2020 Drilling Program Plan (DPP) and subsurface exploration field activities.

- *Santa Felicia Dam Sediment Management (CIP Project # 8005)* - The District worked with GEI Consultants to develop a potential Sediment Removal Feasibility Study for the Lake Piru Reservoir. A proposal was then submitted by GEI and Water Resources Staff evaluated the proposal to determine if any portion of the study could be performed in house. The District is planning to begin this study following the completion of the 2020 Bathymetric Survey. A PSA was executed with Fugro USA Marine, Inc. on June 11 to complete the Bathymetric Survey. A Notice to Proceed was subsequently issued on June 15 and Fugro mobilized the following day. The survey is underway and is on track for final completion by the end of September 2020.
- *Lower River Invasive Species Control (CIP Project # 8006)* – The District’s consultant, KASF Consulting, LLC (KASF) 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 for finalization. Staff is currently considering different alternatives for additional pilot testing that could improve treatment efficacy.
Staff continued to review and submit comments to finalize the chemical treatment pilot study report that was prepared by KASF. In March 2020, Staff and Catalyst completed their review of the Pilot Study. In April 2020, KASF submitted the final draft of the Pilot Study which is currently being reviewed by United Staff. Since then, Engineering has been coordinating with Environmental Services Department for the next phase of chemical treatment pilot testing which includes a veliger mortality study at the Santa Felicia Dam.
- *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 from Kennedy Jenks related to “out-of-scope design items” and “additional work items” in final design. The General Manager authorized the amendment in the amount of \$173,227, this included a 10% contingency to be authorized by the District on an “as needed” basis. On April 14, Staff issued the Notice to Proceed to Kennedy Jenks. Kennedy Jenks also prepared a potholing plan to explore potential utility conflicts with

the Iron and Manganese Treatment Plant design at the El Rio WTP. United Staff decided to not pursue potholing (destructive process) until a contractor is mobilized and ready to start construction. Staff also worked with K/J to determine fire suppression system requirements. The U.S. Bureau of Reclamation started work on NEPA compliance and its determination of the applicability of a categorical exclusion. Staff continued to work with Kennedy Jenks on the 100% design and it is on schedule to be completed by July 17. On June 8, Staff provided a formal project progress update letter to the Division of Drinking Water. Staff has been coordinating with Waste Management and other companies on future disposal of iron and manganese solids. Staff has been working on the overall control scheme to prepare for integration of the new treatment into the existing water treatment process. On March 19, 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).

- *Juan Fernandez Day Use (CIP Project # 8013)* – This project is no longer in the 2020/21 CIP. 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)* – Last quarter, the District 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. An agreement was put into place in April 2020 and on July 1, NHC delivered design alternatives for the replacement of the inverted siphon and the 3-barrel culvert. 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 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 2020/2021 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. In June, the District received and signed the Planning Grant with the State Water Resources Control Board under Proposition 1 for “Coastal Brackish Water Treatment Plant – Basin Impact Benefits” in the amount of \$122,563. The commencement of work is underway.

United developed a detailed work plan and schedule for Fiscal Years 2019/20 and 2020/21. Staff continued to coordinate with the U.S. Navy to identify the proper agreement for the project. The Navy recommended an outgrant easement would be the best option. The Navy then sent United a packet with information regarding this type of easement. On May 14, United Staff held a progress meeting with U.S Navy staff to discuss right-of way acquisition, permitting, and the environmental review process. On May 20 and May 22, District Staff had calls with the Navy to discuss pending data request items and the “Outgrant Easement” process which included the Letter of Intent (LOI) that was required from the District to initiate the process.

United’s consultant, Kennedy/Jenks provided information on potential permits required for implementation of the project. Staff also proposed additional alternative extraction well locations for the U.S. Navy to consider for a treatment plant expansion with a raw water capacity up to 20,000 acre-feet/year. On June 18, Staff held a June monthly progress meeting with U.S. Navy staff and presented updates on the Prop 1 grant award for groundwater modeling, extraction wellsite alternatives and the LOI. On July 6, Staff submitted a draft Letter of Intent (LOI) to U.S. Navy which would initiate the “Outgrant Easement” acquisition process. Staff prepared for enhanced coastal monitoring well water quality sampling to be performed in June and every quarter for a period of one year in order to determine pre- and post-treatment requirements. The first round of water quality results was reviewed by Staff in July.

On June 25, United presented a progress update at the AWA WaterWise Breakfast. On July 22, the General Manager and Staff provided a project progress update to the Navy leadership.

- *Rice Ave Overpass PTP (CIP Project # 8021)* –The City of Oxnard’s design consultant, WKE Inc. (WKE) submitted a copy of a Site Investigation Work Plan for United to review. On March 26, United staff provided comments on the Work Plan and granted WKE permission to access the site after receiving General Manager’s verbal approval. Staff coordinated site activities with WKE and United’s O&M Manager closer to the proposed date in early May. On April 29, Staff met with the Ventura County and the City of Oxnard’s design team via Teams to discuss relocation options for the 700-ft segment of United’s 30” transmission pipeline located southerly of Eastman Ave. On May 5, Staff received the relocation plans for replacement and reinforcement of approximately 700-ft segment of United’s 30” transmission pipeline in lieu of pipe relocation and the plans for relocation of the 8” irrigation pipeline downstream of meter No 129. Staff provided review comments on the plans to Kennedy Jenks on May 26. On May 13, Staff provided a project update at the PTP Users’ meeting. On June 4, the City of Oxnard’s design team was given access to the PTP Well #4 for additional

geotechnical survey. On July 15, 2020, Staff received a letter from Riggs and Riggs, Inc. (R&R) on behalf of the California Department of Transportation (CalTrans) regarding the appraisal process for properties within the project area that may need to be acquired for the project. On July 20, Staff received a follow up email from Hamner Jewell Associates (HJA) requesting access to the PTP Well # 4 site on behalf of R&R who is HJA's project appraiser. Following consultation with the District's Counsel, Staff granted R&R access to the site. On July 30, R&R conducted a site inspection to appraise the site for property rights.

- *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 May 13, 2020, Staff provided an update on the project to the PTP User's group and no questions were received. As of June 30, 2020, a total of twenty (20) meters have been installed comprising 32.3% completion of the project. A total of two (2) utility easement deeds have been recorded and one (1) utility easement deed has been signed by the owner comprising 4.8% completion of easement acquisitions. A total of seventeen (17) letters have been mailed to property owners requesting their signature on utility easement deeds. As it relates to construction, Staff has developed a space-saving alternate for construction of the new facilities that includes elevating solar power and communication equipment on wood utility poles. Additionally, O&M Staff is working with the equipment manufacturer to resolve communication issues with the radio communications equipment.
- *Pothole Trailhead (CIP Project # 8023)* – Staff were notified last quarter that the Project was not selected to continue in the competitive process for Proposition 68 – Recreational Trails and Greenways Grant Funding. This quarter, Engineering Staff worked on finalizing the design and permit acquisitions in order to put the parking area improvement part of the project out to bid in October 2020. Construction is scheduled to begin after September 15th, 2020 following the conclusion of nesting season and be completed by December 31, 2020, the FERC deadline. The project construction will be implemented in two phases. The restroom building will be installed in late September and the Parking Area Construction will begin in mid-November.
- *State Water Interconnection Project (CIP Project # 8025)* – United Water is partnering with the City of Ventura (City), 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. Through a competitive process, the City selected Stantec/HDR consulting team to design the SWP Interconnection project. Per the City’s recommendation, the City of Ventura (City) approved a contract agreement with Stantec/HDR in the amount of \$3.55M for design development of the SWP Interconnection Pipeline and Blending Station projects on May 18. Staff participated in the SWP Interconnection & Blending Station kick off meeting on July 2, 2020. Both Calleguas, Casitas, City of Ventura, HDR and Stantec and subconsultants Fugro and Bennett Trenchless were in attendance. Based on the draft project schedule presented at the meeting, completion of the final design phase is scheduled for March 9, 2022. Staff responded to HDR’s requests for data and information regarding United’s existing pipelines and future projects within the project area in August. Casitas will be paying 33 percent of the design and construction fees. United will not pay for the design and construction of the projects but will be part of the wheeling agreement. The City has initiated the discussions on a wheeling agreement with the Metropolitan Water District (MWD) and is working on an agency agreement between the City, Calleguas, Casitas and United.

- *Grand Canal Hydraulic Constraint Removal (CIP Project # 8032)* – Staff also provided comments to NHC on the draft construction plans. On June 26, NHC returned the draft construction plans that incorporated United’s comments. A purchase order was issued to Waterman Valve for the new Grand Canal headwork gates. NHC delivered the final plans for the replacement of the pipeline at the entrance of the Grand Canal prior to the release of notice inviting bids. On August 20, five bids were received for the Grand Canal Headworks Replacement project. The Board approved award a construction contract to the lowest responsible bid at the September 9 board meeting.

CASH POSITION AND INVESTMENTS OF THE DISTRICT

As of June 30, 2020, the District had a total of \$29M 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:

	Jun 30, 2020	Jun 30, 2019
Local Agency Investment Fund (LAIF)	\$ 26,108,660	\$ 25,450,530
Ventura County Investment Pool	\$ 0	\$ 16
Union Bank – 2009 COP Reserve Account	\$ 815,390	\$ 853,715
Union Bank – 2001, 2005 Account Balances	\$ 257	\$ 431

Bank of the Sierra Checking Account	\$ 2,038,071	\$ 907,804
County Treasury	\$ 392	\$ 392
Petty Cash	\$ 400	\$ 400
Total	\$ 28,963,171	\$ 27,213,287

Approximately \$815K is held by Union Bank as trustee which is held in reserve for future debt payments. Any restrictions on the remaining \$28.1M 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