



**Southeast
Water Coalition**

A joint powers authority to protect the Central Groundwater Basin

AGENDA

**SOUTHEAST WATER COALITION
REGULAR MEETING OF THE POLICY BOARD
THURSDAY, DECEMBER 5, 2024, 7:00 p.m.**

**Norwalk Arts & Sports Complex
Sproul Room
13000 Clarkdale Avenue
Norwalk, CA 90650**

1. ROLL CALL

2. PUBLIC COMMENTS

3. CONSENT CALENDAR

**a. SEWC BOARD OF DIRECTORS MINUTES OF AUGUST 1, 2024
REGULAR MEETING (Enclosure)**

Recommendation: Approve minutes as submitted.

b. WARRANT REGISTER (Enclosure)

Recommendation: Approve Warrant Register.

**** End of Consent Calendar****

**4. WHITTIER NARROWS OPERABLE UNIT (WNOU) PRESENTATION BY THE
DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**

Glen Kau, AE Chair, City of Norwalk

Recommendation: Receive and file an update on the Whittier Narrows Operable Unit.

**5. DISCUSSION/ACTION REGARDING FY 2023-24 AUDIT SERVICES UPDATE
(Enclosure)**

Glen Kau, AE Chair, City of Norwalk

Recommendation: Authorize the City of Norwalk's Director of Finance, serving as SEWC Treasurer and Controller, to award a contract to Price Paige & Company to administer the annual audit of SEWC financial statements for FY 2023-24.

6. DISCUSSION/ACTION REGARDING SEWC FOLLOW-UP LETTER TO THE DIVISION OF DRINKING WATER (DDW) – HOLLYWOOD DISTRICT (Enclosure)

Glen Kau, AE Chair, City of Norwalk & Derek Nguyen, Ph.D., P.E. – AE Member, City of Lakewood

Recommendation: Approve and send follow-up letter to Division of Drinking Water to address regulatory authority for water quality oversight and enforcement.

7. WATER REPLENISHMENT DISTRICT (WRD) BUDGET ADVISORY COMMITTEE (BAC) LETTER (Enclosure)

Glen Kau, AE Chair, City of Norwalk

Recommendation: Approve and send letter to the Water Replenishment District to address concerns regarding the Budget Advisory Committee.

8. BOARD OF DIRECTORS COMMENTS

9. ADMINISTRATIVE ENTITY CHAIR / LEAD AGENCY COMMENTS

10. ADJOURNMENT

On November 27, 2024, the foregoing agenda was posted in accordance with the applicable legal requirements. Regular and Adjourned Regular meeting agendas may be amended up to 72 hours and Special meeting agendas may be amended up to 24 hours in advance of the meeting.

Disability-related services are available to enable persons with a disability to participate in this meeting, consistent with the Federal Americans with Disabilities Act of 1990. Please contact the City of Norwalk Public Utilities Department at least 24 hours in advance of the meeting at (562) 929-5511.

The next meeting of the Southeast Water Coalition Policy Board will be on Thursday, February 6, 2025, 7:00 PM, at Norwalk Arts & Sports Complex, Sproul Room, 13000 Clarkdale Avenue, Norwalk, CA 90650.



**MINUTES OF THE SOUTHEAST WATER COALITION
REGULAR MEETING OF THE POLICY BOARD
THURSDAY, AUGUST 1, 2024, 7:00 p.m.**

A regular meeting of the Board of Directors of the Southeast Water Coalition Joint Powers Authority was held on Thursday, August 1, 2024 at 7:00 p.m. at the Norwalk Arts & Sports Complex, Sproul Room, 13000 Clarkdale Avenue, Norwalk CA 90650.

Chair Ana Valencia called the meeting to order at 7:01 p.m.

BOARD MEMBERS PRESENT:

Chuong Vo
Kevin Lainez
Mario Trujillo
Todd Rogers
Ana Valencia
Andrew Lara
Joe Angel Zamora
Maria del Pilar Avalos
Octavio Martinez

City of Cerritos
City of Commerce
City of Downey
City of Lakewood
City of Norwalk
City of Pico Rivera
City of Santa Fe Springs
City of South Gate
City of Whittier

STAFF AND GUESTS ON SIGN-IN SHEET:

Andrew Caraveo
Dan Mueller
Derek Nguyen
Glen Kau
Gladis Deras
Joanna Moreno
Ray Cordero
Jacque Koontz

City of Commerce - AE
City of Downey - AE
City of Lakewood - AE
City of Norwalk - AE
City of South Gate - AE
City of Vernon - AE
City of Whittier - AE
Norwalk Staff

Madeline Anderson
Nicholas Ghirelli

SEWC Staff
Richards Watson & Gershon

ITEM 2 – PUBLIC COMMENT

None.

ITEM 3 - CONSENT CALENDAR

Director Rogers moved to approve the consent calendar.

The motion was seconded by Director Avalos and was approved by the following voice vote:

AYES: **Vo, Lainez, Trujillo, Rogers, Valencia, Lara, Zamora, Avalos, Martinez**

NOES: **None.**

ABSTAIN: **None.**

Director Avalos noted that she was late to the previous meeting, but still approves the minutes.

ITEM 4 - CONSIDERATION OF SEWC SUPPORT FOR THOMAS BEKELE AS CITIES REPRESENTATIVE FOR CENTRAL BASIN MUNICIPAL WATER DISTRICT BOARD

Mr. Kau began by highlighting the fact that Thomas Bekele was elected by the cities as the representative on the CBMWD Board and that there has been recent disagreement after Mr. Bekele stated that he will need to step down but did not specify a timeframe. He did note that he will leave his position once it is filled. The notice of wanting to step down created controversy and now there is discussion of potential legal action and consequences.

Mr. Kau reiterated that the purpose of this agenda item is to express support for Thomas Bekele and recognize him as the rightful representative during the time between when he provided notice of his desire to step down and once his replacement is elected.

Mr. Zamora asked what the precautions are if a city does not support this item. He wanted to know if cities would be required to pay for legal support, but the purpose of this item was to express support, not pay for legal support.

Mr. Nguyen then provided more context around the purpose of this agenda item and clarified the importance of supporting Thomas, especially as Thomas supports policies that are very important to the SEWC Cities.

Mr. Nguyen also noted that the nomination process for Mr. Bekele's replacement started on May 22, 2024, and by Aug 27, 2024, there will be a replacement for Mr. Bekele. The nomination deadline was extended to August 16, 2024 to give cities more time to nominate candidates.

There was a discussion regarding the nomination process, which requires each city to nominate and vote for their candidate. Mr. Lara noted the challenges of serving on the board and stressed the need to support representatives like Bekele, who have worked hard to maintain transparency and keep cities informed.

Director Lara moved to approve the following:

- a. Support Thomas Bekele as Cities Representative for Central Basin Municipal Water District Board.

The motion was seconded by Director Martinez and was approved by the following voice vote:

AYES: **Vo, Lainez, Trujillo, Rogers, Valencia, Lara, Zamora, Avalos, Martinez**

NOES: **None.**

ABSTAIN: **None.**

ITEM 5 – BOARD OF DIRECTORS COMMENTS

There was a discussion on how meetings work after motions are made and it was agreed that there is an opportunity for questions to be asked after a motion and a second.

Additionally, Mr. Lara thanked SEWC for the support regarding PFAS issues. The letter that was written jointly really helped. The result was weekly meetings and they are excited to say that they just got their permit.

Ms. Avalos mentioned that South Gate was given \$2 million for PFAS cleanup. Mr. Lara also mentioned that Pico Rivera was given startup money, but they will need to go back to representatives from WRD for operations and maintenance support.

Ms. Avalos asked for an update on the PFAS lawsuit and Mr. Ghirelli touched on updates regarding 3M and Dupont.

Ms. Valencia pointed out that the date on posting of the agenda should have read July 29, not August 29.

ITEM 6 – ADMINISTRATIVE ENTITY CHAIR/LEAD AGENCY COMMENTS

Mr. Nguyen mentioned that the PFAS lawsuit is ongoing but there have been four companies that have agreed to settle. Mr. Nguyen also reiterated Mr. Lara's comment about the power of SEWC and the benefits of standing together united to get solutions.

ITEM 7 - ADJOURNMENT

The meeting adjourned at 7:47 p.m.

The next regular Southeast Water Coalition Board Meeting will be on October 3, 2024 at 7:00 p.m. at the Norwalk Arts & Sports Complex, Sproul Room, 13000 Clarkdale Avenue, Norwalk CA 90650.

Ana Valencia, Chair

Date



SOUTHEAST WATER COALITION

WARRANT REGISTER AUGUST 2024 – NOVEMBER 2024

Check No.	Check Amount	Date	Vendor Name	Transaction Description
197309	4,540.00	8/29/2024	KOA CONSULTING INC	PROFESSIONAL SVCS/JUL 2024
197648	4,540.00	9/19/2024	KOA CONSULTING INC	PROFESSIONAL SVCS/AUG 2024
197996	4,540.00	10/10/2024	KOA CONSULTING INC	PROFESSIONAL SVCS/SEP 2024
198720	4,540.00	11/19/2024	KOA CONSULTING INC	PROFESSIONAL SVCS/OCT 2024
	<u>18,160.00</u>			
EFT	EFT Amount	Date	Vendor Name	Transaction Description
V19029	716.50	8/29/2024	RICHARDS WATSON AND GERSHON INC	LEGAL SERVICES/JUL 2024
V19071	1,035.14	9/19/2024	RICHARDS WATSON AND GERSHON INC	LEGAL SERVICES/AUG 2024
V19292	1,035.14	10/10/2024	RICHARDS WATSON AND GERSHON INC	LEGAL SERVICES/SEP 2024
	<u>2,786.78</u>			
Total	<u><u>20,946.78</u></u>			



**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT**

Date: December 5, 2024
To: Southeast Water Coalition Board of Directors
From: Glen W. C. Kau, P.E., AE Chair, City of Norwalk

**Subject: WHITTIER NARROWS OPERABLE UNIT PRESENTATION BY THE
DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

Recommendation: Receive and file an update on the Whittier Narrows Operable Unit.

Background:

During the September AE Meeting, it was determined that the AE Chair, Glen Kau, would reach out to the Department of Toxic Substances Control (DTSC) and request a presentation at the October Board Meeting. DTSC confirmed that while they could not make themselves available for the October Board Meeting, they are available to present at the December Board Meeting.

During the November AE Meeting, DTSC presented an update to the SEWC representatives, who provided feedback and comments to ensure that the presentation to the Board is informative and focused. The purpose of this December Board Meeting presentation is to receive an update regarding the Whittier Narrows Operable Unit and better understand the ongoing efforts to keep groundwater contamination out of the Central Basin.



**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT**

Date: December 5, 2024
To: Southeast Water Coalition Board of Directors
From: Glen W. C. Kau, P.E., AE Chair, City of Norwalk

Subject: DISCUSSION/ACTION REGARDING FISCAL YEAR 2023-24 AUDIT SERVICES UPDATE

Recommendation: Authorize the City of Norwalk's City Manager, as Lead Agency, to award a contract to Price Paige & Company to administer the annual audit of SEWC financial statements for Fiscal Year 2023-24.

Discussion:

To retain the most cost-effective and independent auditing firm for SEWC, the AE Chair, Glen Kau recommended to solicit for services/quotations from multiple firms. Following the September AE Meeting, Glen Kau, prepared and posted a Request for Quotation "RFQ" for the Fiscal Year (FY) 2023-24 Audit of SEWC through PlanetBids. The AE Chair also reached out to various auditors, requesting them to submit a quotation.

SEWC received one quotation via the solicitation process: Price Paige & Company. The summary of pricing is as follows:

Fiscal Year Ending	Firm	No. of Hours	Cost
June 30, 2024	Price Paige & Company	50	\$8,280
Fiscal Year 2024/25 SEWC Budget:			\$7,000

During the November AE Meeting, the SEWC members determined that Price Paige & Company is suitable to bring to the Board as a recommendation, but it was noted that no SEWC members have used Price Paige & Company previously.

Attachments:

1. Posted FY 2023-24 Audit RFQ
2. Bid Document Download Report for Auditing Services
3. Price Page & Company FY 2023-24 Audit Quotation

Goods/Services Requested

On behalf of the Southeast Water Coalition (SEWC), the City of Norwalk (City) as Lead Agency, is seeking the services of a highly qualified Certified Public Accounting firm (Auditors) to provide Auditing Services. The Auditors shall perform an audit of all funds of the SEWC for the fiscal year ending June 30, 2024, with the option of a one-year extension to conduct an audit of financial statements for the fiscal year ending June 30, 2025.

The Southeast Water Coalition Joint Powers Authority (SEWC) was created in July 1991 and is comprised of eleven cities. These agencies formed a joint power authority to improve and protect the quantity and quality of the regional water supply. SEWC's water purveyors service a population of 670,000 in a service area of 93+ square miles.

The SEWC Board of Directors consists of one representative (normally a Councilmember) from each member city. The Administrative Entity acts as a steering committee consisting of one Public Works type staff member from each member city plus three non-voting (advisory) members from the Central Basin Watermaster, Golden State Water Company, and California Water Service (two private utilities serving several member cities).

The SEWC Lead Agency rotates through a list of the eleven cities with each Lead Agency serving a two-year term. As of July 1, 2024, the City of Norwalk began its Lead Agency tenure, which runs until June 30, 2026.

RFQ Schedule

Event	Date
RFQ Release Date	October 18, 2024
Deadline to submit questions	October 23, 2024 @ 10:00 a.m.
Response to Questions	October 24, 2024
RFQ Deadline	October 29, 2024 @ 10:00 a.m.

Response Method

All responses to this solicitation must be made through the City's PlanetBids portal. Mailed, emailed, faxed, or hand-delivered responses will **not** be accepted.

Proposal shall be typed and uploaded on 8 1/2" x 11" sized paper. Offerors should not include any unnecessarily elaborate promotional material. Lengthy narrative is discouraged, and proposal should be brief, clear and concise. Proposals shall be addressed to Glen W.C. Kau, P.E., Director of Public Services/City Engineer.

Scope of work

The audit will be conducted in accordance with auditing standards including, but not limited to:

- Generally accepted standards applicable to financial audits in the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Controller General of the United States.
- United States General Accounting Office's (GAO) Standard for Audit of Governmental Organizations, Programs, Activities, and Functions.
- Generally accepted auditing standards of the American Institute of Certified Public Accountants (AICPA).
- Local Governments and Governmental Accounting Standards Board (GASB) Pronouncements.
- United States Office of Management and Budget (OMB) Uniform Guidance.
- Single Audit Act as amended in 1996.

The Scope of Work will include, but not limited to, the following tasks:

TASK 1: DOCUMENT GATHERING & FIELDWORK

Meet with SEWC management to discuss audit schedules and review the prior year's audit, and policies and operating procedures. Develop a list of document requests to submit to SEWC staff. Conduct meetings, assessments, and data analysis.

TASK 2: INDEPENDENT AUDITORS' REPORTS

Conduct an independent audit of the basic financial statements of the activities of the SEWC for the fiscal year ending June 30, 2024 (with option of extension to conduct audit for year ending June 30, 2025), and the related notes to the financial statements, which collectively comprise the SEWC's basic financial statements. The Auditors must certify that it is independent of the SEWC. The Auditors must meet independence requirements defined by the United States Government Accountability Office's (US GAO's) Government Auditing Standards and has no conflict of interests. Audit reports will be prepared utilizing defined internal and/or external quality control procedures.

The SEWC's Annual Financial Report will be prepared by the Auditors by and no later than December 31st of each fiscal year under contract, unless waived in writing by the Lead Agency.

TASK 3: SINGLE AUDIT

When required, the Auditors will perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the SEWC's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.

TASK 4: DEFICIENCIES & WEAKNESSES

The Auditors will identify and evaluate the SEWC's internal control over financial reporting, tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, and report in writing to the SEWC Board any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses based on Government Auditing Standards.

TASK 5: FEDERAL CLEARING HOUSE & STATE CONTROLLER'S REPORT

The engagement team will assist the Coalition in drafting the and completing submission of data collection form, uploading audit package to the Federal Clearing House. The Auditors will prepare the annual report of Financial Transactions to the State Controller's office, also referred to as the State Controller's Report for the SEWC.

TASK 6: COMMUNICATION

Auditors shall participate in meetings with staff as needed to perform the work scope tasks. The Auditors shall also attend meetings to communicate with the SEWC Board matters related to the financial statement audit, in the auditor's professional judgment, significant and relevant to the governing body, findings and recommendations.

TASK 7: DOCUMENT HANDLING & RETENTION

All working papers and reports must be retained at the auditor's expense for a minimum of five (5) years, unless the Auditors is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available to the City or any government agencies included in the audit of federal grants. In addition, the Auditors shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance. Auditors are to take all the preventive steps to avoid putting SEWC's information at risk.

Additional Terms & Conditions

FIRM QUOTATION: All quotations submitted to the City of Norwalk shall remain firm for at least 90 days

TAXES: The quoted amount must include all applicable taxes. If taxes are not specifically identified in the quotation it will be assumed that they are included in the total quoted.

TAXES, PERMITS & FEES: The successful bidder shall pay for and include all federal, state and local taxes direct or indirect upon all materials; pay all fees for, and obtain all necessary permits and licenses, unless otherwise specified herein.

SPECIFICATIONS AND EQUALS: Brand names, where used, are a means of establishing quality and style. Bidders are invited to quote their equals. Alternate offers are to be supported by literature, which fully describes items that you are bidding. No exceptions to or deviations from this specification will be considered unless each exception or deviation is specifically stated by the bidder, in the designated places. If no exceptions or deviations are shown, the bidder will be required to furnish items exactly as specified herein. The burden of proof of compliance with this specification is the responsibility of the bidder.

Time of delivery is a part of the consideration and must be stated in definite terms and must be adhered to. F.O.B. Point shall be destination or freight charges must be stated.

Each item shall be separately bid. Prices should be stated in units specified herein. All applicable charges must be quoted; charges on invoice not quoted herein will be disallowed.

All bids must be dated and signed with the firm's name and by an authorized officer or employee.

Bids received after the closing date/time will NOT be considered.

The City of Norwalk reserves the right to reject any and all bids and to waive informalities or irregularities in bids.

After award, all bids shall be open to public inspection. The City of Norwalk assumes no responsibility for the confidentiality of information offered in a bid.

City of Norwalk

Document Downloads for Auditing Services- Southeast Water Coalition (SEWC)

Exported on 10/29/2024

Vendor Name	RFQ Document
Baker Tilly US, LLP	October 22, 2024 6:21 AM (PDT)
	October 22, 2024 1:57 PM (PDT)
Deltek	October 22, 2024 1:58 PM (PDT)
	October 22, 2024 8:38 AM (PDT)
Eide Bailly LLP	
	October 21, 2024 11:02 PM (PDT)
Harshwal & Company, LLP	October 21, 2024 11:05 PM (PDT)
Intrinz Inc.	October 21, 2024 10:35 AM (PDT)
	October 21, 2024 8:59 AM (PDT)
Price Paige & Company	October 29, 2024 8:43 AM (PDT)
SevenOutsource	October 18, 2024 11:35 PM (PDT)
shfsrtgfnfcx	October 18, 2024 11:53 PM (PDT)
SingerLewak LLP	October 18, 2024 5:58 PM (PDT)
	October 18, 2024 5:19 PM (PDT)
The Pun Group, LLP	
Turner, Warren, Hwang & Conrad AC	October 21, 2024 10:00 AM (PDT)
	October 18, 2024 5:39 PM (PDT)
Vasquez + Company LLP	October 21, 2024 9:51 AM (PDT)



PRICE PAIGE & COMPANY
Certified Public Accountants

QUOTE FOR PROFESSIONAL AUDIT SERVICES

FOR

SOUTHEAST WATER COALITION

**FOR THE YEAR ENDED
JUNE 30, 2024**

RFQ No. 25-902-001



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

Submitted
November 18, 2024

By

Fausto Hinojosa, CPA, CFE
Managing Partner/Audit Partner
Price Paige & Company
Certified Public Accountants

570 N. Magnolia Ave., Ste. 100
Clovis, California 93611
Phone: 559-299-9540
Fax: 559-299-2344
Email: fausto@ppcpas.com
Website: www.ppc.cpa
License No: 66479
Federal ID No: 87-3267876

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PRICE PAIGE & COMPANY
Certified Public Accountants

The Place to Be

November 18, 2024

Glen W.C. Kau, P.E., Director of Public Services/City Engineer
City of Norwalk
c/o Southeast Water Coalition
12700 Norwalk Boulevard
Norwalk, CA 90650

Dear Mr. W.C. Kau, P.E. and Auditor Selection Committee:

Thank you for considering Price Paige & Company for your audit services. It is our pleasure to present to you our quote to provide professional audit services to the Southeast Water Coalition (the Coalition) for the year ended June 30, 2024, with one potential one-year extension. When presented with viable alternatives, it is not always easy for entities such as the Coalition to identify the accounting firm that can best meet their overall auditing needs. Over the past 45 years, we have developed significant expertise in governmental accounting. Our knowledge of the governmental environment and operations has allowed us to develop more robust audit procedures that enhance the quality of our audits.

Our audit professionals are highly qualified and have extensive experience and expertise in governmental auditing and accounting. The firm has been a member of the AICPA Government Audit Quality Center for several years, and all our accountants take a minimum of 80 hours of continuing professional education every two years specifically related to the auditing and accounting services we provide. This commitment to learning yields a direct benefit to the clients we work with. Additionally, our firm has a well-earned reputation for ensuring audit engagements are performed in accordance with professional standards and, just as importantly, on time. We are committed to communicating effectively to ensure that we address your questions comprehensively. As demonstrated by our resumes and considerable involvement by the firm's audit principal, we feel that our firm has the resources, knowledge and expertise to meet and service the needs of the Coalition. We can assure you that we fully understand the scope of work to be performed, and we wish to emphasize our commitment to meeting and exceeding all your expectations. We are committed to providing these services in accordance with the Coalition's required timelines. Additional information about our firm's audit department and the services we offer can be found on our website, www.ppc.cpa.

We trust that this quote to provide professional audit services will adequately summarize our approach to client service and identify those attributes that set Price Paige & Company apart from others. We appreciate the opportunity to submit this quote application to serve you and would be pleased to furnish any additional information regarding our firm or answer any other specific questions or concerns you may have. I am an audit principal for our firm, and I am authorized to make representations regarding this quote. I may be reached at (559) 299-9540 or via email at fausto@ppcpas.com.

Sincerely,

Fausto Hinojosa, CPA, CFE
Managing Partner/Audit Partner
Price Paige & Company
Certified Public Accountants

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540
fax 559.299.2344

FIRM HISTORY AND QUALIFICATIONS

Established in 1976 and located in Clovis, California, Price Paige & Company consists of five owners (partners) each of whom is a Certified Public Accountant. The partners of the firm have more than 90 years of combined experience in public accounting. Our firm is comprised of over 50 professional, paraprofessional and administrative staff. More than 50% of Price Paige & Company's practice is in auditing and attestation services, primarily in the governmental and not-for-profit sectors. In addition, we provide services to many businesses in accounting, tax and management consultation in all areas.

Price Paige & Company is recognized in the community and by our peers as experts in the areas of governmental and not-for-profit auditing, attestation and accounting. Our proven commitment to excellence allows us to work with clients in the timeliest and most cost-effective manner possible. Our auditors are not seasonal; that is, they are not "tax accountants" who perform audits in the "off-season." They focus exclusively on providing audit services, and they receive over 80 hours of continuing education every two years, specifically related to improving their audit skills. The experience of our team allows us to conduct very efficient and effective audits.

We currently provide auditing, attestation and accounting services to more than 60 governmental agencies and 75 not-for-profit organizations annually, many of which are federal single audits. The breadth and scope of single audits we have conducted is significant, and we have experience auditing organizations with an excess of \$100 million dollars of federal funding.

We will assign a team of personnel from our firm to your account to provide the range of services you have requested. This team is kept abreast of any significant developments that arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement. We understand that the audit process requires two-way communication, and we accept our responsibility to listen to our client's concerns and deliver timely and effective solutions.

Proactive Rather than Reactive Approach to Client Service

A primary objective of our client service is to make positive contributions to our client's profitable operations, organizational efficiency and productivity. We work hard at anticipating problems and ensuring there are no surprises. We are creative and will always present alternatives for our client's evaluation rather than relying on the "textbook" solution. We will schedule frequent meetings and utilize our management recommendation letters as tools for communication with you.

Smart Technologies

We use sophisticated data analysis software (IDEA) that allows us to perform specific fraud-detection tests on large amounts of data; in some cases, testing 100% of the transaction population. Some of the specific tests we perform include the following: duplicate payment tests, matching of employee and vendor addresses to identify potential conflicts and review of purchase orders to identify potential bid splitting. We believe our creative use of this value-added software tool allows us to perform more effective audits and gives our clients increased confidence in their financial reporting. For example, we have successfully implemented this data analysis software and testing at Fresno Unified School District, which is the third largest school district in the state, with a budget in excess of two billion dollars.

All our audit engagements are performed utilizing a paperless and digital approach. Our auditing software allows us to increase our efficiency and provide a streamlined workflow. Documents and files can easily be retrieved and forwarded to our clients without the need for photocopying.

External Peer Review

The successful peer reviews our firm has received and our Engagement Quality Control Review program serve as evidence of our commitment to meeting the standards of care and performance applicable to our auditing, attestation and accounting practice, which demonstrate the extra measures we take to ensure continued successful compliance with our client's expectations about our quality and competence.

For your consideration, a copy of the firm's Peer Review Report is included in this quote as listed on the table of contents. The firm received a "pass" report, and the review included specific not-for-profit, governmental and Uniform Guidance engagements.

We Conduct Peer Reviews

In addition to receiving successful peer reviews, **Price Paige & Company also conducts peer reviews** of other accounting firms. Essentially, we "audit" other auditors to ensure auditing and accounting standards are met. Being a peer reviewer requires us to understand the technical accounting rules, especially in the governmental and not-for-profit environments. We leverage our experience as technical peer reviewers in our audit engagements so that we can perform effective and efficient audits for all our clients.

Mandatory Qualifications

Licensure and Certification — The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License #PART 8241). All team members assigned to the engagement comply with the 80-hour continuing education requirements promulgated by *Government Auditing Standards* issued by the U.S. Government Accountability Office.

Independence — Our firm is independent with respect to the Coalition defined by applicable standards generally acceptable in the United States as well as *Government Auditing Standards* issued by the U.S. Government Accountability Office.

No Conflict of Interest — Our firm's established policy is that we do not submit quotes for auditing, attestation or accounting services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone (employees, management, officers or directors) within the Coalition.

No Disciplinary Actions — Price Paige & Company has **never had any disciplinary actions** taken nor are any pending with the Federal or State regulatory bodies or professional organizations. In addition, we are pleased to affirm that we have never had an unresolved dispute related to accounting or auditing matters that resulted in disengagements. We work closely with our clients to develop solutions that are consistent with the accounting rules and auditing standards issued by the U.S. Government Accountability Office.

Additional Confirmations of Understanding

File Retention — We will retain working papers for seven (7) years following the completion of the audit.

Equal Opportunity Employer — Price Paige & Company is an equal opportunity employer. All employees are treated on their merits, without regard to race, age, sex, marital status or other factors not applicable to their position. Employees are valued according to how well they perform their duties, their demonstrated abilities and their enthusiasm toward maintaining the firm's standards of service.

Liability Coverage — Price Paige & Company maintains comprehensive General Liability Coverage and Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to the Coalition's management, should our firm be the successful bidder.

VALUE-ADDED SERVICES AND SUPPORT

The role of accountants has evolved over time in response to the client's needs. Our firm has made it a practice to be proactive with clients by providing value-added services, all of which are included as part of our audit engagement. Below are some of the value-added benefits that we provide to our clients at **no additional charge**.

Consultation on Accounting Matters

We provide our clients with guidance on technical accounting matters. We encourage our clients to communicate with us regarding any technical accounting matter, as it allows us to be proactive in the audit process. If the technical accounting questions are outside the scope of the audit or require significant research, we will communicate with management the appropriate cost for their approval before proceeding with any additional services.

Client Training

We believe it is important to give our clients access to a full range of information to help them stay aware of current accounting developments and financial reporting issues. As part of our client service program, we will periodically hold client training seminars and summary courses aimed at providing our clients with an understanding of relevant accountancy issues. Training sessions we have offered included the following topics: understanding and mitigating the risk of fraud, reading and understanding governmental and non-profit financial statements and understanding the impact of unrelated business taxable income activities.

At the request of our clients, we expect to offer more client training sessions on some of the following topics in the future:

- current and pending government accounting pronouncements,
- differences in grant accounting vs. GAAP accounting,
- understanding the risk of fraud in an organization.

As part of the value-added service included in our client engagements, we invite our clients and their board members to attend the training sessions, which we anticipate offering remotely through webinar or digital conferences.

Approach to Communication and Expectations of Our Clients

In order to meet and exceed your expectations, we are diligent about maintaining open communication throughout the entire engagement. In our experience, this results in a more effective engagement. Our approach depends on the timely response and assistance of the Coalition. This cooperation will further ensure our work is completed in an efficient and cost-effective manner.

Additional Services Provided

In addition to financial statement audits, we also offer the following services: Internal Control Reviews, Forensic Accounting, Fraud Investigations, Agreed-Upon Procedures, Financial Statement Reviews and Financial Statement Compilations.

TEAM QUALIFICATIONS AND EXPERIENCE

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our professionals is experienced in governmental accounting and GASB accounting pronouncements. Following is a brief overview of their experience. Detailed experience for each of these professionals can be found in Team Resumes as listed on the table of contents.

<u>Years of Auditing / Accounting Experience</u>	
Managing Partner/Audit Partner Fausto Hinojosa, CPA, CFE	34
Quality Control Partner Joshua Giosa, CPA	17
Audit Supervisor Jasmine Logee, CPA	11

Availability of Personnel and Time Requirements

Our level of staffing is more than sufficient to ensure that you receive a timely, efficient service. Should any of the above members of our team become unavailable, we will provide another equally qualified individual from our firm.

Continuity of Professional Staff and Succession Planning

Continuity of staff on engagements is as important to us as it is to our clients. Continuity promotes a thorough understanding of your needs and goals and helps us help you. A smooth transition from your existing firm to our firm will be accomplished as follows:

Communication — We stress communication early on with your staff to determine expectations, time frame for delivery of information and our extent and availability of assistance. We provide a written list of detailed information needed during our engagement, including critical due dates.

Experience — Members of our engagement team are very experienced in the operational, administrative and accounting and compliance issues related to governmental entities.

Quality — The firm maintains a rigorous quality control review process that includes not only a detailed review by a quality control manager and engagement partner but also an Engagement Quality Control Review (EQCR) as defined by AICPA standards.

Audit Approach — Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

TEAM RESUMES



FAUSTO HINOJOSA

Certified Public Accountant
Certified Fraud Examiner
California License # 66479

Present Position

Managing Partner/Audit Partner

Education and Experience

Fausto is Audit Partner in charge of audit and forensic consulting engagements for Price Paige & Company. For over thirty years his practice has focused on audit and accounting, fraud investigation, forensic consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership. He has worked professionally in the accounting field since graduating from California State University, Fresno, in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price Paige & Company in 1997. A Certified Fraud Examiner, Fausto has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than 30 years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance and internal controls.

Fausto is the former Chair of the local Government Accounting and Auditing Committee for the California Society of CPAs and currently serves on the state committee. In addition, Fausto is a reviewer for the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program. As the former Chair for the State Board of Accountancy Qualifications Committee, Fausto conducted audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Committee.

Fausto is a former Adjunct Professor at Fresno Pacific University, where he taught an upper-division auditing course. He is a frequent lecturer to the California Society of CPAs and other professional organizations, business and civic groups on governmental and not-for-profit accounting and auditing, preventative fraud measures and the unique audit requirements for federal award programs under the Single Audit Act.

Professional Organizations and Community Involvement

- California Board of Accountancy Peer Review Oversight Committee — Vice Chair
- State Board of Accountancy Qualifications Committee — Past Chair
- Fresno Chapter of California Society of CPAs — Past President
- Association of Certified Fraud Examiners — Member
- American Institute of Certified Public Accountants — Member
- Government Accounting and Auditing Committee of the Fresno Chapter — Past Chair
- State Government Accounting and Auditing Committee of the California Society of CPAs — Member
- Government Finance Officers Association — ACFR Reviewer



JOSHUA GIOSA

Certified Public Accountant
California License # 119801

Present Position

Quality Control Partner

Education and Experience

Joshua began his accounting career at Price Paige & Company in January 2007 after graduating from California State University, Fresno. In June 2005, he received a Bachelor of Science in Business Administration with an option in Accountancy and became a Certified Public Accountant in 2013.

Joshua is a partner for many of the firm's municipal audits and all its consultation clients. Although his governmental auditing background dates to 2007, since 2011 he has worked almost exclusively with governmental agencies, including the planning, performing, and reviewing of financial statement audits, which often also includes the compilation of their financial statements. He has performed and overseen substantial grant compliance work on both federal and state programs, has conducted several single audits, and has prepared numerous State Controller reports.

Beginning in 2017, Joshua shifted his focus from auditing to consulting governmental agencies, including counties, municipalities, and special districts. During this time, he has worked very closely with finance department personnel to support their primary objective of providing timely and accurate information to the decision-makers of a given entity. Responsibilities have included assisting clients with closing their financial records and preparing audit schedules in preparation for their annual audits, preparing monthly bank reconciliations and any other reconciliations requested by management for internal purposes, providing guidance for implementing new accounting pronouncements, and providing guidance for improving internal controls. Additionally, he has assisted municipalities in implementing new accounting software and developing a new chart of accounts and fund structures. Joshua has extensive knowledge of the Government Accounting Standards Board pronouncements and has assisted his clients in the most complex of transactions. His background also includes significant experience auditing not-for-profit entities and 401(k) pension plans. Joshua has expertise in the use of IDEA data analysis software and has used this software to conduct fraud detection procedures as a part of the many municipal audits he manages.

Community and Affiliations

Joshua is a member of the American Institute of Certified Public Accountants, the California Society of CPAs and the Government Finance Officers Association. He is currently serving on the Board of Directors as the Treasurer for North Fresno Rotary Endowment and president of Bullard Youth Softball League. He was formerly on the Board of Directors as the Treasurer for Big Brothers Big Sisters of Central California and Fresno's Rotary Storyland/Playland. Joshua is also an honorary member of the North Fresno Rotary Club.

Continuing Education

Joshua is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Josh recently developed a training program for PPC staff and conducted training in courses such as *Accounting and Auditing of GASB 54*, *Auditing Enterprise Revenue and Receivables*, and *Risk Assessment for Government Agencies*. Recently attended courses include: *Governmental Auditing and Accounting Update*, *Advanced Financial Report*, and *Advanced Governmental Accounting*.



JASMINE LOGEE

Certified Public Accountant
California License # 136473

Present Position

Audit Supervisor

Education and Experience

Jasmine began her accounting career after receiving a Bachelor of Science in Business Administration with an emphasis in Accounting and graduating from California State University, Fresno in December 2013. Jasmine practiced in private accounting prior to joining Price Paige & Company in February of 2017. She became a Certified Public Accountant in August 2018.

Jasmine has been an in-charge auditor for numerous governmental and not-for-profit audits, which include Yellow Book compliance, Single Audit compliance and compliance with required GASB standards. She has experience preparing financial statements in accordance with these standards as well. She has demonstrated her expertise in preparing and auditing calculations of pension-related and other post-employment benefit liabilities, deferred outflows, and deferred inflows in accordance with GASB 68 and GASB 75. Her background includes audits of governmental and not-for-profit entities which are performed in accordance with GAAP and GAS, as well as Single Audits in accordance with OMB Uniform Guidance 2 CFR 200 Subpart F.

Community and Affiliations

Jasmine is a member of the American Institute of Certified Public Accountants and the California Society of CPAs.

Continuing Education

Jasmine is maintaining continuing professional education requirements to meet current standards of the General Accounting Office of the United States of America. Continuing professional education courses and seminars recently attended include: *The New Yellow Book Standards for Financial Audits (AICPA)*, *Yellow Book Application of GAGAS Principles (AICPA)*, *SAS 145 – Understanding the Entity and Its Environment and Assessing Risks*, *GASB 96 – SBITAs*, *Advanced Topics in a Single Audit (AICPA)*, *Real World Fraud Found in Governments and NFPs (AICPA)*.

RELEVANT PRIOR EXPERIENCE

After evaluating our relevant experience, we are certain you will agree that Price Paige & Company is highly qualified to serve you. We have been successfully performing audit and attestation engagements since 1976. We have since continued to build on our reputation as a well-respected firm in and around the San Joaquin Valley and throughout California, with the qualifications and experience necessary to provide unequalled performance. Following is a list of several of our clients for whom we have provided similar services and our primary contact for each:

Reference Name: Kings River Conservation District
Contact: Binu Brar, Director of Finance
Address: 52027 W. Althea Avenue, Firebaugh, CA 93622
Phone: (559) 237-5567 x128
Email: bbrar@krcd.org
Service Provided: Financial Statement Audit (GAAS) and Advisory Services
Dates: June 30, 2003 through Present

Reference Name: Panoche Water District
Contact: Marlene Brazil, Accounting Supervisor
Address: 52027 W. Althea Avenue, Firebaugh, CA 93622
Phone: (209) 364-6136
Email: mbrazil@panochewd.org
Service Provided: Financial Statement Audit (GAS) and Advisory Services
Dates: February 29, 2016 through Present

Reference Name: South San Joaquin Irrigation District
Contact: Sonya Williams, Finance and Administration Manager
Address: 11011 E. Highway 120, Manteca, CA 95336
Phone: (209) 249-4600
Email: swilliams@ssjid.com
Service Provided: Financial Statement Audit (GAS) and Advisory Services
Dates: December 31, 2023 through Present

SCOPE OF SERVICES

As our experience indicates, we clearly understand the scope of services to be provided. You can be assured that we will design a service-specific approach to ensure compliance with all applicable standards and ensure that the Coalition receives high-quality, efficient and effective service.

Standards/Publications to be Followed

The financial and compliance audits will be performed in accordance with the following auditing standards:

- ♦ Generally Accepted Auditing Standards (AICPA)
- ♦ *Government Auditing Standards* (U.S. Comptroller General)
- ♦ United States General Accounting Office's (GAO) Standard for Audit of Governmental Organizations, Programs, Activities, and Functions
- ♦ Local Governments and Governmental Accounting Standards Board (GASB) Pronouncements
- ♦ All other applicable federal, state and local laws and regulations

Services to be Performed

The following services will be provided to the Coalition for the year ended June 30, 2024.

1. We will audit the Coalition's basic financial statements in accordance with Generally Accepted Auditing Standards (GAAS) in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
2. We will express an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of the Coalition and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditor's report stating this opinion.
3. We will test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*.
4. We will apply limited procedures related to the Required Supplementary Information (RSI), Management's Discussion and Analysis (MD&A), budgetary comparison information, and the supplementary information.
5. We will prepare and present to the Board of Directors and Management a report that identifies control deficiencies, significant deficiencies and material weaknesses, if any, and your recommendations for improvements in accounting and administrative controls.
6. We will prepare a written letter of communication to the Audit Committee that will include the following:
 - 1) auditor's responsibility under generally accepted auditing standards, 2) significant accounting policies, 3) management judgments and accounting estimates, 4) significant audit adjustments, 5) disagreements with management, 6) management consultation with other accountants and 7) difficulties encountered in performing the audit.
7. We will prepare and submit the State Controller's Report for the Coalition.

AUDIT APPROACH

We are confident that we will provide high-quality services based on our experience in working with governmental entities of similar size and scope to yours. Our high client satisfaction rate can be attributed to our effective communication and our efficient proprietary audit methodology.

Audit Procedures and Phases of the Engagement

Price Paige & Company provides value to our clients by creating a custom audit approach that is based on a client's specific needs, risks and opportunities. Our audit approach under generally accepted audit standards is depicted in the graphic below.

Our professional responsibility is to obtain sufficient audit evidence before an opinion is rendered on any financial statement. To achieve this, we will conduct our work in the following phases:

- ♦ Audit Planning and Risk Assessment
- ♦ Year-End Fieldwork
- ♦ Reporting
- ♦ Audit Focus
- ♦ Closing Conferences and Formal Presentation

Details about each of these phases are listed on the on the following pages.

Audit Planning and Risk Assessment

No other phase of the process affects the success of an engagement more than the time spent on planning the general scope and direction of the audit, including assessing the risks of financial statement misstatements. We will schedule audit planning and interim fieldwork to be done prior to final fieldwork with your personnel.

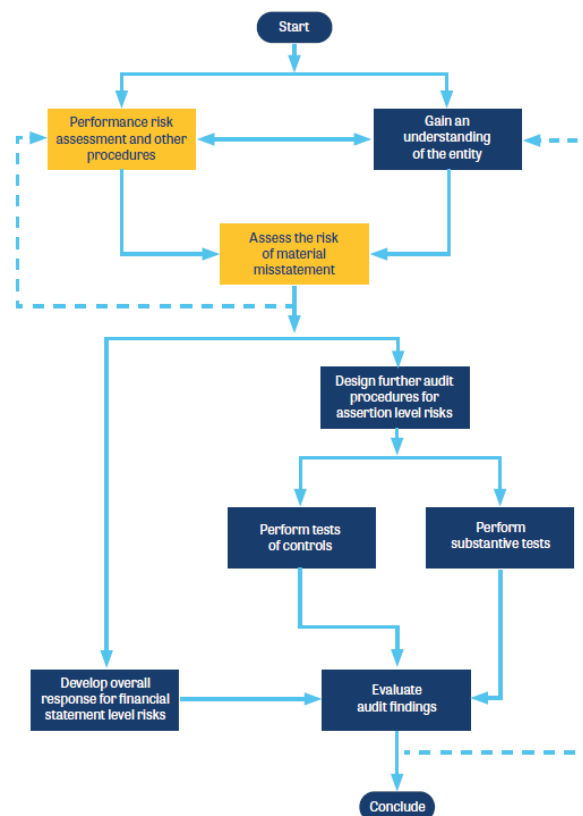
We will hold a planning session with the key members of our engagement team and your personnel.

During our planning session with management, we will also address AU-C Section 240, "Consideration of Fraud in a Financial Statement Audit." This auditing standard requires that we conduct certain meetings and interviews and perform and document certain procedures for identifying and responding to fraud risks.

As part of the audit planning and risk assessment phase of the audit, we will request a meeting with management to discuss our planned audit approach and any significant audit and accounting issues, as well as address any concerns.

As part of that process, we will conduct a pre-audit conference with appropriate management personnel to discuss the scope and timing of the audit.

The risk assessment audit standards require assessments based on an understanding of the internal controls over your financial reporting and our determination of the areas that present risks of material misstatement to your financial statements. We will then design our audit approach to include tests of the specific internal controls and substantive audit procedures that are tailored to the identified risks. Our risk assessment includes consideration of the factors depicted on the chart below.





Year-End Fieldwork

During the year-end phase of our audit, we will complete our audit work based on the audit programs designed specifically for the Coalition. This will include the results of our risk assessment and interim testing results, and we will issue a report on the financial statements in a timely and efficient manner.

Reporting

This phase will include the following:

- ♦ reviewing the financial statements and reconciling them to underlying audited records,
- ♦ evaluating the financial statements for compliance with GAAP requirements,
- ♦ formulating an opinion as to the fair presentation of the financial statements and
- ♦ preparing management letter with recommendations and communication letter to management.

We will immediately submit to management a written report of all irregularities and illegal acts, or indications of illegal acts, of which we become aware.

Audit Focus

Based on our audit experience with similar governmental entities, the primary areas of the audit on which we will focus include:

- ♦ Cash and investments
- ♦ Inventory
- ♦ Capital assets
- ♦ Accounts payable and expenditures
- ♦ Compliance with laws and regulations
- ♦ Commitments and contingencies
- ♦ Implementation of pronouncements of the Governmental Accounting Standards Board (GASB)

Closing Conferences and Formal Presentation

We believe regular communication with management will be a critical part of the success of our audit engagement. Therefore, we will provide regular updates to management regarding the progress of the audit during meetings with key personnel.

Additionally, the engagement partner will meet with management to review any potential adjusting journal entries, drafts of the management comment letter, communication with those charged with governance (AU-C 260) letters and a draft of the financial statements.

We will complete our work in sufficient time to meet the applicable deadlines. If required, we will make a formal presentation of the audit results and reports to management and will remain available to respond to their questions.

COST QUOTE

Description of Services	Total \$ FY 2023-24	(Optional) Total \$ FY 2024-25
Financial Statement Audit	\$ 7,480	\$ 7,480
State Controller's Report	800	800
Total All-Inclusive Maximum Fee	\$ 8,280	\$ 8,280

Staff Classification	Quoted Hourly Rate (FY 2023-24)	Hours	Total
Partner	400	2	\$ 800
Manager	300	-	-
Supervisor	235	8	1,880
Senior	200	10	2,000
Audit Staff	135	15	2,025
Support Staff	105	15	1,575
Total			\$ 8,280

Our proposed fees are based upon our current understanding of the work to be performed as outlined under the Scope of Services, and we give you a "Total All-Inclusive Maximum Fee" for these services. These fees are made with the following assumptions: 1) the Coalition's books will be properly closed and reconciled, 2) records will be complete and readily available at the start of the engagement and 3) representations made to us during this quote process will remain effective throughout the engagement.

In the event disclosures in the audit engagement indicate extraordinary circumstances that warrant more intensive and detailed services, we will provide to management in writing and in advance the reasons for the additional services together with the firm's estimate of costs, and a statement that no work will be performed without advance approval by the Auditor. Any and all additional work as agreed in advance by the Auditor will be compensated for at the same rate quoted in this cost quote.



Report on the Firm's System of Quality Control

Price, Paige & Company A C

Clovis, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Price, Paige & Company A C (the firm) in effect for the year ended April 30, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

CPAs ■ Advisors

4120 Concoors, Suite 100, Ontario, CA 91764
909.948.9990 / 800.644.0696 / FAX 909.948.9633
gyl@gylcpa.com
www.gylcpa.com

CPAmerica
Member  Crowe Global

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Price, Paige & Company A C in effect for the year ended April 30, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Price, Paige & Company A C has received a peer review rating of *pass*.

GYL LLP

Ontario, California
November 19, 2021





**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT**

Date: December 5, 2024
To: Southeast Water Coalition Board of Directors
From: Glen W. C. Kau, P.E., AE Chair, City of Norwalk
Submitted By: Derek Nguyen, Ph.D., P.E. – AE Member, City of Lakewood (Draft Letter)

Subject: DISCUSSION/ACTION REGARDING SEWC FOLLOW-UP LETTER TO THE DIVISION OF DRINKING WATER – HOLLYWOOD DISTRICT

Recommendation: Approve and send follow-up letter to Division of Drinking Water to address regulatory authority for water quality oversight and enforcement.

Background:

On April 4, 2024, the SEWC Board sent a letter to the Executive Director of the State Water Resources Control Board - Division of Drinking Water (DDW) expressing concerns regarding experiences some member cities faced with the local DDW District office when applying for operating permit amendments. The Board requested a meeting with DDW to address concerns with requirements imposed by the local DDW District office that were not found to be based on established laws and regulations. Some conditions requested by DDW were required without DDW providing defensible reasons. This caused unnecessary delays and denied member cities the ability to operate their water facilities.

Following the issuance of the letter, DDW Southern California Branch Deputy Director, and Section Chief met with AE Members to review the content of the letter. The AE Members expressed concerns with respect to permit delays, questionable requirements, and the desire to address those issues.

Since then, staff has seen more involvement from the new Section Chief in the permitting process, and an improvement on DDW's willingness to work with SEWC member cities. However, DDW staff continue to impose disputable permit conditions on some SEWC cities.

The latest example came from a permit issued to one of our member cities with 11 additional permit conditions. DDW staff referenced California Health and Safety Code, section 116540 and reiterated their position that DDW has broad authority to "*impose permit conditions, requirements for system improvements, technical, financial, or*

Agenda Item: 6

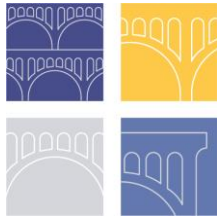
managerial requirements, and time schedules as it deems necessary to ensure a reliable and adequate supply of water at all times that is pure, wholesome, potable, and does not endanger the health of consumers.”

The Hollywood District staff imposed these additional conditions without providing evidentiary support of prior incidents that demonstrate those permit conditions are necessary in order “to ensure supply of water does not endanger the health of consumers” per California Health and Safety Code, section 116540. The subject water system has and continues to meet all state drinking water standards without endangering the health of its consumers. California Health and Safety Code, section 116540 specifically states that DDW “may” impose permit conditions, but evidence must be provided to justify the use of such discretion.

The purpose of this agenda item is to review and discuss the attached draft letter to determine the SEWC’s next steps to express ongoing concern regarding DDW permit requirements.

Attachments:

1. *Draft* SEWC Follow-Up Letter to DDW – Hollywood District – City of Lakewood



December __, 2024

VIA E-MAIL AND FIRST CLASS MAIL

Sean F. McCarthy, P.E.
Assistant Deputy Director
Southern California Field Operations Branch
State Water Resources Control Board
Division of Drinking Water
Sean.McCarthy@waterboards.ca.gov

Re: Division of Drinking Water – Hollywood Branch Issues

Dear Mr. McCarthy:

This letter is being submitted on behalf of the Southeast Water Coalition (“SEWC”), a joint powers authority consisting of eleven cities situated in southeast Los Angeles County.¹ SEWC’s mission is to improve and protect the quantity and quality of the regional water supply.

This letter expresses SEWC’s continued concern with respect to regulatory overreach that is occurring at the Division of Drinking Water’s (“DDW”) Hollywood branch. As stated on the State Water Resources Control Board’s website, DDW is charged with regulating public water systems and ensuring that all Californians have access to safe drinking water. In that regard, DDW’s interests and SEWC’s members interests are aligned, as SEWC’s members strive to provide safe drinking water to their residents in fulfilling the mission stated above. DDW and SEWC’s members share that primary concern to ensure public health in connection with the supply of drinking water.

DDW carries out its duties in a variety of ways, including enforcing applicable drinking water regulations, primarily those specified in Title 22 of the California Code of Regulations. SEWC understands that important duty and appreciates DDW’s efforts in carrying out its duties. However, over the past several years, problems have arisen in several instances where DDW staff has gone beyond those regulations and imposed additional requirements that are not specified in the regulations. In imposing such additional requirements, DDW staff creates “underground regulations” that exceed the duly adopted regulations that have been properly vetted through the Administrative Procedures Act (the “APA,” Government Code Sections

¹ SEWC consists of the cities of Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon and Whittier.



11340 et seq.). With respect to application of the APA, the Office of Administrative Law, the body that approves state regulations, states:

“If a state agency issues, utilizes, enforces, or attempts to enforce a rule without following the APA when it is required to, the rule is called an ‘underground regulation.’ State agencies are prohibited from enforcing underground regulations.”

The APA’s purpose is to give the public a chance to take part in the creation of state regulations. This public participation helps to ensure that regulations are clear, necessary and legally valid. The APA also provides a fair and independent way to resolve matters. When a state agency circumvents the APA by imposing “underground regulations,” it circumvents these safeguards and violates the due process rights of the persons and entities being regulated.

Furthermore, the water quality regulations set forth in Title 22 enable all water systems to review and understand their regulatory obligations. Those water systems are then able to take the specified regulations into account when making decisions concerning their operation. However, when requirements are added that exceed the scope of the adopted regulations, it creates uncertainty among water systems and requires research and analysis regarding what is truly applicable from a regulatory standpoint. A recent example of this is where a water system was informed it was required to have 24-hour in person staffing of its water treatment plant, which exceeded the regulation’s provisions that allow for SCADA monitoring without in person staffing. That water system was then required to engage in multiple communications with DDW staff to “prove its case” with respect to the fact that 24-hour in person was not required under the applicable regulation – something of which DDW staff should have been aware.

DDW staff on a number of occasions have claimed DDW has broad authority to impose permit conditions without specific citations to authority that supports such permit conditions. Under such asserted pretext, water systems have had to deal with numerous unnecessary requests because Hollywood District staff believed that it has unlimited authority to impose any permit conditions it sees fit, irrespective of costs, practicality or even necessity in protecting public health.

On November 5, 2024, DDW staff cited California Health and Safety Code section 116540 to a water system and reiterated its position that it has authority to “impose permit conditions, requirements for system improvements, technical, financial, or managerial requirements, and time schedules as **it deems necessary to ensure** a reliable and adequate **supply of water** at all times that is pure, wholesome, potable, and **does not endanger the health of consumers.**”



Certainly, Section 116540 can be read to provide broad authority to the State Water Board to impose permit conditions that are “necessary to ensure a reliable and adequate supply of water at all times that is pure, wholesome, potable, and does not endanger the health of consumers.” However, that authority cannot be interpreted as unlimited – otherwise, that statute would result in authority to effectively adopt the prohibited underground regulations discussed above. We believe the proper interpretation of Section 116540 is that the authority it provides must be limited to situations where a permit condition is truly necessary to avoid endangering the public health. Moreover, the burden should be on DDW, as the regulating entity, to provide justification for why such a permit condition is necessary and how it can protect the public health.

As you are aware, the Human Right to Water enacted in California provides “every human being has the right to safe, clean, affordable, and accessible water.” Water suppliers throughout the state strive to meet this standard, but the ability to provide affordable water is significantly impacted by regulatory burdens placed on water suppliers. Water suppliers understand the need to truly protect public health, but having unnecessary permit conditions placed on water suppliers, which do not result in material benefits to public health, places additional financial burdens on such suppliers. The Hollywood District staff continues to impose additional permit conditions without providing any evidence of their need or any historical support concerning prior violations which has led DDW to conclude those permit conditions were “**necessary**” in order “**to ensure supply of water does not endanger the health of consumers**” as specifically provided in Section 116540.

In addition, where a water system is providing water service in accordance with all regulatory requirements, including compliance with all drinking water standards, a claim that permit conditions are “necessary” to protect public health is not well-founded. That position undermines existing regulations and creates a scenario where the statutory authority of Section 116540 would swallow those regulations.

Put another way, if the water system continues to meet drinking water standards, then it does not endanger its public health. This would prove those permit conditions are not substantiated and are unwarranted and unnecessary. The reasonable reading of Section 116540 is that DDW must **provide evidence to justify the use of such provision** to protect public health, not by conclusory declarations from DDW staff that it deems the permit conditions necessary.

Furthermore, the claim those permit conditions are necessary undermines **public confidence and erodes public trust** by falsely asserting that without implementation of those unwarranted conditions, the water system would fail to meet standards and endanger public health. Without the evidence or history to support that contention, the assertion abuses DDW’s

Sean F. McCarthy, P.E.
State Water Resources Control Board
Division of Drinking Water
December __, 2024
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discretion and overreaches in applying applicable law, essentially creating an underground regulation, which is prohibited by statute.

Based on these issues, SEWC respectfully requests that you emphasize to the Hollywood branch the need to focus their regulatory actions on matters that are set forth in the applicable regulations and **cease imposing requirements that exceed the scope of the regulations**. SEWC would be happy to participate in any meetings among interested parties to further discuss these issues.

In closing, SEWC understands the need to protect public health by providing safe drinking water. Its members strive to do just that at the lowest cost possible. Having to consistently contest added requirements that exceed the stated regulations renders it unnecessarily more difficult and more expensive to fulfill those duties.

SEWC requests DDW's cooperation in re-examining its practice specifically within the Hollywood District office to eliminate any unnecessary permit requirements that continue to result in permit delays, increased costs and wastes of time on issues that should never have been raised in the first place. SEWC encourages you to explicitly prohibit any misuse of state law or regulation intentionally or otherwise and to discourage regulatory overreach intentionally or otherwise, that results in undermining public confidence and erodes public trust that SEWC's members work hard every day to build and maintain for their respective customers.

Finally, we encourage you to provide follow-up training so that DDW staff have a greater understanding of the regulations they are enforcing and most importantly, the limits of their authority and regulatory reach. SEWC sincerely hopes to avoid further potential legal or procedural escalation of these matters.

Please do not hesitate to contact me if you desire to further discuss this matter by phone at (626) 793-9400 or by e-mail at jciampa@lagerlof.com.

Very truly yours,

James D. Ciampa

JDC/cc

Sean F. McCarthy, P.E.
State Water Resources Control Board
Division of Drinking Water
December __, 2024
Page 5



cc: Ashley Dummer, P.E. – Southern California Section Chief
Southeast Water Coalition Board Members:
Ana Valencia – SEWC Chair - Council Member – City of Norwalk
Chuong Vo – SEWC Vice Chair - Mayor Pro Tem – City of Cerritos
Kevin Lainez – Council Member – City of Commerce
Mario Trujillo – Mayor – City of Downey
Todd Rogers – Mayor – City of Lakewood
Isabel Aguayo – Council Member – City of Paramount
Andrew C. Lara – Mayor – City of Pico Rivera
Joe Angel Zamora – Council Member – City of Santa Fe Springs
Maria del Pilar Avalos – Council Member – City of South Gate
Melissa Ybarra – Mayor Pro Tem – City of Vernon
Octavio Cesar Martinez – Council Member – City of Whittier



**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
AGENDA REPORT**

Date: December 5, 2024
To: Southeast Water Coalition Board of Directors
From: Glen W. C. Kau, P.E., AE Chair, City of Norwalk
Submitted By: Kyle Cason, P.E., - AE Member, City of Whittier (Draft Letter)
Derek Nguyen, Ph.D., P.E. – AE Member, City of Lakewood (Draft Letter)

**Subject: WATER REPLENISHMENT DISTRICT BUDGET ADVISORY
COMMITTEE LETTER**

Recommendation: Approve and send letter to the Water Replenishment District to address concerns regarding the Budget Advisory Committee.

Background:

The Water Replenishment District (WRD) Budget Advisory Committee (BAC), which has been reviewing the budget since 2018, recently elected three new members. The BAC plays an important role in shaping the WRD's priorities that impact SEWC cities. Post election, and despite a public promise to maintain it, WRD expressed intentions to restructure the BAC. With approval by the WRD Board on November 19, 2024, the BAC was transitioned to a new structure. WRD acknowledged the results of the current BAC election and modified the composition of the BAC to include six additional members from the west coast basin for the 2024-2025 fiscal year. The new formation and structure of the BAC has caused concern with SEWC AE Members.

The purpose of this agenda item is to review and discuss draft letters submitted by AE Members. Also, to determine the SEWC's next steps to express ongoing concern regarding WRD's BAC.

Attachments:

1. WRD Staff Report
2. WRD Resolution No. 24-1237
3. *Draft* SEWC Letter to WRD Board President – City of Whittier
4. *Draft* SEWC Letter to WRD Board President – City of Lakewood



MEMORANDUM

ITEM NO. 7

DATE: NOVEMBER 19, 2024

TO: BOARD OF DIRECTORS

FROM: STEPHAN TUCKER, GENERAL MANAGER

SUBJECT: RESOLUTION NO. 24-1237: RESOLUTION OF THE BOARD OF DIRECTORS OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA ACKNOWLEDGING THE RESULTS OF THE MEMBERSHIP ELECTION OF THE BUDGET ADVISORY COMMITTEE AND AMENDING THE COMPOSITION OF THE BUDGET ADVISORY COMMITTEE FOR FISCAL YEAR 2024-2025

SUMMARY

At the Special Board of Directors meeting of October 2, 2024, the Board directed District Counsel and staff to review the Budget Advisory Committee and Technical Advisory Committee selection process and propose revisions to the policy to ensure representation from the Central and West Coast Basins.

At the November 5, 2024, Regular Board of Directors meeting, the Board of Directors created an Ad Hoc to solicit feedback from pumpers. The Ad Hoc met with pumpers of both the Central and West Coast Basins on Wednesday, November 13, 2024, and proposed an interim solution for the next budgetary cycle that will commence in January 2025. Resolution 24-1237 provides a summary of the Ad Hoc recommendations for the Board's consideration and approval.

FISCAL IMPACT

None

RECOMMENDATION

The Ad Hoc Committee created by the Administrative Committee recommends that the Board of Directors adopt Resolution No. 24-1237 subject to approval by District Counsel.

RESOLUTION NO. 24-1237

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
ACKNOWLEDGING THE RESULTS OF THE MEMBERSHIP ELECTION OF THE
BUDGET ADVISORY COMMITTEE AND AMENDING THE COMPOSITION OF THE
BUDGET ADVISORY COMMITTEE FOR FISCAL YEAR 2024-2025**

WHEREAS, the Water Replenishment District of Southern California (“District”) boundaries include two separate groundwater basins, the central and west coast basins; and

WHEREAS, the District has maintained the Budget Advisory Committee (“BAC”) a separate non-board adjunct committee with the goal of obtaining input and recommendations from pumpers of both the central and west coast basins in matters relating to the District’s annual replenishment assessment, budgeting, and reserves; and

WHEREAS, the District conducted its normal election for the BAC, which resulted in unequal representation between the basins; and

WHEREAS, the District in its goal of equal representation by its pumpers from each basin, hereby acknowledges the results of the prior BAC election and modifies the composition of the BAC to include six additional members from the west coast basin for the 2024-2025 fiscal year in an effort to balance the basin representation of the BAC.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The District finds that the above recitals are true and correct and hereby adopts the above recitals as findings of fact.

2. The results of the prior 2024 BAC election listed below are hereby acknowledged as members of the BAC:

Category A: Orchard Dale Water/Ed Castaneda

Category B: Vernon/Joanna Moreno

Category C: South Gate/Chris Castillo

3. The District hereby makes the following modifications to the current composition of the Budget Advisory Committee. Supplementing the existing provisions of the District Administrative Code for fiscal year 2024-2025 with the following:

The Existing membership established in Section 4.3.2 of the District’s

Administrative Code, shall be supplemented with six additional members from the west coast basin for Fiscal Year 2024-2025 as hereinafter provided.

The composition of the BAC shall be supplemented in the following categories:

Category A: Two members from the west coast basin; consisting of a member from the City of Manhattan Beach and one to be elected.

Category B: Two members from the west coast basin; consisting of a member from the City of Torrance and one to be elected.

Category C: Two members, consisting of members from LADWP and Long Beach Utilities.

The election for Categories A & B above shall be conducted in the same manner as provided for in the District Administrative Code.

PASSED and ADOPTED by the Board of the Water Replenishment District of Southern California on November __, 2024 by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED:

ATTEST:

Joy Langford
President, Board of Directors

Vera Robles DeWitt
Secretary, Board of Directors

APPROVED AS TO FORM:

Leal Trejo APC
WRD General Counsel



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

December 5, 2024

**Joy Langford, Board President
Water Replenishment District
4040 Paramount Boulevard
Lakewood, CA 90712**

Subject: Water Replenishment District- Budget Advisory Committee

On behalf of the Southeast Water Coalition Joint Powers Authority (SEWC), I am writing to express our appreciation for the continued partnership and updates that the Water Replenishment District (WRD) has provided to our Board of Directors. Since the creation of SEWC in July 1991, our member cities have worked collaboratively to improve and protect the quality and quantity of our regional water supply. Our joint efforts aim to ensure the sustainability of the water resources that serve a population of approximately 670,000 across 93+ square miles.

The SEWC Board of Directors, consisting of one Councilmember from each of our eleven member cities—Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon, and Whittier—values the regular updates we receive from WRD, as well as from other agencies such as the Central Basin Municipal Water District, the Department of Toxic Substances Control, the Division of Drinking Water, and various consultants. These reports are crucial in helping our Board stay informed about critical water quality issues impacting our communities.

We also want to express our ongoing concern regarding WRD's Budget Advisory Committee and the important role it plays in shaping the district's priorities. The SEWC Board remains committed to staying informed and engaged in the decision-making processes that impact our Central Basin communities. We recognize that the Central Basin pumpers account for approximately 80% of WRD's replenishment assessment. This significant share highlights the importance of collaboration and effective management in ensuring equitable contributions from all parties involved. We look forward to working closely with WRD to ensure that our communities are well-represented in future discussions and decisions.

Thank you once again for your continued support and for the valuable work that WRD does to protect and replenish our local water supply.

Sincerely,

SEWC Board Chair



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

December 5, 2024

Joy Langford – Board President
Water Replenishment District
4040 Paramount Blvd.
Lakewood, CA 91201

Subject: Water Replenishment District (WRD) – Budget Advisory Committee (BAC)

Dear President Langford:

This letter is being submitted on behalf of the Southeast Water Coalition (“SEWC”), a joint powers authority consisting of eleven cities situated in southeast Los Angeles County.¹ It has been brought to our attention that on November 19, 2024, WRD’s Board adopted a resolution to modify the composition of the BAC. The modification would include six additional members specifically from West Coast Basin (WCB) in an effort to “balance the basin representation of the BAC”. We have since learned that four members have already been named without a proper election by their peers when the existing (7) members had to be elected per the District Administrative Code.

We are greatly disappointed and appalled by the Board’s decision to make such modification under the pretext of fairness and equity. We believe that the Board needs to recognize that WCB owns only 23% of the pumping rights relative to Central Basin, which owns 77% of pumping rights within your service area. Additionally, according to WRD’s 2023-2024 draft Annual Watermaster Reports, WCB pumped approximately 36,897 AF and paid 19% of the Replenishment Assessment (RA) while Central Basin pumped significantly more at approximately 155,591 AF and paid 81% of the RA.

Despite this fact, the Board deliberately and intentionally sought to ensure WCB pumpers have 50% of the votes on the BAC. To make matters worse, we believe that the new composition of the BAC not only guarantees WCB has at least 50% of the votes, it also ensures that there are more pumpers who have rights in WCB than those who pump from Central Basin. We cannot help but wonder what type of analysis or rationale were presented to the Board to justify to all of its pumpers that such actions are fair and equitable for the basins.

As elected officials, we must uphold our commitment to providing fairness and equity to all those we represent. The BAC Committee, as it was intended was to allow pumpers to be engaged and involved in WRD’s budgetary process. The pumpers’ involvement helps to ensure the RA has confidence and credibility as it directly impacts every pumper. This process must be left independent of the Board’s involvement in order to maintain the highest level of integrity and BAC members should be voted in by their peers just as it has been since 2018.

¹ SEWC consists of the cities of Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon and Whittier.



Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

Given that pumpers in the WCB own only 23% of the pumping rights and pay only 19% of the assessment to WRD, we as members of the SEWC Board, representing 11 cities cannot justify to our constituents how giving WCB 50% representation on the BAC is fair and equitable. We also do not see how it is fair when WRD Board names four (4) new members without allowing them to be elected by their peers just as the current 7 members had to go through as referenced in the District Administrative Code.

We respectfully urge you to re-consider your decision and we ask that you share with us your rationale, legal and procedural justifications on how WRD Board believes the new process and representation is fair and equitable. We are particularly interested in providing an explanation to Central Basin pumpers who pays 81% of the assessment and own 77% of the pumping rights that having 50% representation on the BAC is a fair and equitable proposition.

We appreciate the opportunity to share with you and the Board our concerns. We look forward to working closely with WRD to ensure that our communities are well-represented in these important discussions and decisions that impact our members directly. We thank you for your attention to this matter and we look forward to receiving your response.

Sincerely,

Ana Valencia – SEWC Chair
Council Member – City of Norwalk

Cc: Southeast Water Coalition Board Members:
Chuong Vo – SEWC Vice Chair - Mayor Pro Tem – City of Cerritos
Kevin Lainez – Council Member – City of Commerce
Mario Trujillo – Mayor – City of Downey
Todd Rogers – Mayor – City of Lakewood
Isabel Aguayo – Council Member – City of Paramount
Andrew C. Lara – Mayor – City of Pico Rivera
Joe Angel Zamora – Council Member – City of Santa Fe Springs
Maria del Pilar Avalos – Council Member – City of South Gate
Melissa Ybarra – Mayor Pro Tem – City of Vernon
Octavio Cesar Martinez – Council Member – City of Whittier

¹ SEWC consists of the cities of Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon and Whittier.