

AGENDA
SOUTHEAST WATER COALITION
REGULAR MEETING OF THE ADMINISTRATIVE ENTITY

City of Vernon
City Hall – Conference Room 3
4305 S. Santa Fe Avenue
Vernon, CA 90058

THURSDAY, MAY 16, 2024
12:00 PM

1. ROLL CALL

2. PUBLIC COMMENTS

3. CONSENT CALENDAR

a. SEWC ADMINISTRATIVE ENTITY MINUTES OF March 21, 2024 REGULAR MEETING

Recommendation: Approve minutes as submitted.

4. FY 2024-25 BUDGET

Joanna Moreno, AE Chair, City of Vernon

Recommendation: Discuss FY 2024-25 budget prior to bringing it to the June 6, 2024 Board Meeting for approval.

5. DISCUSSION REGARDING LEAD AGENCY TRANSFER & SCHEDULE

Joanna Moreno, AE Chair, City of Vernon

Recommendation: Discuss the upcoming Lead Agency transfer & updated 2024-25 schedule.

6. DISCUSSION/ACTION RESPONSE LETTER CONCERNING WNOU

Joanna Moreno, AE Chair, City of Vernon

Recommendation: Discuss letter and determine if further action is needed.

7. NATIONAL PRIMARY DRINKING WATER REGULATION FOR SIX PFAS UPDATE

Joanna Moreno, AE Chair, City of Vernon

Recommendation: Receive and file update on the PFAS National Primary Drinking Water Regulation.

8. 2023 FINALIZED AUDIT UPDATE

Joanna Moreno, AE Chair, City of Vernon

Recommendation: Receive and file the 2023 SEWC Audit.

9. JUNE 6, 2024 BOARD OF DIRECTORS AGENDA

Joanna Moreno, AE Chair, City of Vernon

Recommendation: Discuss the SEWC Board of Directors Agenda for June 6, 2024.

10. WRITTEN COMMUNICATIONS

11. ADMINISTRATIVE ENTITY MEMBER COMMENTS

On May 13, 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 City of Vernon Public Utilities Department at least 24 hours in advance of the meeting at (323) 583-8811 ext. 888.

The next meeting of the Southeast Water Coalition Administrative Entity will be on Thursday, July 18, 2024, 12:00 p.m., at Norwalk City Hall, 12700 Norwalk Blvd, Norwalk, CA 90650.



**Southeast
Water Coalition**

A joint powers authority to protect the Central Groundwater Basin

**MINUTES OF THE SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
REGULAR MEETING OF THE ADMINISTRATIVE ENTITY**

**THURSDAY, MARCH 21, 2024
12:00 NOON**

The Regular Meeting of the Southeast Water Coalition Joint Powers Authority Administrative Entity, held in-person at the Vernon City Hall Council Chamber, was called to order at 12:00 p.m. by AE Chair Joanna Moreno. At the time the meeting was called to order, a quorum of members was present.

Ms. Grace Kast took attendance, and the following Administrative Entity members were present:

ITEM 1 - ROLL CALL

Andrew Caraveo	City of Commerce
Dan Mueller	City of Downey
Derek Nguyen	City of Lakewood
Glen Kau	City of Norwalk
Adriana Figueroa	City of Paramount
Sarina Morales-Choate	City of Santa Fe Springs
Joanna Moreno, AE Chair	City of Vernon

STAFF AND GUESTS ON SIGN-IN SHEET:

Grace Kast	SEWC Staff
Michelle Miller	Paramount

ITEM 2 – PUBLIC COMMENT

None.

ITEM 3 - CONSENT CALENDAR

Director Mueller moved to approve the consent calendar.

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

AYES: Caraveo, Mueller, Nguyen, Kau, Moreno, Morales-Choate

NOES: None.

ABSTAIN: Figueroa

ITEM 4 - DISCUSSION/ACTION REGARDING PFAS PERMITTING DRAFT LETTER

Staff reported that at the February 1, 2024 Policy Board Meeting, the members discussed the draft letter to the State Division of Drinking Water "DDW" and requested additional edits to the letter per their discussion. The edits had been made and a new draft was now ready for final comments from the AE members. During discussions, the AE was made aware that DDW recently retained a new Section Chief for the local division named Sean McCarthy. Members expressed the need to share the draft letter with the new section chief prior to sharing it with the Policy Board and ultimately mailing it to the Executive Director. After general discussion, staff was requested to make minor changes and send it out to the AE members via email for a final round of review and comments.

Director Figueroa moved to approve the following:

Make final revisions via email amongst the AE Members and authorize Derek Nguyen to share the final draft with the DDW's new Section Chief Sean McCarthy prior to the Policy Board Meeting on April 4th.

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

AYES: Caraveo, Nguyen, Kau, Moreno, Figueroa, Morales-Choate, Mueller

NOES: None.

ABSTAIN: None.

ITEM 5 – PFAS GENERAL ORDER UPDATE

Ms. Moreno updated the members on the latest General Order No. 2024-0002-DDW issued by the State Water Resources Control Board. This order mandates the monitoring of PFAS in public water systems.

The AE members reviewed the comprehensive list of public water systems affected by the latest order. Each member city will address the order individually as required.

ITEM 6 – LEGISLATIVE UPDATE

Ms. Moreno reviewed relevant legislation with their respective status. She reported that some of the key legislation which have been referred to committees included AB1851 (Holden D) regarding drinking water lead testing at school sites and SB903 (Skinner D) regarding the manufacture, distributing, selling or offering for sale any product which contains PFAS with the exception of those products that cannot avoid the use of PFAS as determined by the Department of Toxic Substances Control.

ITEM 7 – MAKING CONSERVATION A CALIFORNIA WAY OF LIFE UPDATE

Ms. Moreno reported on an update of the proposed regulation Making Conservation a California Way of Life. She stated that on March 12, 2024, a notice was given by the State Water Resources Control Board addressing the updated text of the proposed regulation.

The members reviewed the enclosed Fact Sheet and agreed that it would be helpful to request a presentation on the regulation at the next Policy Board Meeting. Mr. Nguyen suggested that staff reach out to Chelsey Haines at the Association of California Water Agencies who would be an excellent resource for the information/presentation. Ms. Kast indicated that she would make a request with Ms. Haines.

ITEM 8 – APRIL 4, 2024 BOARD OF DIRECTORS AGENDA

The following items were discussed as potential agenda items for the Board Meeting on April 4, 2024.

- Presenting the revised letter to DDW regarding permitting
- Presentation regarding Making Conservation a California Way of Life Update

ITEM 9 – WRITTEN COMMUNICATIONS

None.

ITEM 10 - ADMINISTRATIVE ENTITY MEMBER COMMENTS

General discussion took place regarding the Lead Agency transfer process from Vernon to Norwalk. The first meeting in Norwalk would be the AE meeting on July 18, 2024.

ITEM 11 - ADJOURNMENT

The meeting adjourned at 1:45 p.m.

The next regular Southeast Water Coalition Administrative Entity Meeting will be held on May 16, 2024 at 12:00 p.m. at the Vernon City Hall Council Chamber, 240 W. 4305 S. Santa Fe Avenue, Vernon, CA 90058.

Chair

Date



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

Date: May 16, 2024
To: Southeast Water Coalition Administrative Entity
From: Joanna Moreno, AE Chair, City of Vernon

Subject: FY 2024-25 BUDGET

Recommendation: Discuss FY 2024-25 Draft Budget prior to bringing it to the June 6, 2024 Board Meeting for approval.

Discussion:

The Proposed Draft Budget for Fiscal Year (FY) 2024-25 includes the Approved Budget for FY 2023-24, Total Projected Expenditures for FY 2023-24, and a Proposed Budget for FY 2024-25. The Ending Balance for the FY 2023-24 stands at \$176,374, reflecting both actual expenditures and projections for the remainder of the ongoing fiscal year. This is higher than the Approved Budget of \$137,584 due to lower projected expenditures.

Anticipated member agency dues for FY 2024-2025 are projected at \$60,500, inclusive of credits to member agencies. With total expenditures projected to increase during the FY 2024-25, the Proposed Budget indicates an Ending Balance of \$120,094.

Attachments:

1. Fiscal Year 2024-2025 Draft Budget.

SOUTHEAST WATER COALITION JOINT POWERS AUTHORITY

FISCAL YEAR 2024-2025 DRAFT BUDGET

	FY 2023-2024		FY 2024-2025
	Approved Budget	Total Projected Expenditures	Proposed Budget
Carryover Balance	\$190,384	\$190,384	\$176,374
Revenues:			
Annual Assessments for Member Agencies	\$110,000	\$110,000	\$110,000
Less Credits to Member Agencies	(\$66,000)	(\$66,000)	(\$49,500)
Interest Income	\$1,000	\$1,020	\$1,000
Total Revenues	\$45,000	\$45,020	\$61,500
Available Funds	\$235,384	\$235,404	\$237,874
Expenditures:			
Program Management Services	\$35,000	\$36,930	\$54,480
As Needed Government Relations	\$10,000	\$0	\$10,000
Legal Services	\$10,000	\$5,500	\$10,000
Board/Staff Travel/Meeting Expense	\$1,000	\$0	\$1,000
Financial Audit	\$7,000	\$6,500	\$7,000
Policy Board Compensation	\$9,900	\$5,100	\$9,900
Office Supplies	\$100	\$0	\$100
Policy Board Meetings	\$3,000	\$2,900	\$3,000
Administrative Entity Meetings	\$1,800	\$2,100	\$2,300
Consultant Services	\$20,000	\$0	\$20,000
Consultant Services Contingencies	\$0	\$0	\$0
Total Expenditures	\$97,800	\$59,030	\$117,780
Ending Balance	\$137,584	\$176,374	\$120,094

Notes:

1. Draft Budget - Assumes credit of \$4,500 off of \$10,000 member agency annual dues resulting in total annual dues of \$5,500.



**SOUTHEAST WATER COALITION
JOINT POWERS AUTHORITY
MEETING CALENDAR
FISCAL YEAR 2023 – 2024**

Board of Directors (1st Thursday)

August 1, 2024
October 3, 2024
December 5, 2024
February 6, 2025
April 3, 2025
June 5, 2025

*Dinner served at 6:30 p.m.
Meeting begins at 7:00 p.m.*

Administrative Entity (3rd Thursday)

July 18, 2024
September 19, 2024
November 21, 2024
January 16, 2025
March 20, 2025
May 15, 2025

*Lunch served at 11:30 a.m.
Meeting begins at 12:00 p.m.*



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

Date: May 16, 2024
To: Southeast Water Coalition Board of Directors
From: Joanna Moreno, AE Chair, City of Vernon

Subject: RESPONSE LETTER REGARDING WNOU

Recommendation: Receive and file the response letter from the DTSC regarding WNOU.

Background:

On January 18, 2024, the SEWC Administrative Entity discussed heightened concern regarding operational deficiencies at the Whittier Narrows Operable Unit (WNOU), managed by the California Department of Toxic Substance Control (DTSC). The declining pumping rates at WNOU are insufficient to prevent the spread of a plume of contaminants, specifically Perchloroethylene (PCE) and Trichloroethylene (TCE), into the Central Basin. The inadequate operation poses a risk of contaminating water sources for downstream providers. The letter urges assistance in increasing production to avoid contaminating water in the Central Basin.

The letter was sent to the DTSC and SEWC received a response via email on April 4, 2024. The DTSC noted that testing has shown no evidence of harmful substances and reassured that they are aware of the concerns brought up in the letter from SEWC and are actively working towards solutions.

Attachments:

1. Response letter from DTSC addressing WNOU concerns.



Yana Garcia
Secretary for
Environmental Protection



Department of Toxic Substances Control

Meredith Williams, Ph.D.
Director
8800 Cal Center Drive
Sacramento, California 95826-3200



Gavin Newsom
Governor

April 4, 2024

SENT VIA ELECTRONIC MAIL

Ms. Melissa Ybarra
Chair, Board of Directors
Southeast Water Coalition

RESPONSE TO LETTER FROM SOUTHEAST WATER COALITION (SEWC) REGARDING WHITTIER NARROWS OPERABLE UNIT, SAN GABRIEL VALLEY SUPERFUND SITES

Dear Ms. Ybarra:

Thank you for your letter, dated February 1, 2024, expressing concern about the groundwater extraction and treatment system (GWETS) at the Whittier Narrows Operable Unit (WNOU), which is operated and maintained by the Department of Toxic Substances Control (DTSC) as part of the cleanup of the San Gabriel Valley Superfund Sites. DTSC is committed to operating the WNOU GWETS to ensure that contaminated groundwater within the WNOU is fully contained. In response to your concerns, we provide the following:

- Based on current groundwater monitoring data, contaminated groundwater from the WNOU has not spread from the San Gabriel Main Basin to the Central Groundwater Basin. The Central Basin drinking water production wells immediately downgradient of WNOU show no detectable concentrations of perchloroethylene (PCE) and/or trichloroethylene (TCE). Overall, the existing data indicates that there is no loss in containment of the WNOU plume.
- In 2023, DTSC had to limit its discharge of treated WNOU groundwater to a local surface water impoundment (Legg Lakes) to conform to our WNOU Water Production Agreement with local stakeholders. This resulted in a decline in the

Ms. Melissa Ybarra
April 4, 2024
Page 2

overall WNOU pumping rate that was noted in your letter. That said, DTSC has constructed infrastructure using Proposition 1 grant funds from the State Water Resources Control Board (Water Board) that will allow us to significantly increase the WNOU pumping rate by serving treated groundwater as drinking water to neighboring communities by the end of 2025, pending approval of a Water Board drinking water permit.

- In the meantime, DTSC is actively working with stakeholders to identify opportunities to increase the WNOU pumping rate to the Legg Lakes surface water discharge. Members of my staff are also currently coordinating with SEWC members (City of Whittier) to assist in these efforts. Overall, DTSC is committed to maintaining an appropriate pumping rate to maintain long term plume capture in the WNOU.

Please feel free to contact me at Meredith.Williams@dtsc.ca.gov if you have any further questions.

Sincerely,



Meredith Williams
Director
Department of Toxic Substances Control

cc: Kyle Cason, PE
Director of Public Works
City of Whittier
13230 Penn Street
Whittier, CA 90602
562-567-9500
kcason@cityofwhittier.org



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

Date: May 16, 2024
To: Southeast Water Coalition Administrative Entity
From: Joanna Moreno, AE Chair, City of Vernon

**Subject: NATIONAL PRIMARY DRINKING WATER REGULATION FOR SIX PFAS
UPDATE**

Recommendation: Receive and file update on the PFAS National Primary Drinking Water Regulation.

Discussion:

On April 10, 2024, EPA announced the final National Primary Drinking Water Regulation (NPDWR) for six PFAS. To inform the final rule, EPA evaluated over 120,000 comments submitted by the public on the rule proposal, as well as considered input received during multiple consultations and stakeholder engagement activities held both prior to and following the proposed rule.

EPA finalized a National Primary Drinking Water Regulation (NPDWR) establishing legally enforceable levels, called Maximum Contaminant Levels (MCLs), for six PFAS in drinking water. PFOA, PFOS, PFHxS, PFNA, and HFPO-DA as contaminants with individual MCLs, and PFAS mixtures containing at least two or more of PFHxS, PFNA, HFPO-DA, and PFBS using a Hazard Index MCL to account for the combined and co-occurring levels of these PFAS in drinking water. EPA also finalized health-based, non-enforceable Maximum Contaminant Level Goals (MCLGs) for these PFAS.

This new rule will significantly reduce the level of PFAS in drinking water across the United States. Many states have worked to monitor for and reduce PFAS exposure in drinking water through state-specific regulations. This rule builds on these efforts by incorporating the latest science and establishing a nationwide, long-term health protective level for these specific PFAS in drinking water. Communities and states will need to determine whether PFAS is in their drinking water and take actions such as notifying consumers and reducing the levels of PFAS, as needed.

Attachments:

1. PFAS National Primary Drinking Water Regulation Fact Sheet



PFAS National Primary Drinking Water Regulation

Introduction

Safe drinking water is fundamental to healthy people and thriving communities. President Biden believes that all people in the United States should have access to clean, safe drinking water. Since the beginning of the Biden-Harris Administration, EPA has been delivering on the promise to protect communities from the harmful effects of toxic substances, including carcinogens. PFAS are a series of man-made chemical compounds that persist in the environment for long periods of time. They are often called “forever chemicals.” For decades PFAS chemicals have been used in industry and consumer products such as nonstick cookware, waterproof clothing, and stain resistant furniture. These chemicals have been important for certain industries and uses. And the latest science shows that these chemicals are harmful to our health.

PFAS exposure over a long period of time can cause cancer and other serious illnesses that decrease quality of life or result in death. PFAS exposure during critical life stages such as pregnancy or early childhood can also result in adverse health impacts. EPA’s responsibility through the Safe Drinking Water Act is to protect people’s drinking water, and the Biden-Harris Administration is taking action to protect public health by establishing nationwide, legally enforceable drinking water limits for several well-researched PFAS chemicals and reduce PFAS exposure for approximately 100 million Americans served by public drinking water systems.

The Rule

As the lead federal agency responsible for protecting America’s drinking water, EPA is using the best available science on PFAS to set national standards. PFAS can often be found together in water and in varying combinations as mixtures. Decades of research shows mixtures of different chemicals can have additive health effects, even if the individual chemicals are each present at lower levels.

In this final rule, EPA is setting limits for five individual PFAS: PFOA, PFOS, PFNA, PFHxS, and HFPO-DA (known as GenX Chemicals). And EPA is also setting a Hazard Index level for two or more of four PFAS as a mixture: PFNA, PFHxS, HFPO-DA, and PFBS.

Chemical	Maximum Contaminant Level Goal (MCLG)	Maximum Contaminant Level (MCL)
PFOA	0	4.0 ppt
PFOS	0	4.0 ppt
PFNA	10 ppt	10 ppt
PFHxS	10 ppt	10 ppt
HFPO-DA (GenX chemicals)	10 ppt	10 ppt
Mixture of two or more: PFNA, PFHxS, HFPO-DA, and PFBS	Hazard Index of 1	Hazard Index of 1
Maximum Contaminant Level Goal (MCLG): The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety and are non-enforceable public health goals.		

Maximum Contaminant Level (MCL): The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to MCLGs as feasible using the best available treatment technology and taking cost into consideration. MCLs are enforceable standards.

ppt: parts per trillion

Hazard Index (HI): The Hazard Index is a long-established approach that EPA regularly uses to understand health risk from a chemical mixture (i.e., exposure to multiple chemicals). The HI is made up of a sum of fractions. Each fraction compares the level of each PFAS measured in the water to the health-based water concentration.

This new rule will significantly reduce the level of PFAS in drinking water across the United States. Many states have worked to monitor for and reduce PFAS exposure in drinking water through state-specific regulations. This rule builds on these efforts by incorporating the latest science and establishing a nationwide, long-term health-protective level for these specific PFAS in drinking water. Communities and states will need to determine whether PFAS is in their drinking water and take actions such as notifying consumers and reducing the levels of PFAS, as needed.

Water systems must take action to reduce the levels of these PFAS in drinking water if the level of PFAS in their drinking water exceeds regulatory standards. Regulated public water systems have three years to complete their initial monitoring for these chemicals. Systems must include their results in their Annual Water Quality reports to customers. Systems that detect PFAS above the new standards will have five years to implement solutions that reduce PFAS in their drinking water. Water systems must also notify the public if levels of regulated PFAS exceed these new standards.

Impacts and Costs of the Rule

People will live longer, healthier lives because of this action, and the benefits justify the costs. Once implemented, these limits will reduce tens of thousands of PFAS-attributable illnesses or deaths. EPA estimates that once implemented, this regulation will reduce PFAS exposure for approximately 100 million Americans served by public drinking water systems. EPA considered all available information and analyses for costs and benefits, quantifiable and non-quantifiable, of this rule and determined that the benefits justify the costs.

Fewer people will get cancer or liver disease, pregnant women will have reduced risks, and more and children and infants will be stronger and grow healthier. EPA calculated measurable health benefits based on fewer cancers, lower incidents of heart attacks and strokes, and reduced birth complications. These benefits are estimated to be approximately \$1.5 billion per year, and include avoided costs of medical bills, income lost to illness, and death. Additionally, EPA could not quantify all the health benefits, including developmental, cardiovascular, liver, immune, endocrine, metabolic, reproductive, musculoskeletal, and carcinogenic effects, and therefore the benefit estimates are likely greater than \$1.5 billion.

Compliance with this rule is estimated to cost approximately \$1.5 billion annually. The Biden-Harris Administration has dedicated \$9 billion through the Bipartisan Infrastructure Law to help communities impacted by PFAS pollution in drinking water. In addition, another \$12 billion in Bipartisan Infrastructure Law funding is available to communities to make general drinking water improvements, including addressing PFAS chemicals. Estimated costs include water system monitoring, communicating with customers, and – if necessary – installing treatment technologies.

Implementation and Funding

The rule is achievable and implementable. Drinking water utilities will be able to implement these new requirements as control technologies exist and are in use today. Water treatment technologies exist to remove PFAS from drinking water including granular activated carbon, reverse osmosis, and ion exchange systems. EPA's

final rule does not dictate how water systems remove these contaminants. The rule is flexible, allowing systems to determine the best solutions for their community. Public water systems can choose from multiple proven treatment options. In some cases, systems can close contaminated wells or obtain a new uncontaminated source of drinking water.

There is unprecedented funding for drinking water systems impacted by PFAS and other emerging contaminants to provide safe water to communities. We know that PFAS pollution can have a disproportionate impact on small, disadvantaged, and rural communities, and there is federal funding available specifically for these water systems. With today's announcement of the rule, EPA is also announcing nearly \$1 billion for states and territories, through the [Emerging Contaminants in Small or Disadvantaged Communities Grant Program](#), which can be used for initial testing and treatment at both public water systems and to help owners of private wells address PFAS contamination. The nearly \$1 billion announced today is part of the dedicated \$9 billion of Bipartisan Infrastructure Law (BIL) funding for communities with drinking water impacted by PFAS and other emerging contaminants. An additional \$12 billion in Bipartisan Infrastructure Law funding is available to communities to make general drinking water improvements, including addressing PFAS pollution. This funding is available through EPA programs that are part of President Biden's [Justice40 Initiative](#), which set the goal that 40 percent of the overall benefits of certain federal investments flow to disadvantaged communities that are marginalized by underinvestment and overburdened by pollution.

EPA's free [Water Technical Assistance program](#) (WaterTA) is ensuring that disadvantaged communities can access federal funding. Too many communities across America face challenges providing safe drinking water services to their residents, and WaterTA supports communities to identify water challenges; develop plans; build technical, managerial, and financial capacity; and develop application materials to access water infrastructure funding. EPA collaborates with state, Tribes, territories, community partners, and other key stakeholders to implement WaterTA efforts and the end result is more communities with applications for federal funding, quality water infrastructure, and reliable water services. [Learn more here](#).

Additional Resources

Learn more about water infrastructure funding opportunities by visiting EPA's [water infrastructure page](#).

If you are concerned about PFAS in drinking water, there are key actions you can take. People who are concerned about PFAS in their drinking water should first contact their drinking water utility to find out more about their drinking water, including what contaminants may be present, if the utility is monitoring for PFAS, what the levels are, and to see whether any actions are being taken.

If you remain concerned after talking to your utility, then consider using or installing in-home water treatment (e.g., filters) that is certified to lower the levels of PFAS in your water and/or contact your health care provider as well as your state or local health department. You can find more information about water filters that help reduce PFAS [here](#). If you get your water from a home drinking water well, then EPA recommends you conduct regular testing. If PFAS are found, you can take steps to lower the levels of PFAS. For more visit: EPA's website [here](#).



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

Date: May 16, 2024
To: Southeast Water Coalition Administrative Entity
From: Joanna Moreno, AE Chair, City of Vernon

Subject: 2023 FINALIZED AUDIT UPDATE

Recommendation: Receive and file the 2023 SEWC Audit.

Discussion:

The Pun Group, LLP audited the financial statements of the business-type activities of the Southeast Water Coalition as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Coalition's basic financial statements as listed in the table of contents.

For the fiscal year 2022-2023, auditors affirmed the accuracy and compliance of the financial statements as of June 30, 2023, with US accounting principles. They found the accompanying financial statements to be presented fairly, in all material respects, the financial position of the business-type activities of the Coalition, as of June 30, 2023, and the change in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The auditors outlined significant audit findings, providing insights into the audit process.

Attachments:

1. 2022-2023 SEWC Completed Audit.

Southeast Water Coalition

Basic Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2023



Southeast Water Coalition
For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Southeast Water Coalition
Vernon, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Southeast Water Coalition (the "Coalition") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Coalition's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Coalition, as of June 30, 2023, and the change in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Coalition, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

The Pw Group, LLP

Santa Ana, California
March 28, 2024

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the Southeast Water Coalition
Vernon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”), the financial statements of the business-type activities of Southeast Water Coalition (the “Coalition”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the Coalition’s basic financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition’s internal control over the financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Coalition’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Directors
of Southeast Water Coalition
Vernon, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Pw Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
March 28, 2024

BASIC FINANCIAL STATEMENTS

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Southeast Water Coalition
Statement of Net Position
June 30, 2023

	Business-Type Activities
ASSETS:	
Cash	\$ 220,854
Due from member agencies	<u>3,000</u>
Total assets	<u>223,854</u>
LIABILITIES:	
Accounts payable	<u>2,148</u>
Total liabilities	<u>2,148</u>
NET POSITION:	
Unrestricted	<u>221,706</u>
Total net position	<u><u>\$ 221,706</u></u>

Southeast Water Coalition
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

	Business-Type Activities
OPERATING REVENUES:	
Member contributions	\$ 33,000
Total operating revenues	<u>33,000</u>
OPERATING EXPEDITURES:	
Contract services	19,620
Professional services	10,965
Policy Board compensation	5,550
Meeting expense	677
Administration	460
Total operating expenditures	<u>37,272</u>
OPERATING LOSS	<u>(4,272)</u>
NONOPERATING REVENUE:	
Investment income	<u>856</u>
CHANGE IN NET POSITION	(3,416)
NET POSITION:	
Beginning of year	225,122
End of year	<u><u>\$ 221,706</u></u>

Southeast Water Coalition
Statement of Cash Flows
For the Year Ended June 30, 2023

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from member agencies	\$ 36,000
Cash paid to vendors and suppliers for materials and services	<u>(37,305)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,305)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>856</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>856</u>
Net decrease in cash	(449)
CASH:	
Beginning of year	<u>221,303</u>
End of year	<u><u>\$ 220,854</u></u>
OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (4,272)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in due from member agencies	3,000
Change in accounts payable	<u>(33)</u>
Net cash used in operating activities	<u><u>\$ (1,305)</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Southeast Water Coalition
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Financial Reporting Entity and Summary of Significant Accounting Policies

A. Financial Reporting Entity

On July 1, 1991, certain public agencies entered into a joint powers agreement to form the Southeast Water Coalition (the “Coalition”). Each member has one representative on the Policy Board and on the Administrative Entity. The purpose of the Coalition is to jointly exercise its powers for the purpose of improving the quality and quantity of potable water in the southeast area of Los Angeles County. The Coalition members are the cities of Downey, Whittier, Paramount, Pico Rivera, Lakewood, Norwalk, Commerce, Vernon, Cerritos, South Gate, and Santa Fe Springs.

It is the firm position of the Coalition that both the containment at Commerce Narrows and cleanup of the San Gabriel Basin are essential to the protection of the Central Basin. The containment program is the Coalition’s primary short-term focus because the Commerce Narrows containment program serves primarily to protect the Central Basin.

In addition, the Coalition will work with communities and agencies in the San Gabriel Basin to expedite the cleanup of the San Gabriel Basin as a no less important, but longer term, focus. In addition, it is the goal of the Coalition to return the decision-making authority, both in terms of alternatives chosen and lead agency status with respect to the implementation of the containment program at Commerce Narrows and the cleanup of the San Gabriel Basin, to agencies at the local or state level while pursuing funds at the federal, state, and local levels.

B. Basis of Presentation

The financial statements of the Coalition are prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”). Governmental Accounting Standards Board (“GASB”) is acknowledged standard-setting body for establishing accounting and financial reporting standards followed by the governmental entities in the United States.

C. Basis of Accounting and Measurement Focus

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and change in net position, and statement of cash flows) report information on all of the activities of the primary government. The Coalition accounts for its operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses) of providing goods or services on a continuing basis be financed or recovered primarily through member contributions.

The Coalition’s financial statements accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

D. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Southeast Water Coalition
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

E. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation. There is no investment in capital assets reported by the Coalition at June 30, 2023.

Restricted – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There is no restricted net position reported by the Coalition at June 30, 2023.

Unrestricted – This component of net position is the amount of the assets and liabilities that are not included in the determination of investments in capital assets or the restricted component of net position.

Note 2 – Cash

The Coalition's cash was maintained in a deposit and investment pool managed by the City of Vernon during the year ended June 30, 2023. This pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council of the City. The Coalition has not adopted a deposit and investment policy separate from that of the City of Vernon. The Coalition considers the pooled cash and investments with maturity of 3 months or less as cash equivalents.

Information regarding the City of Vernon's deposit and investment pool, including interest rate, credit, and custodial credit risks, can be found in the City of Vernon's Basic Financial Statements for the year ended June 30, 2023, located at City Hall and on the City of Vernon's website.

At June 30, 2023, the Coalition's cash was in the amount of \$220,854.

Note 3 – Commitments and Contingencies

Litigation

In the ordinary course of operations, the Coalition is subject to claims and litigation from outside parties. In the opinion of the Coalition's management, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Coalition.