SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
380 E. Vanderbilt Way, San Bernardino, CA 92408

REGULAR MEETING OF THE BOARD OF DIRECTORS

AGENDA

2:30 p.m. Tuesday, July 5, 2016

CALL TO ORDER/PLEDGE OF ALLEGIANCE/ROLL CALL

1. PUBLIC COMMENT
   Any person may address the Board on matters within its jurisdiction.

2. APPROVAL OF MINUTES
   A. June 21, 2016, Board Meeting (Page 3)

3. DISCUSSION AND POSSIBLE ACTION ITEMS
   A. Consider Review of Directors’ Fees Budget for Fiscal Year 2016-2017 (Page 11)
   B. Consider Fiscal Year 2016-2017 State Water Project Audit Contract with Ernst & Young, LLP (Page 12)

4. REPORTS (Discussion and Possible Action)
   A. General Manager’s Report
   B. Baseline Feeder Committee, June 27 (Page 41)
   C. Directors Activities

5. ANNOUNCEMENTS
   A. July 6, 2016 – Board of Directors’ Workshop, 3:00 p.m. at the District Office
   B. July 11, 2016 – Board of Directors’ Workshop, 3:00 p.m. at the District Office
   C. July 13, 2016 – Reservoir Committee, 3:00 p.m. at the District Office
   D. July 18, 2016 – Association of San Bernardino County Special Districts’ Dinner, El Pescador Restaurant & Meeting Hall, Victorville
   E. July 19, 2016 – SAWPA Commission, 9:30 a.m. at SAWPA
F. July 19, 2016 – Board of Directors’ Meeting, 2:30 p.m. at the District Office
G. July 25, 2016 – Baseline Feeder Committee, 3:00 p.m. at the District Office
H. July 27, 2016 – Board of Directors’ Workshop, 3:00 p.m. at the District Office
I. July 28, 2016 – Debt Service Fund Budget Workshop, 3:00 p.m. at the District Office
J. August 1, 2016 – Basin Technical Advisory Committee, 1:30 p.m. at the District Office
K. August 2, 2016 – SAWPA Committees, 9:30 a.m. at SAWPA
L. August 2, 2016 – Board of Directors’ Meeting, 2:30 p.m. at the District Office

6. CLOSED SESSION
The Board may convene/meet in closed session to discuss the following items.

A. Conference with Legal Counsel – Anticipated Litigation – Pursuant to Government Code Section 54956.9(d)(2) (1 potential case)
B. Conference with Legal Counsel – Existing Litigation – Pursuant to Government Code Section 54956.9(d)(1) – City of San Bernardino v. East Valley Water District, Case No. CIVDS1608620 (San Bernardino Superior Court)
C. Conference with Legal Counsel – Existing Litigation – Pursuant to Government Code Section 54956.9(d)(1) – City of San Bernardino v. San Bernardino Valley Municipal Water District – Case No. CIVDS165532 (CEQA) (San Bernardino Superior Court)
D. Conference with Legal Counsel – Existing Litigation – Pursuant to Government Code Section 54956.9(d)(1) –SoCal Environmental Justice Alliance vs San Bernardino Valley Municipal Water District – Case No. CIVDS1605072 (San Bernardino Superior Court)

7. ADJOURNMENT

PLEASE NOTE:
Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District’s office located at 380 E. Vanderbilt Way, San Bernardino, during normal business hours. Also, such documents are available on the District’s website at www.sbvmwd.com subject to staff’s ability to post the documents before the meeting. The District recognizes its obligation to provide equal access to those individuals with disabilities. Please contact Lillian Hernandez at (909) 387-9214 two working days prior to the meeting with any special requests for reasonable accommodation.
MINUTES OF THE REGULAR BOARD MEETING SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

June 21, 2016

Directors Present: Mark Bulot, Steve Copelan, Ed Killgore, Gil Navarro, and Susan Longville

Directors Absent: None

Staff Present: Wen Huang, Bob Tincher, Cindy Saks, Mike Esquer, Bruce Varner, and Lillian Hernandez

Registered Guests:

Joseph W. Mays, Jr., Eastwood Farms Water
Josh Swift, Fontana Water Company
Cris Fealy, Fontana Water Company
Mike Kostelecky, Yucaipa Valley Water District
Charles Roberts, Highland Community News
Nanette Shelton, East Valley Water District
Ron Coats, East Valley Water District
Benjamin G. Kelly, Western Heights Water Company
Eliseo Ochoa, East Valley Water District
Manny Aranda, San Bernardino Valley Water Conservation District
Joshua Monzon, Senator Mike Morrell
Melody McDonald, San Bernardino Valley Water Conservation District
Michelle Diamond, Tetra Tech
Linda Gonzalez, West Valley Water District
Jon Gaede, Assembly Member Brown, 47th District

The regular meeting of the Board of Directors was called to order by President Bulot at 2:30 p.m. at the District office, 380 E. Vanderbilt Way, San Bernardino. A quorum was noted present.
Agenda Item 1. Public Comment.

President Bulot invited any members of the public to address the Board. Hearing none, the meeting proceeded with the published agenda items.

Agenda Item 2. Public Hearing.

2 a) Public Hearing and Consider Adoption of Resolution No. 1043 Resolution to Adopt the 2015 San Bernardino Valley Regional Urban Water Management Plan.

President Bulot stated this was the time and place set for the public hearing on, and consideration of, adoption of Resolution No. 1043 Adopting the 2015 San Bernardino Valley Regional Urban Water Management Plan.

Lillian Hernandez presented the Certificate of Secretary stating that the Notice of Hearing had been properly given and presented the Proofs of Publication.

Mr. Tincher gave an update on the Regional Urban Water Management Plan (RUWMP). This year's document is an update of the 2010 Regional Urban Water Management Plan. The first of its kind in the San Bernardino Valley Municipal Water District (SBVMWD) service area. The City of Rialto and the Riverside-Highland Water Company were added to the plan for a total of 10 agencies. Most of the agencies have adopted the plan which is due on July 1, 2016. The remaining adoptions will be completed before the due date. There are a number of advantages in participating in a regional document one of which is that it is more cost effective, there is improved coordination, and it works within the spirit of cooperation. The Urban Water Management Planning Act was enacted in 1983. The overall purpose of the RUWMP is to ensure adequate water supplies are available to meet existing and future water demands. The general requirements for a RUWMP is to have 3,000 connections or serve 3,000 acre-feet of water per year. There is also a requirement to see if an agency can make it through drought conditions. The plan also must comply with SBX7-7 which is to reduce water use by 20 percent by the year 2020. The plan must include a shortage contingency plan per the Executive Order issued by Governor Brown. The chapters of the plan include the regional agency information then each of its retail agencies have a chapter. The plan compares supplies and demands with the goal of having supplies exceed demands. The current plan requires an estimate of supplies to 2040. Mr. Tincher reviewed the summarized analysis. The supplies increased in this plan due to recharge and new projects. The plan is in the public review phase and finalization stage.

President Bulot declared the Hearing open on Resolution No. 1043 Adopting the 2015 San Bernardino Valley Regional Urban Water Management Plan and stated the Board would consider all comments, objections or protests. There were no persons present to appear before the Board; therefore, President Bulot declared the Hearing closed.

Director Longville moved to approve Resolution No. 1043 Adopting the 2015 San Bernardino Valley Regional Urban Water Management Plan.
Director Navarro seconded. The motion was unanimously adopted by a roll-call vote.

RESOLUTION NO. 1043
RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT ADOPTING THE 2015 SAN BERNARDINO VALLEY REGIONAL URBAN WATER MANAGEMENT PLAN

(See Resolution Book)

Agenda Item 3. Approval of Minutes of the June 7, 2016, Board Meeting.

Director Killgore moved to approve the minutes of the June 7, 2016, Board meeting. Director Navarro seconded. The motion was unanimously adopted.

Agenda Item 4. Discussion and Possible Action Items.

4 a) Consider Change in Storage in Groundwater Storage for the Rialto-Colton, San Bernardino and Yucaipa Basins for 2015. Bob Tincher stated that the Change in Groundwater Storage calculation is one of the ways the District monitors its underground resources. This is an annual report. Mr. Tincher referred to a slide which showed that if the District did not have the State Water Project, the basin would have hit a historic low in 2002 as opposed to 2012-2013. In summary, the San Bernardino Basin Area continues to decline however not as much as originally estimated for last year due to conservation measures. The Rialto-Colton basin shows a historic low as well. The Yucaipa basin did better in the drought due to the fact that they filled their basin with imported water before the drought. The report was informational only and no action was required or taken.

4 b) Consider Contract with G&G Environmental Compliance, Inc. for Fiscal Year 2016-2017 Brine Line Pretreatment Program Services. Bob Tincher stated that this contract covers ongoing services that are required to be performed by SBVMWD throughout the year for the agencies that are connected to the Inland Empire Brine Line within the District's service area. The amount of the contract was included in the 2016-2017 budget. The District has been contracting with G & G Environmental Compliance, Inc. to conduct the required pretreatment program for the brine line. The District has three dischargers that it is responsible for which include the Southern California Edison Mountain View Power Plant, Agua Mansa Power Plant, and the San Bernardino Municipal Water Department Reclamation Plant. Under supervision of staff, the District relies on G & G Environmental Compliance, Inc. to perform the permitting, inspections, meetings, reporting, and enforcement. Their fee has not fluctuated much over the last several years and staff believes they have been a good partner and provided the services that the District needed. Staff recommended that the Board authorize staff to enter into a contract with G & G Environmental Compliance, Inc. for $26,071 to perform services for Fiscal Year 2016-2017.
Director Navarro moved to approve staff's recommendation. Director Copelan seconded. The motion was unanimously adopted.

4 c) Consider Adoption of Resolution No. 1040 Paying Employer Paid Member Contributions for Employees Hired On or After July 1, 2011. Cindy Saks stated that this item was reviewed in detail at the Wages, Benefits and Insurance Workshop on May 12, 2016. In 2011, the District implemented a 2nd tier pension formula for employees hired on or after July 1, 2011. The Board also adopted a resolution setting the maximum combined contribution rate for the District at 16 percent that would apply to all 2nd tier employees. The District currently has three District employees that are covered by the 2nd tier program. Each year CalPERS completes an annual actuarial report and based on the latest report, the three employees' contribution will be .11 percent of their salary. As part of AB 340 the Public Employees' Pension Reform Act (PEPRA), any employee hired after January 1, 2013, would be considered to be a 3rd tier employee whereby they would have to contribute half the normal cost toward their pension and their retirement benefit formula would be 2 percent at age 62. Staff recommended the Board adopt Resolution No. 1040 formalizing contribution rates for tier 2 and tier 3 employees.

Director Killgore moved to approve adoption of Resolution No. 1040 Paying Employer Paid Member Contributions for Employees Hired On or After July 1, 2011. Director Copelan seconded. The motion was unanimously adopted by a roll-call vote.

RESOLUTION NO. 1040

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT PAYING EMPLOYER PAID MEMBER CONTRIBUTIONS FOR EMPLOYEES HIRED ON OR AFTER JULY 1, 2011

(See Resolution Book)

4 d) Consider Award of Contract to Hemet Manufacturing Co. dba Genesis Construction for Construction of the City Creek Turnout and Plant 134 Hydroelectric Generation Project. Mike Esquer stated that on January 29, 2016, the District received eight bids for the construction of the facilities. The bids ranged from $2.67 million to $3.9 million. The three lowest bidders were Hemet Manufacturing Company Inc dba Genesis Construction, J.R. Filanc Construction Company Inc., and Pacific Hydrotech Corporation. The lowest bidder of the three was Genesis Construction at $2,675,777. Staff checked their bids and references and found no abnormalities. The owner of Genesis Construction passed away during the review process. The District's special legal counsel reviewed the new business plan, construction license holder, organization chart and corporate resolution and concluded that Genesis Construction was fit to perform the services. There has been some delay due to the fact that staff has been working with the San Bernardino County Flood Control District (SBCFCD) to obtain an easement for the pipeline from the City Creek Turnout to the water treatment plant. It has been reported to East Valley Water
District (EVWD) that most of the negotiations have been completed and the SBCFCD will put it on their agenda for July. The EVWD recommended that the bid be awarded as time is running out and there could be a price increase. Staff recommended that the District award the construction of the City Creek Turnout and Plant 134 Hydroelectric Generation Project to Hemet Manufacturing Company, Inc. dba Genesis Construction for the amount of $2,675,777 and authorize execution of the agreement with Genesis Construction; to authorize the general manager a contingency up to 10 percent above the contract amount, or $267,578; and authorize the general manager to contract with professional inspection and material testing firms for the project up to a budgetary amount of $100,000 using established selection procedures.

Director Copelan moved approval to award the construction of the City Creek Turnout and Plant 134 Hydroelectric Generation Project to Hemet Manufacturing Company, Inc. dba Genesis Construction for the amount of $2,675,777 and authorize execution of the agreement with Genesis Construction; to authorize the general manager a contingency up to 10 percent above the contract amount, or $267,578; and authorize the general manager to contract with professional inspection and material testing firms for the project up to a budgetary amount of $100,000 using established selection procedures. Director Killgore seconded. The motion was unanimously adopted.

4 e) Consider California Special Districts Association 2016 Board Elections. Lillian Hernandez stated that the California Special Districts Association (CSDA) was conducting their 2016 Board election. The District is in the Southern Network. Each of CSDA's six networks has three seats on the CSDA Board. CSDA is requesting that the District vote for one candidate to represent the Southern Network, Seat B. There were three candidates competing for the seat.

Director Copelan moved to select Ronald Coats from East Valley Water District, on the ballot for California Special Districts Association Board of Directors Southern Network, Seat B. Director Longville seconded. The motion was unanimously adopted.

Agenda Item 5. Reports (Discussion and Possible Action).

5 a) Legislative Report. No oral report was given as a written report was included in the Board packet.

5 b) Reservoir Committee, June 8, 2016. No oral report was given as a written report was included in the Board packet.

5 c) Advisory Commission on Water Policy, June 16, 2016. Bob Tincher reported that Bill Kelly, who is the facilitator hired by the San Bernardino Valley Water Conservation District to guide the formation of the Groundwater Sustainability Councils, gave an update on the process. Bob Tincher presented the RUWMP. There was no quorum, however, the
persons in attendance at the meeting supported the Plan. The State Water Project orders and the new regulation for continued water conservation were reviewed.

5 d) Association of San Bernardino County Special Districts’ Dinner, June 20, 2016. Director Copelan reported that the dinner was hosted by the San Bernardino Valley Water Conservation District at the Mexico Cafe. The topic was the unique challenges in groundwater recharge.

5 e) SAWPA Commission Meeting, June 21, 2016. Director Killgore reported on the following items:

1. Adopted an updated Statement of Investment Policy and delegated authority to the CFO to invest funds per the policy.
2. Approved Work Orders for Brine Line services to E. S. Babcock Laboratories for water quality sampling and analysis and Western Municipal Water District for water quality sampling and operations and maintenance activities, and approved the Year Two budget of the existing Task Order with Houston Harris PCS, Inc. for pipeline cleaning.
3. Received an informational report on the Sewer System Management Plan internal audit.
5. Tabled a proposed Request for Proposals for Quality Assurance Services related to grant-funded projects and directed staff to bring back a 5-year cost comparison for hiring additional SAWPA staff.
6. Approved Project Agreement 23 to oversee implementation of the Santa Ana River Conservation and Conjunctive Use Project.

5 f) Operations Reports. No oral report was given as a written report was included in the Board packet.

5 g) Treasurer’s Report. Director Killgore moved approval of the following expenses for the month of May 2016. The State Water Contract Fund $2,481,486.00, Devil Canyon/Castaic Fund $83,027.00, and General Fund $1,384,711.54. Director Navarro seconded. The motion was unanimously adopted.

5 h) Directors’ Activities.

Director Navarro requested authorization to attend West Valley Water District (WVWD) meetings in July, two meetings at East Valley Water District (EVWD), and one meeting at Yucaipa Valley Water District (YVWD). He also requested to attend the California Special Districts Association Conference in San Diego from October 10th to October 13th.

Director Copelan requested authorization to attend the July 13th meeting at Yucaipa Valley Water District. He also requested retroactive compensation for attending a meeting on June 8th at the Beaumont-Cherry Valley Water District and a June 15th meeting at YVWD.
Director Longville reported that she attended the June 9th Art in the Garden event at California State University San Bernardino. She indicated that there was a new facilities management director so there were new plantings and mulch, however, there was still empty space in the garden. There were temporary art installations on that evening in the garden. She reported that she attended the Charter Ad Hoc Committee meeting on June 13th and it is moving forward. She requested authorization to attend the June 22nd meeting at EVWD and the July 7th meeting at WVWD.

Director Killgore reported that he attended the funeral of Shawn O’Connell who passed away unexpectedly. Director Killgore requested authorization to attend the July 7th and 21st meetings at WVWD.

Director Copelan moved approval of all of the requested meetings. Director Navarro seconded. The motion was unanimously adopted.

**Agenda Item 6. Announcements.** None.

**Agenda Item 7. Closed Session.**

President Bulot adjourned the meeting to Closed Session at 3:30 p.m.

A. Conference with Legal Counsel – Anticipated Litigation – Pursuant to Government Code Section 54956.9(d)(2) (1 potential case)

B. Conference with Legal Counsel – Existing Litigation – Pursuant to Government Code Section 54956.9(d)(1) – City of San Bernardino v. East Valley Water District, Case No. CIVDS1608620 (San Bernardino Superior Court)

C. Conference with Legal Counsel – Existing Litigation – Pursuant to Government Code Section 54956.9(d)(1) – City of San Bernardino v. San Bernardino Valley Municipal Water District – Case No. CIVDS165532 (CEQA) (San Bernardino Superior Court)

D. Conference with Legal Counsel – Existing Litigation – Pursuant to Government Code Section 54956.9(d)(1) – SoCal Environmental Justice Alliance vs San Bernardino Valley Municipal Water District – Case No. CIVDS1605072 (San Bernardino Superior Court)

Pursuant to Government Code Section 54956.9 President Bulot returned the meeting to Open Session at 4:04 p.m. and reported that during Closed Session the Board took no reportable action.

**Agenda Item 8. Adjournment.**

There being no further business, President Bulot adjourned the meeting at 4:05 p.m.
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<th>APPROVAL CERTIFICATION</th>
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<td>I hereby certify to approval of the foregoing Minutes of San Bernardino Valley Municipal Water District.</td>
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Respectfully submitted,

Lillian Hernandez
Board Secretary
DATE: July 5, 2016
TO: Board of Directors
FROM: Douglas Headrick, General Manager
SUBJECT: Consider Review of Directors' Fees Budget for Fiscal Year 2016-2017

Background

At the June 7, 2016, Board of Directors' meeting, Director Longville requested that line item 6120 be pulled from the budget. This item is being brought back for discussion.
DATE: July 5, 2016
TO: Board of Directors
FROM: Cindy Saks, Finance Manager
SUBJECT: Consideration of Fiscal Year 2016-2017 State Water Project Audit Contract with Ernst & Young, LLP

Background
Each year the State Water Contractors Association (SWC) hires an auditing firm to perform various agreed upon auditing services of the Department of Water Resources (DWR). These services are advisory in nature and are not a formal audit of the DWR. In 2012, the Independent Audit Association (IAA) agency members of the State Water Contractors, including Valley District, spent considerable time issuing an RFP for auditing services and evaluating the services to be performed. While only Ernst & Young (E&Y) responded to the RFP, the IAA is recommending the continuation of services with them. This year it was the consensus among the IAA members to extend the Master Services Agreement with E&Y for five additional years and negotiate pricing.

Once the auditing services are completed, Ernst & Young issues a report on audit findings and recommendations to the IAA. The purpose of these auditing services is to ensure proper and efficient use of State Water Contractor funds by the DWR. The costs of the audit are allocated to each participating agency based on Table A allocations. For the 2016-2017 fiscal year, the cost to the District to perform these auditing services will range from $32,819 if all agencies participate to $40,250 if 80% of the agencies participate. Historically more than 80% of agencies participate each year. Included in these 2016-2017 cost estimates is an amount of $3,096 which will only be billed if additional work is reviewed and authorized by the IAA. Additional work was authorized in the 2015-2016 year; the District's costs for the auditing services were $31,953.

In past years, the audit has resulted in a number of corrections to the DWR accounting procedures and is seen by participating Contractors as a worthwhile investment.
**Staff Recommendation**
Staff recommends the Board approve the contract with Ernst & Young to provide auditing services for the 2016-2017 year for an amount not to exceed $40,250 and authorize the General Manager to sign the engagement letter.

**Attachments**
Ernst & Young Engagement Letter including scope of work.
May 30, 2016

Mr. Doug Headrick
San Bernardino Valley Municipal Water District
General Manager
380 East Vanderbilt Way
San Bernardino, California 92408

Dear Mr. Headrick:

In coordination with the Independent Audit Association (IAA), we have developed the Statement of Work (SOW) for the 2016-2017 Procedures to be performed related to the 2017 Statement of Charges. This SOW is pursuant to the Master Services Agreement (MSA) by and between EY and San Bernardino Valley Municipal Water District dated July 27, 2012, which describes the annual approval process of each SOW performed under the MSA.

Enclosed are two copies of our SOW, one for your records and another to be signed and returned to EY in the self-addressed, stamped return envelope provided. We have also enclosed your copy of the support letter from Tamara Baptista, IAA Secretary, recommending the approval of the SOW by San Bernardino Valley Municipal Water District.

If you have any questions about the enclosed SOW, please feel free to call me at (916) 218-1960.

Very truly yours,

Joe Pirnik
Executive Director

Enclosures
MEMORANDUM

Date: May 5, 2016
To: Members of the Independent Audit Association (IAA)
From: Tamara Baptista, IAA Secretary
Subject: Ernst and Young 2016/17 State Water Project Professional Services Contract – Recommended Approval and Execution

Enclosed is the 2016/17 Statement of Work (SOW) which includes the State Water Project procedures to be performed in relation to the Department of Water Resources’ (DWR) Statement of Charges. In 2012, IAA Members approved the Master Services Agreement (MSA) with Ernst and Young which spans a period of 5 years, although, may be extended if mutually agreed upon. This is the fifth year of the MSA.

Each year the IAA coordinates with Ernst and Young to develop a SOW for professional services to be provided in that year per the MSA. The SOW is included by reference in the MSA, but it does not constitute an amendment to the MSA. To provide a more efficient annual approval process only the SOW will be addressed for approval each year.

The Exhibit B budget limit is only billed by Ernst and Young if additional work is reviewed and approved by the IAA and remains at $50,000. Exhibit C allows individual IAA Members to request Ernst and Young to undertake additional services beyond those included in Exhibit A of the SOW.

The IAA team has reviewed Ernst and Young’s proposed procedures and recommends that IAA Members approve and execute the 2016/17 SOW. If you have any questions, please contact me at (925) 454-5011 or tbaptista@zone7water.com.

Sincerely,

Tamara Baptista

Tamara Baptista
Zone 7 Water Agency

CC: Joe Pirmik, EY
Statement of Work

This Statement of Work with the attached Exhibits, dated May 30, 2016 (this SOW) is made by Ernst & Young LLP ("we" or "EY") and San Bernardino Valley Municipal Water District on behalf of itself ("you" or "Client"), pursuant to the Master Services Agreement, dated July 27, 2012 (MSA), between EY and San Bernardino Valley Municipal Water District (the Agency).

The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other Statement of Work pursuant to the MSA. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to "you" or "Client" shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the MSA. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described in Exhibit A (the Services) for Agency, a member of the State Water Contractors Independent Audit Association (IAA), for the twelve months ending June 30, 2017. With the exception of paragraph 25 of the MSA, which is replaced in its entirety by the following:

Unless prohibited by applicable law, we may provide Client Information to other EY Firms (which are listed at www.ey.com) and EY Persons, as well as external third parties providing services on our or their behalf, who may collect, use, transfer, store or otherwise process (collectively, "Process") it in various jurisdictions in which they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide financial accounting and other administrative support services or for quality and risk management purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is Processed on our behalf.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA). As part of your review of the terms of this Agreement, please refer to the enclosed letter from Ms. Tamara Baptista of the IAA Audit Contract Negotiating Committee dated May 5, 2016.

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are
applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.

**Specific additional terms and conditions**

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to this SOW. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.
The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY’s partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency’s execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties’ obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

**Fees and billing**

The General Terms and Conditions of the Agreement address our fees and expenses generally.

The total fees for these Services to be rendered to the Agency, as well as an allocation of the total fees for each member agency of the IAA, appear in Exhibits A and B attached (no procedures or fees have been allocated to Exhibit B in this contract). Our total fees pursuant to Exhibit A to be charged to all members of the IAA entering into agreements with us shall not exceed $480,000 for the twelve months ending June 30, 2017. This agreement will not be effective unless, in addition to the Agency, a sufficient number of other IAA agencies enter into agreements with us for such Services whose combined allocated fee would represent not less than 80% of $480,000 based on the 100% participation fee allocation (see column 2 at A-4). If all agencies who are presently participating in the Services rendered by our firm enter into agreements with us for this twelve-month period, the maximum fees for our Services to your Agency will not exceed $29,723 for Exhibit A. However, if not all of the participating agencies enter into agreements with us for services during the twelve-month period ending June 30, 2017, the maximum fees to your Agency will vary between the above-mentioned amount and $37,154, which represents the maximum fees should sufficient agencies enter into agreements with us with a combined allocated fee of not less than 80%, as stated above.

In addition to the maximum fees under Exhibit A, maximum fees under Exhibit B shall not exceed a total of $50,000 or $3,096 for the Agency unless agreed to by the IAA. As noted above, no procedures have been allocated to Exhibit B. Prior to any expenditures under Exhibit B, said work must be specifically
requested in writing in advance of any work being performed. Areas of potential focus for Exhibit B projects could include procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A. In prior years Exhibit B special projects have included projects such as assessing implementation and billing issues relating to the new SAP-based Cost Allocation and Repayment Analysis System (CARA), and studies to evaluate a pay-as-you-go system for funding conservation related operating costs incurred by the Department.

We have also included Exhibit C as part of this contract, which provides the opportunity for individual Contractors to enter into separate agreements for additional services with EY. There are currently no fees related to Exhibit C included herein.

The results of our procedures will include a presentation of our findings, observations and recommendations to be held in Sacramento, California for any interested Contractors. Any presentations requested at individual Contractor locations will be negotiated with the individual Contractor under Exhibit C and will be paid for by that Contractor.

Invoices for time and expenses will be billed monthly and are due upon receipt.
In witness whereof, the parties have executed this SOW as of the date set forth above.

<table>
<thead>
<tr>
<th>San Bernardino Valley Municipal Water District</th>
<th>Ernst &amp; Young, LLP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative</td>
<td>Representative</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Signature</td>
<td>Signature</td>
</tr>
<tr>
<td>DOUGLAS D. HEADRICK</td>
<td>Joe Pirnik</td>
</tr>
<tr>
<td>Printed Name</td>
<td>Printed Name</td>
</tr>
<tr>
<td>GENERAL MANAGER</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Title</td>
<td>Title</td>
</tr>
<tr>
<td>SAN BERNARDINO VALLEY</td>
<td>Ernst &amp; Young LLP</td>
</tr>
<tr>
<td>MUNICIPAL WATER DISTRICT</td>
<td>Suite 300</td>
</tr>
<tr>
<td>380 E. VANDERBILT WAY</td>
<td>2901 Douglas Boulevard</td>
</tr>
<tr>
<td>SAN BERNARDINO, CA 92408</td>
<td>Roseville, CA 95661</td>
</tr>
<tr>
<td>Address</td>
<td>Address</td>
</tr>
<tr>
<td>June 14, 2016</td>
<td>May 30, 2016</td>
</tr>
<tr>
<td>Date</td>
<td>Date</td>
</tr>
</tbody>
</table>
EXHIBIT A

I. SCOPE OF ENGAGEMENT

EY will work with the IAA, the State Water Contractors (SWC) Audit/Finance Committee, and any subcommittees thereof, and the Department of Water Resources (the Department) during the twelve months ending June 30, 2017 relating to matters currently being discussed between the SWC and the Department.

EY’s Services to be rendered as described in this Exhibit shall be determined by the IAA at its discretion. These Services shall include:

1. Completion of the 2016/2017 procedures as outlined further below

2. Participation in all meetings of the SWC Audit/Finance Committee, which is a basic forum for communications between the State Water Project Contractors and the Department’s staff on financial and accounting matters.

3. Cooperation with any subcommittees of the IAA assigned to study and resolve specific problem areas.

4. Review of reports and other documents prepared by the Department and disseminated at these meetings.

5. Provide an annual report setting forth the findings, comments, and recommendations related to our Services.

Report definitions

The assessment of risk of future occurrence, included in the findings summary tables in the report, provides the IAA with a meaningful measurement of the likelihood of similar findings in subsequent years if this issue is not addressed by the appropriate parties. This assessment of risk of future occurrence is based on knowledge obtained during discussions with Department of Water Resources personnel and performance of procedures under this Exhibit A. Below are the definitions used in the report of findings and recommendations for the twelve months ending June 30, 2017 and we concur with these definitions.

Risk of Future Occurrence:

A. High – it is highly likely (or probable) that the error or process failure will be repeated

B. Medium – it is more likely than not that the error or process failure will be repeated

C. Low – it is possible that the error or process failure will be repeated

During the twelve months ending June 30, 2017, the Services will include the following procedures.
2016/2017 Procedures

The procedures for the fiscal year ended June 30, 2017 were designed using estimated budgeted hours of 3,000. We will perform all procedures included in items 1-6 below. We will perform the procedures in items 7-8 if time permits. As a part of these procedures, we will regularly meet with the IAA to discuss the progress under this engagement. We will also submit the Report to each agency setting forth the findings, observations, and recommendations related to our Services.

The following items represent the risks, risk factors, and procedures requested and determined by the Independent Audit Association (IAA) for the State Water Contractors (the Contractors) to be performed for the 2017 Statement of Charges (SOC) engagement:

Primary Procedures (Items 1-6)

1. Statement of Charges Testing

Risk:
- Incorrect amounts billed to Contractors for each component by the Department.

Risk Factors:
- Actual costs reported in the bills can be misstated.
- High importance on accurate Contractor bills.

Areas of Focus:
- Determine that all SOC amounts are internally consistent and agree to the Bulletin 132-16 for five Contractors selected for testing (to be provided by the IAA).
- Agree the debt service amounts in the SOC Attachments to the appropriate debt service schedule.
- Comparison of the current year SOC Attachments to the prior year SOC Attachments.
- Reasonableness of manual adjustments.
- Assess the appropriateness of actual costs charged to various areas of the project.
- Assess the factors for distributing reach capital and minimum costs among the Contractors.
- Determine the funding source for California WaterFix costs in SAP.
2. Debt Service Procedures

Risk:
- Incorrect bond debt service charged to the Contractors.

Risk Factors:
- Amount billed could be different than amount due for principal and interest.
- WSRB Surcharge calculation is a manual process. Manual processes create opportunities for errors.
- WSRB Surcharge does not reflect the results of the debt reconciliation project.

Areas of Focus:
- Debt Reconciliation Procedures:
  - Test Pre-SAP, first wave of SAP, and next wave of SAP cost data included in the capital raw data file by agreeing to source data included in the SAP system.
  - Test the reconciliation between the capital raw data file to the Bulletin 132 Table B-10, *Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge* and Table B-13 and *Capital and Operating Costs of Project Conservation Facilities to be Reimbursed through Delta Water Charge*.
  - Test the mapping of the capital raw data file to the cost column included in the debt reconciliation.
  - Test the mapping of the Water System Revenue Bonds schedule to the debt column included in the debt reconciliation.
  - Test the reconciling items identified comparing the cost column to the debt column in the debt reconciliation. Gain an understanding of the reconciling items and “judgment calls” from Matthew Carleson and Pedro Villalobos.
  - Test the debt reconciliation results between the projects included in the analysis (Coastal Branch Extension, South Bay Enlargement and Improvement, Tehachapi East Afterbay, East Branch Extension, East Branch Enlargement, and Water System Revenue Bonds).
3. System Power Costs – Variable Transportation

Risk:
- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:
- Calculation of allocation factors is a manual process. Manual processes create opportunities for errors.
- Potential for high dollar impact of errors ($153M net system power costs in 2014).
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.

Areas of Focus:
- Vouch power costs and power revenues from SAP greater than $500K and test the appropriate classification of costs.
- Reconcile the PALPOC to UCABS (SAP). Recalculate appropriate inputs to the PALPOC (e.g., VORG credits, direct-to-plant transmission, etc.).
- Recalculate the 2015 calendar year power allocation factors used in UCABS (SAP) to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost components for 2015 for the five Contractors selected (to be provided by the IAA).
4. Conservation and Transportation Future Estimates

Risk:
- Costs or credits in the Delta Water Charge may be inappropriate, incomplete or miscalculated.
- Incorrect amounts charged to Contractors for transportation costs based on estimates.

Risk Factors:
- Budgeted amounts reflected in the future estimates may differ materially from actual charges.
- Calculation is a manual process. Manual processes create opportunities for errors.
- Questionable budgeting process.

Areas of Focus:
- Gain an understanding from the Department of the process for calculating the future estimates.
- Obtain support for the future estimates and reconcile support to the SOC.
- Recalculate the component using the future estimates tested.
- Test the future estimates by agreeing the estimates to supporting schedules, budgets, etc.
- Obtain support for any extraordinary projects included in the future estimates and assess their appropriateness.
- Understand the Department’s method for incorporating identified variances in prior period’s budget vs. actual costs into the current year estimates.
5. Reconciliation between PR5 and UCABS for Actual Costs

Risk:
- Incorrect amounts charged to Contractors for actual costs.

Risk Factors:
- Manual adjustments within UCABS do not agree to amounts within PR5 which is the source of the costs to be allocated to the Contractors.
- New costs may not be recovered from the Contractors.
- Currently the Department does not have a formal periodic reconciliation process.

Areas of Focus:
- Determine accounts that were SWRDS accounts (SWP related) and designated in PR5 as items that should be included in the UCABS system.
- Compare the amount by account or functional area from the PR5 system to the amount included in the UCABS system.
- For differences identified between systems, evaluate significant reconciling items.
- Investigate reconciling items.

6. Rate Management Calculation Including Revenue and Cost Data

Risk:
- Rate Management Credits are improperly calculated based on the revenue and expenditure data in the funds available for rate management credits statement prepared by the Department.

Risk Factors:
- Calculation of Rate Management Credits is a manual process.
- Lack of review and approval of calculation.
- Outdated information used to calculate credits due to the Contractors.

Areas of Focus:
- Obtain the rate management allocation schedule used for the Statement of Charges Rebill and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and perform detailed testing of a sample of the largest amounts.
- Compare the figures selected for testing to the future forecasts, and investigate any significant differences.
- Perform testing of revenues including systems revenue and 51e.
- Perform testing of revenues and related cash funds.
Other Procedures (Items 7-8)

These procedures will only be performed as time permits after completion of items 1-6 above and consideration of the estimated 3,000 hour time budget.

7. Alpha Allocation Cycles

Risk:
- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:
- Department is in the process of standardizing and reallocating costs for phase 2 and 3. The revised estimated completion date is sometime after the new contract extension is signed which is expected to occur within the next five years.
- New alpha allocation cycles being created each year.
- Potential for high dollar impact ($247M allocated by alpha allocation cycles in 2014).

Areas of Focus:
- Review the current year alpha standardization activity performed by the Department.
- Review the current year alpha update performed by the Department.
- Testing the S-series and F-series update performed by the Department by using SAP.
8. New and Changed Master Data

Risk:
- Incorrect allocation of costs (based on functional area selected).
- Incorrect recovery of costs (recovery determines Statement of Charges component).
- Incorrect funding source is used (capital fund versus operating funds).

Risk Factors:
- Historical lack of review and communication between Project Manager and SWPAO.
- Potential impact (initial setup of master data determines posting of costs in future periods).
- Project Managers' possible lack of understanding of allocation cycle when allocating costs.

Areas of Focus:
- Use SAP to determine functional areas created and changed in the current year.
- Determine how costs are being allocated among and recovered from Contractors.
- Based on activities being performed and the analysis of costs posted to Internal Orders or Work Breakdown Structures, determine if functional area, recovery, and funding are appropriate.
II. FEES FOR EY SERVICES

A-2. Total fees for Exhibit A services performed by EY will not exceed $480,000, including reasonable and necessary out-of-pocket expenses, which represent an estimated 3,000 hours to be incurred.

III. ALLOCATION OF FEES

A-3. The maximum aggregate fee set forth in paragraph A-2 shall be apportioned among the agencies named in paragraph A-4 based on a basis consistent with prior years.
### IV. MAXIMUM AGGREGATE FEE FOR EACH AGENCY

A-4. The portion of the maximum aggregate fee set forth in paragraph A-2 applicable to each agency in conformity with the methodology set forth in paragraph A-3 is shown below:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Maximum fee for each agency, provided all agencies listed below enter into agreements with EY</th>
<th>Maximum fee for each agency, provided 80% of agencies listed below enter into agreements with EY</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda County Flood Control and Water Conservation District, Zone No. 7</td>
<td>$23,356</td>
<td>$29,194</td>
<td>4.9%</td>
</tr>
<tr>
<td>Alameda County Water District</td>
<td>12,167</td>
<td>15,208</td>
<td>2.5%</td>
</tr>
<tr>
<td>Antelope Valley-East Kern Water Agency</td>
<td>41,962</td>
<td>52,452</td>
<td>8.7%</td>
</tr>
<tr>
<td>Casitas Municipal Water District</td>
<td>5,794</td>
<td>7,243</td>
<td>1.2%</td>
</tr>
<tr>
<td>Castaic Lake Water Agency</td>
<td>27,580</td>
<td>34,475</td>
<td>5.7%</td>
</tr>
<tr>
<td>Central Coast Water Authority</td>
<td>13,177</td>
<td>16,471</td>
<td>2.7%</td>
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<tr>
<td>City of Yuba City</td>
<td>2,781</td>
<td>3,476</td>
<td>0.6%</td>
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<tr>
<td>Coachella Valley Water District</td>
<td>40,080</td>
<td>50,100</td>
<td>8.4%</td>
</tr>
<tr>
<td>County of Kings</td>
<td>2,696</td>
<td>3,370</td>
<td>0.6%</td>
</tr>
<tr>
<td>Crestline-Lake Arrowhead Water Agency</td>
<td>1,680</td>
<td>2,100</td>
<td>0.4%</td>
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<tr>
<td>Desert Water Agency</td>
<td>16,151</td>
<td>20,189</td>
<td>3.4%</td>
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<tr>
<td>Dudley Ridge Water District</td>
<td>13,138</td>
<td>16,423</td>
<td>2.7%</td>
</tr>
<tr>
<td>Empire West Side Irrigation District</td>
<td>869</td>
<td>1,086</td>
<td>0.2%</td>
</tr>
<tr>
<td>Kern County Water Agency</td>
<td>120,000</td>
<td>150,000</td>
<td>25.0%</td>
</tr>
<tr>
<td>Littlerock Creek Irrigation District</td>
<td>666</td>
<td>833</td>
<td>0.1%</td>
</tr>
<tr>
<td>Mojave Water Agency</td>
<td>24,856</td>
<td>31,070</td>
<td>5.2%</td>
</tr>
<tr>
<td>Napa County Flood Control and Water Conservation District</td>
<td>8,409</td>
<td>10,511</td>
<td>1.8%</td>
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<tr>
<td>Palmdale Water District</td>
<td>6,171</td>
<td>7,714</td>
<td>1.3%</td>
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<tr>
<td>San Bernardino Valley Municipal Water District</td>
<td>29,723</td>
<td>37,154</td>
<td>6.2%</td>
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<tr>
<td>San Gabriel Valley Municipal Water District</td>
<td>8,343</td>
<td>10,429</td>
<td>1.7%</td>
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<td>San Gorgonio Pass Water Agency</td>
<td>5,012</td>
<td>6,265</td>
<td>1.0%</td>
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<tr>
<td>San Luis Obispo County Flood Control and Water Conservation District</td>
<td>7,243</td>
<td>9,054</td>
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<tr>
<td>Santa Clara Valley Water District</td>
<td>28,970</td>
<td>36,213</td>
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<td>Solano County Water Agency</td>
<td>13,835</td>
<td>17,294</td>
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</tr>
<tr>
<td>Tulare Lake Basin Water Storage District</td>
<td>25,341</td>
<td>31,676</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$480,000</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
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<td>$8,917</td>
<td>$5,945</td>
<td>$5,945</td>
<td>$5,945</td>
<td>$2,971</td>
<td>$29,723</td>
</tr>
</tbody>
</table>
EXHIBIT B

I. OTHER CONSULTING SERVICES

EY shall, during the twelve months ending June 30, 2017, perform other services if requested by the IAA. No such work shall be performed unless specifically authorized by the IAA in writing. Areas of potential focus for Exhibit B projects could include in depth procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A.

Total fees for such other consulting services shall 1) be agreed to prior to commencement of work, 2) be allocated among the agencies based on the same procedures included in the Exhibit A allocation, and 3) shall not exceed $50,000, which represents an estimated 310 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2017. Any part of the $50,000 which is unused shall not be billed.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Maximum fee for each agency, provided all agencies listed below enter into agreements with EY</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda County Flood Control and Water Conservation District, Zone No.7</td>
<td>$ 2,433</td>
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<tr>
<td>Alameda County Water District</td>
<td>1,267</td>
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<tr>
<td>Antelope Valley-East Kern Water Agency</td>
<td>4,371</td>
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<td>Casitas Municipal Water District</td>
<td>604</td>
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<tr>
<td>Castaic Lake Water Agency</td>
<td>2,873</td>
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<tr>
<td>Central Coast Water Authority</td>
<td>1,373</td>
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<tr>
<td>City of Yuba City</td>
<td>290</td>
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<tr>
<td>Coachella Valley Water District</td>
<td>4,175</td>
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<tr>
<td>County of Kings</td>
<td>281</td>
<td>0.6%</td>
</tr>
<tr>
<td>Crestline-Lake Arrowhead Water Agency</td>
<td>175</td>
<td>0.4%</td>
</tr>
<tr>
<td>Desert Water Agency</td>
<td>1,681</td>
<td>3.4%</td>
</tr>
<tr>
<td>Dudley Ridge Water District</td>
<td>1,369</td>
<td>2.7%</td>
</tr>
<tr>
<td>Empire West Side Irrigation District</td>
<td>91</td>
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<tr>
<td>Kern County Water Agency</td>
<td>12,500</td>
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<tr>
<td>Littlerock Creek Irrigation District</td>
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<td>0.1%</td>
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<td>Mojave Water Agency</td>
<td>2,589</td>
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<td>Napa County Flood Control and Water Conservation District</td>
<td>876</td>
<td>1.8%</td>
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<td>Palmdale Water District</td>
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<tr>
<td>San Bernardino Valley Municipal Water District</td>
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<td>San Gabriel Valley Municipal Water District</td>
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<td>San Gorgonio Pass Water Agency</td>
<td>522</td>
<td>1.0%</td>
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<td>San Luis Obispo County Flood Control and Water Conservation District</td>
<td>754</td>
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<td>Santa Clara Valley Water District</td>
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<tr>
<td>Solano County Water Agency</td>
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<tr>
<td>Tulare Lake Basin Water Storage District</td>
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<td>5.3%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 50,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
EXHIBIT C

I. INDIVIDUAL CONTRACTOR AGREEMENTS

EY may, during the twelve months ending June 30, 2017, perform other consulting services as requested by individual Contractors. These services will be performed and billed separately from the services outlined in Exhibits A and B.

The terms and conditions of any procedures performed under Exhibit C, including payment terms, will be outlined in a separate Statement of Work (SOW). These services, which will be agreed to by EY and the requesting Contractor in advance, will be documented in the example SOW attached herein as Exhibit C-1. An Exhibit C-1 statement of work will be made available to any Contractor upon request. All other provisions of the Contractor's signed contract with EY for the twelve months ending June 30, 2017 will continue to be in effect.

Total fees for such other consulting services shall be agreed to with the individual Contractor prior to commencement of work. The fees for services provided under Exhibit C will be outside of those referenced in Exhibits A and B, and will be paid for directly by the requesting Contractor.
EXHIBIT C-1

Statement of Work

This Statement of Work with the attached Exhibit, dated May 30, 2016 (this SOW) is made by Ernst & Young LLP ("we" or "EY") and San Bernardino Valley Municipal Water District on behalf of itself ("you" or "Client"), pursuant to the Agreement, dated May 30, 2016 (the Agreement), between EY and San Bernardino Valley Municipal Water District (the Agency).

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other Statement of Work pursuant to the Master Services Agreement (MSA) by and between EY and the Agency dated July 27, 2012. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to "you" or "Client" shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described [INSERT DEFINITION OF SERVICES] (the Services) for Agency, a member of the State Water Contractors Independent Audit Association (IAA), for the twelve months ending June 30, 2017. With the exception of paragraph 25 of the MSA, which is replaced in its entirety by the following:

Unless prohibited by applicable law, we may provide Client Information to other EY Firms (which are listed at www.ey.com) and EY Persons, as well as external third parties providing services on our or their behalf, who may collect, use, transfer, store or otherwise process (collectively, "Process") it in various jurisdictions in which they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide financial accounting and other administrative support services or for quality and risk management purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is processed on our behalf.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA).
Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.

Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to the Agreement. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.
After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY’s partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency’s execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties’ obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.
**Project deliverables**

The matrix below lists the specific deliverables and related timelines that EY will provide to *(insert Contractor)*.

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**Additional responsibilities**

EY will provide *(insert Contractor)* with a timeline/schedule related to all project deliverables prior to the start of work on the project.

EY will notify *(insert Contractor)* in writing of any incremental changes to the original project estimate.

Production of all elements described in the “Project deliverables” section of this SOW is to be included in the cost breakdown under the “Pricing and payment terms” section below, agreed upon by *(insert Contractor)* and EY for this project.

**Fees and billing**

Below is a summary of the current cost estimates for this SOW. Due to the complexities and variable nature of this project, actual costs could vary from these estimates. In the event costs are expected to exceed the estimate, EY will contact *(insert Contractor)* before performing any additional work.

Out-of-pocket expenses incurred during this contract are not included in the above SOW estimated cost. Expenses include such items as travel, meals, accommodations, and other administrative expenses based on actual amounts incurred.

Invoices for time and expenses will be billed monthly and are due upon receipt.
IN WITNESS WHEREOF, the parties hereto have executed this SOW as of the day and year written below.

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<th>San Bernardino Valley Municipal Water District</th>
<th>Ernst &amp; Young, LLP</th>
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EXHIBIT D
Page 1 of 2

EXHIBIT D

FORM OF ACCESS LETTER

[Letterhead of EY]

[Address (e.g., third party seeking access to EY Report)]

[Street Address]

[City, State Zip]

[Month XX, 20XX]

Dear [______]:

[Client] (the "Client") has informed Ernst & Young LLP ("EY") that it wishes to disclose to [party seeking access] (the "Recipient") EY’s[describe report(s)], dated [________], relating to [describe subject] (the "Report(s)"). EY has not placed any limitations on the Client’s ability to disclose any contents of the Report relating to the tax aspects or structure of any transaction proposed by the Client.

EY performed Services only for the Client. EY did not undertake the Services on behalf of, or to serve the needs of, the Recipient or any other third party. As part of such services, EY did not audit the Client’s financial statements, subsequent to the date(s) of the Report(s).

EY prepared the Report(s) solely for the Client. The Report(s) address[es] only the issues identified by the Client, and [is/are] based solely on information obtained by EY using the procedures specified by the Client or otherwise provided by or on behalf of the Client. The Report(s) [is/are] subject to many limitations and [do/does] not provide any form of assurance with respect to any of the information referred to therein. The Recipient understands and accepts the scope and limitations of the Report(s).

Except (1) where compelled by legal process (of which the Recipient will immediately notify EY and tender to EY, if it so elects, the defense thereof), (2) with respect to any contents of the Report relating to the tax treatment and tax structure of the proposed transaction (including any facts that may be relevant to understanding the proposed tax treatment of the proposed transaction), or (3) with EY’s prior written consent, the Recipient will not, circulate, quote, disclose or distribute any of the Report(s) or any information contained therein, or any summary or abstract thereof, or make any reference thereto or to EY, to anyone other than the Recipient’s directors, officers or employees or legal advisors who, in each case, need to know its contents in order to __________, and who have agreed to be bound by the terms and conditions of this agreement to the same extent as the Recipient.
The Recipient further agrees that it will not, and will not permit others to, quote or refer to the Report, any portion, summary or abstract thereof, or to EY, in any document filed or distributed in connection with (a) a purchase or sale of securities to which the United States or state securities laws ("Securities Laws") are applicable or (b) periodic reporting obligations under Securities Laws. The Recipient will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

In further consideration of EY allowing the Recipient access to the Report(s) and the information contained therein, the Recipient agrees that:

1. It does not acquire any rights against EY, and EY does not assume any duties or obligations to the Recipient or otherwise, as a result of such access.

2. It will not rely on the Report(s) or any portion thereof and will make no claim that it has done so.

3. It will make no claim against EY, its partners, employees or affiliates, or other members of the global Ernst & Young network (collectively, the "EY Parties" that relates in any way to the Report(s), any information contained therein, or the Recipient’s access to the Report(s).

4. To the fullest extent permitted by applicable law, it will indemnify, defend and hold harmless the EY Parties from and against any claim or expense, including reasonable attorneys’ fees, suffered or incurred by any EY Party relating to any breach by the Recipient of any of its representations or agreements contained herein or the use or disclosure of the Report(s) or any portion thereof by anyone who received it directly or indirectly from or at the request of the Recipient.

Very truly yours,

Ernst & Young LLP

Accepted by:

[Addressee]

By: ________________________________
The Baseline Feeder Committee met at 3:00 pm on Monday, June 27, 2016 in the conference room at the offices of the San Bernardino Valley Municipal Water District. Director Killgore chaired the meeting. Directors Navarro and Longville participated in the meeting. In addition, Peter Fox and John Terry (representatives for the City of Rialto), Don Hough of Riverside Highland Water Company, and Tom Crowley of West Valley Water District (WVWD) also participated in the discussion.

The meeting agenda contained the following item for presentation and discussion:

2.A. **Update on Operations of the Baseline Feeder System:**

Staff reported that the Baseline Feeder System has been running as designed. As of May 31, 2016, WVWD received 2,011 acre-feet (AF) and the City of Rialto received 371 AF, for a total of 2,382 AF. Overall, the year-to-date delivery is 18% below the established delivery goal at this time of the year.

In addition to water delivered from the Baseline Feeder System, the City of San Bernardino Municipal Water Department (SBMWD) may provide supplemental water up to 2,500 gpm to meet the needs of the Baseline Feeder Stakeholders via the Encanto Booster Station upon request. On June 22, WVWD initiated a request for supplemental water from the Encanto Booster at approximately 2,450 gpm due to increasing system demands. Subsequently, WVWD requested the delivery to be terminated on June 24.

**Staff Recommendation:** Receive and file.