

Borrego Water District Board of Directors
Special Meeting
July 9, 2024 @ 9:00 A.M.
806 Palm Canyon Drive
Borrego Springs, CA 92004

The Borrego Water District Board of Directors meeting as scheduled will be conducted in person and in an electronic format please note BWD is providing remote attendance options solely as a matter of convenience to the public. BWD will not stop or suspend its in-person public meeting should a technological interruption occur with respect to the GoTo meeting or call-in line listed on the agenda. We encourage members of the public to attend BWD meetings in-person at the address printed on page 1 of this agenda. Anyone who wants to listen to or participate in the meeting remotely is encouraged to observe the GO TO MEETING at:

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I. OPENING PROCEDURES -

- A. Call to Order
- B. Pledge of Allegiance
- C. Directors' Roll Call: President Dice, Vice President Baker, Sec/Treas Johnson and Directors Duncan & Moran.
- D. Approval of Agenda
- E. Comments from the Public & Requests for Future Agenda Items (may be limited to 3 min)
- F. Comments from Directors
- G. Correspondence Received from the Public - None

II. ITEMS FOR BOARD CONSIDERATION AND POSSIBLE ACTION -

- A. Selection of BWD Auditor – Davis Farr LLP – J Clabaugh
- B. Raftelis Proposition 218 Rate Study – G Poole
- C. Delinquent Payment Assessment Resolution No. 2024-07-01 Resolution Of The Board Of Directors Of Borrego Water District Authorizing Collection Of Delinquent Water Charges By The County Tax Collector (SD County Tax Roles) – E Garcia
- D. Best, Best and Krieger Rate Increase for FY 2024-25 @ 3.2% - G Poole
- E. Summer 2024 BWD Board Meeting Schedule – G Poole
- F. Borrego Springs Subbasin Watermaster Board – VERBAL D Duncan/K Dice/T Driscoll
 - 1. Update on Board Activities Including 7-11-24 Agenda Items
 - 2. Update on Technical Advisory Committee Activities

III. BOARD COMMITTEE REPORTS, IF NEEDED

STANDING:

- A. Operations and Infrastructure: Duncan/Baker
- B. Budget and Audit: Dice/Moran
- C. ACWA/JPIA Insurance: Dice/Johnson

AGENDA: July 9, 2024: The Borrego Springs Water District complies with the Americans with Disabilities Act. Persons with special needs should call Geoff Poole, General Manager – at (760) 767 – 5806 at least 48 hours in advance of the start of this meeting, in order to enable the District to make reasonable arrangements to ensure accessibility. If you challenge any action of the Board of Directors in court, you may be limited to raising only those issues you or someone else raised at the public hearing, or in written correspondence delivered to the Board of Directors (c/o the Board Secretary) at, or prior to, the public hearing.

All Documents for public review on file with the District's secretary located at 806 Palm Canyon Drive, Borrego Springs CA 92004. Any public record provided to a majority of the Board of Directors less than 72 hours prior to the meeting, regarding any item on the open session portion of this agenda, is available for public inspection during normal business hours at the Office of the Board Secretary, located at 806 Palm Canyon Drive, Borrego Springs CA 92004.

AD HOC:

- A. Prop 68 Implementation: Baker/Johnson
- B. Public Outreach: Dice/Johnson:
- C. Grants: Dice/Johnson
- D. Cyber Security/Risk Management: Baker
- E. Developer's Agreement: Baker/Duncan
- F. Finance: Baker/Moran
- H. Borrego Springs Basin Water Quality: Moran/Johnson
- I. Automated Metering Implementation: Baker/Moran

IV. STAFF REPORTS – VERBAL

- A. Update on Future Financing Options & Schedule – G Poole
- B. End of Year Water Production and Revenue Report - J Clabaugh
- C. Lithium WQ Results Evaluation – T Driscoll

V. CLOSED SESSION:

- A. Conference with Legal Counsel - Potential Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (Two (2) potential cases)
- B. Conference with Legal Counsel – Existing Litigation (Borrego Water District v. All Persons (Groundwater), Orange County Superior Court Case No. 37-2020-00005776
- C. Performance Evaluation of General Manager: GM Performance Review – Conference for Public Employee Performance Evaluation - Title: General Manager Employee Performance Review- pursuant to subdivision (d) (4) of Government Code Section (Government Code §54957)

VI. CLOSING PROCEDURE:

- A. The next Board Meeting is scheduled for 9:00 AM on July 23, 2024, to be available online and in person at 806 Palm Canyon Drive. See Board Agenda at BorregoWD.org for details, Agenda information available at least 72 hours before the meeting.

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BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JULY 9, 2024
AGENDA ITEM II.A

To: Board of Directors

From: Geoff Poole, General Manager & Jessica Clabaugh, Finance Officer

Subject: Auditor Contract with Davis Farr

RECOMMENDED ACTION:

Approve General Manager to enter into contract with Davis Farr to conduct Fiscal Year audits for FY24 – 26 with an optional 2-year extension.

ITEM EXPLANATION

BWD's contract with Leaf & Cole has come to an end and the District needs to secure a new auditing firm to begin the FY24 audit as soon as possible. The RFP response from Davis Farr is included and the Audit & Budget Committee recommends selecting Davis Farr to conduct audits for FY24 thru FY26 with an optional extension thru FY28. Shannon Ayala from Davis Farr will be in attendance for questions.

FISCAL IMPACT:

None.

ATTACHMENTS:

Davis Farr Auditing Proposal.



PROPOSAL FOR
PROFESSIONAL AUDITING
SERVICES

Prepared By:

Davis Farr LLP
1903 Wright Place | Suite 280
Carlsbad, CA 92008

Contact Person:

Shannon Ayala, CPA | Partner
Office: 760.536.5140 | Direct: 760.298.5872
Email: sayala@davisfarr.com



Borrego Water District

806 Palm Canyon Drive
Borrego Springs, CA 92004

May 24, 2024

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Resumes

Peer Review Documentation

May 24, 2024

Borrego Water District
806 Palm Canyon Drive
Borrego Springs, CA 92004

We are pleased to provide our proposal to perform audit services to the Borrego Water District (“the District”) for the fiscal year ending June 30, 2024 through June 30, 2026, with optional extensions through 2028.

Our approach to service emphasizes open and consistent communication, proactive problem-solving, and valuable support. We prioritize listening to your ideas and concerns, leveraging our financial and operational expertise to develop effective, creative solutions. We believe our firm, is the optimal choice for the District because of the following reasons, which are detailed further in our proposal:

- Our team assumes a leadership role when it comes to accounting and auditing issues faced by local governments. Our Partners actively participate in organizations such as the Government Accounting and Audit Committee of the CalCPA Society, CSMFO Professional Standards Committee, GFOA Special Review Committee, and regularly speak at conferences and training events, including the recent CSMFO Annual Conference.
- We currently provide audit services to over 15 water districts in Southern California and possess a deep understanding of the challenges unique to California governments and water districts. This allows us to offer high-quality audits tailored to your District’s needs.
- We harness data mining software to detect irregularities in your accounting data, prioritizing areas where errors and potential fraud are more likely to occur.

We appreciate the opportunity to demonstrate our qualifications and are eager to establish a professional working relationship. Our proposal remains a firm and irrevocable offer for 90 days, I encourage you to contact me directly at (760) 298-5872.

Very truly yours,



Shannon Ayala, CPA
Partner

Section A – About Davis Farr LLP

Background Information – Davis Farr LLP is a regional accounting firm that provides comprehensive attest and advisory services to federal, state, and local governments through offices in California and Washington. Our Carlsbad office will be responsible for this engagement. Our personnel have collectively served governmental entities for over 30 years, with government audit personnel classified as noted in the table below.

License to Practice in California – Davis Farr LLP, as well as all key personnel are licensed as independent certified public accountants (CPAs) with the California State Board of Accountancy.

Independence – Davis Farr LLP is independent with respect to the District as defined by U.S. General Accounting Office’s *Government Auditing Standards* and Generally Accepted Auditing Standards. Davis Farr LLP has not had any prior engagements with the District in the past five years. Neither Davis Farr LLP nor the key personnel have any potential or real conflicts of interest.

Quality Control – Our firm is committed to maintaining the highest standards of quality control. We are members of the American Institute of Certified Public Accountants (AICPA) and participate voluntarily in the AICPA Peer Review Program, with our most recent Peer Review report demonstrating our “Pass” in maintaining the highest level of quality control for our services, including government engagements. We are also members of the AICPA’s Government Audit Quality Center. Our firm has had no disciplinary action taken or pending against us for the past three years by any state regulatory bodies or professional organizations.

Training – We prioritize the ongoing education and training of every professional member of our firm. Each team member is required to complete 80 hours of training over two years, with at least 24 hours annually dedicated to specific government accounting and audit topics. Our extensive range of courses spans professional and technical subjects, including Fraud, Professional Ethics and Governmental Accounting and Auditing, ensuring all of our practitioners maintain their professional expertise.

Identification of Potential Audit Problems – Davis Farr LLP does not anticipate any potential audit problems.

Exceptions to the Request for Proposal – Davis Farr LLP does not take any exception to the RFP.



Classification	Number of Employees
Partners	8
Managers	9
Supervisors	4
Seniors	15
Staff	12
Administrative	4
Total personnel	52



Professional Affiliations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered with the National Association of State Board of Accountancy (NASBA), offering clients continuing professional education (CPE) programs consistent with nationally recognized standards. Our annual GASB Update is a prime example of our dedication to providing CPE opportunities to our clients.

California Society of CPAs (CalCPA) – Many of the CPAs employed by our firm are also members of CalCPA, regularly participating in chapter meetings, education forums, and other events. Our firm’s high standards have been recognized by CalCPA, through their “*Women to Watch*” award in the Experienced Leader category, granted to one of our Partners.

American Institute of Certified Public Accountants (AICPA) – Our firm is also a member of the AICPA, which develops and promotes industry standards in audits, shares educational materials with its members, and enforces compliance with technical and ethical standards.

California Society of Municipal Finance Officers (CSMFO) – We are members of CSMFO, a statewide organization serving all California municipal finance professionals. The Partners of Davis Farr LLP regularly participate in CSMFO chapter meetings and conferences, presenting on a variety of accounting and auditing technical topics. We recently presented at the 2023 CSMFO annual conference.

Government Finance Officers Association (GFOA) – The GFOA strives toward enhancing and promoting the professional management of governmental financial resources for the public benefit. Davis Farr LLP’s Partners are members of the Special Review Committee for the Certificate of Achievement Program, which reviews Annual Comprehensive Financial Reports submitted to GFOA for the Excellence in Financial Reporting Award Program. We continue to advance our knowledge and share our expertise in these institutions, enabling us to deliver the highest-quality services to our clients.



Section B – Qualifications and Related Experience

With a strong track record in servicing governmental entities, Davis Farr LLP has established itself as a leading provider of specialized auditing services throughout Southern, currently, servicing approximately 60 municipal, state, and federal government entities. Our team brings a unique combination of expertise, technical skills and experience in local government accounting and auditing practices to our engagements, ensuring our clients receive the highest level of service possible. Services routinely provided to our clients include, but are not limited to:



Our government expertise includes Cities, Special Districts, and other Governmental entities. Among the government agencies that the professionals of Davis Farr LLP have served recently are the following:

- City of Avalon
- City of Carlsbad
- City of Commerce
- City of Coronado
- City of Costa Mesa
- City of Cypress
- City of Delano
- City of Encinitas
- City of Fontana
- City of Garden Grove
- City of Huntington Beach
- City of Indio
- City of Irvine
- City of Laguna Niguel
- City of Los Angeles
- City of Mission Viejo
- City of Newport Beach
- City of Poway
- City of Rancho Santa Margarita
- City of Santee
- City of South Gate
- City of Vista
- County Los Angeles
- County of Placer
- County of San Diego
- East Orange County Water District
- Hass Avocado Board
- Irvine Ranch Water District
- Leucadia Wastewater District
- Metropolitan Water District of So CA
- Municipal Water District of So CA
- Orange County LAFCO
- Oxnard Housing Authority
- Placer County Water Agency
- Rancho California Water District
- San Diego Association of Governments
- San Diego County Water Authority
- San Diego LAFCO
- Sweetwater Authority
- Tahoe Regional Planning Agency
- Tahoe Transportation District
- Vallecitos Water District

Section C – Client References

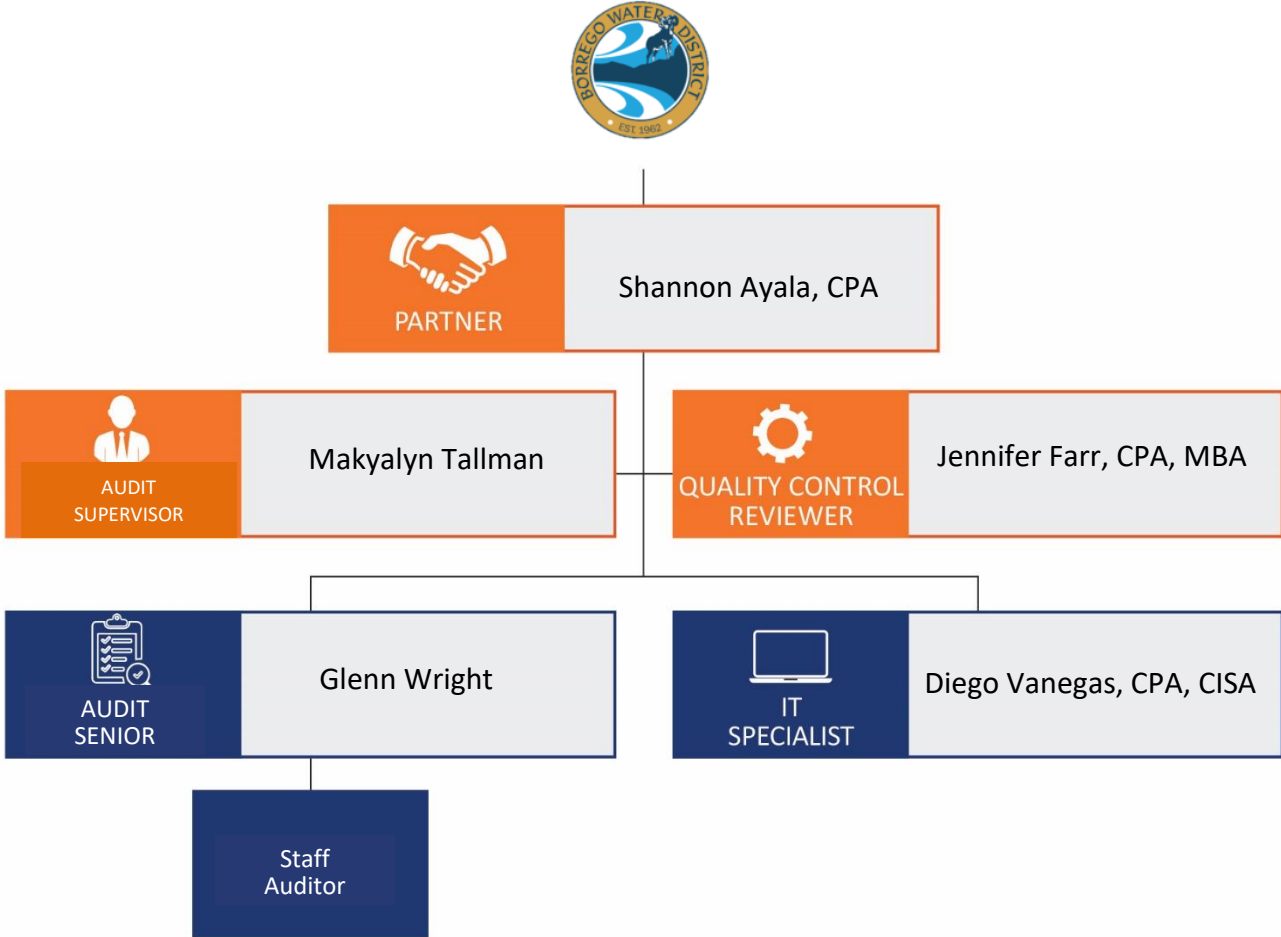
For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several Cities throughout Southern California. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

CLIENT 1	Valley Center Municipal Water District 29300 Valley Center Road Valley Center, CA Vanessa Velasquez, Accounting Manager 760.735.4543 vvelasquez@vcmwd.org	<i>Financial Statement Audit of the District</i>	300 Hours
CLIENT 2	City of Encinitas – San Dieguito WD 505 S. Vulcan Avenue Encinitas, CA Teresa McBroome, Director of Finance 760.633.2772 tmcbroome@encinitasca.gov	<i>Financial Statement Audit of City, including the Water District</i>	650 Hours
CLIENT 3	San Diego County Water Authority 4677 Overland Avenue San Diego, CA Chris Woidzik, Controller 858.522.6679 cwoidzik@sdcwa.org	<i>Financial Statement Audit of the Authority and Quantification Settlement Agreement</i>	325 Hours

Section D – Proposed Staffing

The success of any audit depends on the availability of personnel with the required managerial and technical skills. The engagement team at Davis Farr LLP has years of collective experience serving as a team of professionals on numerous financial audit examinations of local government entities. Our team will be composed of key personnel, including the Partner, Manager, and Senior Auditor, who will not be removed or replaced without the prior consent of the District.

At Davis Farr LLP, we recognize that efficient administrative management and supervision of the audits is a vital factor in attaining the desired results for our clients. To ensure that the auditing process runs smoothly and produces accurate results for the District, we have developed a solid organizational structure for providing independent auditing services, as follows:



Section E – Work Plan

At Davis Farr, we are committed to conducting our engagements in the most efficient manner possible, and our audit approach is tailored to be sensitive to the priorities and requirements of our clients. Some unique features of our approach include:

- We prioritize minimizing disruption to District staff and completing the audit in a timely manner. To this end, we schedule our audit segments and requested documentation around the schedules of our clients.
- When possible, we strive to make use of existing accounting support materials already prepared by District staff. This avoids unnecessary duplication of effort and undue requests for supporting schedules. Typically, we request support for balance sheet items, the year-end trial balances and cash and long-term debt confirmations.
- Our expertise and focus is in governmental auditing, and our auditors possess the skills and know-how to address issues that are specific to local governments.
- We believe the key to effective internal control recommendations lies in understanding the unique circumstances and needs of each client we serve. For this reason, we take great care to acquire a comprehensive understanding of the specific circumstances at the District, so we can formulate practical and tailored recommendations that best meet your needs.
- We also understand that accounting issues can arise at any time of the year, and that addressing these concerns is critical to the success of your organization. That's why we make it our priority to be a constant resource for our clients throughout the year, providing accounting advice, researching technical questions, assisting with tax-related issues and helping with other challenges as they occur.

Audit Software - We utilize the highly versatile CaseWare audit software when generating electronic copies of audit workpapers. We understand the need for flexibility and are able to accept audit documentation in both hard copy and electronic format. CaseWare provides the ability to import trial balances from Excel or text documents, allowing us to begin analyzing figures almost immediately. CaseWare audit software offers numerous benefits, including:

- We create our own lead sheets and analytical review schedules through the software. This limits the amount of time finance staff spends creating audit schedules. The automated process also generates analytical review reports by account number. This makes it easier to examine significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide the District with financial statements soon after receiving the trial balance from the District. Journal entries are simple to post to the financial statement schedules, minimizing the risk of data entry errors.
- We can provide customized reports that outline the grouping of the financial statement schedules. These reports show each account grouped to a specific financial statement line item and journal entries posted during the audit.

Data Mining Software – At Davis Farr, we pride ourselves on leveraging technology to improve accuracy and efficiency of our audit procedures. Our dedicated team of trained personnel uses specialized data mining software, IDEA, to identify and investigate inconsistencies and irregularities within your accounting system. The software works by analyzing source data pinpoint potential anomalies, including, but not limited to, cross-referencing vendor and employee addresses, detecting duplicate or voided checks, reviewing journal entry posting for unauthorized individuals, and identifying accounting transactions recorded on the weekend. The IDEA software goes a step further by highlighting specific transactions for the auditors to review, thus enhancing the identification of potential fraud or errors.

Internal Control Evaluation – We have developed an effective methodology for evaluating internal controls that ensures we gain an understanding of your organization's procedures. Our approach includes observation and inquiry, which allows us to thoroughly explore the accounting cycles. When assessing internal controls, we invest significant time with the personnel overseeing the accounting process to better understand the procedures in place.

Following this preliminary assessment, we identify key controls in your processes and design customized tests to evaluate the effectiveness of your existing procedures. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will continue to review the accounting cycles mentioned earlier, while refining our approach to other related processes, such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and so forth. Our goal is to continually refine our audit approach to achieve optimal efficiency, increase the scope of our assessments and hone our ability to identify and address potential issues.

Audit Stage	Procedures Performed
Planning and Inquiry	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> ✓ Meet with finance personnel to gain an understanding of significant transactions during the year. ✓ Communicate with the Board of Directors to ensure compliance with relevant laws and regulations and address any concerns they may have regarding the finances of the District. ✓ Perform internal control evaluations as outlined above. ✓ Determine materiality levels to guide our selection of audit transactions. ✓ Perform a risk assessment to develop the audit plan for the year. ✓ Review minutes of the Board meetings to gain an understanding of financial actions taken by the District throughout the year. ✓ Examine new contracts, bond documents, and agreements. ✓ Evaluate compliance with investments in accordance with the District’s investment policy and CA Government Code. ✓ Test purchase orders and contract management. ✓ Test a sample of cash disbursements to determine adherence to policies and internal controls. ✓ Perform a review of the District’s information systems and controls. ✓ Conduct compliance testing of federal grants, where applicable. ✓ Review the prior audited financial statements and offering feedback to District staff regarding best practices in financial reporting. ✓ Provide a GASB Update and templates for implementing new accounting standards including the upcoming SBITA accounting standard.
Year-End Testing	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none"> ✓ Confirming 100% of all cash and investment balances and test market values provided by your investment custodians. ✓ Testing for proper cutoffs of accounts receivable and grants receivable. ✓ Confirming and testing material notes and loans receivable. ✓ Testing the additions and deletions to capital assets and reviewing depreciation expense for reasonableness. ✓ Testing interfund transactions including due to/due from other funds and transfers. ✓ Testing current liabilities and perform a search for unrecorded liabilities. ✓ Reviewing unearned revenue balances for proper cutoffs. ✓ Testing the balances of accrued payroll and employee related liabilities. ✓ Confirming long-term debt with independent parties, when applicable. ✓ Reviewing the journal entry to record the debt for accuracy in years of new debt issuances. ✓ Testing of actuarial valuations and calculations related to pension and OPEB obligations and disclosures under GASB 68 and 75.

Audit Stage	Procedures Performed
	<ul style="list-style-type: none"> ✓ Evaluating claims and judgments payable. ✓ Testing of restrictions and classifications of net position. ✓ Analyze grant revenues and expenses to ensure proper matching within the fiscal year. ✓ Test the reasonableness of interest income, realized, and unrealized gains/losses on investments. ✓ Analytically and substantively test revenues and expenses reported in the financial statements. ✓ We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>This list of tests, while not exhaustive, represents some of the critical procedures that we undertake during the audit process. During the final stage of the audit, we review our findings and necessary adjustments with your Finance staff. We will ensure you are fully informed of any adjustments or recommendations and that all your questions and concerns are addressed.</p>
Single Audit Approach	<p>As part of our Single Audit for the years in which the District expends greater than \$750,000, we will perform the following procedures in accordance with the Uniform Guidance:</p> <ul style="list-style-type: none"> ✓ Perform an evaluation of the major programs required to be tested. ✓ Review OMB guidance and the OMB Compliance Supplement for the major program selected. ✓ Evaluating internal controls for each of the applicable 14 compliance areas for each program audited. ✓ Using AICPA sampling guidance, we select a sample for each of the applicable 14 compliance areas for each program audited, testing the sample for compliance. ✓ Testing the indirect cost rate, if applicable. ✓ Reviewing monitoring reports for noncompliance and follow up on the resolution of past noncompliance, if applicable. ✓ Issue a single audit report of federal expenditures. ✓ File the data collection form within the specified deadline.
Completion of the Audit and Preparation of Financial Statements	<p>Our goal is to deliver comprehensive, audited financial statements that conform to generally accepted accounting principles. Throughout the audit, we scrutinize all relevant information to ensure a reliable and accurate representation of the District’s finances. The culmination of this audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> ✓ Reviewing significant events following the year-end closing process. ✓ Reviewing attorney letters for significant legal matters. ✓ Providing five levels of review on the District’s Annual Comprehensive Financial Report. ✓ Meeting with Board of Directors to present the audit results, as requested.

Section F – Implementation of New GASB Pronouncements

We are committed to helping our clients navigate the ever-changing world of accounting standards. We understand implementing new standards presents significant challenges, and we provide guidance and support to help our clients implement these changes efficiently and effectively. In the upcoming years, the District will be required to implement several new accounting standards. Our services extend to consulting on these new standards to ensure your organization is well-prepared to meet the specified requirements.

Below are some of the significant new GASB pronouncements planned or proposed for local governments that may impact the District:

<i>GASB 96: Subscription Based IT Arrangements</i>	The Statement provides guidance to governments on the accounting and financial reporting for subscription-based information technology arrangements. This Statement is effective for the fiscal year ending June 30, 2023.
<i>GASB 100: Accounting Changes and Error Corrections</i>	This statement provides guidance on accounting changes and accounting for different types of accounting changes and error corrections in the financial statements. This statement is effective for the fiscal year ending June 30, 2024.
<i>GASB 101: Compensated Absences</i>	This statement provides guidance on accounting changes and financial reporting related to compensated absences. This statement is effective for the fiscal year ending June 30, 2025.

Section G – Scope of Work

Our understanding of the objectives and scope of the work to be performed for the District is as follows:

- Conducting an audit examination of the financial statements of the District for the fiscal year ending June 30, 2024 through 2026, with optional extensions through 2028, in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will ensure that the Basic Financial Statements are prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will prepare a report on the District’s appropriations limitation to meet the requirements of Article XIII-B of the California Constitution.
- When necessary, we will perform a compliance audit of federal expenditures in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* in any year the District has federal expenditures of more than \$750,000.
- We will prepare a letter to the Board of Directors summarizing the audit results in accordance with the Codification of Auditing Standards Section AU-260.
- We will prepare a letter to the Board of Directors reporting any internal control issues that meet the threshold of a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section AU-265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- As requested, we will meet with the Board of Directors to discuss the results of the audit.
- Finally, we consider our role as advisors to the District regarding generally accepted accounting principles to be an essential part of our services. Throughout the year, the management and other finance personnel of the District will have full access to us to our team to seek advice on various matters relating to the application of generally accepted accounting principles, financial statement preparation and content, debt issuances, upcoming accounting standards and any other issues that may arise.

Section H – Proposed Timing of the Audit for FY 23/24

The following proposed timing is subject to the District’s revision and approval:



Section I – Proposed Fees and Segmentation of the Audit

The following is our estimate of the fees required to perform the audit:

Service Provided	FY 2024	FY 2025	FY 2026
<i>District Audit</i>	\$22,500	\$23,175	\$23,950
<i>Single Audit, if Required</i>	\$3,500	\$3,600	\$3,700

The following is our estimate of the hours by professional classification required to perform the services previously outlined:

Classification	Hours	Percentage
<i>Partner</i>	20	9%
<i>Audit Supervisor/Senior</i>	90	43%
<i>Staff Auditor</i>	70	35%
Total	180	100%

For additional work performed outside of the engagement, our rates are as follows:

<i>Partner</i>	\$250
<i>Manager</i>	180
<i>Supervisor/Senior</i>	130
<i>Staff</i>	110

APPENDIX





Shannon Ayala, CPA

Partner

Ms. Ayala will serve as the Partner on this audit. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit teams, and review the final reports before they are released. Ms. Ayala is a Certified Public Accountant with twenty years of audit experience, spending most of that time on audits for local governments in San Diego County. Ms. Ayala has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with Uniform Guidance, and compliance audits.

Employment History

- Davis Farr LLP – Since 2015
- National CPA Firm – 10 years
- Lennar Homes – 2 years

Education

- Bachelor of Science - Accounting (San Diego State University)

Licenses / Registrations

- California CPA Certificate No. 88126

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers

AUDITS OF GOVERNMENTAL AGENCIES

- | | |
|--|--|
| ✓ City of Carlsbad | ✓ Rancho California Water District |
| ✓ City of Coronado | ✓ San Diego Local Agency Formation Commission |
| ✓ City of Del Mar | ✓ San Diego County Water Authority |
| ✓ City of Escondido | ✓ San Diego Association of Governments |
| ✓ City of Poway | ✓ Salton Sea Authority |
| ✓ City of San Marcos | ✓ San Dieguito River Park Joint Powers Authority |
| ✓ City of Santee | ✓ Sweetwater Authority |
| ✓ Imperial County Local Agency Formation | ✓ Vallecitos Water District |
| ✓ Leucadia Wastewater District | ✓ Rancho California Water District |
| ✓ Otay Water District | ✓ Valley Center Municipal Water District |



Jennifer Farr, CPA, MBA

Partner

Ms. Farr will serve as the Quality Control Reviewer on this audit. She will be involved in approving the audit plan, reviewing key audit workpapers, reviewing all reports and acting as a second technical resource. Ms. Farr is a Certified Public Accountant with over 20 years of experience in local government auditing. Ms. Farr is a frequent speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for training in the area of local governmental accounting and auditing.

Employment History

- Davis Farr LLP – Founding Partner
- Shareholder – National CPA Firm

Education

- Bachelor of Arts - Business Administration / Accounting (California State University, Fullerton)
- Bachelor of Arts - English (California State University, Fullerton)
- Master of Business Administration (California State University, Fullerton)

Licenses / Registrations

- California CPA Certificate No. 76292, October 1998

Professional Affiliations & Awards

- California Society of Certified Public Accountants
- Government Accounting & Auditing Committee
 - Current Chair of Committee
- California Society of Municipal Finance Officers
- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Financial Review Committee

AUDITS OF GOVERNMENTAL AGENCIES

- | | | |
|---------------------------|------------------------|-----------------------------------|
| ✓ City of Avalon | ✓ City of RSM | ✓ Inland Empire Utilities Agency |
| ✓ City of Carlsbad | ✓ City of Rosemead | ✓ Irvine Ranch Water District |
| ✓ City of Commerce | ✓ City of Santa Ana | ✓ Leucadia Wastewater District |
| ✓ City of Campbell | ✓ City of Santee | ✓ Mesa Water District |
| ✓ City of Coronado | ✓ City of South Gate | ✓ Moulton Niguel Water District |
| ✓ City of Costa Mesa | ✓ City of Villa Park | ✓ Orange County Water District |
| ✓ City of Encinitas | ✓ City of Walnut Creek | ✓ Placer County Water Agency |
| ✓ City of Fontana | ✓ City of West Covina | ✓ San Diego Assoc. of Governments |
| ✓ City of Fountain Valley | ✓ City of Whittier | ✓ Sweetwater Authority |
| ✓ City of Garden Grove | ✓ City of Woodland | ✓ Tahoe Transportation District |
| ✓ City of Indian Wells | ✓ City of Tustin | ✓ Tahoe Regional Planning Agency |
| ✓ City of Mission Viejo | ✓ Cucamonga Valley WD | ✓ West Basin Municipal Water |
| ✓ City of Palm Springs | ✓ Eastern Municipal WD | ✓ Yucaipa Valley Water District |



Diego Vanegas, CPA, CISA, CITP

Partner

Mr. Vanegas will serve as the IT Specialist on the engagement. Mr. Vanegas, CPA, CISA, CITP has over 16 years of progressive governmental accounting and audit experience, including extensive compliance audit experience for governmental and non-profit agencies. He has been involved in financial/compliance audits, internal control audits and assessments, operational/performance audits, and cost proposal analysis/price reviews for various governmental agencies. Mr. Vanegas has served in many capacities depending on the size and requirements of the engagements. He has participated in audits of federal agencies such as NSF, CMS, and CNCS, among others. Additionally, Mr. Vanegas has been involved in agreed-upon-procedures and audit engagements of state/local agencies. These engagements have often combined both financial and compliance aspects of the audit as well as Information Technology (IT). Furthermore, he has strong internal control audit experience through the performance of System and Organization Control examinations of the internal controls of service organizations, as well as knowledge of Government Auditing Standards, Office of Management and Budget (OMB) Circular A-87 and the Federal Acquisition Regulations (FAR).

Employment History

- Davis Farr LLP: Partner – January 1, 2018 – Present
- Davis Farr LLP: Manager – June 2015 – December 31, 2017
- Top 10 National CPA Firm – May 2005 - June 2015

Education

- Bachelor of Science in Business Administration, with an emphasis in Accounting (California State University - Los Angeles)
- Bachelor of Science in Computer Information Systems, with an emphasis in Business Systems (California State University - Los Angeles)

Licenses / Registrations

- CA CPA Certificate No. 113040
 - Certified Information Systems Auditor
 - Certified Information Technology Professional, No. 3298
-



Makaylyn Tallman

Supervisor

Ms. Tallman will serve as the supervisor on this engagement. She will be the main point of contact for the staff. She will be responsible for supervising the in-charge and staff. Ms. Tallman has over four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Ms. Tallman has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

Employment History

- Davis Farr LLP – Since 2018

Education

- Bachelor of Science in Accounting
(University of Nevada, Reno)

AUDITS OF LOCAL AND FEDERAL GOVERNMENTS

- | | |
|--|---|
| ✓ Centers for Medicare and Medicaid Services | ✓ City of Poway |
| ✓ City of Carlsbad | ✓ City of Santee |
| ✓ City of Dana Point | ✓ City of Vista |
| ✓ City of Delano | ✓ Coachella Valley Association of Governments |
| ✓ City of Encinitas | ✓ County of San Diego |

AUDITS OF SPECIAL DISTRICTS

- | | |
|-------------------------------------|---|
| ✓ Eastern Municipal Water Districts | ✓ San Diego County Water Authority |
| ✓ Imperial County LAFCO | ✓ San Diego Geographic Information Source |
| ✓ Marin LAFCO | ✓ San Dieguito River Park Valley JPA |
| ✓ Placer County Water Agency | ✓ Santa Rosa Regional Resources Authority |
| ✓ Rancho California Water District | ✓ Tahoe Regional Planning Agency |
| ✓ Salton Sea Authority | ✓ Tahoe-Truckee Sanitation Agency |

AUDITS OF NON-PROFITS & OTHER

- | | |
|---|------------------|
| ✓ Balboa Art Conservation Center | ✓ CGS - SOC |
| ✓ Family YMCA of the Desert | ✓ Palmetto - SOC |
| ✓ San Diego Children's Discovery Museum | |



Glenn Wright

Senior Auditor

Mr. Wright will serve as the in-charge on this engagement. He will be the main point of contact for the staff. He will be responsible for supervising the staff. Mr. Wright has eight years of audit experience in public accounting. Mr. Wright has spent time on audits for special districts and local government engagements. The types of audits Mr. Wright has been involved in include: financial audits of non-profits, cities and special districts, and Single Audits in accordance with Uniform Guidance. Before joining Davis Farr, Mr. Wright spent six years as an external auditor for Big 4 and other top 10 Audit firms.

Employment History

- Davis Farr LLP – 2023 - Present
- BDO USA LLP – 2022-2023
- Ernst & Young – 2021 – 2022
- CBIZ MHM, LLC – 2019 – 2021
- Considine & Considine 2016 - 2019

Education

- Bachelor of Science in Accountancy
(San Diego State University)
- Master of Science in Accountancy: Audit & Assurance
(San Diego State University)

AUDITS OF LOCAL GOVERNMENTS

- ✓ City of Vista
- ✓ City of Coronado
- ✓ City of Tustin

AUDITS OF SPECIAL DISTRICTS

- ✓ Rincon Del Diablo Water District
- ✓ Otay Water District
- ✓ Vista Irrigation District

AUDITS OF ASSOCIATIONS AND COMMISSIONS

- ✓ San Diego Association of Governments
- ✓ Coachella Valley Association of Governments
- ✓ Coachella Valley Conservation Commission
- ✓ Desert Community Energy



Report on the Firm's System of Quality Control

Davis Farr LLP

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and examination of a service organization (SOC 1 engagement).

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

CPAs ■ Advisors

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 909.948.9990 / 800.644.0696 / FAX 909.948.9633
 gyl@gylcpa.com
 www.gylcpa.com

CPAmerica
Member  Crowe Global

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
August 8, 2022



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JULY 9, 2024
AGENDA ITEM II.B

July 1, 2024

TO: Board of Directors
FROM: Geoffrey Poole, General Manager
SUBJECT: Raftelis Proposition 218 Rate Study – G Poole

RECOMMENDED ACTION:

Review Proposal and Authorize Staff to Proceed

ITEM EXPLANATION:

Staff has been working with Kevin and Co from Raftelis on preparation for a new Proposition 218 Rate Study Proposal. Due to BWD declining Reserves, Staff is considering not waiting the full 2 years on the current rate structure and proceed with a new Prop 218 rate study and approval of new rates by July 2024. If based on the results of the proposed Rate Model, deferral of rate increases one year further will be considered.

The attached Proposal from Raftelis is to complete the Rate Study during 24-25.

NEXT STEPS

1. Execute Contracts

FISCAL IMPACT

1. \$XXX,XXX estimated annual fee

ATTACHMENTS

1. Proposal

Borrego Water District

Water and Sewer Rate and Related Studies

PROPOSAL / JULY 3, 2024



July 3, 2024

Mr. Geoff Poole
General Manager
Borrego Water District
806 Palm Canyon Drive
Borrego Springs, CA 92004

Subject: Proposal to Provide Consulting Services for Water and Sewer Rate and Related Studies

Dear Mr. Poole:

Raftelis is pleased to submit this scope of services to perform water and sewer rate studies and non-rate studies for the Borrego Water District (BWD or District). The following sections outline the tasks Raftelis believes will be involved in completing the Studies that accomplish the District's goals. We have included a detailed Scope of Work and a fee schedule. The rate study scope assumes rate adoption in Spring 2025 for implementation July 1, 2025.

I, Kevin Kostiuk, will again serve as Project Manager and ultimately be responsible for the project's success. Steve Gagnon, PE, will serve as Project Director. Steve has more than 20 years of experience in financial analysis and environmental engineering and is registered with the Securities and Exchange Commission as a Municipal Advisor. Raftelis junior consulting staff will lead modeling efforts and provide support on project deliverables.

Gina DePinto, APR, will support me with the Proposition 218 notice development and any other public outreach and communications the District may need to be supported. Gina has 34 years of experience and, prior to joining Raftelis, served as the Communications Manager for the County of Santa Barbara and led communications for the Orange County Water District. Gina has conducted similar recent utility rate-setting outreach at the City of Oxnard, the City of Huntington Beach, and the Soquel Creek Water District. I will be supported by our management consulting and capital execution colleagues for the staffing support, flood control fee, and Town Center Sewer tasks.

We look forward to the opportunity to assist the District with these important studies. If you agree with the proposed scope and fee, please sign and return one copy for our files. Please do not hesitate to contact me should you have any questions.

Kevin Kostiuk, Senior Manager
445 S Figueroa Street, Suite 1950, Los Angeles CA 90071
P: 213.262.9309 / E: kkostiuk@raftelis.com

Sincerely,
Kevin Kostiuk



Understanding and Scope of Work

Raftelis has had the opportunity to assist the District in prior rate studies including the most recent in 2020. We understand that the District wishes to begin this next rate cycle a year early due to changing financial conditions and a desire to secure additional water supply as it becomes available. We also understand that the District wishes to conduct other non-rate related studies as part of the effort, including Town Center Sewer (TCS) expansion fees, future staffing evaluations, flood control fees, and water and sewer capacity fees.

Water Supply

In the prior rate study the District's financial plan was designed to accumulate an annual funding amount to reserves for future baseline pumping allocation (BPA) purchases. However, in FY 2023 the District entered into a multiyear installment agreement to purchase an additional 1,820 acre feet (AF) of BPA water through FY 2030 for \$4.5 million. This agreement is set to be funded through cash and the BPA reserve. Furthermore, the District anticipates the need to purchase an additional 1,000 AF of BPA on top of the multiyear agreement before 2050. The District wants to ensure the ability of revenues and reserves to fund the existing multi-year agreement and begin to build reserves for future BPA purchases.

Decreased Water Use

In recent years, the District has experienced a decline in water use of approximately 10% as a result of higher-than-normal precipitation years and continued conservation efforts. As a result, the Board is currently discussing the need to shift the revenue recovery from commodity based revenue towards fixed revenue to increase revenue stability. The full implementation of the AMI Pilot Program may show a slight increase in water consumption, but that has yet to be determined.

Sewer Rate Structure

The current rate structure levies charges primarily based on an equivalent dwelling unit (EDU) basis. This study will evaluate alternative rate structure(s) based on the actual flow and strength of the wastewater generated and the impacts on different users and user classes.

Private Fire Protection

The existing cost of service and rate design treats all fire protection as public. The next rate study will evaluate private fire protection costs and benefits and assess whether private fire service charges are appropriate for the District.

Methodology

There are five primary steps Raftelis takes in conducting a rate study:

1. Due Diligence and Policy Review

Raftelis will start with a due diligence phase to understand goals, key objectives, challenges, and opportunities for the rate study. This includes data review, project kickoff, ongoing project management, and administration throughout the studies.

2. Financial Plan Development

Future revenue requirements are determined in order to sufficiently fund the utilities operation and maintenance (O&M), capital improvement program (CIP), debt service, and cash reserve funding. We evaluate current and projected revenues, water use, and expenses including water purchase costs. The District's CIP and any future changes to cost structure will be integrated into the financial plan to fully fund operating and capital investment.

3. Cost-of-service Analysis

The annual costs of providing water and wastewater services should be allocated among customer classes commensurate with their service requirements (i.e., how they use the systems). In this step, costs are identified and allocated to functional cost components and distributed to respective customer classes according to the industry standards provided in the American Water Works Association (AWWA's) *Manual M1, Principles of Water Rates, Fees and Charges (Manual M1)*, a rate-setting manual for water utilities and the Water Environment Federation (WEF) *Manual of Practice Number 27 Financing and Charges for Wastewater Systems* for wastewater utilities.

4. Rate Design

Properly designed rates support and optimize a blend of utility objectives, such as affordability for essential needs, fairness and equity, revenue sufficiency, and revenue stability. Raftelis will work with District staff and the Board of Directors to design rates according to industry standards that meet the District's rate-setting objectives and align with the legal framework in California. Raftelis will develop a customized rate model to assess different rate alternative customer impacts to facilitate informed decision making.

5. Rate Adoption

In the last step of the rate-making process, and in part to comply with the requirements of Proposition 218 (Prop 218), the results and recommendations of the project are documented in a study report to help inform the public about the proposed changes, the rationale and justifications behind the changes, and their anticipated financial impacts in lay terms. The report will detail the proposed rate structure derivation and serve as part of the District's administrative record. At a public hearing, no fewer than 45 days after mailing of the public notices, Raftelis can present our recommendations to assist in the District's rate adoption.

Scope of Work – Rate Studies

TASK 1 – PROJECT MANAGEMENT AND INITIATION (KICKOFF MEETING)

Task 1.1 – Ongoing Project Management and Quality Assurance/Quality Control Process

This task includes general administrative duties including client communication, billing, project documentation, and overall project administration. The Project Manager will also manage and perform QA/QC on the model results and our recommendations to ensure they are consistent with industry standards and the current rate-setting environment.

Task 1.2 – Project Initiation and Data Collection

The Kickoff meeting provides a foundation for the project and ensures that project participants are in mutual agreement as to the project's approach, work plan, schedule, and the District's priorities. As part of the meeting, Raftelis will discuss the District's current rates, identify any new customer classes that may be considered as part of the cost of service analysis, work with staff to identify and prioritize rate objectives, develop a framework for alternative rate structures to be explored, and evaluate the various policy options available for meeting the District's goals and objectives.

A detailed data request list will be submitted to the District so all appropriate data in the required format can be forwarded to Raftelis. Data requirements include but are not limited to operating and capital costs, water consumption and account information, prior year(s) financial statements, water production records, account growth estimates, and relevant master plan studies.

The schedule assumes that the District can provide Raftelis with required data in a timely manner to conduct the studies for the water and sewer enterprises. Data is preferred in electronic format as either Excel spreadsheets or Access databases. Subsequent conference calls and virtual meetings may be required to discuss and confirm data.

MEETINGS

-) Kickoff meeting; follow up virtual meetings as necessary to discuss data items

DELIVERABLES

-) Data request list and Kickoff meeting minutes

TASK 2 – FINANCIAL PLAN DEVELOPMENT

The financial plan is a cash flow modeling exercise that ascertains the additional revenue needed to ensure the financial integrity of the utilities. This task will include the projections of budget items for the water system and sewer services within SA 1, SA2, and SA5. These budget items include annual costs related to the water system and sewer system, labor, power, materials, capital expenditures, operating and maintenance (O&M) expenses, reserve contributions, and debt service. Future costs will be projected using assumptions based on different economic factors, inflationary factors, and growth trends that Raftelis will discuss with BWD staff.

Relying on the existing models, Raftelis will develop a forecast of revenue requirements for the next 10-year planning period for water and sewer. This will include an estimate of revenues based on current rates, growth in customers, and anticipated changes in water demands and wastewater generation, as well as other revenues generated from operating and non-operating revenues. Revenue requirements will be projected over the planning

horizon (minimum of 10 years) considering the current budget, different CIP scenarios, the utilities' existing debt service, other obligations, and current economic trends. Raftelis will identify funding needs and develop financing options for capital projects over the long planning horizon allowing the District to make timely adjustments to expenses, reserve balances, or the timing of capital projects to smooth rate impacts and maintain financial sustainability and sufficiency.

Raftelis will review reserves policies and, if warranted, recommend appropriate modifications and reserves targets for operating, capital, rate stabilization, and emergency needs, consistent with the District's risk management practices and industry standards.

Raftelis will conduct two virtual meetings with District staff to review and validate inputs for the Financial Plan Model. Feedback from District staff will be incorporated into the Model before any presentations to the District Board of Directors.

MEETINGS

-) Four (4) virtual meetings with District Staff to review and finalize Financial Plans for water and sewer
-) One (1) Board of Directors Meeting to present the proposed/recommended long-range financial plan

DELIVERABLES

-) Water and Sewer Financial Plan models in Excel

TASK 3 – WATER AND SEWER COST-OF-SERVICE ANALYSIS

Task 3.1 Water Cost of Service Analysis

The water cost-of-service analysis is based on industry standards and methodologies approved by AWWA and described in *Manual M1*. Cost of service allocations focus on service functions and appropriate allocations of the total cost of service (revenue requirements) to the service functions and, ultimately, to each customer class. Cost allocations among water customer classes will be based on the AWWA-approved base-extra capacity approach, which focuses on the different usage patterns (or peaking characteristics) demonstrated by each customer class.

Based on the water revenue requirements identified in Task 2, the cost of service will be allocated to the various cost components, including capacity-related costs, commodity (base delivery) costs, customer costs, and other direct and indirect costs consistent with industry standards. The purpose of this task is to allocate the costs associated with the various cost components of each utility to the various customer classes on the basis of the relative responsibility of each. Costs will be allocated based on the determination of units of service for each customer class and the application of unit costs of service to the respective units. The result is the total cost responsibility required of each customer class in order to maintain full cost recovery for the District's water enterprise.

Task 3.1 Sewer Cost of Service Analysis

The sewer cost of service analysis will be performed based on industry standards and methodologies approved by the Water Environment Federation (WEF) *Manual of Practice, Financing and Charges for Sewer Systems*. Raftelis will ensure that the cost of service allocations focus on appropriate service functions, appropriately allocate the cost of service to the service functions, determine how those services are used by each customer class, and develop the cost allocation components of the model. Cost allocations among customer classes for the sewer enterprise will utilize estimated sewer generation and associated strengths demonstrated by various user groups.

Based on the sewer revenue requirement identified in Task 2, the cost of service will be allocated to the various cost components, including operating and capital costs related to collection, treatment, and customer costs, consistent with industry standards. The purpose of this analysis is to allocate the costs to the customer classes based on their relative responsibility.

Throughout the water and sewer cost allocation process, Raftelis will comply with the District's policy considerations and procedures, as well as current federal and state regulations such as Proposition 218. Although not a law firm, Raftelis is very familiar with Proposition 218 requirements and their implications on water and sewer rates. Our Project Team has extensive experience with Proposition 218 and is confident that our approach to rate-setting aligns with its requirements.

MEETINGS

-) Two (2) virtual meetings with District Staff to review and discuss the cost of service analyses

DELIVERABLES

-) Water and Sewer Cost-of-Service Analysis in Excel

TASK 4 – Water and Sewer Rate Design

Task 4.1 – Rate Design

Raftelis will develop a Water and Sewer Rate Model with the flexibility to compare the current rate structure with modifications, such as a flow-based rate structure for the sewer utility. The models will also be capable of examining different options to balance and improve competing objectives, for example, fairness of rates versus revenue stability. The baseline rate design will maintain the current revenue percentage split between fixed and variable charges for water to aid District staff in comparing alternative scenarios to this baseline.

In addition to exploring an alternative rate structure for sewer service, Raftelis will model fire service charges for customers who have private fireline connections. The model will determine private fire cost allocations and service charges based on the M1 manual and industry standards to calculate both private and public fire service capacity as a portion of total water system capacity.

To help communicate with customers about the drivers behind any potential rate increases and the rationale behind the proposed rates, the water and sewer rates will be *built-up* using individual rate components. For example, building each water tier including water supply costs, the District's system costs (delivery costs), and peaking costs. Another example would be sewer rates based on costs of flow, strength, and lift pumping, and customer-related costs.

Raftelis has budgeted for evaluation of one alternative sewer rate structure and evaluating modest modifications to the existing water rate structure.

Task 4.2 – Perform Customer Impact Analysis

Besides the impact of increasing overall revenues, changes to rate structures can cause “rate shock” to customers. Raftelis will calculate the all-in financial impact on customers that may result from the proposed rates. In our impact analysis graphics, we regenerate every monthly bill of each account assuming the new proposed rates were already

in place to determine the “true” impact of the new rate structure on District customers. Raftelis will perform customer impact analyses for both water and sewer accounts.

MEETINGS

-) Three (3) virtual meetings with District staff to review and refine the rate design and customer impacts
-) One (1) Board of Directors Meeting to present the preliminary water and sewer rates

DELIVERABLES

-) Water and Sewer Rate Model in Excel showing proposed rates and customer impacts

TASK 5 – DRAFT AND FINAL REPORTS

Recent legal decisions have emphasized the importance of a thorough administrative record and defensible methodology of the final rates for service. To support a thorough administrative record, the rate studies report will include an exhibit listing all assumptions and methodologies used to develop the financial plan and rates. The report will lead the reader through Raftelis’ approach to arriving at revenue and rate adjustments that are defensible, reflect the District’s policies and goals, and are driven by the revenue requirements of each utility. The draft report will include an executive summary highlighting the major objectives, rate drivers, recommended rates, and customer impacts. The main body of the report will include a brief physical description of the water and sewer systems and District characteristics, details of the financial plans and reserve policies, cost of service analyses, rate design details, and the proposed five-year water and sewer rates and customer impacts for fiscal years (FY) 2026-2030. It will also contain a discussion on rate structure selection and rate design assumptions. The methodology describing the cost of service analyses and rate calculations will be described in detail so that the nexus between costs and rates is clearly defined and understandable. Comments from District staff and the District’s legal counsel will be incorporated into the final report. The final report will be submitted to BWD and will include appropriate supporting data and appendices from the models.

MEETINGS

-) One conference call with District Staff and/or legal counsel to review the draft report
-) One (1) Board of Directors Meeting to present the draft study report and request authorization to notice BWD customers

DELIVERABLES

-) Draft and Final Reports in Microsoft Word and Adobe PDF

Task 6 – PROPOSITION 218 NOTICE DEVELOPMENT

Raftelis will develop graphics and narrative content needed for the District's Proposition 218 notification, which must be postmarked to all affected property owners in the District's service area no less than 45 days prior to the public hearing to adopt rates. Content will include all statutorily required elements, along with strategic communications messages to ensure it properly communicates the need and justification for rate increases and that the public is given tools to understand the impacts to their individual bills. Beyond satisfying legal requirements, the goal of the notice will be to describe the public process that went into the recommendations and make the case for why rate adoption is critical for the long-term health and water security of BWD.

Once the notice content passes the District's legal review, Raftelis' Creative Services group will flow the content into an attractive design that will encourage your customers to read the information and have a broader understanding of the issues. Our pricing includes the development of a press-ready PDF. It is anticipated that District staff will liaise with the printer and mail house and contract directly with them for payment. We are able to provide liaison services at our standard hourly rates.

MEETINGS

-) One conference call to review narrative content and edits to the draft notice

DELIVERABLES

-) Draft notification language for legal counsel's review/approval
-) Designed notification with two rounds of revisions and a final print-ready PDF in English and one other language.

TASK 7 – PUBLIC HEARING

Raftelis will be present at the Public Hearing to adopt the recommended rates and will be available to present the final study results and answer any questions.

MEETINGS/CONFERENCES

-) One (1) Public Hearing

DELIVERABLES

-) Presentation materials, if necessary, in Microsoft PowerPoint

Scope of Work – Non-Rate Studies

Task 8.1 – Town Center Sewer (TCS) Expansion Charges

Town Center Sewer (TCS) users currently pay a fee when switching from Sewer EDU Holders to Users per the existing Town Center Sewer Agreement. Raftelis will work with BWD staff and legal counsel to evaluate changes and/or additions to TCS holder fees. Raftelis will rely on legal counsel's determination if the fee can legally be changed or increased while still aligning with contractual agreements and any regulatory requirements. Raftelis has budgeted 40 hours of time for this effort outside of the sewer rate study. If the District requires a separate memorandum Raftelis can provide this based on time incurred.

MEETINGS

-) Three (3) virtual meetings with District staff and legal counsel

DELIVERABLES

-) Technical Memorandum (TM), extra and optional

Task 8.2 – Staffing Support

The District is evaluating the addition of one full-time employee to serve as a backup water and sewer operator in training in FY 2025 and another full-time employee to serve as additional staff on the Water Operations team in FY 2026 or FY 2027. Raftelis's management consulting team will assist our Project Manager and the District in evaluating these hiring options and weighing the costs and benefits of staffing decisions. Raftelis has budgeted 25 hours for this effort.

MEETINGS

-) Two (2) virtual meetings to discuss future staffing

DELIVERABLES

-) Brief Technical Memorandum on staffing plan

Task 8.3 – Water and Sewer Capacity Fees

As part of our work that began in 2019, Raftelis has constructed a capacity fee model for the water utility and the sewer utility. These models derive a fee for new connections to the systems. The goal of the 2019 study was to update the existing capacity fees using the current approach and methodology using updated data; however, significant changes to the system since the District last updated these fees and possible constraints on data availability require additional analysis and discussion to update the water and sewer capacity fees.

We will review the District's current fixed asset schedules, as well as current and future potential demands based on existing master and capital plan documents. The goal is to ensure that total demand from existing users, and at build-out, is considered for purposes of calculating the connection fees. The calculation of the fees will depend on current fixed assets, planned (future) capital improvements, capital financing assumptions, system capacities, and the level of service (or demand requirements) of new customers. Proposed fees will meet applicable regulatory requirements (i.e. Government Code 66000) in developing rates and impact fees. Raftelis will update the existing

Connection Fee Model that will reflect future demand and associated system valuations that benefit new development. Raftelis will review the resulting connection fees with District Staff before producing a draft report.

MEETINGS

-) Three (3) virtual meetings to discuss capacity fee data, preliminary results, and final fees

DELIVERABLES

-) Connection Fee Model in Microsoft Excel
-) Capacity Fee Report in Microsoft Word and Adobe PDF

Task 8.4 – Flood Control Fee

The District is planning on obtaining flood insurance in the near future. Raftelis will assist in evaluating a fee to charge specific customers for their portion of insurance, maintenance, and other costs. Raftelis will work with District staff and legal counsel to determine the appropriate mechanism with which to update and recover this fee (i.e., Proposition 218 fee for service, Proposition 26 exempt fee, or a contractual agreement outside of the prevailing legal framework). Raftelis has budgeted 40 hours to support the flood control fee update and implementation.

MEETINGS

-) Two (2) virtual meetings to discuss flood fees

DELIVERABLES

-) Flood fee analysis in Microsoft Excel

Fee

The table below shows the hourly rates, hours, and total estimated fees for this project by task and team member. All meetings with District staff are presumed to be virtual. Raftelis can attend public meetings with the Board of Directors in person, if preferred. Total expenses include travel costs, should the District want Raftelis to attend public meetings in person.

Tasks	Virtual Meetings	Public Meetings	Hours								Total Fees & Expenses
			SG	KK	GD	SC	BV	CS	Admin	Total	
RATE STUDIES			24	116	14	180	2	16	4	356	\$92,950
1. Project Management and Initiation (Kick-Off Meeting)	1		2	12	2	8			4	28	\$7,290
2. Financial Plan Development	4	1	8	36		64	2			110	\$29,766
3. Water and Sewer Cost-of-service	2		4	24		36				64	\$17,040
4. Water and Sewer Rate Design	3	1	4	20		24				48	\$13,766
5. Draft and Final Reports	1	1	4	14		48				66	\$17,126
6. Proposition 218 Notice Development				4	12			16		32	\$7,260
7. Public Hearing		1	2	6						8	\$3,286
NON-RATE STUDIES			2	45	0	64	46	0	0	157	\$43,920
8.1. Town Center Sewer Expansion Charges				12		16	12			40	\$11,200
8.2. Staffing Support				5			20			25	\$8,000
8.3. Water and Sewer Capacity Fees			2	16		32	2			52	\$13,520
8.4. Flood Control Fee				12		16	12			40	\$11,200
Total Meetings / Hours	11	4	26	161	14	244	48	16	4	513	
Hourly Billing Rate			\$360	\$320	\$285	\$220	\$320	\$160	\$100		
Total Professional Fees			\$9,360	\$51,520	\$3,990	\$53,680	\$15,360	\$2,560	\$400	\$136,870	
										Total Fees	\$136,870
										Total Expenses	\$2,584
										Total Fees & Expenses	\$139,454

SG - Steve Gagnon
 KK - Kevin Kostiuik
 GD - Gina DePinto
 SC - Staff Consultant
 BV - Brandon Vatter
 CS - Creative Services
 Admin - Administration

The District accepts the terms of this engagement letter and proposal:

Approved: _____

Date: _____

Name of Signatory: _____

Title: _____

BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JULY 9, 2024
AGENDA ITEM II.C

July 1, 2024

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: Delinquent Payment Assessment – SD County Tax Roles – E Garcia

RECOMMENDED ACTION:

Approve Assessments

ITEM EXPLANATION:

Staff is requesting approval of Resolution 2024-07-01 Resolution No. 2024-07-01 Resolution Of The Board Of Directors Of Borrego Water District Authorizing Collection Of Delinquent Water Charges By The County Tax Collector.

13 Accounts total.

NEXT STEPS

1. Notify County of SD

FISCAL IMPACT

1. \$ 70,653.47 in Leins and accounts past due 60 days or more

ATTACHMENTS

1. Resolution 2024-07-01

RESOLUTION NO. 2024-07-01
RESOLUTION OF THE BOARD OF DIRECTORS OF BORREGO
WATER DISTRICT AUTHORIZING COLLECTION OF DELINQUENT WATER
CHARGES BY THE COUNTY TAX COLLECTOR.

WHEREAS, the Borrego Water District is authorized to fix rates for water services, pursuant to the California Water District Law, commencing with Water Code section 34000, and more particularly, California Water Code section 35470 *et seq.*, and

WHEREAS, certain District customers have delinquent unpaid charges for water and other services, which remain unpaid for sixty (60) days or more as of June 30 of this year, and the Board of Directors of the Borrego Water District, pursuant to California Water Code sections 37212, desires to place said delinquent charges for water and other services on the San Diego County Secured Property Tax Roll; and

WHEREAS, the District secretary has taken the following steps in accordance with section 37212 of the California Water Code: (a) the secretary has prepared a list of parcels of land upon which water and other services, or either, requested in writing by the owner of the property, was used, and for which the charges remain unpaid; (b) the secretary has certified that said list is true and correct; and (c) the secretary has caused notice to be provided to the owner of each separate parcel appearing on said list of parcels of land upon which delinquent charges are owed;

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND DETERMINED BY THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT AS FOLLOWS:

1. The recitals set forth hereinabove are true.
2. The delinquent and unpaid charges for water and other services, which remain unpaid for sixty (60) days or more as of July 1, 2024, shall be as specified in Exhibit "A", attached hereto and made a part hereof.
3. The delinquent charges for water and other services shall be collected in the same manner as ordinary ad valorem property taxes are collected and shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes. The tax collector may deduct the reasonable administrative costs incurred in collecting the delinquent charges and the special tax and shall pay the remainder to the Borrego Water District.
4. The District secretary is hereby directed to submit the list attached hereto as Exhibit "A" to the County auditor no later than August 1, 2024, or such other date as is deemed acceptable by the County.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 09th day of July 2024.

Kathy Dice, President
Board of Directors of Borrego Water District

ATTEST:

Diane Johnson, Secretary
Board of Directors of Borrego Water District

STATE OF CALIFORNIA)
)
COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2024-07-01 was duly adopted by the Board of Directors of said District at the Special Meeting of the Board of Directors held on July 09, 2024, and that it was so adopted by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

Diane Johnson, Secretary
Board of Directors Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Diane Johnson, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2024-07-01 of said Board, and that the same has not been amended or repealed.

Dated: July 09, 2024

Diane Johnson, Secretary
Board of Directors Borrego Water District

(Seal)

Exhibit "A"

(List of delinquent accounts at end of fiscal year 2024)

APN Number

1411422400

1983830900

1411933100

1980810800

2003201300

2002830500

1980530500

1413843900

2000631200

1413301100

1983010500

1401101800

1981220400

BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JULY 9, 2024
AGENDA ITEM II.D

July 1, 2024

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: BBK Rate Increase for FY 24-25 – G Poole

RECOMMENDED ACTION:

Approve new Hourly Rate Sheet for BBK services for FY 2024-25 @ 3.2%

ITEM EXPLANATION:

BBK proposes a 3.2% rate increase for FY 24-25.

NEXT STEPS

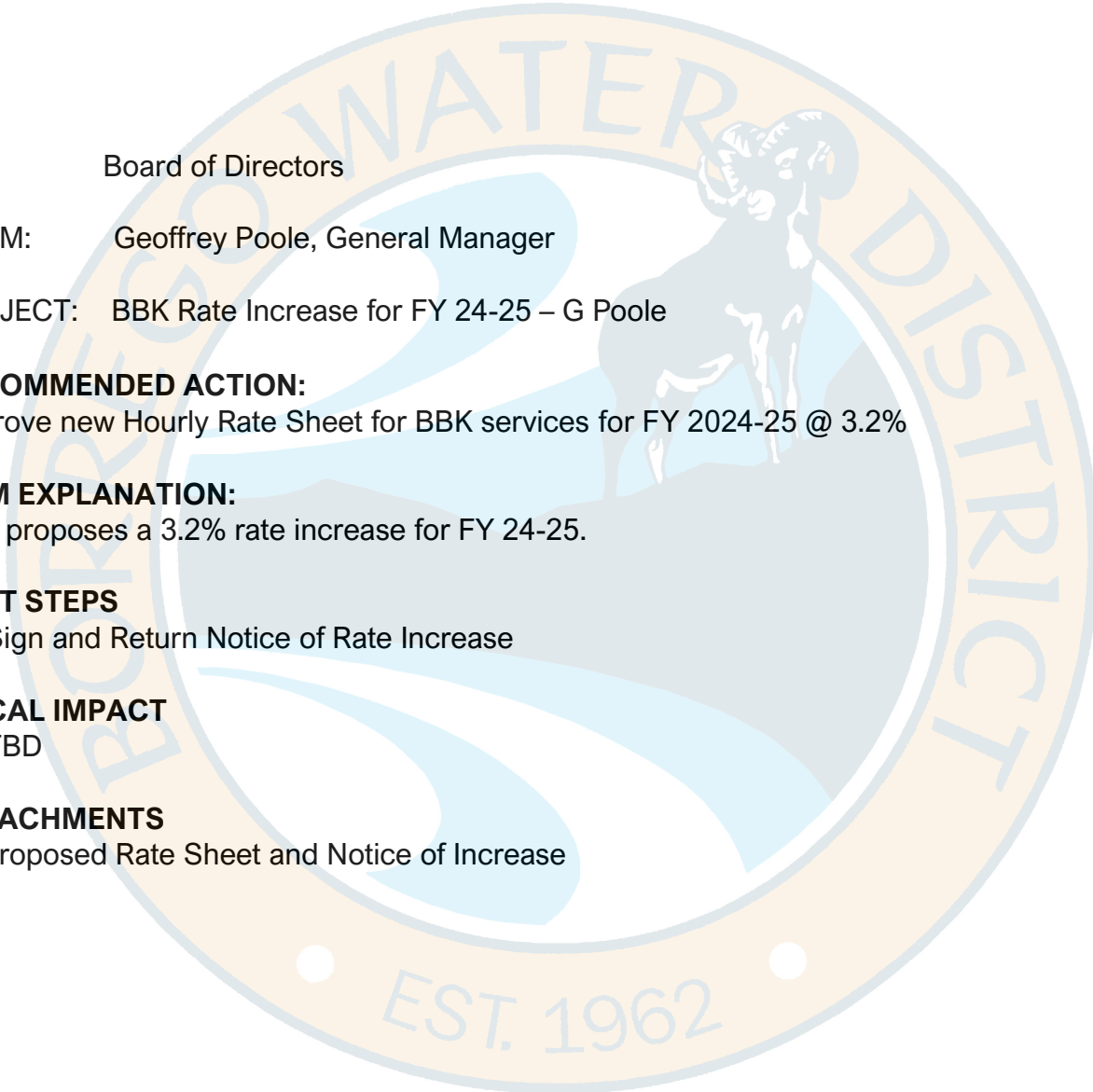
1. Sign and Return Notice of Rate Increase

FISCAL IMPACT

1. TBD

ATTACHMENTS

1. Proposed Rate Sheet and Notice of Increase





BBK
 BEST BEST & KRIEGER LLP
 ATTORNEYS AT LAW

Frida Mancilla Vega
 Business Analyst 1
 (619) 525-1344
 frida.mancillavega@bbklaw.com

June 14, 2024

Borrego Water District
 Attn: Geoff Poole, General Manager
 806 Palm Canyon Drive
 Borrego Springs, CA 92004

Re: Annual Notice of Automatic Increase in Legal Services Rates based upon CPI

Dear Mr. Poole,

Pursuant to our current agreement, the hourly rates are to adjust on July 1st of each year, in accordance with the All Urban Consumer Price Index, San Diego, CA area most recent 12-month published. The Index has increased by 3.2%, therefore, the hourly rates will be:

<u>Basic Services</u>	<u>Rate/Hr.</u>
Partners & Of Counsel	\$ 315.00
Associates	\$ 278.00
Non-Attorneys	\$ 182.00

<u>Special Services</u>	<u>Rate/Hr.</u>
Partners & Of Counsel	\$ 357.00
Associates	\$ 309.00
Non-Attorneys	\$ 194.00

If this is acceptable to you, please sign and date as indicated below and return to us. Best Best & Krieger sincerely appreciates your continuing loyalty and the choice of our firm for your legal services. If you have any questions about this or any of our billing policies, please contact your BB&K attorney, Steve Anderson.

Sincerely,

Frida Mancilla Vega
 Business Analyst 1
 for BEST BEST & KRIEGER LLP

 AGREED AND ACCEPTED:

Dated: _____

BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JULY 9, 2024
AGENDA ITEM II.E

July 1, 2024

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: Summer 2024 BWD Board Meeting Schedule – G Poole

RECOMMENDED ACTION:

Discuss Options and direct staff as deemed appropriate

ITEM EXPLANATION:

Until two or three years ago, the BWD Board did not meet in August. Due to extreme workload conditions, at least one meeting has been held in August recently.

Staff would like to discuss Board Member availability for August. Assuming at least 3 Members are available, for August 2024 based on workload/urgency issues, Staff is comfortable holding one meeting (date TBD).

If as we get closer to the August date and the pending agenda items are not critical, the possibility exists that we could not have a meeting in August like the good ol days.

NEXT STEPS

1. Direct staff and adjust meeting schedule accordingly

FISCAL IMPACT

1. TBD

ATTACHMENTS

1. None

BORREGO WATER DISTRICT
BOARD OF DIRECTORS MEETING
JULY 9, 2024
AGENDA ITEM II.F

July 1, 2024

TO: Board of Directors

FROM: Geoffrey Poole, General Manager

SUBJECT: Borrego Springs Subbasin Watermaster Board – VERBAL D Duncan/K Dice/T Driscoll

1. Update on Board Activities Including 7-11-24 Agenda Items
2. Update on Technical Advisory Committee Activities

RECOMMENDED ACTION:

Discuss upcoming Watermaster related activities

ITEM EXPLANATION:

BWD Representatives from the Watermaster and TAC will provide a review of recent events and an update on upcoming meetings including a review of the Agenda for July 11.

NEXT STEPS

1. TBD

FISCAL IMPACT

1. TBD

ATTACHMENTS

1. None