



8:00 A.M. OPERATIONS CENTER - 1200 SOUTH GENE AUTRY TRAIL – PALM SPRINGS – CALIFORNIA

Pursuant to the Governor's Executive Order N-29-20, there will be no public location for attending in person. Members of the public who wish to participate may do so by calling in at:

**Toll Free: (877) 309-2073
Access Code: 723-092-581**

or Via Computer:

<https://www.gotomeeting.com/meeting/join-meeting>

9 digit Meeting ID: 723092581

Members of the public who wish to comment on any item within the jurisdiction of the Agency or any item on the agenda should submit comments by emailing sbaca@dwa.org before 5:00 p.m. December 14. Comments will become part of the Board meeting record. Board members and staff will be participating in this meeting via teleconference.

****In order to reduce feedback, please mute your audio when you are not speaking.***

- | | |
|---|------------------------|
| 1. CALL TO ORDER/PLEDGE OF ALLEGIANCE | STUART |
| 2. INTRODUCTION OF DIRECTOR ORTEGA | STUART |
| 3. ROLL CALL | BACA |
| 4. APPROVAL OF MINUTES - December 1, 2020 | STUART |
| 5. GENERAL MANAGER'S REPORT | KRAUSE |
| 6. COMMITTEE REPORTS – A. Executive - December 10, 2020 | STUART |
| 7. PUBLIC COMMENT: Members of the public may comment on any item not listed on the agenda, but within the jurisdiction of the Agency. In addition, members of the public may speak on any item listed on the agenda as that item comes up for consideration. Speakers are requested to keep their comments to no more than three (3) minutes. As provided in the Brown Act, the Board is prohibited from acting on items not listed on the agenda. | |
| 8. SECRETARY-TREASURER'S REPORT (NOVEMBER) | SAENZ |
| 9. ACTION ITEMS | |
| A. Request Acceptance of Singer Lewak, LLP Annual Audit for 2019-2020 Fiscal Year | SAENZ |
| B. Request Approval of Augmentation of the 2020-2021 Operating Fund Budget Regarding Technology Assessment Consulting Services | SAENZ |
| C. Request Approval of Contract Extension with Reeb Government Relations, LLC | KRAUSE |
| D. Request Authorization to Enter into MOU Regarding Collaboration on the Coachella Valley Salt and Nutrient Management Plan | METZGER |
| E. Request Board Authorization for General Manager to Execute Land Lease Agreement Amendment No. 2, Amended and Restated Memorandum of Land Lease Agreement with Wildcat I Energy Storage LLC, and Approve Proposed Surface and Overhead Avigation Easement for Leased Dinah Shore Property | JOHNSON |
| 10. DISCUSSION ITEMS | |
| A. November Water Use Reduction Figures | METZGER |
| B. Director's Report on ACWA Virtual Conference – December 2 & 3, 2020 | BLOOMER, STUART |

11. DIRECTORS COMMENTS/REQUESTS

12. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code Section 54956.9 (d) (1)

Name of Case: Agua Caliente Band of Cahuilla Indians vs. Coachella Valley Water District, et al
(Two Cases)

B. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code Section 54956.9 (d) (1)

Name of Case: Mission Springs Water District vs. Desert Water Agency

C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code Section 54956.9 (d) (1)

Name of Case: Albrecht et al vs. County of Riverside

D. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code Section 54956.9 (d) (1)

Name of Case: Abbey et al vs. County of Riverside

E. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code Section 54956.9 (d) (1)

Bonnie Kessner, et al vs. Desert Water Agency, et al

F. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code Section 54956.9 (d) (1)

Name of Case: AT&T vs. County of Riverside

G. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION

Pursuant to Government Code Section 54956.9 (d) (2)

(One Case)

H. CONFERENCE WITH LEGAL COUNSEL – PENDING ADMINISTRATIVE PROCEEDING

Pursuant to Government Code Section 54956.9 (d) (1)

Regional Water Quality Control Board Claim No. 7018 0680 0000 1010 7377

13. RECONVENE INTO OPEN SESSION – REPORT FROM CLOSED SESSION

14. ADJOURN

Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting is asked to contact Desert Water Agency's Assistant Secretary of the Board, at (760) 323-4971, at least 48 working hours prior to the meeting to enable the Agency to make reasonable arrangements. Copies of records provided to Board members that relate to any agenda item to be discussed in open session may be obtained from the Agency at the address indicated on the agenda.

**MINUTES
OF THE REGULAR MEETING
OF THE
DESERT WATER AGENCY
BOARD OF DIRECTORS**

4

December 1, 2020

DWA Board via	Joseph K. Stuart, President)
Teleconference:	Kristin Bloomer, Vice President)
	Craig Ewing, Secretary-Treasurer)
	Patricia G. Oygar, Director)
	James Cioffi, Director)

DWA Staff via	Mark S. Krause, General Manager)
Teleconference:	Steve Johnson, Assistant General Manager)
	Esther Saenz, Finance Director)
	Sylvia Baca, Asst. Secretary of the Board)
	Kris Hopping, Human Resources Director)
	Ashley Metzger, Outreach & Conserv. Mgr.)
	Kim McCance, Senior Admin. Asst.)

Consultants via	Michael T. Riddell, Best Best & Krieger)
Teleconference:		

Public via	Ray Amico, Palm Springs Resident)
Teleconference:	Randy Duncan, Mission Springs Water District)
	David Freedman, Palm Springs Sustainability Comm.)
	Steve Grasha, Mission Springs Water District)
	Paul Ortega, Palm Springs Resident)

18967. President Stuart opened the meeting at 8:00 a.m. and asked everyone to join him in the Pledge of Allegiance. **Pledge of Allegiance**

18968. President Stuart called upon Assistant Secretary of the Board Baca to conduct the roll call: **Roll Call**

Present: Cioffi, Oygar, Ewing, Bloomer, Stuart

18969. President Stuart called for approval of the November 17, 2020 Regular Board Meeting Minutes. **Approval of 11/17/20
Regular Board Mtg.
Minutes**

Secretary-Treasurer Ewing moved for approval. After a second by Director Cioffi, the minutes were approved by the following roll call vote:

**Approval of 11/17/20
Regular Board Mtg.
Minutes
(Cont.)**

AYES: Cioffi, Oygar, Ewing, Bloomer, Stuart
NOES: None
ABSENT: None
ABSTAIN: None

18970. President Stuart called upon General Manager Krause to provide an update on Agency operations.

**General Manager's
Report**

Mr. Krause provided an update on Agency operations and noted his meetings and activities for the past several weeks.

In response to Director Cioffi, Mr. Krause indicated that the Agency is looking to increase the timeline by one-third in order to expedite replacing old pipeline.

18971. Vice President Bloomer noted the minutes for the November 16, 2020 Finance Committee meeting were provided in the Board's packet.

Committee Reports
Finance 11/16/20

18972. President Stuart noted the minutes for the November 24, 2020 Executive Committee meeting were provided in the Board's packet.

Executive 11/24/20

18973. President Stuart opened the meeting for public comment.

Public Comment

Mr. Freedman gave an update on the Palm Springs Airport Demonstration Garden and thanked Board and Staff for their participation in the project.

David Freedman

Mr. Duncan congratulated Vice President Bloomer on her reelection.

Randy Duncan

Mr. Ortega congratulated Secretary-Treasurer Ewing for his 13 years on the Board and wished him well. He then thanked Mrs. Metzger for the Pipeline Replacement Webinar.

Paul Ortega

There being no one else from the public wishing to address the Board, President Stuart closed the public comment period.

18974. President Stuart called upon General Manager Krause to present staff's Request for Adoption of Resolution No. 1244 Extending Appreciation to Craig A. Ewing for Dedicated Service.

Items for Action:
Request Adoption
Resolution No. 1244
Extending
Appreciation to Craig
Ewing

On behalf of DWA staff, Mr. Krause thanked Secretary-Treasurer Ewing for his leadership and dedication serving on the Board and congratulated him on his retirement.

President Stuart read into the record Resolution No. 1244, A Resolution of the Board of Directors of the Desert Water Agency Extending Appreciation to Craig A. Ewing for Dedicated Service.

Items for Action:
(Cont.)
Request Adoption
Resolution No. 1244
Extending
Appreciation to Craig
Ewing

President Stuart moved for Adoption of Resolution No. 1244. After a second by Director Cioffi, the minutes were approved by the following roll call vote:

AYES: Cioffi, Oygar, Bloomer, Stuart
NOES: None
ABSENT: None
ABSTAIN: Ewing

**Resolution No. 1244
Adopted**

**RESOLUTION NO. 1244
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE DESERT WATER AGENCY
EXTENDING APPRECIATION TO
CRAIG A. EWING
FOR DEDICATED SERVICE**

18975. President Stuart called upon General Manager Krause to present staff's request for Board Approval of Contract Extension with Reeb Government Relation, LLC.

Request Approval of
Contract Extension with
Reeb Government
Relations, LLC

Mr. Krause reported that since December of 2004, Desert Water Agency has maintained a Legislative Representation Contract with Robert J. Reeb, of Reeb Government Relations, LLC. That contract has been renewed annually since that time to ensure Mr. Reeb continues to represent Desert Water Agency's interest in Sacramento. The Agency is proposing a contract renewal that will extend the term of Mr. Reeb's contract through December 31, 2022. He pointed out that Agency Counsel has reviewed the contract on the Agency's behalf noting the proposed contract represents a 6.67% increase, explaining that the last increase was in 2017 and since that time, Mr. Reeb has added two employees to better serve his clients.

Staff requests authorization for the General Manager to execute the proposed Contract with Reeb Government Relations, LLC, extending services to Desert Water Agency through December 31, 2022.

There was brief discussion between the Board where they acknowledge and expressed appreciation for Mr. Reeb's work for the Agency throughout the years.

President Stuart called for a roll call vote to approve staff's recommendation, without there being a motion or second. Due to this technical issue, this item will be considered at the next Board meeting. For transparency purposes, the roll call vote was listed as:

Items for Action:
(Cont.)
Request Approval of
Contract Extension with
Reeb Government
Relations, LLC

AYES: Cioffi, Oygar, Ewing, Bloomer, Stuart
NOES: None
ABSENT: None
ABSTAIN: None

18976. President Stuart called upon Human Resources Director Hopping to present staff's request for Authorization to Participate in the Association of California Water Agencies Joint Powers Authority (ACWA JPIA) Commitment to Excellence Program.

Request Authorization to
Participate in the ACWA
JPIA Commitment to
Excellence Program

Mrs. Hopping reported that ACWA JPIA has announced that there are grant monies available to members to help purchase safety equipment for their agencies. In order to apply for a grant, each applicant is required to have a "Commitment to Excellence" agreement signed by our Board members on file with ACWA JPIA. Staff is submitting this agreement for approval and signature so that the Agency can apply for the grant funding with ACWA JPIA. She noted that there is no fiscal impact to the approved budget in participating in the Commitment to Excellence program. If selected for the safety grant, the Agency would receive \$10,000 that would be used to purchase valve-exercising equipment that reduces the risk of staff injury. Staff is requesting; 1) The approval of the ACWA JPIA Commitment to Excellence statement, 2) Authorize the General Manager to sign the Commitment to Excellence statement for submission to ACWA JPIA, and 3) Sign the Commitment to Excellence statement for submission to ACWA JPIA. Staff requests Authorization to Participate in the Association of California Water Agencies Joint Powers Authority (ACWA JPIA) Commitment to Excellence Program.

Director Oygar moved for approval. After a second by Director Cioffi, the motion carried by the following roll call vote:

AYES: Cioffi, Oygar, Ewing, Bloomer, Stuart
NOES: None
ABSENT: None
ABSTAIN: None

In response to Secretary-Treasurer Ewing, Mrs. Hopping stated at this time there are no other advised changes recommended by the Commitment of Excellence Program.

18977. President Stuart noted that Board packets included Outreach & Conservation reports for November 2020.

Discussion Items:
Outreach &
Conservation –
November 2020
Activities & Events

In addition to the report presented, Outreach & Conservation Manager Metzger announced an upcoming Succulent Ornament Workshop on December 8.

18978. President Stuart called upon Finance Director Saenz to present Proposition 218 Rate Increases and Future Rate Study Scheduling.

Prop 218 Rate Increases
& Future Rate Study
Scheduling

Mrs. Saenz reported that in 2016, the Agency performed a rate study which resulted in an approved five-year rate increase plan beginning January 1, 2017, noting that four of the five rate increases have been implemented. This plan provided funding for increased pipeline replacements and large maintenance projects in order to address the Agency's aging infrastructure and also phased in increased fixed charges from 17% to 30% of revenues to improve revenue stability for the Agency while still incentivizing conservation. She explained that the fifth and final rate increase in the five-year plan was scheduled to be implemented on July 1, 2020 but due to COVID-19, the Board elected to not implement this rate increase on its planned date but rather to reassess the rate increase potential in six months adding that in order to balance the 2020/2021 budget without the planned rate increase, the Agency deferred \$3.6 million in capital improvement projects. Mrs. Saenz noted that the rate increase, as approved through the Prop 218 process, can be implemented at any point in time up until June 30, 2021. After this date, any future rate increases will require a new rate study and Prop 218 approval process.

Mrs. Saenz reported that on November 16, 2020, the Finance Committee met to discuss the potential January 1, 2021 rate increase. It was recommended by the Committee to not implement the rate increase but to re-address the implementation of the fifth and final rate increase in June 2021 noting a June 2021 implementation would allow for approximately \$4.7 million in increased revenues to support increased pipeline replacements to allow the Agency to begin increasing annual pipeline replacements starting in fiscal year 2021/2022. She then explained that the Agency has 56 miles of unlined bare steel pipe to replace, noting that 43% is beyond its expected life cycle (68 years). At the current rate of pipeline replacement, it will take 21 years to replace all 56 miles of pipe and by the end of that 21 year period the pipelines will have also aged an additional 21 years, resulting in an average pipeline age of 89 years. This introduces a significant risk that pipeline leaks and failures may escalate to a critical level. Accelerating the amount of pipeline replaced annually is recommended to reduce this risk. However, water rates must support the proposed increase for the pipeline replacement. Future increased pipe failures may leave the Agency no other choice than to make an increased financial investment in pipeline replacement.

Mrs. Saenz noted that after June 30, 2021, any future rate increases will require a new rate study and Prop 218 process. This year long process to solicit and select a vendor, perform the rate study and undergo the Prop 218 hearing process may not be agreeable to the community considering the current economic state as a result of COVID-19. The potential of delaying the rate study and Prop 218 process was discussed with the Finance Committee. The Finance Committee recommended to pursue the rate study to determine if the need exists to undergo a Prop 218 proceeding to approve a future rate increase plan, or to hold off and update the rate study at a later date to then pursue the adopting of a rate increase plan through the Prop 218 process.

Discussion Items:
(Cont.)
Prop 218 Rate Increases
& Future Rate Study
Scheduling

In response to Director Cioffi, Mrs. Saenz indicated she would like to begin the Prop 218 rate study.

Secretary-Treasurer Ewing concurs with holding off the fifth rate increase until June 2021 and initiate the rate study in May or June 2021.

Vice President Bloomer noted her approval of the timeline presented.

18979. President Stuart called upon Director Cioffi to provide his report on the ACWA JPIA Virtual Conference, November 30, 2020.

Directors' Report on
ACWA JPIA Board
Meeting 11/30/20

Director Cioffi reported he was not able to attend but he will provide an update at a future meeting.

Director Cioffi

18980. President Stuart called upon Agency Counsel Riddell to provide a report on the November 19, 2020 Board of Directors of the State Water Contractors meeting.

11/19/20 SWC Mtg.

Mr. Riddell provided a report on the following items; 1) Election Update, 2) Oroville Dam Comprehensive Needs Assessment, and 3) Water Operations Report. Ending his report Mr. Riddell congratulated Secretary-Treasurer Ewing.

18981. At 9:14 a.m., President Stuart convened into a Teleconference Closed Session for the purpose of Conference with Legal Counsel, (A) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Agua Caliente Band of Cahuilla Indians vs. Coachella Valley Water District, et al (2 Cases); (B) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Mission Springs Water District vs. Desert Water Agency; (C) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Albrecht et al vs. County of Riverside; (D) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Abbey et al vs. County of Riverside;

Closed Session:
A. Existing Litigation –
ACBCI vs. CVWD, et
al. (2 Cases)
B. Existing Litigation –
MSWD vs. DWA
C. Existing Litigation –
Albrecht et al vs.
Riverside County
D. Existing Litigation –
Abbey et al vs.
Riverside County

(E) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1) Bonnie Kessner, et al vs. Desert Water Agency, et al; (F) Existing Litigation, Pursuant to Government Code Section 54956.9 (d) (1), Case: AT&T vs. County of Riverside, and, (G) Potential Litigation, Pursuant to Government Code Section 54956.9 (d) (2) (1 Case).

Closed Session:
(Cont.)

E. Existing Litigation-
Bonnie Kessner, et al
vs. Desert Water
Agency et al
F. Existing Litigation -
Case: AT&T vs.
County of Riverside
G. Potential Litigation-
(1 Case)

18982. At 10:44 a.m., Assistant General Manager Johnson reconvened the meeting into open session and announced there was no reportable action taken.

Reconvene – No
Reportable Action

18983. In the absence of any further business, Assistant General Manager Johnson adjourned the meeting at 10:45 a.m.

Adjournment

Sylvia Baca
Assistant Secretary of the Board

GENERAL MANAGER'S REPORT DECEMBER 15, 2020

Damaged Backflow – 1281 Gene Autry Trail

On November 29 at approximately 9:00 a.m., Construction stand-by responded to a report of a hit 1-inch backflow at 1281 Gene Autry Trail (west side of Gene Autry Trail, south of Chia Rd.). Staff received authorization from the customer to make the necessary repairs. The water loss was metered and the customer was advised to file a police report.



Human Resource's Meetings and Activities

Meetings:

11/17/2020	DWA Board Meeting	Virtual Meeting
11/23/2020	Weekly Staff Meeting	Virtual Meeting
11/30/2020	DWA Engineering/Ops Meeting	Virtual Meeting
12/01/2020	DWA Board Meeting	Virtual Meeting
12/07/2020	Weekly Staff Meeting	Virtual Meeting
12/14/2020	Weekly Staff Meeting	Virtual Meeting

Activities:

11/18/2020	DWA Webinar: Pipeline Replacement 411	Virtual Meeting
11/19/2020	ACWA JPIA Webinar: Hot Java and Hot HR Topics	Virtual Meeting
11/20/2020	Panelist on Coachella Valley Mosquito and Vector Control District interviews for their new Human Resources Manager position	Virtual Meeting
11/24/2020	Reviews Rebate Incentive Process with Ashley Metzger	Virtual Meeting
12/03/2020	Hosted Blood Drive	DWA Offices
12/04/2020	Introduction Meeting with BB&K Labor Attorney Elizabeth Han	Virtual Meeting
12/09/2020	The Coachella Valley Labor & Employment Law Summit	Virtual Meeting
12/10/2020	BB&K 2020 Annual Labor & Employment Update	Virtual Meeting

Our labor attorney with Best, Best & Krieger, Joseph Ortiz, has been appointed to be a judge in San Bernardino for the Superior Court. His last day with BB&K was December 11, 2020. The announcement of his appointment can be found here: <https://bbklaw.com/news-events/news-room/2020/in-the-news/11/partner-joe-ortiz-appointed-to-san-bernardino-supe>.

Our new labor attorney will be Elizabeth Han and Cynthia Germano. You can learn more about Elizabeth here: <https://www.bbklaw.com/our-team/elizabeth-a-han> and Cynthia here: <https://www.bbklaw.com/our-team/cynthia-m-germano>.

DCP Voting Update

On December 8, Ventura voted unanimously for their portion of the funding (Table A+). The MWD Board also voted to support their Table A+ portion of the planning funding for 4 years. The SWC's office is working on updating the percentage of participation table (assuming that CLAWA votes for their Table A+ on Thursday) so we can see where we stand. It's likely somewhere around 88%.

With Metropolitan's Board Decision not to fund Kern County Water Agency's agricultural SWP interests, a shortfall in funding of approximately 12%-13% has been created. The DWR Director, Carla Nemeth issued a letter to the SWC's recognizing the possibility of this shortfall and explains that the Department has several options for reducing the funding gap and bridging the funding gap over the 4 year planning period. However, the letter reminds us that ultimately whatever is done the cost of the project ultimately falls to the SWC's to pay.

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



December 3, 2020

Ms. Jennifer Pierre
General Manager
State Water Contractors Inc.
1121 L Street, Suite 1050
Sacramento, California 95814

Subject: State Water Contractors Participating in the Delta Conveyance Project

Dear Ms. Pierre:

On December 8, 2020 the board of the Metropolitan Water District of Southern California (MWD) is set to consider funding for the ongoing planning and environmental review for the Delta Conveyance Project.

MWD staff have presented their board with a number of funding options (published on the MWD website) and a recommended level of funding. Coupled with the funding recently approved and upcoming by other participating public water agencies, this recommendation would result in a 12%-13% funding shortfall for planning costs over the next four years, based on existing budget estimates. However, based on projected cash flow and revenue needs over the next two years, Department of Water Resources anticipates that planning costs will be adequately covered from the currently approved participating Public Water Agency (PWA) funding.

Given the importance of the Delta Conveyance Project in protecting the long-term viability of State Water Project water deliveries, we believe it is of vital importance to continue to diligently advance planning and environmental review.

Although the amount committed by all participating public water agencies may fall short of the current four-year budget, the Department is encouraged by the PWAs' boards strong support demonstrated by the funding commitments made thus far. The Department has at its disposal three viable options to close this future gap, which include 1) the contingency built into the planning budget, 2) SWP revenue, and 3) modest modifications to planning activities to reduce expenditures. As we have always made clear, if a conveyance project is approved following planning and environmental review, SWP revenue utilized in planning and environmental review efforts will be recovered through future bond financing, the costs of which would be paid by the public water agencies participating in the project.

DWR 2021 Initial State Water Project Table A Allocation

The Department of Water Resources (DWR) is initially approving 422,848 acre-feet (AF) of Table A water for the long-term State Water Project (SWP) contractors in 2021. SWP supplies are projected to meet 10 percent of most SWP contractors' requests for Table A water, which totals to be 4,172,786 AF. Attached is the initial 2021 SWP allocation table.

The state Department of Water Resources cited the dry start to the winter rainy season in California's Mediterranean climate, along with low reservoir levels remaining from last year's relatively dry winter. Winter snow typically supplies about 30% of the state's water as it melts.

Last year's initial allocation also was 10% and climbed only to 20% when the final allocation was made in May. Most areas that depend on the state-supplied water also have other sources, including groundwater, streams and their own reservoirs.

The department's eight precipitation measuring stations scattered across Northern California collected a record-low 0% of average rainfall in October and 53% in November.

Meanwhile, the state's major reservoirs are lower than they were at this time a year ago.

Lake Shasta, the federal Central Valley Project's largest reservoir, is at 75% of its historical average, down from 119% a year ago. Lake Oroville, the State Water Project's largest reservoir, is at 61%, compared with 90% last year.

"While we still have several months ahead of us, dry conditions persist," department Director Karla Nemeth said in a statement urging the state's nearly 40 million residents to conserve water. "As communities throughout California prepare to support their environment and economies through times of extended dry periods, state agencies plan together to support those communities."

The initial allocation uses conservative assumptions and is updated monthly as conditions change based on snowfall and water runoff. The department will conduct this winter's first snow survey south of Lake Tahoe on Dec. 30.

SWP Delivery and Whitewater Hydro Generation Update

As of December 7, 2020, it is estimated that approximately 109,120 AF of water has been delivered to the Whitewater basins. Whitewater basin deliveries are estimated to remain through the end of the year.

For the month of November, Whitewater Hydro Plant generated about 519,535 kWh, which will result in an anticipated SCE settlement amount of \$45,700.

On November 25, at approximately 10:00 a.m., the hydro plant was placed offline due to high winds through the canyon. The plant remained offline until 9:00 a.m. November 30, at which time was restarted.

For 2020 at Mission Creek Basins, a total of 1,768 AF was delivered to the basins. This is about 4.5% of the total Table A amount that is scheduled for this year. No more water deliveries are anticipated for Mission Creek.

Delta Conveyance Design and Construction Joint Power Authority (DCA) Board Elections

On November 17, the Board authorized the General Manager to enter into an MOU for the Class 8 Members Agencies agreeing to election procedures for the Delta Conveyance Design and Construction Joint Powers Authority (DCA). This allows me to bring nominations to the Class 8 contractors for one Board seat and one Alternate. The MOU allows DWA one nomination from our Agency Board of Directors and one Agency Staff nomination. The Class 8 Contractors are taking nominations on December 15, 2020.

If elected the DCA Board member would be acting in a project management role for the Delta Conveyance Project (DCP). They would be expected to review all board related materials and attend at least one monthly Board meeting. The nominee will be expected to have experience in large construction project management.

SYSTEM LEAK DATA					
(PERIOD BEGINNING NOVEMBER 23, 2020 THRU DECEMBER 7, 2020)					
STREET NAME	NUMBER OF LEAKS	PIPE DIAMETER (INCHES)	YEAR INSTALLED	PIPE MATERIAL	PIPE CONSTRUCTION
ANDREAS RD	3	6	1958	STEEL	BARE/UNLINED
S PALM CANYON DR	1	10	1938	STEEL	BARE/UNLINED
TAHQUITZ CANYON WY	1	8	1946	STEEL	BARE/UNLINED
VIA MONTE VISTA	1	8	1953	STEEL	BARE/UNLINED
SUNNY DUNES RD	1	6	1946	STEEL	BARE/UNLINED
INDIAN CANYON DR	1	6	1951	STEEL	BARE/UNLINED
RAMON RD	1	6	1955	STEEL	BARE/UNLINED
WILLIAMS RD	1	6	1956	STEEL	BARE/UNLINED
BARISTO RD	1	4	1936	STEEL	BARE/UNLINED
CERRITOS DR	1	4	1946	STEEL	BARE/UNLINED
SAN LUCAS RD	1	4	1948	STEEL	BARE/UNLINED
CALLE AJO	1	4	1953	STEEL	BARE/UNLINED
CALLE CHIA	1	4	1954	STEEL	BARE/UNLINED
VIA SOLEDAD	1	4	1955	STEEL	BARE/UNLINED
TERRY LN	1	4	1956	STEEL	BARE/UNLINED
SATURMINO DR	1	4	1957	STEEL	BARE/UNLINED
CAMINO PAROCELA	1	4	1958	STEEL	BARE/UNLINED
TOTAL LEAKS IN SYSTEM:		19			

Streets highlighted in green are being proposed as part of the
2020/2021 Replacement Pipeline Project

SYSTEM INFORMATION:	
OLDEST PIPE IN THE SYSTEM (YEAR OF INSTALLATION):	1935
AVERAGE YEAR OF INSTALLATION OF UNLINED STEEL PIPE (SYSTEMWIDE):	1952
AVERAGE AGE OF UNLINED STEEL PIPE (SYSTEMWIDE):	66 YEARS
AVERAGE AGE OF PIPELINE AT THE TIME OF REPLACEMENT:	68 YEARS
TOTAL LENGTH OF PIPE IN SYSTEM OLDER THAN 70 YEARS (LINEAR FEET):	128,186
TOTAL LENGTH OF UNLINED PIPE SYSTEMWIDE (LINEAR FEET):	297,672
*AVERAGE LENGTH OF PIPE REPLACED ANNUALLY (LINEAR FEET):	14,500
PROJECTED TIME FRAME FOR 100% REPLACEMENT OF UNLINED STEEL PIPE:	21 YEARS
PROJECTED TIME FRAME FOR 100% REPLACEMENT OF PIPE OLDER THAN 70 YEARS:	9 YEARS
YEAR AGENCY TRANSITIONED TO CEMENT LINED STEEL PIPE:	1960
<p>*PLEASE NOTE THIS FIGURE REPRESENTS THE AVERAGE LINEAR FOOTAGE OF PIPELINE REPLACED ANNUALLY GIVEN AN AVERAGE ANNUAL BUDGET OF \$3 MILLION.</p>	

SYSTEM LEAKS:
(Period beginning Nov. 23,
2020 thru Dec. 7, 2020)



General Manager's Meetings and Activities

Meetings:

12/01/20	DWA Bi-Monthly Board Mtg.	Conf Call
12/01/20	WWRF BLM R/W Grant Cooperators Mtg.	Conf Call
12/02/20	DWA/CPV Sentinel Energy Center Mtg.	Conf Call
12/02/20	CV SNMP Participants Mtg. Monitoring Plan Rvw.	Conf Call
12/03/20	DWA/CVWD/SGPWA Sites Financing Mtg.	Conf Call
12/04/20	SWC Issues Mtg.	Conf Call
12/07/20	DWA Weekly Staff Mtgs.	Conf Call
12/07/20	SGP SB, SGMA Mtg.	Conf Call
12/08/20	Ashley – DWA Introduction PPT Presentation	Conf Call
12/08/20	Indio GSP – Groundwater Dependent Ecosystems	Conf Call
12/08/20	Mission Creek SB - Quarterly GM Mtg.	Conf Call
12/08/20	SWP – IAA and EY Procedures Status Mtg.	Conf Call
12/09/20	CV SNMP – RWQCB Comments Mtg to Discuss	Conf Call
12/10/20	DWA Executive Committee Mtg.	Conf Call
12/10/20	CPS General Plan Update Mtg.	Conf Call
12/10/20	DWA Introductory Mtg. with Director Ortega	Conf Call
12/10/20	EBE Cost Allocation Workgroup Mtg.	Conf Call
12/14/20	Tribal lawsuit Mediation Mtg.	Conf Call
12/14/20	DWA Wkly Staff Mtgs.	Conf Call
12/14/20	Indio SB SGMA Annual Report Mtg.	Conf Call

Activities:

- 1) SWP Contract Extension Amendment
- 2) DWA Remote Meter Reading Fixed Network
- 3) Whitewater Hydro – Automatic Re-start
- 4) State and Federal Contractors Water Authority and Delta Specific Project Committee (Standing)
- 5) Whitewater River Surface Water Recharge
- 6) Lake Oroville Spillway FEMA funding
- 7) Replacement Pipelines 2020-2021
- 8) DC Project – Finance JPA Committee (Standing)
- 9) DWA/CVWD/MWD Operations Coordination/Article 21/Pool A/Pool B/Yuba Water (Standing)
- 10) DWA/CVWD/MWD Exchange Agreement Coordination Committee (Standing)
- 11) SWP 2020 Water Supply
- 12) ACBCI Water Rights Lawsuit
- 13) Whitewater Hydro Operations Coordination with Recharge Basin O&M
- 14) SGMA Tribal Stakeholder Meetings
- 15) Whitewater Spreading Basins – BLM Permits
- 16) Delta Conveyance Project Cost Allocation
- 17) DWA Surface Water Filtration Feasibility Snow Creek Village/Palm Oasis
- 18) MCSB Delivery Updates

Activities:
(Cont.)

- 19) Well 6 Meaders Cleaners RWQB Meetings
- 20) SWP East Branch Enlargement Cost Allocation
- 21) UWMP Population Calculation Update/Valley-Wide UWMP
- 22) RWQCB Update to the SNMP
- 23) SGMA – San Gorgonio Pass Subbasin

Minutes
Executive Committee Meeting
December 10, 2020

Directors Present: Joseph Stuart, Kristin Bloomer

Staff Present: Mark Krause, Steve Johnson, Esther Saenz, Sylvia Baca

1. Discussion Items

A. Review Agenda for December 15, 2020 Regular Board Meeting

The proposed agenda for the December 15, 2020 meeting was reviewed.

B. Expense Reports

The October and November expense reports were reviewed.

C. DWA Vehicle Lease Options

Staff provided the Committee with information regarding leasing options for Agency vehicles. It was agreed that a pilot program with the Customer Service department be conducted. Based on those results, there will be a determination made whether it would be feasible to include other vehicles.

2. Adjourn

DESERT WATER AGENCY
STATEMENT OF CASH RECEIPTS AND EXPENDITURES

OPERATING ACCOUNT

NOVEMBER 2020

INVESTED
RESERVE FUNDS
\$33,940,476.24

BALANCE	NOVEMBER 1, 2020	(\$1,555,524.17)	
WATER SALES		\$3,095,534.33	
RECLAMATION SALES		67,266.53	
WASTEWATER RECEIPTS		110,871.79	
POWER SALES		1,363.85	
METERS, SERVICES, ETC.		226,187.00	
REIMBURSEMENT – GENERAL FUND		567,031.33	
REIMBURSEMENT – WASTEWATER FUND		0.00	
ACCOUNTS RECEIVABLE – OTHER		9,378.18	
CUSTOMER DEPOSITS – SURETY		3,538.00	
CUSTOMER DEPOSITS – CONST.		21,362.00	
LEASE REVENUE		5,871.09	
INTEREST RECEIVED ON INV. FDS.		0.00	
FRONT FOOTAGE FEES		0.00	
BOND SERVICE & RESERVE FUND INT		0.00	
MISCELLANEOUS		<u>8,183.46</u>	
TOTAL RECEIPTS		\$4,116,587.56	
PAYMENTS			
PAYROLL CHECKS		\$399,533.70	
PAYROLL TAXES		169,474.67	
ELECTRONIC TRANSFERS		146,339.35	
CHECKS UNDER \$10,000.00		214,471.51	
CHECKS OVER \$10,000.00 – SCH. #1		1,592,093.20	
CANCELLED CHECKS AND FEES		<u>20,964.26</u>	
TOTAL PAYMENTS		<u>\$2,542,876.69</u>	
NET INCOME		\$1,573,710.87	
BOND SERVICE ACCOUNT			
MONTHLY WATER SALES		\$0.00	
EXCESS RETURNED BY B/A		<u>\$0.00</u>	
BOND SERVICE FUND			\$0.00
INVESTED RESERVE FUNDS			
FUNDS MATURED		\$1,880,000.00	
FUNDS INVESTED – SCH. #3		<u>1,775,000.00</u>	
NET TRANSFER			<u>\$105,000.00 (\$105,000.00)</u>
BALANCE	NOVEMBER 30, 2020	\$123,186.70	\$33,835,476.24

DESERT WATER AGENCY
Operating Fund
Schedule #1 - Checks Over \$10,000

November 2020

Check #	Name	Description	Amount
126862	ACWA/JPIA	Health, dental & vision insurance premiums - November 2020	\$ 211,408.91
126863	Baxter Construction Company LLC	Refund construction deposit	\$ 22,890.90
126917	Desert Water Agency - Wastewater	Sewer capacity charges - GHA Vibes PS LLC	\$ 32,280.00
126918	Barton Advantage LLC	Safari Park settlement payment	\$ 10,000.00
126923	Southern California Edison	Power	\$ 282,273.64
126927	ACWA/JPIA	Health, dental & vision insurance premiums - December 2020	\$ 224,915.62
126954	Desert Water Agency - Wastewater	Wastewater revenue billing - October 2020	\$ 75,327.98
126964	Backflow Apparatus & Valve Co.	Water service supplies	\$ 22,058.01
126965	Badger Meter Inc.	Water service supplies	\$ 55,717.50
126970	Best Best & Krieger LLP	Legal fees	\$ 122,281.14
126978	Cleanexcel, Inc	Cleaning services - September 2020	\$ 14,472.00
126990	Down to Earth Landscaping	Landscape maintenance	\$ 33,076.08
126992	Engineering Solutions Inc	Grant writing services	\$ 25,920.00
127010	Inland Water Works Supplu	Water service supplies	\$ 29,925.46
127013	Krieger & Stewart Inc.	Engineering	\$ 169,378.83
127015	Landmark Consultants Inc	Soil testing	\$ 20,334.00
127020	Mccrometer Inc	Meter repair for Snow Creek filtration plant & Reclamation plant	\$ 10,554.77
127038	Quinn Company	Construction equipment (W/O # 20-170-M)	\$ 84,740.09
137039	R&B Automation Inc	Actuator replacement	\$ 55,646.49
127041	Singer Lewak LLP	Audit Services	\$ 29,008.50
127046	Thatcher Company of California	Water service supplies	\$ 22,978.78
127057	Z&L Paving	Paving	\$ 36,904.50
Total			\$ 1,592,093.20

Monthly Investment Portfolio Report

As of 11/30/2020

AGG- Operating Fund (213426)

Dated: 12/01/2020

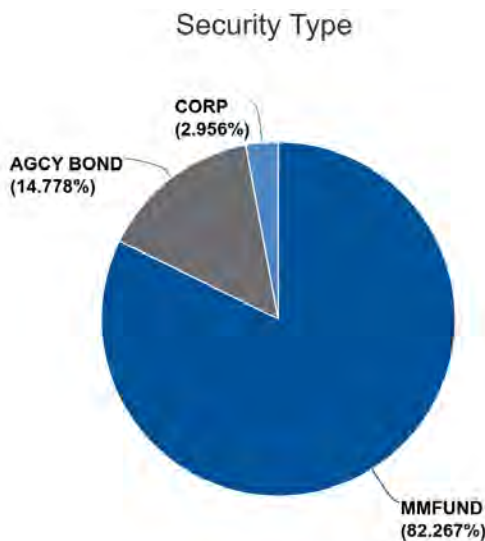


Chart calculated by: PAR Value

MMFUND

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
LAIF Money Market Fund LAIF - OP	---	---	11/30/2020	11/30/2020	27,835,016.24	27,835,016.24	27,835,016.24	---
LAIF Money Market Fund LAIF - OP	---	---	11/30/2020	11/30/2020	27,835,016.24	27,835,016.24	27,835,016.24	---

AGCY BOND

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
FEDERAL HOME LOAN MORTGAGE CORP UnionBanc OP	08/20/2020	08/20/2021	08/20/2025	08/20/2025	1,000,000.00	1,000,000.00	1,000,000.00	0.625%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc OP	06/30/2020	06/30/2021	06/30/2025	06/30/2025	1,000,000.00	1,000,000.00	1,000,000.00	0.730%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc OP	08/12/2020	08/12/2022	08/12/2025	08/12/2025	1,000,000.00	1,000,000.00	1,000,000.00	0.560%
FEDERAL HOME LOAN BANKS UnionBanc OP	04/29/2020	04/29/2021	04/29/2024	04/29/2024	1,000,000.00	1,000,000.00	1,000,000.00	0.740%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc OP	06/16/2020	12/09/2020	06/09/2025	06/09/2025	1,000,000.00	999,750.00	999,750.00	0.805%
--- UnionBanc OP	---	---	04/20/2025	04/20/2025	5,000,000.00	4,999,750.00	4,999,750.00	0.692%

CORP

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
WELLS FARGO BANK NA UnionBanc OP	10/04/2019	09/09/2021	09/09/2021	09/09/2022	1,000,000.00	1,000,710.00	1,007,780.00	1.626%

Monthly Investment Portfolio Report

As of 11/30/2020

AGG- Operating Fund (213426)

Dated: 12/01/2020

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
WELLS FARGO BANK NA UnionBanc OP	10/04/2019	09/09/2021	09/09/2021	09/09/2022	1,000,000.00	1,000,710.00	1,007,780.00	1.626%

Summary

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
---	---	---	08/03/2021	08/14/2021	33,835,016.24	33,835,476.24	33,842,546.24	0.849%

* Grouped by: Security Type. * Groups Sorted by: Ending Market Value + Accrued. * Weighted by: Ending Market Value + Accrued.

DESERT WATER AGENCY
STATEMENT OF CASH RECEIPTS AND EXPENDITURES

GENERAL ACCOUNT

NOVEMBER 2020

INVESTED
RESERVE FUNDS
\$154,321,916.08

BALANCE	NOVEMBER 1, 2020	\$1,432,149.88	
* TAXES - RIVERSIDE COUNTY		0.00	
* INTEREST EARNED - INV. FUNDS		121,800.39	
GROUNDWATER REPLEN. ASSESSMENT		103,247.59	
REIMBURSEMENT - OPERATING FUND		0.00	
REIMBURSEMENT - CVWD MGMT AGRMT		211,987.43	
STATE WATER PROJECT REFUNDS		0.00	
REIMB - CVWD - WHITEWATER HYDRO		3,598.27	
POWER SALES - WHITEWATER		53,224.78	
MISCELLANEOUS		0.00	
TOTAL RECEIPTS		\$493,858.46	
PAYMENTS			
CHECKS UNDER \$10,000.00		11,477.52	
CHECKS OVER \$10,000.00 - SCH. #1		1,376,529.55	
CANCELLED CHECKS AND FEES		0.00	
TOTAL PAYMENTS		<u>\$1,388,007.07</u>	
NET INCOME		(\$894,148.61)	
INVESTED RESERVE FUNDS			
FUNDS MATURED		6,027,000.00	
FUNDS INVESTED – SCH. #2		<u>6,350,000.00</u>	
NET TRANSFER		(\$323,000.00)	\$323,000.00
BALANCE	NOVEMBER 30, 2020	\$215,001.27	\$154,644,916.08
* INCLUSIVE TO DATE			
RECEIPTS IN FISCAL YEAR		\$1,283,699.47	\$1,055,719.95
RECEIPTS IN CALENDAR YEAR		\$26,087,764.85	\$2,562,669.09

DESERT WATER AGENCY

General Fund

Schedule #1 - Checks Over \$10,000

November 2020

Check #	Name	Description	Amount
9444	State of California Department of Water Resources	State Water Project entitlement - August 2020	\$ 13,437.00
9453	Water Systems Consulting, Inc.	Regional Urban Water Management Plan	\$ 16,536.25
9456	State of California Department of Water Resources	State Water Project - November 2020	\$ 767,959.00
9461	Desert Water Agency - Operating Fund	Operating Fund Reimbursement for October 2020	\$ 559,434.74
9462	Sun Communities	Ground water overpayment refund	\$ 19,162.56
Total			\$ 1,376,529.55

Monthly Investment Portfolio Report

As of 11/30/2020

AGG- General Fund (213428)

Dated: 12/01/2020

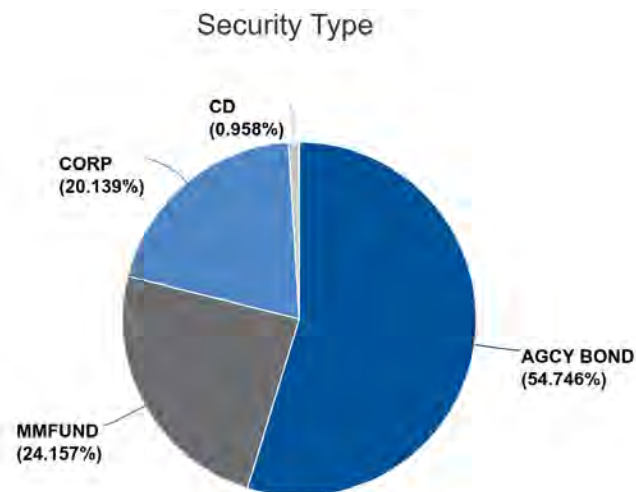


Chart calculated by: PAR Value

AGCY BOND

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
FEDERAL NATIONAL MORTGAGE ASSOCIATION DWA-Alamo Capital	09/06/2019	---	09/06/2022	09/06/2022	1,000,000.00	996,520.00	1,023,200.00	0.406%
FEDERAL NATIONAL MORTGAGE ASSOCIATION DWA-Alamo Capital	08/25/2020	---	08/25/2025	08/25/2025	3,000,000.00	2,985,965.00	2,985,960.00	0.470%
FEDERAL HOME LOAN MORTGAGE CORP DWA-Alamo Capital	07/08/2020	12/30/2020	06/30/2025	06/30/2025	3,000,000.00	3,000,005.00	3,000,000.00	0.750%
FEDERAL FARM CREDIT BANKS FUNDING CORP DWA-Alamo Capital	08/04/2020	02/04/2021	08/04/2025	08/04/2025	3,000,000.00	3,000,005.00	3,000,000.00	0.670%
FEDERAL HOME LOAN MORTGAGE CORP DWA-Alamo Capital	08/12/2020	02/12/2021	02/12/2024	02/12/2024	2,000,000.00	2,000,005.00	2,000,000.00	0.430%
FEDERAL HOME LOAN MORTGAGE CORP DWA-Alamo Capital	09/30/2020	09/30/2021	09/30/2025	09/30/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.400%
FEDERAL FARM CREDIT BANKS FUNDING CORP DWA-Alamo Capital	10/15/2020	01/15/2021	10/15/2024	10/15/2024	3,000,000.00	2,995,500.00	2,995,500.00	0.438%
FEDERAL HOME LOAN MORTGAGE CORP UnionBanc GF	12/30/2019	12/28/2020	12/28/2020	12/28/2023	3,000,000.00	3,000,000.00	3,029,040.00	1.628%
FEDERAL HOME LOAN MORTGAGE CORP UnionBanc GF	02/12/2020	02/12/2021	02/12/2021	02/12/2025	3,000,000.00	3,000,000.00	3,025,650.00	1.614%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc GF	06/16/2020	12/09/2020	06/09/2025	06/09/2025	3,000,000.00	2,999,250.00	3,000,000.00	0.800%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc GF	06/23/2020	12/09/2020	06/09/2025	06/09/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.800%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc GF	07/15/2020	07/15/2021	07/15/2025	07/15/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.730%
FEDERAL HOME LOAN MORTGAGE CORP UnionBanc GF	08/20/2020	08/20/2021	08/20/2025	08/20/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.625%
FEDERAL NATIONAL MORTGAGE ASSOCIATION UnionBanc GF	08/12/2020	08/12/2022	08/12/2025	08/12/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.560%

Monthly Investment Portfolio Report

As of 11/30/2020

AGG- General Fund (213428)

Dated: 12/01/2020

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
FEDERAL HOME LOAN MORTGAGE CORP Piper Sandler	12/30/2019	12/28/2020	12/28/2020	12/28/2023	3,000,000.00	3,000,000.00	3,028,440.00	1.586%
FEDERAL HOME LOAN BANKS Piper Sandler	11/04/2019	11/04/2021	11/04/2021	11/04/2024	3,000,000.00	3,000,000.00	3,053,850.00	1.462%
FEDERAL HOME LOAN BANKS Piper Sandler	03/25/2020	03/25/2021	03/25/2021	03/25/2025	3,000,000.00	3,000,000.00	3,006,780.00	1.153%
FEDERAL HOME LOAN BANKS Piper Sandler	04/06/2020	04/06/2021	04/06/2021	04/06/2023	3,000,000.00	3,000,000.00	3,002,220.00	0.849%
FEDERAL FARM CREDIT BANKS FUNDING CORP Piper Sandler	04/23/2020	04/22/2021	04/22/2021	04/22/2024	3,000,000.00	3,000,000.00	3,000,270.00	0.798%
FEDERAL HOME LOAN BANKS Piper Sandler	12/11/2019	12/11/2020	12/11/2020	06/11/2024	3,000,000.00	3,000,000.00	3,023,730.00	1.650%
FEDERAL HOME LOAN MORTGAGE CORP Piper Sandler	06/25/2020	06/25/2021	06/25/2025	06/25/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.700%
FEDERAL FARM CREDIT BANKS FUNDING CORP Piper Sandler	07/15/2020	01/15/2021	01/15/2025	01/15/2025	3,000,000.00	3,000,000.00	3,000,000.00	0.600%
FEDERAL HOME LOAN MORTGAGE CORP Piper Sandler	08/26/2020	02/26/2021	08/26/2024	08/26/2024	3,000,000.00	3,000,000.00	3,000,000.00	0.500%
FEDERAL FARM CREDIT BANKS FUNDING CORP Piper Sandler	10/15/2020	10/15/2021	10/15/2024	10/15/2024	3,000,000.00	3,000,000.00	3,000,000.00	0.430%
FEDERAL HOME LOAN MORTGAGE CORP Stifel	02/18/2020	02/18/2021	02/18/2021	02/18/2025	3,000,000.00	3,000,000.00	3,023,130.00	1.533%
FEDERAL FARM CREDIT BANKS FUNDING CORP Stifel	03/24/2020	03/24/2021	03/24/2021	03/24/2023	3,000,000.00	3,000,000.00	3,002,370.00	0.972%
FEDERAL FARM CREDIT BANKS FUNDING CORP Stifel	10/16/2020	12/28/2020	03/28/2024	03/28/2024	3,000,000.00	3,000,000.00	2,999,995.00	0.300%
FEDERAL HOME LOAN MORTGAGE CORP Stifel	10/28/2020	10/28/2022	10/28/2024	10/28/2024	3,000,000.00	3,000,000.00	2,997,000.00	0.435%
FEDERAL HOME LOAN MORTGAGE CORP Stifel	11/30/2020	11/30/2022	05/30/2024	05/30/2024	3,000,000.00	3,000,000.00	2,999,100.00	0.369%
---	---	---	09/16/2023	11/02/2024	84,000,000.00	83,977,250.00	84,196,235.00	0.833%

MMFUND

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
LAIF Money Market Fund LAIF - GF	---	---	11/30/2020	11/30/2020	37,066,299.08	37,066,299.08	37,066,299.08	---
LAIF Money Market Fund LAIF - GF	---	---	11/30/2020	11/30/2020	37,066,299.08	37,066,299.08	37,066,299.08	---

CORP

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
TOYOTA MOTOR CREDIT CORP DWA-Alamo Capital	02/19/2019	---	07/13/2022	07/13/2022	1,400,000.00	1,399,076.00	1,425,410.00	1.975%
TOYOTA MOTOR CREDIT CORP DWA-Alamo Capital	07/18/2019	---	09/08/2022	09/08/2022	1,000,000.00	1,000,000.00	997,290.00	2.266%
JOHN DEERE CAPITAL CORP DWA-Alamo Capital	04/03/2020	---	09/08/2022	09/08/2022	1,000,000.00	1,003,535.00	1,003,512.00	2.000%
TOYOTA MOTOR CREDIT CORP DWA-Alamo Capital	10/21/2019	---	10/07/2024	10/07/2024	1,500,000.00	1,499,994.00	1,497,855.00	2.033%
EXXON MOBIL CORP UnionBanc GF	03/17/2020	---	08/16/2022	08/16/2022	3,000,000.00	3,037,470.00	3,047,880.00	1.203%
APPLE INC DWA-Alamo Capital	09/16/2019	08/11/2024	08/11/2024	09/11/2024	1,000,000.00	990,552.00	1,035,780.00	0.971%
BANK OF NEW YORK MELLON CORP DWA-Alamo Capital	05/06/2020	03/24/2025	03/24/2025	04/24/2025	1,000,000.00	1,020,005.00	1,020,005.00	1.184%
EXXON MOBIL CORP UnionBanc GF	11/22/2019	01/01/2023	01/01/2023	03/01/2023	2,000,000.00	2,055,180.00	2,060,620.00	1.638%

Monthly Investment Portfolio Report

As of 11/30/2020

AGG- General Fund (213428)

Dated: 12/01/2020

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
WELLS FARGO BANK NA UnionBanc GF	10/04/2019	09/09/2021	09/09/2021	09/09/2022	2,000,000.00	2,001,420.00	2,015,560.00	1.626%
MICROSOFT CORP Stifel	12/20/2019	02/01/2023	02/01/2023	05/01/2023	2,000,000.00	2,034,620.00	2,092,840.00	0.807%
VISA INC Stifel	01/30/2020	10/14/2022	10/14/2022	12/14/2022	2,000,000.00	2,065,680.00	2,106,000.00	0.755%
CHEVRON CORP Stifel	07/08/2020	01/03/2024	01/03/2024	03/03/2024	3,000,000.00	3,239,700.00	3,239,695.00	0.680%
WALMART INC Stifel	06/18/2020	10/15/2024	10/15/2024	12/15/2024	2,000,000.00	2,173,300.00	2,173,295.00	0.690%
CITIBANK NA Stifel	06/24/2020	12/23/2023	12/23/2023	01/23/2024	3,000,000.00	3,297,000.00	3,296,995.00	0.842%
3M CO Stifel	06/05/2020	03/15/2025	03/15/2025	04/15/2025	3,000,000.00	3,258,120.00	3,258,115.00	0.841%
APPLE INC Stifel	09/24/2020	04/11/2025	04/11/2025	05/11/2025	2,000,000.00	2,055,740.00	2,055,735.00	0.516%
---	---	---	09/22/2023	11/18/2023	30,900,000.00	32,131,392.00	32,326,587.00	1.120%

CD

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
Sallie Mae Bank Piper Sandler	05/29/2019	---	05/31/2022	05/31/2022	245,000.00	245,000.00	251,509.20	0.714%
Ally Bank Piper Sandler	05/30/2019	---	05/31/2022	05/31/2022	245,000.00	245,000.00	251,509.20	0.714%
Goldman Sachs Bank USA Piper Sandler	06/05/2019	---	06/06/2022	06/06/2022	245,000.00	245,000.00	251,575.10	0.716%
Morgan Stanley Bank, N.A. Piper Sandler	06/06/2019	---	06/06/2022	06/06/2022	245,000.00	245,000.00	251,758.47	0.716%
Morgan Stanley Private Bank, National Association Piper Sandler	06/06/2019	---	06/06/2022	06/06/2022	245,000.00	245,000.00	251,758.47	0.716%
Synchrony Bank Piper Sandler	06/07/2019	---	06/07/2022	06/07/2022	245,000.00	245,000.00	251,218.55	0.716%
---	---	---	06/04/2022	06/04/2022	1,470,000.00	1,470,000.00	1,509,329.00	0.715%
Piper Sandler								

Summary

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
---	---	---	01/13/2023	09/06/2023	153,436,299.08	154,644,941.08	155,098,450.08	0.910%

* Grouped by: Security Type. * Groups Sorted by: Ending Market Value + Accrued. * Weighted by: Ending Market Value + Accrued.

DESERT WATER AGENCY
STATEMENT OF CASH RECEIPTS AND EXPENDITURES

WASTEWATER ACCOUNT

NOVEMBER 2020

INVESTED
RESERVE FUNDS
\$1,588,992.06

BALANCE	NOVEMBER 1, 2020	\$208.31		
ACCOUNTS RECEIVABLE - OTHER		\$0.00		
CUSTOMER DEPOSITS - CONSTRUCTION		0.00		
INTEREST EARNED - INVESTED FUNDS		0.00		
WASTEWATER REVENUE		75,327.98		
SEWER CAPACITY CHARGES		32,280.00		
MISCELLANEOUS		0.00		
TOTAL RECEIPTS		\$107,607.98		
PAYMENTS				
CHECKS UNDER \$10,000.00		\$0.00		
CHECKS OVER \$10,000.00 - SCH. #1		72,387.81		
CANCELLED CHECKS AND FEES		0.00		
TOTAL PAYMENTS		<u>\$72,387.81</u>		
NET INCOME		\$35,220.17		
INVESTED RESERVE FUNDS				
FUNDS MATURED		\$0.00		
FUNDS INVESTED – SCH. #2		27,000.00		
NET TRANSFER			(\$27,000.00)	\$27,000.00
BALANCE	NOVEMBER 30, 2020	\$8,428.48		\$1,615,992.06

DESERT WATER AGENCY
Wastewater Fund
Schedule #1 - Checks Over \$10,000

November 2020

Check #	Name	Description	Amount
3367	Coachella Valley Water District	Wastewater Revenue Billing for October 2020	\$ 61,869.45
3368	City of Palm Springs	Wastewater Revenue Billing for October 2020	\$ 10,518.36
Total			\$ 72,387.81

Monthly Investment Portfolio Report

As of 11/30/2020

AGG- Wastewater Fund (213427)

Dated: 12/01/2020

Security Type



Chart calculated by: PAR Value

MMFUND

Description, Broker	Settle Date	Next Call Date	Effective Maturity	Final Maturity	PAR Value	Original Cost	Market Value	Yield to Maturity
LAIF Money Market Fund LAIF - WW	---	---	11/30/2020	11/30/2020	1,615,992.06	1,615,992.06	1,615,992.06	---
LAIF Money Market Fund LAIF - WW	---	---	11/30/2020	11/30/2020	1,615,992.06	1,615,992.06	1,615,992.06	---

* Grouped by: Security Type. * Groups Sorted by: Ending Market Value + Accrued. * Weighted by: Ending Market Value + Accrued.

DESERT WATER AGENCY
Investment Portfolio Reporting Requirements

*as required by DWA Resolution 886, Section VII
& California Government Code Section 53646*

as of

November 30, 2020

Statement of Compliance

The Desert Water Agency portfolio is in compliance with the Agency's investment policy and guidelines for investment of Agency funds as outlined in DWA Resolution 886 and updated by Resolution 1200.

Statement of Agency's Ability to Meet Six-Month Expenditure Requirements

Desert Water Agency has the ability to meet its expenditure requirements for the next six months.

Description of Investments

Agency Bonds

Securities issued by a government-sponsored enterprise or by a federal government department other than the U.S. Treasury.

Bank Deposits

Agency funds on deposit in the General Fund, Operating Fund and Wastewater Fund active checking accounts for use in meeting the daily cash flow requirements of the Agency.

Certificate of Deposits (CD)

Interest bearing time deposit. FDIC insured up to \$250,000 per depositor, per FDIC-insured bank.

Corporate Notes

Debt securities issued by a for-profit company.

Money Market Funds

High quality, short-term debt instruments, cash and cash equivalents. Utilized for overnight holding of investment proceeds prior to reinvesting or transferring to Agency checking accounts.

Funds Managed by Contracted Parties - LAIF

The Desert Water Agency has contracted with the California Local Agency Investment Fund (LAIF) for investment of Agency funds. LAIF is a voluntary program created by Section 16429.1 et seq. of the California Government Code. LAIF is an investment alternative for California's local governments and special districts. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the state Treasurer's Office professional investment staff at no additional cost to the taxpayer or ratepayer. All Agency funds invested with LAIF are available for withdrawal upon demand and may not be altered, impaired or denied in any way (California Government Code Section 16429.4).

Market Value Source

Current market values are provided by Clearwater Analytics for all investment types other than LAIF. LAIF market values are recorded at PAR value.

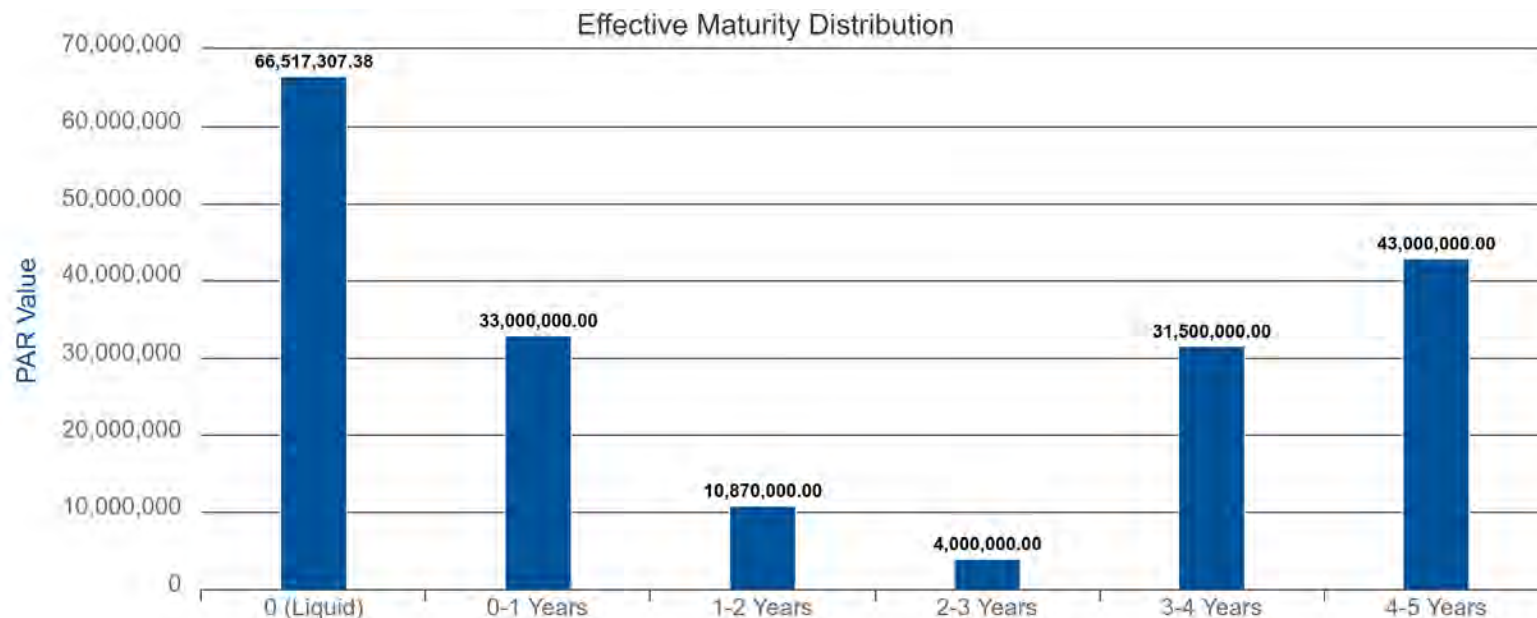
Esther Saenz
Finance Director
Desert Water Agency

Effective Maturity Distribution Summary

As of 12/04/2020

AGG-ALL (219610)

Dated: 12/07/2020



0 (Liquid)

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	LAIF - GF	LAIFMMF	LAIF Money Market Fund	MMFUND	37,066,299.08	12/04/2020	12/04/2020
Operating Fund	LAIF - OP	LAIFMMF	LAIF Money Market Fund	MMFUND	27,835,016.24	12/04/2020	12/04/2020
Wastewater Fund	LAIF - WW	LAIFMMF	LAIF Money Market Fund	MMFUND	1,615,992.06	12/04/2020	12/04/2020
---	---	LAIFMMF	LAIF Money Market Fund	MMFUND	66,517,307.38	12/04/2020	12/04/2020

0-1 Years

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	---	---	---	---	32,000,000.00	03/27/2021	04/02/2024
Operating Fund	UnionBanc OP	94988J6A0	WELLS FARGO BANK NA	CORP	1,000,000.00	09/09/2021	09/09/2022
---	---	---	---	---	33,000,000.00	04/01/2021	03/15/2024

1-2 Years

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	---	---	---	---	10,870,000.00	08/19/2022	08/31/2022
General Fund	---	---	---	---	10,870,000.00	08/19/2022	08/31/2022

2-3 Years

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	---	---	---	CORP	4,000,000.00	01/17/2023	04/01/2023

Effective Maturity Distribution Summary

As of 12/04/2020

AGG-ALL (219610)

Dated: 12/07/2020

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	---	---	---	CORP	4,000,000.00	01/17/2023	04/01/2023

3-4 Years

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	---	---	---	---	30,500,000.00	06/21/2024	07/06/2024
Operating Fund	UnionBanc OP	3130AJJR1	FEDERAL HOME LOAN BANKS	AGCY BOND	1,000,000.00	04/29/2024	04/29/2024
---	---	---	---	---	31,500,000.00	06/20/2024	07/04/2024

4-5 Years

DWA Fund	Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
General Fund	---	---	---	---	39,000,000.00	06/20/2025	06/25/2025
Operating Fund	UnionBanc OP	---	---	AGCY BOND	4,000,000.00	07/18/2025	07/18/2025
---	---	---	---	---	43,000,000.00	06/23/2025	06/27/2025

Summary

Account	Identifier	Description	Security Type	PAR Value	Ending Effective Maturity	Final Maturity
---	---	---	---	188,887,307.38	10/06/2022	04/18/2023

* Grouped by: Effective Maturity Distribution -> DWA Fund. * Groups Sorted by: Effective Maturity Distribution -> DWA Fund. * Filtered By: Security Type not in "CASH". * Weighted by: Ending Market Value + Accrued.

DESERT WATER AGENCY
Monthly Investment Portfolio Report

Abbreviations & Definitions

Investment Type Abbreviations	
AGCY BOND	Agency Bond ¹
CORP	Medium Term Notes (Corporate) ²
MMFUND	Local Agency Investment Fund (LAIF) ³ & Cash Funds in Transit ⁴
CD	Negotiable Certificates of Deposit ⁵

Definitions	
Settle Date	The date of original purchase
Next Call Date	The next eligible date for the issuer to refund or call the bond or note
Effective Maturity	The most likely date that the bond will be called based on current market conditions
Final Maturity	The date the bond matures, DWA receives the full PAR value plus the final interest payment
PAR Value	The principal amount DWA will receive when a bond is either called or matures
Original Cost	The original cost to purchase the bond (includes premium/discount)
Market Value	The current value of the bond at current market rates
Yield to Maturity	The total anticipated return on a bond held to maturity expressed as an annual rate

NOTES:

¹ DWA Investment Policy, Resolution 1200, Schedule 1, Item 2

² DWA Investment Policy, Resolution 1200, Schedule 1, Item 12

³ DWA Investment Policy, Resolution 1200, Schedule 1, Item 7

⁴ Cash funds in transit are a result of maturities/calls/coupon payments that are held in the Agency's money market account with the broker/custodian until transferred to the Agency's bank.

⁵ DWA Investment Policy, Resolution 1200, Schedule 1, Item 8

DESERT WATER AGENCY - OPERATING FUND
COMPARATIVE EARNINGS STATEMENT

MONTH 20-21 NOVEMBER	/-----THIS MONTH-----/ THIS YEAR	LAST YEAR	BUDGET	/-----FISCAL YEAR TO DATE-----/ THIS YEAR	LAST YEAR	BUDGET	/--VARIANCE--/ YTD	PCT
OPERATING REVENUES								
WATER SALES	3,205,098.76	3,235,365.18	3,118,450.00	18,072,124.76	16,769,152.65	16,905,650.00	1,166,474.76	7
RECLAMATION SALES	95,936.47	147,799.03	155,300.00	585,974.60	870,753.77	764,650.00	178,675.40-	23-
POWER SALES	1,363.85	.00	2,750.00	7,064.36	24,037.94	13,750.00	6,685.64-	49-
OTHER OPER REVENUE	170,707.77	239,641.65	173,725.00	1,118,832.22	1,284,499.25	868,625.00	250,207.22	29
TOTAL OPER REVENUES	3,473,106.85	3,622,805.86	3,450,225.00	19,783,995.94	18,948,443.61	18,552,675.00	1,231,320.94	7
OPERATING EXPENSES								
SOURCE OF SUPPLY EXP	92,637.83	24,403.88	62,775.00	1,932,217.70	1,581,819.01	1,883,225.00	48,992.70	3
PUMPING EXPENSE	325,747.90	233,746.98	327,950.00	1,510,497.17	1,191,631.91	1,479,750.00	30,747.17	2
REGULATORY WATER TREAT	59,878.28	41,105.42	53,700.00	300,940.86	253,040.26	268,500.00	32,440.86	12
TRANS & DIST EXPENSE	194,056.06	226,134.96	349,000.00	953,930.99	1,283,127.38	1,745,000.00	791,069.01-	45-
CUSTOMER ACT EXPENSE	85,312.07	78,416.36	95,050.00	431,518.19	407,963.76	468,050.00	36,531.81-	8-
ADMIN & GEN EXPENSE	777,418.10	581,510.80	839,535.00	5,605,133.24	5,553,720.27	6,084,300.00	479,166.76-	8-
REGULATORY EXPENSE	4,238.37	67,770.71	37,750.00	42,245.38	191,907.85	188,750.00	146,504.62-	78-
SNOW CREEK HYDRO EXP	2,380.77	1,926.45	3,050.00	14,014.21	11,255.40	15,250.00	1,235.79-	8-
RECLAMATION PLNT EXP	50,348.97	51,028.77	209,375.00	308,137.78	451,198.86	1,047,375.00	739,237.22-	71-
SUB-TOTAL	1,592,018.35	1,306,044.33	1,978,185.00	11,098,635.52	10,925,664.70	13,180,200.00	2,081,564.48-	16-
OTHER OPER EXPENSES								
DEPRECIATION	521,708.84	501,432.24	518,550.00	2,625,987.74	2,528,982.71	2,592,750.00	33,237.74	1
SERVICES RENDERED	9,907.48	9,931.26	13,750.00	55,855.97	50,820.46	68,750.00	12,894.03-	19-
DIR & INDIR CST FOR WO	193,929.15-	134,252.11-	204,900.00-	1,251,616.18-	1,059,499.31-	1,024,500.00-	227,116.18-	22
TOTAL OPER EXPENSES	1,929,705.52	1,683,155.72	2,305,585.00	12,528,863.05	12,445,968.56	14,817,200.00	2,288,336.95-	15-
NET INCOME FROM OPERATIONS	1,543,401.33	1,939,650.14	1,144,640.00	7,255,132.89	6,502,475.05	3,735,475.00	3,519,657.89	94
NON-OPERATING INCOME (NET)								
RENTS	26,793.77	2,091.20	3,780.00	73,297.33	16,728.56	93,120.00	19,822.67-	21-
INTEREST REVENUES	17,450.63	43,261.61	15,000.00	105,221.40	235,129.08	75,000.00	30,221.40	40
OTHER REVENUES	21,136.68-	4,705.00	.00	17,166.68-	9,781.72	.00	17,166.68-	0
GAINS ON RETIREMENT	.00	.00	2,480.00	.00	.00	7,440.00	7,440.00-	100-
DISCOUNTS	1.78	7.63	50.00	227.09	164.86	250.00	22.91-	9-
PR. YEAR EXPENSES	.00	.00	.00	363.60-	.00	.00	363.60-	0
OTHER EXPENSES	26,112.44-	.00	2,500.00-	27,015.39-	20,000.00-	42,500.00-	15,484.61	36-
LOSS ON RETIREMENTS	.00	12,824.97-	4,500.00-	53.86-	24,948.81-	22,500.00-	22,446.14	100-
TOTAL NON-OPER INCOME	3,002.94-	37,240.47	14,310.00	134,146.29	216,855.41	110,810.00	23,336.29	21
TOTAL NET INCOME	1,540,398.39	1,976,890.61	1,158,950.00	7,389,279.18	6,719,330.46	3,846,285.00	3,542,994.18	92

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

December 15, 2020

**RE: REQUEST ACCEPTANCE OF SINGER LEWAK LLP ANNUAL
AUDIT FOR 2019-2020 FISCAL YEAR**

Chad Halliday of Singer Lewak LLP, will be in attendance at today's meeting, at which time he will present their report on the Audit of Desert Water Agency's financial activities for Fiscal Year 2018-2019, and will answer any questions the Board may have with regard to the audit.

Staff has reviewed the Audited Report and recommends its acceptance.

DESERT WATER AGENCY
FINANCIAL REPORT
JUNE 30, 2020

DESERT WATER AGENCY CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Desert Water Agency
Palm Springs, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Desert Water Agency (the "Agency") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert Water Agency as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and information related to the pension and other postemployment benefits plans ("OPEB") on pages 3 through 22 and 63 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The accompanying supplementary information on pages 65, 66, 67, and 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on pages 65 and 66 and the schedule of board of directors and insurance coverage on pages 67 and 68 have not been subjected to auditing procedures applied in the audits of the basic financial statements and; accordingly, we do not express opinions or provide any assurance on them.

The signature is written in a cursive, handwritten style. It reads "Singer Lewak LLP". The "S" is large and loops around the "inger". "Lewak" is written in a fluid cursive, and "LLP" is in a simpler, slightly more upright cursive.

December 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

DESERT WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Our discussion and analysis of Desert Water Agency's (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended June 30, 2020. Please read it in conjunction with the Agency's financial statements which begin on page 23.

Financial Highlights

- The Agency's net position increased \$33.0 million or 10.9 percent as a result of the year's operations.
- Total assets increased \$32.7 million mainly due to a \$10.3 million net increase in utility plant, and a \$22.1 million net increase in cash and investments.
- Deferred outflows and inflows of resources were recorded for Pension and OPEB this year. Deferred outflows increased \$1.0 million while deferred inflows increased \$1.5 million.
- Current year operating revenues increased \$4.1 million or 10.9 percent while operating expenses increased by \$1.1 million or 2.3 percent, which produced a decrease in the net operating loss of 36.1 percent.
- The increase in operating expenses is mainly due to a \$6.3 million increase in source of supply expense, a \$1.1 million decrease in transmission and distribution expense, a \$4.8 million decrease in depreciation and amortization expense, and a \$1.3 million increase in administration and general expense.
- Capital contributions increased \$0.1 million mainly due to an increase in new and/or existing developer projects completed in the Agency's service area.
- Total operating and non-operating revenues for the year were a combined \$79.4 million and total expenses were \$48.1 million.
- Non-operating revenues increased \$2.4 million.
- Other current assets decreased \$0.4 million.
- See accompanying charts for revenue and expense details, as well as capital expenditures.

Using This Annual Report

This annual report consists of a series of financial statements. The statements of net position and statements of revenues, expenses, and changes in net position (on pages 23 through 26) provide information about the activities of the Agency as a whole and present a longer-term view of the Agency's finances.

Reporting the Agency as a Whole

Our analysis of the Agency as a whole begins on page 3. One of the most important questions asked about the Agency's finances is, "Is the Agency as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Agency as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

DESERT WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

These two statements report the Agency's net position and changes in them. You can think of the Agency's net position - the difference between assets and liabilities - as one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the Agency's property tax base and the condition of the Agency's water facilities, to assess the overall health of the Agency.

The Agency reports in the statement of net position and the statement of revenues, expenses, and changes in net position one type of activity for the water service it provides. All Agency activities are reported in these statements.

The Agency as a Whole

The Agency's net position increased to \$335.8 million from \$302.8 million. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the Agency's activities.

Table 1
Net Position
(in Millions)

	June 30,		
	2020	2019	2018
Current and other assets	\$ 200.3	\$ 178.0	\$ 155.6
Capital assets	<u>203.1</u>	<u>192.7</u>	<u>189.9</u>
Total assets	403.4	370.7	345.5
Deferred outflows of resources	<u>8.5</u>	<u>7.5</u>	<u>7.1</u>
Total assets and deferred outflows of resources	<u>\$ 411.9</u>	<u>\$ 378.2</u>	<u>\$ 352.6</u>
Long-term liabilities	\$ 63.5	\$ 65.1	\$ 66.8
Other liabilities	<u>6.4</u>	<u>5.6</u>	<u>6.5</u>
Total liabilities	<u>69.9</u>	<u>70.7</u>	<u>73.3</u>
Deferred inflows of resources	<u>6.2</u>	<u>4.7</u>	<u>3.7</u>
Net position			
Invested in capital assets, net of related debt	184.4	173.3	169.8
Restricted (State Water Project)	80.8	43.7	29.4
Unrestricted	<u>70.6</u>	<u>85.8</u>	<u>76.4</u>
Total net position	<u>335.8</u>	<u>302.8</u>	<u>275.6</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 411.9</u>	<u>\$ 378.2</u>	<u>\$ 352.6</u>

The net position increased by \$33.0 million. The unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by \$15.2 million.

DESERT WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Table 2
Changes in Net Position
(in Millions)

	June 30,		
	2020	2019	2018
Operating revenues	\$ 41.9	\$ 37.8	\$ 35.8
Operating expenses	47.3	46.2	49.3
Operating loss	(5.4)	(8.4)	(13.5)
Nonoperating revenues and expenses, net	36.8	34.2	28.1
Capital contributions	1.6	1.5	2.4
Changes in net position	<u>\$ 33.0</u>	<u>\$ 27.2</u>	<u>\$ 17.0</u>

The Agency's operating revenues increased 10.9 percent and operating expenses increased 2.3 percent. The factors driving these results include:

- The Agency implemented a consumptive and fixed rates charge increase, which resulted in an increase to water revenue. Water sales revenues increased \$3.9 million as a result of the rate increases.
- The source of supply expenses increased \$6.4 million mainly due to increased Variable costs for the State Water Project.
- General and administrative expenses increased 11.8% mainly due to increased engineering and pension expenses.
- Nonoperating revenues increased 6.9 percent mainly due to a \$2.1 million or 7.0 percent increase in property tax revenues.
- Capital contributions increased \$0.1 million as a result of an increase in new and/or existing developer projects in the Agency's service area.
- The Agency had 22,854 active water services at June 30, 2020. This represents a net increase of 206 active meters during the year.

DESERT WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the Agency had \$452.2 invested in a broad range of capital assets and construction in progress, including land, water transportation facilities, water storage facilities, water treatment facilities, reclamation facilities, water rights, water buildings, and equipment (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$17.4 million or 4.0 percent over last year.

Table 3
Capital Assets at Year End
(in Millions)

	June 30,		
	2020	2019	2018
State Water Project	\$ 121.2	\$ 116.4	\$ 111.9
Mains	106.5	99.5	96.3
Wells, intakes, pumps	25.5	25.5	25.4
Water reclamation	29.6	29.6	29.5
Water transportation facilities	23.6	23.6	23.6
Wastewater transportation facilities	22.8	22.8	22.7
Hydro-electric plants	7.1	5.1	5.0
Water treatment	3.0	3.0	2.9
Services	19.9	17.6	16.3
Meters	6.3	5.3	5.3
Fire service and hydrants	16.7	15.8	15.1
Reservoirs	17.6	17.6	17.6
Structures and improvements	18.2	18.2	18.1
Building	4.1	4.1	4.0
Equipment	12.1	11.8	10.5
Land	12.1	11.3	10.2
Construction in progress	5.9	7.6	6.5
Accumulated depreciation	(249.1)	(242.1)	(231.0)
	<u>\$ 203.1</u>	<u>\$ 192.7</u>	<u>\$ 189.9</u>

This year's major additions included:

\$4.8 million increase in State Water Project.

\$7.0 million increase in mains.

\$1.0 million increase meters.

\$2.0 million increase in hydro-electric plants.

\$2.3 million increase in services.

\$0.8 million increase in fire services and hydrants.

\$0.8 million increase in land.

DESERT WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Debt

Long-term debt consists of Water Revenue Advanced Refunding Bonds ("WRARB") debt issue, accrued vacation, and other employee benefits at June 30, 2020.

Water Revenue Refunding Bonds, Series 2016

Table 4
Water Revenue Advanced Refunding Bonds

Total Water Revenue Advanced Refunding Bonds issued June 29, 2016	\$ 19,720,000
Principal debt repayment in prior years	(2,085,000)
Principal debt repayment in current year	<u>(695,000)</u>
Water Revenue Advanced Refunding Bonds outstanding June 30, 2020	<u>\$16,940,000</u>

The liability for employee benefits relates to the Agency's current employees' unused vacation and attendance bonus plan ("ABP") time and other postemployment benefits ("OPEB"). The \$29,740,305 liability represents the total recorded amount due to current and retired employees at June 30, 2020.

Factors Bearing on the Agency's Future

The Agency has participated (along with Coachella Valley Water District, Metropolitan Water District, and San Geronio Pass Water Agency) in a partnership studying a potential desert aqueduct connection to the State Water Project. This potential connection remains an option to enable delivery and storage of water in the local groundwater basins.

The Department of Water Resources is in the final stages of creating a plan to address the Delta Conveyance and the aging and unreliable levees in the Delta. This plan will directly affect the state water contractors and the costs associated with the State Water Project.

The State Water Contractors and the Department of Water Resources are actively engaged in the State Water Project contract extension negotiations. The current contract expires in 2035 and both parties are working on extending the contract, by studying the various models to achieve a final outcome.

DESERT WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

It is important to recognize the potential desert aqueduct connection, the Delta conveyance and levees repair, and the SWP contract extension, as they will have a major financial impact on the Agency and its operations. Not only do the aqueduct connection, Delta conveyance, levees repair costs, and SWP contract extension constitute major financial transactions, but the potential financial obligations associated with the transactions are significant, thus impacting the financial statements and operations of the Agency.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at: Desert Water Agency, 1200 Gene Autry Trail South, Palm Springs, California.

<u>Account</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percent Change</u>
Statements of net position				
Capital assets	\$203,064,962	\$192,740,374	\$ 10,324,588	5.4%
Current and other assets	<u>200,355,290</u>	<u>177,964,206</u>	<u>22,391,084</u>	12.6
Total assets	403,420,252	370,704,580	32,715,672	8.8
Deferred outflows of resources	<u>8,485,311</u>	<u>7,455,662</u>	<u>1,029,649</u>	13.8
Total assets and deferred outflows of resources	<u>\$411,905,563</u>	<u>\$378,160,242</u>	<u>\$ 33,745,321</u>	8.9%
Long-term liabilities	\$ 63,537,729	\$ 65,130,976	\$ (1,593,247)	(2.4)
Other liabilities	<u>6,438,212</u>	<u>5,535,765</u>	<u>902,447</u>	16.3
Total liabilities	<u>69,975,941</u>	<u>70,666,741</u>	<u>(690,800)</u>	(1.0)
Deferred inflows of resources	<u>6,162,794</u>	<u>4,695,954</u>	<u>1,466,840</u>	31.2
Net position				
Invested in capital assets, net of related debt	184,408,537	173,329,456	11,079,081	6.4
Restricted (State Water Project)	80,762,543	43,672,817	37,089,726	84.9
Unrestricted	<u>70,595,748</u>	<u>85,795,274</u>	<u>(15,199,526)</u>	(17.7)
Total net position	<u>335,766,828</u>	<u>302,797,547</u>	<u>32,969,281</u>	10.9
Total liabilities, deferred inflows of resources, and net position	<u>\$411,905,563</u>	<u>\$378,160,242</u>	<u>\$ 33,745,321</u>	8.9%

DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

<u>Account</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percent Change</u>
Statements of net position				
Capital assets	\$192,740,374	\$189,925,950	\$ 2,814,424	1.5%
Current and other assets	<u>177,964,206</u>	<u>155,647,451</u>	<u>22,316,755</u>	14.3
Total assets	370,704,580	345,573,401	25,131,179	7.3
Deferred outflows of resources	<u>7,455,662</u>	<u>7,053,545</u>	<u>402,117</u>	5.7
Total assets and deferred outflows of resources	<u>\$378,160,242</u>	<u>\$352,626,946</u>	<u>\$ 25,533,296</u>	7.2%
Long-term liabilities	\$ 65,130,976	\$ 66,853,891	\$ (1,722,915)	(2.6)
Other liabilities	<u>5,535,765</u>	<u>6,457,471</u>	<u>(921,706)</u>	(14.3)
Total liabilities	<u>70,666,741</u>	<u>73,311,362</u>	<u>(2,644,621)</u>	(3.6)
Deferred inflows of resources	<u>4,695,954</u>	<u>3,743,676</u>	<u>952,278</u>	25.4
Net position				
Invested in capital assets, net of related debt	173,329,456	169,782,114	3,547,342	2.1
Restricted (State Water Project)	43,672,817	29,431,701	14,241,116	48.4
Unrestricted	<u>85,795,274</u>	<u>76,358,093</u>	<u>9,437,181</u>	12.4
Total net position	<u>302,797,547</u>	<u>275,571,908</u>	<u>27,225,639</u>	9.9
Total liabilities, deferred inflows of resources, and net position	<u>\$378,160,242</u>	<u>\$352,626,946</u>	<u>\$ 25,533,296</u>	7.2%

DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

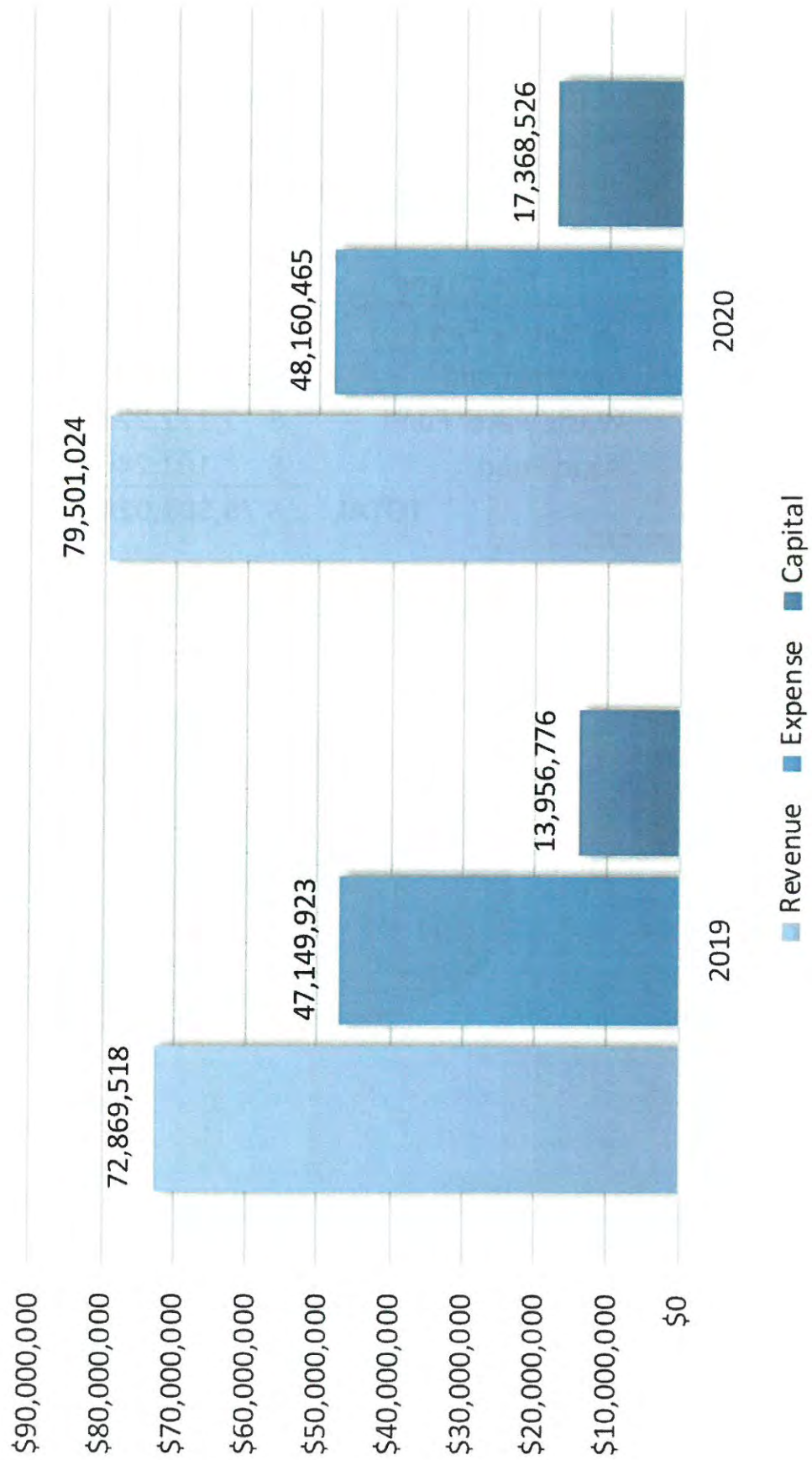
<u>Account</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percent Change</u>
Statements of revenues, expenses, and changes in net position				
Operating revenues	\$ 41,865,290	\$ 37,756,055	\$ 4,109,235	10.9%
Operating expenses	<u>(47,251,695)</u>	<u>(46,189,830)</u>	<u>(1,061,865)</u>	2.3
Operating loss	(5,386,405)	(8,433,775)	3,047,370	(36.1)
Nonoperating revenues	37,545,103	35,113,463	2,431,640	6.9
Nonoperating expenses	(818,140)	(960,093)	141,953	(14.8)
Capital contributions	<u>1,628,723</u>	<u>1,506,044</u>	<u>122,679</u>	8.1
Change in net position	32,969,281	27,225,639	5,743,642	21.1
Beginning net position	<u>302,797,547</u>	<u>275,571,908</u>	<u>27,225,639</u>	9.9
Ending net position	<u>\$335,766,828</u>	<u>\$302,797,547</u>	<u>\$ 32,969,281</u>	10.9%
 <u>Account</u>	 <u>2019</u>	 <u>2018</u>	 <u>Change</u>	 <u>Percent Change</u>
Statements of revenues, expenses, and changes in net position				
Operating revenues	\$ 37,756,055	\$ 35,827,770	\$ 1,928,285	5.4%
Operating expenses	<u>(46,189,830)</u>	<u>(49,324,808)</u>	<u>3,134,978</u>	(6.4)
Operating loss	(8,433,775)	(13,497,038)	5,063,263	(37.5)
Nonoperating revenues	35,113,463	29,704,493	5,408,970	18.2
Nonoperating expenses	(960,093)	(1,623,150)	663,057	(40.9)
Capital contributions	<u>1,506,044</u>	<u>2,369,617</u>	<u>(863,573)</u>	(36.4)
Change in net position	27,225,639	16,953,922	10,271,717	60.6
Beginning net position	<u>275,571,908</u>	<u>258,617,986</u>	<u>16,953,922</u>	6.6
Ending net position	<u>\$302,797,547</u>	<u>\$275,571,908</u>	<u>\$ 27,225,639</u>	9.9%

DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

	<u>2019 to 2020</u>	<u>2018 to 2019</u>
Change in net position – invested in capital assets, net of related debt	\$ 11,079,081	\$ 3,547,342
Percent change in net position – invested in capital assets, net of related debt	6.4%	2.1%
Change in net position – unrestricted	\$ (15,199,526)	\$ 9,437,181
Percent change in net position – unrestricted	(17.7)%	12.4%

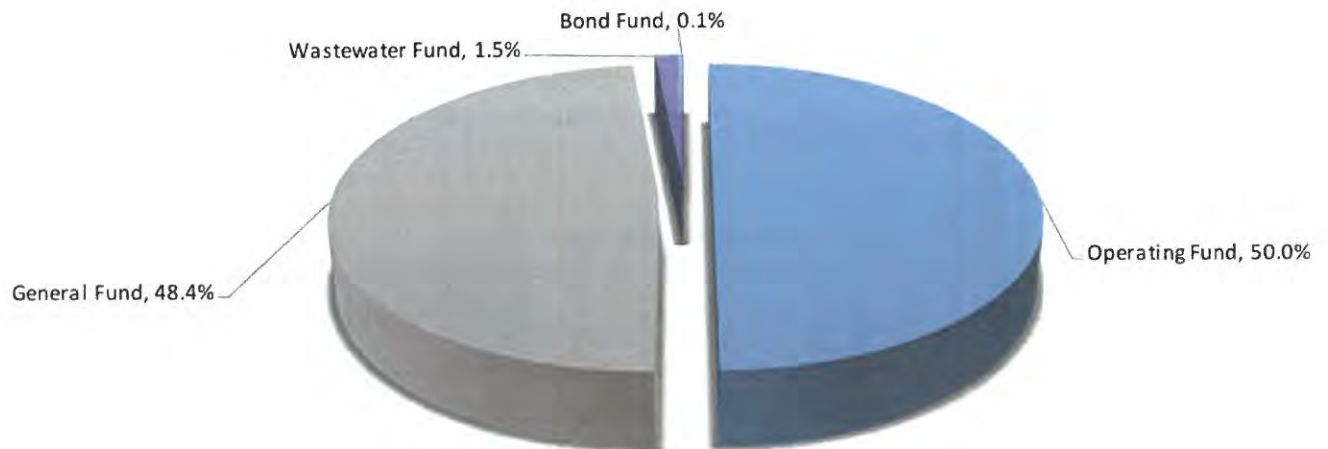
DESERT WATER AGENCY
Comparison of
Fiscal Year Ended June 30

Revenue, Expense & Capital Expenditures



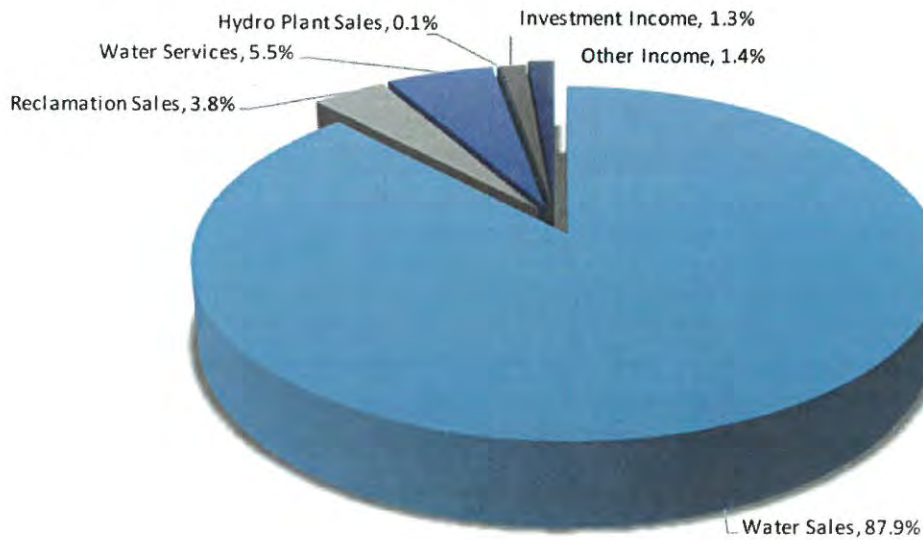
**DESERT WATER AGENCY
SOURCE OF REVENUES
FISCAL YEAR 2019 - 2020**

Fund Type	Amount	%
Operating Fund	\$ 39,773,743	50.0%
General Fund	\$ 38,453,820	48.4%
Wastewater Fund	\$ 1,172,221	1.5%
Bond Fund	\$ 101,240	0.1%
TOTAL	\$ 79,501,024	100.0%



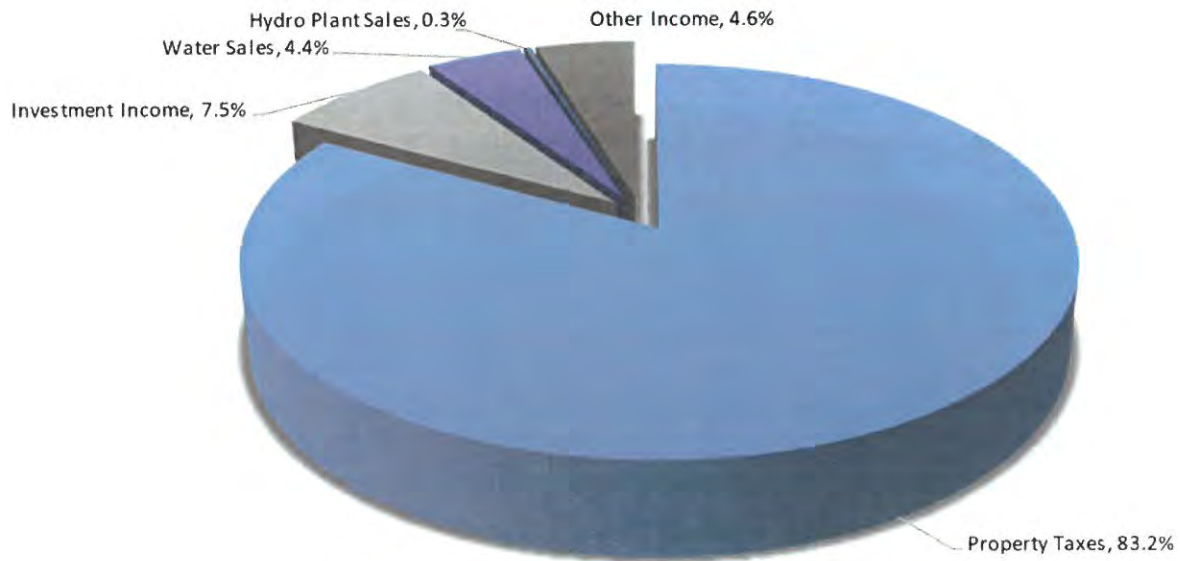
**DESERT WATER AGENCY
OPERATING FUND REVENUES
FISCAL YEAR 2019 - 2020**

Revenue Source	Amount	%
Water Sales	\$ 34,934,868	87.9%
Reclamation Sales	\$ 1,523,815	3.8%
Water Services	\$ 2,184,472	5.5%
Hydro Plant Sales	\$ 52,726	0.1%
Investment Income	\$ 532,683	1.3%
Other Income	\$ 545,179	1.4%
TOTAL	\$ 39,773,743	100.0%



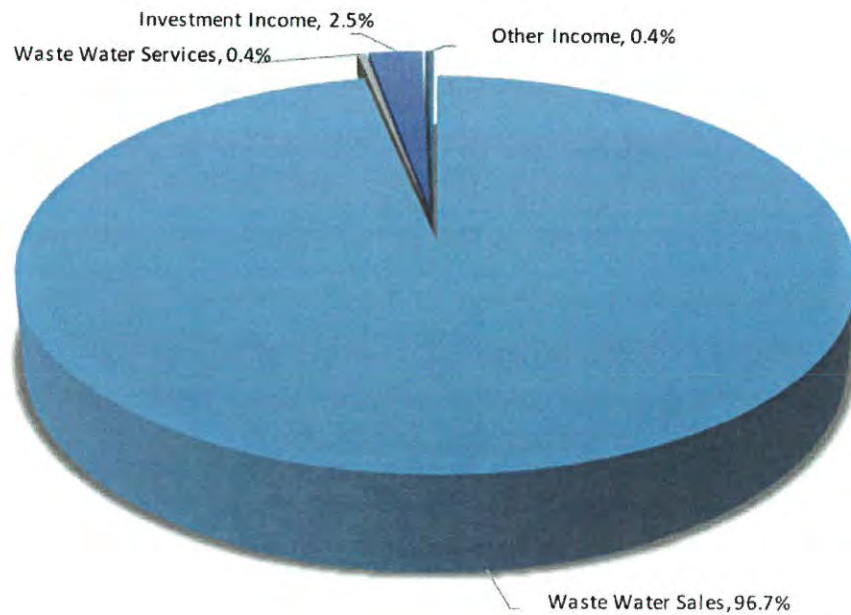
**DESERT WATER AGENCY
GENERAL FUND REVENUES
FISCAL YEAR 2019 - 2020**

Revenue Source	Amount	%
Property Taxes	\$ 31,979,950	83.2%
Investment Income	\$ 2,884,141	7.5%
Water Sales	\$ 1,698,713	4.4%
Hydro Plant Sales	\$ 113,234	0.3%
Other Income	\$ 1,777,782	4.6%
TOTAL	\$ 38,453,820	100.0%



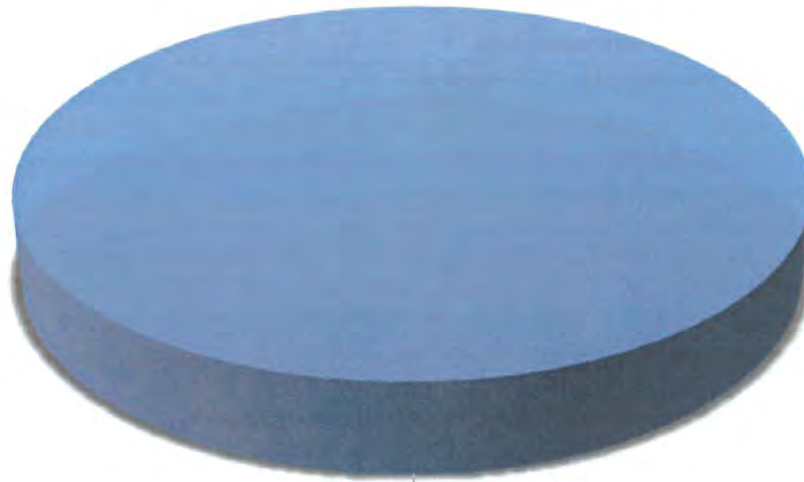
**DESERT WATER AGENCY
WASTEWATER FUND REVENUES
FISCAL YEAR 2019 - 2020**

Revenue Source	Amount	%
Waste Water Sales	\$ 1,133,635	96.7%
Waste Water Services	\$ 4,702	0.4%
Investment Income	\$ 28,909	2.5%
Other Income	\$ 4,975	0.4%
TOTAL	\$ 1,172,221	100.0%



**DESERT WATER AGENCY
BOND FUND REVENUES
FISCAL YEAR 2019 - 2020**

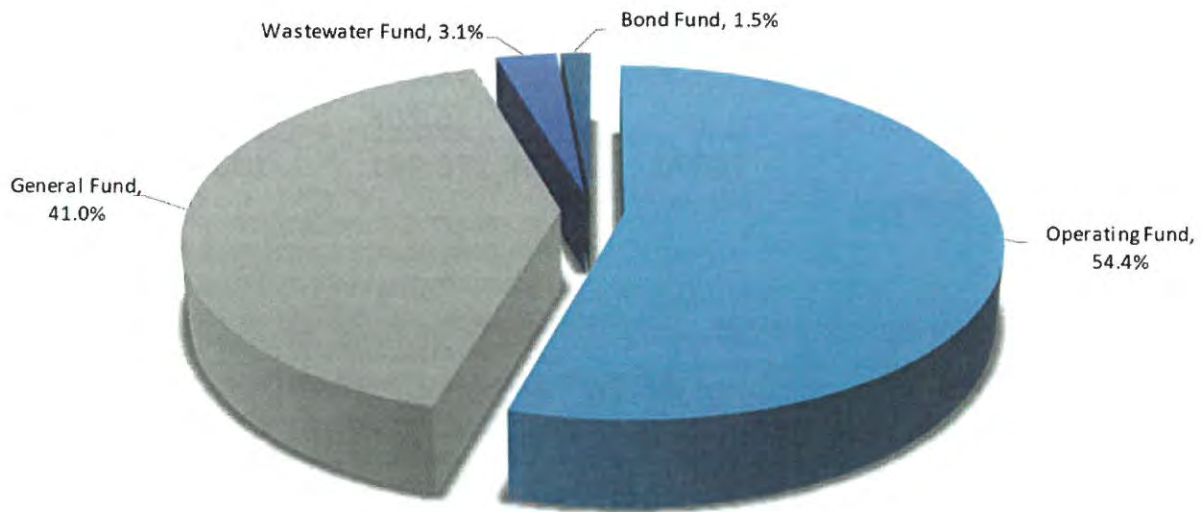
Revenue Source	Amount	%
Other Income	\$ 101,221	100.0%
Investment Income	\$ 19	0.0%
TOTAL	\$ 101,240	100.0%



Other Income, 100%

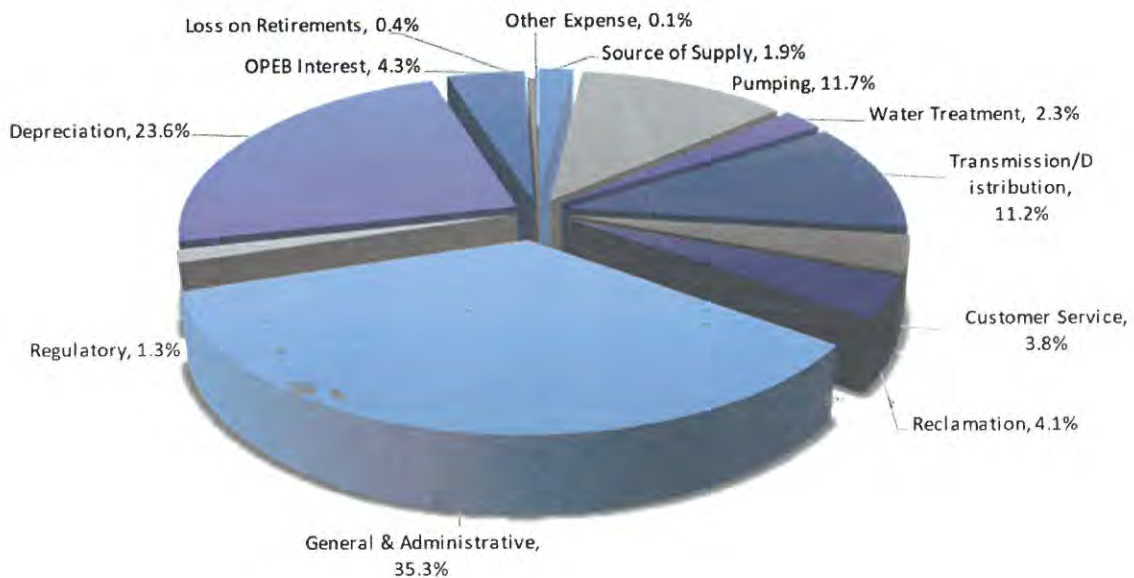
**DESERT WATER AGENCY
EXPENSE ANALYSIS
FISCAL YEAR 2019 - 2020**

Fund Type	Amount	%
Operating Fund	\$ 26,170,991	54.4%
General Fund	\$ 19,754,309	41.0%
Wastewater Fund	\$ 1,514,502	3.1%
Bond Fund	\$ 720,663	1.5%
TOTAL	\$ 48,160,465	100.0%



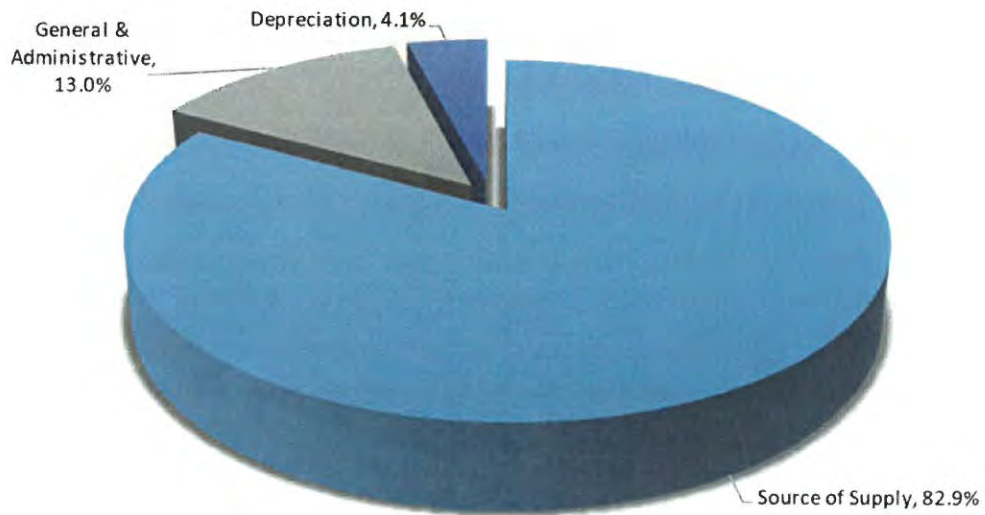
**DESERT WATER AGENCY
OPERATING FUND EXPENSES
FISCAL YEAR 2019 - 2020**

Expense Category	Amount	%
Source of Supply	\$ 495,998	1.9%
Pumping	\$ 3,067,485	11.7%
Water Treatment	\$ 590,144	2.3%
Transmission/Distribution	\$ 2,933,593	11.2%
Customer Service	\$ 1,004,539	3.8%
Reclamation	\$ 1,073,028	4.1%
General & Administrative	\$ 9,255,819	35.3%
Regulatory	\$ 330,224	1.3%
Depreciation	\$ 6,167,149	23.6%
OPEB Interest	\$ 1,137,027	4.3%
Loss on Retirements	\$ 99,777	0.4%
Other Expense	\$ 16,208	0.1%
TOTAL	\$ 26,170,991	100.0%



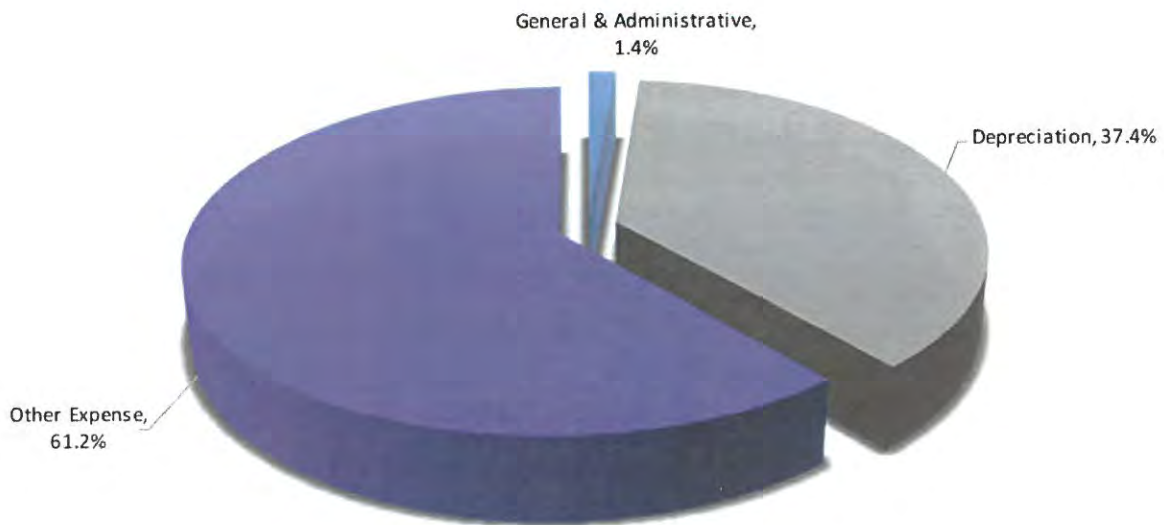
**DESERT WATER AGENCY
GENERAL FUND EXPENSES
FISCAL YEAR 2019 - 2020**

Expense Category	Amount	%
Source of Supply	\$ 16,372,317	82.9%
General & Administrative	\$ 2,576,769	13.0%
Depreciation	\$ 805,223	4.1%
Other Expense	\$ -	0.0%
TOTAL	\$ 19,754,309	100.0%



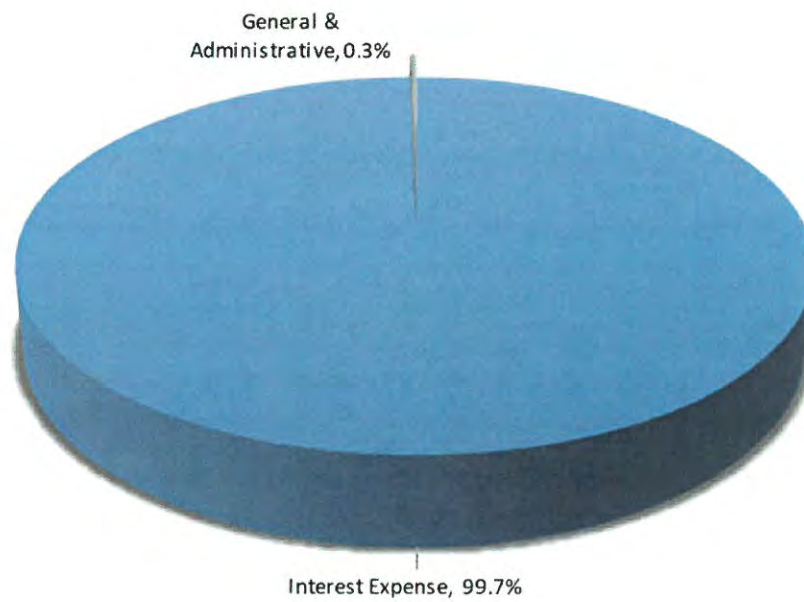
**DESERT WATER AGENCY
WASTEWATER FUND EXPENSES
FISCAL YEAR 2019 - 2020**

Expense Category	Amount	%
General & Administrative	\$ 21,788	1.4%
Depreciation	\$ 567,123	37.4%
Other Expense	\$ 925,591	61.2%
TOTAL	\$ 1,514,502	100.0%



**DESERT WATER AGENCY
BOND FUND EXPENSES
FISCAL YEAR 2019 - 2020**

Expense Category	Amount	%
Interest Expense	\$ 718,363	99.7%
General & Administrative	\$ 2,300	0.3%
TOTAL	\$ 720,663	100.0%



BASIC FINANCIAL STATEMENTS

DESERT WATER AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	\$ 27,575,215	\$ 21,921,712
Investments	84,415,617	104,265,729
Accounts receivable		
Utility	2,435,708	1,977,082
Property taxes	905,261	674,297
Other governmental agencies	1,303	270,914
Other	120,159	127,017
Inventories	1,331,830	1,129,842
Other current assets	1,606,050	2,001,068
	<u>118,391,143</u>	<u>132,367,661</u>
Noncurrent assets		
Restricted cash and cash equivalents	46,974,078	45,596,545
Restricted investments	34,990,069	-
Capital assets, net	203,064,962	192,740,374
	<u>285,029,109</u>	<u>238,336,919</u>
Total noncurrent assets	<u>285,029,109</u>	<u>238,336,919</u>
Total assets	<u>403,420,252</u>	<u>370,704,580</u>
Deferred outflows of resources		
Pension related	5,751,246	5,502,215
Other post employment benefits (OPEB) related	1,574,919	721,855
Deferred loss on refunding	1,159,146	1,231,592
	<u>8,485,311</u>	<u>7,455,662</u>
Total deferred outflows of resources	<u>8,485,311</u>	<u>7,455,662</u>
Total assets and deferred outflows of resources	<u>\$ 411,905,563</u>	<u>\$ 378,160,242</u>

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities		
Accounts payable	\$ 3,081,230	\$ 1,676,726
Payable to other governmental agencies	157,444	199,628
Current portion of long-term debt	720,000	695,000
Customer deposits	2,098,603	2,444,632
Other current liabilities	380,935	519,779
Total current liabilities	<u>6,438,212</u>	<u>5,535,765</u>
Long-term liabilities		
OPEB liability	28,314,463	29,198,670
Net pension liability	15,957,880	15,975,305
Other employee benefits payable	1,425,842	1,296,236
Long-term debt, net	17,839,544	18,660,765
Total long-term liabilities	<u>63,537,729</u>	<u>65,130,976</u>
Total liabilities	<u>69,975,941</u>	<u>70,666,741</u>
Deferred inflows of resources		
Pension related	1,586,906	1,174,360
OPEB related	4,575,888	3,521,594
Total deferred inflows of resources	<u>6,162,794</u>	<u>4,695,954</u>
Net position		
Invested in capital assets (including State Water Project costs), net of related debt	184,408,537	173,329,456
Restricted (State Water Project)	80,762,543	43,672,817
Unrestricted	70,595,748	85,795,274
Total net position	<u>335,766,828</u>	<u>302,797,547</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 411,905,563</u>	<u>\$ 378,160,242</u>

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Water sales	\$ 37,767,216	\$ 33,849,352
Water services	2,189,174	1,966,779
Hydroplant revenues	165,960	164,871
Fines and fees	219,125	317,875
Reclamation sales/services	<u>1,523,815</u>	<u>1,457,178</u>
Total operating revenues	<u>41,865,290</u>	<u>37,756,055</u>
Operating expenses		
Source of supply	16,868,315	10,497,980
Pumping	3,067,485	3,144,878
Water treatment	590,144	526,702
Transmission and distribution	2,933,593	4,115,839
Customer accounts	1,004,539	997,552
Water reclamation	1,073,028	1,188,855
Regulatory	330,224	363,717
Administration and general	12,993,703	11,623,351
Prior year expense (revenue)	(73,626)	316,739
Other operating expenses	924,795	1,037,117
Depreciation and amortization	<u>7,539,495</u>	<u>12,377,100</u>
Total operating expenses	<u>47,251,695</u>	<u>46,189,830</u>
Operating loss	<u>(5,386,405)</u>	<u>(8,433,775)</u>
Nonoperating revenues		
Property taxes	31,979,950	29,901,394
Net investment return	3,445,751	3,224,225
Gain on retirement of capital assets	60,279	64,645
Unrealized gain on investments	1,286,223	1,255,084
Other	<u>772,900</u>	<u>668,115</u>
Total nonoperating revenues	<u>37,545,103</u>	<u>35,113,463</u>

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Nonoperating expenses		
Interest expense	718,363	740,741
Net losses on retirement of capital assets	<u>99,777</u>	<u>219,352</u>
Total nonoperating expenses	<u>818,140</u>	<u>960,093</u>
Increase in net position, before capital contributions	<u>31,340,558</u>	<u>25,719,595</u>
Capital contributions		
Contributions of property	1,585,673	1,460,894
Capacity charges	<u>43,050</u>	<u>45,150</u>
Total capital contributions	<u>1,628,723</u>	<u>1,506,044</u>
Increase in net position	32,969,281	27,225,639
Net position		
Beginning of year	<u>302,797,547</u>	<u>275,571,908</u>
Net position, end of year	<u>\$ 335,766,828</u>	<u>\$ 302,797,547</u>

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from customers	\$ 41,732,122	\$ 37,944,498
Cash paid to suppliers and employees	<u>(39,097,993)</u>	<u>(34,959,888)</u>
Net cash provided by operating activities	<u>2,634,129</u>	<u>2,984,610</u>
Cash flows from noncapital financing activities		
Property taxes	<u>31,748,986</u>	<u>30,162,002</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(16,386,612)	(13,956,776)
Proceeds from sale of capital assets	68,704	62,778
Principal paid on long-term debt	(695,000)	(675,000)
Interest paid on long-term debt	(650,550)	(670,800)
Capacity charges	43,050	45,150
Other revenue	772,900	668,115
Other expenses	<u>117,943</u>	<u>20,038</u>
Net cash used in capital and related financing activities	<u>(16,729,565)</u>	<u>(14,506,495)</u>
Cash flows from investing activities		
Purchased investments	(190,950,345)	(53,096,836)
Proceeds from maturing investments and return of principal	176,882,080	38,505,440
Interest on investments	<u>3,445,751</u>	<u>3,224,225</u>
Net cash used in investing activities	<u>(10,622,514)</u>	<u>(11,367,171)</u>
Net increase in cash and cash equivalents	7,031,036	7,272,946
Cash and cash equivalents, beginning of year	<u>67,518,257</u>	<u>60,245,311</u>
Cash and cash equivalents, end of year	<u>\$ 74,549,293</u>	<u>\$ 67,518,257</u>

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of cash and cash equivalents to statements of net position		
Unrestricted cash and cash equivalents	\$ 27,575,215	\$ 21,921,712
Restricted cash and cash equivalents	<u>46,974,078</u>	<u>45,596,545</u>
Total cash and cash equivalents	<u>\$ 74,549,293</u>	<u>\$ 67,518,257</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	(5,386,405)	(8,433,775)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	7,539,495	12,377,100
Changes in operating assets and liabilities		
Accounts receivable:		
Utility	(458,626)	(303,442)
Other governmental agencies	269,611	(19,255)
Other	6,858	(947)
Inventories	(201,988)	21,733
Other current assets	395,018	733,881
Deferred outflows - pension	(249,031)	(426,289)
Deferred outflows - OPEB	(853,064)	(48,275)
Accounts payable	1,404,504	(541,484)
Payable to other governmental agencies	(42,184)	(24,003)
Customer deposits	(346,029)	(221,794)
Other current liabilities	(138,844)	(154,425)
OPEB liability	(884,207)	(568,199)
Net pension liability	(17,425)	(490,866)
Employee benefits payable	129,606	132,372
Deferred inflows - pension	412,546	665,833
Deferred inflows - OPEB	<u>1,054,294</u>	<u>286,445</u>
Net cash provided by operating activities	<u>\$ 2,634,129</u>	<u>\$ 2,984,610</u>
Noncash capital, financing, and investing activities		
Contributed capital assets	<u>\$ 1,585,673</u>	<u>\$ 1,460,894</u>
Unrealized gain on investments	<u>\$ 1,286,223</u>	<u>\$ 1,255,084</u>

See notes to financial statements.

DESERT WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The reporting entity includes all the funds of the Desert Water Agency (the “Agency”). The Agency is a special district created for the purpose of importing water and delivery of water to consumers within its service area.

The Agency and the Desert Water Agency Financing Corporation (the “Corporation”) have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standards Board (“GASB”) Statement No. 14 (“GASB 14”), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (“GASB 39”), *Determining Whether Certain Organizations are Component Units*, for inclusion of the Corporation as a component unit of the Agency. Accordingly, the financial activities of the Corporation have been included in the financial statements of the Agency.

The following are those aspects of the relationship between the Agency and the Corporation which satisfy GASB Statement No. 39 criteria:

- A. The Corporation’s board of directors was appointed by the Agency’s board of directors.
- B. The Agency is able to impose its will upon the Corporation, based on the following:
 - The Corporation has no employees. The Agency’s general manager functions as an agent of the Corporation. The general manager does not receive additional compensation for work performed in this capacity.
 - The Agency exercises significant influence over operations of the Corporation as it is anticipated that the Agency will be the sole lessee of all facilities owned by the Corporation. Likewise, it is anticipated that the Agency’s lease payments will be the sole revenue source of the Corporation, with the exception of interest earned in the Corporation’s trust accounts.
 - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the Agency.
- C. The Corporation provides specific financial benefits or imposes specific financial burdens on the Agency based upon the following:
 - Any deficits incurred by the Corporation will be reflected in the lease payments of the Agency and any surpluses of the Corporation revert to the Agency at the end of the lease period.
 - The Agency has assumed a “moral obligation,” and potentially a legal obligation, for any debt incurred by the Corporation.

DESERT WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY (Continued)

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on August 31, 2007. The Corporation was formed for the sole purpose of providing financing assistance to the Agency. Under an installment purchase agreement, the Corporation obtained title to certain Agency water project improvements. At the end of the installment purchase arrangement in 2037, title of all Corporation property will pass to the Agency for no additional consideration.

For financial statement presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data of the Agency.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the activity (whether current or noncurrent) are included on the statement of net position.

The Agency distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by water sales and wastewater services while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and wastewater treatment services.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the related notes to the financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Agency considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Agency invests funds with the State of California's Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

DESERT WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents represent money paid to the Agency as a deposit for water infrastructure to be installed by the Agency on behalf of customers as well as property tax funds and replenishment assessment charges collected which are restricted for the State Water Project.

Investments

Investments are reported in the accompanying statements of net position at fair value based on the last reported sales price published on the national exchange. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

Accounts receivable are reported at their net realizable value, less an allowance for uncollectible accounts, if deemed necessary. The Agency uses the allowance method for the write-off of bad debts. The Agency considers such factors as historical trends for collections and knowledge of financial stability of debtors to establish the allowance for doubtful accounts. Receivables are written off when management determines that the amount will not be collectible. As of June 30, 2020 and 2019, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable were deemed fully collectable.

Inventories

Inventories consist primarily of water meters, pipe, and pipe fittings for construction and repair to the Agency's water transmission and distribution system. Inventories are valued at cost using the average cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed. As of June 30, 2020 and 2019, no reserve for inventory was deemed necessary based on management's evaluation of the Agency's inventory.

Property Taxes

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the Agency's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date:	January 1
Levy date:	On July 1 for July 1 to June 30
Due date:	November 1 – 1st installment February 1 – 2nd installment
Collection date:	December 10 – 1st installment April 10 – 2nd installment

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$3,000. Donated assets are recorded at estimated acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution system	50 years
Service lines	33-1/3 years
Wells and water treatment equipment	5 to 25 years
Other equipment and vehicles	5 to 11 years

Capitalized State Water Project costs are amortized over forty-five years.

Accounting for Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of the asset. As of June 30, 2020 and 2019, no impairment was recognized as management expects to fully utilize the Agency's long-lived assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits Payable

Employees of the Agency are entitled to paid vacation and paid attendance benefits, depending on length of service and other factors. The liability for these benefits has been accrued in these financial statements. Vacation is accrued beginning on the first day of employment and ranges from 8 to 13.334 hours per month based on longevity with the Agency. The Agency is not liable to pay vacation hours accrued until the employee has been employed for six months. Employee Attendance Bonus Plan hours accrue monthly for attendance and safety based on certain factors. The employees have an opportunity to earn a maximum of 96 hours per year in this plan.

Pension Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System ("CalPERS") Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

Investment in Capital Assets (including State Water Project costs), net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted Net Position – This component of net position consists of net position that is constrained by externally imposed requirements of creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation.

Unrestricted Net Position – This component of net position does not meet the definition of restricted or net investment in capital assets.

Budgetary Policies

The Agency adopts an annual nonappropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB 68”), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization’s pension liability exceeds the pension plan’s net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan’s fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Recent Accounting Pronouncements

GASB has issued the below statements which may affect the Agency’s financial reporting requirements in the future. The Agency is currently evaluating its accounting practices to determine the potential impact that these statements will have on the Agency’s financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which addresses new accounting and financial reporting requirements for leases, improving accounting and financial reporting for leases for governments. Leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract will be recognized as a lease liability and an intangible right-to-use lease asset for lessees and a lease receivable and a deferred inflow of resources for a lessor. As deferred by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this statement are effective for fiscal years beginning after June 15, 2021. The Agency does not anticipate that this statement will have a material impact on the financial statements.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (continued)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans*, which requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements for this statement are effective for reporting periods beginning after June 15, 2021.

NOTE 3 – STATE WATER PROJECT

The Agency has contracted with the State Department of Water Resources to participate in the State Water Project to convey water from Northern California into the Southern California area. This participation requires payments in varying amounts by the Agency for many years into the future, including capital costs in connection with the transportation facilities, operations and maintenance ("OMP&R") costs, and variable costs for the actual delivery of water. These future payments have been estimated at June 30, 2020 by the State Department of Water Resources through 2035 as follows:

Water system revenue bond surcharge	\$ 15,312,879
Delta water charges	73,818,314
Transportation charges:	
Capital cost component (principal and interest)	50,345,957
Minimum operations, maintenance, power, and replacement (OMP&R)	92,151,246
Variable OMP&R	106,082,609
Off-aqueduct facility charges	304,839
East branch enlargement transportation charges:	
Capital cost component	8,586,077
Minimum OMP&R	<u>7,010,682</u>
Total	<u>\$353,612,603</u>

The Agency has been billed formally through calendar year 2021 only. The policy of the Agency is not to accrue any amounts which are due after the fiscal year-end. The payments which have been billed but are not reflected on the books and are not due until after the fiscal year-end of the Agency are approximately as follows:

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – STATE WATER PROJECT (Continued)

Capital cost component (delta water and transportation charges):	
Due July 1, 2020	\$ 2,120,712
Due January 1, 2021	2,072,240
Due July 1, 2021	2,072,238
Minimum OMP&R component:	
Water supply (delta water and transportation charges):	
Monthly payments of \$712,553 from July 1 to December 31, 2020	4,275,318
Monthly payments of \$674,203 for the calendar year 2021	8,090,441
Off-aqueduct power facilities:	
Monthly payments of \$13,637 from July 1 to December 31, 2020	81,823
Monthly payments of \$15,913 for the calendar year 2021	190,956
East Branch Enlargement Facilities:	
Monthly payments of \$41,771 from July 1 to December 31, 2020	250,626
Monthly payments of \$33,383 for the calendar year 2021	400,596
Estimated variable OMP&R component (water delivery charges):	
Monthly payments of \$472,155 from July 1 to December 31, 2020	2,832,930
Monthly payments of \$507,382 for the calendar year 2021	6,088,584
Water system revenue bond surcharge and 25 percent bond cover charge:	
Due July 1, 2020	520,352
Due January 1, 2021	550,494
Due July 1, 2021	550,494
Allocated capital costs of Tehachapi second afterbay facilities:	
Due September 1, 2020	37,106
Due March 1, 2021	49,060
Due September 1, 2021	49,060
Allocated capital costs of east branch enlargement:	
Due September 1, 2020	1,395,073
Due March 1, 2021	247,236
Due September 1, 2021	<u>1,005,297</u>
Total	<u>\$ 32,880,636</u>

The Agency has committed to purchase other components of Pool B water and flood water that may become available at reasonable prices in the future. The future payments for this excess water are not determinable at this time.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments are included in the statements of net position in the following captions:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 27,575,215	\$ 21,921,712
Restricted cash and cash equivalents	46,974,078	45,596,545
Total cash and cash equivalents	74,549,293	67,518,257
Investments	84,415,617	104,265,729
Restricted investments	34,990,069	-
Total investments	119,405,686	104,265,729
	<u>\$193,954,979</u>	<u>\$171,783,986</u>

For purposes of the following discussion, these accounts have been classified as follows:

	June 30,	
	2020	2019
Deposits	\$ 1,777,636	\$ 3,093,666
Investments	192,177,343	168,690,320
	<u>\$193,954,979</u>	<u>\$171,783,986</u>

Deposits

At June 30, 2020 and 2019, the carrying amount of the Agency's deposits is \$1,777,636 and \$3,093,666, respectively, and the bank balances were \$1,221,779 and \$2,912,540, respectively.

Custodial Credit Risk

The Agency maintains deposits with financial institutions in excess of the Federal Depository Insurance Corporation's ("FDIC") insurance limit of \$250,000. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit) in the Agency's name and places it ahead of general creditors of the institution. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments Authorized by the Agency's Investment Policy

Under provisions of the Agency's investment policy, adopted by Board Resolution No. 886 in November 2004, No. 1007 in July 2009, and 1200 in January 2019, which is in accordance with California Government Code Sections 53600 through 53686 et seq., the types of investments authorized for deposit are identified in the following table. Also following are tables identifying certain provisions of the California Government Code (or the Agency's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>	<u>Maximum Credit Quality</u>
U.S. Treasury	5 years	100%	100%	None
Federal agency	5 years	100%	100%	None
Bankers' acceptances	180 days	40%	30%	None
Commercial paper	270 days	25%	10%	"Prime" highest letter or numerical rating
Negotiable certificates of deposit (CD's)	5 years	30%	100%	None
Collateralized CD's	5 years	\$2 million one bank	Gov Code Sect 53638	None
Repurchase agreements	92 days	20%	100%	None
Medium term notes of U.S. Corps. (Corporate Notes)	5 years	30%	100%	A or better
Local government investment pools (mutual funds)	Daily	20%	10%	Highest letter or numerical rating
Registered warrants, notes, bonds, or other certificates of indebtedness issued by the State or local agencies	5 years	100%	100%	None
Obligations issued by Desert Water Agency	5 years**	100%	100%	None
Local Agency Investment Funds	Daily	100%	N/A	None

*Average life of portfolio at any time shall not exceed five years.

** Unless Board approval 3 months in advance.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Concentration of Credit Risk

Investments at June 30 in any one issuer, other than U.S. Treasury Securities and LAIF that represent 5 percent or more of the total investments of the Agency are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>2020</u>	<u>2019</u>
Federal Farm Credit	U.S. agency securities	\$ 20,057,050	\$ 11,477,940
Federal National Mortgage Corp	U.S. agency securities	12,023,160	15,964,560
Federal Home Loan Mortgage	U.S. agency securities	36,109,490	45,434,108
Federal Home Loan Bank	U.S. agency securities	16,094,200	24,490,545
Medium Term Notes	Corporate notes	33,586,753	-

Interest Rate Risk

Interest rate risk is the possibility that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of highlighting exposure to interest rate risk, the fair value of all securities is calculated and reported quarterly to the board for investments. Investment fair value and effective duration (in years) at June 30 are as follows:

<u>Authorized Investment Type</u>	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Duration</u>	<u>Fair Value</u>	<u>Duration</u>
U.S. agency securities	\$ 84,283,900	1.20	\$ 97,367,153	1.90
Corporate Notes	33,586,753	2.89	4,425,678	1.85
Negotiable CD's	1,535,033	1.89	2,472,898	1.34

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the following tables at June 30:

<u>Authorized Investment</u>	<u>2020</u>	<u>2019</u>
Aaa:		
U.S agency securities	\$ -	\$ 97,367,153
Corporate Notes	2,105,980	-
Aa(1-3):		
U.S. agency securities	84,283,900	-
Corporate Notes	10,527,370	3,423,958
Negotiable certificates of deposit	-	2,472,898
A (1-3):		
Corporate Notes	20,953,403	1,001,720
Negotiable certificates of deposit	768,065	-
BBB:		
Negotiable certificates of deposit	511,193	-
Not Rated:		
Negotiable certificates of deposit	255,775	-
Exempt from Disclosure:		
Local Agency investment funds	<u>72,771,657</u>	<u>64,424,591</u>
	<u>\$192,177,343</u>	<u>\$ 168,690,320</u>

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fair Value of Investments

GASB 72, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets as of the measurement date in active markets that the Agency has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 Inputs to the valuation methodology are unobservable and include situations where there is little, if any, market activity for the investment.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fair Value of Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019:

Obligations of U.S. government agencies – Valued at the closing price reported in the active market on which the individual securities are traded.

Negotiable certificates of deposit – Valued at the closing price reported on the active market on which the negotiable paper is traded.

Corporate notes – Valued at the closing price reported on the active market on which the notes are traded.

State pooled Local Agency Investment Fund (LAIF) – The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the Agency's position in the pool approximates the value of the pool shares. LAIF is not subject to fair value leveling.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations of U.S. Government agencies	\$ 84,283,900	\$ -	\$ -	\$ 84,283,900
Negotiable certificate of deposit	1,535,033	-	-	1,535,033
Corporate Notes	<u>33,586,753</u>	<u>-</u>	<u>-</u>	<u>33,586,753</u>
	119,405,686	-	-	119,405,686
Not subject to leveling – LAIF	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,771,657</u>
Total	<u>\$119,405,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$192,177,343</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fair Value of Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations of U.S.				
Government agencies	\$97,367,153	\$ -	\$ -	\$ 97,367,153
Negotiable certificate of deposit	2,472,898	-	-	2,472,898
Corporate Notes	<u>4,425,678</u>			<u>4,425,678</u>
	104,265,729	-	-	104,265,729
Not subject to leveling – LAIF	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,424,591</u>
Total	<u>\$104,265,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$168,690,320</u>

At June 30, 2020 and 2019, the Agency had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

The balance available for withdrawal in LAIF is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no limitations on the withdrawal of these funds.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Utility Plant in Service

For the year ended June 30, 2020, the changes in utility plant for the Agency were as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
State Water Project	\$116,421,321	\$ 4,846,252	\$ -	\$121,267,573
Mains	99,518,061	7,066,680	(112,542)	106,472,199
Wells, intakes, pumps	25,481,231	63,998	(82,586)	25,462,643
Water reclamation	29,569,109	7,260	-	29,576,368
Water transportation facilities	23,605,912	-	-	23,605,912
Wastewater transportation facilities	22,822,602	-	-	22,822,602
Hydro-electric plants	5,096,112	1,999,953	-	7,096,065
Water treatment	2,958,833	-	-	2,958,833
Services	17,636,987	2,448,244	(109,608)	19,975,623
Meters	5,289,301	1,083,820	(79,071)	6,294,050
Fire services and hydrants	15,811,490	889,762	(18,206)	16,683,046
Reservoirs	17,632,159	-	-	17,632,159
Structures and improvements	18,191,830	3,948	-	18,195,778
Building	4,074,931	1,974	-	4,076,905
Equipment	11,760,504	497,004	(201,746)	12,055,762
Land	11,316,832	782,418	-	12,099,250
Other	19,695	-	-	19,695
	<u>\$427,206,909</u>	<u>\$ 19,691,313</u>	<u>\$ (603,759)</u>	<u>\$446,294,463</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Utility Plant in Service (Continued)

For the year ended June 30, 2019, the changes in utility plant for the Agency were as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
State Water Project	\$111,857,185	\$ 5,078,851	\$ (514,715)	\$116,421,321
Mains	96,285,789	3,286,384	(54,112)	99,518,061
Wells, intakes, pumps	25,367,248	154,876	(40,893)	25,481,231
Water reclamation	29,485,187	90,922	(7,000)	29,569,109
Water transportation facilities	23,605,912	-	-	23,605,912
Wastewater transportation facilities	22,738,565	84,037	-	22,822,602
Hydro-electric plants	4,934,698	161,414	-	5,096,112
Water treatment	2,922,858	35,975	-	2,958,833
Services	16,343,427	1,509,647	(216,087)	17,636,987
Meters	5,333,721	299,271	(343,691)	5,289,301
Fire services and hydrants	15,102,738	719,890	(11,138)	15,811,490
Reservoirs	17,567,003	65,156	-	17,632,159
Structures and improvements	18,133,310	58,520	-	18,191,830
Building	4,022,351	52,580	-	4,074,931
Equipment	10,460,064	1,567,878	(267,438)	11,760,504
Land	10,226,805	1,098,351	(8,324)	11,316,832
Other	19,695	-	-	19,695
	<u>\$414,406,556</u>	<u>\$ 14,263,751</u>	<u>\$ (1,463,398)</u>	<u>\$427,206,909</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Accumulated Depreciation and Amortization

For the year ended June 30, 2020, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
State Water Project	\$ 98,396,416	\$ 333,755	\$ -	\$ 98,730,170
Mains	42,342,441	1,810,636	(88,008)	44,065,069
Wells, intakes, pumps	13,862,232	607,667	(38,155)	14,431,744
Water reclamation	18,779,398	841,375	-	19,620,773
Water transportation facilities	3,721,714	160,193	-	3,881,907
Wastewater transportation facilities	6,836,493	567,120	-	7,403,613
Hydro-electric plants	4,635,691	155,968	-	4,791,659
Water treatment	1,996,213	62,527	-	2,058,739
Services	9,148,951	580,599	(92,392)	9,637,158
Meters	1,716,004	204,644	(57,051)	1,863,597
Fire services and hydrants	8,055,923	382,489	(18,206)	8,420,207
Reservoirs	10,328,812	388,127	-	10,716,939
Structures and improvements	10,350,301	667,924	-	11,018,225
Building	2,705,308	138,168	-	2,843,476
Equipment	9,217,831	638,303	(201,746)	9,654,389
	<u>\$242,093,728</u>	<u>\$ 7,539,495</u>	<u>\$ (495,558)</u>	<u>\$249,137,665</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Accumulated Depreciation and Amortization (Continued)

For the year ended June 30, 2019, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
State Water Project	\$ 93,449,307	\$ 5,461,488	\$ (514,379)	\$ 98,396,416
Mains	40,679,605	1,710,687	(47,851)	42,342,441
Wells, intakes, pumps	13,291,695	611,430	(40,893)	13,862,232
Water reclamation	17,946,182	840,216	(7,000)	18,779,398
Water transportation facilities	3,552,104	169,610	-	3,721,714
Wastewater transportation facilities	6,273,284	563,209	-	6,836,493
Hydro-electric plants	4,522,296	113,395	-	4,635,691
Water treatment	1,934,506	61,707	-	1,996,213
Services	8,816,762	514,275	(182,086)	9,148,951
Meters	1,712,610	187,327	(183,933)	1,716,004
Fire services and hydrants	7,693,486	373,096	(10,659)	8,055,923
Reservoirs	9,939,407	389,405	-	10,328,812
Structures and improvements	9,682,404	667,897	-	10,350,301
Building	2,563,905	141,403	-	2,705,308
Equipment	8,896,327	571,955	(250,451)	9,217,831
	<u>\$230,953,880</u>	<u>\$ 12,377,100</u>	<u>\$ (1,237,252)</u>	<u>\$242,093,728</u>

Construction in Progress

The Agency has begun construction of pipeline projects and numerous other smaller projects. Upon completion of these projects, they will be placed in service and depreciation will commence. Costs expended and the total budget for the projects are as follows:

	June 30,			
	2020		2019	
	Cost of Construction In Progress	Total Budget	Cost of Construction In Progress	Total Budget
Major projects	\$ 4,528,006	\$ 3,645,000	\$ 6,142,388	\$ 6,255,744
All other projects	1,380,158	13,259,646	1,484,805	12,041,704
Total	<u>\$ 5,908,164</u>	<u>\$ 16,904,646</u>	<u>\$ 7,627,193</u>	<u>\$ 18,297,448</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Capital Assets, Net

For the years ended June 30, 2020 and 2019, net capital assets for the Agency were as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Utility plant in service	\$446,294,463	\$427,206,909
Less accumulated depreciation and amortization	(249,137,665)	(242,093,728)
Construction in progress	<u>5,908,164</u>	<u>7,627,193</u>
Capital assets, net	<u>\$203,064,962</u>	<u>\$192,740,374</u>

NOTE 6 – LONG-TERM DEBT

On June 29, 2016, the Agency Financing Corporation issued \$19,720,000 Water Revenue Refunding Bonds, Series 2016 to provide funds to defease and refund on an advance refunding basis the Agency's outstanding Certificates of Participation (Water System Improvement Project) Series 2007 ("COP") outstanding at that date in the amount of \$21,420,000 and to pay the debt issue costs. The bonds are payable from and secured by the Agency's pledge of net revenues defined generally as gross revenues received from the Agency's water system. The bonds bear interest at various rates from 2 to 5% and are payable on May 1 and November 1 of each year commencing on November 1, 2016. The cost to retire the COPs was \$23,372,318 including debt issue costs. The refunding produced a loss on the advance refunding of the old debt in the amount of \$1,420,128 which has been included in deferred outflows of resources and will be amortized over the life of the new debt or 20 years.

Future principal and interest payments in accordance with the debt agreement as of June 30, 2020 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 720,000	\$ 622,750
2022	745,000	593,950
2023	780,000	564,150
2024	800,000	544,650
2025	830,000	512,650
2026 through 2030	4,725,000	1,849,500
2031 through 2035	5,770,000	949,800
2036 through 2037	<u>2,570,000</u>	<u>116,250</u>
	16,940,000	<u>\$ 5,753,700</u>
Less current portion	(720,000)	
Unamortized premium	<u>1,619,544</u>	
Long-term portion of debt	<u>\$ 17,839,544</u>	

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT (Continued)

A premium of \$2,024,430, related to the new debt issue, was recognized and is being amortized over the life of the new debt issue of 20 years. Amortization expense for the premium paid on the new debt was \$101,222 for the years ended June 30, 2020 and 2019.

The Agency incurred bond interest expense during the years ended June 30, 2020 and 2019 in the amount of \$754,342 and \$779,225, respectively.

NOTE 7 – RESERVES AND DESIGNATIONS OF AGENCY NET POSITION

Under the accounting standards the Agency is required to follow, a governmental entity may set up “reserves” of Agency net position to segregate balances which are not available for expenditure in future periods, or which are legally set aside for a future specific use, or established to indicate tentative plans for financial resource utilization in future periods.

The Agency's reserves and designations at June 30 are presented below:

	2020	2019
Reserve for State Water Project Fund	\$ -	\$ 18,794,683
Reserve for additional water	20,726,458	19,211,000
Reserve for land acquisition	5,675,000	5,000,000
Reserve for operations	21,891,800	19,167,700
Reserve for replacements	11,652,800	9,928,600
Reserve for regulatory compliance	7,765,000	10,000,000
Reserve for retirement benefits	5,000,000	2,900,000
Reserve for disaster response	2,000,000	-
	74,711,058	85,001,983
Undesignated (over designated)	(4,115,310)	793,291
Net position, unrestricted	<u>\$ 70,595,748</u>	<u>\$ 85,795,274</u>

NOTE 8 – JOINT VENTURES

The Agency participates in a joint venture under a joint powers agreement (“JPA”) with the Association of California Water Agencies Joint Powers Insurance Authority (“JPIA”). The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes. Audited financial statements are available by contacting the ACWA-JPIA at 2100 Professional Drive, Roseville, California 95661.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – JOINT VENTURES (Continued)

The Association of California Water Agencies Joint Powers Insurance Authority arranges for and provides insurance coverage for its approximately 394 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board. From the board of directors, eight members of a nine-member executive committee are elected and delegated the authority to make JPIA's preliminary policy decisions relying upon input received from other standing and ad hoc committees and subcommittees. These policy decisions, along with other matters such as financial and claims data, are ultimately brought before the full board for review and/or ratification. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. JPIA provides joint protection coverage for losses in excess of the member districts' individually specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers.

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the year ended September 30 follows:

	<u>2019</u>	<u>2018</u>
Total assets	\$212,099,851	\$188,344,217
Deferred outflows of resources	<u>553,790</u>	<u>1,098,315</u>
Total assets and deferred outflows of resources	<u>\$212,653,641</u>	<u>\$189,442,532</u>
Total liabilities	\$112,046,920	\$100,820,701
Deferred inflows of resources	1,672,219	2,156,227
Net position	<u>98,934,502</u>	<u>86,465,604</u>
Total liabilities, deferred inflows, and net position	<u>\$212,653,641</u>	<u>\$189,442,532</u>
Total operating revenues	\$173,647,293	\$176,044,304
Total operating expenses	(169,356,246)	(165,196,299)
Total nonoperating revenues	<u>8,177,851</u>	<u>294,925</u>
Change in net position	<u>\$ 12,468,898</u>	<u>\$ 11,142,930</u>

NOTE 9 – PENSION PLAN

General Information About the Pension Plan

Plan Description

All qualified Agency employees are required to participate in the Desert Water Agency Miscellaneous Plan (the “Plan”), a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (“CalPERS”), unless they specifically opt out. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee’s Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, membership, and financial information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, with one year of credited service being equal to one year of full-time employment. All members are eligible for improved non-industrial disability benefits after five years of service. The Agency has chosen the Optional Settlement 2W Death Benefit.

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Agency’s total employer contributions were \$3,121,647 and \$2,849,946 for the years ended June 30, 2020 and 2019, respectively.

Active plan members who were hired before January 1, 2013 are referred to as “Classic” employees. Beginning January 1, 2013, the Agency established two classes of employees, as dictated by the newly enacted Public Employees Pension Reform Act (“PEPRA”).

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

The plan's provisions and benefits in effect at June 30, 2020 and 2019 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5 percent at 55	2.0 percent at 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50 to 55	52 to 67
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Cost of living adjustment	2.0%	2.0%
Required employee contribution rates		
2020	8.0 percent	7.25 percent
2019	8.0 percent	6.5 percent
Required employer contribution rates		
2020	12.142% + \$1,390,503	7.072% + \$13,366
2019	11.419% + \$1,294,534	7.266% + \$8,800

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Methods and Assumptions

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2018 actuarial accounting valuation. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds

NOTE 9 – PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Methods and Assumptions (Continued)

Post-retirement benefit increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies
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The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS experience study report (based on CalPERS demographic data from 1997 to 2015) available online at <https://www.calper.ca.gov/docs/forms-publications/calper-experience-study-2017.pdf>.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

DESERT WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

The table below reflects long-term expected real rate of return by asset class.

Asset Class ¹	Asset Allocation	Real Return	
		Years 1-10 ²	Years 11+ ³
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	-	.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	-	(0.92)%
Total	100%		

¹In CalPERS's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used for this period.

³An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN (Continued)

Changes in the Net Pension Liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the Plan as of the June 30, 2019 and June 30, 2018 measurement dates, calculated using the discount rate in effect at each year end. The table also shows what the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

		Discount Rate -1.0%	Current Discount	Discount Rate +1.0%
Net pension liability	2019	(6.15)%	(7.15)%	(8.15)%
		\$ 24,271,495	\$ 15,957,880	\$ 9,095,579
	2018	(6.15)%	(7.15)%	(8.15)%
		\$ 23,889,009	\$ 15,975,305	\$ 9,442,673

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	3.8 year straight-line amortization

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of the June 30, 2019 measurement date was 0.40%. This represents a 0.02% decrease since the prior measurement date.

For the year ended June 30, 2020, the Agency recognized pension expense of \$3,267,737. At June 30, 2020, the Agency deferred inflows and outflows of resources related to pensions as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2020	2019	2020	2019
Changes of assumptions	\$ 760,945	\$ 1,821,232	\$ 269,749	\$ 446,349
Differences between expected and actual experience	1,108,342	612,944	85,874	208,581
Net differences between projected and actual investment earnings	-	78,978	278,993	-
Differences between employer's contributions and proportionate share of contributions	700,017	3,450	23,682	42,432
Change in employer's proportion	60,296	135,665	928,608	476,998
Pension contributions subsequent to measurement date	<u>3,121,646</u>	<u>2,849,946</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,751,246</u>	<u>\$ 5,502,215</u>	<u>\$ 1,586,906</u>	<u>\$ 1,174,360</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources

The amounts above are net of outflows and inflows recognized in the pension expense for the year ended June 30, 2020. The \$3,121,646 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Year Ending June 30,	
2021	\$ 1,076,296
2022	(242,939)
2023	152,960
2024	<u>56,376</u>
Total	<u>\$1,042,693</u>

NOTE 10 - DEFINED CONTRIBUTION PLAN AND DEFERRED COMPESNATION PLAN

The Agency has a defined contribution plan and there is one employee eligible to participate in this plan (the “eligible employee”). All contributions by the Agency are fully vested upon receipt. The eligible employee cannot contribute directly to the defined contribution plan. The Agency contributes matching contributions to the defined contribution plan for any contributions made to the deferred compensation plan by the eligible employee. The Agency contributed \$31,080 and \$37,530 to the defined contribution plan for the years ended June 30, 2020 and 2019, respectively.

There is also a deferred compensation plan under Internal Revenue Code (“IRC”) Section 457 available to Agency employees which the employees can voluntarily contribute to. The Agency makes contributions to the deferred compensation plan for certain eligible employees hired after May 1, 2007. The Agency contributed \$60,375 and \$58,320 to the deferred compensation plan for the years ended June 30, 2020 and 2019, respectively.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information About the OPEB Plan

Plan Description and Benefits Provided

The Agency, a single employer, offers postemployment benefits through the Association of California Water Agencies Health Plans. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Employees who retire from the Agency on or after age 50, have at least 12 years of service, and were hired prior to May 1, 2007 are eligible for postemployment medical benefits. The Agency pays full retiree and spousal health premiums for eligible retirees. Surviving spouses of active employees at their time of death, whose sum of years of service and age equals 60 or above, will continue having premiums paid by the Agency for their lifetime. The Agency also pays full dental and vision premiums for eligible retirees, who have 25 years or more of Agency service, and their dependents.

Employees Covered

At June 30, 2019 (the measurement date of the actuarial valuation), the following number of employees (including spouses) were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	79
Inactive employees entitled to, but not yet receiving benefit payments	-
Active employees	<u>30</u>
Total	<u><u>109</u></u>

Total OPEB Liability

The Agency's total OPEB liability of \$28,314,463 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 (measurement date) actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increase	CalPERS salary scale for Miscellaneous employees hired at age 30
Discount rate	3.50%
Healthcare cost trend rates	The assumed future increases to the health costs and premiums are based on the "Getzen" model published by the Society of Actuaries. Dental and vision costs were assumed to increase at a rate of 2.50% per year.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The discount rate was based on the 20-year Bond GO Index as of the measurement date.

Mortality rates were based on statistics taken from the California PERS Experience Study Report adopted in 2017 and includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2019 (measurement date) valuation were based on the results of the CalPERS valuation experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in the Total OPEB Liability

	June 30, 2020	June 30, 2019
Balance beginning of year	\$ 29,198,670	\$ 29,766,869
Changes for the year:		
Service Cost	631,297	664,025
Interest	1,137,027	1,076,226
Difference between expected and actual experience	(2,879,482)	(49,240)
Changes of assumptions	1,134,393	(1,413,861)
Benefit payments	(907,442)	(845,349)
Balance year-end	<u>\$ 28,314,463</u>	<u>\$ 29,198,670</u>

Change of assumptions reflect a change in the discount rate from 3.58% as of the June 30, 2017 measurement date to 3.87% as of the June 30, 2018 measurement date to 3.50% as of the June 30, 2019 measurement date.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rates:

	Discount Rate -1% 2.50%	Current Rate 3.50%	Discount Rate +1% 4.50%
Total OPEB liability	\$ 33,595,597	\$ 28,314,463	\$ 24,142,257

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	Trend Rate -1%	Current Trend Rate	Trend Rate +1%
Total OPEB liability	\$ 23,763,479	\$ 28,314,463	\$ 34,222,198

OPEB Related Expense and Deferred Outflows/Inflows of Resources

For the years ended June 30, 2020 and 2019, the Agency recognized OPEB expense of \$198,630 and \$563,595, respectively. The Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2020:		
Differences between expected and actual experience	\$ -	\$ 2,259,370
Changes of assumptions	878,899	2,316,518
OPEB contributions subsequent to measurement date	696,020	-
Total	\$ 1,574,919	\$ 4,575,888
June 30, 2019:		
Differences between expected and actual experience	\$ -	\$ 38,830
Changes of assumptions	-	3,482,764
OPEB contributions subsequent to measurement date	721,855	-
Total	\$ 721,855	\$ 3,521,594

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The \$696,020 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year <u>Ending June 30,</u>	
2021	\$ 1,569,694
2022	1,335,515
2023	618,843
2024	<u>172,937</u>
Total	<u>\$ 3,696,989</u>

NOTE 12 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance through participation in the Association of California Water Agencies Joint Powers Insurance Authority (see Note 8). The insurance purchased is for liability, property and workers' compensation insurance and there are various self-insured retention levels, similar to a deductible, per occurrence. See the schedule of insurance coverage presented as supplementary information for additional information.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Various claims and litigation involving the Agency are currently outstanding. The most significant activity is related to an action by the local tribe that is still pending in Federal District Court to adjudicate its reserved right to groundwater, and its right to storage space beneath reservation lands. The outcome of these matters is not determinable at this time but could be significant if the Tribe prevails.

The Agency has a \$4,191,624 contractual commitment as of June 30, 2020 related to constructing pipeline replacements. This commitment is due within the next fiscal year.

NOTE 14 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. To date, the Agency has experienced decreased water sales due to COVID-19 as of June 30, 2020. Subsequently, the Agency's water sales have returned to pre-COVID-19 levels. Additionally, due to Governor Gavin Newsom's Executive Order N-42-20 prohibiting the shutoff of water for any resident or critical business, the Agency's accounts receivable has increased by \$904,000 in the first nine months of 2020 amounting to \$2.4 million in total. The Agency maintains adequate operating reserves to provide cash flow for ongoing operations. Additionally, payment plans are available for accounts facing shutoff which will allow for a 12-month repayment schedule once water disconnections for non-payment have been reinstated. It is unknown how long these conditions will last and what the complete financial effect will be to the Agency; however, the Agency currently does not expect the financial impact to be severe or for there to be any significant impact on the Agency's long-term ability to continue operations.

In preparation of these financial statements, the Agency considered subsequent events through December 9, 2020 which is the date these financial statements were issued.

SUPPLEMENTARY INFORMATION - UNAUDITED

DESERT WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
June 30, 2020

Schedule of Pension Plan Contributions - Last 10 Years *

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2020	\$ 2,121,647	\$ (3,121,647)	\$ (1,000,000)	\$ 7,253,560	43.04%
2019	1,849,946	(2,849,946)	(1,000,000)	7,026,860	40.55
2018	1,586,919	(1,586,919)	-	6,050,470	26.23
2017	1,461,680	(1,461,680)	-	6,021,869	24.27
2016	1,379,325	(1,379,325)	-	5,952,152	23.17
2015	1,208,856	(1,208,856)	-	5,808,831	20.81

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Schedule of the Agency's Proportionate Share of the Net Pension Liability - Last 10 Years*

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2019	0.40%	\$ 15,957,880	\$ 7,253,560	220.00%	74.18%
2018	0.42	15,975,305	7,026,860	227.34%	72.69
2017	0.42	16,466,171	6,050,470	272.15	75.39
2016	0.42	14,563,532	6,021,869	241.84	75.87
2015	0.44	12,000,195	5,952,152	200.16	79.89
2014	0.46	11,449,416	5,808,831	197.10	81.15

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Notes to the Pension Schedules:

Benefit Changes: None

Changes in Assumptions: For the measurement date June 30, 2017, the discount rate was changed from 7.65% to 7.15%. For the measurement date June 30, 2018, the inflation rate was changed from 2.75% to 2.50%.

DESERT WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
June 30, 2020

Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios – Last Ten Years*

	June 30, 2020	June 30, 2019	June 30, 2018
Balance beginning of year	\$ 29,198,670	\$ 29,766,869	\$ 32,704,594
Changes for the year:			
Service Cost	631,297	664,025	809,859
Interest	1,137,027	1,076,226	947,450
Difference between expected and actual experience	(2,879,482)	(49,240)	-
Changes of assumptions	1,134,393	(1,413,861)	(4,102,481)
Benefit payments	(907,442)	(845,349)	(592,553)
Balance year-end	<u>\$ 28,314,463</u>	<u>\$ 29,198,670</u>	<u>\$ 29,766,869</u>

*Fiscal year 2018 was the first year of implementation, therefore, not all 10 years of information is available.

Notes to the Schedule:

Changes of benefit terms: None

Changes of Assumptions: Change of assumptions reflect a change in the discount rate from 2.85% as of the June 30, 2016 measurement date to 3.58% as of the June 30, 2017 measurement date to 3.87% as of the June 30, 2018 measurement date to 3.50% as of the June 30, 2019 measurement date.

DESERT WATER AGENCY
ORGANIZATIONAL INFORMATION - UNAUDITED
June 30, 2020

Organization and Description of the Agency

Desert Water Agency (the "Agency") was formed in September 1961 by the Legislature of the State of California through the enactment of special legislation. The Agency was formed for the purpose of importing water by contracting for participation in the State Water Project of the State Department of Water Resources and for any other activities authorized by the Legislature as proper for the Agency to conduct. The Agency's contract for water provides for delivery of up to 38,100 acre feet of water per year, starting at 8,000 acre feet and increasing annually until deliveries total the full contract amount in 1990. In 2004, the contract was amended to reflect an allotment of 50,000 acre feet. In 2007, the contract was amended to reflect an allotment of 55,750 acre feet, effective January 1, 2010. Requested deliveries totaled 55,750 acre feet for calendar years 2019 and 2020. The Agency negotiated an agreement with the Metropolitan Water Agency of Southern California for the exchange of the Agency's entitlement to Northern California water for an equal amount of Metropolitan Water Agency's Colorado River water. The exchange agreement became effective when approved by the Secretary of the Interior on December 1, 1972 and extends until 2035.

The Agency started receiving this exchange water in September 1973 when the service connection to the Metropolitan Water Agency's aqueduct was completed.

The Agency is committed to pay its proportionate share of the capital and other costs of the State Water Project, including the capital costs in connection with both the transportation facilities and the conservation facilities, the operation and maintenance costs in connection therewith, and the variable costs incident to the actual delivery of water. Annually, the State Department of Water Resources issues a bulletin known as the 132 Series in which the capital and operating costs are estimated for the life of the project. On June 30 of each year, they bill for the costs to be paid during the next succeeding calendar year. The capital costs are being capitalized as utility plant while the other costs are charged to operations. The capital costs are being amortized using a life of 45 years.

The Agency has shared in the costs of the Whitewater Turnout with the Coachella Valley Water District and is also committed to share in the cost of the Mission Creek Turnout of the Metropolitan Water Agency's Colorado River Aqueduct. The Mission Creek Turnout connection will make imported water available for spreading in the Mission Creek area of the Mission Springs Water District. These facilities are necessary to enable the Agency and Coachella Valley Water District to perform under the present agreement for the exchange of State Water Project water for Colorado River water with the Metropolitan Water Agency of Southern California, which agreement was referred to in a paragraph above. The Whitewater connection was constructed by Metropolitan Water Agency crews and was completed in September 1973. Although the Whitewater and Mission Creek turnouts from the Colorado River Aqueduct were constructed by Metropolitan Water District, Desert Water Agency and Coachella Valley Water District funded the costs of constructing those turnouts.

Organization and Description of the Agency (Continued)

The Agency is also committed to pay in future years its share of the cost of supplemental water facilities which may be necessary to enable it to benefit fully from participation in the State Water Project. Such supplemental facilities could be in the form of an aqueduct to transport State Water Project water from Hesperia or San Bernardino to the Coachella Valley or could consist of a desalination plant and/or other facilities necessary to continue the exchange of the Agency's Northern California water entitlement for Colorado River water. The cost of supplemental water facilities will be shared by other agencies which will benefit from their construction. Anticipated costs may also include construction of new Delta conveyance facilities and the cost of participation in additional surface water storage facilities, such as the Sites Reservoir.

The Agency entered into a water management agreement with the Coachella Valley Water District on July 1, 1976. The agreement establishes principles which will control the continuation of the parties' imported water program and the allocation of costs for these programs. It further provides for the collection and analysis of data which will serve as the basis for management of the natural and imported water supplies of the management area. This agreement was amended in July 2014 to reflect a change in the allocation of certain costs to more accurately reflect allocations of water to each party. The Agency and Coachella Valley Water District have also entered into a similar, additional agreement to allocate between them the cost of delivering imported water to the Mission Creek spreading facilities.

DESERT WATER AGENCY
SCHEDULE OF BOARD OR DIRECTORS AND INSURANCE COVERAGE – UNAUDITED
June 30, 2020

Officers, Directors, and Senior Management

The officers, directors, and senior management of the Agency are listed below:

	<u>Term Expires</u>
Joseph Stuart, President	December 2022
Kristin Bloomer, Vice President	December 2020
Craig Ewing, Secretary-Treasurer	December 2020
James Cioffi, Director	December 2022
Patricia Oygar, Director	December 2022
Mark S. Krause, General Manager	N/A

DESERT WATER AGENCY
SCHEDULE OF BOARD OR DIRECTORS AND INSURANCE COVERAGE - UNAUDITED
June 30, 2020

Insurance Coverage

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA). The purpose of the ACWA JPIA is to arrange and administer programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2020, the Agency participated in the self-insurance program of the ACWA JPIA as follows:

Property Loss – Insured up to the scheduled value with a \$25,000 deductible for buildings, personal property and fixed equipment and a \$5,000 deductible for mobile equipment.

General and Auto Liability – Insured up to \$55,000,000 with aggregate policy limits. ACWA JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased through ACWA JPIA.

Public Officials' Liability – Insured up to \$55,000,000 with aggregate policy limits; the ACWA JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased through ACWA JPIA

Crime Liability – Insured up to \$100,000 for public employee theft, depositor's forgery or alteration and computer and funds transfer fraud with a deductible of \$1,000. ACWA JPIA is self-insured up to \$100,000 and excess coverage has been purchased through ACWA JPIA.

Cyber Liability – Insured up to \$2,000,000 with a \$50,000 deductible

Workers' Compensation – Insured for statutory limits. Employer's liability is insured up to \$2,000,000 per occurrence. ACWA JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased through ACWA JPIA.

The Agency maintains separate Earthquake and Flood Insurance. Earthquake coverage includes a 5 percent or a \$50,000 minimum deductible. Flood coverage includes a \$50,000 deductible. The per occurrence and aggregate limit is \$26,717,800.

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

DECEMBER 15, 2020

**RE: REQUEST AUGMENTATION OF THE 2020-2021 OPERATING
FUND BUDGET REGARDING TECHNOLOGY ASSESSMENT
CONSULTING SERVICES**

In the 2020/2021 fiscal budget, the Board approved Work Order 20-178-M for replacing the Agency's dated AS400 software system currently in use for the Agency's accounting, billing and customer database needs. The Agency contracted with Singer Lewak Business Informatics to aid in selecting and implementing an Enterprise Resource Planning (ERP) software system to replace the AS400.

During their initial evaluation phase the Agency's information software needs were assessed, it was determined that further analysis was necessary. It was recommended that the Agency undergo a Technology Assessment that is outside of the scope of the initial contract. This Technology Assessment will evaluate the current state of the Agency's technology systems and its ability to host the future software solution. The current AS400 system is dated and has different needs than what a new system will require. This assessment will allow the Agency to provide a proper information technology foundation for the new ERP system.

This assessment will cost the Agency \$65,000 with an anticipated 45-day duration. At the end of the assessment, the Agency will be provided with the evaluation of the Agency's current technology environment (hardware/software/security/governance) and a project roadmap to bring the Agency's technology environment to a place where it will successfully host the future ERP software system.

This assessment is outside of the initial scope of the approved work order for the ERP software system, and will require a budget augmentation to provide funding. The recommended source of funds to cover this increased consulting expense is the increased water revenues received to date in fiscal year 2020/2021. Due to decreased commercial water use as a result of COVID-19 experienced at the time of the 2020/2021 budget preparation, the Agency reduced the first six months of water revenues. In 2020/2021 the Agency has not continued to experience a decrease in water revenue as a result of COVID-19 as was experienced in March 2020 – June 2020. Water sale revenues for July through November are \$1,160,000 more than originally budgeted.

AUGMENTATION SUMMARY

	Original Budget	Proposed Augment	New Budget
Water Sales Revenue	\$ 35,237,500	\$ 1,160,000	\$ 36,397,500
Appraisals & Consultants	\$ 302,400	\$ 65,000	\$ 367,400
Addition to Operating Reserves	\$ 451,000	\$ 1,095,000	\$ 1,546,000

Staff is requesting the operating fund budget augmentation taking into account the increase Water Sales revenues by \$1,160,000 and allocating the increased revenue to consulting expense in the amount of \$65,000 and the remaining \$1,095,000 to operating reserves and authorization for the Finance Director to enter into the attached agreement.

**DESERT WATER AGENCY
OPERATING FUND
2020-2021 BUDGET WITH PRIOR YEAR COMPARISON
(AUGMENTED 12/2020)**

	ACTUAL 2018-2019	ACTUAL TO 3/31/2020	BUDGET 2019-2020	OVER OR UNDER	BUDGET 2020-2021
<u>OPERATING REVENUES</u>					
Water Sales (Augmented)	\$31,197,698	\$26,254,959	\$38,616,400	(\$12,361,441)	\$36,397,500
Power Sales	\$26,946	\$33,619	\$19,800	\$13,819	\$33,000
Reclamation Sales	\$1,457,178	\$1,263,604	\$1,499,000	(\$235,396)	\$1,479,000
TOTAL OPER REVENUES	\$32,681,821	\$27,552,182	\$40,135,200	(\$12,583,018)	\$37,909,500
<u>WATER SERVICES</u>					
Fire Protection	\$311,693	\$277,226	\$371,400	(\$94,174)	\$376,200
Back-up Facility Charge	\$954,159	\$1,076,202	\$900,000	\$176,202	\$900,000
Service Charges	\$914,274	\$582,423	\$801,600	(\$219,177)	\$641,700
Charge for Inst of Serv & Mtr	\$148,768	\$180,519	\$145,200	\$35,319	\$166,800
TOTAL WATER SERVICE	\$2,328,894	\$2,116,370	\$2,218,200	(\$101,830)	\$2,084,700
TOTAL OPER REVENUES	\$35,010,715	\$29,668,552	\$42,353,400	(\$12,684,848)	\$39,994,200
<u>OPERATING EXPENSES</u>					
<u>SOURCE OF SUPPLY</u>					
Supervision & Engineering	\$58,764	\$46,290	\$55,800	(\$9,510)	\$58,800
Operating Labor & Expense	\$52,489	\$38,536	\$49,500	(\$10,964)	\$145,800
Misc Source of Supply	\$19,033	\$16,563	\$15,000	\$1,563	\$55,200
Maintenance of Struct & Improv	\$73,025	\$46,686	\$89,700	(\$43,014)	\$95,700
Maint, Rds, Coll, Impo, Res	\$24,023	\$88,648	\$170,700	(\$82,052)	\$168,000
Maintenance of Intakes	\$21,980	\$155,795	\$219,600	(\$63,805)	\$219,600
Maintenance of Wells	\$204,569	\$2,847	\$9,900	(\$7,053)	\$10,200
Groundwater Replenishment	\$4,335,198	\$3,466,246	\$5,136,700	(\$1,670,454)	\$4,997,850
TOTAL SOURCE OF SUPPLY	\$4,789,080	\$3,861,611	\$5,746,900	(\$1,885,289)	\$5,751,150
<u>PUMPING</u>					
Supervision & Engineering	\$90,514	\$76,147	\$118,500	(\$42,353)	\$110,400
Pumping Labor Expense	\$153,238	\$116,926	\$189,900	(\$72,974)	\$190,000
Misc Exp & Care of Grounds	\$114,103	\$92,097	\$123,600	(\$31,503)	\$124,200
Maintenance of Structures	\$59,842	\$81,654	\$49,500	\$32,154	\$65,400
Maint of Pumping Equipment	\$304,406	\$61,526	\$324,900	(\$263,374)	\$325,200
Power Purchases	\$2,422,775	\$1,562,610	\$2,500,000	(\$937,390)	\$2,650,000
TOTAL PUMPING	\$3,144,878	\$1,990,959	\$3,306,400	(\$1,315,441)	\$3,465,200

**DESERT WATER AGENCY
OPERATING FUND
2020-2021 BUDGET WITH PRIOR YEAR COMPARISON
(AUGMENTED 12/2020)**

	ACTUAL 2018-2019	ACTUAL TO 3/31/2020	BUDGET 2019-2020	OVER OR UNDER	BUDGET 2020-2021
<u>REGULATORY WATER TREATMENT</u>					
Supervision & Engineering	\$91,475	\$75,561	\$126,000	(\$50,439)	\$111,600
Operating Labor Expense	\$105,717	\$112,009	\$114,000	(\$1,991)	\$144,000
Water Analysis/Health Dept.	\$179,690	\$84,735	\$192,000	(\$107,265)	\$192,000
Chem & Filtering Material	\$103,967	\$86,098	\$93,000	(\$6,902)	\$117,600
Maint of Structures	\$98	\$3,695	\$300	\$3,395	\$4,200
Maint of Water Treat Equipment	\$45,755	\$54,756	\$42,000	\$12,756	\$75,000
TOTAL WATER TREATMENT	\$526,702	\$416,854	\$567,300	(\$150,446)	\$644,400
<u>TRANSMISSION & DISTRIBUTION</u>					
Supervision & Engineering	\$582,086	\$362,038	\$548,100	(\$186,062)	\$532,800
Storage Facilities Expense	\$135,300	\$87,519	\$148,200	(\$60,681)	\$141,000
Trans & Distr Lines Expense	\$128,820	\$82,086	\$144,300	(\$62,214)	\$155,100
Meter Expense	\$93,096	\$66,773	\$102,000	(\$35,227)	\$102,300
Customer Install Expense	\$143,557	\$124,405	\$177,600	(\$53,195)	\$160,800
Cross Connect Expense	\$116,120	\$89,006	\$129,900	(\$40,894)	\$138,300
Misc Supply Expense	\$46,946	\$33,916	\$36,000	(\$2,084)	\$40,200
Maintenance of Struct & Impv	\$100	\$404	\$2,400	(\$1,996)	\$2,700
Maintenance of Reservoirs	\$999,203	\$64,366	\$1,354,800	(\$1,290,434)	\$725,400
Maintenance of Mains	\$1,348,733	\$798,182	\$1,299,000	(\$500,818)	\$1,200,000
Maintenance of Whitewater MWC	\$67,554	\$22,490	\$416,100	(\$393,610)	\$421,800
Maintenance of Fire Services	\$46,776	\$51,578	\$99,900	(\$48,322)	\$95,400
Maintenance of Services	\$243,188	\$167,220	\$250,200	(\$82,980)	\$250,200
Maintenance of Meters	\$88,739	\$54,833	\$99,000	(\$44,167)	\$102,000
Maintenance of Hydrants	\$75,623	\$67,653	\$100,200	(\$32,547)	\$120,000
TOTAL TRANS & DIST	\$4,115,839	\$2,072,470	\$4,907,700	(\$2,835,230)	\$4,188,000
<u>CUSTOMER ACCOUNT EXPENSE</u>					
Supervision & Engineering	\$154,594	\$114,660	\$149,100	(\$34,440)	\$156,600
Meter Reading Expense	\$120,488	\$87,543	\$117,000	(\$29,457)	\$132,000
Customer Rec & Coll Exp	\$676,467	\$512,353	\$742,500	(\$230,147)	\$771,000
Information Systems Supplies	\$4,004	\$0	\$3,600	(\$3,600)	\$3,600
Uncollectible Accounts	\$20,631	\$22,476	\$33,900	(\$11,424)	\$74,400
TOTAL CUST ACCT EXPENSE	\$976,184	\$737,032	\$1,046,100	(\$309,068)	\$1,137,600

**DESERT WATER AGENCY
OPERATING FUND
2020-2021 BUDGET WITH PRIOR YEAR COMPARISON
(AUGMENTED 12/2020)**

	ACTUAL 2018-2019	ACTUAL TO 3/31/2020	BUDGET 2019-2020	OVER OR UNDER	BUDGET 2020-2021
<u>ADMINISTRATIVE & GEN EXPENSE</u>					
Administrative & Gen Salaries	\$801,993	\$607,765	\$864,600	(\$256,835)	\$895,200
Office Supplies & Expense	\$273,982	\$204,837	\$279,600	(\$74,763)	\$298,320
Legal	\$68,734	\$73,120	\$60,000	\$13,120	\$92,400
Engineering	\$16,281	\$63,775	\$75,000	(\$11,225)	\$135,000
Auditing	\$38,307	\$37,765	\$42,000	(\$4,235)	\$42,000
Appraisals & Consultants (Augmented)	\$62,354	\$163,603	\$145,500	\$18,103	\$367,400
Insurance & Claims	\$173,172	\$140,950	\$185,100	(\$44,150)	\$204,000
Injuries & Safety	\$349,057	\$293,349	\$301,800	(\$8,451)	\$511,200
Pension	\$2,323,839	\$2,632,457	\$2,803,500	(\$171,043)	\$2,952,400
Health Care Benefits	\$764,649	\$1,396,787	\$1,620,300	(\$223,513)	\$1,705,200
OPEB Benefits	\$0	\$0	\$141,550	(\$141,550)	\$0
Other Employee Benefits	\$494,908	\$417,725	\$611,000	(\$193,275)	\$530,500
Payroll Taxes - FICA	\$509,553	\$401,057	\$536,400	(\$135,343)	\$585,000
Unemployment Insurance	\$420	\$2,425	\$0	\$2,425	\$3,000
Vacation Pay	\$885,114	\$723,408	\$907,400	(\$183,992)	\$917,300
Maintenance - Oper Center	\$248,608	\$167,850	\$253,800	(\$85,950)	\$270,600
Maintenance - Solar Facilities	\$2,410	\$3,882	\$3,900	(\$18)	\$5,100
Information Systems	\$379,152	\$276,434	\$357,900	(\$81,466)	\$340,200
Maint - Office Equip	\$58,930	\$36,972	\$58,500	(\$21,528)	\$56,700
Maint - Info.Systems Equip	\$101,409	\$142,647	\$130,200	\$12,447	\$157,800
Maint - Telemetry Equip	\$30,532	\$5,774	\$31,500	(\$25,726)	\$30,000
Maint - Comm Equip	\$11,107	\$4,729	\$9,000	(\$4,271)	\$8,100
Supervision & Engineering	\$200,197	\$138,191	\$204,300	(\$66,109)	\$201,600
Storeroom Expense	\$74,330	\$55,166	\$69,900	(\$14,734)	\$80,100
Transportation	\$352,016	\$262,778	\$360,000	(\$97,222)	\$375,000
Tools & Work Equipment	\$98,786	\$76,109	\$139,800	(\$63,691)	\$140,400
Heavy Equipment Maint	\$4,420	\$4,383	\$19,800	(\$15,417)	\$20,400
Director's Fees	\$43,457	\$18,903	\$45,000	(\$26,097)	\$46,500
Public Information	\$140,755	\$82,384	\$243,000	(\$160,616)	\$202,800
Water Conservation	\$65,557	\$80,117	\$224,100	(\$143,983)	\$175,200
Water Conservation - Turf Buy Back	\$83,213	\$173,438	\$424,500	(\$251,062)	\$380,400
TOTAL ADMIN & GEN EXP	\$8,657,242	\$8,688,780	\$11,148,950	(\$2,460,170)	\$11,729,820
<u>REGULATORY EXPENSES</u>					
Certificates/Training/School	\$149,400	\$96,524	\$125,700	(\$29,176)	\$125,400
Health Department / Services	\$16,195	\$11,456	\$17,100	(\$5,644)	\$18,000
State - Regulatory	\$102,441	\$125,206	\$162,000	(\$36,794)	\$168,000
Federal - Regulatory	\$12,766	\$4,414	\$48,000	(\$43,586)	\$25,200
Reclamation - Regulatory	\$38,012	\$42,147	\$75,000	(\$32,853)	\$75,000
AQMD Compliance	\$2,050	\$806	\$1,200	(\$394)	\$1,200
RMP/OSHA/Misc.	\$42,853	\$25,954	\$47,400	(\$21,446)	\$40,200
Legal	\$0	\$0	\$0	\$0	\$0
TOTAL REGULATORY EXPENSES	\$363,717	\$306,509	\$476,400	(\$169,891)	\$453,000

**DESERT WATER AGENCY
OPERATING FUND
2020-2021 BUDGET WITH PRIOR YEAR COMPARISON
(AUGMENTED 12/2020)**

	ACTUAL 2018-2019	ACTUAL TO 3/31/2020	BUDGET 2019-2020	OVER OR UNDER	BUDGET 2020-2021
<u>SNOW CREEK HYDRO EXPENSE</u>					
Snow Creek Hydro	\$18,041	\$24,656	\$36,000	(\$11,344)	\$36,600
TOTAL SNOW CREEK HYDRO	\$18,041	\$24,656	\$36,000	(\$11,344)	\$36,600
<u>RECLAMATION PLANT EXPENSE</u>					
Pumping Expense	\$409,458	\$229,755	\$335,400	(\$105,645)	\$363,000
Treatment Expense	\$599,185	\$395,048	\$1,004,100	(\$609,052)	\$572,700
Transportation/Distribution	\$55,655	\$56,825	\$61,200	(\$4,375)	\$1,388,400
Administrative & General	\$124,558	\$124,887	\$152,100	(\$27,213)	\$189,900
TOTAL RECL PLANT EXP	\$1,188,855	\$806,516	\$1,552,800	(\$746,284)	\$2,514,000
<u>OTHER OPERATING EXPENSE</u>					
Depreciation (Inc Recl)	\$5,908,033	\$4,534,840	\$6,102,600	(\$1,567,760)	\$6,222,600
Services Rendered Cust	\$167,886	\$97,897	\$180,000	(\$82,103)	\$165,000
Dir Costs App to W.O.'s	\$592,957	(\$421,768)	\$610,000	(\$1,031,768)	\$446,400
Indir Adm & Gen Exp Cap	(\$1,496,183)	(\$1,334,726)	(\$1,608,000)	\$273,274	(\$1,735,200)
TOTAL OTHER OPER EXP	\$5,172,694	\$2,876,243	\$5,284,600	(\$2,408,357)	\$5,098,800
TOTAL OPERATING EXPENSES	\$28,953,231	\$21,781,629	\$34,073,150	(\$12,291,521)	\$35,018,570
NET INCOME FROM OPER	\$6,057,484	\$7,886,923	\$8,280,250	(\$393,327)	\$4,975,630
<u>NON-OPERATING REVENUES</u>					
Revenue from Leases	\$72,917	\$158,915	\$73,200	\$85,715	\$171,100
Interest	\$494,958	\$423,982	\$480,000	(\$56,018)	\$180,000
Gains/Loss Investments	\$0	\$0	\$0	\$0	\$0
Other Income	\$77,717	\$10,342	\$0	\$10,342	\$0
DWA Front Footage Chgs	\$33,250	\$0	\$0	\$0	\$0
Gains on Retirements	\$44,669	\$0	\$20,000	(\$20,000)	\$24,800
Discounts	\$980	\$214	\$1,200	(\$986)	\$600
Revenue - Contributed	\$1,363,262	\$0	\$1,100,000	(\$1,100,000)	\$315,000
TOTAL NON-OPER REV	\$2,087,752	\$593,453	\$1,674,400	(\$1,080,947)	\$691,500
<u>NON OPERATING EXPENSES</u>					
OPEB Interest	\$1,076,226	\$0	\$947,400	(\$947,400)	\$1,110,000
Exp App to Prior Years	(\$83,559)	(\$292)	\$0	(\$292)	\$0
Services to Others	\$0	\$0	\$0	\$0	\$0
Customer Assistance Program	\$0	\$20,000	\$20,000	\$0	\$60,000
Losses on Retirements	\$219,352	\$24,949	\$49,200	(\$24,251)	\$54,000
TOTAL NON-OPER EXP	\$1,212,018	\$44,657	\$1,016,600	(\$971,943)	\$1,224,000
TOTAL NET INCOME	\$6,933,219	\$8,435,719	\$8,938,050	(\$502,331)	\$4,443,130

**DESERT WATER AGENCY
OPERATING FUND
2020-2021 BUDGET WITH PRIOR YEAR COMPARISON
(AUGMENTED 12/2020)**

	ACTUAL 2018-2019	ACTUAL TO 3/31/2020	BUDGET 2019-2020	OVER OR UNDER	BUDGET 2020-2021
<u>APPLICATION OF COMMIT FUNDS</u>					
Capital Loan to Wastewater Fund	\$0	\$0	\$0	\$0	\$0
Other Post Emp. Benefits (GASB 75)	(\$1,596,599)	\$0	\$725,000	(\$725,000)	\$725,000
TOTAL COMMIT FUNDS	(\$1,596,599)	\$0	\$725,000	(\$725,000)	\$725,000
 BALANCE REMAINING	 \$8,529,818	 \$8,435,719	 \$8,213,050	 \$222,669	 \$3,718,130
Add Back Depreciation (Plant/Equip)	\$5,908,033	\$4,534,840	\$0	\$4,534,840	\$6,222,600
Funds Avail For Capital Additions	\$14,437,851	\$12,970,559	\$8,213,050	\$4,757,509	\$9,940,730
Less Capital Additions:					
Routine Improvements	\$7,761,607	\$5,770,883	\$8,263,700	(\$2,492,817)	\$9,519,600
General Plan Improvements	\$0	\$0	\$100,000	(\$100,000)	\$100,000
 BALANCE	 \$6,676,244	 \$7,199,676	 \$859,550	 \$6,340,126	 \$321,130
 TOTAL BUDGET			 \$43,303,950		 \$46,587,170
	2019-2020 BEGIN BAL	2019-2020 ADJUSTMENTS	2020-2021 ADDITIONS	2020-2021 DELETIONS	BALANCE
Estimated Reserve Fund Balance 6/30/20					\$28,600,000
Inter-Fund Loan/LC - General Fund					\$0
Reserves:					
Reserve for Operations (Augmented)	\$11,320,000	\$0	\$1,546,000	\$0	
Reserve for Replacements	\$2,760,000	\$0	\$0	\$0	
Reserve for Disaster Response	\$2,000,000	\$0	\$0	\$0	
Reserve for Land Acquisition	\$675,000	\$0	\$0	\$0	
Reserve for Regulatory Compliance	\$0	\$0	\$0	\$0	
Reserve for Retirement Benefits	\$5,000,000	\$0	\$0	\$0	
Total Reserves - 6/30/20	\$21,755,000	\$0	\$1,546,000	\$0	(\$23,301,000)
Required for 2019-20 Carryover Capital Items					(\$5,619,560)
2020-2021 Budget Balance					\$321,130
Unappropriated Fund Balance 6/30/21					\$570

BUDGET AMOUNT SUMMARY:

Total Operating Expenses	\$35,018,570
Non-Operating Expenses	\$1,224,000
Application of Committed Funds	\$725,000
Capital Additions	\$9,619,600
TOTAL BUDGET	\$46,587,170

Project Scope and Authorization Document

Technology Assessment

Presented to



December 2020

Project Background and Relevant Considerations

Background

Desert Water Agency and its affiliated funds (DWA) has requested that SingerLewak LLP (SL) conduct a comprehensive technology assessment focused on the effectiveness of DWA's existing technology infrastructure as well as the use of technology by their employees. DWA's current technology environment as described by their Financial Director is 1970's technology. Plagued by system outages, changing access permissions, and in-house developed systems that take years before they can be partially functioning, management is seeking an independent assessment to identify, assess, and recommend a roadmap that can advance their technology environment into the 2020's and near future. DWA is actively working on a Digital Transformation Project related to the applications and software under different scopes and directives among SL and DWA. This scope is specific to the infrastructure technology utilized and the individuals who are responsible for managing and maintaining it. Select focus on non-AS400 applications will be included as described below.

Relevant Considerations – what we know so far

During our initial conversations with DWA's Financial Director, we learned several key matters that impacted the scope of this project:

- DWA leadership is concerned about the reliability and stability of the infrastructure environment and the ability of the current IS staff to manage, maintain, and advance technology infrastructure in a manner that supports and enables the organization to grow and improve its systems to meet current and future needs.
- Current technology is antiquated and lacks the ability to utilize modern system tools.
- The COVID-19 'safe-at-home' orders has been problematic as systems are not available or accessible at all times to remote users.
- IT Governance directives such as an IT Strategic and IT Disaster Recovery plans are not in place.
- Efforts are underway to replace various applications and software including the AS400 system currently in place. As such, this assessment will not include any assessment as to the fit of the AS400 system or other applications and software currently in use.

Purpose of this document

This document defines the scope of services and approach we anticipate undertaking and includes timing, deliverables, and fee for this scope, called ***Technology Assessment***.

Scope of Services – Technology Assessment

Objective

Under DWA Project Sponsorship and guidance, the scope of the Technology Assessment will focus on seeking “current state” status, as well as to develop recommendations related to the technology environment assessment categories listed below.

The following section provides the Assessment Categories selected by the Project Sponsor:

- **Information Security – both Internal and External –**
 - Internal: emphasis will be on the nature of processes, tools and controls in place to proactively protect and reactively manage threats exposed by inappropriate behavior (whether intentional or not). Where possible, logical access and security configuration for integration connections between non-AS400 applications and software will be assessed. Also included is an assessment of network controls around device and peripheral use and misuse, accidental deletion and other risks. Internal vulnerability scans will assess the security configuration and settings of the internal network -and, allow for identification of improvement areas for IT controls and policies.
 - External: perimeter security vulnerability scan will assess the strength of the external “edge” of the network – and, allow for determination of improvement areas for ensuring access to internal network resources are configured appropriately. An actual “penetration test” of the external network will not be performed.
- **Network Architecture and Design - and The Cloud** – emphasis on evaluating the current network devices including configuration, capacity, scalability, quality, and utility of network devices such as firewalls, switches, servers, Wi-Fi devices, storage devices, etc. for current needs and near-future requirements. The network architecture and operating systems will also be assessed for design and configuration risks, capability to scale, and deployment of resources and utility/operating software (e.g.; consider fit to business). Current remote access options for “work from home” (WFH) will also be evaluated.
- **IT Governance Maturity** – assess matters such as IT Strategic Planning, IT Policies & Procedures, and budgeting processes utilized to manage and direct IT departmental functions.
- **Disaster Recovery Preparedness** – emphasis on evaluating the current backup and restore test strategy as well as assess IT’s current DR strategy to determine effectiveness; evaluate backup retention policies; review backup logs, if available, of actual downtime and recent recovery experiences; and assess current network hardware devices for redundancy configuration and applications utilized for backup and recovery effectiveness.

- **IT Staff Resources** – emphasis on assessing current IT staff resources as they relate to providing adequate level of support for both current systems as well as future systems – evaluation includes resource capacity requirements, required skillsets and technology knowledge, reporting structures, etc. Consideration will be given to internal and outsourced resources.
- **IT Controls** – focus will be limited to assessing controls related to securing personable identifiable information (PII) regulatory compliance such as data encryption and access permissions for public facing systems (MyDWA website) and its supporting database (CORE). The use of shared access accounts will be included.

Approach

To achieve the project goals outlined above, we will perform the following activities.

1. Coordinate with the Project Sponsor to determine timing and logistic matters required to achieve the requirements of this project.
2. Engage in meetings up to 1 hour each with up to 8 staff and/or system users as assigned by the project sponsor, in a manner to address matters covered in the priority areas above. SL to prepare questionnaire in advance for such meetings. DWA may, at its option, solicit more responses than from the 8 selected, for DWA review.
3. Provide an “information request list” in advance of initial meetings with IT, to be completed in advance of our first meetings with project participants. This list will include information related to systems, software, hardware, policies, etc.
4. Perform an internal and external vulnerability scan.
5. Observe and assess relevant existing configurations, capabilities, tools, documentation and systems behavior – as provided in the Assessment Categories described above.
6. Engage in post-field work discussions both internally among our team and DWA Management– and, as a result, prepare the deliverables noted below for leadership’s review.
7. Discuss our observations and recommendations with the DWA project sponsor and Assistant General Manager in a closing meeting in which next steps will also be determined informally.

SL and DWA understand that the above activities may not all occur in order, nor occur exactly as planned. SL will work with DWA collaboratively to ensure an efficient path is being followed and that activities being undertaken are of an agreed upon, higher-priority nature.

Project Timing

The duration of this PSAD is expected to take approximately 4 to 6 weeks elapsed time from commencement. This will require collaboration between the SL team and DWA personnel as requested. Commencement is planned for January 2021 at this writing.

Deliverables

- **Executive Summary** – This report will describe the higher-risk issues identified and provide SL's recommendation to replace or upgrade technology and/or processes currently in place.
- **IT Project Report** - This report, grouped by Assessment Categories listed above, describes SL's recommended remediation activities for management's review and adoption. The report includes key elements such as a description of the activity/task to be performed, risk or issue noted, security risk assessment ranked as high, medium, or low, estimated level of effort to remediate, and resources (i.e., internal, external, or both) needed to perform the recommended activity/task. Of note, our (SingerLewak) auditor independence will be taken into account when we are identified as recommended support for any activities in the IT Project Report.
- **IT Project Roadmap** - This report is designed to build a roadmap to execute and implement the IT projects into a logical and strategic path that takes into consideration security risks, resource availability, and access to technology.

Project Team

Organization	Project Role	Name
DWA	Project Sponsor	Esther Saenz, Finance Director
	Project Participants	Department heads, SME's, Project Leads, as needed
SingerLewak	SL Project Manager	Lynn McIntier, CISA - Director
	SL Senior Technical Analyst	Todd Atteberry, CISSP, CISM, CGET – Contract Senior Systems Analyst
	SL Project Sponsor	Bob Green, CPA. CITP, CGMA - Partner

Investment and contingencies

Professional fees for this scope of services will be billed on a time and materials basis, plus direct out-of-pocket expenses and administrative fees in accordance with the terms of our Engagement Agreement. Lynn McIntier and Todd Atteberry will be performing the majority of the work and their rates are \$420/hour and \$315/hour respectively, reflecting a 5% courtesy discount.

As of this writing, we estimate our fees for the Technology Assessment to be between \$55,000 and \$65,000. Our time will be billed via invoice as incurred on a bi-monthly or monthly basis. Bills are due upon presentation.

The timely and effective completion of the activities and scope above is heavily dependent upon the level of cooperation, availability, knowledge and responsiveness of persons we will be

collaborating with from DWA. Also, SL plans on performing all of the work herein via remote computing capabilities in consideration of the current COVID-19 climate and restrictions. Should conditions impacting this work change beyond the control of either DWA or SL, both agree to collaborate to determine a suitable adjustment, if needed, to this PSAD.

If during the performance of this project we collectively determine that assumptions used in our fee calculation have changed, we reserve the right to propose a change to the fee range provided above, and will seek concurrence from you prior to completing the project work.

Governance

It is important to ensure we are in agreement with regard to project governance. Our work herein falls under the responsibility of the Finance Director who, among them and their designated constituents are responsible for making all management decisions and performing all management functions around the subject matter of the work. Responsibilities also include designating an individual with suitable skill, knowledge, or experience to oversee our assistance; managing and communicating with DWA staff and vendors, as needed; and evaluating the adequacy and results of our work. Further language regarding Client and SingerLewak responsibilities are enumerated in our existing Information Technology-focused Engagement Agreement.

CLIENT ACKNOWLEDGEMENT AND AUTHORIZATION TO PERFORM SERVICES

By signing below, Client agrees with and acknowledges an understanding of the Scope and other matters discussed above, and further authorizes SingerLewak to undertake the efforts herein. Engagement terms and other matters from our Engagement Agreement still apply. We look forward to working with you and are ready to commence our efforts upon receipt of your signature below. Thank you for your continuing support of our relationship.

Agreed and Acknowledged by:

Desert Water Agency

Esther Saenz, Finance Director

Date

SingerLewak LLP

Robert Green, CPA.CITP, CGMA, Partner

Date

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

DECEMBER 15, 2020

**RE: REQUEST APPROVAL OF CONTRACT EXTENSION WITH REEB
GOVERNMENT RELATIONS, LLC**

This item was on the December 1 meeting agenda. A roll call vote was taken (the vote was unanimous in support), however, there was no motion or second to approve this item.

Therefore, this item is being considered again for approval by the Board.

Since December of 2004, Desert Water Agency has maintained a Legislative Representation Contract with Robert J. Reeb, of Reeb Government Relations, LLC. That contract has been renewed annually since that time to ensure Mr. Reeb continues to represent Desert Water Agency's interest in Sacramento.

Attached for your review is a copy of the proposed contract renewal that will extend the term of Mr. Reeb's contract through December 31, 2022. Agency Counsel has reviewed the document on the Agency's behalf. The proposed contract represents a 6.67% increase. The last increase was in 2017. Since that time, Mr. Reeb has added two employees to better serve his clients.

Staff requests authorization for the General Manager to execute the proposed Contract with Reeb Government Relations, LLC, extending services to Desert Water Agency through December 31, 2022.

Reeb Government Relations, LLC

1107 9th Street, Suite 620
Sacramento CA 95814
Phone: 916-558-1926
Facsimile: 916-558-1932

LOBBYING FIRM RETENTION CONTRACT

The following constitutes a lobbying firm retention contract between **REEB GOVERNMENT RELATIONS, LLC** (“RGR” hereinafter), or its legal successor in interest, and **DESERT WATER AGENCY** (“DWA” hereinafter), or its legal successor in interest.

1. **SERVICES TO BE PERFORMED**— DWA engages the services of RGR as an independent contractor. RGR will provide advice and representation on behalf of DWA on California legislative and regulatory matters. Such services shall include:
 - A. Representation in the State Capitol and with the Executive Branch in regard to the 2021-22 Regular Session of the California Legislature.
 - B. Research and analysis of state legislative and regulatory issues and related initiatives; drafting legislation and amendments thereto relating to such issues.
 - C. Legislative reporting services as may be required by DWA.
 - D. Participation and attendance at DWA meetings to discuss current events, tasks under the scope of work and other business related to the governmental relations program. Attendance and participation at other meetings, upon request by DWA, including, but not limited to, meetings related to issues management and formation of lobbying coalitions.

RGR will work under the direction of the General Manager and will coordinate services to be performed with same.

Desert Water Agency
Lobbying Firm Retention Contract
Page 2 of 3

2. TERMS OF PAYMENT—DWA will pay RGR, according to terms and conditions set forth herein, a fee of ONE HUNDRED NINETY-TWO THOUSAND AND NO/100 DOLLARS (\$192,000.00) for the period of January 1, 2021 through December 31, 2022. This amount shall be paid in twenty-four (24) equal installments of EIGHT THOUSAND AND NO/100 DOLLARS (\$8,000.00) due on the first (1st) of each month from January 2021 through December 2022, inclusive. Payment shall cover all time expended by RGR personnel unless otherwise agreed to by RGR and DWA.

- A. Invoices shall be submitted monthly by RGR for payment by DWA. Payment is past due the next business day following the fifteenth of the month. If DWA has any valid reason for disputing any portion of an invoice, DWA will so notify RGR within seven (7) calendar days of receipt of invoice, and if no such notification is given, the invoice shall be deemed valid. The portion of RGR's invoice that is not in dispute shall be paid in accordance with the procedures set forth herein.
- B. DWA shall reimburse RGR all costs incurred in connection with the services rendered. Reimbursable costs shall include travel costs and other costs approved by the steering committee. Travel costs are defined as air travel, lodging, meals and incidentals, ground transportation, and all costs associated with travel. All travel expenses must receive DWA's prior approval. RGR shall provide to DWA substantiation of reimbursable costs incurred.
- C. A finance charge of 1.5% per month on the unpaid amount of an invoice will be charged on past due accounts. Payments by DWA will thereafter be applied first to accrued interest and then to the principal unpaid balance. Any attorney fees, court costs, or other costs incurred in collection of delinquent accounts shall be paid by DWA. If payment of invoices is not current, RGR may suspend performing further work.

3. INDEPENDENT CONTRACTOR—It is understood that RGR will function as an independent contractor and will hold itself out as such and will be without authority to obligate DWA for indebtedness, contracts, or other legal obligations.

Desert Water Agency
Lobbying Firm Retention Contract
Page 3 of 3

4. POLITICAL REFORM ACT—RGR will be solely responsible for its filing and reporting obligations pursuant to the Political Reform Act of 1974, as it may be amended from time to time. DWA will be solely responsible for its filing and reporting obligations pursuant to the Political Reform Act of 1974, as it may be amended from time to time.

5. GOVERNING LAW - This agreement shall be governed by and construed pursuant to the laws of the State of California.

6. ENTIRE AGREEMENT - This is the entire agreement of the parties and no other representations, promises or agreements, oral or otherwise, shall be of any force or effect. This agreement may be supplemented, amended or revised only in writing by agreement of the parties.

7. TERM OF CONTRACT—The engagement shall be subject to review at any mutually agreed upon time. Either party may terminate this engagement without cause by giving written notice at least sixty (60) days prior to the date of termination. DWA's obligation to pay any further monthly installments shall cease upon the date of the termination and DWA shall have no further monetary obligation to RGR as of that date of termination. The effective date of this agreement is January 1, 2021, and it shall terminate on December 31, 2022.

DESERT WATER AGENCY

P. O. Box 1710
Palm Springs CA 92263-1710

**REEB GOVERNMENT
RELATIONS, LLC**

1107 9th Street, Suite 620
Sacramento CA 95814

By: _____
Mark S. Krause
General Manager & Chief Engineer

By: _____
Robert J. Reeb
Managing Officer

Date:

Date:

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

DECEMBER 15, 2020

**RE: AUTHORIZE GENERAL MANAGER TO ENTER INTO
MEMORANDUM OF UNDERSTANDING ON REGIONAL
COLLABORATION ON SALT NUTRIENT MANAGEMENT
PLAN**

A 2018 update to the state's Recycled Water Policy gave the Colorado River Basin Regional Water Quality Control Board (Regional Board) additional authority to require an approved Salt Nutrient Management Plan. The Regional Board expressed perceived insufficiencies in the 2015 Salt Nutrient Management Plan (SNMP) developed by Coachella Valley Water District (CVWD), Desert Water Agency (DWA) and Indio Water Authority (IWA). Short of rejecting the plan, they provided findings and encouraged further work on a SNMP.

A number of stakeholders joined together in spring of 2020 to address the concerns from the Regional Board.

- City of Palm Springs
- CVWD
- City of Coachella
- DWA
- IWA
- Mission Springs Water District
- Myoma Dunes Mutual Water Company
- Valley Sanitary District

The parties listed above are pursuing an agreement to develop the Salt Nutrient Management Development Workplan (the workplan), which will develop a monitoring plan and lay the foundation for the development of a Salt Nutrient Management Plan. The workplan is currently well underway with Wildermuth Environmental, the firm selected by the parties and contracted through CVWD.

The attached Memorandum of Understanding (MOU) outlines the goals and responsibilities of the parties involved.

The cost to develop the workplan is not-to-exceed \$226,578, subject to Board approval, the parties agreed to share the cost equally. Desert Water Agency's share would be \$37,763.

The MOU also encumbers DWA and other parties to be responsible (financially and for data collection) for monitoring plan implementation within their jurisdiction. This may entail

well retrofits, upgrades, well startup costs, sampling costs among other items. The costs have not yet been defined as the monitoring plan is in development. It is a multi-year plan that allows time to determine feasibility of proposed monitoring sites and options for filling identified data gaps. The goal is to have a Regional Board approved monitoring plan by early 2021 and a completed workplan by the end of April 2021.

Staff has been working closely with the other parties and the consultant on the monitoring plan and other workplan elements.

General Counsel reviewed the MOU and made several adjustments, which were accepted by the group. Disputes will be resolved by a majority vote. Any party can terminate its involvement in the MOU with 30 days' notice.

Staff requests Board authorization for the General Manager to enter into the attached MOU Regarding Collaboration on the Coachella Valley Salt and Nutrient Management Plan with a cost share commitment of \$37,763.

MEMORANDUM OF UNDERSTANDING
REGARDING COLLABORATION ON THE
COACHELLA VALLEY SALT AND NUTRIENT MANAGEMENT PLAN

This memorandum of understanding (MOU) is entered into among the Parties identified herein for the purpose of collaborating on the development of a workplan to update the Coachella Valley Salt and Nutrient Management Plan (CV-SNMP) and on subsequent work that may arise from the CV-SNMP Development Workplan and Groundwater Monitoring Program Workplan. The Parties to this MOU shall be collectively referred to herein as “Parties” and individually as “Party.”

Parties

1. City of Palm Springs, a charter city that owns its wastewater treatment plant and manages municipal wastewater within its service area.
2. Coachella Valley Water District (CVWD), a county water district organized under the California County Water District Law, codified at Sections 30000, et seq., of the California Water Code and the Coachella Valley Water District Merger Law, Water Code section 33100, et seq.
3. City of Coachella, a general-law City that provides water service through the Coachella Water Authority, a joint powers authority formed as a component of the City of Coachella and the Housing Authority of the City of Coachella, and manages municipal wastewater in its service area through its subsidiary Coachella Sanitary District.
4. Desert Water Agency (DWA), an independent special district organized under the Desert Water Agency Law, codified at Sections 100-1, et seq., of the Appendix to the California Water Code.
5. Indio Water Authority, a joint powers authority formed as a component of the City of Indio and Housing Authority of the City of Indio.
6. Mission Springs Water District, a county water district organized under the California County Water District Law, codified at Sections 30000, et seq., of the California Water Code.
7. Myoma Dunes Mutual Water Company, a mutual water utility system organized under California Corporations Code Sections 14300, regulated under the U.S. EPA Safe Drinking Water Act, and by California’s Water Code, Health and Safety Code.
8. Valley Sanitary District, a California special district, which operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, Sections 6400 et seq.

RECITALS

A. *The Policy for Water Quality Control for Recycled Water* (Recycled Water Policy) required local water and wastewater agencies, together with local salt contributing stakeholders to develop a Salt and Nutrient Management Plan (SNMP) for those basins identified as “priority basins,” to help address the potential for recycled water use to impact groundwater quality and to promote basin-wide management of salts and nutrients in groundwater.

B. The CV-SNMP was prepared and submitted to the Colorado River Basin Regional Water Quality Control Board (Regional Board) in June of 2015, but was not adopted by the Regional Board because certain components were considered to be insufficient.

C. On February 19, 2020, in accordance with the Recycled Water Policy as amended in 2018, the Regional Board, prior to adopting a determination on the CV-SNMP, provided specific findings regarding which components of the CV-SNMP were found to be insufficient and recommendations to develop an acceptable SNMP.

D. The Parties, which are composed of local water and wastewater agencies, have agreed that it is in their mutual interest to collaborate on the development of an updated CV-SNMP, and further agreed to collaboratively prepare a CV-SNMP Development Workplan and Groundwater Monitoring Program Workplan, as agreed to with the Regional Board and confirmed in their subsequent communication dated April 27, 2020.

NOW, THEREFORE, it is mutually understood and agreed as follows:

1. Preparation of the CV-SNMP Development Workplan

The Parties will collaborate on the preparation of the CV-SNMP Development Workplan and Groundwater Monitoring Program Workplan.

- a. Consultant: The Parties selected Wildermuth Environmental, Inc. (WEI) to prepare the CV-SNMP Development Workplan and Groundwater Monitoring Program Workplan. CVWD has retained WEI on behalf of the Parties to complete this work.
- b. Cost-Share: The not-to-exceed cost for preparing the SNMP Development Workplan and Groundwater Monitoring Program Workplan is \$226,578.00. Each Party will be responsible for an equal share of the not-to-exceed cost for preparing these deliverables.
- c. Billing: WEI will submit monthly invoices to CVWD. CVWD will initially be responsible for payment of such invoices, but will, in turn, invoice each of the other Parties for their equal share of each invoice.

2. Implementation of Monitoring Workplan

The Parties will collaborate on the implementation of the Groundwater Monitoring Program Workplan.

- a. Monitoring: Each Party will be responsible for monitoring wells identified for inclusion in the monitoring network, in accordance with the Groundwater Monitoring Program Workplan, that are within their ownership or, if it is a customer-owned well, within their jurisdiction. Where jurisdictions overlap, the Parties with overlapping jurisdictions will designate the Party that will monitor individual customer-owned wells.
- b. Reporting: Each Party will be responsible for submitting monitoring data according to the schedule and format identified in the Groundwater Monitoring Program Workplan.

- c. **Monitoring Costs:** Each Party will be responsible for absorbing its own costs related to implementation of its individual monitoring responsibilities identified in the Groundwater Monitoring Program Workplan.

3. Preparation of the Updated CV-SNMP

The Parties will collaborate on the development of an updated CV-SNMP following completion of and in accordance with the recommendations in the SNMP Development Workplan. The means of procuring consulting services and need to share additional costs associated with the development of the updated CV-SNMP will be addressed in future amendments to this MOU.

4. Participation by Other Local Salt Contributing Stakeholders

It is the stated goal of the Parties to expand participation in this collaboration to any and all interested local salt contributing stakeholders. Addition of Parties and associated cost-share provisions will be addressed in future amendments to this MOU.

5. General Provisions Governing MOU

- a. **Term.** The term of this MOU shall be from the date the second Party signs this MOU (“Effective Date”). This MOU shall be effective as to any Parties that execute it, whether or not all named Parties execute it.
- b. **Modification.** This MOU may be amended in a writing signed by a duly authorized officer or representative of each of the Parties hereto.
- c. **Termination.** Any Party may terminate its participation in this MOU upon thirty (30) days prior written notice to the other Parties for any reason or no reason. Any Party terminating or otherwise ceasing its participation in this MOU shall be responsible for its share of the costs, as set forth herein, which are incurred on or before the effective date of said termination.
- d. **Dispute Resolution.** Each Party shall use its best efforts and work wholeheartedly and in good faith for the expeditious completion of the objectives of this MOU and the satisfactory performance of its terms. The Parties will attempt in good faith to resolve any dispute or disagreement arising out of or in relation to this MOU. If the dispute or disagreement cannot be settled amicably within fourteen (14) days from the date on which either Party has served written notice on the other Parties, the dispute or disagreement will be resolved by a simple majority vote. Final decisions agreed upon by a majority of the Parties will become binding on all Parties.
- e. **Payment Default.** In the event a Party (Defaulting Party) fails or refuses to make any of its payments under this MOU, CVWD will provide a 30-day notice to cure to the Defaulting Party. If the Defaulting Party does not make the required payment before expiration of the 30-day notice period, the Defaulting Party shall be deemed to have terminated its participation in this MOU. The Defaulting Party shall remain responsible for its share of the costs, as set forth herein, which are incurred on or before the expiration of the 30-day notice period. After the Defaulting Party has been deemed to have terminated its participation in this MOU, each

remaining Party will be responsible for an equal share of the remaining not-to-exceed cost for preparing the deliverables.

- f. Counterparts. This MOU may be executed in one or more counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the Parties have executed this MOU as of the day and year indicated below.

David H. Ready
City of Palm Springs

Date

J.M. Barrett
Coachella Valley Water District

Date

William Pattison
City of Coachella

Date

Mark S. Krause
Desert Water Agency

Date

Trish Rhay
Indio Water Authority

Date

Arden Wallum
Mission Springs Water District

Date

Mark Meeler
Myoma Dunes Mutual Water Company

Date

Beverli A. Marshall
Valley Sanitary District

Date

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

DECEMBER 15, 2020

**RE: REQUEST BOARD AUTHORIZATION FOR GENERAL MANAGER
TO EXECUTE LAND LEASE AGREEMENT AMENDMENT NO. 2,
AMENDED AND RESTATED MEMORANDUM OF LAND LEASE
AGREEMENT WITH WILDCAT I ENERGY STORAGE LLC, AND
APPROVE PROPOSED SURFACE AND OVERHEAD AVIGATION
EASEMENT FOR LEASED DINAH SHORE PROPERTY**

In May 2018, the Board authorized the General Manager to execute a Land Lease Agreement with Wildcat I Energy Storage, LLC (Wildcat) over a portion of Desert Water Agency's Dinah Shore property to install and maintain containerized batteries, transformers, and electrical equipment for a SCE project.

In November 2019, the Board authorized the General Manager to execute an amendment to the lease agreement. The amendment defined a larger lease area, or Premises, increased the annual rental amount from \$34,800 to \$38,900 as a result of the larger lease area, outlined a lease option allowing the lessee to expand the lease area if approved by the Agency, and allowed for a temporary Construction Laydown License that let the lessee utilize a portion of Agency land for staging, fabrication, and storage during the construction of the battery project. The Board also approved a Memorandum of Lease Land Agreement that summarized the lease and the amendment which was then recorded by Wildcat.

Recently, a representative with Wildcat reached out to the Agency regarding the current amended lease agreement. Lenders for the project have concerns regarding the lease term which could exceed 35 years, and thus could trigger a property tax liability. Counsel for Wildcat has suggested a second amendment to the lease agreement with language that states that the term of the agreement shall not exceed 34 years, 11 months. Along with the second amendment, Wildcat has proposed an amended and restated Memorandum of Lease Agreement addressing the proposed lease term length.

Finally, the permit from the City of Palm Springs has conditioned as part of the project that the landowner (DWA) provide an avigation easement to the airport. Wildcat has tried to contact the airport and the Airport Land-Use Committee

(ALUC) regarding the easement, however, both the airport and ALUC have been unresponsive. A draft Surface and Overhead Avigation Easement has been prepared and reviewed by BB&K; however, at this time, the lender for Wildcat is asking for a letter from the Agency stating that DWA will be agreeable to provide an easement as outlined in the draft document when or if the airport or ALUC does contact Wildcat in the future. If that does occur, the Agency would then provide the easement at a cost to the airport agreeable to both the Agency and the airport.

Attached for the Board's review is a copy of the proposed Second Amendment to the Land Lease Agreement, the Amended, the Restated Memorandum of Land Lease Agreement, and the proposed Surface and Overhead Avigation Easement along with a draft letter to Wildcat. Staff requests Board authorization for the General Manager to execute both the Second Amendment and the Amended and Restated Memorandum of Land Lease Agreement documents. Staff is also requesting Board approval of the draft Surface and Overhead Avigation Easement and authorization to provide a letter to Wildcat expressing the Agency is agreeable to providing an easement to the airport.

SECOND AMENDMENT TO LAND LEASE AGREEMENT

This SECOND AMENDMENT TO LAND LEASE AGREEMENT (this "Amendment") is made and entered into to be effective as of _____, 20____, by and between Desert Water Agency ("Lessor"), and Wildcat I Energy Storage, LLC, a Delaware limited liability company ("Lessee").

RECITALS

A. Lessor and Lessee have entered into that certain Land Lease Agreement, dated May 21, 2018, as amended by that certain First Amendment to Land Lease Agreement by and between Lessor and Lessee, dated as of November 5, 2019 (collectively, the "Lease"), with respect to certain real property in the City of Palm Springs, Riverside County, California more specifically described therein; and

B. Lessor and Lessee now desire to amend the Lease on the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and in the Lease, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby agree as follows:

1. Recitals; Definitions. The recitals set forth above, and the Lease referenced therein, are incorporated herein and shall form a part of this Amendment by this reference. Capitalized terms used herein but not otherwise defined shall have the meaning given such terms in the Lease.

2. Term. Subsection 3(a) of the Lease is hereby amended to add the following sentence to the end of such subsection:

"Notwithstanding the foregoing or any other contradictory provision hereof, in no event shall the total Term (as defined herein) extend past that date which is thirty-four (34) years and eleven (11) months after the Commencement Date (the "Outside Date")."

Additionally, Section 6 of the Lease is hereby amended and restated in its entirety to read as follows:

"6. ADDITIONAL EXTENSIONS. If at the end of the two (2) five (5) year extension terms this Agreement has not been terminated by either Party by giving to the other written notice of an intention to terminate it at least three (3) months prior to the end of such extended terms, and provided that LESSEE is not then in default of this Agreement, this Agreement shall continue in force upon the same covenants, terms and conditions for a further term of one (1) year and for one (1) year terms thereafter until the earlier of (i) either Party terminate this Agreement by giving to the other written notice of its intention to so terminate at least three (3) months prior to the end of such term, or (ii) the Outside Date. Annual rental for each such additional one (1) year term shall be equal to the annual rental payable with respect to the immediately preceding year, plus the applicable annual rent increase under Section 5. The initial term and all extensions shall be collectively referred to herein as the "Term.""

3. Amendment and Restatement of Memorandum. Lessor and Lessee shall enter into an amendment and restatement of that certain Memorandum of Land Lease Agreement dated November 5, 2019, and filed in the official real property records of Riverside County, California on February 26, 2020 as Instrument Number 2020-0087637, to provide constructive notice of the maximum length of the Term as provided herein.

4. Lessee Title Insurance. Lessor hereby acknowledges that as of the date hereof, Lessee is seeking to purchase an ALTA Leasehold Owner's Policy of Title Insurance for its leasehold interest granted pursuant to the Lease. Lessor agrees to cooperate with Lessee in Lessee's efforts to purchase such a policy, at no out-of-pocket cost or expense to Lessor, and will execute and acknowledge such title affidavits and indemnities as Lessee or its title company may reasonably request in furtherance of such an insurance policy.

5. Miscellaneous. Except as specifically modified by this Amendment, all of the remaining terms and conditions set forth in the Lease shall remain unchanged and in full force and effect. This Amendment may be executed by facsimile or PDF and in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same original.

[Signature Page Follows Immediately]

IN WITNESS WHEREOF, Lessor and Lessee, acting through their duly authorized representatives, have made and entered into this Amendment as of the date first listed above.

LESSOR:

Desert Water Agency

By: _____

Name: _____

Title: _____

LESSEE:

Wildcat I Energy Storage, LLC,
a Delaware limited liability company

By: _____

Name: _____

Title: _____

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Wildcat I Energy Storage, LLC
c/o esVolta LP
65 Enterprise, Third Floor
Aliso Viejo, CA 92656
Attn: Rishad Olpadwala

(Space Above for Recorder's Use Only)

AMENDED AND RESTATED MEMORANDUM OF LAND LEASE AGREEMENT

This AMENDED AND RESTATED MEMORANDUM OF LAND LEASE AGREEMENT (the "Memorandum") is dated _____, 20____, by and between Desert Water Agency ("Lessor"), and Wildcat I Energy Storage, LLC, a Delaware limited liability company ("Lessee").

1. Name and Principal Address of Lessor. The name of Lessor is set forth above, and Lessor's principal place of business is at 1200 Gene Autry Trail South, Palm Springs, CA 92264, Attn: Mark Krause.
2. Name and Principal Address of Lessee. The name of Lessee is set forth above, and Lessee's principal place of business is at 65 Enterprise, Third Floor, Aliso Viejo, CA 92656, Attn: Rishad Olpadwala.
3. Lease. Lessor and Lessee have entered into that certain Land Lease Agreement, dated May 21, 2018, as amended by those certain (a) First Amendment to Land Lease Agreement dated November 5, 2019 and (b) Second Amendment to Land Lease Agreement dated as of even date herewith (collectively, the "Lease"), whereby Lessor leased approximately Twenty Seven Thousand Nine Hundred Twenty Five (27,925) square feet (the "Premises") of that certain real property in Riverside County, California, as more specifically described on Exhibit A-1 attached hereto and incorporated herein by reference (the "Property"). The Premises are approximately depicted on Exhibit A-2 attached hereto and incorporated herein by reference.
4. Original Memorandum. The parties hereto previously executed and caused to be recorded that certain Memorandum of Land Lease Agreement, dated November 5, 2019, which was recorded in the official real property records of Riverside County, California, on February 26, 2020 as Document Number 2020-0087637.
5. Term. The initial term of the Lease commenced on the Commencement Date and lasts for ten (10) years therefrom, unless earlier terminated in accordance with the terms of the Lease.

6. Extension Options. Lessee has two (2) options to extend the term of the Lease for five (5) years each, after which the Lease automatically renews for continuous one (1) year terms until the earlier of (a) the date on which the Lease is terminated by either Lessor or Lessee or (b) the Outside Date. Notwithstanding the foregoing, the Term shall in no event extend beyond that date which is thirty-four (34) years and eleven (11) months following the Commencement Date.
7. Easements. The Lease grants the following easements: (i) for ingress and egress, seven (7) days a week twenty-four (24) hours a day, on foot or motor vehicle, including trucks over or along a twelve (12) foot wide right-of-way extending from the nearest public right-of-way, Dinah Shore Drive, to the Land Space, and (ii) for the installation and maintenance of containerized batteries, transformers, electrical equipment, utility wires, cables, conduits, and pipes.
8. Access. Lessee, and Lessee's agents, guests, and designees shall have access to the Property at all times during the term of the Lease.
9. Option to Lease Additional Property. Lessee has an exclusive option to add the real property described on Exhibit B attached hereto to its leasehold interest under the Lease, exercisable at any time during the term of the Lease.
10. Notices. Notices shall be given to the Lessor and Lessee in accordance with the terms of the Lease.
11. Construction of Terms/Conflict. All defined terms used herein shall have the meaning or definition set forth in the Lease. In the event that the terms, conditions and provisions of this Memorandum conflict with the terms, conditions and provisions of the Lease, the terms, conditions and provisions of the Lease shall control.
12. Successors and Assigns. This Memorandum and the rights granted herein shall run with the land, and shall be binding upon and inure to the benefit of the parties, their respective successors and assigns, but the provisions of this paragraph shall not be construed to allow any assignment or transfer of the rights and obligations otherwise prohibited or conditioned in the Lease.
13. Authority. Each party represents to the other that it has the necessary authority to enter into the Lease and this Memorandum.
14. Counterparts. This Memorandum may be executed in one or more counterparts, each of which, when taken together, shall constitute one and the same document.

[Signature page follows immediately]

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum as of the date first written above.

LESSOR:

DESERT WATER AGENCY

By: _____
Name: _____
Title: _____

LESSEE:

WILDCAT I ENERGY STORAGE, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

[Notary pages follow immediately]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of _____)

On _____, 20__ before me _____ personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of _____)

On _____, 20__ before me _____ personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____ (Seal)

EXHIBIT A-1

PROPERTY DESCRIPTION

Legal Description of Property:

The land referred to herein is situated in the State of California, County of Riverside and described as follows:

Parcel 4 and lettered Lot D as shown by Parcel Map No. 22700, on file in book 153, page(s) 66 and 67 of Parcel Maps, Records of Riverside County, California.

Excepting therefrom all oil, gas, and other minerals as reserved by Bobbie Ray Preckwinkle, an Indian of the Aqua Caliente Band of Cahuilla Indians, (Palm Springs) by deed recorded November 13, 1995 as Instrument No. 378314 of official records.

EXHIBIT A-2

LEASED PREMISES

Being a portion of Parcel 4 of Parcel Map No. 22700, filed in Book 153, Pages 66 and 67 of Parcel Maps, records of Riverside County, State of California, said portion being more particularly as follows:

BEGINNING at the Northwest corner of said Parcel 4;

Course 1) Thence North $89^{\circ} 59' 07''$ East along the North line of said Parcel 4, a distance of

98.00 feet to a line parallel with and distant 98.00 feet easterly, measured at right angles, from the West line of said Parcel 4;

Course 2) Thence South $00^{\circ} 12' 43''$ East along said parallel line, a distance of 201.42 feet; Course 3) Thence South $89^{\circ} 47' 17''$ West, a distance of 98.00 feet to the West line of said

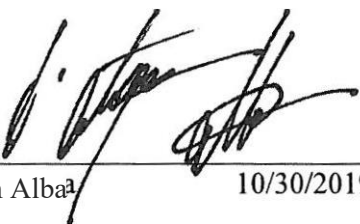
Parcel 4;

Course 4) Thence North $00^{\circ} 12' 43''$ West, along the West line of said Parcel 4, a distance of 201.75 feet to the POINT OF

BEGINNING. Containing 19,755 square feet,

more or less.





d' Artagnan Alba
L.S. 9052

10/30/2019

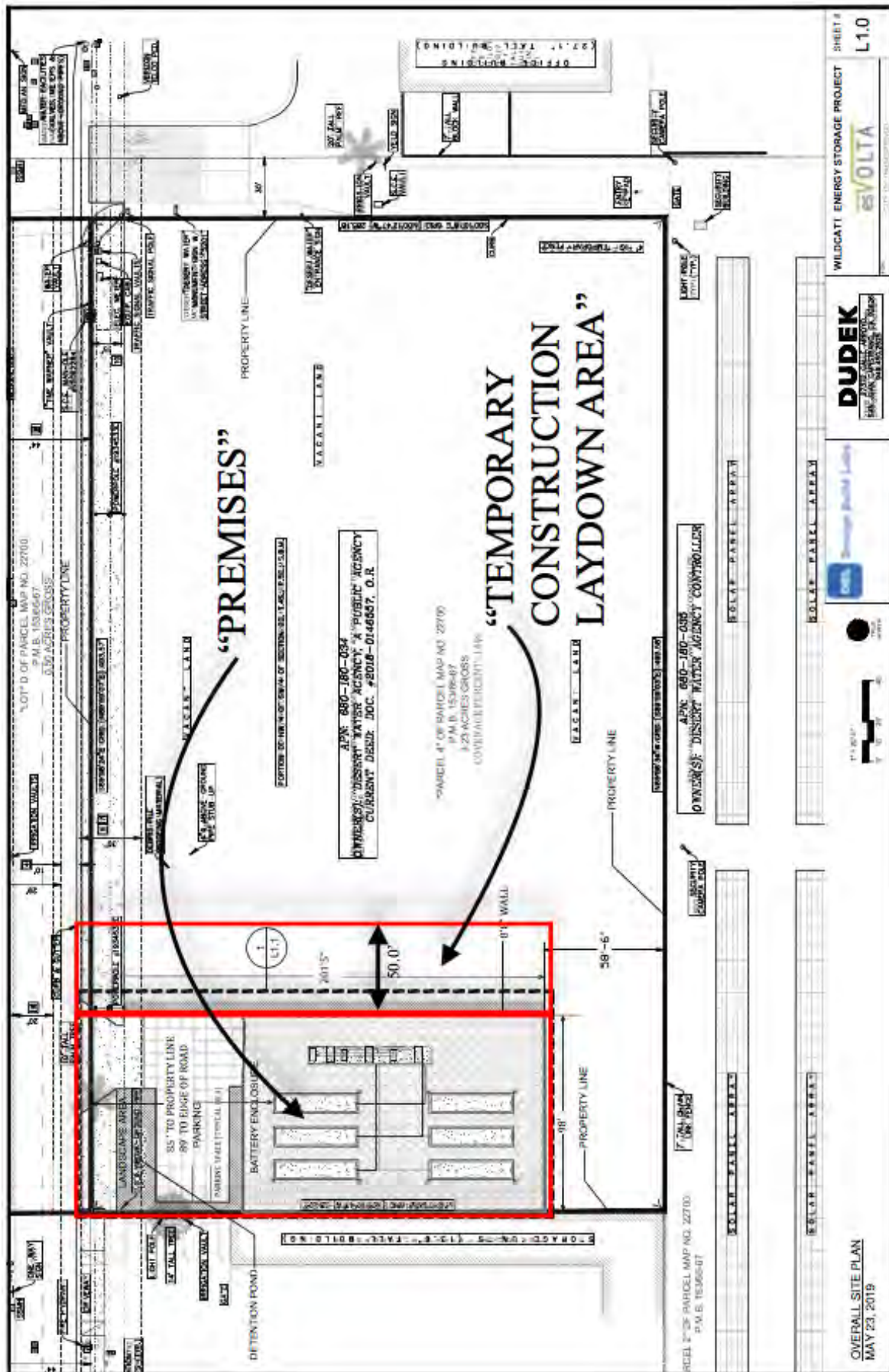
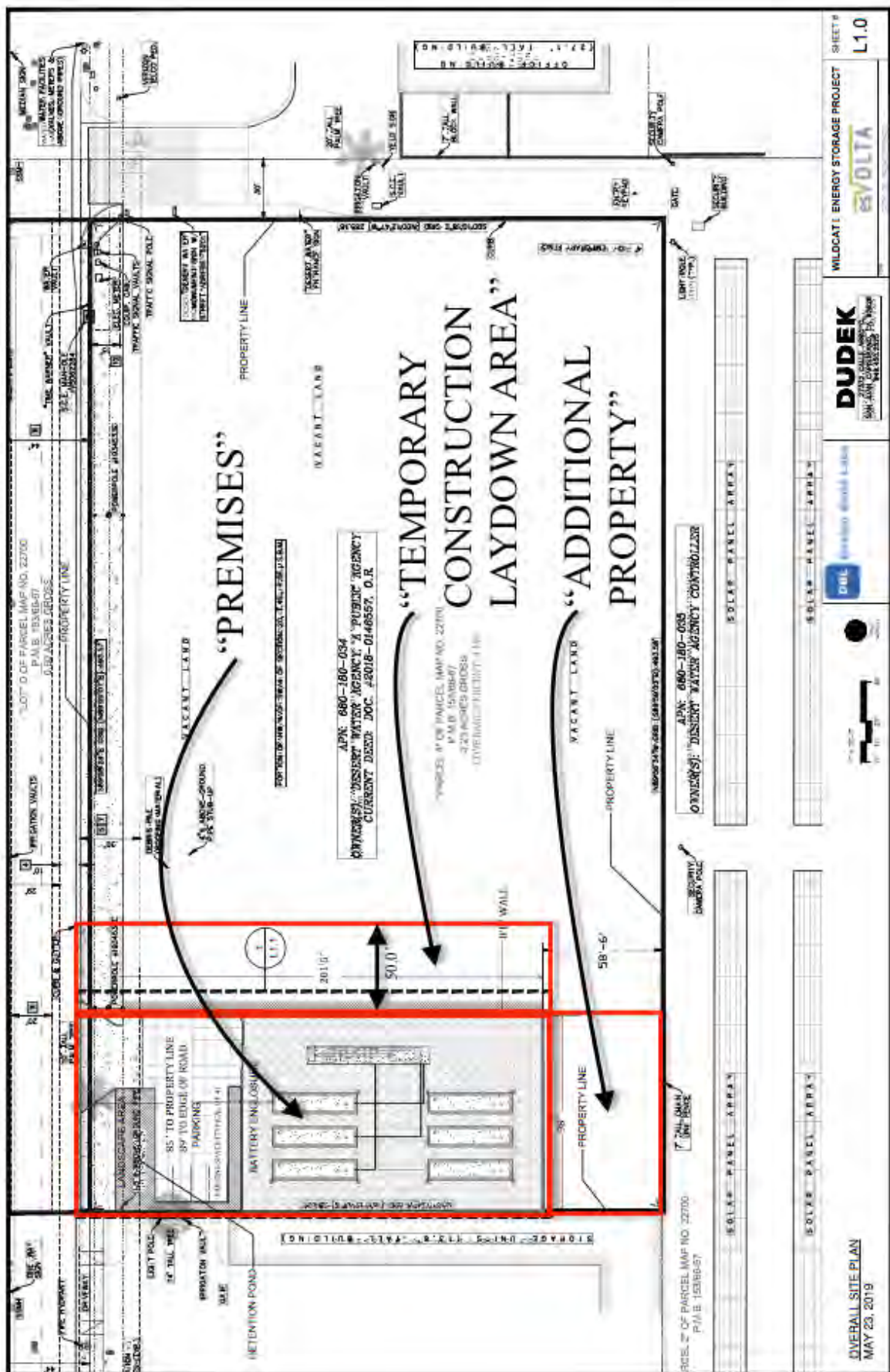


EXHIBIT A-2

ADDITIONAL PROPERTY

See attached.



SURFACE AND OVERHEAD AVIGATION EASEMENT

WHEREAS, (Property Owner), hereinafter called the Grantors are the fee owners of the following specifically described parcel of land situated in (City, County & State):

(Metes & bounds description of easement parcel)

hereinafter called “Grantors’ property” and outlined on an attached Exhibit A map.

NOW, THEREFORE, in consideration of the sum of \$_____ and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantors, for themselves, their heirs, administrators, executors, successors and assigns do hereby grant the following appurtenant rights and benefits to the (Name of Airport) hereinafter called the “Grantee” for the use and benefit of the public.

The appurtenant rights and benefits include the uses, rights and restrictions described as follows:

The unobstructed use and passage of all types of aircraft in and through the airspace at any height or altitude above the surface of the land.

The right of said aircraft to cause noise, vibrations, fumes, deposits of dust, fuel particles (incidental to the normal operation of aircraft); fear, interference with sleep or communication, and any other effects associated with the normal operation of aircraft taking off, landing or operating in the vicinity of (Airport).

As used herein, the term “aircraft” shall mean any and all types of aircraft, whether now in existence or hereafter manufactured and developed, to include jet, propeller-driven, civil, military or commercial aircraft; helicopters, regardless of existing or future noise levels, for the purpose of transporting persons or property through the air, by whoever owned or operated.

The Grantors agree to keep the easement area free of the following: structures (permanent or temporary) that might create glare or contain misleading lights, smoke generating activities and creation of any means of electrical interference that could effect the movement of aircraft over the easement area.

Grantors agree to waive all damages and claims for damages caused or alleged to be caused by the Grantors violation of any aspect of this easement document.

TO HAVE AND TO HOLD said easement and right of way, and all rights appertaining thereto unto the Grantee, its successors, and assigns, until said (Airport) shall be abandoned and shall cease to be used for public airport purposes. It is understood and agreed that all provisions herein shall run with the land and shall be binding upon the Grantors, their heirs, administrators, executors, successors and assigns until such time that the easement is extinguished.

IN WITNESS WHEREOF, the grantors have hereunto set their hands and seals this _____ day of _____, 20____. (Local recordation and subordination practices must also be met. If subordination is necessary in which case the mortgagee must join in the agreement, a statement must be made to assure that the mortgage is subordinate to the Easement and the Easement recording superior and prior to lien in said mortgage without consideration of the date of the mortgage instrument)

_____(SEAL)
Grantor(s)

Wildcat I Energy Storage, LLC
ATTN: Vice President of Development
65 Enterprise, 3rd Floor
Aliso Viejo, CA 92656

With a copy to:
Rishad.Olpadwala@esVolta.com
Philip.Reeves@esVolta.com

December ____, 2020

Re: Avigation Easement

Dear Sir,

As you are aware, the Riverside County Airport Land Use Committee conditioned the Wildcat Energy Storage project to have the landowner of the project, Desert Water Agency, ("DWA"), provide an avigation easement in favor of the Palm Springs International Airport, (the "Airport.")

In the event that the Airport does request an avigation easement for the premises leased to the Wildcat Energy Storage project, DWA is willing to provide an avigation easement in favor of the Airport on a form reasonably similar to the attached form of avigation easement, subject to negotiation by DWA and the Airport.

With best regards,

Desert Water Agency

By: _____
Name: _____
Title: _____

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

DECEMBER 15, 2020

RE: NOVEMBER 2020 WATER USE REDUCTION FIGURES

Desert Water Agency plans to submit its potable water production for November 2020 by December 28, the regulatory deadline.

In past years, we submitted November 2013 consumption and current year consumption. The table below shows previous years' and November 2020's consumption savings. Consumption data (metered customer use) trends are more consistent than what we observe with production data (well and stream meters).

Year	November consumption (in HCF)	Savings over 2013 (consumption)	November production (in HCF)
2013 (baseline)	1,345,400	NA	1,076,341
2015	970,093	27.90%	1,046,287
2016	1,065,005	20.84%	1,026,683
2017	1,209,597	10.09%	1,109,557
2018	1,180,971	12.22%	1,141,842
2019	1,169,014	13.11%	999,816
2020	1,186,756	11.79%	1,277,709

The data available appears to have some issues that staff is exploring. The November 2013 figures for water produced from wells and streams is roughly 20% less than the total amount of water we sold in that same month.

In 2013, the monthly production figures were not reported to the state. The Agency maintained thorough records of consumption (metered customer use) for official/reporting purposes.

We have not updated the State with our 2013 baseline figures for production and intend to do so once every month in 2013 has been vetted and corrected to the extent possible.

In order to firm up our baseline year, we're working with the California Data Collaborative and various Agency Departments.

Reporting information	Consumption	Production (undergoing review)
November 2020 conservation percentage	11.79%	-18.71%
November 2020 water production	2724.42 AF	2933.22 AF
November 2013 water production	3088.62 AF	2470.94 AF
The percentage of the Total Monthly Potable Water Production going to residential use only for the reporting month	70%	65%
Population (inclusive of seasonal residents)	89,232	
Estimated R-GPCD	231.41	
How many public complaints of water waste or violation of conservation rules were received during the reporting month?	12	
How many contacts (written/ verbal) were made with customers for actual/ alleged water waste or for a violation of conservation rules?	4	
How many formal warning actions (e.g.: written notifications, warning letters, door hangers) were issued for water waste or for a violation of conservation rules?	1	
How many penalties were issued for water waste or for a violation of conservation rules?	0	
Comments: This is the first time Desert Water Agency is submitting production figures. All data submitted under the emergency order and the subsequent voluntary reports until the report for September 2020 were based on consumption (billing) data and should not be compared to the production figures here or in the future. In order to preserve the integrity of the data, DWA has requested that previous data be removed from the SWRCB system.		