



**DELTA CONVEYANCE FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

REGULAR MEETING

Thursday, November 18, 2021

11:30 a.m.

Delta Conveyance Design and Construction Authority Offices
980 9th Street (1st Floor), in Sacramento CA

Or

Via Teleconference:

United States: +1 (571) 317-3112

Access Code: 233-747-701

AGENDA

PUBLIC PARTICIPATION: Pursuant to Government Code 54593(e) and given the current health concerns, members of the public can access meetings via conference call at **United States: +1 (571) 317-3112, Access Code: 233-747-701**. In addition, members of the public can submit comments electronically for consideration by **9:00 a.m. on November 17, 2021** by sending them to **lindastandlee@dcfinanceauthority.org**. To ensure distribution to the members of the DC Finance Authority Board of Directors prior to consideration of the agenda, **please submit comments prior to 9:00 a.m. on November 18, 2021**. Those comments will be distributed to the members of the DC Finance Authority Board and will be made part of the official public record of the meeting. Contact Linda Standlee at 916-812-6400 with any questions.

ACCESSIBILITY: If requested, the agenda and backup materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid, or service by contacting **Linda Standlee** by telephone at **916-812-6400** or via email to **lindastandlee@dcfinanceauthority.org** no later than **5:00 p.m. on November 17, 2021**.

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. PLEDGE OF ALLEGIANCE**
- 4. PUBLIC COMMENT**
- 5. OTHER MATTERS**

a. Adopt a Resolution Authorizing The Revised Use Of Teleconferencing For Public Meetings.

- 6. CONSENT CALENDAR**

Items on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.

- a. Approval of the minutes from the meeting of August 19, 2021

7. SCHEDULED ACTION ITEMS

- a. Approve a contract for Brian Thomas to continue providing Executive Director Services with Bell, Burnett & Associates for the period December 1, 2021 thru December 31, 2022
- b. Receive and file the audited financial statements and attached reports for fiscal year 2020/21

8. REPORTS AND ANNOUNCEMENTS

- a. Treasurer's Report
- b. General Counsel's Report
- c. Executive Director's Report

9. FUTURE AGENDA ITEMS

- a. Future agenda items to be considered.

10. CLOSED SESSION

- a. Conference with legal counsel pursuant to Government Code section 54956.9, potential litigation: one case.

11. ADJOURNMENT



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MEMORANDUM

DATE: November 5, 2021

SUBJECT: **Receive and Adopt Resolution for use of AB-361 proposed exemptions to Brown Act teleconferencing requirements**

SUMMARY

In response to the Covid -19 pandemic, the California Governor signed a new bill on 9/16/21 that would temporarily exempt certain requirements of the Brown Act and add additional requirements for public meetings held by teleconference. This staff report provides an analysis of the changes to the Brown Act per the proposed bill and recommends the Board's adoption of a Resolution that would put the temporary exemptions and changes into place.

BACKGROUND

In March of 2020, the Governor of California issued Executive Order N-29-20, which waived Brown Act requirements found in Gov. Code § 54953(b)(3) for teleconference participation in public meetings. In particular, this Order waived:

- a) The requirement that state and local bodies notice each teleconference location from which a member will be participating in a public meeting;
- b) The requirement that each teleconference location be accessible to the public;
- c) The requirement that members of the public may address the body at each teleconference location;

- d) The requirement that state and local bodies post agendas at all teleconference locations; and
- e) The requirement that, during teleconference meetings, at least a quorum of the members of the local body participate from locations within the boundaries of the territory over which the local body exercises jurisdiction.

Executive Order N-29-20 expired on September 30, 2021. However, AB 361 was signed by the Governor to extend the provisions of N-29-20, subject to certain conditions to be met by the local legislative body utilizing its exemptions. AB 361 also imposes certain new requirements, detailed below.

ANALYSIS

AB 361 exempts local legislative bodies from certain Brown Act requirements currently governing teleconferencing. These exemptions may be used only in one of the following circumstances:

- a) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
- b) The legislative body holds a meeting during a proclaimed state of emergency for purposes of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health and safety of attendees.
- c) The legislative body holds a meeting during a proclaimed state of emergency and has determined by majority vote pursuant to b) above that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Currently, the Governor's state of emergency regarding COVID-19 is still in effect, and the Sacramento County Health Officer has recommended that legislative bodies in the County continue to follow social distancing measures to prevent the spread of COVID.

Further, AB 361 requires the District to reconsider the state of emergency and make such determination every 30 days after commencing use of its exemptions. However, if during the 30-day period the District wishes to meet in person, they may choose to do so despite adopting the proposed Resolution. The intent of the Resolution is merely to allow the Board to avail themselves of the AB 361 teleconferencing conveniences if they so choose.

Finally, in addition to allowing for the above exemptions, AB 361 adds the following requirements:

- a) The legislative body must give notice of the meeting and post agendas as otherwise required by the Brown Act.
- b) The legislative body must allow members of the public to access the meeting, and the agenda must provide an opportunity for members of the public to address the legislative body directly pursuant to Brown Act requirements. In each instance where notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body must also give notice of the means by which members of the public may access the meeting and offer public comment. The agenda must identify and include an opportunity for all persons to attend via call-in option or an internet-based service option. The legislative body need not provide a physical location from which the public may attend or comment.
- c) The legislative body must conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties and the public appearing before the legislative body.
- d) In the event of a disruption that prevents the public agency from broadcasting the meeting to members of the public using the call-in or internet-based service options, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in or internet-based service options, the legislative body must take no further action on items appearing on the meeting agenda until public access to the meeting is restored. Actions taken on agenda items during a disruption preventing the broadcast of the meeting may be challenged as provided in the Brown Act.
- e) The legislative body may not require public comments to be submitted in advance of the meeting, and it must provide an opportunity for the public to address the legislative body and offer comment in real time.
- f) The legislative body may use an online third-party system for individuals to provide public comment that requires an individual to register with the system prior to providing comment.
- g) If a legislative body provides a timed public comment period, it may not close the comment period or the time to register to provide comment under f) until the timed period has elapsed. If the legislative body does not provide a time-limited comment period, it must allow a reasonable time for the public to comment on each agenda item and to register as necessary under f).

RECOMMENDATION

Accordingly, Staff recommend that this Board adopt the attached resolution. Doing so will enable use of AB 361's exemptions to Brown Act teleconferencing requirements, while allowing the Board to hold in person meetings at its discretion.

RESOLUTION NO. 21-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF DELTA CONVEYANCE FINANCE AUTHORITY
AUTHORIZING THE REVISED USE OF TELECONFERENCING FOR PUBLIC MEETINGS**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DELTA CONVEYANCE FINANCE AUTHORITY
AGENCY** as follows:

WHEREAS, the Governor of the State of California (“Governor”) proclaimed a State of Emergency to exist as a result of the threat of COVID-19. (Governor’s Proclamation of a State of Emergency (Mar. 4, 2020).)

WHEREAS, the Governor’s Exec. Order No. N-25-20 (Mar. 12, 2020); Governor’s Exec. Order No. N-29-20 (Mar. 17, 2020); and Governor’s Exec. Order No. N-08-21 (Jun. 11, 2021) provided that local legislative bodies may hold public meetings via teleconferencing and make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body and waived the Brown Act provisions found in Govt. Code section 54953(b)(3) which require the physical presence of the members, the clerk, or other personnel of the body, or the public, as a condition of participation in, or quorum for, a public meeting, including:

- a) The requirement that state and local bodies notice each teleconference location from which a member will be participating in a public meeting.
- b) The requirement that each teleconference location be accessible to the public.
- c) The requirement that members of the public may address the body at each teleconference location.
- d) The requirement that state and local bodies post agendas at all teleconference locations.
- e) The requirement that, during teleconference meetings, at least a quorum of the members of the local body participate from locations within the boundaries of the territory over which the local body exercises jurisdiction.

WHEREAS, the provisions of Governor’s Exec. Order No. N-25-20 (Mar. 12, 2020); Governor’s Exec. Order No. N-29-20 (Mar. 17, 2020); and Governor’s Exec. Order No. N-08-21 (Jun. 11, 2021) expired on September 30, 2021 and are no longer in effect thereafter;

WHEREAS, the Center for Disease Control is currently contending with the Delta Variant of the COVID-19 virus and anticipates the development of potential other strains which may further impede public agency operations and prolong the need for social distancing requirements; and

WHEREAS, recent legislation (A.B. 361) authorizes a local legislative body to use teleconferencing for a public meeting without complying with the Brown Act’s teleconferencing quorum, meeting notice, and agenda requirements set forth in Government Code section 54953(b)(3), in any of the following circumstances:

- a) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
- b) The legislative body holds a meeting during a proclaimed state of emergency for purposes of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health and safety of attendees.

Agenda Item 5.a | Attachment 1

- c) The legislative body holds a meeting during a proclaimed state of emergency and has determined by majority vote pursuant to b) above that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Delta Conveyance Finance Authority as follows:

Section 1. Incorporation of Recitals. All of the foregoing Recitals are true and correct, and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

Section 2. Adoption of AB 361. The Board has determined by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Section 3. Continued Implementation of AB-361. If the state of emergency remains active, and state or local officials have imposed measures to promote social distancing, the Board of Directors of the Delta Conveyance Finance Authority shall, in order to continue meeting subject to this exemption to the Brown Act, no later than 30 days after it commences using the exemption, and every 30 days thereafter, make the following findings by majority vote:

- a) The legislative body has reconsidered the circumstances of the state of emergency; *and*
- b) Either (1) the state of emergency continues to directly impact the ability of the members to meet safely in person; or (2) state or local officials continue to impose or recommend measures to promote social distancing.

Section 4. Applicability. The health and safety findings and determination that teleconference meetings are appropriate applies to all District committees and legislative bodies subject to the Brown Act.

PASSED, APPROVED AND ADOPTED on November ____, 2021.

President

ATTEST:

DCFA Secretary

BOARD OF DIRECTORS MEETING

MINUTES

REGULAR MEETING
Thursday, August 19, 2021
11:00 am

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The regular meeting of the Delta Conveyance Finance Authority (Finance Authority) Board of Directors was called to order by Vice President Record via teleconference at 11:01 a.m. Linda Standlee reviewed the process the Board and public would follow for the meeting, noting that all voting would be via roll call vote, as the meeting was being held remotely.

2. ROLL CALL

Board members in attendance were Robert Cheng, Dwayne Chisam, Kathy Cortner, Jeff Davis, Mark Krause, Randy Record, Cindy Saks, Paul Sethy, and Matt Stone.

Directors Gary Kremen and Valerie Pryor were absent.

Staff members in attendance were Brian Thomas, Katano Kasaine, and Steve O'Neill.

3. PLEDGE OF ALLEGIANCE

Dwayne Chisam led the Pledge of Allegiance.

4. PUBLIC COMMENT

Vice President Record declared public comment open, limiting speaking time to three minutes.

No members of the public requested time to speak, therefore Vice President Record closed public comment.

5. OTHER MATTERS

5.a. None.

6. CONSENT CALENDAR:

6.a. Approval of the minutes from the meeting of April 15, 2021.

Motion:	Approve the minutes from the meeting of April 15, 2021
Move to Approve:	Jeff Davis
Second:	Paul Sethy
Yeas:	Robert Cheng, Dwayne Chisam, Kathy Cortner, Jeff Davis, Mark Krause, Randy Record, Cindy Saks, Paul Sethy, and Matt Stone

Nays:	None
Abstains:	None
Recusals:	None
Absent:	Gary Kremen, Valerie Pryor,
Summary:	9 Yeas; 0 Nays; 0 Abstains; 2 Absent. (Motion passed as MO 21-08-01)

7. SCHEDULED ITEMS

7.a. Review and approval of the Investment Policy for Fiscal Year 2021/22

Vice President Record asked Brian Thomas, DCFA Executive Director, to introduce this item. Mr. Thomas noted that Metropolitan Water District of Southern California (MWD) holds and manages DCFA's funds, and as such, he noted the importance of DCFA's investment policy being consistent with MWD's. He then introduced Katano Kasaine, DCFA's Treasurer, to provide a brief presentation on the changes in the policy. Ms. Kasaine noted that pursuant to Government Code Section 53607, a legislative body of a local agency has the authority to delegate for a one-year period investment authority to the treasurer and that such delegation may be renewed each year. She then went on to discuss the changes in the policy for this year, noting the following: (1) Increase the maximum amount of Commercial Paper in the portfolio from a single issuer from 5% to 10%, while still retaining the overall limit on Commercial Paper to 25% of the portfolio; (2) Limiting the amount Commercial Paper held in the portfolio to no more than 10% of the issuer's outstanding Commercial Paper and Medium Term Notes; and (3) Increasing the maximum amount permitted to be invested in the California Asset Management Program (CAMP) from 30% of the portfolio to 40% of the portfolio. CAMP is a short-term liquidity fund, similar to LAIF.

Vice President Record noted that there were two resolutions requiring Board approval under this item. The first was Resolution No. 21-01 adopting the DCFA Investment Policy for Fiscal Year 2021-22.

Motion:	Approve Resolution No. 21-01 adopting the DCFA Investment Policy for Fiscal Year 2021-22.
Move to Approve:	Jeff Davis
Second:	Paul Sethy
Yeas:	Robert Cheng, Dwayne Chisam, Kathy Cortner, Jeff Davis, Mark Krause, Randy Record, Cindy Saks, Paul Sethy, and Matt Stone
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Gary Kremen, Valerie Pryor
Summary:	9 Yeas; 0 Nays; 0 Abstains; 2 Absent. (Motion passed as MO 21-08-02)

Vice President Record noted the second resolution was Resolution No. 21-02 delegating authority to the Treasurer to invest the DCFA's funds and requested a Motion from the Board. Director Davis queried Steve O'Neill, DCFA General Counsel, as to whether the item had been properly agendized; Mr. O'Neill noted that the Investment Policy could not be properly implemented without delegation of authority to the Treasurer, therefore the agenda item provided reasonable notice as required by the Brown Act for the public who

wish to participate in this discussion and action item, and it is therefore appropriate to take this action.

Motion:	Approve Resolution No. 21-02 delegating authority to the Treasurer to invest the DCFA's funds
Move to Approve:	Jeff Davis
Second:	Matt Stone
Yeas:	Robert Cheng, Dwayne Chisam, Kathy Cortner, Jeff Davis, Mark Krause, Randy Record, Cindy Saks, Paul Sethy, and Matt Stone
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Gary Kremen, Valerie Pryor,
Summary:	9 Yeas; 0 Nays; 0 Abstains; 2 Absent. (Motion passed as MO 21-08-03)

8. REPORTS AND ANNOUNCEMENTS

8.a. DCA Update

Vice President Record introduced Graham Bradner, the Delta Conveyance Design and Construction Authority's (DCA) Executive Director. Mr. Bradner provided a presentation to the Board that provided an update on DCA activities and budget.

8.b. Treasurer's Report

Ms. Kasaine provided the Treasurer's Report for the quarter ending June 30, 2021, noting the beginning cash balance on April 1 was \$564,759; total receipts for the three months ending June 2021 was \$829, disbursements for the quarter totaled \$6,343 and the ending cash balance was \$559,245.

8.c. General Counsel Report

Mr. O'Neill reported on activities which occurred during the last few months. He noted that during the last few months his activities associated with the DCFA have been focused on administrative-type activities.

8.d. Executive Director Report

Mr. Thomas noted his written report and updated actions were included in the Board packet and reported the work over the last few months has been associated with administrative activities, including renewing the DCFA insurance, preparing for the audit and monitoring and communicating with DWR and the State Water Project Contractors.

9. FUTURE AGENDA ITEMS

There were no future agenda items.

10. CLOSED SESSION

- 10.a. Conference with legal counsel pursuant to Government Code section 54956.9, potential litigation: one case.

Mr. O'Neill reported that the Board met pursuant to Government Code section 54956.9, to discuss one item of potential litigation. A report was given to the Board, with no formal action taken by the Board.

11. ADJOURNMENT:

Vice President Record adjourned the meeting at 12:08 p.m.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 18, 2021

Item No. 7.a

Subject

Contract Assignment and Extension for Executive Director Services

Executive Summary

The Board of Directors approved a one-year contract with Michael Bell Management Consulting to provide Executive Director services at its meeting on December 20, 2018. Brian Thomas, Executive Director, provides services under this contract. The initial contract term covered January 1, 2019 to December 31, 2019 at a total compensation, including expenses, of \$200,000. The contract has been extended for two additional years with no change in compensation and within the original contract amount of \$200,000.

Michael Bell, the principal for Michael Bell Management Consulting has created a new firm, Bell, Burnett & Associates and will be closing Michael Bell Management Consulting. The recommended action would be to extend the services of Brian Thomas through the firm of Bell, Burnett & Associates, effective December 1, 2021 thru December 31, 2022. This contract will have the same terms, with no change in compensation. The balance remaining in the Michael Bell Management Consulting Contract is approximately \$82,000 and will be transferred to the new contract with Bell, Burnett & Associates. Given this year's activity and expenditure levels, and projected activities for next year, this contract amount should be sufficient to manage the DCFA's activities for another year.

Detailed Report

The board approved a contract with Michael Bell Management Consulting to retain the services of Brian Thomas to serve as Executive Director of the Authority at its meeting on December 20, 2018. Mr. Thomas has been serving as the Authority's Executive Director since the Authority's inception in July 2018. At the October 17, 2019 board meeting, the Board approved an extension at no cost until December 31, 2020. The terms of the amended contract include maximum compensation of \$200,000 (including expenses) and a termination date of December 31, 2020. A similar action was taken in November 2020 to extend the contract to December 31, 2021.

Michael Bell, the principal at Michael Bell Management Consulting, has formed a new firm called Bell, Burnett & Associates (BBA). As a result, he will be closing Michael Bell Management Consulting and transferring work to the new firm. It is recommended the DCFA execute a new contract with the same terms, including compensation, with BBA, effective December 1, 2021. It is proposed the contract with BBA extend through December 31, 2022, with the option for the board to extend at one-year intervals.

As discussed in recent board meetings and as reflected in the 2020/21 audit results and the 2021/22 approved budget, the DCFA's activities have been limited to administrative and maintenance functions. Total expenditures under the contract with Michael Bell Management Consulting are anticipated to be about \$118,000 through November 2021, about 59% of the original contract amount. Expenditures in fiscal year 2020/21 totaled \$15,764, and \$3,575 has been spent in the current fiscal year through October 31, 2021.

At this level of spending, the new contract with BBA would be for a total amount of \$82,000 and should be sufficient to cover this year and next year's activities. If activity, including any need for financing, extensive financial analysis or outreach, increases in the next calendar year, the board may amend the contract for any supplemental funds. This extension will have no impact on member agency assessments or the operating budget.

Funding

Funds are available in the 2021/22 budget and will be included in the 2022/23 fiscal year operating budget.

Recommended Action

Approve contracting with Bell, Burnett & Associates for Executive Director Services effective December 1, 2021 thru December 31, 2022, with annual renewals in the amount of \$82,000.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 18, 2021

Item No. 7.b

Subject

Audited Financial Statements for Fiscal Year 2020/21

Executive Summary

The Board retained the services of Richardson & Company to perform an audit of the Delta Conveyance Finance Authority's (Authority) financial activities for the past fiscal year. The attached audit report and accompanying documents are provided for the Board's review.

Detailed Report

Annually, the Authority is required to conduct an external financial audit. Since the operating activity of the Authority is limited, the financial statements are presented on a cash basis, showing actual receipts and disbursements. Given the Authority has no assets other than the cash and investments in the trust fund, the cash basis of accounting is the easiest and most transparent way to present the financial activities of the Authority. It is also consistent with the Authority's budgeting process and presentation. If, and when, the Authority issues debt, the basis of accounting would be modified to the accrual basis.

In addition to the audit and accompanying cash basis financial statements, the auditor has issued a Governance Letter and a Management Letter. The Governance Letter includes certain required disclosures to the board. These disclosures are required under external audit standards. The Management Letter addresses the external auditor's review of internal controls as it pertains to their audit of the Authority's financial statements. There were no material weaknesses or recommendations reported by the external auditor.

Funding

NA

Recommended Action

Receive and file the audited financial statements and attached reports for fiscal year 2020/21.

ATTACHMENTS:

Audited Financial Statements for Fiscal Year 2020/21
Governance Letter
Management Letter

DELTA CONVEYANCE FINANCE AUTHORITY
BOARD MEETING AUDIT PRESENTATION AGENDA

November 18, 2021

Presentation by Richardson & Company, LLP of the Audited Financial Statements, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Auditor's opinion on the financial statement
- Governance (required communications) letter
- Management letter

Independent Auditor's Report (page 1)

- Fairly presented on cash basis of accounting

Discussion of financial statements

- No contributions from members—expenditures paid out of existing cash balance
- Disbursements consist of mostly payments to consulting firm for executive director, payments to MWD for treasury and accounting functions and legal services
- Remaining cash balance of \$559,245 maintained in MWD's cash and investment pool
- Note A discusses current status of WaterFix

Governance letter

- Discusses scope and limitations of an audit
- No misstatements noted
- No difficulties in performing the audit and no unusual accounting practices

Management letter

- No material weaknesses in internal controls--good internal controls

**DELTA CONVEYANCE
FINANCE AUTHORITY**

Audited Statements of Cash Receipts and Disbursements

June 30, 2021 and 2020

DELTA CONVEYANCE FINANCE AUTHORITY

AUDITED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

We have audited the accompanying financial statements of the Delta Conveyance Finance Authority (the Authority), which comprise the statements of cash receipts and disbursements for the years ended June 30, 2021 and 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 entity'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 cash receipts and cash disbursements of the Authority for the years ended June 30, 2021 and 2020, in accordance with the cash basis of accounting described in Note A.

Board of Directors
Delta Conveyance Finance Authority

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Richardson & Company, LLP

October 12, 2021

DELTA CONVEYANCE FINANCE AUTHORITY

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS

Years Ended June 30, 2021 and 2020

	2021	2020
CASH RECEIPTS		
Contributions from member agencies	\$ -	\$ 550,000
Interest income	7,181	12,586
TOTAL CASH RECEIPTS	7,181	562,586
CASH DISBURSEMENTS		
Executive director	15,764	54,918
Insurance premiums	8,635	11,943
Treasury and accounting	30,000	30,000
Meeting expenses	-	200
Professional services	15,008	70,084
TOTAL CASH DISBURSEMENTS	69,407	167,145
(DEFICIENCY)/EXCESS OF RECEIPTS OVER DISBURSEMENTS	(62,226)	395,441
Cash and investments at beginning of year	621,471	226,030
CASH AND INVESTMENTS AT END OF YEAR	\$ 559,245	\$ 621,471

The accompanying notes are an integral part of the financial statements.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Authority is a Joint Powers Authority organized under California Government Code Section 6505. The Authority was created on July 3, 2018 to assist the Department of Water Resources (DWR) and public agency participants to finance all or a portion of the California WaterFix. The California WaterFix was conceived as a major infrastructure project to deliver water from the Sacramento River near the northern end of the Sacramento-San Joaquin Delta to the existing State Water Project and Central Valley Project pumping plants in the southern end of the delta. On May 2, 2019, as a result of the Governor's determination that a smaller facility was appropriate, DWR withdrew its proposed permits for the California WaterFix and initiated a renewed environmental process for a smaller project. The final decision regarding whether to approve a reconfigured Delta Conveyance Project or another alternative, including a/no project alternative, will not occur until after completion of the environmental review under the California Environmental Quality Act and National Environmental Policy Act, and other permitting activities have been completed. DWR has indicated such activities will not be completed until mid-2024. The Authority may still assist in the financing of any resulting project.

The Authority's members consist of water agencies that contract with DWR for the purchase of water. Its operations are supported by the collection of contributions from its members. The governing board is made up of eleven representatives from member agencies.

Basis of Presentation and Accounting: The accompanying statements of cash receipts and disbursements has been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash and investments and no liabilities are recognized. All transactions are recognized as either cash receipts or cash disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

NOTE B – CASH AND INVESTMENTS

At June 30, 2021 and 2020, all of the Authority's cash and investments are maintained in Metropolitan Water District of Southern California's (MWD's) Treasury.

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The following table identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	No limit	No limit
Federal Agency Obligations	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Certificates of Time Deposit	5 years	30%	No limit
Repurchase Agreements	270 days	20%	No limit
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	No limit
Municipal Bond and Notes	5 years	40%	5%
Metropolitan Water District Pooled Investment Fund	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	N/A	No limit
California Asset Management Program (CAMP)	N/A	30%	No limit
Asset- Backed Securities	5 years	20%	5%
Supranationals	5 years	30%	No limit

The Authority complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The Authority will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the MWD Investment Pool: The Authority's cash is held in the MWD's cash and investment pool which is managed by the MWD Treasurer. The Authority's cash balances invested in the MWD Treasurer's cash and investment pool are stated at amortized cost, which approximated fair value. The amount invested by all public agencies in MWD's cash and investment pool is \$1,479,417,000 and fair value of \$1,481,908,000 at June 30, 2021 and \$1,241,905,000 and fair value of \$1,252,120,000 at June 30, 2020. MWD does not invest in any derivative financial products. MWD's Board delegates to the treasurer the oversight responsibility for MWD's cash and investment pool. The value of pool shares in MWD that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Cash held in the MWD's investment pool will be disbursed within 5 days. Close-out of the cash held in the pool requires 30-day notice.

Interest rate risk: Interest rate risk is the risk 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. The Authority's investment in MWD's pool has an average maturity of 186 days as of June 30, 2021 and 235 days as of June 30, 2020.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The external investment pool is not rated.

Concentration of Credit Risk: The investment policy of the Authority limits the amount that can be invested by any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority investments.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investments in securities with governmental investment pools (such as MWD's investment pool).

NOTE C – RELATED PARTY TRANSACTIONS

The Authority contracts for treasury and accounting services with MWD, who is also a member agency. The expenses for treasury and accounting services totaled \$30,000 for both the years ending June 30, 2021 and 2020.

NOTE D – CONDUIT DEBT

The Authority has the power to issue, sell and deliver, in accordance with the Joint Powers Act, bonds, notes, or other obligations to provide funds for the acquisition, construction and/or financing of the Delta Conveyance Project. The Authority Finance Program acts as a conduit of debt and as a result, the financing obligations are not recorded in the Authority's financial statement. Currently, the Authority has not issued any conduit debt as of June 30, 2021 and 2020.



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GOVERNANCE LETTER

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

We have audited the financial statement of the Delta Conveyance Finance Authority (Authority) for the year ended June 30, 2021, and have issued our report thereon dated October 12, 2021. Professional standards require that we provide you with the following information about our responsibility under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 15, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight is fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statement and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material weaknesses in internal control as a result of our audit.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 15, 2021.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statement. We noted

no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were noted during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

October 12, 2021



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MANAGEMENT LETTER

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

In planning and performing our audit of the financial statement of Delta Conveyance Finance Authority (Authority) for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis.

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

No recommendations for improvement were noted during our audit.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

October 12, 2021



Board Memo

Contact: Katano Kasaine, Treasurer

AGENDA DATE: November 18, 2021

Item No. 8a

Subject: Treasurer's Report, Quarter Ended September 31, 2021

Executive Summary

The beginning cash balance in the DCFA Trust at July 1, 2021 was \$559,245. Receipts for the three months ended September 2021 totaled \$785, consisting of interest receipts. Disbursements totaled \$20,672 during the three months ended September 2021. The ending cash balance at September 30, 2021 was \$539,358.

Attached is a schedule of Budget versus Actual through September 30, 2021. Year-to-date actual expenses were \$201,566 lower than budget due to limited opportunities to assist in financing, as well as the impacts of the pandemic on travel and meetings, the activities of the DCFA have been limited.

Detailed Report

See attached Statements

Recommended Action

For information only

ATTACHMENTS:

Attachment 1: DCFA Quarter Ended September 30, 2021 Financial Statements

Attachment 2: Budget versus Actual



DELTA CONVEYANCE FINANCE AUTHORITY

Statement of Net Position

As of September 30, 2021

Assets:

Cash	\$	539,358
Interest receivable		387
Prepays		8,435
		<hr/>
Total assets	\$	548,180
		<hr/> <hr/>

Net position	\$	548,180
		<hr/> <hr/>



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Cash Receipts and Disbursements

	Quarter Ended Sep '21
Receipts:	
Interest receipts	\$ 785
Total receipts	785
Disbursements:	
Executive director	7,475
Insurance premiums	11,237
Professional services	1,960
Total disbursements	20,672
Net change in cash	(19,887)
Cash at July 1, 2021	559,245
Cash at September 30, 2021	\$ 539,358



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position

	Quarter Ended Sep '21
Revenues:	
Interest income	\$ 993
Total revenues	<u>993</u>
Expenses:	
Executive director	1,462
Insurance premiums	2,802
Professional services	770
Total expenses	<u>5,034</u>
Changes in net position	(4,041)
Net position at June 30, 2021	<u>552,221</u>
Net position at September 30, 2021	<u><u>\$ 548,180</u></u>

* Balances may include prior quarter accruals that were not previously captured due to timing.

**DELTA CONVEYANCE FINANCE AUTHORITY**

Schedule of Invoices Paid
for the Three Months Ended September 30, 2021

Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Amount	Disbursement Category
1 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	14671	04/30/21	07/01/21	04/01/21-04/31/21	\$ 1,015	Professional services
2 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	15310	05/31/21	07/01/21	05/01/21-05/31/21	35	Professional services
3 Alliant Insurance Services, Inc.	1682779	07/01/21	07/07/21	07/01/21-07/01/22	11,237	Insurance premiums
4 Michael Bell Management Consulting	527	07/31/20	08/02/21	07/01/20-07/31/20	2,600	Executive director
5 Michael Bell Management Consulting	536	11/25/20	08/02/21	10/01/20-10/31/20	2,275	Executive director
6 Michael Bell Management Consulting	568	07/13/21	08/27/21	05/01/21-06/30/21	1,138	Executive director
7 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	15589	06/30/21	08/09/21	06/01/21-06/30/21	140	Professional services
8 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	15819	07/31/21	09/01/21	07/01/21-07/31/21	70	Professional services
9 Michael Bell Management Consulting	573	09/04/21	09/15/21	08/01/21-08/31/21	1,462	Executive director
10 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	16393	08/31/21	09/24/21	08/01/21-08/31/21	700	Professional services
					<u>\$ 20,672</u>	
					Executive director	\$ 7,475
					Insurance premiums	11,237
					Professional services	1,960
					<u>\$ 20,672</u>	

*Totals may not foot due to rounding.



Delta Conveyance Finance Authority

Budget versus Actual

FY 2021/22

Item	Actual Through September 30, 2021	Budget FY 2021/22	Budget Remaining	Percent of Budget Used
Executive director	\$ 1,462	\$ 50,000	\$ 48,538	2.9%
Professional services	770	80,500	79,730	1.0%
Treasury and accounting	—	30,000	30,000	0.0%
Insurance	2,802	9,100	6,298	30.8%
Travel and meeting	—	1,000	1,000	0.0%
Materials and supplies	—	1,000	1,000	0.0%
Contingency	—	35,000	35,000	0.0%
Total	\$ 5,034	\$ 206,600	\$ 201,566	2.4%

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 18, 2021

Item No. 8.c

Subject: Executive Director's Report

Executive Summary

The DCFA's primary activity continues to be administrative in nature, while monitoring activities regarding the Delta Conveyance Project. We continue to communicate and coordinate with the State Water Contractors, including the Metropolitan Water District, the Department of Water Resources and the Delta Conveyance Design and Construction Authority (DCA) to keep current with activities on the project.

Detailed Report

Administration. Activities included working with Metropolitan and Richardson to prepare the external audit and complete year-end financial reports.

Meetings/calls. DWR continues to make progress on the environmental documents, and the DCA has continued its outreach through the Stakeholder Engagement process.

We continue to work with DWR to evaluate potential financing paths, including the idea of financing planning costs and design costs upon completion of the environmental process. There remain many hurdles to any financing as the board has discussed.

Future Activities

I will continue working with the members, the DCA, DWR and the state water project contractors to identify opportunities to support financial analysis and activities.

Recommended Action

Informational.

ATTACHMENTS:

Approved Board Actions

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

October 31, 2021

Action	Date
Adopted the CEQA determination for actions related to California Water Fix – that the Board has reviewed and considered the BDCP/California WaterFix environmental documentation and adopts the lead agency’s Findings of Fact, Statement of Overriding Considerations, Mitigation Monitoring and Reporting Program	7/19/2018
Approved agreement with Metropolitan to provide treasury and accounting services	7/19/2018
Approved submittal of WIFIA Letter of Interest	7/19/2018
Approved execution of agreement with Michael Bell Consulting to retain the services of Brian Thomas as Interim Executive Director	7/19/2018
Approved Fiscal Year 2018/19 Operating Budget	8/16/2018
Approved Debt Management Policy	8/16/2018
Approved Investment Policy	8/16/2018
Approved Bylaws	11/15/2018
Approved extension of contract with Michael Bell Management Consulting for the services of Brian Thomas as Executive Director through December 31, 2019	12/14/2018
Adopted Conflict of Interest Code	12/28/2018
Approved Reimbursement Policy	1/17/2019
Approved execution of agreement with Oliverrez Madruga Lemieux O'Neill to serve as general counsel	1/17/2019
Approved execution of agreement with Norton Rose Fulbright to serve as bond counsel	2/21/2019
Approved execution of agreement with Stradling Yocca Carlson & Rauth to serve as disclosure counsel	2/21/2019
Approved Fiscal Year 2019/20 Operating Budget and annual membership fees	5/16/2019
Approved execution of agreement with Richardson & Co. to provide external audit services	5/16/2019
Approved updated and amended Investment Policy	7/18/2019
Approved amendments to the DCFA bylaws	7/18/2019

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

October 31, 2021

Action	Date
Approved no-cost extension to agreement with Michael Bell Management Consulting Services to provide Executive Director Services through December 2020	10/17/2019
Received and filed audited financial statements for fiscal year 2018/19	10/17/2019
Appointed Board Officers and Executive Committee	1/16/2020
Appointed MWD CFO as the Treasurer for the Authority	1/16/2020
Approved Fiscal Year 2020/21 Budget	5/21/2020
Approved Updated Investment Policy and Delegated authority to the Treasurer to invest funds	7/16/2020
Approved no-cost extension to agreement with Michael Bell Management Consulting Services to provide Executive Director Services through December 2021	10/15/2020
Received and filed audited financial statements for fiscal year 2019/20	10/15/2020
Appointed Board Officers and Executive Committee	1/21/2021
Approved Fiscal Year 2021/22 Budget	4/15/2021
Approved Investment Policy for 2021/22 and delegated investment authority to MWD Treasurer	8/19/2021