



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

REGULAR MEETING

Thursday, November 16, 2023

11:00 a.m.

DCDCA Boardroom
980 9th Street, Suite 100
Sacramento, CA 95814

Teleconference Locations

1210 Beaumont Ave., Beaumont, CA 92223
26501 Summit Circle, Santa Clarita, CA 91350
1200 South Gene Autry Trail, Palm Springs, CA 92264
13846 Conference Center Dr, Apple Valley, CA 92307
525 Via La Selva, Redondo Beach, CA 90277

Join Zoom Meeting

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Meeting ID: 969 9964 0330

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Via Teleconference: +1 669 444 9171

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One Tap Mobile: +16694449171,,96999640330#,,, *042006#

AGENDA

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 15, 2023.*

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. PLEDGE OF ALLEGIANCE**
- 4. PUBLIC COMMENT**
- 5. OTHER MATTERS**
- 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 September 21, 2023.

7. SCHEDULED ACTION ITEMS

- a. Approval of change to the bylaws to enable discussion of closed session items with member agencies boards and legislative bodies in compliance with the Brown Act.
- b. Receive and file the fiscal year 2023 Audited Financial Statements
- c. Approve a one-year contract extension with Brian G. Thomas Consulting LLC for Executive Director Services.

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: Government Code §54956.9: potential litigation: one case.

11. ADJOURNMENT

BOARD OF DIRECTORS MEETING

MINUTES

Thursday, September 21, 2023

11:30 am

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The special meeting of the Delta Conveyance Finance Authority (Finance Authority) Board of Directors was called to order by President Sethy at 11:31 a.m. Mr. Sethy noted some directors were participating remotely and requested DCFA's Executive Director to provide guidance on how the meeting would be conducted.

2. ROLL CALL

Board members in attendance were Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Mark Krause, Robert Cheng and Peter Thompson.

Director Adnan Anabtawi was absent.

Staff members in attendance were Brian Thomas and Martin Koczanowicz (partner to Steve O'Neill and participating in Mr. O'Neill's place for this meeting).

3. PLEDGE OF ALLEGIANCE

The Board recited the pledge of allegiance.

4. PUBLIC COMMENT

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

No members of the public requested time to speak and President Sethy closed public comment.

5. OTHER MATTERS

No Other Matters were discussed by the Board.

6. CONSENT CALENDAR:

Director Sethy queried the Board if there were any comments or questions; none were provided. Director Sethy queried the public for any comments; none were provided. Director Sethy called for a motion to approve the minutes.

6.a. Approval of the minutes from the meeting of May 18, 2023.

Motion:	Approve the minutes from the meeting of May 18, 2023
Move to Approve:	Matt Stone

Second:	Russell Lefevre
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Bob Tincher, Matthew Stone, Mark Krause, Robert Cheng, Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Adnan Anabtawi
Summary:	10 Yeas; 0 Nays; 0 Abstains; 1 Absent. (Motion passed as MO 23-09-01)

7. SCHEDULED ACTION ITEMS

- a. None.

8. REPORTS AND ANNOUNCEMENTS

Director Sethy requested public comment; none was provided.

- a. Treasurer's Report

Ms. Bernadette Robertson provided the Treasurer's report to the Board. Ms. Robertson noted the beginning cash balance in the DCFA Trust at April 1, 2023 was \$343,975. For the three months ended June 30, 2023, total receipts were \$3,296, consisting of interest income, and total disbursements were \$11,137, resulting in an ending cash balance of \$336,134. Receipts through August 31, 2023 totaled \$2,314, consisting of interest receipts. Disbursements totaled \$11,115 through the same period and the ending cash balance on August 31, 2023 was \$327,333.

- b. General Counsel's Report

Martin Koczanowicz (partner to Steve O'Neill participated in Mr. O'Neill's place for this meeting), reported on recent activities, noting work focused on administrative matters.

- c. Executive Director's Report

Mr. Thomas reported that the primary activity continued to be administrative, as well as developing financing alternatives and monitoring activities regarding the Delta Conveyance Project.

Director Sethy requested public comment; none was provided.

9. FUTURE AGENDA ITEMS

- a. None.

10. CLOSED SESSION

- a. Conference with legal counsel: Government Code §54956.9: potential litigation: one case.

Agenda Item 6.a

Martin Koczanowicz, General Counsel, reported that the Board met pursuant to Government Code §54956.9 to discuss one item of potential litigation; a report was given to the Board and no reportable action was taken.

11. ADJOURNMENT

President Sethy adjourned the meeting at 12:40 p.m.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 16, 2023

Item No. 7.a

Subject

Resolution amending the Delta Conveyance Finance Authority (DCFA) bylaws to facilitate communication of closed session materials to home boards.

Detailed Report

The Brown Act designates information received by a legislative body in closed session as confidential and generally prohibits its disclosure. In the context of a joint powers authority ("JPA") like the DCFA, this means that, in general, information obtained by a DCFA Board member during a DCFA closed session may not be shared with a Board member's legislative body or legal counsel. However, Government Code section 54956.96 allows a JPA to adopt a policy whereby information obtained in closed session may be shared with a member agency's legal counsel and with the legislative body in closed session if the information has financial or liability implications for that member agency.

This proposed amendment to the Bylaws authorizes the DCFA Board to adopt a policy that authorizes the disclosure of information disclosed in a DCFA closed session consistent with the requirements in Government Code section 54956.96. Amending the DCA Bylaws to include this policy will allow for the sharing of information with members' legislative bodies and their legal counsel, and allow those agencies to take action accordingly.

Funding

N/A

Recommended Action

Approve the attached resolution amending the DCFA bylaws to enable communication of closed session items to board members' home boards.

Attachment: Resolution 23-04

RESOLUTION NO. 23-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DELTA CONVEYANCE FINANCE
AUTHORITY APPROVING AMENDMENT TO SECTION 6.5 OF ITS BYLAWS**

WHEREAS, on November 15, 2018, the Board of Directors (the “Board”) for the Delta Conveyance Finance Authority (the “Authority”) adopted Resolution 18-6 establishing the Authority’s Bylaws pursuant to Article XV of the Joint Powers Agreement; and

WHEREAS, the Board wishes to enable efficient flow of confidential information from the Authority to its member agencies boards and legislative bodies in compliance with the Brown Act; and

WHEREAS, to enable such information flow, the Board wishes to amend Section 6.5 of the Authority’s Bylaws by adding Section 6.5.1, to ensure compliance with Government Code section 54956.96.

NOW, THEREFORE, the Board does hereby resolve, find, determine, and order as follows:

1. Section 6.5.1 shall be added to the Authority Bylaws as follows:

6.5.1 Confidential Information from Closed Sessions. Section 54963 of the Government Code prohibits the distribution of any confidential information acquired by a person in attendance at a closed session of the Authority. However, in accordance with Government Code section 54956.96, a Director or Alternate Director may disclose such confidential information to select individuals if the information has financial or liability implications for the Member whose Director obtains the information. The individuals to whom the confidential information may be disclosed are: (1) legal counsel for the Member for the purpose of obtaining advice on the financial or liability implications of the confidential information; and (2) members of the governing board of the Member who are present in a closed session meeting of that legislative body.

2. All other sections of the Authority’s bylaws remain unchanged by this Resolution.
3. This resolution is effective immediately.

[SECTION INTENTIONALLY LEFT BLANK]

Agenda Item 7.a | Attachment

PASSED, APPROVED AND ADOPTED on _____, 2023.

Paul Sethy, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of the Delta Conveyance Finance Authority at its meeting held on _____ 2023.

ATTEST:

Robert Cheng, Secretary

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 16, 2023

Item No. 7.b

Subject

Audited Financial Statements for Fiscal Year 2022/23

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 continue to be 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 2022/23.

ATTACHMENTS:

Audited Financial Statements for Fiscal Year 2022/23
Governance Letter
Management Letter
Presentation Outline

**DELTA CONVEYANCE
FINANCE AUTHORITY**

Audited Statements of Cash Receipts and Disbursements

June 30, 2023 and 2022

DELTA CONVEYANCE FINANCE AUTHORITY

AUDITED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2023 and 2022

TABLE OF CONTENTS

Independent Auditor's Report	1
<u>Financial Statements</u>	
Statements of Cash Receipts and Disbursements.....	3
Notes to the Financial Statements.....	4



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

Opinions

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, 2023 and 2022, and the related notes to the financial statements.

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, 2023 and 2022, in accordance with the cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our Audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The 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 this matter.

Responsibilities of Management for the Financial Statements

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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Richardson & Company, LLP

November 9, 2023

DELTA CONVEYANCE FINANCE AUTHORITY

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH RECEIPTS		
Interest income	\$ 9,401	\$ 2,695
TOTAL CASH RECEIPTS	<u>9,401</u>	<u>2,695</u>
CASH DISBURSEMENTS		
Executive director	19,176	23,056
Insurance premiums	11,237	11,237
Treasury and accounting	30,000	30,000
Professional services	91,931	18,570
TOTAL CASH DISBURSEMENTS	<u>152,344</u>	<u>82,863</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(142,943)	(80,168)
Cash and investments at beginning of year	<u>479,077</u>	<u>559,245</u>
CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 336,134</u>	<u>\$ 479,077</u>

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

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 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 delivery of water from the State Water Project. 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 have 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, 2023 and 2022, all of the Authority's cash and investments were 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, 2023 and 2022

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bank Deposit	5 years	30%	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
Federal Agency Obligations	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	25%
Commercial Paper	270 days	25%	10%
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	30%	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	10%	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 \$1,611,184,000 and fair value of \$1,594,738,000 at June 30, 2023 and \$1,559,575,000 and fair value of \$1,542,831,000 at June 30, 2022. 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 78 days as of June 30, 2023 and 152 days as of June 30, 2022.

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, 2023 and 2022

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, 2023 and 2022.

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. The Authority has not issued any conduit debt as of June 30, 2023 and 2022.



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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 (the Authority) for the year ended June 30, 2023, and have issued our report thereon dated November 9, 2023. 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 July 18, 2023, 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 are required by the audit standards to identify potential risks of material misstatement during the audit process. We have identified the following significant risk of material misstatement as part of our audit planning: Management override of controls and revenue recognition. These are the areas that the audit standards require at a minimum to be identified as significant risks.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated July 18, 2023.

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 November 9, 2023.

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.

Board of Directors

Page 3

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

November 9, 2023



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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 the Delta Conveyance Finance Authority (the Authority) for the year ended June 30, 2023, 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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

November 9, 2023

DELTA CONVEYANCE FINANCE AUTHORITY
BOARD MEETING AUDIT PRESENTATION AGENDA

November 16, 2023

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, insurance and legal services
- Remaining cash balance of \$336,134 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

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 16, 2023

Item No. 7.c

Subject

Contract for Executive Director Services

Executive Summary

Last year, the Board of Directors approved a one-year contract with Brian G. Thomas Consulting, LLC, through which Brian Thomas has provided ongoing Executive Director services. The total contract value for Brian G. Thomas Consulting, LLC was \$60,000 with a billing rate of \$325/hour. The contract may be renewed annually for up to five years. Given that the activities of the Delta Conveyance Finance Authority (DCFA) remain primarily administrative, it is proposed the contract be extended for one year without any change to the total amount of compensation.

Detailed Report

Brian Thomas has been serving as the Executive Director for the DCFA since 2018. The Board approved a new contract with Brian G. Thomas Consulting, LLC at its November 17, 2022, meeting for the period January 1, 2023 through December 31, 2023. The total contract amount was \$60,000, with an hourly rate of \$325/hour (the hourly rate has not changed since 2018.) As discussed over the past year, the DCFA activities have been limited and the Executive Director role has been primarily administrative in nature. Total expenditures through November were just under \$16,000. Estimated costs through the end of 2023 are expected to total just over \$20,000. As such, there should be sufficient funding in the existing contract for an additional year.

It is proposed that the contract be renewed for one year for the period January 1, 2024 through December 31, 2024. All other terms, including total compensation, will remain the same.

Funding

Funds are available in the 2023/24 budget and will be included in the 2024/25 fiscal year operating budget.

Recommended Action

Approve a one-year contract extension with Brian G. Thomas Consulting, LLC for Executive Director Services effective January 1, 2024 thru December 31, 2024, with total compensation (including expenditures in 2023) not to exceed \$60,000, with annual renewals up to an additional four years.

Attachment: Amendment No. 1 to Contract Between Delta Conveyance Finance Authority and Brian G. Thomas Consulting, LLC

AMENDMENT NO. 1 TO AGREEMENT BETWEEN

DELTA CONVEYANCE FINANCE AUTHORITY

AND

BRIAN G. THOMAS CONSULTING, LLC

AGREEMENT NUMBER FA 18003

THE DELTA CONVEYANCE FINANCE AUTHORITY

AGREEMENT NO. FA 18003

Amendment No. 1

This amendment to the Agreement between THE DELTA CONVEYANCE FINANCE AUTHORITY, a public agency organized pursuant to the Joint Exercise of Powers Act {California Government Code Sections 6500, et seq.}, hereinafter referred to as “Finance Authority”, and Brian G. Thomas Consulting, LLC, hereinafter referred to as “Consultant” serves to extend the agreement term for one year.

Section 2. Time and Term is replaced in its entirety as follows:

“Time is of the essence in the performance of services under this Agreement. This Agreement is in effect from January 1, 2024 through December 31, 2024, subject to earlier termination pursuant to paragraph 21 below. This Agreement may be renewed for up to five years by mutual agreement of the parties.”

All other provisions of the Agreement remain in effect.

IN WITNESS, WHEREOF, the parties have executed and entered into this Agreement as of the date last written below.

Brian G. Thomas Consulting, LLC

Delta Conveyance Finance Authority

By: _____

By _____

Print Name: Brian Thomas

Print Name: Paul Sethy

Title: Manager/Member

Title: Director and President of the Board

Date: _____

Date: _____

APPROVED AS TO FORM:

By: _____

Title: General Counsel

Date: _____



Board Memo

Contact: Katano Kasaine, Treasurer

AGENDA DATE: November 16, 2023

Item No. 8.a

Subject: Treasurer's Report, Quarter Ended September 30, 2023

Executive Summary

The beginning cash balance in the DCFA Trust at July 1, 2023 was \$336,134. Receipts and disbursements for the first quarter ended September 2023 totaled \$3,449 and \$14,228, respectively, resulting in an ending cash balance of \$325,355 at September 30, 2023.

Attached is a schedule of Budget versus Actual through September 30, 2023. Year-to-date actual expenses were \$6,146, resulting in \$182,204 remaining in the fiscal year budget. The DCFA activities have been limited and primarily administrative in nature. There have been fewer board meetings than planned, limiting travel and meeting expenses. Future expenditures are expected to be at or below budget with primary activities consisting of communications and administration of the DCFA.

Detailed Report

See attached Statements

Recommended Action

For information only

ATTACHMENTS:

Attachment 1: DCFA Quarter Ended September 30, 2023 Financial Statements

Attachment 2: Budget versus Actual



DELTA CONVEYANCE FINANCE AUTHORITY

Statement of Net Position

As of September 30, 2023

Assets:	
Cash	\$ 325,355
Interest receivable	1,173
Prepays	<u>7,704</u>
Total assets	<u>\$ 334,232</u>
Net position	<u>\$ 334,232</u>



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Cash Receipts and Disbursements

	Quarter Ended Sep '23
Receipts:	
Interest receipts	\$ 3,449
Total receipts	<u>3,449</u>
Disbursements:	
Executive director	2,113
Professional services	1,846
Insurance premiums	<u>10,269</u>
Total disbursements	<u>14,228</u>
Net change in cash	(10,779)
Cash at July 1, 2023	<u>336,134</u>
Cash at September 30, 2023	<u><u>\$ 325,355</u></u>



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

	Quarter Ended Sep '23
Revenues:	
Interest income	\$ 3,472
Total revenues	<u>3,472</u>
Expenses:	
Executive director	2,113
Professional services	1,438
Insurance premiums	2,595
Total expenses	<u>6,146</u>
Changes in net position	(2,674)
Net position at June 30, 2023	<u>336,906</u>
Net position at September 30, 2023	<u>\$ 334,232</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, 2023

Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Amount	Disbursement Category
1 Alliant Insurance Services, Inc.	2336266	06/20/23	07/14/23	07/01/23-07/01/24	\$ 10,269	Insurance premiums
2 Aleshire & Wynder LLP	76813	07/10/23	07/19/23	06/01/23-06/30/23	408	Professional services
3 Aleshire & Wynder LLP	78532	08/04/23	08/23/23	07/01/23-07/31/23	438	Professional services
4 Aleshire & Wynder LLP	79849	09/12/23	09/27/23	08/01/23-08/31/23	438	Professional services
5 Brian G. Thomas Consulting, LLC	179	09/01/23	09/27/23	07/01/23-08/31/23	2,113	Executive director
6 Matthew Ian Keogh	INV091823DCFA	09/18/23	09/27/23	01/01/21-09/18/23	562	Professional services
					<u>\$ 14,228</u>	

Executive director	\$ 2,113
Insurance premiums	10,269
Professional services	1,846
	<u>\$ 14,228</u>

*Totals may not foot due to rounding.



Delta Conveyance Finance Authority

Budget versus Actual

FY 2023/24

Item	Actual Through September 30, 2023	Budget FY 2023/24	Budget Remaining	Percent of Budget Used
Executive director	\$ 2,113	\$ 30,000	\$ 27,887	7%
Professional services	1,438	98,100	96,662	1%
Treasury and accounting	—	30,000	30,000	—
Insurance premiums	2,595	13,250	10,655	20%
Travel and meeting expenses	—	1,000	1,000	—
Materials and supplies	—	1,000	1,000	—
Contingency	—	15,000	15,000	—
Total	<u>\$ 6,146</u>	<u>\$ 188,350</u>	<u>\$ 182,204</u>	<u>3%</u>

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 16, 2023

Item No. 8.c

Subject: Executive Director's Report

Executive Summary

The DCFA's primary activity continues to be administrative and monitoring activities regarding the Delta Conveyance Project. We continue to coordinate with the State Water Contractors, the Department of Water Resources and the Delta Conveyance Design and Construction Authority (DCA) regarding the project.

Detailed Report

Activities

Administration. Activities included preparing agenda packets for the meetings and reviewing and approving the various invoices to be paid by the DCFA. In addition, work on the annual audit was initiated and I have responded to audit requests.

Meetings/calls. DWR and the DCA continue to make progress on the environmental documents. DWR's validation case regarding DWR's authority to finance and construct the Delta Conveyance Project began May 15, 2023. The judge's tentative decision was released to the parties and objections are expected to be submitted by September 14, 2023, after which the court will review and ultimately deliver its final opinion.

I also had discussions with board members, DWR staff and SWP contractors regarding the DCFA's activities.

Future Activities

I will continue working with the members, the DCA, DWR and the State Water Project contractors to identify opportunities to support funding, conduct financial analysis as needed and help to identify additional funding sources, including federal and state grants or contributions.

Recommended Action

Informational.

Attachment: Board Actions thru August 31, 2023

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

October 31, 2023

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, 2023

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
Approved agreement with Bell, Burnett & Associates to provide Executive Director services through December 31, 2022	11/18/2021
Appointed board Officers, including Treasurer	1/20/2022
Approved Fiscal Year 2022/23 Budget	5/19/2022
Approved agreement with Aleshire & Wynder to provide general counsel services	5/19/2022
Approved Investment Policy for 2022/23 and delegated investment authority to MWD Treasurer	9/15/2022
Received and filed fiscal year 2021/22 audited financial statements	10/20/2022
Approved agreement with Brian G. Thomas Consulting, LLC to provide Executive Director services through December 31, 2023	11/17/2022
Appointed board Officers, including Treasurer	1/19/2023
Approved Fiscal Year 2023/24 Budget	5/18/2023