



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

**REGULAR MEETING**

Thursday, October 17, 2024  
11:00 a.m.  
DCDCA Boardroom  
980 9th Street, Suite 100  
Sacramento, CA 95814

**Teleconference Locations**

1210 Beaumont Ave., Beaumont, CA 92223 (San Geronio Pass Water Agency)  
5750 Almaden Expressway, San Jose, CA 95118 (Santa Clara Valley Water District)  
525 Via La Selva, Redondo Beach, CA 90277 (Metropolitan Water District of Southern California)

Join Zoom Meeting

<https://zoom.us/j/95683101047?pwd=ZGRDajBxN3VFWGFVTEFYVf6ZDY0UT09>

Meeting ID: 956 8310 1047

Passcode: 891731

Via Teleconference: +1 669 900 6833

Meeting ID: 956 8310 1047

Passcode: 891731

One Tap Mobile: +16699006833,,95683101047#,,,,\*891731#

**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](mailto:lindastandlee@dcfinanceauthority.org)** no later than **5:00 p.m. on October 16, 2024.***

- 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 April 18, 2024.

**7. SCHEDULED ACTION ITEMS**

- a. Receive and file the fiscal year 2023/24 audit
- b. Approval of one-year extension of contract with Brian G. Thomas Consulting, LLC to provide executive director services

**8. REPORTS AND ANNOUNCEMENTS**

- a. DCP Update
- b. Treasurer's Report
- c. General Counsel's Report
- d. Executive Director's Report
- e. Directors' 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, April 18, 2024  
11:00 am**

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER**

The meeting of the Delta Conveyance Finance Authority (Finance Authority) Board of Directors was called to order by President Paul Sethy, at 11:14 a.m.

Steve O'Neill, General Counsel, discussed remote attendance for Director Lefevre, who was at home caring for his spouse. Mr. O'Neill noted that AB2449 allows for Director Lefevre's remote participation if the governing body makes a finding of just cause that his circumstances excuse his physical attendance at the meeting today. Mr. O'Neill queried Director Lefevre on his circumstances; Director Lefevre confirmed his circumstances were as described. A motion by the board was requested for a finding of just cause for Director Lefevre's remote attendance in the meeting.

Motion:	Finding of Just Cause for remote attendance by Director Lefevre
Move to Approve:	Adnan Anabtawi
Second:	Peter Thompson
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng and Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	11 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 24-4-1)

**2. ROLL CALL**

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

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

**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.

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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 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 February 15, 2024.

Motion:	Approve the minutes from the meeting of February 15, 2024
Move to Approve:	Matthew Stone
Second:	Valerie Pryor
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng and Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	11 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 24-4-2)

### 7. SCHEDULED ACTION ITEMS

a. Consideration and possible action on the proposed fiscal year 2024/25 DCFA budget

Director Sethy introduced this item, noting that the Board had requested staff to prepare alternative expenditure budgets for the next fiscal year, including one that had the minimum amount necessary to keep the DCFA in existence; this item addresses that request.

Brian Thomas, DCFA's Executive Director, presented the proposed budget to the Board, discussing the anticipated expenditures for the coming fiscal year. Mr. Thomas noted that there were two options being brought before the board: Option 1 reflects maintaining DCFA as an entity with minimal activity (e.g., 1-2 meetings during this fiscal year); whereas Option 2 reflects having DCFA meet up to three times during the year. Both options would be funded with reserves and interest earnings. Mr. Thomas proposed approval of Option 2 as the preferred option.

Discussion of budget details and meeting frequency were posed by the Board and addressed by Mr. Thomas.

Mr. Sethy queried for public comment.

A question was raised on how the reserves were funded and whether there was an anticipation of future collections. Mr. Thomas noted that the reserves were funded by the initial contributions provided by the members in the first two years. As to future

## Agenda Item 6.a

collections, Mr. Thomas noted there was no anticipation of that at the moment; however, if there was a determination in the future to keep the DCFA running, there would then need to be a cash call to fund ongoing activities.

Motion:	Approve the language in the written staff report finding the 2024/25 Proposed Budget is exempt from CEQA and approve the Fiscal Year 2024/25 Operating Budget (Option 2) to be funded with reserves and interest earnings and that the Executive Director consult with the Board leadership on the need for meetings
Move to Approve:	Matt Stone
Second:	Adnan Anabtawi
Yeas:	Paul Sethy, Valerie Pryor, Russell Lefevre, Thomas Todd, Barbara Keegan, Robert Tincher, Matthew Stone, Adnan Anabtawi, Steve Johnson, Robert Cheng and Peter Thompson
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	11 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 24-4-3)

## 8. REPORTS AND ANNOUNCEMENTS

### a. Treasurer's Report

Mr. Thomas noted the report was included in the packet and served as the basis for the budget projections.

### b. General Counsel's Report

Steve O'Neill reported on recent activities, noting work focused on administrative matters. Mr. O'Neill also reported that the appeal was filed in the validation action and DWR is now in the process of creating the joint appendix.

### c. Executive Director's Report

Mr. Thomas reported that the primary activity continued to be administrative in nature along with coordination with DCA staff.

Director Sethy reported on a recent trip he took with the Water Education Foundation on the Lower Colorado River tour.

## 9. FUTURE AGENDA ITEMS

- President Sethy requested a Director's Report be added to future agendas to serve as an opportunity for Director's to report out to the group on recent activities.
- Director Cheng requested discussion at an upcoming meeting on WIFIA financing options.
- Director Stone requested a look at WIFIA complexities for DCA.
- President Sethy requested a look at federal funding opportunities.

**10. CLOSED SESSION**

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

No closed session was held.

**11. ADJOURNMENT**

President Sethy adjourned the meeting at 12:10 p.m.

## Board Memo

**Contact: Brian Thomas, Executive Director**

**AGENDA DATE: October 17, 2024**

**Item No. 7.a**

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### Subject

Audited Financial Statements for Fiscal Year 2023/24

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### Executive Summary

The Board retained the services of Richardson & Company to perform the required external 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.

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### Detailed Report

The Authority is required to conduct an external financial audit each year. 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 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. Finally, given the limited number of transactions, it is consistent with the periodic reporting provided to the board during the fiscal year. 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.

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### Recommended Action

Receive and file the audited financial statements and attached reports for fiscal year 2023/24.

### ATTACHMENTS:

Audit Summary  
Audited Financial Statements for Fiscal Year 2023/24  
Governance Letter  
Management Letter

DELTA CONVEYANCE FINANCE AUTHORITY

BOARD MEETING AUDIT PRESENTATION AGENDA

October 17, 2024

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 \$255,311 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, 2024 and 2023

DELTA CONVEYANCE FINANCE AUTHORITY

AUDITED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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

Board of Directors  
Delta Conveyance Finance Authority

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*

October 8, 2024

DELTA CONVEYANCE FINANCE AUTHORITY

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS

Years Ended June 30, 2024 and 2023

	2024	2023
<b>CASH RECEIPTS</b>		
Interest income	\$ 12,798	\$ 9,401
<b>TOTAL CASH RECEIPTS</b>	12,798	9,401
 <b>CASH DISBURSEMENTS</b>		
Executive director	17,389	19,176
Insurance premiums	10,269	11,237
Treasury and accounting	30,000	30,000
Professional services	35,963	91,931
<b>TOTAL CASH DISBURSEMENTS</b>	93,621	152,344
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS</b>	(80,823)	(142,943)
Cash and investments at beginning of year	336,134	479,077
<b>CASH AND INVESTMENTS AT END OF YEAR</b>	\$ 255,311	\$ 336,134

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

# DELTA CONVEYANCE FINANCE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

### 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, 2024 and 2023, 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, 2024 and 2023

NOTE B – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 \$1,397,403,000 and fair value of \$1,388,203,000 at June 30, 2024 and \$1,611,184,000 and fair value of \$1,594,738,000 at June 30, 2023. 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 31 days as of June 30, 2024 and 78 days as of June 30, 2023.

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, 2024 and 2023

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 ended June 30, 2024 and 2023.

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, 2024 and 2023.





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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, 2024, and have issued our report thereon dated October 8, 2024. 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 9, 2024, 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 9, 2024.

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 8, 2024.

*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*

October 8, 2024



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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, 2024, 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*

October 8, 2024

## Board Memo

**Contact: Brian Thomas, Executive Director**

**AGENDA DATE: October 17, 2024**

**Item No. 7.b**

### **Subject**

Contract for Executive Director Services

### **Executive Summary**

In 2022, 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 contract may be renewed annually for up to five years. Last year, the contract was extended through December 31, 2024. The total contract value for Brian G. Thomas Consulting, LLC was \$60,000 with a billing rate of \$325/hour. Given that activities of the Delta Conveyance Finance Authority (DCFA) remain primarily administrative, it is proposed the contract be extended for another 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 under the contract from January 1, 2023 through September 30, 2024 have been around \$27,000. Estimated costs through the end of 2024 are expected to total around \$35,000. As such, at current levels of activity 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, 2025 through December 31, 2025. All other terms, including total compensation, will remain the same.

### **Funding**

Funds are available in the 2024/25 budget and will be included in the 2025/26 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, 2025 through December 31, 2025, with total compensation (including expenditures in 2023 and 2024) not to exceed \$60,000, with annual renewals up to an additional three years.

October 17, 2024

Agenda Item 7.b

Page 2

Attachment: Amendment No. 2 to Contract Between Delta Conveyance Finance Authority and Brian G. Thomas Consulting, LLC

**AMENDMENT NO. 2 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. 2**

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, 2025 through December 31, 2025, 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: \_\_\_\_\_





DELTA CONVEYANCE FINANCE AUTHORITY

## **Board Memo**

**Contact: Katano Kasaine, Treasurer**

**AGENDA DATE: October 17, 2024**

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**Item No. 8.b**

**Subject: Treasurer's Report, Quarter Ended September 30, 2024**

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### **Executive Summary**

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The audited cash balance in the DCFA Trust at July 1, 2024 was \$255,311. Receipts and disbursements for the first quarter ended September 2024 totaled \$2,743 and \$13,935, respectively, resulting in an ending cash balance of \$244,119 at September 30, 2024.

Attached is a schedule of Budget versus Actual through September 30, 2024. Year-to-date actual expenses were \$4,143, resulting in \$109,607 remaining in the fiscal year budget. Future expenditures are expected to be higher in upcoming quarters. However, reflecting the Board's prior direction, they are anticipated to remain under budget unless activities are more robust than currently planned.

### **Detailed Report**

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See attached Statements

### **Recommended Action**

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For information only

### **ATTACHMENTS:**

Attachment 1: DCFA Quarter Ended September 30, 2024 Financial Statements

Attachment 2: Budget versus Actual



**DELTA CONVEYANCE FINANCE AUTHORITY**  
Statement of Net Position  
As of September 30, 2024

Assets:	
Cash	\$ 244,119
Interest receivable	836
Prepays	<u>8,404</u>
Total assets	<u>\$ 253,359</u>
Net position	<u>\$ 253,359</u>



**DELTA CONVEYANCE FINANCE AUTHORITY**  
Statement of Cash Receipts and Disbursements

	Quarter Ended Sep '24
Receipts:	
Interest receipts	\$ 2,743
Total receipts	<u>2,743</u>
Disbursements:	
Executive director	1,301
Professional services	1,431
Insurance premiums	<u>11,203</u>
Total disbursements	<u>13,935</u>
Net change in cash	(11,192)
Cash at July 1, 2024 <sup>(1)</sup>	<u>255,311</u>
Cash at September 30, 2024	<u>\$ 244,119</u>

<sup>(1)</sup> Beginning cash was adjusted by \$535 to reflect the timing of payment for Aleshire & Wynder LLP Invoice #87262, which was recorded as paid in the June 30, 2024 unaudited financial statements but was not disbursed until July 3, 2024.



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

	Quarter Ended Sep '24
Revenues:	
Interest income	\$ 2,653
Total revenues	<u>2,653</u>
Expenses:	
Executive director	813
Professional services	531
Insurance premiums	2,799
Total expenses	<u>4,143</u>
Changes in net position	(1,490)
Net position at June 30, 2024	<u>254,849</u>
Net position at September 30, 2024	<u>\$ 253,359</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, 2024

<u>Vendor</u>	<u>Invoice #</u>	<u>Invoice Date</u>	<u>Payment Date</u>	<u>Period of Expense</u>	<u>Amount</u>	<u>Disbursement Category</u>
1 Aleshire & Wynder LLP <sup>(1)</sup>	87262	06/14/24	07/03/24	05/01/24-05/31/24	\$ 535	Professional services
2 Brian G. Thomas Consulting, LLC	225	07/01/24	07/17/24	05/01/24-06/30/24	488	Executive director
3 Aleshire & Wynder LLP	87900	07/03/24	07/17/24	06/01/24-06/30/24	365	Professional services
4 Alliant Insurance Services, Inc.	2714637	06/25/24	07/17/24	07/01/24-07/01/25	11,203	Insurance premiums
5 Aleshire & Wynder LLP	88749	08/12/24	08/28/24	07/01/24-07/31/24	76	Professional services
6 Brian G. Thomas Consulting, LLC	236	09/03/24	09/30/24	08/01/24-08/31/24	813	Executive director
7 Aleshire & Wynder LLP	89733	09/17/24	09/30/24	08/01/24-08/31/24	455	Professional services
					<u>\$ 13,935</u>	

Executive director	\$ 1,301
Insurance premiums	11,203
Professional services	1,431
	<u>\$ 13,935</u>

\*Totals may not foot due to rounding.

<sup>(1)</sup> Invoice was included as a disbursement in the June 30, 2024 unaudited financial statements, but was not paid until July 3, 2024. Therefore, beginning cash balance on the Statement of Cash Receipts and Disbursements was adjusted to \$255,311.



Delta Conveyance Finance Authority
Budget versus Actual
FY 2024/25

Table with 4 columns: Item, Actual Through September 30, 2024, Budget FY 2024/25, Budget Remaining, Percent of Budget Used. Rows include Executive director, Professional services, Treasury and accounting, Insurance premiums, Contingency, and Total.

## Board Memo

**Contact: Brian Thomas, Executive Director**

**AGENDA DATE: October 17, 2024**

**Item No. 8.d**

**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**

**Administration.** Activities included preparing agenda packets for the October meeting, working with Metropolitan and Richardson and Company on the year-end audit, reviewing and approving the various invoices to be paid by the DCFA, and communications with the FPPC and State Controller's Office.

**Meetings/calls.** I attended meetings with the State Water Contractors who are participating in the Delta Conveyance Project to discuss different ways to analyze and present the cost of the project. In particular, we looked at potential impacts on the cost of State Water Project supplies and how that would influence State Water Contractor invoices.

I also had discussions with board members, DWR staff and SWP contractors regarding potential DCFA activities, including research on alternative financing sources (e.g., WIFIA, federal programs).

### **Future Activities**

I will continue working with the members, the DCA, DWR and the State Water Project contractors to identify opportunities to support funding and conduct financial analysis as needed.

### **Recommended Action**

Informational.

Attachment: Board Actions thru September 30, 2024

## DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

September 30, 2024

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 Oliverez 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:

September 30, 2024

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
Received and filed fiscal year 2022/23 audited financial statements	11/16/2023
Approved change to bylaws to enable closed session items to be discussed with home boards in compliance with the Brown Act	11/16/2023
Approved one year extension for Executive Director services with Brian G. Thomas Consulting, LLC	11/16/2023
Approved Fiscal Year 2024/25 Budget	4/18/2026