



## GENERAL MANAGERS UPDATE

2015 Amended & Restated  
Water Recycling Agreement  
Reconciliation Process

# Last Update – GPP Analytics Audit Presentations

- August 13, 2024 – WRA Board of Supervisors
- August 19, 2024 – WRA Board of Directors
- August 26, 2024 – M1W Board of Directors
  
- Executed a Confidentiality Agreement in August 2024
  
- Established a joint WRA-M1W Leadership Group
  - Chair, Vice-Chair, and General Manager of each entity
  
- Established technical working groups
  - Finance
  - Operations

# Summary of GPP Analytics Audit

- GPP's Findings:
  - Finding 1: Noncompliant Indirect Cost Methodology
  - Finding 2: Inconsistent Time Records
  - Finding 3: Noncompliance With Required Monthly Reporting
  - Finding 4: Accounting Practices and Limited Transparency
  - Finding 5: Percent Overcharged
  - Finding 6: Weak Control Environment
  - Finding 7: Breaches of the Agreement
- M1W disagreed with GPP's methods and conclusions
- WRA & M1W agreed to amicably reconcile the differences.

# Current Status of Reconciliation

- WRA-M1W formed a Leadership Group in September.
  - Identifies key issues and priorities
  - Provides guidance to technical teams
  - Resolves staff differences
  - Developing recommendations for consideration by respective Boards.
- The technical working groups meet frequently
  - Finance group focused on revisions to Sections 7, 8 & 9 of the ARWRA
    - Section 7: Payments by WRA to M1W
    - Section 8: Accounting System, Reports
    - Section 9: SVRP, CSIP, and SRDF Reserve Funds
  - Operations group focused on CSIP Title 22 Distribution System Permit Renewal

# Key Financial Issues Remaining

- Constituents of Indirect Costs:
  - Future use of Exhibit J
  - Inclusion or exclusion of Capital Improvement Projects
  - Handling of Community Outreach costs
  - Application of Indirect Cost method to resolve Finding 1
- Reserves
  - WRA adoption of CSIP Program reserves policy
  - Application of WRA or M1W reserve policy for SVRP

# Looking Ahead

- The Leadership Group has set meetings through at least April 2025
  - Finalize recommended revisions to ARWRA financial Sections 7, 8 & 9
    - Aiming for respective Board approvals prior to new fiscal-year July 1, 2025
  - Considering potential improvements to operational coordination and efficiency
    - Improving inter-agency communication
    - Consider employing a CSIP “Program Manager”
  - Considering improvements to water supply & distribution accounting/reporting to ensure compliance with various agreements, including the ARWRA
  - Will review and consider additional revisions to ARWRA
- Staff will continue to meet as necessary, at least monthly
- After revisions of the ARWRA are complete, the Leadership Group committed to meet quarterly to maintain policy level communication

# Key 2024 Successes

- Established new communication protocol for financial teams
  - M1W engaged new Chief Financial Officer and Controller
- 2024 CSIP Irrigation Season – Record diversions from SRDF
  - About 1/3 of total deliveries
  - Avoided 7,693 Acre-feet of groundwater pumping from the 180/400 ft. aquifer
- Improved Metering and Monitoring of the CSIP System
  - Commencing SVBGSA grant funded CSIP optimization modeling
  - Implemented a “water order” system