

Date: November 29, 2018 Time: 7:00 p.m. Location Santa Margarita Community Room
2 Civic Center Drive, Scotts Valley, CA 95066

1. CONVENE MEETING

- 1.1 Call to Order and Roll Call
- 1.2 Additions/Deletions to the Agenda
- 1.3 Public Comments (on matters not on the Agenda)

2. ADMINISTRATIVE BUSINESS

- 2.1 [Approval of the November 29, 2018, Board of Directors Meeting Minutes](#)
- 2.2 Acknowledgment of the appointment of Lois Henry and Steve Swan from San Lorenzo Valley Water District as a member to the Santa Margarita Groundwater Agency Board of Directors effective December 13, 2018.
- 2.3 [Approval of the 2019 Board of Directors Meeting Schedule](#)
- 2.4 [Appointments of Committee Members and ACWA JPIA Board of Directors Representatives](#)
- 2.5 Committee Meeting Reports
 - Technical Consultant Selection Committee December 12, 2018 (oral)
 - [Facilitation Committee December 12, 2018](#)

3. PRESENTATIONS

None

4. CONSENT AGENDA

None

5. GENERAL BUSINESS

- 5.1 [Annual Financial Report for Fiscal Year Ended June 30, 2018](#)
Recommendation: Accept the Santa Margarita Groundwater Agency Annual Financial Report for Fiscal Year Ended June 30, 2018
- 5.2 [Bylaws Amendment](#)
Recommendation: Review the final draft of Amended Bylaws and provide input
- 5.3 [Guiding Principles Proposed Amendment](#)

Recommendation: Receive the Final Document and Approve the Proposed Amendment to the Santa Margarita Groundwater Agency Guiding Principles as an Appendix to the Bylaws

6. STAFF REPORTS

- [Financial Report \(Stephanie Hill\)](#)
- Legal Counsel Update (oral, Terry Rein)
- [Public Outreach on Community Services Report \(Piret Harmon/Bill Maxfield\)](#)

7. DIRECTORS REPORTS

Individual Directors' Reports (oral)

- Travel/Training
- Meetings

8. FUTURE ITEMS

- Election of Officers: Chair, Vice Chair, and Secretary (January)
- Records Retention Policy
- Financial Controls for Borrowing Money

Information Sessions

- Educational Series: Land Use and Water: How Much Does Growth Matter? (January 12, 2019)
- Educational Series: Water Budgets: How Do We Balance All Needs? (February 9, 2018)
- Educational Series: Managing Groundwater: How Can We Prepare for an Uncertain Future? (March 9, 2019)
- Groundwater Sustainability Plan Elements
- Meeting Conduct: Rosenberg's Rules of Order

9. INFORMATIONAL ITEMS

- [Sustainable Groundwater Management Act \(SGMA\) Implementation Survey](#)

10. EVENTS CALENDAR

- [ACWA 2019 Spring Conference](#): May 7-10, 2019, Monterey, CA
- [Second Annual Groundwater Sustainability Agency Summit](#): June 5-6, 2019, Fresno, CA

11. ADJOURNMENT

The next Board of Directors meeting will be determined at this meeting.

PURSUANT TO TITLE II OF THE AMERICANS WITH DISABILITIES ACT OF 1990, THE SANTA MARGARITA GROUNDWATER AGENCY REQUESTS THAT ANY PERSON IN NEED OF ANY TYPE OF SPECIAL EQUIPMENT, ASSISTANCE OR ACCOMMODATION(S) IN ORDER TO EFFECTIVELY COMMUNICATE AT THE AGENCY'S PUBLIC MEETING PLEASE MAKE SUCH A REQUEST TO THE SANTA MARGARITA GROUNDWATER AGENCY AT 2 CIVIC CENTER DRIVE, SCOTTS VALLEY, CA 95066, OR BY CALLING (831) 438-2363 A MINIMUM OF THREE (3) WORKING DAYS PRIOR TO THE SCHEDULED MEETING. ADVANCE NOTIFICATION WITHIN THIS GUIDELINE WILL ENABLE THE DISTRICT TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY.

Date: November 29, 2018 Time: 7:00 p.m. Location: Santa Margarita Community Room
2 Civic Center Drive, Scotts Valley, CA 95066

1. CONVENE MEETING

1.1 Call to Order and Roll Call

Chair Perri called the meeting of the Santa Margarita Groundwater Agency Board of Directors to order at 7:00 p.m.

Board of Directors Present:

B. McPherson, J. Leopold, D. Engfer, D. Lind, C. Baughman, G. Ratcliffe, C. Perri, R. Stiles, D. Pollock, A. Franklin, *E. Cassidy*

Alternates Present:

J. Dilles (Lind)

Staff Present

P. Harmon, R. Menard, J. Michelsen, A. Poncato, T. Rein, J. Ricker, R. Rogers

1.2 Additions/Deletions to the Agenda

None

1.3 Public Comments (on matters not on the agenda)

None

2. ADMINISTRATIVE BUSINESS

2.1 Approval of October 25, 2018, Board of Directors Minutes

MOTION: Engfer/Leopold to approve the October 25, 2018, Board of Director meeting minutes.

AYES: Leopold, Engfer, Lind, Baughman, Ratcliffe, Perri, Stiles, Pollock, Franklin

NOES: None

ABSTAIN: *Cassidy*

ABSENT: McPherson

2.2 Committee Meeting Reports

- Technical Consultant Selection Committee November 13, 2018 (Oral)

Director Engfer provided information from the Technical Consultant Selection Committee meeting.

- Facilitation Committee November 14, 2018

Director Baughman provided information from the October 17, 2018, Facilitation Committee meeting.

Discussion by Board and Staff.

- 2.3 Procurement Policy, approved as amended October 25, 2018
Informational item only. No action taken.

3. PRESENTATIONS

County Water Resources Programs in the Santa Margarita Basin
(Sierra Ryan, County of Santa Cruz)
Discussion by Board and Staff.

4. CONSENT AGENDA

- 4.1 Ratification of Signature on Joint Exercise of Powers Agreement
Recommendation: Acknowledge and Accept Resolution 9 (18-19) of the San Lorenzo Valley Water District
MOTION: Leopold/Lind to approve the consent agenda.
AYES: Leopold, Engfer, Lind, Baughman, Ratcliffe, Perri, Stiles, Pollock, Franklin
NOES: None
ABSTAIN: *Cassidy*
ABSENT: McPherson

5. GENERAL BUSINESS

- 5.1 Resignation of Nick Vrolyk as a Board Member of the SMGWA
Recommendation: Acknowledge the resignation of Nick Vrolyk as a Board Member (Well Owner Representative) of the SMGWA and provide direction to staff regarding the process for replacement
Discussion by Board and Staff.
The Board directed staff to amend the Bylaws and bring them back to the December Board of Directors meeting. Legal counsel advised that until the Well Owner Representative replacement has been chosen, the Well Owner Representative alternate is not authorized to vote on any items.
- 5.2 Groundwater Model Evaluation
Recommendation: Accept the Santa Margarita Groundwater Model Evaluation Report prepared by EKI Environment and Water as completed.
Discussion by Board and Staff.

MOTION: Leopold/Franklin to accept the Santa Margarita Groundwater Model Evaluation Report.

AYES: Leopold, Engfer, Lind, Baughman, Ratcliffe, Perri, Stiles, Pollock, Franklin

NOES: None

ABSTAIN: *Cassidy*

ABSENT: McPherson

5.3 Facilitation Services: Guiding Principles

Recommendation: 1) Review and provide input; 2) Consider approving Guiding Principles as a document that defines a set of mutual core values; 3) Determine the procedure by which the Guiding Principles are formalized, endorsed and upheld.

Discussion by Board, Dave Ceppos, and Staff.

MOTION: Stiles/Pollock to direct Dave Ceppos and Facilitation Committee to amend and return the Guiding Principles to the December Board of Directors meeting.

AYES: Leopold, Engfer, Lind, Baughman, Ratcliffe, Perri, Stiles, Pollock, Franklin

NOES: None

ABSTAIN: *Cassidy*

ABSENT: McPherson

5.4 Technical Consultant Services Selection Process

Recommendation: Review and provide input

Piret Harmon provided an update to the Technical Consultant Services Selection Process.

Discussion by Board and Staff

No action taken.

6. STAFF REPORTS

- Legal Counsel Update (Oral, Terry Rein)
- Communications & Outreach Monthly Report (Piret Harmon/Bill Maxfield)

7. DIRECTORS REPORTS

None.

8. FUTURE ITEMS

Quarterly Financial Reports (January, April)

Financial Controls of Borrowing Money

Land Use Planning and Water Supply Planning - Educational Series

Water Budget and Hydrogeologic Conceptual Model - Educational Series

Groundwater - Surface Water Interconnectedness - Educational Series

Integrated Water Management Options - Educational Series
Groundwater Sustainability Plan Elements
Meeting Conduct: Rosenberg's Rules of Order

9. INFORMATIONAL ITEMS

None.

10. ADJOURNMENT

MOTION: Leopold/Stiles to adjourn the meeting at 9:18p.m.

AYES: Leopold, Engfer, Lind, Baughman, Ratcliffe, Perri, Stiles, Pollock, Franklin

NOES: None

ABSTAIN: *Cassidy*

ABSENT: McPherson

APPROVED BY:

Chris Perri, Chair

Date

ATTEST:

Angela Franklin, Secretary

Date

Santa Margarita Groundwater Agency

2019 Board of Directors Meeting Schedule

Date	Time	Meeting Location
January 24, 2019	7:00 p.m.	Scotts Valley Water District Santa Margarita Community Room 2 Civic Center Drive, Scotts Valley, CA 95066 Scotts Valley Water District
February 28, 2019	7:00 p.m.	
March 28, 2019	7:00 p.m.	
April 25, 2019	7:00 p.m.	
May 23, 2019	7:00 p.m.	
June 27, 2019	7:00 p.m.	
July 25, 2019	7:00 p.m.	
August 22, 2019	7:00 p.m.	
September 26, 2019	7:00 p.m.	
October 24, 2019	7:00 p.m.	
November 2019 (Date TBD)	7:00 p.m.	
December 2019 (Date TBD)	7:00 p.m.	

Committee	Members
Facilitation Committee Standing Committee 5 Members (Directors)	Angela Franklin Bruce McPherson Chris Perri Dale Pollock 1 Member - VACANT
Technical Consultant Selection Committee Ad-hoc Committee 5 Members (Directors)	Doug Engfer John Leopold Ruth Stiles 2 Members - VACANT
ACWA JPIA Board of Directors Representative (Director) 2 Alternates (Director and Staff)	Chris Perri 2 Alternates - VACANT

Facilitation Committee Meeting
December 12, 2018 – 2:00 p.m.
Santa Margarita Community Room
2 Civic Center Drive, Scotts Valley, CA 95066

Meeting Report

1. Convene Meeting

1.1 Call to Order and Roll Call

The meeting convened at 3:05 p.m. in the Santa Margarita Community Room, 2 Civic Center Drive, Scotts Valley, CA

Due to a lack of quorum, the meeting was not convened as a formal meeting of the Facilitation Committee and no formal actions were taken.

Present: Director Perri, Director Franklin and Consultant Dave Ceppos via teleconference

Staff: Piret Harmon, Sierra Ryan, Jen Michelsen, and Amy Poncato

1.2 Additions/Deletions to the Agenda

There were no additions or deletions to the agenda.

1.3 Public Comments (on matters not on the Agenda)

There were no public comments.

2. Discussion Items

2.1 Summary of additional stakeholder interviews.

Consultant Dave Ceppos provided a summary of the Facilitation interviews conducted with newly elected Board of Directors William Eckwall from Scotts Valley Water District and Lois Henry and Bob Fultz from San Lorenzo Valley Water District. He stated that these were positive, mutually informative discussions and that a meeting originally scheduled but cancelled with new San Lorenzo Valley Water District director, Stephan Swan will be rescheduled.

Director McPherson arrived at the meeting at 3:08 p.m., quorum was met and noted.

2.2 Final draft of the Guiding Principles

Committee discussed the proposed final content of the Guiding Principles. Discussion ensued about recommended text provided by Alternate Director Cassidy about financial responsibilities of the agency. Dave Ceppos suggested he speak with Director Cassidy to

address some minor proposed adjustments.

- 2.3 Inclusion of Member Agencies' governing bodies for review of Guiding Principles (SVWD, SLVWD, County)
Committee discussed bringing the Guiding Principles to each member agencies' Board of Directors. All present agreed that this should move forward but that the final vote by the Agency Board to approve the Guiding Principles should not be postponed pending these presentations and discussions

- 2.3 Update on Educational Services
Committee and Staff discussed the updates on the Educational Series. The press release has been forwarded to all local media, speakers are continuing to be confirmed. Consultants Ceppos (Sacramento State) and Murray (Miller Maxwell) will work with Amy Poncato of Scotts Valley Water District to continue preparation for the educational series starting in January.

3. Future Agenda Items

4. Adjournment

Due to technical difficulties, the meeting was adjourned at 4:20 p.m.

AGENDA REPORT

Santa Margarita Groundwater Agency

Date: December 20, 2018

To: Board of Directors

Item: General Business Item 5.1

Subject: **Annual Financial Report for Fiscal Year Ended June 30, 2018**

SUMMARY

Recommendation: Accept the Santa Margarita Groundwater Agency Annual Financial Report for Fiscal Year Ended June 30, 2018

Fiscal Impact: None from this action.

BACKGROUND

An Annual Financial Report is a set of financial statements comprising the financial report of a state, municipal, or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (GASB). The report is compiled by the agency staff and audited by an external American Institute of Certified Public Accountants (AICPA) certified accounting firm.

DISCUSSION

Attached is the draft Annual Financial Report for fiscal year ended June 30, 2018. Fedak and Brown, LLP has audited the basic financial statements and issued the Independent Auditor's Report. In the opinion of the Independent Auditor, the financial statements present fairly the financial position, the respective changes in financial position, and cash flows for the subject year in accordance with Generally Accepted Accounting Principles (GAAP).

Submitted,

Piret Harmon

General Manager

Enclosed: Draft Annual Financial Report for the Fiscal Year Ended June 30, 2018

SANTA MARGARITA **Groundwater Agency**



Santa Margarita Groundwater Agency
Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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Santa Margarita Groundwater Agency

Name	Title	Member Agency	Current Term
Chris Perri	Chair	Scotts Valley Water District	Undesignated
Chuck Baughman	Vice Chair	San Lorenzo Valley Water District	Undesignated
Angela Franklin	Secretary	Well Owner Representatives	8/30/17 - 8/30/2020
John Leopold	Director	County of Santa Cruz	Undesignated
Bruce McPherson	Director	County of Santa Cruz	Undesignated
Doug Engfer	Director	City of Santa Cruz	Undesignated
Donna Lind	Director	City of Scotts Valley	Undesignated
Gene Ratcliffe	Director	San Lorenzo Valley Water District	Undesignated
Ruth Stiles	Director	Scotts Valley Water District	Undesignated
Dale Pollock	Director	Mount Hermon Association	Undesignated

**Santa Margarita Groundwater Agency
Stephanie Hill, Treasurer
2 Civic Center Drive,
Scotts Valley, CA 95066
(831) 600-1901
smgwa.org**

Santa Margarita Groundwater Agency
Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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**Santa Margarita Groundwater Agency
Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

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Financial Section

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Independent Auditor's Report

Governing Board
Santa Margarita Groundwater Agency
Scotts Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Margarita Groundwater Agency (Agency) as of and for the year ended June 30, 2018, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2018, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance. This report can be found on pages 15 and 16.

Fedak & Brown LLP
Cypress, California
December 20, 2018

Santa Margarita Groundwater Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

As management of the Santa Margarita Groundwater Agency (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities and performance of the Agency for the fiscal year ended June 30, 2018. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- In 2018, the Agency's net position amounted to \$77,219.
- In 2018, the Agency's total revenues amounted to \$180,000.
- In 2018, the Agency's total expenses amounted to \$102,781.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue and expenses are accounted for in the Statements of Activities. This statement measures the success of the Agency's operations and can be used to determine the Agency's profitability and credit worthiness.

Financial Analysis of the Agency

Statement of Net Position and Statement of Activities

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Agency in a way that helps answer this question.

These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in them. One can think of the Agency's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors, however, such as changes in the Agency's organizational agreements to assess the *overall health* of the Agency in future periods.

Santa Margarita Groundwater Agency
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 9 through 14.

Statement of Net Position

Condensed Statement of Net Position

	2018
Assets:	
Current assets	\$ 165,562
Total assets	165,562
Liabilities:	
Current liabilities	88,343
Total liabilities	88,343
Net position:	
Unrestricted	77,219
Total net position	\$ 77,219

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by \$77,219 as of June 30, 2018.

Statement of Revenues, Expenses and Changes in Net Position

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	2018
Revenues:	
Operating revenues	\$ 180,000
Total revenues	180,000
Expenses:	
Operating expenses	102,781
Total expenses	102,781
Change in net position	77,219
Net position, beginning of period	-
Net position, end of period	\$ 77,219

The statement of revenues, expenses and changes in net position shows how the government's net position changed during the fiscal year. In the case of the Agency, net position shows a positive balance in its unrestricted net position of \$77,219.

Santa Margarita Groundwater Agency
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Statement of Revenues, Expenses and Changes in Net Position, continued

The operating revenue of \$180,000 consists of the dues contributed by each member agency. Each member agency is invoiced a percentage of the projected budget for the fiscal year based on the following schedule:

<u>Member Agency</u>	<u>%</u>
Scotts Valley Water District	53%
San Lorenzo Valley Water District	39%
County of Santa Cruz	8%

Operating expenses of \$102,781 are comprised of the following: professional services of \$46,048; and payroll expense of \$42,153.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the Agency's current financial position, net position or operating results in terms of the present and future.

Requests for Information

The Agency's basic financial statements are designed to present users with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have any questions about the report or need additional information, please contact the Agency's Treasurer, Stephanie Hill at Santa Margarita Groundwater Agency, 2 Civic Center Drive, Scotts Valley, CA 95066 or (831) 600-1901.

Basic Financial Statements

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Santa Margarita Groundwater Agency
Statement of Net Position
June 30, 2018

	<u>2018</u>
Current assets:	
Cash and cash equivalents (note 2)	\$ <u>165,562</u>
Total current assets	<u>165,562</u>
Current liabilities:	
Accounts payable	<u>88,343</u>
Total current liabilities	<u>88,343</u>
Net position:	
Unrestricted	<u>77,219</u>
Total net position	\$ <u><u>77,219</u></u>

See accompanying notes to the basic financial statements

Santa Margarita Groundwater Agency
Statement of Revenues, Expenditures and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	<u>2018</u>
Operating revenues:	
Membership revenue	\$ <u>180,000</u>
Total operating revenues	<u>180,000</u>
Operating expenses:	
General and administrative	<u>102,781</u>
Total operating expenses	<u>102,781</u>
Change in net position	77,219
Net position, beginning of period	<u>-</u>
Net position, end of period	<u><u>\$ 77,219</u></u>

See accompanying notes to the basic financial statements

Santa Margarita Groundwater Agency
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>2018</u>
Cash flows from operating activities:	
Cash receipts from members	\$ 180,000
Payments to vendors for materials and services	<u>(14,438)</u>
Net cash provided by operating activities	<u>165,562</u>
Net increase in cash and cash equivalents	165,562
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 165,562</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 77,219
Changes in assets and liabilities:	
Increase in liabilities:	
Accounts payable	<u>88,343</u>
Net cash provided by operating activities	<u><u>\$ 165,562</u></u>
See accompanying notes to the basic financial statements	

Santa Margarita Groundwater Agency
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

In June 1, 2017, Scotts Valley Water District, San Lorenzo Valley Water District, and the County of Santa Cruz (Members) entered into a joint powers agreement creating the Santa Margarita Groundwater Agency (Agency). Each Member is a local agency, as defined by the Sustainable Groundwater Management Act of 2014 (SGMA), duly organized and existing under and by virtue of the laws of the State of California, and each Member can exercise powers related to groundwater management. The purpose of the agreement is to adopt a groundwater sustainability agency by January 31, 2022 to manage groundwater basins designated by the California Department of Water Resources as medium and high priority basins. The Agency is a basin consolidation of all four common groundwater basins located in Santa Cruz County in the vicinity of Scotts Valley, Felton, Ben Lomond and Boulder Creek.

Under the Joint Exercise of Powers Act of 2000 (Act), including the Marks-Roos Local Bond Pooling Act of 1985 (Government Code sections 6584, et seq.), the Agency is authorized to issue bonds, and under certain circumstances, to purchase bonds issued by, or to make loans to, the Members for financing public capital improvements, working capital, liability and other insurance needs or projects whenever doing so results in significant public benefits, as determined by the Members. The Act further authorizes and empowers joint powers authorities to sell bonds that are issued or purchased to public or private purchasers at public or negotiated sales.

The term of the agreement shall remain in effect until terminated by unanimous written consent of all Members, except during the outstanding term of any Agency indebtedness. Upon termination of the agreement, the assets shall be distributed in proportion to the contributions of each Member agency.

B. Basis of Accounting and Measurement Focus

The Agency is accounted for as an enterprise fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to a private business enterprise, where the expenses, of providing goods and services to the general public are recovered through user charges, or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, or other purposes. Because the Agency is accounted for as an enterprise fund, the Agency uses the economic resources measurement focus and the accrual basis of accounting for financial statement reporting purposes. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. With the measurement focus, all assets and liabilities associated with the operation of these funds are included in the Statement of Net Position.

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Santa Margarita Groundwater Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The Agency has adopted the following GASB pronouncements in the current year:

Government Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Government Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

Government Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Government Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Santa Margarita Groundwater Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the Agency's net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially, all of the Agency's cash is held in a financial institution bank account. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Revenue Recognition

Membership dues are recognized as revenue at the time each member agency is invoiced or when a resolution is approved by the Board during the year.

4. Net Position/Fund Balances

The financial statements utilize a net position presentation. Net position categories are follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net position balance that does not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, is classified in the accompanying financial statements as follows:

	<u>2018</u>
Cash and cash equivalents	\$ 165,562
Total cash and cash equivalents	\$ <u>165,562</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2018</u>
Deposits with financial institutions	\$ 165,562
Total cash and cash equivalents	\$ <u>165,562</u>

Santa Margarita Groundwater Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents, 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 the possession of an outside party. The California Government Code and the Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Agency had deposits with a bank balance of \$165,562 as of June 30, 2018. Of the bank balance, up to \$250,000 is federally insured and any remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

(3) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Santa Margarita Groundwater Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(3) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

Santa Margarita Groundwater Agency
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(3) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89, continued

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

(4) Contingencies

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(5) Subsequent Events

Events occurring after June 30, 2018 have been evaluated for possible adjustment to the financial statements or disclosure as of December 20, 2018, which is the date the financial statements were available to be issued.

Report on Internal Controls and Compliance

DRAFT

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Governing Board
Santa Margarita Groundwater Agency
Scotts Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Margarita Groundwater Agency (Agency) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
December 20, 2018

DRAFT

Santa Margarita Groundwater Agency

Management Report

June 30, 2018

Santa Margarita Groundwater Agency

Management Report

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Board of Directors
Santa Margarita Groundwater Agency
Scotts Valley, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of Santa Margarita Groundwater Agency (Agency) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 statements will not be prevented, or detected and corrected on a timely basis.

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

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

None

* * * * *

This report is intended solely for the information and use of management and the Board of Directors of the Agency. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP
Cypress, California
December 20, 2018

APPENDIX

Santa Margarita Groundwater Agency

Audit/Finance Committee Letter

June 30, 2018

Board of Directors
Santa Margarita Groundwater Agency
Scotts Valley, California

We have audited the basic financial statements of the Santa Margarita Groundwater Agency (Agency) for the year ended June 30, 2018, and have issued our report thereon dated December 20, 2018. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the Agency's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated August 21, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Agency during fiscal year 2018 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the net position in the basic financial statements was:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the basic financial statements was:

The disclosure of fair value of investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosures in the basic financial statements 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 known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management.

Disagreements with Management

For the purpose 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 basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the Agency.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated December 20, 2018.

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 the application of an accounting principal to the Agency's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, 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 Agency's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Conclusion

We appreciate the cooperation extended us by Stephanie Hill, Treasurer, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Fedak & Brown LLP
Cypress, California
December 20, 2018

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AGENDA REPORT

Santa Margarita Groundwater Agency

Date: December 20, 2018

Item: General Business Agenda 5.2

Subject: **Bylaws Amendment**

SUMMARY

Recommendation: Review the final draft of Amended Bylaws and provide input

Fiscal Impact: None

BACKGROUND

The recent resignation of a Well Owner Representative brought to light the failure of the existing bylaws to allow for an alternate director to assume the position of the vacant board seat. Pursuant to the bylaws, the alternate Well Owner Representative would have to apply for the position, go through the self-selection process, and if appointed to the board, resign as the alternate, which would then trigger another self- selection process.

DISCUSSION

At the November 29th meeting the Board directed staff and legal counsel to make amendments to the Bylaws to allow for a more streamlined process for filling Well Owner vacancies. Along with the adjustments simplifying and clarifying the Well Owner selection process, the staff made minor edits to Section 1.1 (Definitions), Section 2.4 (Guiding Principles; Code of Conduct) and Article 11 (Amendment).

The staff is prepared to bring the Amended Bylaws back to the Board for adoption at the January meeting. If adopted, the bylaws will go into effect immediately.

Submitted by,

Piret Harmon
General Manager
Scotts Valley Water District

Attached: First Amended and Restated Bylaws Final Draft (Clean)
First Amended and Restated Bylaws Final Draft (Comparison)

**FIRST AMENDED AND RESTATED BYLAWS OF THE
SANTA MARGARITA GROUNDWATER AGENCY**

a Joint Powers Agency composed of the Scotts Valley Water District, the San Lorenzo Valley
Water District, and the County of Santa Cruz

_____, 2019

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**FIRST AMENDED AND RESTATED BYLAWS OF THE
SANTA MARGARITA GROUNDWATER AGENCY**

*a Joint Powers Agency composed of the Scotts Valley Water District,
the San Lorenzo Valley Water District, and the County of Santa Cruz*

January __, 2019

PREAMBLE

These First Amended and Restated Bylaws are adopted and effective as of January __, 2019, pursuant to the Joint Exercise of Powers Agreement by and among the Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz creating the Santa Margarita Groundwater Agency dated June 1, 2017 (“**Agreement**”).

**ARTICLE 1
THE AGENCY**

1.1 DEFINITIONS.

Unless specifically defined in these Bylaws, all defined terms shall have the same meaning ascribed to them in the Agreement.

If any term of these Bylaws conflicts with any term of the Agreement, the Agreement's terms shall prevail, and these Bylaws shall be amended to eliminate such conflict of terms. Unless the context or reference to the Agreement requires otherwise, the general provisions, rules of construction, and definitions in the Agreement and in the California Civil Code shall govern the construction of these Bylaws.

NEED TO CHECK THE CROSS-REFERENCES BELOW.

“**Agency**” has the meaning in section 1.2

“**Agreement**” has the meaning in the Preamble

“**Applicant**” or “**Applicants**” has the meaning in section 2.3.3

“**Board of Directors**” or “**Board**” has the meaning in section 2.1

“**Business Agent**” has the meaning in section 1.3

“**Deadline**” has the meaning in section 2.3.4.3.2

“**Designated Staff**” has the meaning in section 6.1.1

“Individual Water System” means private well that serves 1-4 connections

“Members” means the Scotts Valley Water District, the San Lorenzo Valley Water District, and the County of Santa Cruz

“Member Representatives” has the meaning in section 2.1

“Principal Office” has the meaning in section 1.3

“Qualifications” has the meaning in section 2.3.3

“Represented Entity” has the meaning in section 2.2

“Small Water System” means private or public well(s) that serve 5-199 connections

“Well Owner Representative” has the meaning in section 2.1

“Well Owners” has the meaning in section 2.2.

1.2 THE AGENCY. The name of the Agency created by the Agreement is the Santa Margarita Groundwater Agency (**“Agency”**), a joint powers agency composed of the Members.

1.3 PRINCIPAL OFFICE AND BUSINESS AGENT.

1.3.1 The principal office and the business agent of the Agency shall be at the Scotts Valley Water District (**“Business Agent”**) located at 2 Civic Center Drive, Scotts Valley, CA 95066 (**“Principal Office”**), or at an alternate location as the Board may designate.

1.3.2 The Principal Office shall be used for the main mailing address for all correspondence and for the Agency’s central records storage.

1.3.3 The Business Agent shall provide administrative services pursuant to the Agreement, these Bylaws or an administrative services agreement with the Agency.

1.3.4 The administration, management and operation of the Agency shall be in accordance with the Business Agent’s existing policies and procedures, unless and until the Agency adopts its own administration, management, and operations policies and procedures.

1.4 POWERS. The powers of the Agency are set forth in Article 4 of the Agreement.

ARTICLE 2 BOARD OF DIRECTORS

2.1 BOARD OF DIRECTORS. The Agency shall be governed by a Board of Directors (the “**Board of Directors**” or “**Board**”) consisting of 11 Directors as set forth in Article 6 of the Agreement and as follows:

Two (2) representatives appointed by the governing body of each of the Members (“**Member Representatives**”).

One (1) representative appointed by the governing body of the City of Scotts Valley

One (1) representative appointed by the governing body of the City of Santa Cruz

One (1) representative of the Mt. Hermon Association Community Water System

Two (2) representatives of private well owners or small public water systems within the boundaries of the Agency (“**Well Owner Representatives**”).

Alternate Directors are appointed pursuant to Section 6.4 of the Agreement.

2.2 TERM OF APPOINTMENTS. The term of the appointment for each Director on the Board shall be established by each entity they represent (“**Represented Entity**”). If a Director has no Represented Entity (as may be the case for the Well Owner Representatives or the Well Owner Alternate (collectively, “**Well Owners**”), the term of appointment shall be three (3) years. At the expiration of the three (3) year term, the Board may (i) elect to initiate the appointment procedure for a Well Owner position under section 2.3 of the Bylaws; or (ii) authorize a then-serving Well Owner to serve another three (3) year term, subject to Board approval with the unanimous approval of the Member Representatives.

2.3 PROCEDURE FOR APPOINTMENT OF WELL OWNERS.

2.3.1 Under section 6.3.7 of the Agreement, Well Owners may be nominated by self-nomination through a procedure described in these Bylaws.

2.3.2 At minimum, one (1) of the two (2) Well Owner Representatives shall be from an Individual Water System. If one (1) of two (2) Well Owner Representatives is from a Small Water System, then the preference in choosing a Well Owner Alternate shall be given to an Individual Water System representative.

2.3.3 Any person meeting the following qualifications may apply to serve as a Well Owner (individually, an “**Applicant**”). At a minimum, an Applicant shall (a) be an owner of a private well located within the boundaries of the Agency, a tenant leasing property with a private well located within the boundaries of the Agency, or a representative of a small public water system with a well located within boundaries of the Agency; (b) be at least 18 years of age; and (c) exhibit high standards of integrity, commitment, and good judgment; (collectively, 2.3.3 (a)-(c) shall be the “**Qualifications**”). Once appointed, a Well Owner shall meet the Qualifications for the duration of his or her service as a Well Owner.

2.3.4 If a Well Owner position becomes vacant for any reason, including death, permanent disability, inability to perform his or her responsibilities, resignation, removal, or failure to meet the Qualifications, the following process shall apply:

2.3.4.1 In the event of Well Owner Representative vacancy, the Well Owner Alternate shall fill the vacancy as a Director if the Well Owner Alternate is willing to serve as a Director, subject to compliance with section 2.3.2 of these Bylaws. The Well Owner Alternate who fills a vacancy under this section shall serve as a Director for the remainder of the three (3) year term of the departing Well Owner Representative.

2.3.4.2 If a Well Owner Representative vacancy is not filled under section 2.3.4.1, or if a Well Owner position remains vacant, the Board shall appoint an ad-hoc committee of three (3) Directors of the Agency to facilitate the appointment process ("Committee"). At least one (1) of the members of the Committee shall be a Member Representative, and the Board shall give preference to then-serving Well Owners to fill the remaining two (2) Committee positions.

2.3.4.2.1 The Committee shall provide or cause to be provided a notice of the opportunity for individuals to submit an application to serve as a Well Owner to fill a vacancy. The notice may include a description of the work of the Agency, the minimum qualifications of a Well Owner, the desired characteristics and skills of a Well Owner, criteria to be used in evaluating applications received, as well as deadlines and the timeline for decision-making on appointees. The notice shall also inform Applicants that if there are more Well Owner Applicants than the number of positions available, the Applicants will have the opportunity to self-nominate a Well Owner by reaching agreement among themselves by having some Applicants voluntarily withdraw their applications so that the remaining number of applications is the same as the number of vacant positions. To encourage participation, a variety of print media, electronic or other formal and informal communication mechanisms may be utilized, and the period of notice shall cover, at a minimum, ten (10) working days.

2.3.4.2.2 The Committee shall be given the names and contact information of all Applicants. The Applicants shall be informed that they have at least twenty (20) days but no more than forty (40) days ("**Deadline**") to meet and/or confer and endeavor to seek agreement on which Applicants elect to voluntarily withdraw their applications and which Applicants will be recommended to fill the vacant positions. Committee members are encouraged to attend the meetings of the Applicants. The Committee may recommend the rejection of an application if the Applicant fails to meet the Qualifications or if an Applicant fails to attend a meeting of Applicants called for the purpose of nominating an Applicant to fill a vacancy.

2.3.4.2.3 An Applicant may withdraw his application prior to the Deadline by sending a written request to the Principal Office by mail, email or facsimile.

2.3.4.2.4 If before the Deadline, the Well Owners nominate the number of Applicants necessary to fill all vacant positions, and all other Applicants voluntarily withdraw their applications, then the nominations shall be forwarded to the Board for consideration, provided the nominees meet the Qualifications.

2.3.4.2.5 If nominations are not forwarded to the Board under section 2.3.4.2.4, then the Committee shall report its findings and forward the applications of the remaining Applicants to the Board.

2.3.5. Notwithstanding anything to the contrary herein, the final appointment of any person to fill a Well Owner vacancy shall be subject to the approval of the Board and the unanimous approval of the Member Representatives.

2.4 GUIDING PRINCIPLES; CODE OF CONDUCT. The Board understands the importance and value of a positive and constructive culture to the overall performance of the Agency. In order for the Board to function in an effective manner, it is important that the Directors acknowledge their respective roles and the level of performance necessary to carry out the duties of a Director. All Directors shall agree in writing to follow the Guiding Principles of the Agency set forth in **Appendix A** and the Code of Conduct of the Agency set forth in **Appendix B**.

2.5 DIRECTOR COMPENSATION. Directors and Committee members shall serve without compensation from the Agency. Each Director may, however, be compensated by their Represented Entity. Directors or Committee members may be reimbursed his or her necessary and actual expenses by the Agency, including travel expenses relating to Agency business, as approved by the Board. Any Director or Committee member may elect to decline said reimbursement.

ARTICLE 3 BOARD MEETINGS

3.1 MEETINGS. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four Directors by written request to the Chair. Board meetings shall be conducted in compliance with Article 8 of the Agreement, these Bylaws and all applicable laws and regulations.

3.2 QUORUM. In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is representing an absent appointed Director.

3.3 GENERAL ORDER OF BUSINESS. The general order of business for regular and special meetings of the Board shall be established by the Designated Staff and may include any combination of consent items, regular business items, informational items or public hearing items.

3.4 REQUEST TO PLACE ITEMS ON THE AGENDA. Any Director may request that an item be placed on the agenda of any regular meeting of the Board by submitting a written request to the Chair, Vice Chair, and Designated Staff at least thirty (30) calendar days before the meeting.

3.5 ACTION BY THE BOARD. Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. The minutes shall reflect the results of the vote, including the names of the Directors if any, voting in the minority.

3.6 RULES OF ORDER. All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "Rosenberg's Rules of Order" (a copy of which is attached hereto as **Appendix C**) provided, however, that no action of the Board shall be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4 OFFICERS

4.1 OFFICERS. The Officers of the Agency are the Chair, Vice-Chair, and Secretary as provided in Article 7 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice-Chair, and the Secretary must be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, and shall not be a Director. Officers shall serve at the pleasure of the Board.

4.2 APPOINTMENT. At the first meeting of the Board of each calendar year, nominations for the Officers shall be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their appointment to office until the first Board meeting in 2018. Thereafter, each Officer shall serve a term of one (1) year, or until the first Board meeting of the year, whichever is later. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 REMOVAL. An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 RESIGNATION. Any Officer may resign at any time by giving a written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.5 VACANCIES. An Officer's position that is vacant because of death, resignation, removal, disqualification or any other cause shall be filled for the balance of the vacated term in the

manner prescribed in these Bylaws for regular election to that position, at any regular or special meeting of the Board.

4.6. RESPONSIBILITIES

4.6.1 The Chair shall preside at meetings of the Board and exercise and perform such other powers and duties as prescribed by these Bylaws, the policies of the Agency and as may be assigned to him/her by the Board.

4.6.2 The Vice-Chair shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 The Secretary shall perform, but not be limited to, the following duties:

4.6.3.1 Keep or cause to be kept, at the Principal Office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those present and absent at such meetings and the proceedings of such meetings. Minutes shall be in the form of Action Minutes and a meeting summary.

4.6.3.2 Prepare, give or cause to be prepared or given, notice of, and agendas for, all meetings of the Board and committees of the Agency.

4.6.3.3 Exercise and perform such other powers and duties as prescribed by these Bylaws, the policies of the Agency and as may be assigned to him/her by the Board.

4.7. TREASURER.

4.7.1 The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections 6505 and 6505.5 and all other applicable laws and regulations, including any subsequent amendments thereto. The Treasurer shall cause an independent audit to be made.

4.7.2 The Board shall appoint the Finance Manager from one of the Members to serve as Agency Treasurer. The Agency shall budget for and reimburse the Member providing Treasury services to the Agency. The Board may also contract for accounting and financial services as needed.

4.7.3 The Treasurer shall perform, but not be limited to, the following duties:

4.7.3.1 Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.

4.7.3.2 Consistent with the provisions of Article 14 of the Agreement, deposit all money and other valuables in the name and to the credit of the Agency within such depository accounts as may be designated by the Board; disburse the funds of the Agency as may be ordered or otherwise authorized by the Board; and render to the Board, whenever requested, an account of all of his/her transactions as Treasurer and of the financial condition of the Agency.

4.7.3.3 Exercise and perform such other powers and duties as prescribed by these Bylaws, the policies of the Agency and as may be assigned to him/her by the Board.

ARTICLE 5 COMMITTEES AND WORKING GROUPS

5.1 COMMITTEES. The Board may establish by action item one or more standing or ad hoc committees and appoint committee members to assist in carrying out the purposes and objectives of the Agency. No committee or participant on a committee shall have any authority to act on behalf of the Agency except as duly authorized by the Board. Except as otherwise approved by the Board, Directors shall comprise a majority of each committee. Standing committees shall comply with applicable provisions of the Ralph M. Brown Act.

5.2 LIMITS ON POWERS. Any Committee shall exercise such powers as may be expressly delegated to it, except that no Committee may: (a) take any final action on matters which, under the Agreement, require approval by a majority vote of the Board; (b) amend or repeal the Bylaws or adopt new Bylaws; (c) amend or repeal any resolution of the Board; or (d) appoint any other Committees of the Board or the members of these Committees.

5.3 WORKING GROUPS. Informal working groups may meet from time to time to provide opportunities to work on, for example, specific planning, analytical, or community engagement activities

ARTICLE 6

AGENCY ADMINISTRATION, MANAGEMENT, AND STAFFING

6.1 **COLLABORATIVE MANAGEMENT.** Agency administration and management shall be conducted using a collaborative staffing model in which professional and technical staff designated by each of the Members (“**Designated Staff**”) work together to provide staff leadership, management, and administration of the Agency.

6.1.1 Designated Staff shall work together to provide administrative, technical or professional support to the Agency. Board agenda and meeting materials shall generally be prepared by or reviewed by the Designated Staff prior to being finalized. Should Designated Staff not be in agreement on a topic, the Chair and Vice Chair shall be consulted to provide the necessary direction. Any issue not resolved by the Chair and Vice Chair shall be referred to the Board for decision.

6.1.2 The Agency shall budget for and reimburse the Member providing the services of the Agency Treasurer and the Member providing the services of the Agency Administrative Office Assistant. The Board may also contract for staffing resources as needed.

6.1.3 Professional and technical staff may be required to support the Agency. The Board may agree to contract for professional and technical support as needed.

6.1.4 Unless otherwise specified in the Agreement, these Bylaws or as expressly approved by the Board, contributions by Designated Staff shall be “in kind,” and without reimbursement for work contributed to the Agency.

6.2 **STAFFING MODEL REVIEW.** The collaborative staffing model for the Agency may be periodically reviewed and revised from time to time, or upon completion of the Groundwater Sustainability Plan.

ARTICLE 7

FINANCES

7.1 **DEPOSIT AND DISBURSEMENT OF FUNDS.** All funds of the Agency shall be deposited in one or more depository accounts as may be designated by the Board. Such accounts shall be independent of any account owned by or exclusively controlled by any of the Members. No disbursements of such funds shall be made unless the disbursement is included in the adopted budget or otherwise approved by the Board. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair's absence, the Vice-Chair or the Secretary. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair, Vice-Chair or Secretary in order to facilitate efficient operation of the Agency.

7.2 BUDGET. The Agency shall operate pursuant to a budget to be adopted prior to the beginning of each new fiscal year. The Agency shall endeavor to operate each year pursuant to an annually balanced budget so that projected annual expenses do not exceed projected annual revenues. Budget adjustments to the annual budget shall be reviewed and acted upon by the Board.

ARTICLE 8 DEBTS AND LIABILITIES

The debts, liabilities, and obligations of the Agency are not and shall not be the debts, liabilities or obligations of any or all of the Members, Directors or any of the Represented Entities. However, nothing in this Article or in the Agreement prevents, or impairs the ability of, a Member or Members, from agreeing, in a separate agreement, to be jointly and/or severally liable, in whole or in part, for any debt, obligation or liability of the Agency, including but not limited to, any bond or other debt instrument issued by the Agency.

ARTICLE 9 RECORDS RETENTION

9.1 AGENCY RECORDS. The Agency shall keep at the Agency's Principal Office adequate and correct records and approved minutes of the Agency Financial records shall be maintained by the Treasurer at the Treasurer's place of business.

9.2. INSPECTION RIGHTS.

9.2.1 The Agreement and Bylaws. The Agency shall keep at its principal executive office the original or copy of the Agreement and these Bylaws as amended to date, which shall be open to inspection by the Agency or any Director at all reasonable times.

9.2.2 Directors have the right to review the financial records of the Agency.

9.2.3 Directors have the right to review the records of the Agency for a purpose reasonably related to the Director's position as a Director except as follows: Directors shall not have the right to review records if the disclosure would violate the privacy rights of others, would result in or be in furtherance of a conflict of interest or would be inconsistent with information protected by the attorney-client privilege, attorney work product, privileged information under the Public Records Act.

9.3. RECORDS RETENTION POLICY. By June 20, 2018, the Board shall adopt a Records Retention Policy and Schedule which specifies the retention period for different categories of materials. Implementation of the Policy shall be the responsibility of Designated Staff.

ARTICLE 10
ETHICS AND CONFLICTS OF INTEREST

The Agency shall be subject to the conflict of interest rules set forth in the Political Reform Act (commencing with Section 81000 of the Government Code of the State of California) and Sections 1090 et seq. of the Government Code of the State of California. The Agency shall adopt an ethics policy as well as a conflict of interest code as required by the implementing regulations of the Political Reform Act.

ARTICLE 11
AMENDMENT

These Bylaws may be restated, repealed or amended from time to time by resolution of the Board at a regular or special meeting of the Board. No such restatement, repeal or amendment shall be adopted unless at least twenty (20) days written notice thereof has previously been given to all Directors, unless a longer period of time is requested by any Director and approved by the Board. Such notice shall identify the Article to be amended, the proposed amendment and the reason for the proposed amendment.

ARTICLE 12
NUMBER, GENDER

Whenever the context so requires, the singular number shall include the plural and the plural shall include the singular, and the gender of any pronoun shall include the other genders.

Appendix A

Guiding Principles

**Santa Margarita Groundwater Agency
Board of Directors**

CODE OF CONDUCT

As members of the Board of Directors of the Santa Margarita Groundwater Agency, we are committed to preserving the public trust and representing the best interests of our constituents.

Principles and Performance Expectations:

1. The Board functions as a participatory team,
2. The Board values a visionary, constructive, work environment,
3. The Board values open and honest communication with open agendas,
4. The Board works for the common good of its constituents,
5. Directors are prepared for Board meetings and are responsible for initiating resolutions,
6. Directors are respectful of each other, the staff and the public.

Board Interaction and Communication:

1. Directors maintain informal and professional relationships among each other,
2. Directors refrain from personal attacks against other Directors and staff,
3. Directors apply the rules governing communications among Directors in compliance with the Brown Act,
4. Directors function as a team and are not exclusive in their communications and interactions.

I agree to uphold the following principles, which demonstrate my commitment to the Agency:

1. I shall recognize the worth of individual Directors and appreciate their talents, perspectives, and contributions.
2. I shall help to create an atmosphere of respect and civility where Directors, staff, and the public are free to express their ideas and work together to their full potential.
3. I shall conduct my personal business and public affairs with honesty, integrity, fairness, and respect for others.
4. I shall keep the common good as my highest purpose and focus on achieving constructive solutions for the public benefit.
5. I shall avoid and discourage conduct which is divisive or harmful to the best interest of the Agency.
6. I shall treat all people in a manner in which I wish to be treated.

Name/Title

Date

**FIRST AMENDED AND RESTATED BYLAWS OF THE
SANTA MARGARITA GROUNDWATER AGENCY**

a Joint Powers Agency composed of the Scotts Valley Water District, the San Lorenzo Valley
Water District, and the County of Santa Cruz

~~December 14, 2017~~
, 2019

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FIRST AMENDED AND RESTATED BYLAWS OF THE
SANTA MARGARITA GROUNDWATER AGENCY

*a Joint Powers Agency composed of the Scotts Valley Water District,
the San Lorenzo Valley Water District, and the County of Santa Cruz*

~~December 14, 2017~~
January __, 2019

PREAMBLE

These First Amended and Restated Bylaws are adopted and effective as of ~~December 14, 2017~~, January __, 2019, pursuant to the Joint Exercise of Powers Agreement by and among the Scotts Valley Water District, the San Lorenzo Valley Water District and the County of Santa Cruz creating the Santa Margarita Groundwater Agency dated June 1, 2017 (“**Agreement**”).

ARTICLE 1
THE AGENCY

1.1 DEFINITIONS.

Unless specifically defined in these Bylaws, all defined terms shall have the same meaning ascribed to them in the Agreement.

If any term of these Bylaws conflicts with any term of the Agreement, the Agreement's terms shall prevail, and these Bylaws shall be amended to eliminate such conflict of terms. Unless the context or reference to the Agreement requires otherwise, the general provisions, rules of construction, and definitions in the Agreement and in the California Civil Code shall govern the construction of these Bylaws.

NEED TO CHECK THE CROSS-REFERENCES BELOW.

“**Agency**” has the meaning in section 1.2

“**Agreement**” has the meaning in the Preamble

“**Applicant**” or “**Applicants**” has the meaning in section 2.3.3

“**Board of Directors**” or “**Board**” has the meaning in section 2.1

“**Business Agent**” has the meaning in section 1.3

~~“**Committee**” or “**Committees**” has the meaning in section 5.1~~

“**Deadline**” has the meaning in section ~~2.3.3~~[2.3.4.3.2](#)

“**Designated Staff**” has the meaning in section 6.1.1

“**Individual Water System**” means private well that serves 1-4 connections

“**Members**” means the Scotts Valley Water District, the San Lorenzo Valley Water District, and the County of Santa Cruz

“**Member Representatives**” [has the meaning in section 2.1](#)

“**Principal Office**” has the meaning in section 1.3

“**Qualifications**” [has the meaning in section 2.3.3](#)

“**Represented Entity**” has the meaning in section 2.2

“**Small Water System**” means private or public well(s) that serve 5-199 connections

“**Well Owner Representative**” has the meaning in section 2.1

“**Well Owners**” [has the meaning in section 2.2](#)

1.2 THE AGENCY. The name of the Agency created by the Agreement is the Santa Margarita Groundwater Agency (“**Agency**”), a joint powers agency composed of the Members.

1.3 PRINCIPAL OFFICE AND BUSINESS AGENT.

1.3.1 The principal office and the business agent of the Agency shall be at the Scotts Valley Water District (“**Business Agent**”) located at 2 Civic Center Drive, Scotts Valley, CA 95066 (“**Principal Office**”), or at an alternate location as the Board may designate.

1.3.2 The Principal Office shall be used for the main mailing address for all correspondence and for the Agency’s central records storage.

1.3.3 The Business Agent shall provide administrative services pursuant to the Agreement, these Bylaws or an administrative services agreement with the Agency.

1.3.4 The administration, management and operation of the Agency shall be in accordance with the Business Agent’s existing policies and procedures, unless and until the Agency adopts its own administration, management, and operations policies and procedures.

1.4 POWERS. The powers of the Agency are set forth in Article 4 of the Agreement.

ARTICLE 2 BOARD OF DIRECTORS

2.1 BOARD OF DIRECTORS. The Agency shall be governed by a Board of Directors (the “**Board of Directors**” or “**Board**”) consisting of 11 Directors as set forth in Article 6 of the Agreement and as follows:

Two (2) representatives appointed by the governing body of each of the Members (“**Member Representatives**”).

One (1) representative appointed by the governing body of the City of Scotts Valley

One (1) representative appointed by the governing body of the City of Santa Cruz

One (1) representative of the Mt. Hermon Association Community Water System

Two (2) representatives of private well owners or small public water systems within the boundaries of the Agency (“**Well Owner Representatives**”).

Alternate Directors are appointed pursuant to Section 6.4 of the Agreement.

2.2 TERM OF APPOINTMENTS. The term of the appointment for each Director on the Board shall be established by each entity they represent (“**Represented Entity**”). If a Director has no Represented Entity (as may be the case for ~~the~~ Well Owner ~~Representative~~ Representatives or the Well Owner Alternate (collectively, “**Well Owners**”), the term of appointment shall be three (3) years. At the expiration of the three (3) year term, the Board may (i) elect to initiate the appointment procedure for a Well Owner position under section 2.3 of the Bylaws; or (ii) authorize a then-serving Well Owner to serve another three (3) year term, subject to Board approval with the unanimous approval of the Member Representatives.

2.3 PROCEDURE FOR APPOINTMENT OF WELL ~~OWNER REPRESENTATIVES~~ OWNERS.

2.3.1 Under section 6.3.7 of the Agreement, Well ~~Owner Representatives~~ Owners may be ~~chosen~~ nominated by self-~~selection~~ nomination through a procedure described in these Bylaws.

2.3.2 At minimum, one (1) of the two (2) Well Owner Representatives shall be from an Individual Water System. If one (1) of two (2) Well Owner Representatives is from a Small Water System, then the preference in choosing ~~an Alternate~~ a Well Owner ~~Representative~~ Alternate shall be given to an Individual Water System representative.

2.3.3 ~~The Agency~~ Any person meeting the following qualifications may apply to serve as a Well Owner (individually, an “Applicant”). At a minimum, an Applicant shall (a) be an owner of a private well located within the boundaries of the Agency, a tenant leasing property with a private well located within the boundaries of the Agency, or a representative of a small public water system with a well located within boundaries of the Agency; (b) be at least 18 years of age; and (c) exhibit high standards of integrity, commitment, and good judgment;

(collectively, 2.3.3 (a)-(c) shall be the “Qualifications”). Once appointed, a Well Owner shall meet the Qualifications for the duration of his or her service as a Well Owner.

2.3.4 If a Well Owner position becomes vacant for any reason, including death, permanent disability, inability to perform his or her responsibilities, resignation, removal, or failure to meet the Qualifications, the following process shall apply:

2.3.4.1 In the event of Well Owner Representative vacancy, the Well Owner Alternate shall fill the vacancy as a Director if the Well Owner Alternate is willing to serve as a Director, subject to compliance with section 2.3.2 of these Bylaws. The Well Owner Alternate who fills a vacancy under this section shall serve as a Director for the remainder of the three (3) year term of the departing Well Owner Representative.

2.3.4.2 If a Well Owner Representative vacancy is not filled under section 2.3.4.1, or if a Well Owner position remains vacant, the Board shall appoint an ad-hoc committee of three (3) Directors of the Agency to facilitate the appointment process (“Committee”). At least one (1) of the members of the Committee shall be a Member Representative, and the Board shall give preference to then-serving Well Owners to fill the remaining two (2) Committee positions.

2.3.4.2.1 The Committee shall provide or cause to be provided a notice of the opportunity for individuals to submit an application to serve as a Well Owner ~~Representative or an Alternate to fill a vacancy.~~ The notice shall may include a description of the work of the Agency, the minimum qualifications of a Well Owner ~~Representatives~~, the desired characteristics and skills of a Well Owner ~~Representatives~~, criteria to be used in evaluating applications received, as well as deadlines and the timeline for decision-making on appointees. The notice shall also ~~describe the opportunity for the applicants as a group to self-select Well Owner Representatives by limiting the number of applications to only~~ inform Applicants that if there are more Well Owner Applicants than the number of positions available, the Applicants will have the opportunity to self-nominate a Well Owner by reaching agreement among themselves by having some Applicants voluntarily withdraw their applications so that the remaining number of applications is the same as the number of vacant positions. To encourage participation, a variety of print media, electronic ~~and/or~~ other formal and informal communication mechanisms ~~shall may~~ be utilized, and the period of notice shall cover, at a minimum, ten (10) working days.

~~2.3.4 Any person meeting the qualifications of a Well Owner Representative may apply to serve as a Well Owner Representative (individually “Applicant” or collectively, the “Applicants”). At a minimum, an Applicant shall (a) be a private well owner located within the boundaries of the Agency, a tenant of property with a private well located within the boundaries of the Agency, or a representative of a small public water system located within boundaries of the Agency; (b) be at least 18 years of age; and (c) exhibit high standards of integrity, commitment, and good judgment.~~

~~At the conclusion of the period for receiving applications, if there are more Applicants than the number of positions available, the Applicants shall be notified of the opportunity to act as a group to self select the Well Owner Representatives and their Alternate by reaching agreement among themselves for some Applicants to withdraw their applications so that the remaining number of applications is the same as the number of positions available.~~

Applicants ~~2.3.4.2.2~~ The Committee shall be given the names and contact information of ~~the other all~~ Applicants ~~and~~. The Applicants shall be ~~allowed~~ informed that they have at least twenty (20) days but no more than forty (40) days (“**Deadline**”) to meet and/or confer and endeavor to seek agreement on which Applicants ~~shall~~ elect to voluntary withdraw their applications and which Applicants ~~shall~~ will be recommended to fill the vacant positions ~~available~~. Committee members are encouraged to attend the meetings of the Applicants. The Committee may recommend the rejection of an application if the Applicant fails to meet the Qualifications or if an Applicant fails to attend a meeting of Applicants called for the purpose of nominating an Applicant to fill a vacancy.

2.3.4.2.3 An Applicant may withdraw his/her application ~~by delivering~~ prior to the Deadline by sending a written request to the Principal Office ~~by mail, email or facsimile.~~

2.3.4.2.4 If before the Deadline, the ~~proposed Well Owner Representatives are identified by the~~ Well Owners nominate the number of Applicants necessary to fill all vacant positions, and all other Applicants voluntarily withdraw their applications, then the ~~Board shall consider~~ nominations shall be forwarded to the Board for consideration, provided the nominees meet the Qualifications.

2.3.4.2.5 If nominations are not forwarded to the Board under section 2.3.4.2.4, then the Committee shall report its findings and forward the applications of the remaining Applicants ~~and appoint them as Well Owner Representatives if they meet the qualifications established by the Agency to the Board.~~

~~2.3.5 If the self-selection process does not result in the final selection Well Owner Representatives, or if the number of Applicants remains greater than the number of positions available, then a committee of the Board, with the participation of Designated Staff shall review and evaluate the applications. The committee may hold interviews with the top Applicants and develop recommendations for consideration by the Members. Final Appointment of Well Owner Representatives shall be made by a unanimous vote of the Members in compliance with Section 6.3.7 of the Agreement and Section 2.3.2 of these Bylaws.~~

2.3.5. Notwithstanding anything to the contrary herein, the final appointment of any person to fill a Well Owner vacancy shall be subject to the approval of the Board and the unanimous approval of the Member Representatives.

2.4 GUIDING PRINCIPLES; CODE OF CONDUCT. The Board understands the importance and value of a positive and constructive culture to the overall performance of the Agency. In order for the Board to function in an effective manner, it is important that the Directors acknowledge

their respective roles and the level of performance necessary to carry out the duties of a Director. All Directors shall agree in writing to follow the Guiding Principles of the Agency set forth in Appendix A and the Code of Conduct as of the Agency set forth in Appendix AB.

2.5 DIRECTOR COMPENSATION. Directors and Committee members shall serve without compensation from the Agency. Each Director may, however, be compensated by their Represented Entity. Directors or Committee members may be reimbursed his or her necessary and actual expenses by the Agency, including travel expenses relating to Agency business, as approved by the Board. Any Director or Committee member may elect to decline said reimbursement.

ARTICLE 3 BOARD MEETINGS

3.1 MEETINGS. The Board's regular meeting schedule shall be developed and adopted by the Board at its first meeting after January 1st of each year. Special meetings of the Board may be called by the Chair or any four Directors by written request to the Chair. Board meetings shall be conducted in compliance with Article 8 of the Agreement, these Bylaws and all applicable laws and regulations.

3.2 QUORUM. In determining a quorum as defined by Section 9.1 of the Agreement, Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is representing an absent appointed Director.

3.3 GENERAL ORDER OF BUSINESS. The general order of business for regular and special meetings of the Board shall be established by the Designated Staff and may include any combination of consent items, regular business items, informational items or public hearing items.

3.4 REQUEST TO PLACE ITEMS ON THE AGENDA. Any Director may request that an item be placed on the agenda of any regular meeting of the Board by submitting a written request to the Chair, Vice Chair, and Designated Staff at least thirty (30) calendar days before the meeting.

3.5 ACTION BY THE BOARD. Action by the Board on all resolutions or ordinances shall be taken using a roll-call vote and shall be recorded in writing, signed by the Chair and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes. The minutes shall reflect the results of the vote, including the names of the Directors if any, voting in the minority.

3.6 RULES OF ORDER. All rules of order not otherwise provided for in these Bylaws shall be determined, to the extent practicable, in accordance with "Rosenberg's Rules of Order" (a copy of which is attached hereto as **Appendix BC**) provided, however, that no action of the Board shall be invalidated or its legality otherwise affected by the failure or omission to observe or follow "Rosenberg's Rules of Order."

ARTICLE 4 OFFICERS

4.1 OFFICERS. The Officers of the Agency are the Chair, Vice-Chair, and Secretary as provided in Article 7 of the Agreement. All Directors are eligible to serve as an Officer. The Chair, the Vice-Chair, and the Secretary must be Directors. The Treasurer shall be appointed consistent with the provisions of Section 14.3 of the Agreement, and shall not be a Director. Officers shall serve at the pleasure of the Board.

4.2 ~~ELECTION~~APPOINTMENT. At the first meeting of the Board of each calendar year, nominations for the Officers shall be made and seconded by a Director. If more than two (2) Directors are nominated for any one office, voting occurs until a nominee receives a majority of the votes cast. The initial term of the elected Officers shall run from the date of their ~~election~~appointment to office until the first Board meeting in 2018. Thereafter, each Officer shall serve a term of one (1) year, or until the first Board meeting of the year, whichever is later. An Officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

4.3 REMOVAL. An Officer may be removed, with or without cause, by a majority vote of the Board at a regular or special meeting.

4.4 RESIGNATION. Any Officer may resign at any time by giving a written notice to the Board Chair or Secretary. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

4.5 VACANCIES. An Officer's position that is vacant because of death, resignation, removal, disqualification or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular election to that position, at any regular or special meeting of the Board.

4.6. RESPONSIBILITIES

4.6.1 The Chair shall preside at meetings of the Board and exercise and perform such other powers and duties as prescribed by these Bylaws, the policies of the Agency and as may be assigned to him/her by the Board.

4.6.2 The Vice-Chair shall fulfill all the duties of the Chair in his/her absence and exercise and perform such other powers and duties as may be assigned to him/her by the Board.

4.6.3 The Secretary shall perform, but not be limited to, the following duties:

4.6.3.1 Keep or cause to be kept, at the Principal Office of the Agency or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors and committees of the Agency, with the time and place of holding the meeting, whether regular or special, and, if special, how authorized, the notice given, the names of those present and absent at such meetings and the proceedings of such meetings. Minutes shall be in the form of Action Minutes and a meeting summary.

4.6.3.2 Prepare, give or cause to be prepared or given, notice of, and agendas for, all meetings of the Board and committees of the Agency.

4.6.3.3 Exercise and perform such other powers and duties as prescribed by these Bylaws, the policies of the Agency and as may be assigned to him/her by the Board.

4.7 TREASURER.

4.7.1 The Treasurer shall be the depository and have custody of all the money of the Agency from whatever source and shall provide strict accountability of said funds in accordance with Government Code Sections 6505 and 6505.5. The Treasurer shall possess the powers of, and shall perform those functions required by Government Code Sections 6505 and 6505.5 and all other applicable laws and regulations, including any subsequent amendments thereto. The Treasurer shall cause an independent audit to be made.

4.7.2 The Board shall appoint the Finance Manager from one of the Members to serve as Agency Treasurer. The Agency shall budget for and reimburse the Member providing Treasury services to the Agency. The Board may also contract for accounting and financial services as needed.

4.7.3 The Treasurer shall perform, but not be limited to, the following duties:

4.7.3.1 Keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of Agency, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.

4.7.3.2 Consistent with the provisions of Article 14 of the Agreement, deposit all money and other valuables in the name and to the credit of the Agency within such depository accounts as may be designated by the Board; disburse the funds of the Agency as may be ordered or otherwise authorized by the Board; and render to the Board, whenever requested, an account of all of his/her transactions as Treasurer and of the financial condition of the Agency.

4.7.3.3 Exercise and perform such other powers and duties as prescribed by these Bylaws, the policies of the Agency and as may be assigned to him/her by the Board.

ARTICLE 5 COMMITTEES AND WORKING GROUPS

5.1 COMMITTEES. The Board may establish by action item one or more standing or ad hoc committees (~~“Committee” or “Committees”~~)and appoint committee members to assist in carrying out the purposes and objectives of the Agency. No ~~C~~committee or participant on a ~~C~~committee shall have any authority to act on behalf of the Agency except as duly authorized by the Board. Except as otherwise approved by the Board, Directors shall comprise a majority of each ~~Committee. Committees~~committee. Standing committees shall comply with applicable provisions of the Ralph M. Brown Act.

5.2 LIMITS ON POWERS. Any Committee shall exercise such powers as may be expressly delegated to it, except that no Committee may: (a) take any final action on matters which, under the Agreement, require approval by a majority vote of the Board; (b) amend or repeal the Bylaws or adopt new Bylaws; (c) amend or repeal any resolution of the Board; or (d) appoint any other Committees of the Board or the members of these Committees.

5.3 WORKING GROUPS. Informal working groups may meet from time to time to provide opportunities to work on, for example, specific planning, analytical, or community engagement activities

ARTICLE 6 AGENCY ADMINISTRATION, MANAGEMENT, AND STAFFING

6.1 COLLABORATIVE MANAGEMENT. Agency administration and management shall be conducted using a collaborative staffing model in which professional and technical staff designated by each of the Members (**“Designated Staff”**) work together to provide staff leadership, management, and administration of the Agency.

6.1.1 Designated Staff shall work together to provide administrative, technical or professional support to the Agency. Board agenda and meeting materials shall generally be prepared by or reviewed by the Designated Staff prior to being finalized. Should Designated Staff not be in agreement on a topic, the Chair and Vice Chair shall be consulted to provide the necessary direction. Any issue not resolved by the Chair and Vice Chair shall be referred to the Board for decision.

6.1.2 The Agency shall budget for and reimburse the Member providing the services of the Agency Treasurer and the Member providing the services of the Agency Administrative Office Assistant. The Board may also contract for staffing resources as needed.

6.1.3 Professional and technical staff may be required to support the Agency. The Board may agree to contract for professional and technical support as needed.

6.1.4 Unless otherwise specified in the Agreement, these Bylaws or as expressly approved by the Board, contributions by Designated Staff shall be “in kind,” and without reimbursement for work contributed to the Agency.

6.2 STAFFING MODEL REVIEW. The collaborative staffing model for the Agency may be periodically reviewed and revised from time to time, or upon completion of the Groundwater Sustainability Plan.

ARTICLE 7 FINANCES

7.1 DEPOSIT AND DISBURSEMENT OF FUNDS. All funds of the Agency shall be deposited in one or more depository accounts as may be designated by the Board. Such accounts shall be independent of any account owned by or exclusively controlled by any of the Members. No disbursements of such funds shall be made unless the disbursement is included in the adopted budget or otherwise approved by the Board. Disbursements of not more than five thousand dollars (\$5,000) may be issued pursuant to the Treasurer's sole signature. Disbursements in excess of five thousand dollars (\$5,000) may only be issued upon the signature of the Treasurer and Chair, or in the Chair's absence, the Vice-Chair or the Secretary. The Treasurer may establish and implement a protocol allowing for electronic signatures by the Chair, Vice-Chair or Secretary in order to facilitate efficient operation of the Agency.

7.2 BUDGET. The Agency shall operate pursuant to a budget to be adopted prior to the beginning of each new fiscal year. The Agency shall endeavor to operate each year pursuant to an annually balanced budget so that projected annual expenses do not exceed projected annual revenues. Budget adjustments to the annual budget shall be reviewed and acted upon by the Board.

ARTICLE 8 DEBTS AND LIABILITIES

The debts, liabilities, and obligations of the Agency are not and shall not be the debts, liabilities or obligations of any or all of the Members, Directors or any of the Represented Entities. However, nothing in this Article or in the Agreement prevents, or impairs the ability of, a Member or Members, from agreeing, in a separate agreement, to be jointly and/or severally liable, in whole or in part, for any debt, obligation or liability of the Agency, including but not limited to, any bond or other debt instrument issued by the Agency.

ARTICLE 9 RECORDS RETENTION

9.1 AGENCY RECORDS. The Agency shall keep at the Agency's Principal Office adequate and correct records and approved minutes of the Agency Financial records shall be maintained by the Treasurer at the Treasurer's place of business.

9.2. INSPECTION RIGHTS.

9.2.1 The Agreement and Bylaws. The Agency shall keep at its principal executive office the original or copy of the Agreement and these Bylaws as amended to date, which shall be open to inspection by the Agency or any Director at all reasonable times.

9.2.2 Directors have the right to review the financial records of the Agency.

9.2.3 Directors have the right to review the records of the Agency for a purpose reasonably related to the Director's position as a Director except as follows: Directors shall not have the right to review records if the disclosure would violate the privacy rights of others, would result in or be in furtherance of a conflict of interest or would be inconsistent with information protected by the attorney-client privilege, attorney work product, privileged information under the Public Records Act.

9.3. RECORDS RETENTION POLICY. By June 20, 2018, the Board shall adopt a Records Retention Policy and Schedule which specifies the retention period for different categories of materials. Implementation of the Policy shall be the responsibility of Designated Staff.

ARTICLE 10 ETHICS AND CONFLICTS OF INTEREST

The Agency shall be subject to the conflict of interest rules set forth in the Political Reform Act (commencing with Section 81000 of the Government Code of the State of California) and Sections 1090 et seq. of the Government Code of the State of California. The Agency shall adopt an ethics policy as well as a conflict of interest code as required by the implementing regulations of the Political Reform Act.

ARTICLE 11 AMENDMENT

These Bylaws may be restated, repealed or amended from time to time by resolution of the Board at a regular or special meeting of the Board. No such restatement, repeal or amendment shall be adopted unless at least ~~thirty~~ twenty (~~30~~20) days written notice thereof has previously been given to all Directors, unless a longer period of time is requested by any Director and approved by the Board. Such notice shall identify the Article to be amended, the proposed amendment and the reason for the proposed amendment.

ARTICLE 12 NUMBER, GENDER

Whenever the context so requires, the singular number shall include the plural and the plural shall include the singular, and the gender of any pronoun shall include the other genders.

Appendix A
Guiding Principles

**Santa Margarita Groundwater Agency
Board of Directors**

CODE OF CONDUCT

As members of the Board of Directors of the Santa Margarita Groundwater Agency, we are committed to preserving the public trust and representing the best interests of our constituents.

Principles and Performance Expectations:

1. The Board functions as a participatory team,
2. The Board values a visionary, constructive, work environment,
3. The Board values open and honest communication with open agendas,
4. The Board works for the common good of its constituents,
5. Directors are prepared for Board meetings and are responsible for initiating resolutions,
6. Directors are respectful of each other, the staff and the public.

Board Interaction and Communication:

1. Directors maintain informal and professional relationships among each other,
2. Directors refrain from personal attacks against other Directors and staff,
3. Directors apply the rules governing communications among Directors in compliance with the Brown Act,
4. Directors function as a team and are not exclusive in their communications and interactions.

I agree to uphold the following principles, which demonstrate my commitment to the Agency:

1. I shall recognize the worth of individual Directors and appreciate their talents, perspectives, and contributions.
2. I shall help to create an atmosphere of respect and civility where Directors, staff, and the public are free to express their ideas and work together to their full potential.
3. I shall conduct my personal business and public affairs with honesty, integrity, fairness, and respect for others.
4. I shall keep the common good as my highest purpose and focus on achieving constructive solutions for the public benefit.
5. I shall avoid and discourage conduct which is divisive or harmful to the best interest of the Agency.
6. I shall treat all people in a manner in which I wish to be treated.

Name/Title

Date

Document comparison by Workshare 9 on Wednesday, December 12, 2018
5:25:46 PM

Input:	
Document 1 ID	file:///S:/wpdata/Terry/Santa Margarita Groundwater Agency/Final Bylaws/Santa Margarita Bylaws FINAL.docx
Description	Santa Margarita Bylaws FINAL
Document 2 ID	file:///S:/wpdata/Terry/Santa Margarita Groundwater Agency/Final Bylaws/FIRST AMENDED AND RESTATED BYLAWS 12.11.18(3).docx
Description	FIRST AMENDED AND RESTATED BYLAWS 12.11.18(3)
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
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Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	91
Deletions	53

Moved from	8
Moved to	8
Style change	0
Format changed	0
Total changes	160

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: December 20, 2018
Item: General Business Agenda 5.3
Subject: **Guiding Principles Proposed Amendment**

SUMMARY

Recommendation: Receive the Final Document and Approve the Proposed Amendment to the Santa Margarita Groundwater Agency Guiding Principles as an Appendix to the Bylaws

Fiscal Impact: No direct impact from this action

BACKGROUND

Prior to beginning the work on the development of the groundwater sustainability plan (GSP), the board decided to conduct a joint goal setting process that allows them to establish a solid foundation for the planning work that will be required during the GSP development. The Agency retained Dave Ceppos, a Managing Senior Mediator at California State University Sacramento, College of Continuing Education, Consensus and Collaboration Program to lead the effort. The consultant conducted background reviews, conducted a situation assessment presenting the report to the board at the July 27th meeting. The board formed a Facilitation Committee to work with the consultant in designing and implementing a joint goal setting process.

The Facilitation Committee met several times reviewing the recommendations from the assessment report, preparing guiding principles and determining the appropriate timeline for necessary activities. Collectively they developed a proposed “Santa Margarita Groundwater Agency (SMGWA) Guiding Principles” (Guiding Principles) that was discussed and approved at November 29th Board meeting.

The Guiding Principles mark a major milestone for the SMGWA. They define a set of mutual core values and commitments that the current Board and future Boards will ideally live by and do their work by. The Guiding Principles add to the canon of documents (including the agency’s Joint Powers Agreement and Bylaws) that define how the agency does and will function.

As used by other organizations and agencies, Guiding Principles (and similar) are an important and applied tool that guides the work of a governing body. Amongst many uses, the SMGWA Guiding Principles can:

- Be provided to the Basin Beneficial Users as a written description of key interests and a commitment/pledge by the Board as to how it will implement SGMA.

- Be used by all Board members as a means to regularly assess the direction of discussions and potential Board decisions and to ensure that said discussions and decisions are consistent with these Principles.
- Be provided as handouts, posters, presentation slide and/or initial convening statements by a Board Chair at the beginning of each meeting as a regularly renewed commitment about the work of the Board and agency.

DISCUSSION

At the November meeting, the Board approved the Guiding Principles including edits made during the discussion. Another proposed edit was forwarded to the mediator Dave Ceppos for consideration by the Facilitation Committee. All of the previously discussed edits and the proposed addition are incorporated into the attached document.

Submitted by,

Piret Harmon
General Manager
Scotts Valley Water District

Attached: Santa Margarita Groundwater Agency Guiding Principles – Proposed Amendment

**Proposed Final
Santa Margarita Groundwater Agency
Guiding Principles**

1. The Santa Margarita Groundwater Basin (Basin) is located entirely within Santa Cruz County (County). The Basin is a diverse area. It:
 - Is characterized by different communities with various land uses, and land and water management approaches.
 - Is defined by a complex set of aquifers through which groundwater passes and on which residents and ecosystems depend.
 - Has extensive biodiversity hotspots that support important terrestrial and aquatic ecosystems and species, many of which are protected by the California and Federal Endangered Species Acts.
 - Provides essential connectivity between groundwater and surface water on which the base flows of several creeks and rivers (including the San Lorenzo River) depend.
 - Is subject to climatological changes that alone, can significantly impact the availability of water.
 - Is hydrogeologically disconnected from other groundwater basins. There are no current plans to receive imported water from outside of the county. The Basin's Beneficial Users (as defined in the Sustainable Groundwater Management Act [SGMA] – See Attachment A) rely on effective management of a water budget to achieve sustainable groundwater and surface water conditions.
2. SGMA affects all Beneficial Users in the Basin. It describes groundwater sustainability requirements and mandates that Beneficial Users are able to fully participate to achieve and maintain sustainable groundwater conditions in the Basin.
3. The Santa Margarita Groundwater Agency (SMGWA) represents and preserves the water interests of all Beneficial Uses / Users in the Basin equitably and transparently. The SMGWA is a governing public agency, granted with regulatory authorities as provided in SGMA, to ensure that the Basin achieves and maintains sustainable groundwater conditions.
4. Consistent with SGMA, groundwater users that extract two acre-feet of groundwater or less per year for domestic purposes are defined as “de minimis”. This classification limits the statutory financial and measurement responsibilities of these groundwater extractors and is a means through which some SGMA-related burdens are minimized. The SMGWA is committed to the definition of de minimis and opportunities to minimize SGMA-related impacts to groundwater extractors.
5. While the Member agencies and participants serving as Directors of the SMGWA Board have unique responsibilities to serve their respective organizations and interests, these individuals also have a sworn responsibility (as signatory parties to the Joint Powers

Agreement that formed the SMGWA) to serve the interests and regulatory authorities of the SMGWA in its required role to identify, achieve and maintain sustainable groundwater conditions in the Basin. SMGWA Directors and staff are committed to fulfill this SGMA-specific responsibility.

6. In addition to its statutory responsibilities and authorities, the SMGWA is committed to provide consistent, transparent educational opportunities for all Beneficial Users about water resources, land uses and water management in the Basin.
7. Historic groundwater management, surface water management and land use practices in the Basin have created overdraft conditions in some of the underlying aquifers. The practices that created overdraft conditions were not sustainable and the practices that took place will not be repeated by any member of the SMGWA nor any Beneficial User in the Basin.
8. Future sustainable groundwater conditions will depend on Basin land uses and water demand targets being in balance with available water resources. The SMGWA is committed to work with land use agencies in the Basin to promote land use practices and water demand targets that achieve sustainable water resources.
9. The SMGWA will ensure that a Groundwater Sustainability Plan (GSP) is in place by and after January 2022. Actions to achieve sustainable conditions will be described in the GSP for the Basin. Objectives and thresholds may be set Basin-wide, or may be defined differently for unique parts of the Basin in “Management Areas” (as allowed for under SGMA).
10. Beyond minimum sustainability thresholds and objectives described in the GSP, the SMGWA will examine possibilities to recover / restore the Basin’s aquifers and restore tributary base flows to the best extent possible.
11. SMGWA members and Beneficial Users may have different requirements under different water resource conditions to ensure that minimum thresholds are achieved or exceeded. These potential different requirements will be defined in the GSP and implemented by the SMGWA.
12. Actions to achieve sustainable outcomes, report outcomes to the State and maintain the daily activities of the SMGWA will require consistent funding. Financial contributions to support this work will be proportionally distributed among the SMGWA membership and many Beneficial Users, based on impacts and benefits to groundwater and surface water resources. Specific proportional contributions will be determined in the future.
13. The SMGWA recognizes its duty to tax payers and future generations to ensure that our critically important water and financial resources are managed effectively to achieve and maintain sustainable groundwater conditions and fiscal responsibility.

14. Integrated water management is a set of methods to extract, transport, store, use and share groundwater and surface water throughout a groundwater basin to ensure a resilient water supply for all water users. To support SGMA objectives and Basin-wide water needs, the SMGWA will pursue an integrated water management approach for this Basin. An integrated water management approach will honor the social, cultural, natural and economic diversity of the Basin. It will capitalize on the diverse water resources throughout the Basin and will seek to ensure that all Beneficial Users have necessary water resources. An integrated water management approach may rely on but may not be limited to:

- Science-based decision-making.
- Projects and Methods to recover and restore the Basin aquifers.
- Collective and individual groundwater use requirements to ensure that groundwater elevations are not depleted below minimum thresholds.

15. Discussions between SMGWA Directors, Directors and staff, and SMGWA representatives and Beneficial Users to address the above responsibilities and outcomes may be challenging at times. Consistent with the SMGWA Board of Directors Code of Conduct (as presented in Appendix A of the SMGWA Bylaws), the SMGWA will conduct these discussions at all times in a collaborative manner with a commitment to respectful civil discourse between all participants.

ATTACHMENT A

10723.2. CONSIDERATION OF ALL INTERESTS OF ALL BENEFICIAL USES AND USERS OF GROUNDWATER

The groundwater sustainability agency shall consider the interests of all beneficial uses and users of groundwater, as well as those responsible for implementing groundwater sustainability plans. These interests include, but are not limited to, all of the following:

- (a) Holders of overlying groundwater rights, including:
 - (1) Agricultural users.
 - (2) Domestic well owners.
- (b) Municipal well operators.
- (c) Public water systems
- (d) Local land use planning agencies.
- (e) Environmental users of groundwater.
- (f) Surface water users, if there is a hydrologic connection between surface and groundwater bodies.
- (g) The federal government, including, but not limited to, the military and managers of federal lands.
- (h) California Native American tribes.
- (i) Disadvantaged communities, including, but not limited to, those served by private domestic wells or small community water systems.
- (j) Entities listed in Section 10927 that are monitoring and reporting groundwater elevations in all or a part of a groundwater basin managed by the groundwater sustainability agency.

STAFF REPORT

Santa Margarita Groundwater Agency

To: Board of Directors

Date: December 20, 2018

Item: Staff Report

Subject: **Financial Report period ending November 30, 2018**

The Agency has been utilizing the revenue billed from the prior fiscal year and approximately half of the current budget was billed earlier this fiscal year.

Below is a brief description of these reports:

- **Statement of Revenue & Expenses** – reflects revenue invoiced to the participating members and expenses incurred during the stated time period
- **Statement of Net Position** – reflects the cash balance with Santa Cruz County Bank, any revenue still owed from participating members as Accounts Receivable (A/R), any monies still owed to vendors as Accounts Payable (A/P) and the resulting net income from the Statement of Revenue & Expenses
- **Accounts Payable Aging Summary** – reflects current expenses that have yet to be paid
- **Bill List** – reflects all payments made by the SMGWA, typically by check

This is an informational report only. Given the more simplistic nature of the Agency, there will typically be contributions from the participating members and expenses related to Agency activity.

Submitted by,

Stephanie Hill

Treasurer, Santa Margarita Groundwater Agency

Director of Finance & Business Services, San Lorenzo Valley Water District

Attached: Financial Management Report

Financial Management Report

Santa Margarita Groundwater Agency
October 1, 2018 - November 30, 2018



Prepared on
December 14, 2018

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Statement of Net Position4

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Statement of Revenues and Expenses

October 1, 2018 - November 30, 2018

	Total
INCOME	
Services	205,118.00
Total Income	205,118.00
GROSS PROFIT	205,118.00
EXPENSES	
Advertising & Marketing	13,212.50
Legal & Professional Services	21,645.63
Rent & Lease	200.00
Travel, Meals & Seminars	270.00
Total Expenses	35,328.13
NET OPERATING INCOME	169,789.87
NET INCOME	\$169,789.87

Statement of Net Position

As of November 30, 2018

		Total
ASSETS		
Current Assets		
Bank Accounts		
Checking		196,083.41
Total Bank Accounts		196,083.41
Accounts Receivable		
Accounts Receivable (A/R)		20,511.80
Total Accounts Receivable		20,511.80
Total Current Assets		216,595.21
TOTAL ASSETS		\$216,595.21
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable (A/P)		9,900.00
Total Accounts Payable		9,900.00
Total Current Liabilities		9,900.00
Total Liabilities		9,900.00
Equity		
Retained Earnings		77,219.11
Net Income		129,476.10
Total Equity		206,695.21
TOTAL LIABILITIES AND EQUITY		\$216,595.21

A/P Aging Summary

As of November 30, 2018

	Current	1 - 30	31 - 60	61 - 90	91 and over	Total
Fedak & Brown LLP	6,800.00					6,800.00
Hydrofocus, Inc.	1,682.50				0.00	1,682.50
Rein & Rein, APC	1,417.50					1,417.50
TOTAL	\$9,900.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,900.00

Bill Payment List

October 1, 2018 - November 30, 2018

Date	Num	Vendor	Memo/Description	Amount
Checking				
10/01/2018	1019	Card Service Center	ACWA 2018 Regulatory Summit	-270.00
10/15/2018	1020	Rein & Rein, APC	Legal Fees - August	-1,665.00
10/16/2018	1021	California State University, Sacramento	Professional Services	-5,387.72
10/16/2018	1022	Hydrofocus, Inc.	Groundwater Model Evaluation	-5,932.50
10/16/2018	1023	ACWA	Auto & Liab. Insurance	-1,103.30
11/13/2018	1024	Felton Community Hall	Meeting rental fees	-200.00
11/30/2018	1025	Rein & Rein, APC	Services through 9/30/2018	-2,868.75
11/30/2018	1026	California State University, Sacramento	Professional Services for August 2018	-2,944.38
11/30/2018	1027	Miller Maxfield	Public Outreach Consulting for July - Oct 2018	-13,212.50
Total for Checking				\$ -33,584.15

STAFF REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: December 20, 2019
Item: Staff Report
Subject: **Communications & Outreach Monthly Report**

The following activities took place during the first two weeks of December, as per the SMGWA Miller Maxfield (M2) Communication Work Plan specific elements:

Planning and promotion for education series

Actions included: event naming; distribution of press release to local media; launch of Facebook event page; Facebook cross-promotion with SLV Water District, SV Water District, SC Water Department and County of Santa Cruz; community calendar listings; collaboration with Supervisors McPherson and Leopold on cross-promotion; video scoping; event format/content consultation. Pending promotion activities include continued media outreach, email newsletter, Nextdoor posts with member agencies, and hardcopy flyer for posting.

Develop glossary of terms and FAQ

Updated glossary per input from SMGWA board. Completed draft Frequently Asked Questions document, which is in review by Working Group.

Development of explanatory graphics for key concepts

Completed draft map of the basin. Content development underway for: timeline of milestones, cross-section of aquifer, water demand over time, and water use (household, landscape, etc.). Graphics to be available via SMGWA website, Facebook and education series.

Maintain/post content to Facebook page

Development and promotion of two to three posts per week, as well as promotion of the page in order to increase the number of “likes” and “followers.”

Meetings

Attended Working Group and Facilitation Committee meetings.

Submitted by,

Bill Maxfield
Miller Maxfield

Dear SGMA participant and those interested in groundwater management,

Please take a moment to participate in this survey on SGMA governance. It will take approximately 20 minutes. The goal of the survey is to understand your views on groundwater management and your participation in various groundwater management and policy activities currently underway in California, including the 2014 Sustainable Groundwater Management Act (SGMA). The research is being conducted by the UC Davis Center for Environmental Policy and Behavior. Information from this survey will be used to provide feedback on SGMA implementation to policy makers at the local and state level. All survey responses will be kept anonymous and results will be shared with all interested participants and stakeholders.

If you are interested in groundwater management in your region or have participated in SGMA formation processes, whether by attending a few meetings or actively involved in the establishment of groundwater sustainability agencies (GSAs) and groundwater sustainability plans (GSPs), please take a moment to share your perspective with us. Upon completion of the survey, you can register for a chance to win one of ten \$100 Amazon gift cards. Completion of this survey is voluntary.

If you have any questions, please do not hesitate to contact us at surveys@ucdavis.edu.

Follow this link to the Survey: [Take the Survey](#)

Or copy and paste the URL below into your internet browser:

https://ucdavis.co1.qualtrics.com/jfe/form/SV_6fonye7s0tVCzyJ?Q_CHL=email&bid=f2u8

Thank you for your attention and time,

UC Davis Center for Environmental Policy and Behavior