ADMINISTRATION AND FINANCE COMMITTEE MEETING AND SPECIAL MEETING OF THE BOARD OF DIRECTORS

Thursday, August 24, 2017 5:30 P.M.

Committee Members:
Alfonso "Al" Contreras, Chair
Charles M. Treviño, Vice-Chair

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

602 E. Huntington Drive, Suite B
Monrovia, CA 91016

(626) 443-2297
www.upperdistrict.org

*The Administration and Finance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Administration and Finance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the Committee as advisory to the Board, members of the Board who are not assigned to the Administration and Finance Committee will not vote on matters before the Committee.

Communications

1. Call to Order.

2. Public Comment.

Discussion/Action

3. FY 2016/17 Audit Entrance Conference. *(Auditors' SAS 114 letter attached. A representative from Vasquez & Company LLP will be in attendance to provide a presentation.)*

4. Authorize the Award of a Cost of Living Adjustment (COLA). *(Staff memorandum enclosed.)*

5. Amend Information Technology Management/Support Services Professional Services Agreement. *(Staff memorandum enclosed.)*

Oral Reports

6. Quarterly Investment Update – June 30, 2017. (*A representative from Chandler Asset Management will be in attendance to provide a presentation.)*

Other Matters

7.

Adjournment

Next Meeting: Thursday, September 28, 2017 at 5:30 p.m.

American Disabilities Act Compliance

Government Code Section 54954.2(a)

To request special assistance to participate in this meeting, please contact the Upper District office at (626) 443-2297 at least 24 hours prior to meeting.

ITEM 3

SAS 114 Letter to the Board of Directors Regarding The Planned Scope And Timing Of The Audit Upper San Gabriel Valley Municipal Water District *Year Ended June 30, 2017*

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OFFICE LOCATIONS:
Los Angeles
Sacramento
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July 18, 2017

To the Honorable Members of the Board of Directors
Upper San Gabriel Valley Municipal Water District

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of Upper San Gabriel Valley Municipal Water District's (the District) financial statements as of and for the year ending June 30, 2017.

Communication

Effective two-way communication between our Firm and the Board of Directors is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the District and its environment, identifying appropriate sources of audit evidence and providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate to us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing and extent of audit procedures, your suspicion or detection of fraud or abuse, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, instances of noncompliance with laws and regulations that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our Firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, partners and professional employees of Vasquez & Company LLP are restricted in their ability to own a direct financial interest or a material indirect financial interest in a client or any affiliate of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Vasquez & Company LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how the District functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your operations. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of the District's objectives, strategies, risks and performance.

As part of obtaining an understanding of the District and its environment, we will obtain an understanding of internal control. We will use this understanding to identify risks of material misstatement, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

The Concept of Materiality in Planning and Executing the Audit

We apply the concept of materiality in both planning and performing the audit, evaluating the effect of identified misstatements on the audit and the effect of uncorrected misstatements, if any, on the financial statements, forming the opinion in our report on the financial statements, and determining or reporting in accordance with *Government Auditing Standards* reporting requirements. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual uncorrected misstatements aggregated by us in connection with our evaluation of our audit test results.

Our Approach to Internal Control Relevant to the Audit

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify significant deficiencies or material weaknesses. Our review and understanding of the District's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

Timing of the Audit

We have scheduled interim audit field work commencing the week of July 17, 2017 with final fieldwork starting during the week of August 21, 2017. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

Closing

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

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

Very truly yours,

VASQUEZ & COMPANY LLP

Roger Martinez

Roger A. Martinez
Partner

MEMORANDUM

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

ITEM 4.

DATE: August 15, 2017

TO: Administration and Finance Committee and Board of Directors

FROM: Interim General Manager

SUBJECT: Authorize the Award of a Cost of Living Adjustment (COLA).

Recommendation

The Interim General Manager recommends that the Board of Directors authorize a cost of living adjustment (COLA) to salaries and wages in the amount of 2.7% effective July 1, 2017.

Background

Each fiscal year, the Board of Directors considers adjusting District wages and salaries to account for inflation. Historically, the Consumer Price Index (CPI) for the Los Angeles County area for the one year period ending in April has been used to measure inflation. The CPI, a calculation of the average change in the cost of living during the prior year for the subject region, is compiled and published in a report each month by the United States Department of Labor (USDOL). The USDOL report for the period April 2016-April 2017 (attached) showed a CPI of +2.7% for Los Angeles County.

As a general practice, salary grades are regularly adjusted for inflation for agencies to remain competitive in the local job market. For comparison, listed in Table 1 are COLA increases adopted by other agencies last year as well as this year.

On June 6, 2017, the Board approved the budget for fiscal year 2017/18 which assumed a COLA adjustment on District wages. If granted, the recommended COLA would increase total annual labor costs by about $22,000 in 2017/18.

Table 1. COLA Increases by Upper District and Comparator Agencies

	2016	2017
Upper District [1]	2.00% (eff. 7/1/16)	**2.70% (eff. 7/1/17) Proposed**
SGB Water Quality Authority	2.00% (eff. 7/1/16)	2.70% (eff. 7/1/17)
Calleguas MWD	1.60%, (eff. 1/1/16)	1.80%, (eff. 1/1/17)
Foothill MWD	1.80% (eff. 7/1/16)	2.90% (eff. 7/1/17)
Main San Gabriel Basin Watermaster	1.00% (eff.7/1/16)	1.90% (eff.7/1/17)
Three Valleys MWD	0.58% (eff. 7/1/16)	1.48% (eff. 7/1/17)
West Basin MWD	No COLA	No COLA
Central Basin MWD	No COLA	No COLA
San Gabriel Valley MWD	No COLA	5.20% (eff. 7/1/17. Since District did not award COLA increase the past two years, CPI for proposed COLA was based on a 3-year period.)

//Attachment

[1] Based on Consumer Price Index for all Urban Consumers (CPI-U), Los Angeles-Riverside-Orange County. Percentage *change April 2016 to April 2017.*

Table 10. Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, all items index

(1982-84=100, unless otherwise noted)

Area	All items									
	Pricing schedule [1]	Indexes				Percent change to Apr. 2017 from—			Percent change to Mar. 2017 from—		
		Jan. 2017	Feb. 2017	Mar. 2017	Apr. 2017	Apr. 2016	Feb. 2017	Mar. 2017	Mar. 2016	Jan. 2017	Feb. 2017
U.S. city average	M	242.839	243.603	243.801	244.524	2.2	0.4	0.3	2.4	0.4	0.1
Region and area size[2]											
Northeast urban	M	258.073	258.768	258.510	259.165	1.9	.2	.3	2.2	.2	-.1
Size A - More than 1,500,000	M	261.125	261.935	261.728	262.367	2.0	.2	.2	2.3	.2	-.1
Size B/C - 50,000 to 1,500,000 [3]	M	152.007	152.244	152.004	152.429	1.8	.1	.3	2.1	.0	-.2
Midwest urban	M	228.279	228.633	228.824	229.682	1.8	.5	.4	1.9	.2	.1
Size A - More than 1,500,000	M	228.968	229.334	229.554	230.477	2.0	.5	.4	2.1	.3	.1
Size B/C - 50,000 to 1,500,000 [3]	M	146.593	146.816	146.889	147.392	1.7	.4	.3	1.7	.2	.0
Size D - Nonmetropolitan (less than 50,000) [4]	M	224.482	224.793	225.085	225.850	1.1	.5	.3	1.0	.3	.1
South urban	M	235.492	236.052	236.154	236.728	2.0	.3	.2	2.2	.3	.0
Size A - More than 1,500,000	M	238.421	239.026	239.112	239.722	2.1	.3	.3	2.2	.3	.0
Size B/C - 50,000 to 1,500,000 [3]	M	149.312	149.643	149.675	149.998	2.1	.2	.2	2.3	.2	.0
Size D - Nonmetropolitan (less than 50,000) [4]	M	238.343	238.958	239.476	240.313	1.6	.6	.3	1.7	.5	.2
West urban	M	250.814	252.252	252.949	253.806	2.9	.6	.3	3.1	.9	.3
Size A - More than 1,500,000	M	257.949	259.316	260.092	260.964	3.1	.6	.3	3.2	.8	.3
Size B/C - 50,000 to 1,500,000 [3]	M	146.469	147.451	147.880	148.496	2.3	.7	.4	2.5	1.0	.3
Size classes											
A [5]	M	223.039	223.786	224.002	224.686	2.4	.4	.3	2.5	.4	.1
B/C [3]	M	148.583	148.995	149.065	149.491	2.0	.3	.3	2.2	.3	.0
D [4]	M	237.237	238.042	238.366	239.033	1.9	.4	.3	2.0	.5	.1
Selected local areas[6]											
Chicago-Gary-Kenosha, IL-IN-WI	M	232.155	232.491	232.225	233.066	1.7	.2	.4	2.0	.0	-.1
Los Angeles-Riverside-Orange County, CA [7]	M	252.373	253.815	254.525	254.971	2.7	.5	.2	2.7	.9	.3
New York-Northern N.J.-Long Island, NY-NJ-CT-PA	M	266.917	267.662	267.582	267.948	2.0	.1	.1	2.3	.2	.0
Boston-Brockton-Nashua, MA-NH-ME-CT	1	264.865	-	265.070	-	-	-	-	2.5	.1	-
Cleveland-Akron, OH [4]	1	222.241	-	222.849	-	-	-	-	1.3	.3	-
Dallas-Fort Worth, TX	1	223.082	-	223.782	-	-	-	-	2.2	.3	-
Washington-Baltimore, DC-MD-VA-WV [8 9]	1	158.086	-	158.558	-	-	-	-	1.3	.3	-
Atlanta, GA	2	-	229.493	-	230.974	3.2	.6	-	-	-	-
Detroit-Ann Arbor-Flint, MI	2	-	224.957	-	226.484	2.3	.7	-	-	-	-
Houston-Galveston-Brazoria, TX	2	-	219.061	-	219.852	2.0	.4	-	-	-	-
Miami-Fort Lauderdale, FL	2	-	256.890	-	255.708	2.8	-.5	-	-	-	-
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	2	-	248.345	-	248.411	1.3	.0	-	-	-	-
San Francisco-Oakland-San Jose, CA	2	-	271.626	-	274.589	3.8	1.1	-	-	-	-
Seattle-Tacoma-Bremerton, WA	2	-	259.503	-	261.560	3.1	.8	-	-	-	-

[1] Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

[2] Regions defined as the four Census regions. See map in technical notes.

[3] Indexes on a December 1996=100 base.

[4] This index will be discontinued after December, 2017.

[5] Indexes on a December 1986=100 base.

[6] In addition, the following metropolitan areas are published semiannually and appear in Tables 34 and 39 of the January and July issues of the CPI Detailed Report: Anchorage, AK; Cincinnati-Hamilton, OH-KY-IN; Denver-Boulder-Greeley, CO; Honolulu, HI; Kansas City, MO-KS; Milwaukee-Racine, WI; Minneapolis-St. Paul, MN-WI; Phoenix-Mesa, AZ; Pittsburgh, PA; Portland-Salem, OR-WA; St. Louis, MO-IL; San Diego, CA; Tampa-St. Petersburg-Clearwater, FL.

[7] Los Angeles and Riverside will have separate indexes beginning January, 2018. The Los Angeles index will continue to be published monthly. A Riverside index will be published for odd months beginning January, 2018.

[8] This index will be discontinued after December, 2017. Washington DC and Baltimore will have separate indexes beginning January, 2018. A Washington DC index will be published for odd months beginning January, 2018. A Baltimore index will be published for even months beginning February, 2018.

[9] Indexes on a November 1996=100 base.

- Data not available.

NOTE: Local area indexes are byproducts of the national CPI program. Each local index has a smaller sample size than the national index and is, therefore, subject to substantially more sampling and other measurement error. As a result, local area indexes show greater volatility than the national index, although their long-term trends are similar. Therefore, the Bureau of Labor Statistics strongly urges users to consider adopting the national average CPI for use in their escalator clauses.

NOTE: Index applies to a month as a whole, not to any specific date.

MEMORANDUM

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

ITEM 5.

DATE: August 15, 2017

TO: Administration and Finance Committee and Board of Directors

FROM: Interim General Manager

SUBJECT: Amend the existing agreement with Accent Computer Solutions, Inc. for information technology (IT) management and support services.

Recommendation

The Interim General Manager recommends that the Board of Directors approve amendment of the existing professional services agreement with Accent Computer Solutions, Inc. (Accent) for information technology management and support services, extending the agreement term through December 31, 2019 and increasing the maximum amount payable by $100,000 for a total not-to-exceed maximum of $200,000.

Background

Upper District has a relatively limited need for specialized IT services and has historically outsourced this work. In 2015, Upper District issued a formal Request for Proposals (RFP) for IT services. The Board subsequently awarded a two-year IT consulting services agreement with Accent for $100,000. Staff is fully satisfied with the quality of professional services provided by Accent. However, for Accent to continue to provide IT management and support services to the District, it will be necessary to amend the existing agreement.

Accent currently provides unlimited technical support for Upper District staff and directors, server and network maintenance, troubleshooting and repair, hardware and software acquisition, maintenance and updating, security management, data backup, offsite storage and disaster recovery solutions.

Established in 1987, Accent is an IT solutions company that provides full end-to-end technical services for both private and public sector clients. Accent is headquartered in Rancho Cucamonga, CA and has additional offices in Los Angeles, Orange County, Riverside and San Bernardino Counties. Its staff includes over 40 engineers and technicians.