



WHALE ROCK COMMISSION MEETING
AGENDA

Thursday, April 29, 2021

2:00 PM

Regular Meeting

TELECONFERENCE

Based on the threat of COVID-19 as reflected in the Proclamations of Emergency issued by the Governor of the State of California, the San Luis Obispo County Emergency Services Director, and the City Council of the City of San Luis Obispo, as well as the Governor's Executive Order N-29-20 issued on March 17, 2020, relating to the convening of public meetings in response to the COVID-19 pandemic, **the Whale Rock Commission will be holding all public meetings via teleconference. There will be no physical location for the Public to view the meeting. Below are instructions on how to view the meeting remotely and how to leave public comment.**

Additionally, members of the Whale Rock Commission are allowed to attend the meeting via teleconference and to participate in the meeting to the same extent as if they were present.

Using the most rapid means of communication available at this time, members of the public are encouraged to participate in Commission meetings in the following ways:

- 1. Remote Viewing** - Members of the public who wish to watch the meeting can view:
Zoom Webinar:
 - URL: <https://slocity-org.zoom.us/j/96325583925?pwd=Q1FsVFcvQXZYT1RCSTNvZ0hoOXBRZz09>
 - Passcode: 694159
Phone: 1-669-900-6833
 - Webinar ID: 963 2558 3925
Passcode: 694159
- 2. Public Comment** - The Commission will still be accepting public comment. Public comment can be submitted in the following ways:
 - **Mail or Email Public Comment**
 - **Received by 10:00 AM on the day of meeting** - Can be submitted via email to: (advisorybodies@slocity.org) or U.S. Mail to City Clerk at: 990 Palm St. San Luis Obispo, CA 93401
 - **Emails sent after 10:00 AM up until public comment is opened on the item** – Limited to one page emailed to cityclerk@slocity.org may be read aloud during the public comment period.
 - **Verbal Public Comment** - Call **(805) 781-7164**; state and spell your name, mention the agenda item number you are calling about and leave your comment. The verbal comments must be received by 10:00 AM on the morning of the noticed meeting and will be limited to 3 minutes. All voicemails will be forwarded to the Commissioners and saved as Agenda Correspondence.

All comments submitted will be placed into the administrative record of the meeting.

2:00 PM**Regular Meeting****TELECONFERENCE****CALL TO ORDER:** (City Staff)**ROLL CALL:** Commissioner Harmon, Commissioner Johnson, Commissioner Elke, Commissioner Elliot, Vice Chair Steck, Chair Mathis

PUBLIC COMMENT: At this time, people may address the commission about items not on the agenda, within the Commission's jurisdiction. Persons wishing to speak should follow the aforementioned procedures related to public comment at virtual meetings. Comments are limited to three minutes per person. Items raised at this time are generally referred to staff and, if action by the Commission is necessary, it may be scheduled for a future meeting.

CONSIDERATION OF MINUTES**1. MINUTES REVIEW - APRIL 30, 2020 WHALE ROCK COMMISSION MEETING MINUTES****Recommendation:** Approve April 30, 2020 Whale Rock Commission Meeting Minutes**ELECTIONS****2. ELECTION OF OFFICERS – ANNUAL ELECTION OF THE WHALE ROCK COMMISSION CHAIR, VICE CHAIR, AND SECRETARY**

Historically, the chair position rotates among the commission partners. At the pleasure of the Commissioners, the next rotation would be Jason Steck, Chair; Brigitte Elke, Vice-Chair; Dennis Elliot, Commission Secretary. After the election of officers, the new Chair presides over the meeting.

Recommendation: Appoint Jason Steck as Commission Chair, Brigitte Elke as Commission Vice-Chair, and Dennis Elliot as Commission Secretary.

PRESENTATIONS**3. 2020 ACCOMPLISHMENTS**

Receive a presentation of staff's 2020 accomplishments.

4. CAPITAL IMPROVEMENT PLAN UPDATE

Receive an update for ongoing CIP activity and present CIP to be considered in the 2021-22 budget.

BUSINESS ITEMS

5. FY 2019-20 FINANCIAL STATEMENTS

Receive a presentation on the 2019-20 Whale Rock Financial Statements.

Recommendation: Receive and File FY 2019-20 Financial Statement

6. 2021-22 WHALE ROCK RESERVOIR BUDGET

Receive the 2021-22 budget presentation for the Whale Rock Reservoir including capital projects (CIP) and Commission member contributions and consider adoption.

Recommendation: Adopt the 2021-22 Whale Rock Reservoir Budget

7. ADVERTISEMENT OF SPILLWAY UNDERDRAIN REPAIR PROJECT, SPECIFICATION NO. 91335

Receive a presentation on the Spillway Underdrain Repairs Project.

Recommendations:

1. Authorize staff to advertise for bids for the Spillway Underdrain Repair Project construction; and
2. Authorize City of San Luis Obispo City Manager to award the Spillway Underdrain Repair Project construction project if the lowest responsible bid is within the Engineer's estimate of \$765,000.

COMMISSION REPORTS & COMMUNICATION

Commission members may make announcements, report on activities, refer to staff issues for study and report back to the Commission at a subsequent meeting.

ADJOURN

Commission Members:

Heidi Harmon, *City of San Luis Obispo*

Derek Johnson, *City of San Luis Obispo, Chair*

Jason Steck, *California Men's Colony*

Dennis Elliot, *Cal Poly University*

Dane Mathis, *State Department of Water Resources, Vice-Chair*

Brigitte Elke, *City of San Luis Obispo*



Whale Rock Commission

Minutes - DRAFT

CALL TO ORDER

A regular meeting of the Whale Rock Commission was called to order on Thursday, April 30, 2020, at 2:00pm via teleconference, by Commission Chair Derek Johnson.

ROLL CALL

Commission Members

Present: Commission Members Dennis Elliot, Jason Steck, Heidi Harmon, Derek Johnson, Dane Mathis, and Brigitte Elke

Absent: None

Staff Present: Noah Evans, Whale Rock Supervisor; Aaron Floyd, Director of Utilities; Jennifer Thompson, Utilities Business Manager; Debbie Malicoat, Accounting Manager/Controller; Teresa Purrington, City Clerk; Michelle Bulow, Recording Secretary

PUBLIC COMMENT

None.

CONSENT ITEMS

Commissioner Elke requested to retract Item C.2 FY 2018-19 Financial Statement from the Consent Agenda to allow City Accounting Manager/Controller to provide a presentation on present financials. Item C.2 renumbered as Item B.2.

C.1 WHALE ROCK COMMISSION MINUTES OF MAY 2, 2019

ACTION: MOTION BY COMMISSIONER ELLIOT, SECOND BY COMMISSIONER ELKE, CARRIED 5-0 to approve modified Consent Agenda and remaining Consent Item C.1.

Whale Rock Commission Draft Meeting Minutes, April 30, 2020

ELECTIONS**ELECTION OF OFFICERS – ANNUAL ELECTION OF THE WHALE ROCK COMMISSION CHAIR, VICE CHAIR AND SECRETARY**

ACTION: MOTION BY COMMISSIONER ELLIOT, SECOND BY CHAIR JOHNSON, CARRIED 5-0, that Dane Mathis is appointed as Chair, Jason Steck is appointed as Vice-Chair and Brigitte Elke as Secretary. Commissioner Mathis reminded the Commission that the State does not have a voting role. Meeting turned over to new Chair Mathis.

PRESENTATIONS

Whale Rock Supervisor Noah Evans gave a brief staffing update, noting that Water Supply Operator John Millar retired after a 30-year career, and Travis Tutt came from the City's Water Distribution section as the new Water Supply Operator.

1. Public Access Trail Update

Whale Rock Supervisor Noah Evans gave a presentation regarding the Whale Rock Reservoir's public access trail. The City Rangers team have spent roughly 6 weeks on trail construction, completing approximately 1.5 miles of trail loop. The trail has attracted many visitors and public response is positive. Including the access trail, the total trail length is about 5 miles and future plans include adding an additional 2.5 – 3 miles.

2. Capital Improvement Plan Update

Whale Rock Supervisor Noah Evans provided an update of current CIP projects.

Pressure Relief Valves (PRV): Two new PRV and new isolation valves were installed at Pump Station A, replacing the original valves that were in service for 60 years. Three PRV at Pump Station B are scheduled to be replaced in 2020-21, completing the replacement of all PRV at the reservoir.

Boat Dock Construction: Whale Rock Staff constructed and floated the boat dock structure. A steel frame was built and installed to provide as support structure for the boathouse which staff will construct in the near future.

Fencing Replacement: 2000 feet of five-strand barbed wire fence and a gate was replaced this year. The reservoir has approximately 14 miles of fence line and much of it is original. Prioritized sections of fence that border cattle operations have been identified for future replacement.

PUBLIC COMMENT

None.

Whale Rock Commission Draft Meeting Minutes, April 30, 2020

BUSINESS ITEMS**B.1 2020-21 WHALE ROCK RESERVOIR BUDGET**

Staff presented the fund analysis and the 2020-21 fiscal year budget, including highlights to the reservoir's future CIP and One-Time Operating expenses for 2020-21 and commission member contributions.

Emergency Action Plan (EAP) Update: Mandated by the DSOD, an EAP details actions to be taken, organizations to be contacted, and areas to be evacuated if abnormal conditions are observed at the dam. Estimated cost is \$40K.

Roadway Paving: Paving for the dam access road, used daily by staff is in poor condition. Estimated cost is \$120K.

Generator/Motor Control Center Study: As study to determine the condition and capabilities of the current electrical gear at both pump stations as well as generator needs in the event of a PSPS incident.

Spillway Underdrain Repair Plans and Specs: High priority project. Defects in the underdrain system were identified in the comprehensive spillway assessment done in 2018. Study to begin in 2020-21 and construction to begin in 2021-22. 25% of annual CIP contribution.

Transmission Pipeline Repairs: Necessary repairs identified in the pipeline analysis project will replace 200 continuous feet of pipeline. Construction to begin in 2022-23. 14% of annual CIP contribution.

Pump Station Rehabilitation: Construction to address aging electrical infrastructure. Construction to begin in 2024-25. 24% of annual CIP contribution.

DISCUSSION:

Whale Rock Supervisor Noah Evans discussed the potential financial impacts of COVID-19 and informed that most staffing and operating expenses are required to meet regulatory requirements. Any budget reductions as a result of COVID-19 would be in CIP reprioritization.

Utilities Business Manager Jennifer Thompson responded to a question from Commissioner Elke to inform the Commission that the City and CMC pay into a CIP Reserve and Cal Poly will be participating in that reserve beginning this year, providing a contribution to meet previous contributions by the other agencies. A previously unanticipated increase in the Spillway Underdrain Repair Project estimated cost was taken into consideration with this year's member contributions.

Whale Rock Commission Draft Meeting Minutes, April 30, 2020

Utilities Business Manager Jennifer Thompson responded to a question from Commission Johnson regarding the potential impact of COVID-19 on the fund forecast. Thompson informed the commission that any revenue to the Whale Rock Fund is primarily through member contributions. Potential impact would be decisions made by the Commission to lower contributions.

PUBLIC COMMENT

None.

ACTION: MOTION BY COMMISSIONER JOHNSON, SECOND BY COMMISSIONER ELKE, CARRIED 5-0, to adopt the 2020-21 Whale Rock Reservoir Budget.

B.2 2018-19 FINANCIAL PRESENTATION

Accounting Manager/Controller Debbie Malicoat provided a presentation on the year end 2018-19 financials for the Whale Rock Fund, as the audited financial statements were not yet available from the auditors. Audited financial documents will be provided to the Commission when available.

Information was provided regarding Other Post-Employment Benefits (OPEB) and whether this is a City liability or Whale Rock Fund liability. The current JPA agreement does not address OPEB. Liability was removed from the Whale Rock Fund and moved to the City Water Fund. An amendment to the 1959 JPA Agreement may be brought to the Commission for consideration at a future meeting. Information regarding the amount of the OPEB liability will be sent to the Commission.

PUBLIC COMMENT

None.

ACTION: MOTION BY COMMISSIONER JOHNSON, SECOND BY COMMISSIONER ELLIOT, CARRIED 5-0 TO APPROVE THE FY 2018-19 FINANCIALS AS PRESENTED.

COMMISSION REPORTS OR COMMUNICATION

Commissioner Elliot expressed gratitude to SLO City Staff and the Utilities Department for collaboration on the University's Master Plan.

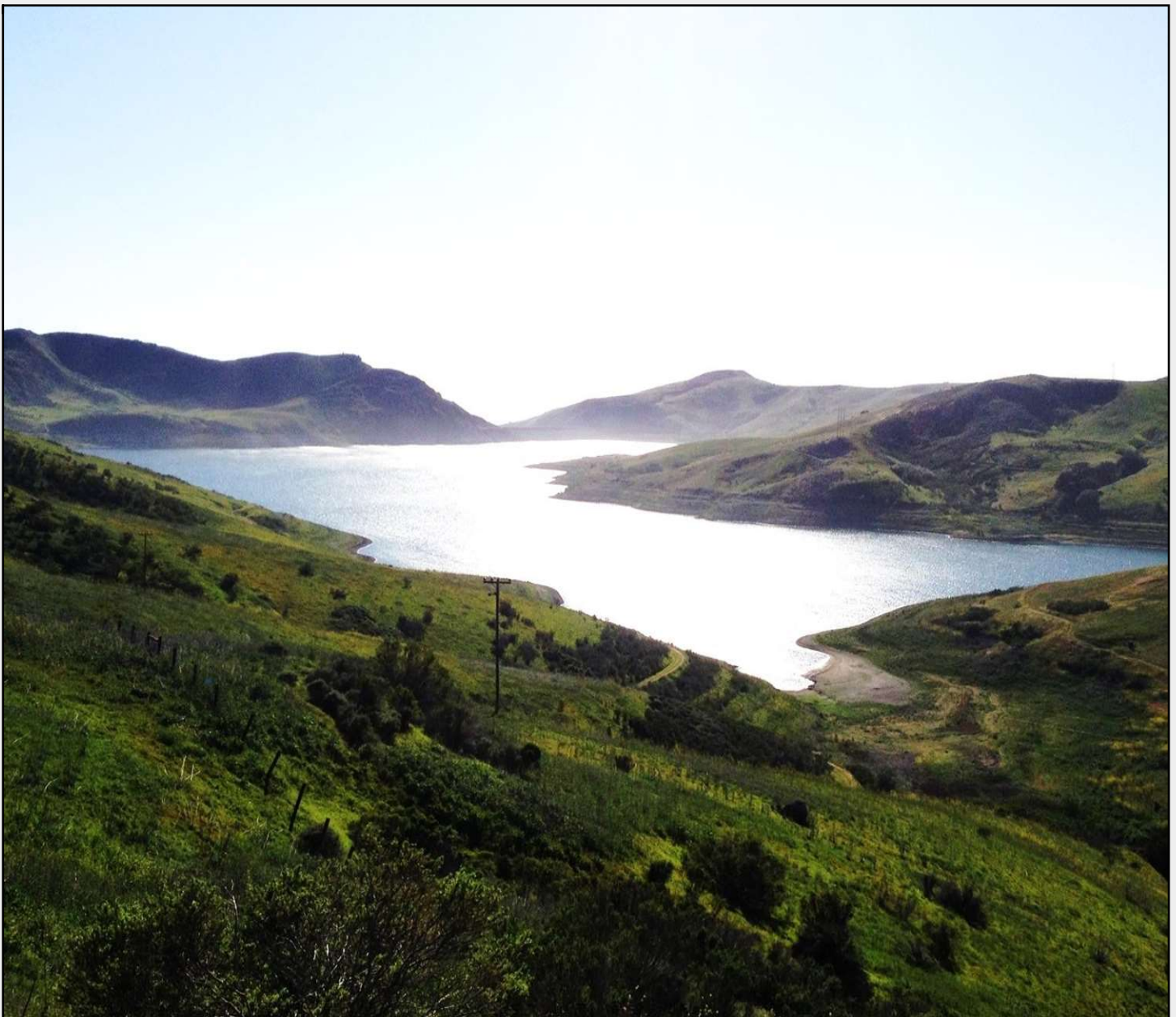
Commissioner Johnson expressed gratitude to the City Clerk's office for support during these unprecedented times and thanked Cal Poly, the CMC and DWR for their partnerships.

MEETING ADJOURNED AT 2:51 PM



Whale Rock Commission Financial Statements

For the Fiscal Years ended June 30, 2020 and 2019



Whale Rock Commission
Fiscal Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members
of the Whale Rock Commission
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Whale Rock Commission (Commission), as of and for the years ended June 30, 2020 and June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission'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 opinions 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 opinions.

To the Members
of the Whale Rock Commission
San Luis Obispo, California
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission as of June 30, 2020 and June 30, 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

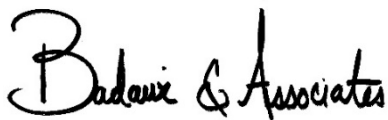
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 27-28 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 March 9, 2021, on our consideration of the Commission'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 solely 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 the effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.



Badawi & Associates, CPAs
Berkeley, California
March 9, 2021

Management's Discussion & Analysis

This section provides a narrative overview and analysis of the financial activities of the Whale Rock Commission for the fiscal years ended June 30, 2020 and 2019. It should be read in conjunction with the accompanying basic financial statements.

Overview of the Financial Statements

The financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34. The basic financial statements are composed of three components:

1. Government-wide financial statements
2. Fund financial statements and
3. Notes to the financial statements.

Government-Wide Financial Statements

This set of statements is designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the Commission's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Commission is improving or declining.

The *Statement of Activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the activities of the Commission are accounted for in one fund.

Financial Highlights

The following outlines financial highlights for the year:

- The assets of the Commission exceeded its liabilities at June 30, 2020 by \$3.1 million (net position). The Commission's unrestricted net position increased by \$737,000, compared with 2018-19.
- Total assets increased by \$318,000 or 10% to \$3.3 million. This reflects an increase in cash, investments, and prepaid expenses offset by decreases in accounts receivable and capital assets net of depreciation. Total liabilities also increased by \$46,000 or 32% to \$144,000. The changes are reflected in vendors payable, accrued salaries and other accrued liabilities.

Management's Discussion & Analysis

- Total Revenue, comprised of charges for services, other revenues, and use of money and property amounted to \$1.87 million for FY 2019-20 which represents an increase of \$426,000 or 30% from the PY. The total charges for services increase by \$175,000 or 17% from the prior year. Other revenues which include CIP contributions increased to \$592,000 which represents an increase of \$246,000 or 71% from the prior year. In addition, use of money and property which reflects the funds allocation of investment earnings also saw an increase of \$5,000 or 7% to total \$71,600 for the fiscal year.
- Water distribution revenues increased from the prior year by \$23,000, from \$206,000 in FY2018-19 to \$229,000 in the current year. This increase is primarily due to increases in water distribution charges for the City of San Luis Obispo, which saw an increase of \$58,000 offset by decreases in pumping charges for Cal Poly, approximately \$21,000, and decreases in pumping charges for the California Men's Colony, a decrease of \$19,000.
- Total expenses of \$1.59 million were lower in FY 2019-20 from the prior year by \$152,000 which represents a decrease of 9%. This decrease was attributed to lower operational costs of \$190,000 offset by minor increases in capital project costs, general government costs, and depreciation on capital assets.

Operational Highlights

The following are the operational highlights for the fiscal year:

- Staff worked with HDR Engineering to develop a project to design the spillway underdrain repairs that were identified during the Comprehensive Spillway Analysis. The project design is nearly complete and will include a cost estimate for the Whale Rock Commission to consider in April 2021.
- Staff worked with HDR Engineering to identify a project plan and required funds to update the Whale Rock Reservoir Emergency Action Plan. This project is state mandated and will help first responders react to emergency situations at the Whale Rock Dam in a planned and documented course of actions.
- Staff bid out and acquired pressure relief valves and associated hardware. The new pressure relief valves will be installed at Pump Station B, replacing the existing pressure relief valves that are 60 years old. The new valves will contribute to the lifespan of the Whale Rock pipeline by reducing high water pressure events that may damage the pipeline.
- The fence replacement CIP was bid out and completed. Two thousand feet of 5 strand barbed wire fence was installed, in two sections, to replace original fence sections that was nearly 40 and 60 years old. There are approximately 14 miles of fence around Whale Rock and staff has prioritized fence sections that provide a barrier to active cattle grazing lands.

The Notes to the Financial Statements provide additional information that is essential to the reader for a full understanding of the data provided in the Commission's financial statements.

Management's Discussion & Analysis

Financial Analysis

Net position may serve, over time, as an indicator of a government's financial position. As noted above, assets exceeded liabilities by \$3.1 million at June 30, 2020.

SUMMARY OF NET POSITION		
Government Wide		
Whale Rock	2019-20	2018-19
Current and other assets	2,516,681	1,733,824
Capital assets	756,582	1,221,044
Total assets	3,273,263	2,954,868
Current liabilities	143,979	97,987
Noncurrent liabilities	-	-
Total liabilities	143,979	97,987
Net position:		
Net investment in capital assets	756,582	1,221,044
Unrestricted	2,372,702	1,635,837
Total net position	3,129,284	2,856,881

At the end of the current fiscal year, the Commission continues to report a positive net position.

Information about changes in net position resulting from operations is summarized below:

SUMMARY OF STATEMENT OF ACTIVITIES		
Government Wide		
Whale Rock	2019-20	2018-19
Revenues:		
Charges for services	1,205,335	1,030,481
Other revenues	591,934	346,078
Use of money and property	71,545	66,533
Total Revenues	1,868,814	1,443,092
Expenses:		
Operations	886,612	1,076,867
Capital projects	485,529	462,280
General government	160,747	147,512
Depreciation	63,523	58,317
Total expenses	1,596,411	1,744,976
Increase (decrease) in net position	272,403	(301,884)
Net position, beginning	2,856,881	3,158,765
Net position, ending	3,129,284	2,856,881

Management's Discussion & Analysis

Budgetary Highlights

A budgetary comparison schedule for the year ended June 30, 2020 is presented as part of the required supplementary information. The following summarizes the original and final budget compared with actual results for 2019-20. The variance column reflects the differences between the actual amounts realized and the final budget amounts.

BUDGET TO ACTUAL COMPARISON				
Fund Financial Statements				
Whale Rock	Original Budget	Final Budget	Actual	Variance
Revenues	1,785,682	1,785,682	1,868,814	83,132
Expenditures	1,343,782	1,375,098	1,131,949	-243,149
Commission equity, beginning	<u>1,635,837</u>	<u>1,635,837</u>	<u>1,635,837</u>	<u>-</u>
Commission equity, ending	2,077,737	2,046,421	2,372,702	326,281

Capital Assets

Capital assets, including infrastructure, are those assets that are used in the performance of the Commission's functions. As of June 30, 2020, the Commission's capital assets decreased by \$464,000 from \$1.2 million in the prior year to \$757,000 (net of accumulated depreciation). This decrease was the result a reclassification of project expenditures, \$401,000, associated with the City's telemetry upgrade project and previously categorized as capitalizable construction in progress (CIP). However, at the conclusion of the project it was determined that this portion of the project was not capitalizable and was instead reflected as a current year expense. Also contributing to the decrease in fixed assets was the annual depreciation of approximately \$63,000.

Additional information on the Commission's capital assets can be found in Note 3 in the City of San Luis Obispo's Annual Financial Report (CAFR).

Request for Additional Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of San Luis Obispo, Department of Finance, 990 Palm Street.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Whale Rock Commission
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 2,432,815	\$ 1,700,799
Accrued interest receivable	8,900	7,725
Accounts receivables	15,875	25,300
Prepaid expense	59,091	-
Nondepreciable capital assets	-	400,939
Capital assets, net of accumulated depreciation	<u>756,582</u>	<u>820,105</u>
Total assets	<u>3,273,263</u>	<u>2,954,868</u>
LIABILITIES		
Accounts payable	73,528	30,783
Accrued salaries	21,703	20,737
Other liabilities	<u>48,748</u>	<u>46,467</u>
Total liabilities	<u>143,979</u>	<u>97,987</u>
Net Position		
Net investment in capital assets	756,582	1,221,044
Unrestricted	<u>2,372,702</u>	<u>1,635,837</u>
Total Net Position	<u><u>\$ 3,129,284</u></u>	<u><u>\$ 2,856,881</u></u>

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

Whale Rock Commission
Statements of Activities
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Expenses		
Reservoir operations	\$ 886,612	\$ 1,076,867
General government	160,747	147,512
Capital projects	485,529	462,280
Depreciation	<u>63,523</u>	<u>58,317</u>
Total expenses	<u>1,596,411</u>	<u>1,744,976</u>
Program Revenues		
Charges for services:		
Basic operating charges	976,317	824,507
Water distribution	<u>229,018</u>	<u>205,974</u>
Total program revenues	<u>1,205,335</u>	<u>1,030,481</u>
Net expense and program revenues	<u>(391,076)</u>	<u>(714,495)</u>
General Revenues and Transfers		
Use of money and property	71,545	66,533
Other revenues	<u>591,934</u>	<u>346,078</u>
Total general revenues and transfers	<u>663,479</u>	<u>412,611</u>
Increase in Net Position	<u>272,403</u>	<u>(301,884)</u>
Net Position - beginning of year	<u>2,856,881</u>	<u>1,645,810</u>
Prior year restatement	<u>-</u>	<u>1,057,042</u>
Net position, beginning of year, as restated	<u>2,856,881</u>	<u>3,158,765</u>
Net Position - end of year	<u><u>\$ 3,129,284</u></u>	<u><u>\$ 2,856,881</u></u>

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

FUND FINANCIAL STATEMENTS

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Whale Rock Commission

Balance Sheets

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and investments	\$ 2,432,815	\$ 1,700,799
Accrued interest receivable	8,900	7,725
Accounts receivables	15,875	25,300
Prepaid items	59,091	-
Total assets	<u>2,516,681</u>	<u>1,733,824</u>
Liabilities and Commission Equity		
Liabilities		
Accounts payable	73,528	30,783
Accrued salaries	21,703	20,737
Other liabilities	48,748	46,467
Total liabilities	<u>143,979</u>	<u>97,987</u>
Commission Equity		
Assigned for reservoir operations	210,040	56,707
Assigned for CIP	892,922	745,300
Unassigned	1,269,740	833,830
Total commission equity	<u>2,372,702</u>	<u>1,635,837</u>
Total Liabilities and Commission Equity	<u>\$ 2,516,681</u>	<u>\$ 1,733,824</u>

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

Whale Rock Commission

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

For the years ended June 30, 2020

	<u>2020</u>
Total Commission equity - governmental funds	\$ 2,372,702
Capital assets used in governmental activities are not financial resources and	
Capital assets at estimated historical cost	1,718,940
Accumulated depreciation	<u>(962,358)</u>
	756,582
Total net position - governmental activities	<u><u>\$ 3,129,284</u></u>

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

Whale Rock Commission

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

For the years ended June 30, 2019

	<u>2019</u>
Total Commission equity - governmental funds	\$ 1,635,837
Capital assets used in governmental activities are not financial resources and	
Capital assets at estimated historical cost	2,153,524
Accumulated depreciation	<u>(932,480)</u>
	1,221,044
Total net position - governmental activities	<u><u>\$ 2,856,881</u></u>

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

Whale Rock Commission
Statements of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020	2019
REVENUES:		
Use of money and property	\$ 71,545	\$ 66,533
Other revenue	591,934	346,078
Services:		
Basic operating charges	976,317	824,507
Water distribution	229,018	205,974
Total services	1,205,335	1,030,481
Total revenues	1,868,814	1,443,092
EXPENDITURES:		
Curent:		
Reservoir operations	886,612	1,076,867
General government	160,747	147,512
Capital projects	84,590	552,883
Total curent expenditures	1,131,949	1,777,262
Total expenditures	1,131,949	1,777,262
Excess of revenues over expenditures	736,865	(334,170)
FUND BALANCES:		
Beginning of year	1,635,837	1,970,007
End of year	\$ 2,372,702	\$ 1,635,837

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

Whale Rock Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the years ended June 30, 2020

	2020
Total excess of revenues over expenditures - governmental funds	\$ 736,865
Capital outlay net of depreciation expenses and disposal	
Construction in progress deletion	(400,939)
Depreciation expense	(63,523)
	(464,462)
Total increase in net position - governmental activities	\$ 272,403

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

Whale Rock Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the years ended June 30, 2019

	2019
Total excess of revenues over expenditures - governmental funds	\$ (334,170)
Capital outlay net of depreciation expenses and disposal	
Expenditure for capital outlay	96,832
Construction in progress deletion	(6,229)
Depreciation expense	(58,317)
	32,286
Total increase in net position - governmental activities	\$ (301,884)

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

Whale Rock Commission
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Description of the Reporting Entity

The Whale Rock Commission (Commission) was established as a joint venture on December 12, 1960 to oversee, in a fiduciary capacity, the operations and routine maintenance of the Whale Rock Reservoir (Reservoir). The Commission is composed of six voting members and two non-voting members. Three voting members are appointed by the City of San Luis Obispo (City); one by the California Polytechnic State University; one by the California Men's Colony; and one by the Director of Finance, State of California. The two non-voting members are position appointments: the Director of Water Resources, State of California; and the Water Superintendent, City of San Luis Obispo. The Commission is authorized to establish policies for the operation of the Reservoir, to contract for the sale of excess water, and to approve its annual budget.

The City, in accordance with established policies of the Commission, operates and maintains the Reservoir; prepares and recommends the annual budget; and maintains the fiscal records and moneys of the Commission. Ownership in the Reservoir is as follows: 55.05%, City of San Luis Obispo; 33.71%, California Polytechnic State University; and 11.24%, California Men's Colony.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate fund financial statements are also provided.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The Commission considers interest earned but not received and billings to participating agencies earned but not received as susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The focus of financial measurement is upon available resources rather than net income determination.

Whale Rock Commission
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

The accounting policies of the Commission conform to generally accepted accounting principles. The accounts of the Commission are presented in the fund financial statements as a Governmental Fund. As the City maintains the accounting records and moneys of the Commission in a fiduciary capacity, the Commission's operating activities are accounted for in a separate fiduciary fund type (Agency Fund) in the City's Comprehensive Annual Financial Report (CAFR). The operations of the fund are accounted for with a set of self-balancing accounts that comprise the Commission's assets, liabilities, fund equity, revenues, and expenditures. Commission resources are allocated to, and accounted for, as assets of the fund and equity to the participating agencies.

Budgets and Budgetary Accounting

As provided under the Whale Rock Agreement, the Commission has the sole responsibility for the adoption of the budget and may amend or supplement the budget at any time after its adoption. The budget is legally adopted prior to the commencement of the fiscal year and is prepared in accordance with generally accepted accounting principles. The Director of Finance and Information Technology of the City has the authority to make or approve administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. Appropriations lapse at year-end unless such amounts are encumbered and reappropriated in the next fiscal year.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets are reported as part of the Commission. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The Commission does not have any intangible assets. Detailed information on the Commission's capital assets can be found in Note 3.

City of San Luis Obispo Services

Because the City accounts for the activities of the Commission, other services such as workforce and risk management are also provided by the City. The City's CAFR fully discusses pooled and self-insurance and how the City manages the risk of the Commission.

New Pronouncements

In 2020, the Commission adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* - Due to the spread of COVID-19 Pandemic, GASB issued the above statement postponing implementation of certain authoritative guidance. Hence, no new accounting standards applicable to the Commission during the current fiscal year.

Whale Rock Commission
Notes to Financial Statements
June 30, 2020 and 2019

Note 2: Cash and Investments

The Commission's cash and investments are pooled with those of the City. As provided for by the California Government Code, the cash balances of substantially all funds held by the City are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The Commission's share of the aggregate pooled cash and investments are recorded at fair value and included in the accompanying balance sheet under the financial statement caption cash and investments. Interest earned on pooled investments is allocated quarterly to the Commission based upon the Commission's average cash balance during the allocation period. Refer to Note 2 of the Notes to the Financial Statements of the City of San Luis Obispo as contained in the City's CAFR for further discussion of the nature of the City's pooled cash and investments and all related fair value disclosures.

Note 3: Capital Assets

Governmental Accounting Standards Board (GASB) standards require that the Commission report in the government-wide statements the value of all capital assets net of accumulated depreciation, including infrastructure assets, in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Infrastructure assets are defined as long-loved capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The minimum requirement for compliance with GASB standards is to provide infrastructure valuations for all assets constructed, acquired, or placed into service on or after July 1, 1980. Relevant assets for the Commission were valued at one of two dates: 1) the original date of construction, if available, or 2) the incorporation date of the Commission. Each asset was reviewed to determine the adequacy of the data to value to asset prior to July 1, 1980 using historical cost or estimated historical cost.

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Construction in progress	\$ 400,939	\$ -	\$ (400,939)	\$ -
Total capital assets not being depreciated	400,939	-	(400,939)	-
Capital assets being depreciated:				
Infrastructure	430,782	-	-	430,782
Buildings and improvements	1,092,285	-	-	1,092,285
Equipment	229,518	-	(33,645)	195,873
Accum. Depreciation	(932,480)	(63,523)	33,645	(962,358)
Total capital assets being depreciated, net	820,105	(63,523)	-	756,582
Capital assets, net	<u>\$ 1,221,044</u>	<u>\$ (63,523)</u>	<u>\$ (400,939)</u>	<u>\$ 756,582</u>

During the fiscal year 2020, the City determined that the construction in progress balance of Telemetry System Upgrade project were operational costs, so these cost were reclassified out of capital assets to expenses.

Whale Rock Commission
Notes to Financial Statements
June 30, 2020 and 2019

Note 3: Capital Assets (Continued)

Capital assets activity for the fiscal year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Construction in progress	\$ 452,646	\$ 96,831	\$ (148,538)	\$ 400,939
Total capital assets not being depreciated	<u>452,646</u>	<u>96,831</u>	<u>(148,538)</u>	<u>400,939</u>
Capital assets being depreciated:				
Infrastructure	290,863	139,919	-	430,782
Buildings and improvements	1,092,285	-	-	1,092,285
Equipment	227,127	2,391	-	229,518
Accum. Depreciation	<u>(874,163)</u>	<u>(58,317)</u>	<u>-</u>	<u>(932,480)</u>
Total capital assets being depreciated, net	<u>736,112</u>	<u>83,993</u>	<u>-</u>	<u>820,105</u>
Capital assets, net	<u>\$ 1,188,758</u>	<u>\$ 180,824</u>	<u>\$ (148,538)</u>	<u>\$ 1,221,044</u>

Note 4: COVID-19 Pandemic

During December 2019, the Novel Corona Virus Disease (COVID-19) was discovered and subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, California Governor Gavin Newsom proclaimed a State of Emergency as a result of the threat of the COVID-11 in the State of California, leading to the San Luis Obispo County Health Officer issuing a shelter-at-home order on March 18th 2020 and the City Council declaring a health emergency on March 17, 2020. This halted all business within San Luis Obispo County outside of essential activities and largely stifled economic activity in the last quarter of 2019-20 fiscal year with some impact to the Whale Rock reservoir operations. In order to keep employees safe and to continue providing essential services, the Whale Rock staff and management are complying with all federal, state, and local safety best practices and recommendations. While revenues were not significantly affected by the pandemic, expenditures were down partly due to the City activating its Fiscal Health Contingency Plan that instituted immediate hiring, purchasing, and travel chills. This action assisted in curtailing the effects of the heavily reduced economic activity during the initial stages of the pandemic and into 2020-21.

REQUIRED SUPPLEMENTARY INFORMATION

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**Whale Rock Commission
Budgetary Comparison Schedule
Fiscal Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Use of money and property	\$ 1,000	\$ 1,000	\$ 71,545	\$ 70,545
Other revenues	517,282	517,282	591,934	74,652
Services:				
Basic operating charges	1,267,400	1,267,400	976,317	(291,083)
Water distribution	-	-	229,018	229,018
Total services	<u>1,267,400</u>	<u>1,267,400</u>	<u>1,205,335</u>	<u>(62,065)</u>
Total Revenues	<u>1,785,682</u>	<u>1,785,682</u>	<u>1,868,814</u>	<u>83,132</u>
Expenditures				
Current:				
Reservoir operations	1,183,579	1,147,064	886,612	260,452
General government	160,203	160,203	160,747	(544)
Capital projects	<u>-</u>	<u>67,830</u>	<u>84,590</u>	<u>(16,760)</u>
Total Expenditures	<u>1,343,782</u>	<u>1,375,097</u>	<u>1,131,949</u>	<u>243,148</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	441,900	410,585	736,865	326,280
Commission Equity - beginning of year	<u>1,635,837</u>	<u>1,635,837</u>	<u>1,635,837</u>	<u>-</u>
Commission Equity - end of year	<u>\$ 2,077,737</u>	<u>\$ 2,046,422</u>	<u>\$ 2,372,702</u>	<u>\$ 326,280</u>

Whale Rock Commission
Notes to Required Supplementary Information
June 30, 2020

Budgetary Comparison Schedule

1. The budget is prepared using the modified accrual basis of accounting consistent with U.S. generally accepted accounting principles.

2. Outstanding encumbrances from the prior fiscal year are not reflected in the original budget column but are included in the final budget amounts.



**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**

INDEPENDENT AUDITOR'S REPORT

To Members of the Whale Rock Commission
San Luis Obispo, 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 governmental activities and general fund information of the Whale Rock Commission (Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001, 2020-002 and 2020-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-004 and 2020-005 to be significant deficiencies.

To the Members of the Whale Rock Commission
San Luis Obispo, California
Page 2

Compliance and Other Matters

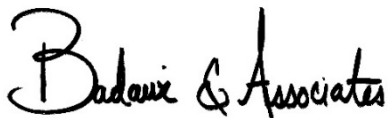
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Whale Rock Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings. Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Badawi & Associates
Certified Public Accountants
Berkeley, California
March 9, 2021

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section I - Current Year Findings

A. Financial Statement Audit Finding

2020-001 Year-End Close and Balance Sheet Account Reconciliations (Material Weakness)

Criteria: The Commission is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial closing and reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted that the City had to record a large number of adjusting entries after the closing process was complete to record transactions not previously recorded or to correct transactions or balances previously recorded in error. Those adjusting entries should have been part of the closing process and the timing of recording those adjusting entries have caused some delays and added complexity in the audit.

Cause: The City's closing process was not comprehensive enough to identify timely all the journal entries and adjustments needed to ensure the accuracy of the various account balances. Additionally, the City implemented a new financial software, however formally written accounting policies and procedures related to the system were not developed.

Effect: The City's accounting records needed significant adjustments after the closing of the books and the start of the audit which caused delays in the audit and added more complexity in dealing with the large volume of adjustments. It was noted that one of these adjustment is material to the Whale Rock Fund.

Recommendation: We recommend that the City update its closing process to ensure all transactions and adjustments are accounted for timely before the audit starts. The City should furthermore develop formal written policies over significant accounts that include the timely reconciling of accounts to activity reported in related subsidiary ledgers. Also, the City should develop a checklist for year-end closing procedures.

Management's response:

This is the second year-end close utilizing the new Oracle Cloud financial system. There were significantly fewer post-closing adjustments than the prior fiscal year and significantly fewer delays in finalizing the audit. Management continues to refine processes and procedures in the ERP system, including improving the year-end close process. A year-end close checklist is under development and will be utilized next year. In addition, City staff are performing monthly closing procedures, which will improve the timeliness of year-end closing. Integrated into the month-end procedures will be the review of and reconciliation of the City's balance sheet accounts. This will help to identify issues prior to the start of the audit.

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section I - Current Year Findings, continued

A. Financial Statement Audit Finding, continued

2020-002 Journal Entries Posting and Numbering (Material Weakness)

Criteria: Journal entries should be independently prepared, reviewed, and posted to the general ledger with unique identification number. In addition, journal entries should be adequately documented to support its accuracy and purpose.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted the following regarding the City's journal entry process:

- The City was unable to provide us with documentation or documentation was insufficient for journal entries selected for review.
- The City uses various numbering schemes (a date and time format, a subsidiary ledger-month format, other) that makes it difficult to determine the number of journal entries recorded and the sequence of entries.
- The City does not maintain a log of manual journal entries to document the accountability of all journal entries, the preparer, the approver, and the purpose of why the entry was recorded.
- Journal entries can be prepared and posted without system restriction, and no controls in place to ensure the journal entries are approved before posted.

The City implemented review procedures towards the end of the fiscal year, so significant number of journal entries we tested before the implementation have the conditions above.

Cause: The City didn't fully implement the review procedures across the fiscal year.

Effect: Journal entries recorded in the City's accounting system may be inaccurate, unapproved or unsupported.

Recommendation: We recommend that the City implement formal written procedures and policies over journal entries to ensure only accurately prepared and supported journal entries are recorded to the general ledger.

**Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020**

Section I - Current Year Findings, continued

A. Financial Statement Audit Finding, continued

2020-002 Journal Entries Posting and Numbering (Material Weakness), continued

Management's Response:

Management is developing written policies over journal entries to ensure that all journal entries have adequate and complete documentation when they are posted to the general ledger. In addition, management is exploring the Oracle system's approval functionality, which should provide assurance that all journals are approved before posting. As a work around, the current process is to have a separate person prepare the journal entry and then have another person post the journal entry. This process can be audited by running a report to show the "prepared by" and "posted by" fields for each journal entry transaction. Journal entries are recorded with a system generated unique identification number; however, it is not a sequential number, which makes it difficult to identify the sequence of entries. Management has identified changes in the configuration of the Oracle system that could assist with this issue and will work to implement those during the year. In addition, the City is now utilizing Oracle's capability of electronically saving documentation with each entry posting.

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section I - Current Year Findings, continued

A. Financial Statement Audit Finding, continued

2020-003 Bank Reconciliation (Material Weakness)

Criteria: An effective internal control system over cash and investments includes frequent and timely reconciling of account balances to information provided by the bank and custodians.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted that bank reconciliations were not performed until the start of the engagement. Also, the June 2020 bank reconciliation was not balanced and had an unreconciled variance of around \$600,000, which was still under investigation by the City.

Cause: The City was not able to perform the bank reconciliations timely as there was not sufficient policy and procedures in place to ensure completion of the process.

Effect: Errors and fraud can go undetected without frequent and timely bank reconciliation.

Recommendation: We recommend the City develop formal written policies over cash and investments that include the timely reconciling of accounts and include cash and investment accounts reported in each fund.

Management's Response:

Management agrees that timely bank reconciliations are an important part of the effective internal controls over cash and investments. The Oracle financial system has functionality that will assist with the reconciliation of the City's books and the bank statement, however that functionality was not configured during the implementation. Management is working with consultants and staff to configure and implement this functionality as the current process is manual and very time consuming given the number of transactions that occur on a daily basis.

In addition, management believes that the large discrepancy reported by the auditors is an unreversed journal entry related to accrued payroll and is a result of the implementation and configuration of the Oracle software and transition between systems. All employees have been paid and expenses have been recorded appropriately, however the cash balance and accrued payroll liabilities were not reduced accordingly and remain in the pass-through account.

Since April 2020, the bank reconciliations are being prepared monthly as part of the month end close.

**Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020**

Section I - Current Year Findings, continued

A. Financial Statement Audit Finding, continued

2020-004 Segregation of Duties in Cash Disbursement (Significant Deficiency)

Criteria: An effective internal control system over cash disbursement requires the segregation of incompatible duties. An effective internal control system over cash disbursement provides reasonable assurance for the safeguarding of assets.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted Accounts Payable Analyst was granted edit access to the vendor master file, who also has the access to check printing and invoices data entry. Additionally, the financial system doesn't prevent unauthorized invoices to be processed and the Accounting Manager doesn't review the check register against invoices when doing the review process.

Cause: The City does not have sufficient internal controls over cash disbursement processes.

Effect: Unauthorized payments or incorrect payment can occur undetected.

Recommendation: We recommend the City to implement internal controls to prevent unauthorized or inaccurate cash disbursement, for example, to generate a change report of vendor master file and have management reviewed regularly.

Management's Response:

The City continues to refine its processes and procedures for recording capital assets in the Oracle system. Management has revised the approach to include additional cross checks to ensure all additions are captured and fully depreciated infrastructure assets are appropriately removed. Accounting staff have also been working with staff in the Geographic Information Services (GIS) department to cross reference assets that the GIS system has mapped, which will assist in identifying annual additions and deletions. In addition, it provides an order of magnitude double check on the book value of the assets recorded in the capital assets system. The City is reviewing the Oracle system configuration to assist in the management of capital asset additions throughout the year to reduce the manual work effort at year end. Efforts to conduct a City-wide inventory are underway and the City plans to have this project completed by the end of the fiscal year.

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section II – Current Year Findings, continued

A. Financial Statement Audit Finding, continued

2020-005 Payroll Module Implementation (Significant Deficiency)

Criteria: An effectively implemented payroll system should process the payroll accurately, and an effective internal control system over payroll requires timely and accurate payroll processing.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted that –

- The City has not implemented Goals and Performance module in Oracle for all employees, evaluation tracking and reporting has transitioned to a completely manual process. During the interview of payroll employees, we learned that a significant number of employee reviews were performed late, causing manual retroactive payroll payments to be made.
- The Oracle payroll module has overtime configuration implemented incorrectly, and the City has to manually track the payroll in a spreadsheet and correct the error as it occurs since the implementation.

Cause: The Oracle payroll module has not been implemented correctly.

Effect: Errors and fraud can go undetected in payroll processing with a large volume of manual corrections needed.

Recommendation: We recommend the City to work with third-party vendor to correct the implementation of payroll module.

Management’s Response:

Management is in full agreement with this finding and is currently working with third-party vendors to correct payroll configurations, as recommended. During the fiscal year the payroll team performed an internal audit of the payroll processing in order to identify and address issues with the system configuration. As stated, the payroll team is manually tracking the overtime results of each payroll and manually correcting any calculation errors that result.

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section II - Prior Year Findings

A. Financial Statement Audit Finding

2019-001 Year-End Close and Balance Sheet Account Reconciliations (Material Weakness)

Criteria: The City is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial closing and reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted that the City's closing process have not identified that several closing journal entries were not prepared and recorded which caused several account balances to be misstated. Example of these closing entries are interest revenue allocation, interest payable accrual, pool-cash fund cleanup and long-term debt activities.

In addition, the City had to record a large number of adjusting entries after the closing process was complete to record transactions not previously recorded or to correct transactions or balances previously recorded in error. Those adjusting entries should have been part of the closing process and the timing of recording those adjusting entries have caused some delays and added complexity in the audit

Finally, we noted that the City did not perform reconciliations over capital assets and long-term debt accounts causing large variances to not be identified between the subsidiary ledgers and the City's general ledger prior to the start of the audit.

Cause: The City's closing process was not comprehensive enough to identify timely all the journal entries and adjustments needed to ensure the accuracy of the various account balances. The closing process did not include reconciliations of the subsidiary ledgers to the general ledgers to ensure that variances are identified and timely addressed.

The City implemented a new financial software, however formally written accounting policies and procedures related to the system were not developed.

Effect: The City's accounting records needed significant adjustments after the closing of the books and the start of the audit which caused delays in the audit and added more complexity in dealing with the large volume of adjustments. It was noted that one of these adjustments is material to the Whale Rock Fund.

**Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020**

Section II - Prior Year Findings, continued

A. Financial Statement Audit Finding, continued

2019-001 Year-End Close and Balance Sheet Account Reconciliations (Material Weakness), continued

Recommendation: We recommend that the City update its closing process to ensure all transactions and adjustments are accounted for. The City should provide cross training of finance staff to ensure continuity during the financial reporting process and audit in case the City experience turnover in key finance positions.

The City should furthermore develop formal written policies over significant accounts that include the timely reconciling of accounts to activity reported in related subsidiary ledgers. Also, the City should develop a checklist for year-end closing procedures.

Status: See current year finding 2020-001

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section II - Prior Year Findings, continued

A. Financial Statement Audit Finding, continued

2019-002 Capital Assets Reconciliation (Material Weakness)

Criteria: A good internal control reporting system over capital assets requires the maintenance of detail records of all capital assets to be able to support amounts reported on the financial statements and to ensure safeguarding of assets.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. The City has established basic procedures to ensure that capital asset additions are properly capitalized, capital asset disposals are properly recorded, and current year depreciation expense for capital assets are recorded at the fund-financial statement level for proprietary funds and at the government-wide financial statement level for governmental funds.

However, reconciliations among the City's fixed asset module (sub-ledger), manually generated roll-forward schedules and general ledger were not performed causing large variances to not be identified by City staff prior to year-end audit procedures.

The City had also not performed a physical inventory of assets to determine whether they were still in the City's possession at the end of the fiscal year.

Cause: Procedures are not in place to reconcile the general ledger capital asset balances to the City's capital asset module as well as to reconcile the general ledger capital asset balances to the City's manually generated roll-forward schedules.

Effect: While not resulting in any current adjustment in the capital assets, some capital assets were misclassified in the sub-ledgers, which cannot be reconciled to the general ledgers by each category of capital assets.

Recommendation: We recommend that the capital asset subsidiary ledgers to be maintained and reviewed by management on a timely basis and any discrepancies between the subsidiary ledgers and the City's general ledger are reconciled in order to accurately capture capital activity in the current period. In addition, the City's manually generated capital asset roll-forward schedules should be reconciled to the general ledger to verify accuracy in calculations and current year journal entries to record capital asset activity. We also recommend that the City perform a physical inventory of all capital assets to ensure the completeness and accuracy of the subsidiary ledgers and general ledger.

Status: Not considered as material weakness or significant deficiency this year for the Commission.

**Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020**

Section II - Prior Year Findings, continued

A. Financial Statement Audit Finding, continued

2019-003 Journal Entries Posting and Numbering (Material Weakness)

Criteria: Journal entries should be independently prepared, reviewed, and posted to the general ledger with unique identification number. In addition, journal entries should be adequately documented to support its accuracy and purpose.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted the following regarding the City's journal entry process:

- The City was unable to provide us with documentation or documentation was insufficient for journal entries selected for review.
- The City uses various numbering schemes (a date and time format, a subsidiary ledger-month format, other) that makes it difficult to determine the number of journal entries recorded and the sequence of entries.
- The City does not maintain a log of manual journal entries to document the accountability of all journal entries, the preparer, the approver, and the purpose of why the entry was recorded.
- Journal entries can be prepared and posted without system restriction, and no controls in place to ensure the journal entries are approved before posted.

Cause: The City does not have formal written procedures for journal entries.

Effect: Journal entries recorded in the City's accounting system may be inaccurate, unapproved or unsupported.

Recommendation: We recommend that the City implement formal written procedures and policies over journal entries to ensure only accurately prepared and supported journal entries are recorded to the general ledger.

Status: See current year finding 2020-002

Whale Rock Commission
Schedule of Findings and Responses
For the year ended June 30, 2020

Section II - Prior Year Findings, continued

A. Financial Statement Audit Finding, continued

2019-004 Bank Reconciliation (Significant Deficiency)

Criteria: An effective internal control system over cash and investments includes frequent and timely reconciling of account balances to information provided by the bank and custodians.

Condition: The City of San Luis Obispo performs all accounting functions for the Commission. During the performance of the audit, we noted that bank reconciliations were not performed until the start of the engagement. As a result, we noted that the total cash and investments represented in the general ledger did not agree to the bank confirmations total by around \$25,000.

Cause: During the fiscal year under audit, the City experienced turnover in positions with significant roles in the City's financial reporting and closing process. The City was not able to perform the bank reconciliations timely as there was not sufficient cross training in place to ensure continuity of the process.

Effect: Errors and fraud can go undetected without frequent and timely bank reconciliation.

Recommendation: We recommend the City develop formal written policies over cash and investments that include the timely reconciling of accounts and include cash and investment accounts reported in each fund.

Status: See current year finding 2020-003



Whale Rock Commission Report

Whale Rock Commission Meeting – April 29, 2021
Agenda Item 6

FROM: Aaron Floyd, Utilities Director
Prepared By: Kelley Mattos, Utilities Administrative Analyst
Jennifer Thompson, Utilities Business Manager

SUBJECT: 2021-22 Whale Rock Reservoir Budget

RECOMMENDATION

Adopt the 2021-22 Whale Rock Reservoir Budget.

DISCUSSION

The Whale Rock Commission considers the operating and capital budget for Whale Rock Reservoir on an annual basis and approves this budget during its annual commission meeting. Staff prepares the budget by evaluating anticipated operational needs, capital improvement needs, general government contributions (Human Resources, Payroll, Legal, Administration, etc.), and member electrical pumping charges. The attached fund analysis provides a ten-year outlook.

Operating Program Expenses

The proposed 2021-22 budget for operation of the reservoir has been adjusted from previous assumptions due to regulatory expenses that must be completed in the fiscal year. Staff evaluated the previous three years and current charges to program electrical cost for upcoming pumping demand and determined that no increase to pumping charges will be required to meet anticipated water deliveries.

Electrical Pumping Charges

2021-22 Agency Pumping Contributions	
City of San Luis Obispo	\$103,000
Cal Poly	\$134,000
California Men's Colony incl. DCGC	\$62,608

Salaries & Benefits

Costs have been updated to reflect placement of staff within their salary range and upcoming contracted salary increases. A 10% contribution of salary and benefits has been proposed for a new Deputy Director-Engineering and Planning position, which will be considered by the San Luis Obispo City Council at the 2021-23 Financial Plan budget adoption hearing scheduled in June. This position has been an interim position for the previous two fiscal years and will manage the Whale Reservoir Spillway Underdrain Repair Project, and all other Whale Rock capital improvement projects.



Whale Rock Commission Report

Whale Rock Commission Meeting – April 29, 2021
Agenda Item 6

Capital Projects

The proposed 2021-22 Capital Improvement Program (CIP) schedule includes projects related to the Comprehensive Spillway Assessment (2019) such as Spillway Underdrain Repairs and Stilling Basin Inspection. Transmission Pipeline repair design to replace approximately 200 feet of pipeline identified by the Pipeline Condition Assessment project (2018) will begin in 21-22. A study to begin implementing Computerized Maintenance Management Software (CMMS) at Whale Rock Reservoir will take place in 21-22 with plans for installation and use in 22-23. Annual fence replacement is ongoing and will also take place in 21-22.

Investment & Property Revenue

Historically, the actual revenue generated by Investment & Property Revenue has far exceeded the budgeted number. To project this revenue more accurately, the City is updating the methodology calculation for Investment & Property Revenue across all funds, including Whale Rock, to 2% of the previous year-end working capital balance; 2% is the City's annual historical return on investments. This updated figure is reflected on the attached Whale Rock Fund Analysis.

Ownership Allocation

Starting in 2021-22, the Ownership Allocation table identifies and separates actual and reserve CIP contributions.

OWNERSHIP ALLOCATION	2019-20 Adopted Budget	2020-21 Adopted Budget	2021-22 Proposed Budget
City of San Luis Obispo			
O&M Allocation	\$ 539,133	\$ 559,092	\$ 522,494
CIP Contribution incl. reserve	\$ 358,755	\$ 446,653	-----
CIP Annual Contribution-Actual			\$ 595,838
CIP Annual Contribution-Reserve			\$133,489
Total Annual Contribution	\$ 897,888	\$ 1,005,745	\$1,251,821
Cal Poly State University			
O&M Allocation	\$ 330,139	\$ 342,361	\$ 319,950
CIP Contribution	\$ 144,616	\$ 273,509	-----
CIP Annual Contribution-Actual			\$ 364,863
CIP Annual Contribution-Reserve			\$ 81,743
Additional Catch Up Reserve		\$76,579 ¹	\$ 76,579

¹ Cal Poly began CIP member reserve contributions in 2020-21 FY.



Whale Rock Commission Report

Whale Rock Commission Meeting – April 29, 2021
Agenda Item 6

Total Annual Contribution	\$ 474,755	\$ 692,449	\$ 843,135
California Men's Colony			
O&M Allocation	\$ 110,079	\$ 114,154	\$106,682
CIP Contribution incl. reserve	\$ 73,250	\$ 91,197	-----
CIP Annual Contribution-Actual			\$ 121,657
CIP Annual Reserve Contribution-Reserve			\$ 27,256
Total Annual Contribution	\$ 183,329	\$ 205,351	\$ 255,594
Total Member Annual Contribution	\$ 1,555,972	\$ 1,903,545	\$ 2,350,550

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15278.

ALTERNATIVE

The Whale Rock Commission members may elect not to approve the budget as proposed or may elect to modify elements of the proposed budget. This alternative is not recommended as the proposed budget allocates funding for staffing, electrical costs, Capital Improvement Projects, and costs for other essential functions related to the Whale Rock Reservoir.

ATTACHMENT

10-Year Whale Rock Fund Analysis



CHANGES IN FINANCIAL POSITION - WHALE ROCK RESERVOIR

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Link to Backup Info	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
REVENUES BY TYPE										
Member Agency Contribution	\$ 949,126	\$ 956,839	\$ 965,656	\$ 967,361	\$ 1,011,574	\$ 1,022,962	\$ 1,041,252	\$ 1,065,238	\$ 1,076,560	\$ 1,088,775
Member Agency CIP	\$ 1,401,425	\$ 718,211	\$ 601,716	\$ 597,724	\$ 281,796	\$ 242,401	\$ 149,365	\$ 25,000	\$ 25,000	\$ 20,000
Water Distribution Revenue	\$ 299,608	\$ 310,472	\$ 322,891	\$ 335,807	\$ 349,239	\$ 363,209	\$ 377,737	\$ 392,847	\$ 408,560	\$ 424,903
Investment & Property Revenue	\$ 58,713	\$ 69,094	\$ 69,836	\$ 79,800	\$ 49,976	\$ 50,237	\$ 43,535	\$ 31,062	\$ 31,162	\$ 30,262
Other Revenue	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
TOTAL	\$ 2,714,871	\$ 2,060,617	\$ 1,966,099	\$ 1,986,691	\$ 1,698,585	\$ 1,684,809	\$ 1,617,889	\$ 1,520,147	\$ 1,547,283	\$ 1,569,940

EXPENDITURE BY CATEGORY

Salaries & Benefits	\$ 606,272	\$ 620,806	\$ 631,003	\$ 643,611	\$ 659,258	\$ 672,498	\$ 686,031	\$ 699,860	\$ 713,990	\$ 728,425
Operating Expenditures	\$ 519,664	\$ 530,339	\$ 538,294	\$ 546,368	\$ 554,564	\$ 562,882	\$ 571,326	\$ 579,896	\$ 588,594	\$ 597,423
Capital Outlay	\$ 882,358	\$ 681,121	\$ 103,515	\$ 2,088,921	\$ 268,748	\$ 577,500	\$ 773,000	\$ 20,000	\$ 70,000	\$ 20,000
Transfers Out	\$ 187,511	\$ 191,261	\$ 195,086	\$ 198,988	\$ 202,968	\$ 207,027	\$ 211,167	\$ 215,391	\$ 219,699	\$ 224,093
TOTAL	\$ 2,195,805	\$ 2,023,527	\$ 1,467,898	\$ 3,477,888	\$ 1,685,537	\$ 2,019,908	\$ 2,241,524	\$ 1,515,147	\$ 1,592,283	\$ 1,569,940

EXPENDITURE BY FUNCTION

General Government	\$ 187,511	\$ 191,261	\$ 195,086	\$ 198,988	\$ 202,968	\$ 207,027	\$ 211,167	\$ 215,391	\$ 219,699	\$ 224,093
Reservoir Operation	\$ 2,008,294	\$ 1,832,266	\$ 1,272,812	\$ 3,278,901	\$ 1,482,570	\$ 1,812,881	\$ 2,030,357	\$ 1,299,756	\$ 1,372,584	\$ 1,345,848
TOTAL	\$ 2,195,805	\$ 2,023,527	\$ 1,467,898	\$ 3,477,888	\$ 1,685,537	\$ 2,019,908	\$ 2,241,524	\$ 1,515,147	\$ 1,592,283	\$ 1,569,940

	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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CHANGES IN FINANCIAL POSITION

Working Capital - Beginning	\$ 2,935,641	\$ 3,454,708	\$ 3,491,798	\$ 3,989,998	\$ 2,498,801	\$ 2,511,849	\$ 2,176,750	\$ 1,553,115	\$ 1,558,115	\$ 1,513,115
Revenues over (under) Expenditure	\$ 519,067	\$ 37,090	\$ 498,201	\$ (1,491,197)	\$ 13,048	\$ (335,099)	\$ (623,635)	\$ 5,000	\$ (45,000)	\$ -
Working Capital - Year End	\$ 3,454,708	\$ 3,491,798	\$ 3,989,998	\$ 2,498,801	\$ 2,511,849	\$ 2,176,750	\$ 1,553,115	\$ 1,558,115	\$ 1,513,115	\$ 1,513,115
Operating Reserve (20%)	\$ 262,689	\$ 268,481	\$ 272,877	\$ 277,793	\$ 283,358	\$ 288,482	\$ 293,705	\$ 299,029	\$ 304,457	\$ 309,988
Capital Outlay Reserve Balance	\$ 1,906,648	\$ 1,943,537	\$ 2,441,738	\$ 941,617	\$ 954,267	\$ 619,168	\$ 80,000	\$ 85,000	\$ 40,000	\$ 40,000
Old Creek Habitat CIP	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316	\$ 145,316
UFL Down Payment	\$ 22,271	\$ 14,848	\$ 14,848	\$ 14,848	\$ 14,848	\$ 14,848	\$ 14,848	\$ 14,848	\$ 14,848	\$ 14,848
UFL Trust Fund	\$ 14,848	\$ 14,848	\$ 11,878	\$ 8,909						
Unreserved Working Capital - Year End	\$ 1,102,936	\$ 1,104,768	\$ 1,103,342	\$ 1,110,318	\$ 1,114,060	\$ 1,108,936	\$ 1,019,246	\$ 1,013,921	\$ 1,008,494	\$ 1,002,962



Whale Rock Commission Report

Whale Rock Commission Meeting – April 29, 2021
Agenda Item 7

FROM: Aaron Floyd, Utilities Director
Prepared By: Noah Evans, Whale Rock Reservoir Supervisor

SUBJECT: ADVERTISEMENT OF SPILLWAY UNDERDRAIN REPAIR PROJECT, SPECIFICATION NO. 91335

RECOMMENDATIONS

1. Authorize staff to advertise for bids for the Spillway Underdrain Repair Project construction; and
2. Authorize City of San Luis Obispo City Manager to award the Spillway Underdrain Repair Project construction project if the lowest responsible bid is within the engineer's estimate of \$765,000.

DISCUSSION

Background

Regulatory changes adopted by the California State Legislature following the events at the Oroville Dam Spillway required specific dam owners to perform a comprehensive spillway condition assessment. The *Comprehensive Spillway Condition Assessment at Whale Rock Reservoir*, completed in 2018, identified deficiencies in the spillway underdrain system. Successful completion of the spillway underdrain repairs is required by Division of Safety of Dams (DSOD) for Whale Rock Reservoir to maintain its certification to impound water.

Spillway Underdrain Repair Project Details

The preparation of the plans and specifications for the Spillway Underdrain Repair Project (Project) were previously authorized by the Whale Rock Commission as part of the 2020-21 Whale Rock Budget. Staff reviewed and provided comments on the 60% design plan set, including an engineer's cost estimate; the design consultant recently returned 100% design plans to the City for review. The Project plans and specifications will require DSOD approval before the Project is advertised for construction.

ENVIRONMENTAL REVIEW

The Spillway Underdrain Repair Project is categorically exempt from CEQA pursuant to CEQA Guidelines section 15302, Replacement or Reconstruction of existing structures and facilities, Attachment 3.



Whale Rock Commission Report

Whale Rock Commission Meeting – April 29, 2021
Agenda Item 7

FISCAL IMPACT

	City		Cal Poly		Men's Colony		TOTAL
	From Reserve	21-22 Contribution	From Reserve	21-22 Contribution	From Reserve	21-22 Contribution	
Construction	\$134,873	\$250,478	\$82,589	\$153,380	\$27,538	\$51,142	\$700,000
Construction Management		\$35,783		\$21,911		\$7,306	\$65,000
TOTAL	\$134,873	\$286,261	\$82,589	\$175,291	\$27,538	\$58,448	\$765,000

Based on staff's previous estimate of \$450,000 for the Project in 2020-21, previous contributions totaling \$245,000 have been made towards this Project. The engineer's current estimate for the Spillway Underdrain Repair Project is \$765,000. The difference of past contributions and the current estimate, \$520,000, will be paid from current year contributions.

Existing Funding from Capital Reserves	\$245,000
2021-22 Contribution	\$520,000
Total Project Cost	\$765,000

ALTERNATIVE

Whale Rock Commission members may elect not to approve the necessary construction funding for the project at this time. This alternative, which would delay construction, is not recommended. The as-designed performance of the Whale Rock spillway underdrain system is required by the DSOD for renewal of Whale Rock Reservoir's certificate to impound water and for the safe operation of the reservoir.