DRAFT CHARTER BETWEEN
THE DEPARTMENT OF WATER RESOURCES
AND
STATE WATER PROJECT CONTRACTORS

TO ESTABLISH AND IMPLEMENT
A STATE WATER RESOURCES DEVELOPMENT SYSTEM FINANCE COMMITTEE

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THIS AGREEMENT to establish and implement a State Water Resources Development System Finance Committee ("**Agreement**") is made between the State of California, acting by and through its Department of Water Resources ("**DWR**"), and those public agencies whose signatures appear below (**"Contractors"**), herein referred to collectively as "**Parties**."

AGREEMENT

NOW THEREFORE, DWR and Contractors agree as follows:

I. EFFECTIVE DATE AND TERM

This Agreement shall be binding on DWR and those Contractors who signatures appear below; provided, however, that the Agreement shall only take effect and be binding as to an individual Contractor upon that Contractor's ~~execution of a C~~contract ~~A~~amendment taking effect. The ~~SWRDS Finance Committee~~Agreement shall remain in effect as long as the contract amendment remains in effect~~until expiration of the Contracts, and any extensions thereto~~, unless terminated earlier by mutual consent of ~~DWR and Contractors~~all the Parties. The Agreement may be amended by the mutual consent of all the Parties.

II. SWRDS FINANCE COMMITTEE

A. Establishment

1. A State Water Resources Development System (SWRDS) Finance Committee is hereby established by and among DWR and Contractors.
2. ~~The SWRDS Finance Committee shall remain in effect until expiration of the Contracts, and any extensions thereto, unless terminated earlier by mutual consent of DWR and Contractors.~~

B. General Scope and Intent

1. As set forth more fully below, the SWRDS Finance Committee is intended to promote coordination, communication and cooperation among DWR and Contractors regarding SWRDS financial policies, work plans and reports. More specifically, the SWRDS Finance Committee is expected to provide the formal guidance necessary to effectively coordinate and execute comprehensive financial management of SWRDS.
2. The SWRDS Finance Committee ~~in~~is not intended or expected to address specific SWRDS budget line items, individual project budgets or individual transactions, but rather shall address those financial matters that are broad in scope and applicability.

C. Composition, Selection and Terms

1. The SWRDS Finance Committee shall be composed of and governed by representatives from both DWR and Contractors.
2. Members:
   a) DWR shall select five representatives to serve as its official members of the SWRDS Finance Committee ("**DWR Members**"). DWR also shall select five (5) representatives to serve as alternates ("**DWR Alternates**") in the event one or more of the DWR Members ~~are~~is absent or otherwise unable to participate on the Committee.
   b) Each Contractor may designate one representative to a Contractors' pool ("**Contractor Representative**"). From that pool, Contractors shall select five Contractor ~~r~~Representatives to serve as their official members of the SWRDS Finance Committee ("**Contractor Members**"). Contractors also shall select two representatives from that pool to serve as alternates ("**Contractor Alternates**") in the event one or more of the Contractor Members ~~are~~is absent or otherwise unable to participate on the Committee.
   c) Members and Alternates shall be appointed to serve one-year terms commencing on January 1 of each year. Members and Alternates may serve multiple terms, but shall be appointed or re-appointed each year as appropriate.
   d) By December 15 of each year, DWR and Contractors shall exchange lists of the Members and Alternates that have been selected to serve on the SWRDS Finance Committee for the following year. Such lists shall include the name, title and contact information for each Member and Alternate on the list.
3. Chair and Vice-Chair:
   a) The SWRDS Finance Committee shall have a Chair and Vice-Chair, who shall be appointed to serve one-year terms in January of each year.
   b) A DWR representative shall serve as the Chair and shall be selected by and from the DWR Members appointed to serve on the Committee for that year.
   c) A Contractor representative shall serve as the Vice-Chair and shall be selected by and from the Contractor Members who have been appointed to serve on the Committee for that year.

D. Meetings and Agendas

1. The SWRDS Finance Committee shall meet as frequently as is necessary to carry out its responsibilities, but no less than two times annually, at such times and locations as determined by the Committee Chair and Vice-Chair. The Chair and Vice-Chair each shall

have the authority to call a meeting and shall do so upon their own motion or upon the request of any Member of the Committee. Each Member shall endeavor to attend all scheduled meetings or ensure that an Alternate attends in his/her absence.

2. Prior to each meeting of the SWRDS Finance Committee, the Chair or Vice-Chair shall prepare a written agenda. Proposed agenda items shall be submitted in writing to the Chair or Vice Chair prior to the meeting for consideration. ~~The proposal~~Each proposed agenda item shall follow a standard format (SWRDS Finance Committee Proposal Template) that includes the following sections:

   a) A description of the issue or matter to be considered by the Committee, including, if applicable, attempts that have been made to resolve disputes.

   b) A justification of why the issue or matter is within the Committee's scope and purpose.

   c) A discussion of at least two alternative solutions intended to resolve the issue or matter under consideration and the consequences of inaction.

   d) The preferred alternative or recommendation.

   e) The name and contact information for the sponsor(s) of the issue.

   If a proposed agenda item is deemed to be consistent with the intent of this Agreement by either the Chair or the Vice-Chair, then it shall be placed on the agenda.

3. In addition to the ten (10) designated Members, ~~T~~the meetings of the SWRDS Finance Committee shall be open to all designated Contractor~~s~~ Representatives and DWR alternates. ~~[and appropriate support staff]. However, each Contractor may designate only one representative ("**Contractor Representative**") to formally participate in the meetings on its behalf. Each Contractor shall provide the Committee with the name, title and contact information for its designated Contractor Representative, if any.~~ Other subject matter experts, contractor staff, and/or DWR staff may be invited by the Chair or Vice Chair, as needed, to provide relevant and material input pertaining to individual issues brought to the Committee.

E. Quorum~~s and Voting~~

1. A quorum of the SWRDS Finance Committee shall consist of six Members. In the absence of a quorum, the Committee may receive information, but shall not take any actions~~, issue any directives~~, make any recommendations, or engage in any other business or activities.

~~2. Each Member shall have one vote on SWRDS Finance Committee. The results of the voting will be recorded and forwarded to the Director with the recommendation.~~

F. Minutes

~~DWR~~ The Chair or Vice Chair shall be responsible for the keeping of minutes of each SWRDS Finance Committee meeting. Copies of the minutes shall be provided to the Committee Members ~~and all Contractor Representatives~~ within two weeks after a meeting.

G. Procedures and Rules

The SWRDS Finance Committee may adopt such procedures and rules as it determines are necessary or convenient to govern the conduct of the Committee or to assist the Committee

in carrying out its responsibilities. Procedures and Rules will be established as mutually agreed upon by members of the Committee~~/by a simple majority vote of the Committee~~.

H. Technical or Ad Hoc Committees

The SWRDS Finance Committee may establish such technical, ad hoc or other sub-committees as it determines are necessary or convenient to assist the Committee in carrying out its responsibilities.

I. Recommendations to the DWR Director

~~1. SWRDS Finance Committee shall submit any recommendations it has in writing to the Director. The recommendations shall indicate which members concur and which members do not concur. or to the Director's delegate responsible for the area under consideration by the Committee. If any Members concur in or disagree with the SWRDS Finance Committee's recommendations, that fact also shall be noted. Individual Contractor Representative may submit comment letters on the recommendation to the Director.~~

1. ~~The DWR Director may accept or reject the SWRDS Finance Committee's recommendations in his or her sole discretion. The Director shall provide the Committee with a written response and, in the case of a rejection of the recommendation, an explanation of the specific reasons for his or her rejection. [DWR to draft template proposal]~~

1. After discussion of a given issue or matter, the Committee will designate a Member or Members to prepare a written recommendation for the Director. All Members who concur will sign the recommendation indicating concurrence.

2. If there are competing recommendations for a given issue or matter, multiple written recommendations may be prepared for the Director's consideration. Members will sign the appropriate recommendation indicating their support.

3. Within thirty (30) business days after receipt of a recommendation or recommendations, the Director will issue a written decision of acceptance or rejection. If the Director needs additional information and time, the Finance Committee will be notified.

III. DESIGNATION OF SWRDS CHIEF FINANCIAL MANAGER

A. ~~To the extent permitted by State personnel rules and regulations, Consistent with state personnel rules and regulations,~~ DWR shall create and fill a new position to be known as the SWRDS Chief Financial Manager (CFM). {TO BE DISCUSSED}

B. The CFM shall serve as the single point of authority over all SWRDS financial matters. The CFM shall have the responsibility and authority throughout DWR to oversee and implement, in a timely manner, all SWRDS financial policies and shall report directly to the DWR Director or the Deputy Director in charge of the SWP.

C. Working with the SWRDS Finance Committee, the CFM shall develop and enhance those financial policies, work plans and administrative measures necessary or appropriate to provide comprehensive and cost effective financial management of SWRDS.

D. The SWRDS Finance Committee and CFM shall coordinate and cooperate with each other at all

times in carrying out their respective responsibilities.

E. Until DWR creates and fills the new CFM position, it shall designate the SWP Deputy Director who shall serve in the same capacity as described above.

IV. CONSIDERATION OF SWRDS FINANCIAL POLICIES MATTERS

A. The SWRDS Financial Committee shall serve as a forum for discussions ~~between DWR and Contractors~~ regarding financial policy matters applicable to the construction, operation and maintenance of SWRDS facilities and as a channel for making recommendations to the DWR Director concerning such matters.

B. In general, the types of financial policy matters that should be brought to the SWRDS Finance Committee for consideration are ones that are broad in nature and that cannot be resolved more effectively in another forum such as an existing Contractor ~~technical~~ committee. Characteristics of SWRDS financial policy matters that would properly be brought to the SWRDS Finance Committee include those that:

1. affect a group of Contractors, rather than individual contractors;
2. potentially apply to multiple projects, rather than individual projects; and
3. involve potentially large transactions or a large number of transactions.

In weighing these factors, an important consideration shall be whether the SWRDS financial policy matter at issue would potentially merit ultimate resolution by the DWR Director.

C. Contractors understand and acknowledge that although the SWRDS Finance Committee is charged with providing financial policy recommendations to the DWR Director, the DWR Director shall retain final discretion on whether or not to accept such recommendations.

V. DEVELOPMENT AND APPROVAL OF SWRDS FINANCIAL ENHANCEMENT WORK PLANS

A. The SWRDS Finance Committee shall guide the development of the SWRDS financial enhancement work plans ("SWRDS Work Plans") in cooperation and coordination with the CFM.

B. The SWRDS Finance Committee shall review and approve all SWRDS Work Plans prior to implementation. For purposes of this Section, "approve" shall mean a vote of the Committee that includes at least four affirmative votes of DWR Members and at least four affirmative votes of Contractor Members.

C. The SWRDS Finance Committee also shall provide input and recommendations to the DWR Director regarding implementation of such work plans.

D. Once ~~approved~~appointed, the SWRDS CFM shall be responsible for ensuring the SWRDS Work Plans are implemented in a timely manner.

VI. REVIEW OF SWRDS FINANCIAL INFORMATION AND REPORTS

~~**A.** DWR and Contractors acknowledge and agree that the SWRDS Financial Committee must be provided with timely and accurate financial information and financial management reports regarding SWRDS ("Financial Information and Reports") in order to function properly and to provide meaningful input and recommendations to the DWR Director.~~

~~**B.** During the term of the Contracts, it is anticipated that the needs of the SWRDS Finance Committee will change. Accordingly, the SWRDS Finance Committee will determine, on an ongoing basis, the nature, scope and frequency of the Financial Information and Reports to be provided by DWR to the Committee.~~

~~**C.** Regardless of the exact nature, scope and frequency, the Financial Information and Reports shall comply with the following principles, as applicable:~~

1. Principle 1: Financial reporting shall be generated from the general ledger or data warehouse of the financial information system (system of record). The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there shall be one, and only one, system of record for financial reporting values.

2. Principle 2: Financial reporting shall not be limited to annual financial statements, but shall be developed for regular reporting periods.

3. Principle 3: Financial reporting and financial management reporting shall identify unusual items and exceptions, and these items shall be documented, resolved and reviewed by management on a timely basis.

4. Principle 4: Financial management reporting shall identify and analyze significant variances from prior years or budgets.

5. Principle 5: DWR shall use standardized system-wide business rules and utilize a centralized financial system, such as SAP, to provide controls/validations to insure data integrity and reliable reporting.

6. Principle 6: DWR shall use standardized data integrity rules and procedures in the development and publication of reports. Such rules and procedures shall take into account and comport with the following strictures:

   a) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.

   b) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of the SWP and SWRDS will undergo any number of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.

   c) Data with "integrity" has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.

   d) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.

   e) Data integrity state or condition is to be measured by the validity and reliability of the data values.

   a) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

VII. The provisions of this charter may be enforced only by an action for equitable relief, not for damages. {TO BE DISCUSSED}