THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
Yuba County Government Center, Board Chambers
915 Eighth Street, Suite 109A
Marysville, California

JANUARY 3, 2012 – 3:30 P.M.

CALL TO ORDER: Welcome to the Three Rivers Levee Improvement Authority (TRLIA) meeting. As a courtesy to others, please turn off cell phones, pagers, or other electronic devices which might disrupt the meeting. Thank you.

I ROLL CALL – Directors Rick Brown, Jerry Crippen, Don Graham, Mary Jane Griego, John Nicoletti

II ELECTION OF OFFICERS – Chair and Vice Chair

III PUBLIC COMMUNICATIONS: Any person may speak about any subject of concern provided it is within the jurisdiction of the Levee Improvement Authority and is not already on today’s agenda. The total amount of time allotted for receiving such public communication shall be limited to a total of 15 minutes and each individual or group will be limited to no more than 5 minutes. Prior to this time, speakers are requested to fill out a “Request to Speak” card and submit it to the Clerk of the Board of Supervisors.

III CONSENT AGENDA: All matters listed under the consent agenda are considered to be routine and can be enacted by one motion.

A. Approve minutes of the meetings of December 6, 2011.

IV ACTION ITEMS

A. Approve Amendment No. 2 to agreement with Seth Wurzel Consulting Inc. in the amount of $175,000 for financial consulting and authorize the Executive Director to execute same.

B. Approve Amendment No. 17 to agreement with MBK Engineers in the amount of $1,421,140 for project management and hydraulic analysis and authorize the Executive Director to execute same.

V BOARD AND STAFF MEMBERS’ REPORTS

A. Independent Audit dated June 30, 2011
B. Other Reports

VI CLOSED SESSION:

A. Conference with Counsel - Anticipated litigation/Significant exposure pursuant to Government Code §54956.9(b)

VII ADJOURN

The complete agenda is available at the Yuba County Government Center, 915 8th Street, Suite 109 Marysville, and www.trlia.org. Any disclosable public record related to an open session item on the agenda and distributed to all or a majority of the Board less than 72 hours prior to the meeting is available at Suite 109 during normal business hours. In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available. If you have a disability and need disability-related modifications or accommodations to participate in this meeting, please contact the Clerk of the Board’s office at (530) 749-7510 or (530) 749-7353 (fax). Requests must be made one full business day before the start of the meeting.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

DECEMBER 6, 2011

MINUTES

A meeting of the Board of Directors of the Three Rivers Levee Improvement Authority (TRLIA) was held on the above date, commencing at 3:31 p.m., within the Government Center, Marysville, California, with a quorum being present as follows: Directors Rick Brown, Jerry Crippen, Don L. Graham, and John Nicoletti. Director Mary Jane Griego was absent. Also present were Executive Director Paul Brunner, Assistant Counsel Andrea Clark, and Clerk of the Board of Supervisors/Secretary Donna Stottlemeyer. Vice Chair Brown presided.

I  ROLL CALL – Directors Rick Brown, Jerry Crippen, Don Graham, Mary Jane Griego, John Nicoletti – Director Griego absent.

II  PUBLIC COMMUNICATIONS:

Ms. Frances Hofman regarding the 1950 flood and certification of work.

III  CONSENT AGENDA: All matters listed under the consent agenda are considered to be routine and can be enacted by one motion.

MOTION: Move to approve  
MOVED: John Nicoletti  
SECOND: Don Graham

AYES: Rick Brown, Jerry Crippen, Don Graham, John Nicoletti
NOES: None  
ABSTAIN: None  
ABSENT: Mary Jane Griego

A. Approve minutes of the meetings of October 8 and November 15, 2011. Approved.

B. Approve lease extension with Office of Education for administrative offices and authorize Chair to execute same. Approved.

IV  ACTION ITEMS

A. Adopt resolution authorizing proceeding with the Goldfields high ground evaluation project and filing of a California Environmental Quality Action notice of exemption. Assistant Counsel Andrea Clark recapped project.

MOTION: Move to approve  
MOVED: John Nicoletti  
SECOND: Jerry Crippen

AYES: Rick Brown, Jerry Crippen, Don Graham, John Nicoletti
NOES: None  
ABSTAIN: None  
ABSENT: Mary Jane Griego

Adopted Resolution No. 2011-12 entitled: “A RESOLUTION BY THE BOARD OF DIRECTORS OF THREE RIVERS LEVEE IMPROVEMENT AUTHORITY AUTHORIZNG STAFF TO PROCEED WITH THE GOLDFIELDS HIGH GROUND EVALUATION PROJECT AND THE FILING OF A CEQA NOTICE OF EXEMPTION.”
B. Adopt resolution adopting the North Valley Labor Compliance Services Labor Compliance Program manual for Proposition 84 funding for Goldfields high ground evaluation. Assistant Counsel Andrea Clark recapped labor compliance.

MOTION: Move to adopt    MOVED: John Nicoletti    SECOND: Jerry Crippen
AYES: Rick Brown, Jerry Crippen, Don Graham, John Nicoletti
NOES: None    ABSTAIN: None    ABSENT: Mary Jane Griego

Adopted Resolution No. 2011-13 entitled: "A RESOLUTION BY THE BOARD OF DIRECTORS OF THREE RIVERS LEVEE IMPROVEMENT AUTHORITY ADOPTING LABOR COMPLIANCE PROGRAM."

C. Approve employment extension agreement with Executive Director Paul Brunner and authorize Chair to execute same. Assistant Counsel Andrea Clark recapped agreement changes.

Public Comment: Ms. Frances Hofman

MOTION: Move to approve    MOVED: Don Graham    SECOND: Jerry Crippen
AYES: Rick Brown, Jerry Crippen, Don Graham, John Nicoletti
NOES: None    ABSTAIN: None    ABSENT: Mary Jane Griego

D. Approve Amendment No. 6 to agreement with Handen Inc. in the amount of $123,060 for construction management and authorize Executive Director to execute same. Executive Director Paul Brunner recapped management services.

MOTION: Move to approve    MOVED: John Nicoletti    SECOND: Jerry Crippen
AYES: Rick Brown, Jerry Crippen, Don Graham, John Nicoletti
NOES: None    ABSTAIN: None    ABSENT: Mary Jane Griego

V BOARD AND STAFF MEMBERS’ REPORTS: Reports were received on the following:

Executive Director Paul Brunner:
- Central Valley Flood Protection Board meeting held December 2, 2011 regarding fencing encroachment
- KVIE video update on progress
- Goldfields project update and funding

VI CLOSED SESSION: Pulled from consideration by Assistant Counsel Andrea Clark.

Personnel pursuant to Government Code §54957.6 – Provide instructions to representative Andrea Clark on salary or compensation of Executive Director

VII ADJOURN: 4:12 p.m. by Vice Chair Brown.

Chair
ATTEST: DONNA STOTTLEMEYER
CLERK OF THE BOARD OF SUPERVISORS
AND SECRETARY OF THE PUBLIC AUTHORITY

_________________________________________  Approved: ______________________
January 3, 2012

TO: Three Rivers Levee Improvement Authority Board
FROM: Paul Brunner, Executive Director
SUBJECT: Seth Wurzel Consulting, Inc. Contract extension

Recommended Action:
Approve a 2nd amendment to the Seth Wurzel Consulting, Inc. (SWC) contract adding an additional $175,000 to extend for two year the financial consulting services and technical support for the administration of various State Funding Agreements through the December 31, 2013, and authorize the Three Rivers Levee Improvement Authority (TRLIA) Executive Director to sign and execute the Amendment once Counsel has reviewed.

Background:
On May 1, 2010, entered into an Agreement for Consulting Services, (Agreement) with Capitol Public Finance Group, LLC and on June 1, 2011 this agreement was assigned to Seth Wurzel Consulting, Inc. The term of this Agreement provided services through December 31, 2011. The contract currently provides a budget of $300,000 and, as of services provided through November 2011, a budget of $98,527.54 remains.

Discussion:
As an integral part of TRLIA’s team implementing and administering TRLIA’s funding programs with the Department of Water Resources and its local partners, Seth’s involvement in the TRLIA levee improvement program is necessary. In order for Seth to continue to provide services to TRLIA, the Agreement with SWC needs to be amended in order to extend its term and budget.

The Agreement is proposed to be amended to increase the contract amount by $175,000 to allow the needed financial consulting services to be available to perform the following tasks through December 31, 2013 (an additional 24 months).

The scope of work provided through the contract includes the following:

Task 1: Technical Support, Administration, and Implementation for State Funding Agreements
SWC will work with TRLIA to provide support in coordinating with the State to implement and administer the currently in place funding programs for completing Phase 4 levee improvement work. This includes providing technical support on an as-needed to assist in the preparation of required material associated with acquiring funds through the State Funding Agreement(s). The work may include these:

• Preparing quarterly work plans and progress reports and monthly statement of costs;
• Assisting with the preparation of Real Estate invoices and associated documentation;
• Assisting with development of a project cash flow that will be used to provide the necessary data required for quarterly work plans;
• Preparing supporting documentation needed to invoice the State;
• Reviewing invoices for confirm and apply proper cost coding;
• Coordinating with the Community Development and Services Agency to receive training on and obtain data from their in-house cost accounting management system;
• Attending meetings and required conference calls; and
• Providing, on an ad-hoc basis, technical analysis and data as needed.

Task 2: Local Funding Mechanism Administration

Task 2’s scope includes work associated with generating the required local share of funding for the remainder of TRLIA’s levee improvement program. This includes providing technical support associated with administering the YCWA/County Funding Agreement. In addition, TRLIA has provided technical support to the County associated with administration and as needed updates of the Three Rivers Levee Impact Fee. Additionally, SWC will provide technical support associated with the currently in place TRLIA Mello-Roos Districts. SWC’s work may include these:

• Continued administration of the currently in place TRLIA CFDs;
• Revising the current TRLIA levee fee nexus study, as needed, for feasible implementation;
• Providing analyses and technical information associated with joint YCWA/County borrowing;
• Providing technical support to TRLIA to prepare required documentation pursuant to the YCWA/County Funding Agreement;
• Attending meetings and required conference calls; and
• Providing, on an ad-hoc basis, technical analysis and data as needed.

Fiscal Impact:

This is a time and material contract which means the tasks under this contract can be terminated, suspended, or minimized at any time. Agreements are in place with the State and local sources to provide funding for this work.

1 Attachment:
   1. Proposed Contract Amendment & Scope of Work
AMENDMENT NO. 2

AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
AND
SETH WURZEL CONSULTING, INC.

THIS SECOND AMENDATORY AGREEMENT is made as of the execution date set forth below by and between the Three Rivers Levee Improvement Authority, a California Joint Powers Authority (THREE RIVERS LEVEE IMPROVEMENT AUTHORITY), and SETH WURZEL CONSULTING, INC., (CONSULTANT).

WHEREAS, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and CAPITOL PUBLIC FINANCE GROUP, LLC (an assignor of the AGREEMENT to the CONSULTANT) entered into an agreement on April 27, 2010 to provide professional consulting services ("AGREEMENT");

WHEREAS, Article C.24 of the AGREEMENT, states that modifications or amendments to the terms of the AGREEMENT shall be in writing and executed by both parties.

WHEREAS, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and CAPITOL PUBLIC FINANCE GROUP, LLC entered into THE FIRST AMENDMENT TO AGREEMENT FOR CONSULTING SERVICES on June 15, 2010 amending both the term and base contract fee of the AGREEMENT.

WHEREAS, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, CAPITOL PUBLIC FINANCE GROUP, LLC and SETH WURZEL CONSULTING, INC. entered into an ASSIGNMENT AGREEMENT assigning the AGREEMENT from CAPITOL PUBLIC FINANCE GROUP, LLC to SETH WURZEL CONSULTING, INC. on June 1, 2011.

WHEREAS, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and CONSULTANT desire to further extend the term and budget of the Agreement;

NOW, THEREFORE, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and CONSULTANT agree to as follows;

1. APPENDIX A TO ATTACHMENT A, SCOPE OF WORK AND BUDGET. Appendix A to Attachment A, Scope of Work, Sections 3 - Proposed Schedule and 4 – Proposed Budget and Payment shall be amended to reflect the amended Sections 3 and 4 to the Scope of Work and Budget described in Attachment A attached to this SECOND AMENDATORY AGREEMENT.
2. **Operative Provision 2 of the Agreement, Term.** Operative Provision 2 of the agreement shall be revised to extend the termination date of the Agreement from December 31, 2011 to December 31, 2013.

Notwithstanding the term set forth above, and unless the contract is terminated by either party prior to its termination date, the term of this Agreement shall be automatically extended from the termination date for ninety days. The purpose of this automatic extension is to allow for continuation of services, and to allow TRLIA time in which to complete a novation or renewal contract for Contractor and TRLIA approval. Contractor understands and agrees that there is no representation, implication, or understanding that the services provided by Contractor pursuant to this Agreement will be purchased by TRLIA under a new agreement following expiration or termination of this Agreement.

3. **Attachment B, Article B.1, Base Contract Fee.** Article B.1 shall be revised to increase the maximum not to exceed total contract fee of the Agreement from $300,000 to $475,000.

All other terms and conditions contained in the AGREEMENT shall remain in full force and effect.

This SECOND AMENDATORY AGREEMENT is hereby executed on this _____ day of ______ 2013.

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**

_____________________________________________________________

Paul G. Brunner, P.E.
Executive Director

**SETH WURZEL CONSULTING, INC.**

_____________________________________________________________

Seth Wurzel
President

APPROVED AS TO FORM:
ANDREA P. CLARK
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY GENERAL COUNSEL

__________________________
Attachment A to Second Amendment

Scope of Work and Budget

Sections 3 and 4 are hereby modified as follows. All other terms within the Scope of Work and Budget shall remain unchanged.

3. Proposed Schedule

The performance period of this contract is from the date of execution of this contract through December 31, 2013. The term of this agreement maybe extended as needed through a contract modification mutually agreed to by the parties.

4. Proposed Budget and Payment

The work defined in the scope of this proposal will be performed on a time-and-materials basis up to a specific maximum amount.

The total budget to provide all work for the listed scope of work for the contract period is $475,000, which includes this amendment for $175,000. This is CONSULTANT’s estimate of the amount of budget that may be required to perform the above-listed scope of work. With this type of work, a moderate level of uncertainty is inherent, and this uncertainty is reflected in this budget. Consequently, the estimated budget may be in excess of or under the funds required to perform the requested work.

CONSULTANT will charge for services on a direct-cost (hourly billing rates plus direct expenses), not-to-exceed basis; therefore, CONSULTANT will bill only for the work completed up to the authorized budget amount. CONSULTANT’s hourly billing rate is $175 per hour.

If additional work is required or requested, CONSULTANT will request authorization for additional budget with the understanding that terms would be negotiated in good faith. It is expected that this budget may be increased on an as-needed basis through a contract amendment process.

CONSULTANT will send request for payment to TRLIA on a monthly basis after the completion of services.

Request for payment will be sent to the following address:

Three Rivers Levee Improvement Authority
915 8th Street, Suite 125
Marysville, CA 95901
Attn: Accounts Payable

**Task 1 Code: 3107 / 3125 - 3271**
**Task 2 Code: 3006 - 3061**

Proper Cost Coding of time expended will be indicated on all requests for payment.
January 3, 2012

TO: Three Rivers Levee Improvement Authority Board
FROM: Paul Brunner, Executive Director
SUBJECT: Consider Amending Contractual Agreement with MBK Engineers for TRLIA Project Management and Hydraulic Analysis, Amendment 17.

**Recommended Action**

Approve a seventeenth contract amendment (Attachment 1) to the MBK contract for Management and Hydraulic Engineering services and authorize the TRLIA Executive Director to sign the amendment and execute once General Counsel has reviewed and approved.

**Discussion**

The TRLIA Board has adopted a management organization that includes a Program Manager and a Design Manager. These services have been provided by MBK Engineers for many years. In the past these services have included program and design management; limited financial management; and grant support. As the TRLIA Program nears the completion of design and construction efforts, the focus of management turns from design and permitting to final completion tasks and management becomes more general. As a part of implementing the TRLIA program, many permits have been obtained which have placed requirements for land acquisition, environmental monitoring and reporting, and interim land management on TRLIA. In addition, EIP DWR Funding Agreements require several completion documents to meet the Funding Agreements requirements. MBK has extensive program knowledge and has helped to procure many of the permits that TRLIA has acquired for construction. MBK will assist TRLIA in this program completion phase by providing management support in defining ongoing permit requirements and arranging for those requirements to be met. MBK will also continue assisting in the finalization of the Upper Yuba Levee Improvement Project that will occur in 2012, assist in certifying the upper Yuba Levee Project to FEMA, assist in certifying the entire RD 784 levee system to the Department of Water Resources for 200-year protection, and manage the Goldfields evaluation and assist in evaluating potential alternatives in the Goldfields.
This 17th amendment will extend MBK's management and hydraulic analysis of the flood risk from the Goldfields. The amendment also extends the end date of the MBK contract from December 31, 2011 to December 31, 2012, and adds the following contract terms:

Notwithstanding the term set forth above, and unless the contract is terminated by either party prior to its termination date, the term of this Agreement shall be automatically extended from the termination date for ninety days. The purpose of this automatic extension is to allow for continuation of services, and to allow TRLIA time in which to complete a novation or renewal contract for Contractor and TRLIA approval.

Contractor understands and agrees that there is no representation, implication, or understanding that the services provided by Contractor pursuant to this Agreement will be purchased by TRLIA under a new agreement following expiration or termination of this Agreement.

The estimated cost associated with 2012 additional efforts is $1,421,140. All other terms and conditions contained in the Agreement shall remain in full force and effect. The specific contract amendment terms are detailed in the attached Amendment 17 and Attachment A - Scope of Work (Attachment 2) to that amendment.

**Fiscal Impact**

The contract amendment would increase the existing contract by $1,421,140 for services on a time-and-expenses basis, to a maximum amount not exceeding $6,262,534 (Current maximum amount $4,841,394) without prior authorization by TRLIA. This amendment is a time and material contract, which could be terminated at anytime. These projected expenses are included in the current TRLIA cash flow for project completion.

Attachments:
1. Amendment 17
2. Attachment A – Scope of Work
AMENDMENT NO. 17
AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
AND
MBK ENGINEERS

THIS SEVENTEENTH AMENDATORY AGREEMENT is made and entered into this ____ day of January, 2012, by and between the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY ("TRLIA") and MBK ENGINEERS ("CONTRACTOR"), who agree as follows:

1. **Recitals.** This Amendment is made with reference to the following background recitals:

1.1. Effective August 23, 2003, the parties entered into an agreement ("AGREEMENT") to provide basic services with a contract value of $55,800 and an end date of February 3, 2004.

1.2. Effective September 11, 2003, the parties entered into Amendment 1 to the AGREEMENT in the amount of $8,000 for a total contract value of $63,800.

1.3. Effective January 6, 2004, the parties entered into Amendment 2 to the AGREEMENT in the amount of $30,000 for a total contract value of $93,800.

1.4. Effective March 19, 2004, the parties entered into Amendment 3 to the AGREEMENT in the amount of $45,400 for a total contract value of $139,200 and to extend the contract end date to March 30, 2004.

1.5. Effective April 22, 2004, the parties entered into Amendment 4 to the AGREEMENT in the amount of $50,100 for a total contract value of $189,300 and to extend the contract end date to July 31, 2004.

1.6. Effective August 3, 2004, the parties entered into Amendment 5 to the AGREEMENT in the amount of $8,000 for a total contract value of $197,300 and to extend the contract end date to September 7, 2004.

1.7. Effective October 6, 2004, the parties entered into Amendment 6 to the AGREEMENT in the amount of $97,650 for a total contract value of $294,950 and to extend the contract end date to December 7, 2004.

1.8. Effective January 26, 2005, the parties entered into Amendment 7 to the AGREEMENT in the amount of $35,000 for a total contract value of $329,950 and to extend the contract end date to April 30, 2005.

1.9. Effective March 15, 2005, the parties entered into Amendment 8 to the AGREEMENT in the amount of $108,200 for a total contract value of $438,150.

1.10. Effective September 6, 2005, the parties entered into Amendment 9 to the AGREEMENT in the amount of $187,200 for a total contract value of $625,350 and to extend the contract end date to July 31, 2006.

1.11. Effective April 18, 2006, the parties entered into Amendment 10 to the AGREEMENT in the amount of $549,359 for a total contract value of $1,174,709 and to extend the contract end date to December 31, 2006.

1.12. Effective December 12, 2006, the parties entered into Amendment 11 to the AGREEMENT in the amount of $707,980 for a total contract value of $1,882,689 and to extend the contract end date to December 31, 2007.
1.13. Effective January 8, 2008, the parties entered into Amendment 12 to the AGREEMENT in the amount of $629,056 for a total contract value of $2,511,745 and to extend the contract end date to December 31, 2008.

1.14. Effective January 27, 2009, the parties entered into Amendment 13 to the AGREEMENT in the amount of $572,472 for a total contract value of $3,084,217 and to extend the contract end date to December 31, 2009.

1.15. Effective December 15, 2009, the parties entered into Amendment 14 to the AGREEMENT in the amount of $569,020 for a total contract value of $3,653,237 and to extend the contract end date to December 31, 2010.

1.16. Effective September 28, 2010, the parties entered into Amendment 15 to the AGREEMENT in the amount of $661,887 for a total contract value of $4,315,124 and to extend the contract end date to December 31, 2011.

1.17. Effective June 28, 2011, the parties entered into Amendment 16 to the AGREEMENT in the amount of $526,270 for a total contract value of $4,841,394.

1.18. The parties now desire to amend the AGREEMENT to modify the total contract value.

2. Seventeenth Amendment to Agreement. The AGREEMENT is hereby amended as follows:

2.1. The scope of services is increased by the efforts described in Attachment A.

2.2. The total contract value is amended in the amount of $1,421,140 for a total contract value of $6,262,534.

2.3. The contract end date is extended to December 31, 2012.

   Notwithstanding the term set forth above, and unless the contract is terminated by either party prior to its termination date, the term of this Agreement shall be automatically extended from the termination date for ninety days. The purpose of this automatic extension is to allow for continuation of services, and to allow TRLIA time in which to complete a novation or renewal contract for Contractor and TRLIA approval.

   Contractor understands and agrees that there is no representation, implication, or understanding that the services provided by Contractor pursuant to this Agreement will be purchased by TRLIA under a new agreement following expiration or termination of this Agreement.

3. No Effect on Other Provisions. Except for the amendments in Section 2, the remaining provisions of the Professional Services Agreement shall be unaffected and remain in full force and effect.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on
___________________________, 2012.

THREE RIVERS LEVEE IMPROVEMENT
AUTHORITY OF YUBA COUNTY        MBK ENGINEERS

Paul G. Brunner
Executive Director

Ric Reinhardt
Principal

ATTEST:
DONNA STOTTERMeyer
SECRETARY, THREE RIVERS

APPROVED AS TO FORM:
SCOTT L. SHAPIRO
GENERAL COUNSEL, TRLIA

Signature
ATTACHMENT A

AMENDMENT 17 TO TRLIA/MBK CONTRACT

Scope of Work

As the TRLIA Program begins to close out the past construction agreements with the State, the focus of management turns from design and permitting to final completion tasks. In addition, recent analysis has identified a risk of flooding from the Goldfields and TRLIA has initiated a four phase program to address this potential flood source. MBK is ready to continue to provide management support and technical services to TRLIA in its mission to provide 200-year flood protection to southwest Yuba County. As a part of implementing the TRLIA program, many permits were obtained which have placed requirements for land acquisition, environmental monitoring and reporting, and interim land management on TRLIA. In addition EIP Funding Agreements require several completion documents to meet the agreement requirements. MBK has extensive program knowledge and has helped to procure many of the permits that TRLIA has acquired for construction. MBK will assist TRLIA in this program completion phase by providing management direction in clarifying ongoing permit requirements and arranging for those requirements to be met. MBK will also assist in the construction of the Yuba Landslide Levee Improvement Project that will occur in 2012 and will assist in closeout on the UYLIP and Feather EIP Projects. MBK will also provide hydraulic evaluation of alternatives to address the Goldfields flood risk and assist in management of geotechnical evaluations in the Goldfields and preparation of an alternatives analyses report. The following is a listing of tasks and a general level of estimated involvement for MBK from January 1, 2011 to December 31, 2012.

Task 1 – General TRLIA Management Activities

- CVFPB coordination and preparation of the monthly TRLIA Status Report to the CVFPB
- Respond to questions and requests for information regarding historic TRLIA Program
- Coordinate and Review DWR Urban Levee Evaluation results
- Provide EIP Funding Agreement Support, continue to meet with County to be certain that TRLIA invoices are coded to the correct accounts for DWR Agreement purposes
- Support CVFPB Required ROW Acquisition
- Assist RD 784 in Addressing Problem Items Identified by USACE during the Periodic Inspection
- Coordination with the Corps and FEMA on FEMA certification issues
- General Coordination – Coordination on project issues with TRLIA staff, floodplain mapping outreach, land use adjacent to levees, public meetings, prepare PowerPoint presentations, prepare other correspondence, coordination and meetings with stakeholders, and Board Meetings.

Effort – 144 Hours Principal, 556 Hours Project Manager, 86 Hours Water Resources Associate, and $6,000 Expenses

Total Cost Task 1 = $154,448

Task 2 – UYLIP Management Activities

- Administer Elderberry Mitigation Contract
- Provide Closeout for Safety Assurance Review
- Review Construction Completion Report
- Manage the Consolidation of RD 784 O&M Manual Addendums
- Assist in Potential Eminent Domain Cases
- Review EIP Quarterly Work Plans
- Review EIP Quarterly Progress Reports
- Assist in Preparation of the EIP Project Completion Report
- Assist in Preparation of the EIP Post Construction Performance Report
- Assist in Preparation of the EIP Closeout Document, RD 784 Flood Safety Plan
- Manage Landside Levee Repair Management
- Prepare Landside Levee Repair Encroachment Permit Application

Effort – 44 Hours Principal, 572 Hours Project Manager, 24 Hours Water Resources Associate

Total Cost Task 2 = $120,076

Task 3 – FEMA 100-Year Certification UYLIP

TRLIA will need to certify the upper Yuba levee as meeting FEMA’s 100-year requirements. This effort will include the results from the Goldfields modeling to either confirm there is not a problem at the 100 year event, or if there is, mapping the residual floodplains. MBK will manage the preparation of the 100-year certification summary report and will organize and prepare for submittal the final summary report.

Effort – 20 Hours Principal, 60 Hours Project Manager, 20 Hours Supervisory Engineer, 20 Hours Assistant Engineer, 32 Hours Water Resources Associate

Total Cost Task 3 = $26,000

Task 4 – SB 5 200-Year Certification

TRLIA will need to certify the RD 784 levee system to the Department of Water Resources for the 200-year protection required by Senate Bill 5. The exact requirements for this certification are unknown but it is expected that the same sort of information recently provided in the FEMA Certification Summary Report will be required. MBK will manage the preparation of the 200-year certification summary report and will organize and prepare for submittal of the final summary report.

Effort – 60 Hours Principal, 100 Hours Project Manager, 72 Hours Supervisory Engineer, 60 Hours Assistant Engineer, 48 Hours Water Resources Associate

Total Cost Task 4 = $59,680

Task 5 – Feather Levee Management

- Assist in Acquisition of CVFPB prescribed Toe Access Corridors
- Assist in Land Management of Feather Setback Area
- Assist in Tasks Required to Meet Permit Actions
- Assist in ROW Turnover of TRLIA Acquired Lands to State
• Assist Executive Director in Coordination with the Lower Feather River Corridor Management Group
• Review EIP Quarterly Work Plans
• Review EIP Quarterly Progress Reports
• Assist in Preparation of EIP Project Completion Report
• Assist in Preparation of EIP Post Construction Performance Report

Effort – 16 Hours Principal, 292 Hours Project Manager, 24 Hours Assistant Engineer, 48 Hours Water Resources Associate

**Total Cost Task 5 = $68,156**

Task 6 – Bear Levee Management

• Assist in Mitigation Monitoring
• Assist in Setback Area ROW Turnover

Effort – 16 Hours Principal, 56 Hours Project Manager, 16 Hours Water Resources Associate

**Total Cost Task 6 = $16,088**

Task 7 – Goldfields Analysis

• Geotechnical Contract Administration
• Alternative Analysis (Includes Hydraulics)
• Coordinate with Stakeholders
• CBEC Sub-Contract (Training Wall Erosion, Gage Installation and Monitoring) ($146,000)
• JRP Historical Consultants Sub-Contract ($32,000)

Effort – 536 Hours Principal, 1,284 Hours Project Manager, 1,172 Hours Supervisory Engineer, 1,152 Hours Assistant Engineer, 496 Hours Water Resources Associate, Sub-Contract Costs $178,000

**Total Cost Task 7 = $976,692**

Total Amendment 17 Costs for Tasks 1-7 = $1,421,140 for the period January 1, 2011 to December 31, 2011.

The AGREEMENT shall be amended to extend the contract end date to December 31, 2012.

Notwithstanding the term set forth above, and unless the contract is terminated by either party prior to its termination date, the term of this Agreement shall be automatically extended from the termination date for ninety days. The purpose of this automatic extension is to allow for continuation of services, and to allow TRLIA time in which to complete a novation or renewal contract for Contractor and TRLIA approval.
Contractor understands and agrees that there is no representation, implication, or understanding that the services provided by Contractor pursuant to this Agreement will be purchased by TRLIA under a new agreement following expiration or termination of this Agreement.

The AGREEMENT shall be amended to increase the price ceiling for basic services by $1,421,140 from $4,841,394 to $6,262,534.

All other terms and conditions contained in the Agreement shall remain in full force and effect.
<table>
<thead>
<tr>
<th>Project</th>
<th>Person</th>
<th>Type</th>
<th>Totals</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For services from Jan 1, 2012 thru Dec 31, 2012

Estimate for Contract Amendment 17 w/ TRULIA
January 3, 2011

Memo To: TRLIA Board Members

From: Paul G. Brunner, TRLIA Executive Director

Re: TRLIA Financial Statements for FY 10/11

Attached is the TRLIA FY 10/11 Financial Statement. The Audit was conducted by Mike Hinz, CPA. No issues were identified. A copy of the independent audit has been provided to the Yuba County/TRLIA Auditor’s office and placed on the TRLIA Website at www.trlia.com

Attachment:
TRLIA Financial Statement FY 10/11

Cc:
Seth Wurzel/TRLIA Financial Consultant
Donna Stottlemeyer/TRLIA Board Secretary
THREE RIVERS LEVEE
IMPROVEMENT AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2011
INDEPENDENT AUDITOR’S REPORT

Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California

I have audited the accompanying Statement of Financial Position of Three Rivers Levee Improvement Authority as of June 30, 2011 and the related Statement of Activities and Changes in Net Assets and Combined Statement of Cash Flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and government auditing standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Three Rivers Levee Improvement Authority as of June 30, 2011 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

November 28, 2011
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund</th>
<th>Levee Assessment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>---------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in County Treasury (Note)</td>
<td>12,369,206</td>
<td>33,984</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>2,551,531</td>
<td></td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>47,098</td>
<td>1,254</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>14,967,835</td>
<td>35,238</td>
</tr>
<tr>
<td>Fixed Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit – Condemnation Fund</td>
<td>252,558</td>
<td></td>
</tr>
<tr>
<td>Total Other Assets</td>
<td>252,558</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>15,220,393</td>
<td>35,238</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS | | |
|---------------------------|-----------------------|
| Current Liabilities:      | | |
| Accounts Payable          | 1,731,211 | |
| Total Current Liabilities | 1,731,211 | |
| Net Assets                | | |
| Unrestricted              | 13,489,182 | 35,238 |
| Total Liabilities and Net Assets | 15,220,393 | 35,238 |

See accompanying notes to financial statements
- 2 -
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2011

Revenue:

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Levee Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Share – Yuba County (Note)</td>
<td>3,340</td>
<td></td>
</tr>
<tr>
<td>Proposition 1E Funding</td>
<td>14,525,493</td>
<td>814,374</td>
</tr>
<tr>
<td>Property Assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>221,023</td>
<td>2,988</td>
</tr>
<tr>
<td>Landowner Funding</td>
<td>15,505</td>
<td></td>
</tr>
<tr>
<td>Other Income (Note)</td>
<td>84,263</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>14,849,624</strong></td>
<td><strong>817,362</strong></td>
</tr>
</tbody>
</table>

Expenditures:

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Levee Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levee Improvement Costs (Schedule)</td>
<td>14,111,717</td>
<td></td>
</tr>
<tr>
<td>Maintenance Reimbursement</td>
<td></td>
<td>782,124</td>
</tr>
<tr>
<td>Administrative Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yuba County Reimbursements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>224,533</td>
<td></td>
</tr>
<tr>
<td>Office Costs</td>
<td>177,463</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>33,892</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>287,827</td>
<td></td>
</tr>
<tr>
<td>Directors Fees</td>
<td>3,650</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>35,323</td>
<td></td>
</tr>
<tr>
<td>Office and Miscellaneous</td>
<td>9,648</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>11,718</td>
<td></td>
</tr>
<tr>
<td>Memberships</td>
<td>10,305</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>14,906,076</strong></td>
<td><strong>782,124</strong></td>
</tr>
</tbody>
</table>

Excess of Revenues over Expenditures

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Levee Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(56,542)</td>
<td>35,238</td>
</tr>
</tbody>
</table>

Net Assets – Beginning of Year

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Levee Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,545,724</td>
<td>-0-</td>
</tr>
</tbody>
</table>

Net Assets – End of Year

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Levee Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,489,182</td>
<td>35,238</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements

- 3 -
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2010

Cash Flows From Operating Activities:

Cash Received from Local Funding 103,108
Cash Received – Grants, etc. 14,952,870
Cash Disbursed for Operating Activities (19,253,875)

Net Cash Flows Used in Operation Activities: (4,197,897)

Cash Flows From Investing Activities:

Interest Income 221,023
Condemnation Fund Receipts (Net) (98,876)

Net Cash Flows From Investing Activities 122,147

Cash Flows From Financing Activities 0

Net Decrease in Cash (4,075,750)

Cash at Beginning of Year 16,444,956

Cash at End of Year 12,369,206

See accompanying notes to financial statements
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2</td>
<td>112,553</td>
</tr>
<tr>
<td>Phase 3</td>
<td>33,367</td>
</tr>
<tr>
<td>Phase 4 – Yuba:</td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td>574,670</td>
</tr>
<tr>
<td>Permit</td>
<td>258,445</td>
</tr>
<tr>
<td>Environmental Mitigation</td>
<td>109,479</td>
</tr>
<tr>
<td>Construction</td>
<td>145,062</td>
</tr>
<tr>
<td>Construction Management</td>
<td>43,206</td>
</tr>
<tr>
<td>Right of Way</td>
<td>2,549,632</td>
</tr>
<tr>
<td>Total</td>
<td>3,680,494</td>
</tr>
<tr>
<td>Phase 4 – Feather:</td>
<td></td>
</tr>
<tr>
<td>Segment 1:</td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td>18,241</td>
</tr>
<tr>
<td>Construction Management</td>
<td>54,465</td>
</tr>
<tr>
<td>Right of Way Support</td>
<td>40,724</td>
</tr>
<tr>
<td>Segment 2:</td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td>339,715</td>
</tr>
<tr>
<td>Construction</td>
<td>6,192,458</td>
</tr>
<tr>
<td>Construction Management</td>
<td>876,226</td>
</tr>
<tr>
<td>Right of Way Support</td>
<td>738,114</td>
</tr>
<tr>
<td>Right of Way – Direct Purchase (Note)</td>
<td>615,694</td>
</tr>
<tr>
<td>Segment 3:</td>
<td></td>
</tr>
<tr>
<td>Design</td>
<td>19,738</td>
</tr>
<tr>
<td>Construction Management</td>
<td>7,855</td>
</tr>
<tr>
<td>Right of Way Support</td>
<td>56,592</td>
</tr>
<tr>
<td>Total</td>
<td>8,905,605</td>
</tr>
<tr>
<td>Goldfields Technical Analysis</td>
<td>599,471</td>
</tr>
<tr>
<td>Environmental Mitigation Costs</td>
<td>777,060</td>
</tr>
<tr>
<td>Interim Operating Costs</td>
<td>3,167</td>
</tr>
<tr>
<td>Total</td>
<td>14,111,717</td>
</tr>
</tbody>
</table>
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT BOND FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

**ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>CFD 2006-1</th>
<th>CFD 2006-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Treasury</td>
<td>968,022</td>
<td>217,544</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>968,022</td>
<td>217,544</td>
</tr>
</tbody>
</table>

**LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>CFD 2006-1</th>
<th>CFD 2006-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>968,022</td>
<td>217,544</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>968,022</td>
<td>217,544</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements

- 6 -
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT BOND FUND
STATEMENT OF ACTIVITIES
JUNE 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>CFD 2006-1</th>
<th>CFD 2006-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Secured Taxes</td>
<td>396,760</td>
<td>84,139</td>
</tr>
<tr>
<td>Prior Taxes</td>
<td>1,768</td>
<td>-0-</td>
</tr>
<tr>
<td>Total Taxes</td>
<td>398,528</td>
<td>84,139</td>
</tr>
<tr>
<td>Interest</td>
<td>9,529</td>
<td>2,215</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>408,057</td>
<td>86,354</td>
</tr>
<tr>
<td>Expenditures</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Excess Revenues over Expenditures</td>
<td>408,057</td>
<td>86,354</td>
</tr>
<tr>
<td>Beginning Net Assets</td>
<td>559,965</td>
<td>131,190</td>
</tr>
<tr>
<td>Ending Net Assets</td>
<td>968,022</td>
<td>217,544</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
History and Organization

The Three Rivers Levee Improvement Authority (TRLIA) was formed in April 2004 as a Joint Powers Authority (JPA) between Yuba County and Reclamation District No. 784. Section 2.01 from the JPA agreement describes TRLIA’s purpose.

This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the County and the District, and for other purposes as permitted under the Act, the Bond Law and as agreed by the parties hereto. The primary purpose of this Agreement is to provide for flood control improvements located in the County, including improvements to the levee system and related drainage improvements. The Authority may undertake any activities necessary or desirable to achieve its primary purpose including, but not limited to (a) the power to study, plan for, design, develop, acquire, and construct and repair improvements, (b) the acquisition and holding of title to land, including the acquisition of land by eminent domain proceedings, as necessary for levee system improvements, related drainage improvements and/or habitat mitigation incident to any such improvements, and (c) the provision of financing for improvements and related activities, including financing by means of the creation of one or more community facilities districts, assessment districts or other financing districts, the entering into of lease and/or installment sale obligations, the issuance of revenue or other notes, bonds or evidences of indebtedness, and the imposition of appropriate impact or other fee obligations. The Authority may conduct activities alone, or in cooperation with any Member, any Associate Member, the State of California or any agency or political subdivision thereof, the United States or any department or agency thereof, or other entities. It is not contemplated that the Authority will in any way contract for or finance periodic levee maintenance activities which the District, other reclamation districts or other governmental or nongovernmental entities are obligated to do, or which otherwise in the past have been done by them.

Four work phases have been identified with the goal of achieving 200-year flood protection. The first construction work was initiated September 2004. The final phase was scheduled to be completed by the end of 2011 with the completion of the Upper Yuba Levee Improvement Project, however, additional Phase 4 work has been identified in the Goldfields that is anticipated to last at least for several more years. The cost to complete the four phases is estimated to be $405 million and will be funded mostly by local sources and State funding.
**Significant Accounting Policies**

**Fund Accounting**

The Organization operates as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed primarily through landowner charges.

**Basis of Accounting**

The Organization uses the accrual basis of accounting for financial reporting purposes. Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more (or perhaps less) cash to the enterprise, not just with the beginning and end of that process.

**Property and Equipment**

The Organization was formed to perform repairs and improvements to property owned and maintained by the County of Yuba and Reclamation District No. 784. In addition, the organization has purchased land as a right of way to enable the improvements to the existing levee system.

Construction work for the improvement of the levee system within the Organizations boundaries in Yuba County is reflected on its books as an operating expense. The Organization, as originally formed, will cease to exist upon the completion of the projects for which it was formed. At that time ownership of any property and the completed improvements to the levee system will be transferred to the existing owner, primarily the State of California, and maintenance responsibility will be assumed by Reclamation District No. 784 and/or other entities established to perform this function. The value to be transferred will be the fair market value of levee improvements. The total costs of the levee improvements to date are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2004</td>
<td>701,774</td>
</tr>
<tr>
<td>June 30, 2005</td>
<td>5,603,384</td>
</tr>
<tr>
<td>June 30, 2006</td>
<td>50,572,148</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>74,257,632</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>24,376,482</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>82,916,631</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>54,496,111</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>14,111,717</td>
</tr>
<tr>
<td></td>
<td><strong>307,035,879</strong></td>
</tr>
</tbody>
</table>
Cash and Reserves

Funds of the Organization are on deposit with the Yuba County Treasurer. These funds consist of a diversified portfolio pool and do not require a category of risk in accordance with GASB #3. The risk of material loss with regard to these funds is not considered to be material.

Use of Estimates

The preparation of the general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the general purpose financial statements and the reported amount of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Deposit - State Condemnation Fund

Deposits with the State Condemnation Fund represent funds contributed for the purchase of property for the right of way for levee improvements, for which the District and the sellers have not reached an agreed upon sales price. The total contribution to the fund represents a 17.175% allocation from Three Rivers Levee Improvement Authority and an 82.825% allocation from the State of California Department of Water Resources. Upon the determination of the actual property fair value additional contributions will be made or any refunds will be received in the same proportion. During this process, the District receives interest on these funds. The total interest for the current year was $11,939. At the conclusion of the improvement process, the real property acquired for right-of-way purposes will become the property of the State of California. The funds provided directly by the State of California are not included in the property acquisition costs due to the fact that they were not paid through District accounts.

Other Income

A detail of Other Income for the year ended June 30, 2011 is as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Condemnation Fund Interest</td>
<td>11,939</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>72,324</td>
</tr>
<tr>
<td></td>
<td><strong>84,263</strong></td>
</tr>
</tbody>
</table>

Cash in County Treasury

Cash in County Treasury as of June 30, 2011 consisted of the following accounts with the Yuba County Treasurer:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Account</td>
<td>7,718,402</td>
</tr>
<tr>
<td>SMARA Reclamation Assurance Reserve</td>
<td>157,775</td>
</tr>
<tr>
<td>Feather River Funding</td>
<td>53,682</td>
</tr>
<tr>
<td>Upper Yuba River Funding</td>
<td>4,439,347</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,369,206</strong></td>
</tr>
</tbody>
</table>
Community Facilities Districts - Capital Improvement Bonds

Three Rivers Levee Improvement Authority issued Capital Improvement Bonds on April 18, 2007 to finance the repayment of proceeds received in accordance with the advance funding agreements with local developers. These are special tax bonds and are issued on specific parcels of landowners within the Community Facilities Districts. These bonds will be repaid by annual special taxes on the parcels within the Districts. These bonds are not an obligation of Three Rivers Levee Improvement Authority for the respective Three Rivers Levee Improvement Community Facilities District, and are payable solely from the proceeds of refundable bonds or special taxes, therefore, they are not reflected as a liability. A summary of the bonds is as follows:

<table>
<thead>
<tr>
<th>Community Facilities District of 2006-1</th>
<th>Community Facilities District of 2006-2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name of Bond Issue</strong></td>
<td><strong>Special Tax 2007</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Series A</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Special Tax 2007</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Series B</strong></td>
</tr>
<tr>
<td>Date of Issue</td>
<td>4-18-2007</td>
</tr>
<tr>
<td>Original Issue Value</td>
<td>14,930,382</td>
</tr>
<tr>
<td>Accreted Value – 6/30/11</td>
<td>20,380,255</td>
</tr>
<tr>
<td>District Assessed Value</td>
<td>98,892,035</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Local Funding – Yuba Levee Financing Authority**

The Yuba Levee Financing Authority has authorized the matching funds for the Levee Improvement Program as follows:

**Authorizations:**

- October 2008: 13,080,000
- November 2008: 7,376,000
- May 2010: 14,200,000
- January 2010: 7,000,000
- November 2010 Adjustment: (2,079,469)

Total Authorized: 39,576,531

Amount Funded to June 30, 2010: 39,576,531

Authorization Remaining: 0
Levee Assessment Fund

The Levee Assessment Fund was established to collect funds for the purpose providing for levee maintenance within the operating and maintenance assessment district. Collection from direct property assessment and used to fund two district activities. The first $16,000 of revenue are used reimburse Three Rivers Levee Improvement Authority for administrative costs. All remaining revenue is transferred to Reclamation District 784 to reimburse the costs of levee maintenance activities. The annual assessments are determined based upon a projected budget for levee maintenance as determined by Reclamation District 784, subject to the maximum allowable levee based upon the Engineer’s Report and the Proposition 218 process used to approve and form the district.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California

I have audited the general purpose financial statements of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2011, and have issued my report thereon dated November 28, 2011.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements.

The management of Three Rivers Levee Improvement Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Three Rivers Levee Improvement Authority for the year ended June 30, 2011, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.
My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the management and granting agencies. However, this report is a matter of public record and its distribution is not limited.

November 28, 2011
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California

I have audited the general purpose financial statements of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2011, and have issued my report thereon dated November 28, 2011.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Three Rivers Levee Improvement Authority is the responsibility of Three Rivers Levee Improvement Authority’s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Three Rivers Levee Improvement Authority’s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the management and granting agencies. However, this report is a matter of public record and its distribution is not limited.

November 28, 2011