

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA**  
**Board of Directors Meeting**  
**Agenda**  
**May 6, 2013 at 1:30 p.m.**

**1. Call to Order, Flag Salute and Roll Call**

**2. Adoption and Adjustment of Agenda**

**3. Public Comment**

Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary.

**4. Consent Calendar:**

If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, April 15, 2013\*  
(Page 2)
- B. Approval of the Minutes of the Finance and Budget Workshop, April 22, 2013\* (Page 6)
- C. Approval of the Finance and Budget Workshop Report, April 22, 2013\*  
(Page 8)

**5. Reports (Discussion and Possible Action)**

- A. General Manager's Report
  - 1. Operations Report
  - 2. General Agency Updates
- B. Directors' Reports

**6. New Business (Discussion and Possible Action)**

- A. Consideration of Resolution No. 2013-09, Supporting Kathy Tiegs for ACWA Vice President\* (Page 9)
- B. Consideration of Exchange with Crestline Lake Arrowhead Water Agency\* (Page 11)
- C. Report on Initial Contract Extension Negotiation Session\* (Page 13)

**7. Topics for Future Agendas**

**8. Announcements**

- A. Engineering Workshop, May 13, 2013 at 1:30 p.m.
- B. Regular Board Meeting, May 20, 2013 at 1:30 p.m.
- C. Office Closed May 27<sup>th</sup>, 2013 in observance of Memorial Day
- D. Finance and Budget Workshop, May 28, 2013 at 1:30 p.m.

**9. Adjournment**

**\*Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: [www.sgnwa.com](http://www.sgnwa.com) (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency at (951) 777-1234 at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, California 92223**  
**Minutes of the**  
**Board of Directors Meeting**  
**April 15, 2013**

**Directors Present:** John Jeter, President  
Bill Dickson, Vice President  
Mary Ann Melleby, Treasurer  
Ron Duncan, Director  
Ted Haring, Director  
Ray Morris, Director  
Barbara Voigt, Director

**Staff Present:** Jeff Davis, General Manager  
Thomas Todd, Finance Manager  
Ken Falls, Operations and Maintenance Manager  
Cheryle Rasmussen, Executive Assistant

1. **Call to Order, Flag Salute and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President John Jeter at 1:30 p.m., April 15, 2013 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present.
2. **Adoption and Adjustment of the Agenda:** The agenda was adopted as presented.
3. **Public Comment:** President Jeter requested comments from the public. Dr. Blair Ball, Director - Beaumont Cherry Valley Water District requested the Agency's participation status with the Beaumont Basin Watermaster (BBW), pertaining to the Beaumont Basin Model. General Manager Davis stated that the Agency has participated with the BBW by providing documentation that was requested by Anibal Blandon and Tom Harder (engineering consultants hired by BBW). General Manager Davis also stated that he has had a number of conversations with Mr. Harder regarding the documentation that was shared by this Agency. Mr. Harder had indicated that he would be looking at the Beaumont Basin boundary issue. Once the Beaumont Basin boundary has been established the Board would then be able to decide if the Agency will provide additional financial support.
4. **Consent Calendar:**
  - A. Approval of the Minutes of the Regular Board Meeting, April 1, 2013
  - B. Approval of the Minutes of the Employee Guide Workshop, April 4, 2013
  - C. Approval of the Minutes of the Engineering Workshop, April 8, 2013

Director Melleby moved, seconded by Director Dickson to approve the consent calendar as presented. Motion passed unopposed.

## 5. Reports:

### A. General Manager's Report:

**(1) Operations Report:** General Manager Davis reported on the following: **SWP Water Deliveries:** General Manager Davis stated that EBX II was shut down from April 3 – April 8 due to a leak in the pipe located at Greenspot Station, and for that reason deliveries were low. He reported that the Agency delivered a total of 31 acre-feet to Little San Geronio (LSG) Creek ponds and a total of 260 acre-feet to Beaumont Cherry Valley Water District ponds, for a total of 291 acre-feet so far this month.

**(2) General Agency Updates:** **(a) Vandalism of Agency's HVAC Equipment:** General Manager Davis informed the Board that two of three A/C units had been vandalized. The units were totally destroyed as the vandals stripped the units of copper and aluminum. A police report has been filed and an insurance claim is pending. **(b) Department of Water Resources (DWR):** A conference call between DWR, SBVMWD and the Agency took place last Friday. DWR announced that it is moving forward on selling bonds for EBX2. The bonds will be sold on May 21<sup>st</sup> at the current interest rate. This action from DWR was in direct response to the joint letter from SBVMWD and the Agency that was submitted last month. **(c) Banning Centennial Earth Day Event at Gilman Ranch:** General Manager Davis reported that he and Director Melleby were on hand to educate 225 fifth graders on April 12<sup>th</sup>, and the public on April 13<sup>th</sup>, on the importance of clean reliable water and how aquifers transmit groundwater. Wild California was very appreciative of the Agency providing the funding to pay for plants that were given out to the fifth grade students on April 12<sup>th</sup>. **(d) Agency's Website:** General Manager Davis received an email from a Girl Scout leader who resides in Denver. She explained in her email that her troop is currently studying water conservation. While seeking out water conservation information on the Internet they came across the Agency's conservation page. She stated that she and her troop learned a lot and suggested a link that addresses conserving water in the bathroom. She thought it would be a useful addition to the conservation links page. General Manager Davis informed the Board that the link was added to the website as of this morning. He stated that this is the second time that this type of request has been made from an out-of-state organization and emphasized the importance that the website has proven to be to the public. **(e) Santa Ana Watershed Conference:** General Manager Davis reported that he and Director Melleby attended the Santa Ana Watershed Conference that was held on April 11<sup>th</sup> in Costa Mesa. The Conference topic matter was on partnerships. **(f) DWR – Formal Negotiations:** DWR has rescheduled formal negotiations with State Water Project contractors (in a public forum) to develop contract amendments to extend the term and change certain financial provisions of the water supply contracts. The formal negotiations were scheduled to begin April 17<sup>th</sup> and have now been postponed to May 1<sup>st</sup>.

**B. Directors Report:** **(1)** Director Melleby reported that she attended Hank Wochholtz's recognition event at YVWD, and the Beaumont Basin Watermaster on April 10<sup>th</sup> in Banning. Director Melleby aided General Manager Davis with the Banning Centennial Earth Day event on April 12<sup>th</sup> and 13<sup>th</sup>. She stated that interfacing with 225 fifth graders on Friday was a valuable experience. Saturday's Earth Day event was open to the general public. Director Melleby said that she valued interacting not

only with the public, but also with the vendors. She gave a detailed report on presentations that were given at the Santa Ana Watershed Conference. (2) Director Haring reported that he attended the YVWD Board Workshop on April 9<sup>th</sup>. He stated that he had the opportunity to meet David Leja, the newly appointed director for division five. (3) Director Voigt reported that she attended the Beaumont Basin Watermaster meeting, the BCVWD Board meeting and Hank Wochholz's recognition event. Hank Wochholz retired after serving forty-seven years on YVWD's Board.

**6. New Business:**

**A. Consideration of Resolution No. 2013-06, Employee Paid Retirement for New Employees not Previously with CalPers:** A staff report and Resolution No. 2013-06 were included in the agenda packet. President Jeter stated that this issue was discussed at length at a previous board meeting and asked for a motion. General Manager Davis stated that the Board was provided with substitute resolutions (Resolution No. 2013-06 and Resolution No. 2013-07) as some of the wording had been changed, therefore the Board would be discussing the two resolutions that were handed out and not the two that were in the agenda packet. Director Haring made a motion, seconded by Director Dickson to adopt Resolution No. 2013-06. The motion passed unopposed.

**B. Consideration of Resolution No. 2013-07, California Public Employee Retirement System for New Employees Previously with CalPers:** A staff report and Resolution No. 2013-07 were included in the agenda packet. An updated resolution was handed out at the meeting. President Jeter asked for a motion. Director Voigt made a motion, seconded by Director Dickson to adopt the revised Resolution No. 2013-07. The motion passed unopposed.

**C. Consideration of Employee Policy Changes:** The proposed changes to the Employee manual, to be effected April 15, 2013, were included in the agenda packet. After discussion, Director Haring made a motion, seconded by Director Melleby to approve the Employee Policy changes as defined on page 14 Paragraph 1.11, Overtime and Paragraph 3.13, Retirement. The motion passed unopposed.

**D. Consideration of Resolution No. 2013-08, CEQA Guideline Changes:** Director Haring made a motion, seconded by Director Morris to approve Resolution No. 2013-08. The motion passed unopposed.

**7. Topics for Future Agendas:** (1) President Jeter requested that General Manager Davis meet with Dr. Blair Ball pertaining to his inquiry of the Agency's participation status with the Beaumont Basin Watermaster. General Manager Davis assured President Jeter that he would speak with Director Ball (BCVWD) as soon as the board meeting is adjourned. (2) Director Voigt stated that Home Depot has partnered with local water agencies and other water conscious entities for an annual event named: Inland Empire – Garden Friendly Water-wise Plant Sales. She suggested that the Agency contact Home Depot to discuss with them the possibility of the Agency partnering with them in order to bring the event to the

local Beaumont Home Depot. General Manager Davis stated that he will contact Doug Headrick (SBVMWD), as they are currently involved with such a partnership.

**8. Announcements:** President Jeter reviewed the following announcements:

- A. Finance and Budget Workshop, March 25, 2013 at 1:30 p.m.
- B. Regular Board Meeting, April 1, 2013 at 1:30 p.m.
- C. Engineering Workshop, April 8, 2013 at 1:30 p.m.
- D. ACWA 2013 Spring Conference, May 7 – 10, 2013

**9. Adjournment:** President Jeter adjourned the meeting at 2:19 p.m.

DRAFT – SUBJECT TO BOARD APPROVAL

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Jeffrey W. Davis, Secretary of the Board

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**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue**  
**Beaumont, California 92223**  
**Minutes of the**  
**Board Finance and Budget Workshop**  
**April 22, 2013**

**Directors Present:** John Jeter, President  
Bill Dickson, Vice President  
Mary Ann Melleby, Treasurer  
Ron Duncan, Director  
Ted Haring, Director  
Ray Morris, Director  
Barbara Voigt, Director

**Staff and Consultants Present:**  
Jeff Davis, General Manager  
Tom Todd, Jr., Finance Manager

1. **Call to Order, Flag Salute and Roll Call:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 1:30 p.m., April 22, 2013, in the Agency Conference Room at 1210 Beaumont Avenue, Beaumont, California. President Jeter led the Pledge of Allegiance to the flag. A quorum was present.
2. **Adoption and Adjustment of Agenda:** The agenda was adopted as presented.
3. **Public Comment:** There was no public comment at this time.
4. **New Business:**  
*President Jeter turned the meeting over to Director Voigt, Chair of the Finance & Budget Committee.*
  - A. Ratification of Paid Invoices and Monthly Payroll for the Month of March, 2013 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Dickson, seconded by Director Duncan, to recommend that the Board ratify paid monthly invoices of \$3,693,548.73 and payroll of \$29,839.66 for the month of March, 2013, for a combined total of \$3,723,388.39. The motion passed unopposed.
  - B. Review and Consideration of Pending Legal Invoices for March, 2013: After review and discussion, a motion was made by Director Duncan, seconded by Director Melleby, to recommend that the Board approve payment of the pending legal invoices for March, 2013. The motion passed unopposed.
  - C. Review of March, 2013 Bank Reconciliation: After review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to

acknowledge receipt of the Wells Fargo bank reconciliation for March, 2013 as presented. The motion passed unopposed.

- D. Review of Budget Report for March, 2013: After review and discussion, a motion was made by Director Haring, seconded by Director Duncan, to acknowledge receipt of the Budget Report for March, 2013 as presented. The motion passed unopposed.
  - E. Review of Cash Reconciliation Report for March 31, 2013: After review and discussion, a motion was made by Director Duncan, seconded by Director Melleby, to acknowledge receipt of the Cash Reconciliation Report of March 31, 2013 as presented. The motion passed unopposed.
  - F. Review of Cash Reserves Report for March 31, 2013: General Manager Jeff Davis reviewed the history of the Cash Reserves Report, and described how the report has evolved over the years. The Board made some suggestions to help make future reports more understandable to the public. General Manager Davis also committed to reviewing the reserves policy at an upcoming meeting. After further review and discussion, a motion was made by Director Duncan, seconded by Director Dickson, to acknowledge receipt of the Cash Reserves Report for March 31, 2013. The motion passed unopposed.
5. **Announcements:** Director Voigt reviewed the following announcements:
- A. Regular Board Meeting, May 6, 2013 at 1:30 p.m.
  - B. Engineering Workshop, May 13, 2013 at 1:30 p.m.
  - C. Regular Board Meeting, May 20, 2013 at 1:30 p.m.
- General Manager Davis announced two upcoming meetings:
- 1. The Southern California Water Committee is having its quarterly lunch on Friday, April 26, 2013, in Chino.
  - 2. Pass EDA is having its annual City Manager's Forum on Friday, April 26, 2013, at Casino Morongo.
6. **Adjournment:** The Finance and Budget workshop of the San Gorgonio Pass Water Agency Board of Directors was adjourned at 2:10 p.m.

**Draft - Not Approved**

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Jeffrey W. Davis, Secretary of the Board

## Finance and Budget Workshop Report

From Director Barbara Voigt, Chair of the Finance and Budget Committee

The Finance and Budget Workshop was held on April 22, 2013. The following recommendations were made:

1. The Board ratify payment of Invoices of \$3,693,548.73 and Payroll of \$29,839.66 as detailed in the Bank Register Report for Accounts Payable and the Bank Register Report for Payroll for March, 2013 for a combined total of \$3,723,388.39.
  
2. The Board authorize payment of the following vendor's amounts:

Best, Best & Krieger LLP	\$1,277.49
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3. The Board acknowledge receipt of the following:
  - A. Wells Fargo bank reconciliation for March, 2013
  - B. Budget Report for March, 2013
  - C. Cash Reconciliation Report for March 31, 2013
  - D. Cash Reserves Report for March 31, 2013



**RESOLUTION NO. 2013-09**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SAN GORGONIO PASS WATER AGENCY  
SUPPORTING THE NOMINATION OF DIRECTOR KATHLEEN TIEGS  
AS THE ASSOCIATION OF  
CALIFORNIA WATER AGENCIES VICE-PRESIDENT**

**WHEREAS**, the San Gorgonio Pass Water Agency Board of Directors are active participants in the Association of California Water Agencies (ACWA); and

**WHEREAS**, Director Kathleen Tiegs has expressed her interest in serving as the ACWA Vice-President for the 2014 – 2015 term; and

**WHEREAS**, Director Kathleen Tiegs has served in a variety of leadership positions in ACWA, including the Local Government Committee, the Groundwater Committee, Vice-Chair of the Federal Affairs Committee, Region 9 Board of Directors, and as a member of ACWA/JPIA.

**WHEREAS**, Director Kathleen Tiegs is committed to advancing ACWA's Policy Principles and finding common ties between members to develop a long-term strategy that provides a sustainable water future for all members and their constituents.

**NOW, THEREFORE, BE IT RESOLVED THAT THE SAN GORGONIO PASS WATER AGENCY BOARD OF DIRECTORS** does hereby place its full and unreserved support in the nomination of Cucamonga Valley Water District Director Kathleen Tiegs as Vice-President of the Association of California Water Agencies for the 2014-2015 term.

Adopted and approved this 6<sup>th</sup> day of May, 2013.

(SEAL)

ATTEST

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John Jeter, Board President  
San Gorgonio Pass Water Agency

I, Jeffrey W. Davis, Secretary to the Board of Directors of San Geronio Pass Water Agency, hereby certify that the foregoing Resolution was introduced at a regular meeting of the Board of Directors of said District, held on the 6<sup>th</sup> day of May 2013, and was adopted at that meeting by the following roll call vote:

AYES:  
NOES:  
ABSENT:

ATTEST:

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Jeffrey W. Davis, Secretary to the  
Board of Directors of  
San Geronio Pass Water Agency

## **MEMORANDUM**

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**TO:** Board of Directors  
**FROM:** General Manager  
**RE:** Potential SWP Exchange Agreement  
**DATE:** May 6, 2013

### **Summary:**

Staff has been in contact with a representative of the Crestline-Lake Arrowhead Water Authority (CLAWA), another State Water Contractor, regarding an exchange of Table A water this year. Staff is seeking direction from the Board on whether to pursue this exchange in this dry year.

### **Detailed Report:**

Staff is constantly looking for potential deals that can augment the Agency's water supplies, both in the short term and long term. Even though this is a dry year, with only a 35% allocation, the Agency is delivering its full capacity of 16 cfs, or about 1000 acre-feet per month. However, at that rate, much of the Agency's carryover water will be used this year, and there will be roughly 2000 acre-feet of carryover for 2014.

A potential exchange would augment the Agency's supplies this year and thus improve our carryover situation for next year. This will especially be helpful if 2014 is another dry year.

No principles have been decided yet, as discussions thus far have been informal. Early talks have focused on an unbalanced exchange, whereby the Agency would receive 2000 acre-feet this year while owing roughly 1300 acre-feet back over the next ten years.

The Agency previously exchanged water with CLAWA, in 2010. That year, the Agency received 1000 acre-feet from CLAWA with the intent of sending that 1000 acre-feet back to CLAWA by December 2020 (not necessarily in the same year). That agreement included a

clause that allows the Agency to negotiate the amount exchanged back to CLAWA in the event the water is requested in a very dry year. This provides some protection to the Agency and its retailers. It is the intent to include a similar clause in any future potential agreement.

**Fiscal Impact:**

Fiscal impact to the Agency would be insignificant in the long term. This agreement is about exchange of water, not exchange of money.

**Relationship to Strategic Plan:**

The strategic plan calls for the Agency to develop a regional water supply plan. This plan will call for various types of similar deals to augment the Agency's supplies in the short term, until a purchase of long-term water rights can be accomplished. Thus, the proposed exchange, if implemented, would be consistent with the strategic plan.

**Recommendation:**

Staff recommends that the Board authorize staff to negotiate an exchange agreement with the Crestline-Lake Arrowhead Water Authority and to bring such an agreement to the Board for its consideration. CLAWA's board authorized a similar action last week.



## STATE WATER PROJECT CONTRACT EXTENSION PROJECT

### NEGOTIATION MEETING #1

MAY 1, 2013

10:00AM - 3:00PM

TSAKOPOULOS LIBRARY GALLERIA

828 I STREET

SACRAMENTO, CA

(ENTER THROUGH DOOR ON I STREET CLOSEST TO 9<sup>TH</sup> STREET INTERSECTION)

PHONE LINE: 866-228-9900 (PUBLIC USE)

ACCESS CODE: 474346# (PUBLIC USE)

PHONE LINE: 719-359-9722 (SWP CONTRACTORS USE)

ACCESS CODE: 18000# (SWP CONTRACTORS USE)

DOCUMENTS CAN BE FOUND AT: <http://www.water.ca.gov/swpao/watercontractextension/>

### MEETING OBJECTIVES

- Initiate the Contract Extension Process Negotiation.
- Clarify the Overall Negotiation Process and Meeting Process.
- Provide an Overview of Contract Extension.
- Present all Objectives and Initial Offers.
- Understand Objectives and Initial Proposals.
- Determine Approach for Combining Objectives and Sequence for Negotiation.
- Negotiate the First Set of Objectives.

### DRAFT AGENDA

- |                                     |                     |
|-------------------------------------|---------------------|
| I. Welcome/Introductions            | 10:00 am - 10:15 am |
| II. Meeting Overview                | 10:15 am - 10:30 am |
| • Meeting Process Ground Rules      |                     |
| • Structure and Format              |                     |
| • Agenda Review                     |                     |
| III. Overview of Contract Extension | 10:30 am - 11:00 am |
| • The need to extend the contracts  |                     |
| • Schedule for Contract Negotiation |                     |

#### Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the € 1 3 / 2 3 / negotiation meeting.

- |   |                     |
|---|---------------------|
| IV. Negotiation Process Overview  | 11:00 am - 11:15 pm |
| • Objectives: Negotiate Agreements in Principle   |                     |
| V. Objectives   | 11:15 am - 12:00 pm |
| • High level presentation of all Objectives and Initial Offers  |                     |
| • Understand Objectives and Initial offers—DWR and SWP Contractors  |                     |
| LUNCH*  | 12:00 pm - 1:00 pm  |
| VI. Negotiation Process-Objectives  | 1:00 pm - 1:30 pm   |
| • Discuss the sequence of topics to be negotiated.  |                     |
| VII. Negotiate Objective(s)   | 1:30 pm - 2:15 pm   |
| • Based on discussions combining related objectives and sequence of negotiations, begin discussions on selected objective(s). |                     |
| VIII. Next Steps  | 2:15 pm - 2:30 pm   |
| • Future Meetings (5/15, 5/29, 6/12, 6/26, 7/10, 7/24, each 10am - 3pm with lunch break)                                      |                     |
| • Review Actions  |                     |
| • Explore Agenda Topics for Next Meeting  |                     |
| IX. Public Comment  | 2:30 pm - 3:00 pm   |
| X. Adjourn  | 3:00 pm             |

DOCUMENTS POSTED PRIOR TO NEGOTIATION

- Agenda, Power Point on Contract Extension, DWR Objectives, SWP Contractor Objectives.

TO PROVIDE WRITTEN COMMENTS ON THE STATE WATER PROJECT CONTRACT EXTENSION:

Email: [contractextension@water.ca.gov](mailto:contractextension@water.ca.gov)

California Department of Water Resources Contract Extension

1416 9th Street, Room 1640-H4

Sacramento, CA 95814

(916) 653-5791

*\*Note: Food cannot be brought into the facility.*

Note:

- Any party can call a caucus at any time.
- Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- Public comment period will occur at the 14 / 23 y negotiation meeting.



## STATE WATER PROJECT CONTRACT EXTENSION PROJECT

### GROUND RULES FOR DWR AND SWP CONTRACTOR PARTICIPANTS

- **Help the group accomplish the meeting objectives**
  1. Focus on interests rather than positions; be flexible about solutions and take into account the interests of the group as a whole.
  2. Abide by the “no surprises” rule: Raise interests/concerns early to promote effective problem solving.
  3. Understand and support the consensus decision-making process:
    - a) Support what you can - from strong support to “I can live with it.”
    - b) If you disagree with a proposal or a consensus decision, explain what would be necessary to get your support and/or offer an alternative.
  4. Respect agreements about designated representatives.
  
- **Follow common discussion guidelines**
  5. Use name card tents to indicate you’d like to speak:
    - a) Stand card on end to get into the queue
    - b) Wave card to speak out of queue to make a directly related point
  6. Respect the agenda: stay on topic and on time by being concise and not repeating information unless necessary for understanding.
  7. Actively listen; make learning and understanding a priority.
  8. Let speakers finish their thoughts.
  9. Avoid side discussions and hold phone conversations until breaks.
  
- **Be comfortable and make it comfortable for others**
  10. Notify the facilitator if breaks are needed, or other special meeting management requests.
  11. Use respectful language.
  12. Be hard on problems, easy on people.
  13. Insert humor, but not at someone else’s expense.

### GROUND RULES FOR OBSERVERS AND COMMENTERS

- **You are welcome to observe and comment. Here’s how:**
  1. Public observation and comment will be consistent with the “Principles Regarding Public Participation Process in SWP Contract Negotiations”  
([http://www.water.ca.gov/swpao/watercontractextension/docs/Monterey\\_Principles](http://www.water.ca.gov/swpao/watercontractextension/docs/Monterey_Principles).)

#### Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the 15 / 23 / negotiation meeting.

pdf) and the Public Process Document

([http://www.water.ca.gov/swpao/watercontractextension/docs/contract\\_amendment\\_public\\_process\\_document\\_04-16-2013.pdf](http://www.water.ca.gov/swpao/watercontractextension/docs/contract_amendment_public_process_document_04-16-2013.pdf)).

2. Observers are free to attend and listen during negotiation sessions and to comment during the designated comment period.
3. Submit a Public Comment Form to speak during the designated comment period at the end of each negotiation session.
4. Comments: The comment period will be 30 minutes. Times for each speaker will be no more than 3 minutes each, or less depending on the number of people wanting to provide public comment (number of people wanting to comment will be divided by the 30 minutes available). Members of the public calling in will be able to provide written comments, but not oral comments.
5. The comment period is designed for input and not for exchanges with the negotiators. As a general rule, the negotiators will listen to comments without responding.
6. Be concise, avoid repeating comments made by other commenters, and focus on the topics covered in that day's negotiation session.
7. The public is welcome to submit written comments to DWR within seven days of a negotiation session so they can be considered prior to subsequent sessions. Written comments from the public will be posted on the DWR Contract Extension web page (<http://water.ca.gov/swpao/watercontractextension>). DWR will not provide written responses to public comments during the negotiations, but public comments submitted during the CEQA process will be addressed as required.

Note:

- i. Any party can call a caucus at any time.
- ii. Meetings will end at 3:00pm, or when business is completed, or by mutual agreement.
- iii. Public comment period will occur at the 16 / 23 / negotiation meeting.





SWC Submission #: **SWCCE-0001**

Negotiation Submission #: \_\_\_\_\_

STATE WATER CONTRACTORS

1121 L Street, Suite 1050

Sacramento, CA 95814-3944

(916) 447-7357

www.swc.org

Draft-Subject to Review, Draft No. 7

April 26, 2013

## State Water Project Contract Extension Process

State Water Contractors (SWC)<sup>1</sup> Objectives as of April 26, 2013

Project: State Water Project Water Supply Contract Extension

Objective (Desired Outcome)	
1	To continue to receive a long-term water supply from the SWP as provided under Article 4 of the Water Supply Contract beyond 2035.
2	To ensure that DWR can finance SWP expenditures beyond 2035 no later than December 31, 2014.
3	To ensure that DWR can extend cost recovery of SWP expenditures as defined in the Water Supply Contracts beyond 2035 no later than December 31, 2014.

<sup>1</sup> The SWC organization is a nonprofit mutual benefit corporation that represents and protects the common interests of its 27 member public agencies in the vital water supplies provided by California's State Water Project ("SWP"). Each of the SWC member agencies holds a contract with the California Department of Water Resources ("DWR") to receive water supplies from the SWP. Collectively, the SWC members deliver water to more than 25 million residents throughout the state and more than 750,000 acres of agricultural lands. SWP water is served from the San Francisco Bay Area, to the San Joaquin Valley and the Central Coast, to Southern California. The SWC's members are: Alameda County Flood Control and Water Conservation District Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District; Castaic Lake Water Agency; Central Coastal Water Authority; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control and Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Geronimo Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and Tulare Lake Basin Water Storage District.



**TO:** Department of Water Resources

**FROM:** State Water Contractors<sup>1</sup>

**DATE:** May 1, 2013

**SUBJECT:** Initial Offer for Extension of the State Water Project Water Supply Contracts

<b>PROJECT: State Water Project Water Supply Contract Extension</b>		
<b>No.</b>	<b>Objective</b>	<b>Initial Offer</b>
<b>1</b>	<b>To continue to receive a long-term water supply from the SWP as provided under Article 4 of the Water Supply Contract beyond 2035.</b>	Extend the term of the Water Supply Contracts for 75 years beyond December 31, 2035, while maintaining the evergreen clause for future extensions.
<b>2</b>	<b>To ensure that DWR can finance SWP expenditures beyond 2035 no later than December 31, 2014.</b>	Expedite negotiations and CEQA compliance to ensure timely completion of extension process.
<b>3</b>	<b>To ensure that DWR can extend cost recovery of SWP expenditures as defined in the Water Supply Contracts beyond 2035 no later than December 31, 2014.</b>	Execute amendments to the Water Supply Contracts to avoid the unintentional consequences caused by extending the contract term given the fixed project repayment period defined under Article 1 as commencing on January 1, 1961 and extending until December 31, 2035. Amend all Articles within the Contract that amortize costs within the Project Repayment Period to

<sup>1</sup> The SWC organization is a nonprofit mutual benefit corporation that represents and protects the common interests of its 27 member public agencies in the vital water supplies provided by California's State Water Project ("SWP"). Each of the SWC member agencies holds a contract with the California Department of Water Resources ("DWR") to receive water supplies from the SWP. Collectively, the SWC members deliver water to more than 25 million residents throughout the state and more than 750,000 acres of agricultural lands. SWP water is served from the San Francisco Bay Area, to the San Joaquin Valley and the Central Coast, to Southern California. The SWC's members are: Alameda County Flood Control and Water Conservation District Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District; Castaic Lake Water Agency; Central Coastal Water Authority; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control and Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Geronio Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and Tulare Lake Basin Water Storage District.



SWC Submission #: **SWCCE-0002**

Negotiation Submission #: \_\_\_\_\_

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Draft-Subject to Review, Draft No. 4

April 26, 2013

**PROJECT: State Water Project Water Supply Contract Extension**

No.	Objective	Initial Offer
		<p>determine cost recovery or that are used to define a billing component for the State Water Project.</p> <p>The objective is to convert the amortization repayment calculation for Conservation Facility and Transportation Capital to an annual pay-as-you-go recovery method. Annual recovery would be based on the annual minimum OMP&amp;R costs and annual debt service. The current over/under recovery balance for each of the amortized billing components will continue to be amortized and recovered until December 31, 2035.</p> <p>Effectively, freezing the current cost recovery method for historical costs and converting to a "pay-as-you-go" for future Conservation Facilities and Transportation Capital costs incurred after the date of the contract extension amendment.</p>

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5/1/2013

**Water Supply Contract Negotiations****Objective 1: Ensure the Department of Water Resources can finance State Water Project<sup>1</sup> expenditures beyond 2035****DWR Initial Proposal 1 - Term****Initial Proposal to meet objective: Extend the Term of the Contract****Background**

The State Water Project (SWP) is a critical piece of water supply infrastructure for California. Because the SWP provides water to over 25 million Californians, located in many different counties, and is used to irrigate 750,000 acres of land in the Central Valley, the term of the SWP water supply contract must be long enough to provide both water supply reliability to its rate payers and economic stability to the SWP and thus California.

**Initial Proposal**

Amend the contract to extend the term from 2035 to 2075.

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<sup>1</sup> The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)

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5/1/13

**Water Supply Contract Negotiations****Objective 2: Maintain an appropriate level of reserves and funds to meet State Water Project<sup>1</sup> purposes****Department of Water Resources Initial Proposal 2a – Reserves****Initial Proposal to meet Objective: Increase General Operating Reserve and Expand its Purpose****Background**

The State Water Project (SWP) water supply contracts (contracts), specifically Article 51, provides for the creation and funding of a General Operating Account (GOA) to help ensure the continuing financial viability of the SWP. The initial GOA was \$22.7 million. The contracts allow for additional deposits of a maximum of \$2 million a year and accrual of investment earnings to bring the account to a level not to exceed \$32 million. As of January 2013, the GOA balance was \$27.4 million. Due to its low priority under Article 51(e), the Department of Water Resources (DWR) has not been able to increase the GOA to reach the \$32 million level. Increases in the account are from the accumulation of investment earnings. The account is used primarily to cover emergencies or unanticipated operating costs. It was not intended to cover shortages in capital costs.

**Initial Proposal**

Develop and implement a GOA level that meets DWR's financial cash flow needs with the flexibility to adjust reserve level amounts as DWR's financial needs change. Currently it is anticipated that a total GOA amount needed would be equivalent to 120 days of operating and power costs. The 120 days is representative of industry standards for a utility similar in size; \$1 billion annual costs. This proposal would change the priorities set forth in Article 51(e) by allowing the DWR to increase the GOA as a higher priority and to allow the account to be used for any SWP purpose including capital costs. This would require amendments to Article 51 of the current contracts.

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5/1/2013

**Water Supply Contract Negotiations**

**Objective 2: Maintain an appropriate level of reserves and funds to meet State Water Project<sup>1</sup> purposes**

**DWR Initial Proposal 2b – “Other Project Purposes Account”**

**Initial Proposal to Meet Objective: Establish a New “Other Project Purposes Account”**

**Background**

The Department of Water Resources needs to establish a new account to provide a dedicated funding source for State Water Resources Development System projects that have no direct revenue stream to recover their costs.

**Initial Proposal**

Establish a new “Other Project Purposes Account” funded through billings to the State Water Project Contractors under the conservation minimum charge or similar component. The balance of the account shall be adjusted based upon need.

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5/1/2013

**Water Supply Contract Negotiations****Objective 3: Simplify the State Water Project<sup>1</sup> Billing Process****DWR Initial Proposal 3 – New Billing Procedure**

**Initial Proposal to meet Objective: Implement a billing procedure that matches revenues to expenditures on a go forward basis.**

**Background**

The Water Supply Contracts were based on principles that deferred the recovery of initial construction costs to a later period in the contract. As a result, not all expenditures match revenues on an annual basis. Additionally, if the Water Supply Contracts are extended, some cost recovery factors will no longer function correctly and will need to be modified (i.e., the Project Repayment Period).

**Initial Proposal**

Modify the current billing process to recover expenditures in the following two distinct time periods and implement a billing procedure that matches revenues to expenditures on a go forward basis.

1. Repayment of all costs incurred prior to the date of execution of the contract extension will follow the existing cost allocation and repayment methodologies provided by the existing contract.
2. Repayment of all costs from the effective date of the contract extension to the termination date of the extended contract will be on a “pay-as-you-go” basis. All DWR costs will be recovered in the year they are incurred.

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