

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
November 3, 2014 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, October 20, 2014* (Page 2)

B. Approval of the Minutes of the Finance and Budget Workshop, October 28, 2014* (Page 6)

C. Approval of the Finance and Budget Workshop Report, October 28, 2014* (Page 9)

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 Contracting with Atkins Global for Final and Post Design Work for Mt. View Connection*(Page 10)

B. Consideration of Amendment 5 to Yuba Accord Dry Year Water Purchase Program Agreement and Participation in Down Payment* (Page 16)

7. Topics for Future Agendas

8. Announcements

A. Engineering Workshop, November 10, 2014 at 1:30 p.m.

B. The office will be closed **Tuesday**, November 11, 2014 in observance of Veterans Day

C. Regular Board Meeting, November 17, 2014 at 1:30 p.m.

D. Finance and Budget Workshop, November 24, 2014 at 1:30 p.m.

9. Closed Session (1 Item)

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of Litigation Pursuant to Paragraph (4) of Subdivision (d) of Government Code Section 54956.9 (one potential case)

10. 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.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate in this meeting should call the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation. 1 / 7 6

SAN GORONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
October 20, 2014

Directors Present: John Jeter, President
Bill Dickson, Vice President
Mary Ann Melleby, Treasurer
Ron Duncan, Director (left at 2:30 p.m.)
Ted Haring, Director
Barbara Voigt, Director

Directors Absent: Ray Morris, Director

Staff Present: Jeff Davis, General Manager
Thomas Todd, Finance Manager
Cheryle Rasmussen, Executive Assistant
Jeff Ferré, General Counsel

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., October 20, 2014 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:** General Manager Davis recommended moving item 6A to a position on the agenda prior to 5A, in order to accommodate Ms. Devlin of Ahern Adcock & Devlin (AAD), as she will be presenting the Agency's 2013-2014 Audit Report. President Jeter requested that item 6A be moved after item 3. Without objection the agenda was adopted as amended.
3. **Public Comment:** No members of the public requested to speak at this time.
- 6A. **Consideration of 2013-2014 Agency Audit (Linda Devlin, AAD):** A staff report and a copy of the 2013-2014 Audit Report were included in the agenda. General Manager Davis provided an overview of financial oversight activities that the Board provides to the Agency. General Manager Davis introduced Ms. Linda Devlin of Ahern Adcock & Devlin to the Board. GASB (Governmental Accounting Standards Board) changed the term Fund Balance to Statements of Net Position; the term Net Position is assets minus liabilities. The Total Net Position (Assets less Liabilities) for FY 2013-14 is \$146.37 million, a net increase of \$6.88 million. Ms. Devlin reported on the Significant Audit Findings and reviewed the Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements, and Supplementary Information with the Board. She commented that the Agency has done well in diversification of its investments. She also congratulated the Board on the funding of OPBC (Other Postemployment Benefit Costs). After discussion, a motion was made by Director Melleby, seconded by Director Duncan, to accept the Fiscal Year 2013-2014 Agency Audit as presented. The motion carried unopposed 6-0, with Director Morris absent.

4. Consent Calendar:

- A. Approval of the Minutes of the Regular Board Meeting, October 6, 2014
- B. Approval of the Minutes of the Engineering Workshop, October 13, 2014

Director Dickson moved, seconded by Director Melleby, to approve the consent calendar as presented. Motion carried 6-0, with Director Morris absent.

5. Reports:

A. General Manager's Report:

(1) Operations Report: a) General Manager Davis informed the board that the current water delivery figures are not available at this time, however water deliveries are continuing at about the same rate as last month.

(2) General Agency Updates: General Manager Davis reported to the Board on the following: 1) Beaumont Avenue Recharge Facility Pipeline: The pipeline construction is essentially complete and passed all inspections. 2) Verizon Cell Tower: Construction has begun and should be completed in 50-60 days, at which point wiring will begin and should be completed 30 days thereafter. 3) Santa Ana Watershed Conference: The Santa Ana Watershed 2014 Conference was held on October 14th at the Riverside Convention Center. The conference was attended by both Director Melleby and General Manager Davis. General Manager Davis reported on the topics that were provided by the attending speakers. 4) Beaumont Chamber Breakfast: Economist John Husing was the guest speaker. Mr. Husing spoke on the Inland Empire economy and the recovery of jobs that were lost during the recession. He also spoke on poverty, real estate, construction, public health and health care. 5) BDCP: Negotiations between DWR and SWC on the BDCP amendments to the Contract are set to begin. The first formal session is scheduled for December 10th.

B. Directors Reports: (1) Director Melleby reported on the Beaumont Cherry Valley Water District (BCVWD) Board meeting that she attended on October 8th. Director Melleby reported on the Beaumont Chamber Breakfast that she attended on October 10th. Director Melleby reported on the Santa Ana Watershed conference that she attended on October 14th. **(2) Director Duncan** reported on a Candidates Meeting that he attended in Banning. **(3) Director Dickson** reported that he attended the YVWD's Board meeting on October 14th. Director Dickson reported on the BCVWD Board meeting that he attended on October 8th.

6. New Business: (Discussion and Possible Action)

A. Item 6A was moved for discussion after item 3.

B. Consideration of USGS 2014-2015 Proposed Work Plan: A copy of a staff report and a copy of the draft proposed work plan letter from USGS were included in the agenda packet. General Manager Davis reminded the Board that this item was reviewed at the October 13th Engineering workshop. He stated that a budget revision would be required, however fiscal impact will be minimal or zero. The total cost of the proposed cooperative water-resources program is \$183,750. Of this total, SGPWA will contribute \$141,550 and, subject to the availability of Federal Matching Funds, the USGS will contribute \$42,200. Not all these funds will be expended in this fiscal year. The Work Plan is comprised of three tasks. 1. Continue supporting the Agency in its groundwater monitoring. 2. Continue supporting data gathering for the Whitewater flume. 3. Perform

some modeling of the Beaumont Basin. General Counsel Jeff Ferré recommended that should the Board approve the proposed work plan that the final agreement be subject to review by staff and counsel. After discussion, Director Melleby made a motion, seconded by Director Duncan, for the board to approve the proposed work plan and authorize the General Manager to sign the joint funding agreement. The final agreement is subject to review by staff and General Counsel. Motion passed unopposed 6-0, with Director Morris absent.

C. Review of State Water Contractors Delta Water Diversions Fact Sheet: A copy of the State Water Contractors Delta Water Diversions Fact Sheet was included in the agenda packet. General Manager Davis reviewed with the Board the fact sheet titled *Delta Water Diversions: Unmeasured. Unmanaged.* The fact sheet provides information on where Delta water goes, who measures monthly water usage, mandated monthly Delta water measurement and water rights. SWC supports the request by state and federal agencies for the SWRCB to seek more and better information on actual water diversions in the South Delta and throughout the estuary.

D. Review of California Urban Water Conservation Council (CUWCC) Landscape Symposia Report: A copy of the 2014 Landscape Symposia Report was included in the agenda packet. General Manager Davis provided an overview of the California Urban Water Conservation Council report titled *Achieving A New Normal in California Landscape.* The report's objective is to accelerate the pace of change toward more sustainable landscapes in California. The CUWCC tasked its Landscape Committee with developing a long-term vision for sustainable urban landscapes. What emerged from the process was a holistic and integrated vision for landscape sustainability that transcends beyond water-use efficiency to also address a multitude of related benefits, including:

- Abatement of dry-season runoff
- Onsite retention of stormwater
- Embedded energy savings
- Reduced green waste generation
- Reduced greenhouse gas emissions
- Enhanced wildlife habitat in urban settings

General Manager Davis encouraged the board members to review the report at their leisure.

7. **Topics for Future Agendas:** There were no topics for future agendas requested at this time.

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

- A. San Geronio Pass Regional Water Alliance – Technical Committee Meeting, October 22, 2014 at 4:30 p.m. - Banning City Hall Conference Room
- B. San Geronio Pass Regional Water Alliance – Committee Meeting October 22, 2014 at 6:00 p.m. - Banning City Council Chambers
- C. Finance and Budget Workshop, **Tuesday**, October 28, 2014 at 1:30 p.m.
- D. Regular Board Meeting, November 3, 2014 at 1:30 p.m.

9. **Adjournment:** *President Jeter adjourned the meeting at 2:41 p.m.*

DRAFT - SUBJECT TO BOARD APPROVAL
Jeffrey W. Davis, Secretary of the Board

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue
Beaumont, California 92223
Minutes of the
Board Finance and Budget Workshop
October 28, 2014

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

Directors Absent: Ron Duncan, 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., October 28, 2014, 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 published.
3. **Public Comment:** No members of the public wished to make any comment at this time.
4. **New Business:**
President Jeter turned the meeting over to Director Barbara Voigt, Chair of the Finance & Budget Committee.
 - A. Ratification of Paid Invoices and Monthly Payroll for the Month of September, 2014 by Reviewing Check History Reports in Detail: After review and discussion, a motion was made by Director Dickson, seconded by Director Melleby, to recommend that the Board ratify paid monthly invoices of \$7,242,528.44 and payroll of \$31,510.79 for the month of September, 2014, for a combined total of \$7,274,039.23. The motion passed 6 in favor, no opposed, with Director Duncan absent.
 - B. Review and Consideration of Pending Legal Invoices for September, 2014: After review and discussion, a motion was made by Director Melleby, seconded by Director Dickson, to recommend that the Board approve payment of the

pending legal invoices for September, 2014. The motion passed 6 in favor, no opposed, with Director Duncan absent.

- C. Review of September, 2014 Bank Reconciliation: After review and discussion, a motion was made by Director Morris, seconded by Director Dickson, to acknowledge receipt of the Wells Fargo bank reconciliation for September, 2014 as presented. The motion passed 6 in favor, no opposed, with Director Duncan absent.
- D. Review of Budget Report for September, 2014: After review and discussion, a motion was made by Director Dickson, seconded by Director Morris, to acknowledge receipt of the Budget Report for September, 2014. The motion passed 6 in favor, no opposed, with Director Duncan absent.
- E. Review of Cash Reconciliation Report for June 30, 2014: After review and discussion, a motion was made by Director Melleby, seconded by Director Dickson to accept the Cash Reconciliation Report for June 30, 2014. The motion passed 6 in favor, no opposed, with Director Duncan absent.
- F. Review of Cash Reconciliation Report for September 30, 2014: After review and discussion, a motion was made by Director Melleby, seconded by Director Dickson to accept the Cash Reconciliation Report for September 30, 2014. The motion passed 6 in favor, no opposed, with Director Duncan absent.
- G. Review of Reserve Allocation Report for June 30, 2014: After review and discussion, a motion was made by Director Dickson, seconded by Director Morris, to recommend that the Board approve the Reserve Allocation Report for June 30, 2014 as presented. The motion passed 6 in favor, no opposed, with Director Duncan absent.
- H. Review of Reserve Allocation Report for September 30, 2014: After review and discussion, a motion was made by Director Dickson, seconded by Director Morris, to recommend that the Board approve the Reserve Allocation Report for September 30, 2014 as presented. The motion passed 6 in favor, no opposed, with Director Duncan absent.
- I. Consideration of Down Payment for Yuba Accord Water Purchase Agreement: General Manager Jeff Davis opened the discussion by briefly reviewing the reasons for the Yuba Accord, and by explaining that DWR has a deadline for this action that did not align itself with the Agency's meeting schedule. The details of the Yuba Accord Water Purchase Agreement are to be discussed at the next Board meeting, and General Manager Davis said he would normally have asked for an action at that meeting, but the information was unavailable at the last Board meeting, and decision needs to be made before the next Board meeting. Staff recommend approval of a pre-payment to DWR to lock purchase prices of Yuba water for 5 years by paying an up-front fee of about \$63,000.

This amount goes into an escrow fund, and the Agency will receive 2.25% on the funds, and the Agency can draw on the fund to pay amounts that it incurs through participation in the Yuba Accord. General Manager Davis noted that a budget revision would be required in the near future. After further discussion, a motion was made by Director Dickson, seconded by Director Melleby, to recommend that the Board approve a pre-payment to DWR of about \$63,000 to participate in this agreement. The motion passed 6 in favor, no opposed, with Director Duncan absent.

J. Report on Results of Side Fund Payment: General Manager Davis directed the attention of the Board to the statement from CalPERS showing that, after making a payment to pay off the side fund owed by the Agency to CalPERS, the Agency's employer contribution rate was reduced by 8.145% to 19.028%. This is a better use of Agency funds than current investments, and makes the future financial obligations of the Agency more sustainable.

5. **Announcements:** Director Voigt reviewed the following announcements:
 - A. Regular Board Meeting, November 3, 2014 at 1:30 p.m.
 - B. Engineering Workshop, November 10, 2014 at 1:30 p.m.
 - C. The Agency will be closed Tuesday, November 11, 2014 in observance of Veterans Day.

6. **Adjournment:** The Finance and Budget workshop of the San Geronio Pass Water Agency Board of Directors was adjourned at 2:08 p.m.

Draft - Not Approved

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 October 28, 2014. The following recommendations were made:

1. The Board ratify payment of Invoices of \$7,242,528.44 and Payroll of \$31,510.79 as detailed in the Bank Register Report for Accounts Payable and the Bank Register Report for Payroll for September, 2014 for a combined total of \$7,274,039.23.
2. The Board authorize payment of the following vendor's amounts:

Best, Best & Krieger LLP	\$11,856.21
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3. The Board acknowledge receipt of the following:
 - A. Wells Fargo bank reconciliation for September, 2014
 - B. Budget Report for September, 2014
 - C. Cash Reconciliation Report for June 30, 2014
 - D. Cash Reconciliation Report for September 30, 2014
4. The Board approve these reports as presented:
 - A. Reserve Allocation Report for June 30, 2014
 - B. Reserve Allocation Report for September 30, 2014

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Contracting With Atkins Global to Perform Final Design of Mountain View Service Connection as Part of Beaumont Avenue Recharge Facility Project

DATE: November 3, 2014

Summary:

The purpose of this proposed Board action is to contract with Atkins Global to perform the final and post design engineering for the service connection to the EBX required to convey water to the Beaumont Avenue Recharge Facility.

Background:

The Agency has considered construction of a connection to the East Branch Extension at Mountain View channel for a number of years. When the EBX was constructed, a turnout was constructed at this location in anticipation of a future connection. When the Agency considered an in-stream recharge facility in Noble Creek at the Mountain View Channel, it purchased the property on Orchard where the connection would be constructed, and performed a preliminary design of the connection. At that time, the Agency contracted with Atkins Global (then known as PBS&J) to perform the preliminary design only. Now the connection (at a higher capacity) is needed for the Beaumont Avenue Recharge Facility, and a contract for final design is required in order to perform this work.

Detailed Report:

As part of the preliminary design phase, Atkins Global has sketched out the connection (at different sizes and configurations), met with DWR staff, who will have to review and approve the final design, and discussed materials and other details with Agency and DWR staff. Several alternative designs have been prepared, as the Agency over the years has looked at different capacities for the connection, and

has also looked at the connection putting water either in Mountain View channel or in a pipeline under Orchard Street.

While a lot of work has been performed over a period of several years, the Agency has never authorized Atkins Global to proceed with final design of the connection, which is required in order to construct the facility. The attached proposal from Atkins Global describes the scope of work for both final design and post design. The post design work would include inspection, submittal review, and contract administration during construction. The scope of the final design includes development of plans, specifications, and contract documents, as well as coordination with DWR engineers. This has proved to be challenging in the past, as the Department has a number of engineers with different areas of specialty reviewing plans and specifications, and their comments on the design package can be contradictory and confusing at times.

Atkins Global designed the Noble Creek connection, working with DWR staff during that process, and also designed the pipeline that will connect to the proposed connection, so it has the experience to perform this work better than any other consultant. This is primarily due to the experience in working with DWR staff and the relationships that have been built up through this preliminary design work.

Fiscal Impact:

The proposed work is budgeted for this fiscal year, so there will be no negative fiscal impact of awarding the contract. The post design work will be done next fiscal year; only the final design phase of the proposed work will be accomplished this year.

Relationship to Strategic Plan:

This action, as with all actions related to the Beaumont Avenue Recharge Facility and Pipeline project, is consistent with the Agency's strategic plan. The strategic plan calls for a regional water supply plan, of which the Beaumont Avenue Recharge Facility is a major component.

Recommendation:

Staff recommends that the Board award a contract for final design and post design work on the Mountain View service connection to

Atkins Global. The work will be completed in two separate fiscal years but will be part of the same contract.



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October 29, 2014

Mr. Jeff Davis, PE
General Manager/Chief Engineer
San Gorgonio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223

**Subject: Mountain View EBX - Turnout and Control Facilities
Proposal for Professional Engineering Services**

Dear Mr. Davis:

Atkins is pleased to submit its proposal to the San Gorgonio Pass Water Agency (SGPWA) for subject Project. Based on our understanding of same, we propose to perform the following services associated with the detailed and final engineering design. We have also included an estimate for bidding and construction related services for your consideration.

- Task 1: Project Management, Coordination and Meetings – Provide technical support including as-needed conferences, correspondence and meetings with Agency staff, DWR and other involved public agencies. Services may also include review and participation in any additional CEQA documentation matters and potential follow-up coordination with the recharge basin design consultant.
- Task 2: Detailed (60%) Design Phase – Using the base drawings developed during the conceptual/preliminary design (2005 & 2011 efforts estimated @ 30% design level), evolve the latest design options into a detailed design for review and approval by Agency staff. Upon reaching a consensus for the layout, develop a review package for submittal, review and comment by involved public entities, including necessary electrical and instrumentation designs to be compatible with the existing EBX infrastructure.

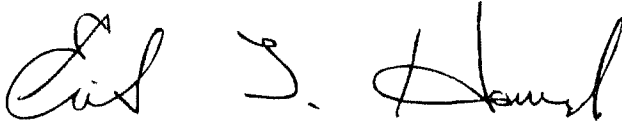
- Task 3: Final (100%) Design Phase – Based on interaction with and comments from Agency and involved public and private entities on the Project’s detailed design drawings, prepare final (100%) drawings and specifications for the bidding and construction of same. We will also prepare and submit encroachment permit applications on behalf of the Agency to DWR, RCTD and RCFC&WCD as needed.
- Task 4: Pre-Construction Services – Preconstruction services include: attending/running the pre-bid meeting and responding to questions, issuing any addenda, attending/running the bid opening, evaluation of bids, and recommending an award. We will also follow-up with any permitting agencies to ensure the permits are in place to facilitate a notice-to-proceed to the contractor.
- Task 5: Construction Services – Construction services include: project management and meetings, contract administration and submittals review, construction staking, part-time field observation services, PLC and equipment programming and testing, and compaction testing. Using the previous Noble Creek Turnout construction project duration (actual), all construction labor estimates were based upon an assumed construction duration of 78 working days (109 calendar days).

Based on the above described items we estimate the following fees associated with the requested level of effort:

Task	Amount (Rounded)	Comments
1	\$15,600	PM, Coord and Mtgs
2	\$42,000	Detailed (60%) Design
3	\$27,500	Final (100%) Design
4	\$11,700	Pre-Construction Svc
5	\$79,200	Construction Svc
Direct Costs:	<u>\$5,300</u>	(Est. @ 3% of 1-5)
Total :	\$181,300	

As always, we look forward to the continued opportunity of working with the SGPWA on this matter. If you have any questions or require additional information, please call me (direct) at 909.521.3766. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Erik J. Howard". The signature is fluid and cursive, with a large initial "E" and "H".

Erik Howard, PE, PLS
Sr. Project Manager

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Yuba Accord Water Purchase Agreement Extension

DATE: November 3, 2014

Summary:

The Agency has been participating in the Yuba Accord Water Purchase Agreement since 2008. While the Agreement extends through 2025, the pricing is required to be renegotiated at the end of 2015. Those negotiations have been completed. State Water Contractors who wish to continue purchasing water under the Agreement, or who wish to begin purchasing water, must notify DWR by early November. The purpose of this proposed Board action is to obtain Board authorization and approval to continue purchasing water under the Agreement by approving Amendment 5, included in the agenda package, and to formally approve participation in a down payment that will keep the cost of Yuba water constant for five years.

Background:

The Yuba River Accord is a settlement of issues related to a State Water Resources Control Board decision and subsequent litigation regarding flow requirements on the Lower Yuba River. One of the elements of the settlement included a water purchase agreement (Agreement) between the Yuba County Water Agency and the Department of Water Resources (DWR).

Under that agreement, the Agency is entitled to purchase water in most years. The amount of water available varies from year to year, but has averaged approximately 300 acre-feet per year for the Agency. In 2014, the Agency purchased 309 acre-feet of water from this agreement.

Under the terms of the original Agreement, the price structure was to be renegotiated after 2015. The current price structure will remain in

place through next year, but starting in 2016 the price of water purchased under the agreement will increase. The new price was the subject of negotiations that have taken place over the past several months.

Twenty-two Contractors purchased water under the original Agreement; it is expected that a few more Contractors will join and sign the Agreement starting in 2015. Contractors recognize that the Agreement presents a relatively inexpensive source of additional water in most years, and is optional, so that if a Contractor did not want to purchase water, it would not be required to do so.

Several documents are included in the agenda package that describe the proposed amendment. The proposed amendment is also included.

Detailed Report:

The Agreement includes several “components” of water. Under the existing agreement, there are four components: Component 1 water is water sold directly to DWR to augment flows in the Delta to help support fish; Component 2 water, which consists of 15,000 acre-feet in dry years and 30,000 acre-feet in critical years; Component 3 water, which consists of 40,000 acre-feet in low allocation years, as defined in the Agreement; Component 4 water, which is additional water that may be offered in any year and consists of groundwater substitution water. The price of Component 4 water is negotiated separately each year. The Agency has never purchased Component 4 water but could do so if desired.

At the Board meeting, staff will present a Power Point that will show the prices under the existing price structure and the new price structure that will go into effect in 2016. This information is also included in the agenda package. Essentially, the cost of this water will double. This is primarily due to the high demand for this water and also due to the current drought. As indicated above, the price will be the same for five years.

Significant differences, in addition to the pricing, between the existing terms and the terms of Amendment 5 include:

- The price of the water, with the exception of Component 4 water, will be locked in for five years as noted above.
- Contractors will pay an upfront amount of \$20 million in order to obtain the five years of constant rates. The \$20 million will be credited against purchases until it is gone.
- Contractors who participate in the upfront payment will earn 2.25% interest on their down payment.
- Component 1 water will be directly available to Contractors instead of going directly to DWR to augment fish flows. Thus, more water will be available to Contractors in the future than has been available in the past.
- Various triggers and quantity requirements related to Component 3 water are gone.
- Yuba County Water Agency will be able to sell limited quantities of Project water to third parties outside the existing State Water Project service area under certain circumstances.

The Agency's 2014 amendment to its 2010 Urban Water Management Plan assumes that Yuba water will continue to be available to the Agency through 2025.

Fiscal Impact:

Since the price of Yuba water will increase in 2016, there will be some fiscal impact to the Agency unless the Agency changes its water rate. Currently the water rate includes a component that pays for the purchase of Yuba water at current prices. In order to prevent a negative fiscal impact to the Agency, the Board would have to authorize an increase in this component of the water rate prior to 2016. It is anticipated that the Agency will review its current water rate structure in 2015.

To participate in the down payment, as recommended by the Board at the Finance and Budget workshop, the Agency would pay approximately \$63,000 to the Department of Water Resources in early December. A budget revision would be adopted in order to spend these funds from Agency reserves. As indicated above, the Agency would earn 2.25% interest on this money, which is higher than any current investment the Agency has.

Relationship to Strategic Plan:

The strategic plan calls for the Agency to develop a regional water supply plan. The continuation of water from the Yuba Accord is part of that regional water supply plan; thus approval of this proposed Board action is consistent with the Agency's strategic plan.

Recommendation:

Staff recommends that the Board approve Amendment 5 to the Yuba Accord Water Purchase Agreement and also formally approve participation in the \$20 million down payment. The approximate cost to the Agency for this will be \$63,000, as noted above.

A Brief Summary of the Yuba River Accord

The Yuba River Accord is a settlement of the issues related to State Water Resources Control Board Decision D-1644 and subsequent litigation regarding flow requirements on the Lower Yuba River. The Accord includes three major elements:

- (1) the **Fisheries Agreement**: an agreement between YCWA and DFG, and several environmental groups, with USFWS and NOAA Fisheries signing a letter of support (but not signatory to the Agreement), under which YCWA has revised the operation of the Yuba Project to provide higher flows in the lower Yuba River to protect and enhance fisheries and to increase downstream water supplies;
- (2) the **Conjunctive Use Agreements**: a set of agreements between YCWA and its member agencies (water agencies within Yuba County) for the implementation of a comprehensive program of conjunctive use and water use efficiency (groundwater management) that provides groundwater substitution supplies for transfer; and
- (3) the **Water Purchase Agreement**: an agreement between YCWA and DWR for purchase and transfer of certain YCWA Yuba River releases and groundwater substitution releases to DWR to benefit the CVP and SWP contractors and the Environmental Water Account.

All three of these agreements, plus other required agreements and approvals, are executed and have been in effect since 2008. The other agreements include a revised PG&E-YCWA power agreement and the DWR "Tier 3" agreements with the San Luis & Delta/Mendota Water Authority and 21 SWP contractors.

The SWRCB approved Water Right Order 2008-0025 on March 18, 2008, adopting the Yuba River Fisheries Agreement flow standards and allowing YCWA to transfer up to 200,000 acre-feet in any year, completing the Yuba Accord approval process.

Background

In 1989, the State Water Resources Control Board received a complaint regarding fishery protection and water right issues on the lower Yuba River. The SWRCB held hearings on the issues raised in this complaint, and in 1999, issued a draft decision. At the request of YCWA and DFG, subsequent hearings were postponed in order to provide the parties an opportunity to reach a proposed settlement regarding instream flows and further studies. The parties failed to reach agreement on a settlement and the SWRCB held additional hearings in the spring of 2000. A draft decision was issued in the fall of 2000 and was adopted as Decision 1644 on March 1, 2001.

Subsequent litigation led to withdrawal of Decision 1644 and issuance of Revised Decision 1644 (RD-1644) in July, 2003. These decisions established revised instream flow requirements for the lower Yuba River and required actions to provide suitable water

temperatures for Chinook salmon and steelhead and to reduce fish losses at water diversion facilities.

After the issuance of Decision 1644, the parties involved in the SWRCB proceedings expressed a desire to further negotiate the instream flows, flow fluctuations and water temperature issues on the lower Yuba River. The parties engaged in a collaborative, interest-based negotiation with numerous stakeholders, known as the Yuba River Accord. These negotiations resulted in the three agreements described above.

The parties agreed in principle to the terms for a water purchase agreement in 2004. Three Pilot Years of Accord fishery flows and water transfers to the EWA Program ensued while NEPA and CEQA requirements were met and other permits and approvals were obtained prior to the 2008 SWRCB order implementing the Accord.

Water Purchase Agreement

The Water Purchase Agreement extends through 2025, subject to a required renegotiation of pricing at the end of 2015. That negotiation has been completed, and Amendment 5 is pending execution in early December to implement those changes. YCWA's FERC license expires April 30, 2016, although annual extensions of the current license are likely. The provisions of annual licenses and a new long-term FERC license could affect water quantities and unit prices. (The Fisheries Agreement extends until a new long-term FERC license is issued.)

There are four blocks of water under the Accord:

1. **Component 1 Water** – 60,000 acre feet a year in all year types – priority to EWA – fully paid in the spring of 2008 with \$30,900,000 of EWA funds from Proposition 50 Chapter 7 D for delivery in 2008-2015, a total of 480,000 acre-feet. Following the termination of the EWA at the end of 2007, the water has helped offset Delta export reductions to benefit fish. Beginning in 2012 the Component 1 water has been shared equally with Reclamation.
2. **Component 2 Water** – 15,000 acre-feet in dry years at \$75 per acre-foot; 30,000 acre-feet in critical years at \$93.75 per acre-foot. This water is "put" water and DWR must buy it; it is shared equally among the SLDMWA and the group of SWP contractors unless they collectively decide otherwise, and is apportioned among the participating SWP contractors relative to Table A.
3. **Component 3 Water** – 40,000 acre-feet in low allocation years, as defined in the agreement. Under very low allocations (CVP 35% or below and SWP 40% or below) this water is a "put" and DWR must buy it; with slightly higher, but still low allocations (CVP at or below 45% or SWP at or below 60%), it is a "call" at DWR's option. DWR takes the "call" water when requested by the CVP or SWP contractors. The Component 3 Water is priced at the Phase 8 schedule (\$125/\$100/\$75/\$50/\$25 for