

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
October 17, 2016 at 7:00 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 3, 2016*
(Page 3)
- B. Approval of the Minutes of the Engineering Workshop, October 10, 2016*
(Page 7)

5. Reports (Discussion and Possible Action)

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

6. New Business (Discussion and Possible Action)

- A. Update on Sustainable Groundwater Management Act (SGMA)* (Page 9)
- B. Discussion of Watermaster Storage Account Conditions* (Page 12)
- C. Consideration of Counteroffer from Sites Reservoir Joint Powers Authority (JPA) regarding Participation in Phase 1* (Page 17)

7. Topics for Future Agendas

8. Announcements

- A. Finance and Budget Workshop, October 24, 2016 at 4:00 p.m.
- B. San Gorgonio Pass Regional Water Alliance, October 26, 2016
 - 1. Business Meeting at 4:30 p.m. – Banning City Hall Conference Room
 - 2. Regular Meeting at 5:30 p.m. – Banning City Hall Conference Room
- C. Regular Board Meeting, November 7, 2016 at 4:00 p.m.

9. Closed Session (1 item)

- A. Conference with Real Property Negotiators
 - Pursuant to Government Code Section 54956.8
 - Property: APN 311-360-008 and 311-360-009
 - Agency negotiator: Jeff Davis, General Manager
 - Negotiating party: Carlo Wilcox
 - Under negotiation: price and terms of payment

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 telephone 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.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
October 3, 2016

Teleconference Location: 47180 Woodcliff Drive, Banning, CA

Directors Present: John Jeter, President
Bill Dickson, Vice President
Mary Ann Melleby, Treasurer
Blair Ball, Director
Ron Duncan, Director
David Fenn, Director
Lenny Stephenson, Director

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

1. **Call to Order and Flag Salute:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President John Jeter at 7:00 p.m., Monday, October 3, 2016 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag.
2. **Statement Regarding Teleconferencing:** Legal Counsel Jeff Ferre announced that a teleconference will not take place at the location specified on the agenda.
3. **Roll Call:** *President Jeter reported that all Board members were in attendance.*
4. **Adoption and Adjustment of the Agenda:** *President Jeter asked if there were any adjustments to the agenda. Legal Counsel Ferre requested that items 8C and 8D be pulled from the agenda. Item 8C is to consider appointing staff to a CSDA committee, which does not require board action. Item 8D is a cost sharing item with SBVMWD, this item was considered and approved at the September 6th Board meeting. President Jeter asked if there were any objection to the requested agenda changes. There being none the agenda was adopted as amended.*
5. **Public Comment:** *President Jeter asked if there were any members of the public that wished to make a public comment on items that are within the jurisdiction of the Agency. There were no members of the public that wished to speak at this time.*
6. **Consent Calendar:** *President Jeter asked for an approval of the Consent Calendar.*
 - A. Approval of the Minutes of the Regular Board Meeting, September 19, 2016
 - B. Approval of the Minutes of the Finance and Budget Workshop, September 26, 2016
 - C. Approval of the Finance and Budget Workshop Report, September 26, 2016
 - D. Approval of the recommendations made at the Board Finance and Budget Workshop, as set forth in the Finance and Budget Workshop Report, September 26, 2016

Director Duncan made a motion, seconded by Director Dickson, to approve the Consent Calendar as published. Motion passed 7-0.

7. Reports: (Discussion and Possible Action)

A. General Manager's Report:

(1) Operations Report: General Manager Davis reported that the Agency delivered 1217 acre-feet for the month of September. Flows will be increased this week to 22 cfs, gradually increasing to the maximum of 25 cfs if possible. Cavitation of the control valve is possible above 22 cfs.

(2) General Agency Updates: General Manager Davis reported on the following: **a) SGPRWA - Eastern Sub-Committee: Integrated Regional Water Management Plan (IRWMP):** General Manager Davis announced that the IRWMP application was submitted before the deadline. He commended the consultant, RMC Water, who was able to complete the application in a short period of time. **b) SBVMWD – Surplus Water Agreement:** The terms of the agreement are currently being worked out. It is anticipated that the Term sheet will be presented to the Board within a month. **c) SGMA:** A number of meetings have taken place with the water districts on the eastern side of the service area (San Geronio Pass Sub-Basin). These entities have been working on a Memorandum of Understanding to form a Groundwater Sustainability Agency (GSA). Unexpectedly, Mission Springs Water District decided to submit an application to DWR to be a GSA on a one square mile of the San Geronio Pass sub-basin, which happens to be in both are service area and their service area. The Agency has 90 days to decide to file as a GSA for the same one square mile. General Manager Davis will provide additional information in the near future so that the Board can make an informed decision. **d) Provost & Pritchard Study:** The study for identifying potential new water sources for the Agency has been provided to the Board and is available to the public. Discussion on the report will take place at the October 10th Engineering workshop. **e) General Election Polling Location:** The Agency has been selected by the Registrar of Voters, County of Riverside, to serve as a polling place for the Tuesday, November 8th Consolidated Presidential General Election. Set-up for the election will need to take place in the Agency's board room on Monday, November 7th during the early evening hours. Director Dickson recommended to change the time of the November 7th Board meeting from 7 p.m. to 4 p.m. The Board was in agreement, the November 7th Board meeting will be held at 4 p.m. **f) BCVWD Water Application:** Director Fenn inquired on the status of the BCVWD water application. General Manager Davis stated that the Agency is abiding by the Agency's Ordinance 8 process. The Agency sent a request for BCVWD to sign a form and submit a check. BCVWD has claimed exemption from having to sign the form. Once BCVWD signs the form the Agency will provide a Draft Technical Memorandum. BCVWD has also claimed that the Agency is not consistent with California case law. General Manager Davis and Legal Counsel Ferre are in the process of responding to BCVWD's issues; a letter will be sent to General Manager Eric Fraser (BCVWD) this week.

B. General Counsel Report: The Governor signed SB1262 at the end of this legislative session, which adds requirements of water supply assessments. General Counsel Ferre reviewed the new requirements with the Board which will go into effect January 1, 2017.

C. Directors Reports: **1) Director Melleby** reported on the San Geronio Pass Water Alliance Meeting that she attended on September 28th. She also reported that the IRWMP application had been completed and submitted. **2) Director Duncan** reported on the City of Banning Council meeting that he attended on September 27th; informing the Board that the Rancho San Geronio project (approximately 3400 homes) was approved by the City Council.

8. New Business: (Discussion and Possible Action)

A. Consideration of Beaumont Chamber of Commerce Sponsorship for the Pass Area Economic Presentation by Dr. John Husing: A staff report and related materials related were included in the agenda packet. General Manager Davis stated that staff has no recommendation. Legal Counsel Ferre recommended not sponsoring this item, as it is not water related. After discussion, no action was taken.

B. Consideration of Association of California Water Agencies (ACWA) Sponsorship: A staff report and related material were included in the agenda packet. General Manager Davis stated that staff has no recommendation on this item. Director Melleby suggested instead of sponsoring the 2016 ACWA Fall Conference that the Board consider sponsoring the ACWA Region 9 Coachella Valley Tour. After discussion, no action was taken.

C. Consideration of California Special Districts Association Committee Nomination(s): This item was removed from the agenda during item 4.

D. Consideration of Cost Sharing Agreement with San Bernardino Valley Municipal Water District (Valley District): This item was removed from the agenda during item 4.

E. Consideration of Resolution 2016-06 Revising the Agency's Investment Policy: A copy of Resolution 2016-06 was included in the agenda packet. General Manager Davis stated that the Board reviewed the Agency's Investment Policy (this policy is reviewed once a year) during the September 26th Finance and Budget workshop. During the meeting staff recommended revisions to the policy, relating to certificates of deposits. During the meeting the Board was in agreement with the recommended revisions to the Agency's Investment Policy. Director Melleby moved, seconded by Director Dickson, to adopt Resolution No. 2016-06 accepting the new investment policy as presented. Motion passed 7-0.

F. Consideration and Possible Action to Approve Second Amendment to General Manager/Chief Engineer Employment Agreement: A staff report, a copy of the SGPWA: Second Amendment to Employment Agreement – General Manager /Chief Engineer, and a copy of the Employment Agreement for General Manager Davis were included in the Agenda packet. General Counsel Ferre stated that the Board recently had a work performance evaluation of General Manager Davis. If the Board wishes to take action the attached Seconded Amendment is being proposed. The second amendment would provide a 3% increase in salary, effective July 1, 2016; the last salary increase took place in 2014. Director Stephenson made a motion, seconded by Director Dickson, to approve the Second Amendment to the Employment Agreement for the General Manager. President Jeter requested discussion on this item. Director Fenn suggested a 2.5% increase in salary. After discussion, President Jeter requested a vote. Motion passed 5-2, with Directors Ball and Fenn opposed.

- 9. Topics for Future Agendas:** Director Melleby requested an update on the Agency's Urban Water Management Plan. General Manager Davis responded that final details are being worked on and that a public hearing will most likely take place early November.

10. Announcements

- A. Engineering Workshop, October 10, 2016 at 4:00 p.m.
- B. Regular Board Meeting, October 17, 2016 at 7:00 p.m.
- C. Finance and Budget Workshop, October 24, 2016 at 4:00 pm

11. Closed Session (One Item) Time: 7:35 p.m.

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to Government Code Section 54956.8
Property: APN 311-360-008 and 311-360-009
Agency negotiator: Jeff Davis, General Manager
Negotiating party: Carlo Wilcox
Under negotiation: price and terms of payment

The meeting reconvened to open session at: **Time: 8:00 pm**

General Counsel Ferre reported that the Board met in Closed Session on item 11, pursuant to Government Code Section 54956.8. There was no action taken during closed session that is reportable under the Brown Act. President Jeter adjourned the meeting.

10. Adjournment Time: 8:00 pm

Draft - Subject to Board Approval

Jeffrey W. Davis, Secretary of the Board

Jeffrey W. Davis

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223
Minutes of the
Board of Directors Engineering Workshop
October 10, 2016

Directors Present: John Jeter, President
Blair Ball, Director
Bill Dickson, Vice President
Ron Duncan, Director
David Fenn, Director
Mary Ann Melleby, Director
Leonard Stephenson, Director

Staff Present: Jeff Davis, General Manager
Jeff Ferre, General Counsel
Cheryle Rasmussen, Executive Assistant

1. Call to Order, Flag Salute and Roll Call. The Engineering workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 4:00 p.m., October 10, 2016 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present.

2. Public Comment. No member of the public wished to speak at this time.

3. Review and Discussion of Memorandum Regarding Water Acquisition Options. A copy of the memorandum from Provost & Pritchard was included in the agenda package. General Manager Davis reviewed the memo with the Board. This included background information on the fixed and variable costs of water for the Agency and other State Water Contractors; various opportunities to purchase or lease water from different entities, and a summary of some of the key issues related to water transfers. The Board and members of the public joined in the discussion. It was the consensus of the Board that the General Manager be given authority to negotiate with any party identified in the memo as "Priority 1." General Counsel Ferre noted that the General Manager can only negotiate and that it would be up to the Board to give final approval for any proposed deal to augment water supplies.

4. Announcements:

- A. Regular Board Meeting, October 17, 2016 at 7:00 pm.
- B. Finance and Budget Workshop, October 24, 2016 at 4:00 p.m.
- C. San Gorgonio Pass Regional Water Alliance, October 26, 2016

1. Regular Meeting at 5:30 pm—Banning City Hall Conference Room. Business meeting—4:30 pm.

5. **Adjournment:** Chairman Dickson adjourned the meeting at 6:13 p.m.

DRAFT - SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary to the Board

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Status Report on SGMA Implementation

DATE: October 17, 2016

Summary:

The purpose of this staff report and the oral report to be provided at the Board meeting is to update the Board on staff's efforts to implement the Sustainable Groundwater Management Act (SGMA).

Background:

In 2014, the Legislature passed the Sustainable Groundwater Management Act (SGMA), whose purpose is to ensure that California's groundwater basins remain sustainable for the use of future generations. Toward that end, for each high and medium priority groundwater basin in the State, one or more Groundwater Sustainability Agencies (GSA's) must be formed by June 30, 2017, and one or more Groundwater Sustainability Plans (GSP's) must be adopted prior to 2020 (high priority basins) or 2022 (medium priority basins). A GSA can consist of more than one public agency.

Detailed Report:

At an Engineering workshop discussion on SGMA last year, the Board indicated that it would like the Agency to be a member of any GSA for a basin within the Agency's service area. There are two basins in the Agency's service area, the San Gorgonio sub-basin on the east and the San Timoteo sub-basin on the west.

Agency staff has been working with water agencies in the eastern portion of the service area on a Memorandum of Understanding (MOU) that would define the GSA for the San Gorgonio sub-basin. Staff will discuss this in more detail during the Board meeting.

For the San Timoteo sub-basin, a proposal was made to the Beaumont Basin Watermaster at the October meeting to form a GSA with the Yucaipa Valley Water District, the Beaumont Cherry Valley Water District, and the Agency. This will be discussed again at the Watermaster's December meeting. Staff will discuss this in more detail at the Board meeting.

Fiscal Impact:

This is an information item. There is no fiscal impact.

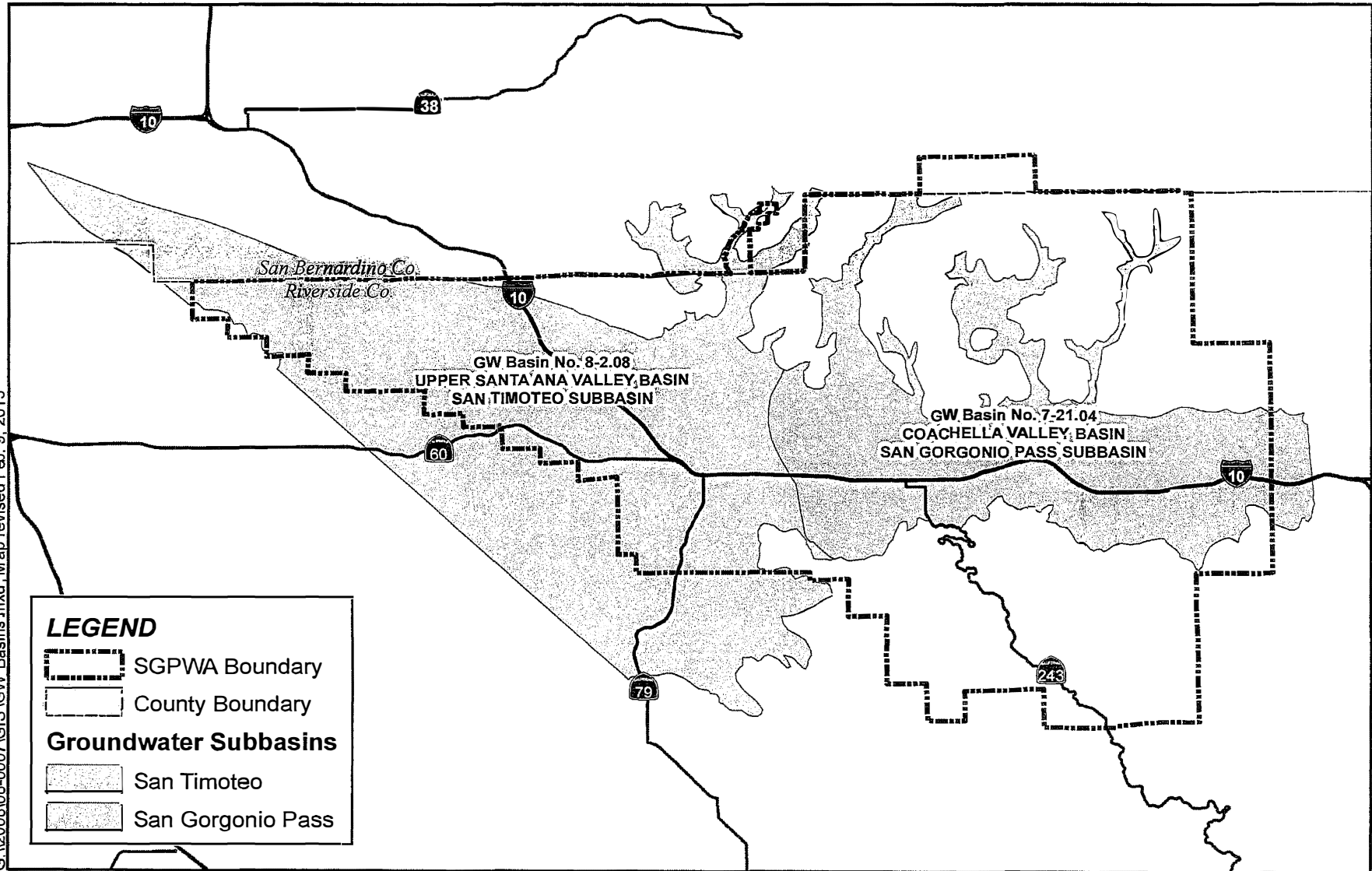
Relationship to Strategic Plan:

The strategic plan calls for the Agency to play a regional leadership role and to work with other water districts in the region. The Agency's actions to date have fulfilled both of these goals.

Recommendation:

This item is for information only. There is no action required.

G:\2008\08-0007\GIS\GW Basins.mxd; Map revised Feb. 9, 2015



LEGEND

- SGPWA Boundary
- County Boundary

Groundwater Subbasins

- San Timoteo
- San Gorgonio Pass

Sources: DWR, June 2014;
County of Riverside, 2015

Groundwater Basins
San Gorgonio Pass Water Agency

0 2 4 6
Miles



ALBERT A.
WEBB
ASSOCIATES

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Beaumont Basin Watermaster Storage Account Application

DATE: October 17, 2016

Summary:

For some time, the Agency has been working to obtain a storage account from the Beaumont Basin Watermaster. In March of this year, the Agency submitted a storage account application to the Watermaster. The purpose of this report is to provide the Board with an update on the status of the application.

Background:

Should the Agency construct its proposed Beaumont Avenue Recharge Facility at some point and store water in the Beaumont Basin, it would require a storage account from the Watermaster in order to do so. Such an account is authorized by the Beaumont Basin Judgment. A few years ago, the Watermaster adopted a revised and expanded application form to apply for a storage account.

The Watermaster did not consider the application at its April meeting. It was discussed at the June meeting and the Watermaster committee members generally expressed positive comments about the application, but again no action was taken. At the August meeting, again no action was taken. The application was on the October agenda as a discussion item.

Detailed Report:

The Watermaster is concerned that the Agency could, through use of its storage account, potentially take water away from Watermaster members and prevent them from implementing the Judgment. It is also concerned that the Agency may store water and then sell it to other parties that would not benefit the Beaumont Basin. Because of

these concerns, a series of “conditions” was presented to the Watermaster at its October meeting. These were presented in the form of a staff report, which is included in this agenda package.

The conditions were based on a conversation with Agency staff, but were not reviewed by staff prior to the Watermaster meeting. The Watermaster has requested that the Agency Board review the conditions to see if they are acceptable, and if so to notify the Watermaster General Counsel. If the Board wishes to modify or revise one or more of the conditions this information will be conveyed to the Watermaster and it can decide how it wishes to handle any such revisions.

Fiscal Impact:

There is no fiscal impact to this action.

Relationship to Strategic Plan:

The storage account itself is part of a regional infrastructure plan that is called for in the strategic plan, but the discussion of conditions is not directly related to the strategic plan.

Recommendation:

Staff recommends that the Board discuss the conditions, listen to input from staff, and decide if the conditions (in present form or as modified by the Board) are acceptable. Staff will then notify the Watermaster of the Board’s action.

BEAUMONT BASIN WATERMASTER

MEMORANDUM NO. 16-18

Date: October 5, 2016

From: Hannibal Blandon, ALDA Inc.
Joseph Zoba, Treasurer

Subject: Application by the San Gorgonio Pass Water Agency (SGPWA) for a Groundwater Storage Agreement in the Beaumont Basin

Recommendation: Pending

At the April Board meeting, copies of SGPWA's application for a groundwater storage agreement in the Beaumont Basin were distributed to members of the Watermaster Committee for their review.

At the Watermaster meeting on June 1, 2016, the Watermaster Committee discussed the importance of incorporating contingencies into the approval of the storage account to protect the rights and responsibilities of the Watermaster members to fulfill the terms of the Stipulated Judgment.

Based on discussions with Jeff Davis, General Manager of the San Gorgonio Pass Water Agency, there appears to be a common understanding that the following conditions could be included in the storage agreement with the San Gorgonio Pass Water Agency to represent the common goals of the parties:

1. The storage account authorized to the San Gorgonio Pass Water Agency shall not negatively impact, impede, reduce or obstruct the purchase and delivery of supplemental water from the San Gorgonio Pass Water Agency to any water retailer of the Watermaster Committee at any location or time.
2. When the quantity of supplemental water available on an annual basis exceeds all demands and/or requests for supplemental water by the Watermaster Committee members, the San Gorgonio Pass Water Agency may recharge the excess supplemental water in the Beaumont Avenue Recharge Facility or any other location approved by the Beaumont Basin Watermaster.
3. Supplemental water stored by the San Gorgonio Pass Water Agency pursuant to the conditions herein and the approved Storage Agreement will be made available at any time to the members of the Watermaster without restrictions
4. Any member or members of the Watermaster shall maintain the first right of refusal to purchase the supplemental water placed in storage by the San Gorgonio Pass Water Agency. All Watermaster members shall be notified in writing a minimum

of 60 calendar days prior to any sale, transfer, distribution, or exchange of any supplemental water in the storage account of the San Gorgonio Pass Water Agency. The Watermaster maintains an opportunity to individually or collectively purchase the water in the storage account of the San Gorgonio Pass Water Agency under the same terms and conditions offered to a member of the Watermaster, non-member of the Watermaster, or any other entity.

5. Any future condition, issue, or operational constraint that conflicts with the ability of any Watermaster member to administer and fulfill their obligation(s) pursuant to the Stipulated Judgment shall be immediate cause for rescinding the storage agreement to the San Gorgonio Pass Water Agency.

The specific language included in this Watermaster Memorandum is in a draft form and has not been shared with representatives of the San Gorgonio Pass Water Agency or any Watermaster Committee member. To ensure the Watermaster members retain the unequivocal right and authority to implement the full intent, terms and conditions of the Stipulated Judgment, the language above should be fully discussed and reviewed with our legal counsel as well as the San Gorgonio Pass Water Agency.

Background:

The SGPWA is requesting to store up to 10,000 ac-ft of water in the Beaumont Basin through artificial recharge of water from State Water Project and/or other supplemental water of equal or better quality. The proposed recharge facilities are located in the southwest corner of Brookside Avenue and Beaumont Avenue.

ALDA Inc., in association with Thomas Harder & Company, have conducted an initial review of the documents provided by SGPWA, and would like to offer the following comments for your consideration. Please note that our initial comments are based on our current knowledge of the basin only as no additional calculations or modeling runs have been conducted.

- 1.- Beaumont Basin Watermaster Resolution No. 2005-01 establishes principles of groundwater storage in the Beaumont Basin by Non-Appropriators. The application by SGPWA addresses each of the four sections outlined in the resolution.
- 2.- Currently, there are storage agreements with all Appropriators totaling 260,000 ac-ft. In addition, there is a storage agreement with Morongo Band of Mission Indians, a Non-Appropriator, for 20,000 ac-ft. for an overall total of 280,000 ac-ft. in storage agreements. The request by SGPWA to store up to 10,000 ac-ft. in the basin, if approved, will increase the total storage agreements by 3.57 percent to 290,000 ac-ft.
- 3.- According to the application, the SGPWA will like to construct the spreading facility and take advantage of additional water available through the State Water Project in wet years. The application indicates that the sole purpose of the storage account

would be to temporarily store water purchase by SGPWA until it is purchased by (transferred to) a local retail agency that has a storage account in the Beaumont Basin. Having this water available in SGPWA's account will increase the reliability of supply in the Beaumont Basin as Appropriators could meet their replenishment obligations by buying water from SGPWA through a paper transfer of storage.

- 4.- In the near term (10-12 years), SGPWA plans to store a maximum of 7,500 ac-ft/yr based on 80 percent plus allocation from the State and additional Article 21 water available in that year and/or additional water that SGPWA could obtain by purchase, transfer or exchange. Ultimately, SGPWA would like to store up to 13,000 ac-ft based on the 20 cfs capacity of its connection.
- 5.- The storage of imported water in the central portion of the basin could have a positive impact on local water levels; however, storage losses could potentially increase in the long term.
- 6.- Water quality of the State Water Project is equal to or better than the local groundwater quality in the basin, as documented in the application.

A representative from the SGPWA will be present at the meeting to address any questions that members of the Watermaster Committee may have.

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Counteroffer from Sites JPA Regarding Participation in Phase 1

DATE: October 17, 2016

Summary:

In July, the Agency completed the proposal process for participation in Phase 1 of the Sites Reservoir Project, requesting a total of 14,000 acre-feet of yield (4,000 acre-feet of this was from Beaumont Cherry Valley Water District). Recently, the Agency received a counteroffer from the Sites JPA. The purpose of this proposed Board action is to consider the counteroffer.

Background:

Sites Reservoir is a proposed storage and yield project located in the Sacramento Valley. It is a proposed water project with a built-in environmental element and is eligible for bond funding under Proposition 1. Staff reviewed this project in detail with the Board this past summer.

Detailed Report:

As the attached letter indicates, the yield for the proposed project was over-subscribed; that is, there were more requests for participation than available water (based on the assumption of 50% funding from Prop 1). The estimated yield of the proposed project is 250,000 acre-feet, again depending on Prop 1 funding. There were requests for 377,411 of yield during the proposal process.

The counteroffer made to the Agency is to offer 7,966 of yield to the Agency as "Class 1" water, with the remaining 6,034 acre-feet offered as "Class 2" water. Class 2 water is additional water that could be made available to subscribers if funding from Prop 1 is less than 50%. Class 2 water would be contingent on the State deciding to

fund the project at some level less than 50%. This will not be known for some time.

For purposes of making a decision, the Board should consider the Class 1 water as the only “sure thing” (this assumes the project is eventually constructed). Any Class 2 water should not be considered by the Board at this time as something that is likely to happen. It could happen, but there is no way to know this for sure at this time.

Again, the Sites Reservoir project is a proposed project that may or may not be constructed. If it is, it will likely be at least ten years in the future. The Board should be considering other sources of additional supply beyond this proposed project.

Staff is making this information available to Beaumont Cherry Valley Water District. Its Board would also have to consider whether it would accept the counteroffer and, if so, how much of the “Class 1” water it would be willing to fund. If it wishes to participate, details would have to be worked out regarding how much of the participation would be from the Agency and how much from the District.

For example, the Agency is funding 10,000 out of 14,000 acre feet of the proposed participation, or 71.4%. BCVWD would be funding the other 28.6%. If both desire to continue participation, it could be on this same percentage basis for both Class 1 and Class 2 water, or there could be some other arrangement made. BCVWD’s Board inquired of staff as to whether it could back out of the project completely if the counteroffer from the Sites JPA was less than 10,000 acre-feet (the amount authorized by the Agency’s Board).

These are details that can be worked out at a later date. For now, the Sites JPA needs to know if the Agency is willing to accept the counteroffer, or to make its own counter back to the JPA.

The Board may also wish to develop a proposal to make to BCVWD regarding its participation, assuming it wishes to continue to do so.

Fiscal Impact:

For now, the immediate fiscal impact of the counteroffer is to reduce the amount of money the Agency would pay for Phase 1 of the

project from \$840,000 (\$600,000 to be paid by the Agency) to a maximum of \$658,980 if the Agency pays the entire cost, and less if BCVWD wants to continue to participate.

Relationship to Strategic Plan:

The strategic plan calls for a regional water supply plan, of which the Sites Reservoir is a component. Thus, the action is consistent with the strategic plan.

Recommendation:

Staff recommends that the Board accept the counteroffer and that the Agency contact BCVWD to determine its proposed level of participation (if any) in Phase 1.



October 11, 2016

San Geronio Pass Water Agency
1210 Beaumont Ave
Beaumont, CA 92223

Regarding: Sites Reservoir Project, Proposal to Participate in the Phase 1
Reservoir Project Agreement Committee

Dear Mr. Davis:

This letter confirms receipt of your agency's responsive Phase 1 Proposal to Participate and, due to the level of interest received, provide a counter-offer for your consideration as well as advance the process to formalize your agency's active participation.

The Sites Project Authority ("Authority") received 21 responsive requests for Class 1 water from both public agencies and non-public entities¹ (see Attachment A, which includes both existing members of the Reservoir Project Agreement Committee ("Reservoir PAC") and those who submitted responsive requests to participate). All but 2 public agencies requested to participate in Phase 1 using an acre-ft. as the method to apportion the Phase 1 study costs. The amount of water being requested by both the existing Reservoir Project Agreement Committee ("Reservoir PAC") members and potential new Reservoir PAC members totaled 377,411 acre-ft.; of which only 250,000 acre-ft. is available until the State of California makes its decision to participate in the development of the Sites Reservoir Project ("Project"), which in accordance with Chapter 8 of Proposition 1², is limited to 50% of

¹ Public agencies include both public water agencies and a County. The private entities include both Mutual Water Companies ("MWCs"), who each have a portion of their water supply provided through a contract with either the CVP or SWP, and an Investor-Owned Utility ("IOU") who is regulated by the California Public Utilities Commission to provide water to small communities in both the Sacramento and San Joaquin valleys. The California Water Commission's Legal Counsel has agreed with the Authority that both the MWCs and IOU can participate in the Phase 1 Reservoir Project Agreement Committee as a Non-Member Participating Party without affecting the Authority's eligibility to potentially receive state funding under Chapter 8 of voter-approved Proposition 1.

² While the State of California will determine the amount of public benefits that will be funded under Proposition 1, the Federal government, through the United States Bureau of Reclamation (USBR), is evaluating its role and level of participation in the Project. Within existing congressional authorizations, the potential exists for the USBR to participate in benefits, such as



capital costs³. Therefore, the difference, which equals 127,411 acre-ft. is deemed to be Class 2 water.

Membership in the Phase 1 Reservoir Project Agreement Committee: Due to the total amount of acre-ft. being requested and in accordance with the evaluation process that was provided as part of the package of documents the Authority made publicly available, your request to participate in 14,000. acre-ft. of Class 1 water can only be partially accepted. The amount of Class 1 water amounts to approximately 56.9% of your original request. This percentage has been applied to all respondents who are a public water agency whose primary service area is located outside of the Sacramento Valley. As such, the Authority has authorized me to extend the following counteroffer for your consideration:

Counteroffer: Provide 7,966. acre-ft. as Class 1 water, which has a Phase 1 not-to-exceed cost of \$60/acre-ft. plus an additional 6,034. acre-ft. as Class 2 water, which has a Phase 1 not-to-exceed cost of \$30/acre-ft. The total amount equals the 14,000. acre-ft. your agency requested. Once the State has made their respective participation decisions through the California Water Commission, which coincides with the completion of Phase 1, the amount of water being used to apportion the project's costs will be "re-balanced". Similarly, if the Federal government requests to participate in obtaining equivalent types of public benefits, the Authority in conjunction with the members of the Phase 1 Reservoir PAC will determine how best to allocate any difference, as measured in acre-ft., between the State's (and potentially Federal) level of participation and the amount of water the Project is estimated to produce over the long-term average.

Action Requested: Please review this counteroffer and provide a response that either acknowledges your agency's acceptance or an alternative participation that reflects the limited amount of Class 1 water that is available in Phase 1. An email response will suffice.

ecosystem and water quality, that pending congressional authorization, could be funded by the federal government.

³ For Phase 1 and until the Water Commission has finalized its regulations, the Authority has been assuming that the project's costs and subsequent repayment follows the amount of long-term annualized average amount of water a participant could receive assuming the Project is permitted and built.



Next Steps:

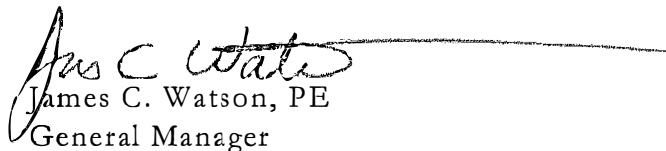
1. Workshop: Please plan to have a representative from your agency attend the October 21 workshop. In addition to providing an overview of the Project's facilities and status of studies underway, this meeting will focus on (a) the complexity of the Water Commission's proposed application requirements, which will require new CalSIM modeling to estimate the Project's benefits under a climate change scenario that differs from what has been used in the existing draft EIR/S and (b) the Water Commission's evaluation process, which has led the Authority to pursue a strategy to accelerate work planned in Phase 2 to advance the EIR/S into this, Phase 1. Based on the Water Commission's schedule, the Reservoir PAC and then the Authority will need to address both of these items before the end of November since they affect the Phase 1 work plan and annual budget.
2. Governance Documents: Within 2 weeks after the October 21 workshop, we plan to convene a conference call with all of the respondents to develop a list of any proposed changes to the governance documents, primarily focusing on the Bylaws and the Phase 1 Reservoir Project Agreement. To date, we have received a number of constructive comments and want to share them with the other respondents as well as gather any other proposed changes. This conference call will primarily focus on legal concerns. The resulting recommended changes will then be provided to the Authority board for their consideration. Once the amended documents have been approved by the current signatories to the Reservoir PAC and then the Authority, these documents will be distributed for consideration and approval by your agency. Based on your participation, an estimated initial payment will be provided at the time the amended governance documents are distributed. The amount will be based on the \$/acre-ft. the current Reservoir PAC members have paid to date for Class 1 water and the Class 2 water rate will be prorated at 50%.
3. Reservoir PAC Meeting: The first Reservoir PAC meeting is tentatively planned for the morning of November 19. This meeting will advance the discussions presented on October 21 with a detailed review of the effort needed to submit a responsive application to the Water Commission and acceleration of the EIR/S. On November 21, these meeting results will be presented to the Authority for their consideration and potential action.



4. ACWA Fall Conference: The afternoon of November 29, at the ACWA Fall Conference, a meeting will be held for all respondents to the Proposal to Participate process. This meeting will focus on providing additional updates and to answer questions that you, your staff, or your board members may have. Additional details will be communicated in advance of this meeting and it will likely be a publicly noticed meeting.

On behalf of the Authority, I thank you for your interest to actively participate in the development of the Sites Reservoir Project. I look forward to working with you and your staff to move this project forward as expeditiously as practicable. Should you have any questions, please don't hesitate to contact me.

Sincerely,



James C. Watson, PE

General Manager

jwatson@sitesproject.org

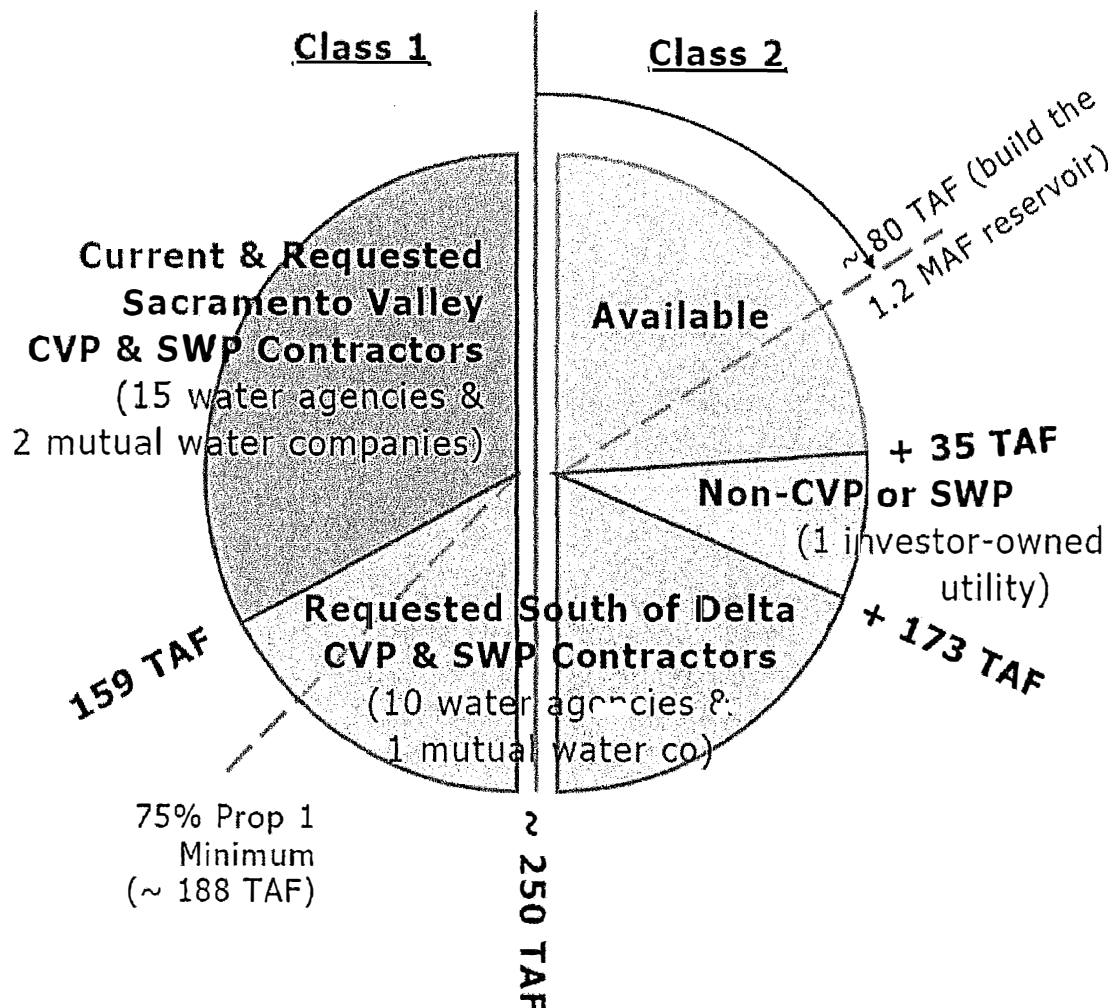
(530) 410.8250

Cc: Melville, D.
Executive Comm.
Conant, E
Nordyke, A.
Davis, K.



Attachment A: Sites Reservoir Project Participation

Date: 2016 October 7



NOTE 1: Does not include 3 Authority members who have elected not to participate in the development of the reservoir.

NOTE 2: Does not include 2 alternative (i.e. non-acre-ft. based) proposals to participate - one from CVP north of Delta and one from SWP South of Delta.

NOTE 3: Authority is reviewing the requests to participate and is preparing counter-offers

ID	Agency	Requested Participation	Class	Counter-offer			Alternative Participation
				Class 1	Pct	Class 2	
01	Colusa County	10,000	1	10,000	100%	-	
	Colusa Co. WD	32,111	1	32,111	100%	-	
	Cortina WD	300	1	300	100%	-	
	Davis WD	2,000	1	2,000	100%	-	
	Dunnigan WD	5,000	1	5,000	100%	-	
	LaGrande WD	1,000	1	1,000	100%	-	
	Glenn County	-		-		-	
	Glenn-Colusa ID	20,000	1	20,000	100%	-	
	Maxwell ID	-		-		-	
	Orland-Artois WD	20,000	1	20,000	100%	-	
	Proberta WD	3,000	1	3,000	100%	-	
	Reclamation District 108	20,000	1	20,000	100%	-	
	Tehama-Colusa Canal Authority	-		-		-	
	Westside WD	25,000	1	25,000	100%	-	
	4M WD	500	1	500	100%	-	Under discussion
04	RD 2035	10,000	1	10,000	100%		
		5,000	2		0%	5,000	
05	Western Canal Water District	3,500	1	3,500	100%	-	
06	Placer County WA & City of Roseville	-		-	0.0%		
07	American Canyon, City of	2,000	1	2,000	100%	-	
08	Santa Clara Valley Water District	24,000	1	13,656	56.9%	10,344	Under discussion
09	Westlands Water District	10,000	1	11,380	56.9%	8,620	
		10,000	2				
10	Antelope Valley-East Kern Water Agency	2,000	1	1,138	56.9%	862	
11	Castaic Lake Water Agency	5,000	1	2,845	56.9%	2,155	
12	Coachella Valley Water District	26,500	1	15,078	56.9%	11,422	
13	Desert Water Agency	6,500	1	3,698	56.9%	2,802	
14	Metropolitan Water District	-		-	0.0%		
15	San Geronio Pass Water Agency	14,000	1	7,966	56.9%	6,034	
16	San Bernardino Municipal WD	30,000	1	17,069	56.9%	12,931	
17	Wheeler Ridge-Maricopa Water SD	20,000	1	11,380	56.9%	8,620	
18	Zone 7 Water Agency	20,000	1	11,380	56.9%	8,620	
19	Carter MWC	1,000	1	-	0.0%	1,000	
20	Garden Highway MWC	4,000	1	-	0.0%	4,000	
21	Pacific Resources MWC	10,000	1	-	0.0%	10,000	
22	California Water Service	35,000	1	-	0.0%	35,000	
		377,411		250,000	56.9%	127,411	