

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
November 21, 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, November 7, 2016*
(Page 2)
- B. Approval of the Minutes of the Engineering Workshop, November 14, 2016*
(Page 6)

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. Consideration of Municipal Water Quality Investigations (MWQI) Specific Project Committee Agreement* (Page 8)
- B. Consideration of MWQI Agreement with DRW* (Page 25)
- C. Consideration of Entering into an Agreement with David Taussig & Associates for Financial Modeling and Analysis* (Page 41)

7. Topics for Future Agendas

8. Announcements

- A. Office closed November 24th & 25th in observance of the Thanksgiving Holiday
- B. Finance and Budget Workshop, November 28, 2016 at 400 p.m.
- C. Regular Board Meeting December 5, 2016 at 7:00 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.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
November 7, 2016

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
Thomas Todd, Finance Manager
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 3:00 p.m., Monday, November 7, 2016 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag.
2. **Adoption and Adjustment of the Agenda:** *President Jeter asked if there were any adjustments to the agenda.* There being none the agenda was adopted as published.
3. **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.
4. **Consent Calendar:** *President Jeter asked for an approval of the Consent Calendar.*
 - A. Approval of the Minutes of the Regular Board Meeting, October 17, 2016
 - B. Approval of the Minutes of the Finance and Budget Workshop, October 24, 2016
 - C. Approval of the Finance and Budget Workshop Report, October 24, 2016

Director Duncan made a motion, seconded by Director Dickson, to approve the Consent Calendar as published. Director Melleby abstained from item 5A, as she was not in attendance. Motion passed 7-0.

5. Reports: (Discussion and Possible Action)

A. General Manager's Report:

(1) Operations Report: General Manager Davis reported that the Agency delivered 1329 acre-feet for the month of October; the highest delivery in one single month. Flows have been increased to 23 cfs.

(2) General Agency Updates: General Manager Davis reported on the following: **a) October Precipitation:** Northern California experienced one of the wettest Octobers on record; 5th wettest on record since 1895. Southern California precipitation totals are still lingering around 60% of the average, the northern Sierra region has reached 360% to

date. **b) IRWMP Update:** DWR has responded to the Regional Acceptance Process (RAP) that was submitted by the local agencies applying for an IRWMP planning grant. DWR had questions on the RAP pertaining to “white spaces” or areas not included in any plan, including vacant space in San Bernardino County. City of Banning will be meeting with DWR to discuss its concerns. **c) SITES Update:** General Manager Davis attended a full day meeting and field trip last month and will be attending another meeting this month. A project committee agreement is being drafted and it is anticipated to be completed by the end of this month. **d) Proposition 53:** The Board passed Resolution 2016-05 on September 6, 2016 opposing Proposition 53. Proposition 53 requires statewide voter approval before any revenue bonds can be issued or sold by the state for certain projects if the bond amount exceeds \$2 billion. The Governor also opposed Prop 53 and is running ads asking voters to vote “No”. **e) Flume Update:** The City of Banning is drafting a settlement agreement term sheet for USFS.

B. Finance Manager Report: Finance Manager Thomas Todd presented a Local Agency Investment Fund (LAIF) report. He explained that LAIF is currently part of the mix of investments the Agency uses to manage its reserve funds. He reported that he attended a LAIF Conference on October 25th. He informed the Board that John Chiang, the current State Treasurer, made it clear that the Treasurer’s office is actively involved in protecting local agency assets, not only from potential political threats, but adverse market forces as well. He also stated that as in the past, it appears that LAIF is still a good choice for the Agency, as it helps us maintain the liquidity and safety we need for reserve funds, while still giving what is considered a reasonable return, even in today’s economy.

C. General Counsel Report: General Counsel Jeff Ferré deferred reporting due to the amount of items on the agenda.

D. Directors Reports: **2) Director Fenn** reported that the City of Beaumont Council Meeting will be held at 6:00 p.m. tonight. Director Fenn reported that Bogart Park will continue to remain open to the public. **2) Director Ball** reported on the City of Beaumont Council workshop that was held on November 2nd; the topic of discussion was on the Wastewater Feasibility Study. **3) Director Melleby** reported on Dr. John Husing’s Economic Presentation that was hosted by Beaumont Chamber of Commerce on October 19th. Director Melleby also reported on the San Gorgonio Pass Water Alliance meeting that she attended on October 26th; ACWA President Kathy Tiegs was the guest speaker. She stated that the SGPRWA will not be holding meetings during the months of November and December.

6. New Business: (Discussion and Possible Action)

A. Consideration of Adoption of Resolution No. 2016-07 Amending Conflict of Interest Code (COI): A staff report and related materials were included in the agenda packet. General Ferre explained to the Board that the Political Reform Act requires every multi-county agency to review its conflict of interest code biennially and notify the Fair Political Practices Commission as to whether or not the agency’s code needs to be amended. Revisions in this version include the addition of the Executive Assistant, and the addition of two new categories defined by the FPPC. Director Melleby moved, seconded by Director Dickson, to adopt Resolution 2016-07 amending the Agency’s COI, as detailed in the agenda package. Motion passed 7-0.

B. Consideration of Expenditure for New Directors' Attendance at the 2016 ACWA Fall Conference: A staff report and related material were included in the agenda packet. General Manager Davis stated the Agency will have at least one, and as many as four new directors as of December 1. The Annual ACWA Fall Conference will be held starting November 29 in Anaheim. The purpose of this proposed Board action is to determine if the current Board wishes to have the Agency reimburse costs associated with the ACWA conference for any newly elected Director who wishes to attend. After discussion, Director Dickson made a motion, seconded by Director Duncan, authorizing reimbursement for attendance at the Fall ACWA conference for any newly elected Director who wishes to attend. Motion passed 6-1, with Director Ball opposed.

C. Consideration of Amendment to Kennedy/Jenks Contract for Urban Water Management Plan (UWMP): A staff report and related material were included in the agenda packet. In 2015, the Agency contracted with Kennedy/Jenks for approximately \$61,000 to produce an UWMP. Because analysis of retailer demands is more difficult and complex, more funds are required to perform this analysis, manage a public meeting, respond to comments, and produce a final report. The purpose of this proposed Board action is to determine if the Board will fund this additional work. This was not included in the general fund budget; however staff will do a budget revision that will not include increasing the budget. After discussion, Director Duncan made a motion, seconded by Director Melleby, that the Board approve the proposed amendment to the Kennedy/Jenks contract to add \$14,300, for a maximum of \$75,300 to complete the Agency's 2015 UWMP. Motion passed 7-0.

D. Consideration of Amendment to Provost & Pritchard Contract related to Allocation Issues: A staff report was included in the agenda packet. General Manager Davis stated that the purpose of this proposed Board action is to receive authorization from the Board to pay Provost & Pritchard for additional work authorized by the Board over and above the original scope of work. General Manager Davis explained to the Board that additional time was expended in reviewing and addressing each comment and question that was provided at the May and July workshops. While the written report was included in the original scope of work, responding to each individual comment (over 60) and appearing at a third workshop were not included. Provost & Pritchard has proposed increasing the total amount of the contract from \$25,000 to \$30,000 in order to incorporate these two additional tasks into the scope of work. This was not included in the general fund budget; however staff will do a budget revision that will not include increasing the budget. After discussion, Director Dickson made a motion, seconded by Director Duncan, authorizing the amendment to the Provost & Pritchard contract, not to exceed \$5,000. Motion passed 6-1, with Director Ball opposed.

E. Consideration of Authorization to Contract with Provost & Pritchard regarding Assistance in Procuring Additional Water Supplies: A staff report and related material were included in the agenda packet. General Manager Davis stated that at the October Engineering workshop, staff shared a study from Provost & Pritchard identifying potential opportunities to procure additional water supplies from various sources. The purpose of this proposed Board action is to determine if the Board wishes to contract with Provost & Pritchard to support the Agency's efforts to procure additional water supplies. The term of this agreement begins November 1, 2016 through December 31, 2017. General Manager Davis reviewed the scope of work with the Board in detail. Staff is recommending to contract with Provost & Pritchard to perform the work proposed

in the scope of work, not to exceed \$25,000. After discussion, Director Dickson made a motion, seconded by Director Fenn, to contract with Provost & Pritchard to perform the work proposed in the scope of work, not to exceed \$25,000. Motion passed 7-0.

F. Consideration of Authorization to file as GSA for One Square Mile in San Gorgonio Pass Sub-basin: A staff report and related material were included in the agenda packet. General Manager Davis stated that the Board expressed a desire to participate in any groundwater sustainability agency (SGA) formed within the Agency's boundaries. He explained that Mission Springs Water District recently filed a notice of election to become a GSA for a one square mile area within the San Gorgonio Pass Sub-basin. He stated that the Agency has 90 days from October 17th to file its own notice of election to be a GSA for this one square mile. The purpose of this proposed Board action is to determine if the Board wishes to file a Notice of Election to become a GSA for said area. After discussion, Director Dickson made a motion, seconded by Director Fenn, directing General Manager and General Counsel to begin the process of filing a notice of election, publishing a notice of public hearing, hold a public hearing, and at a future board meeting presenting to the Board a resolution for consideration to become a GSA. Motion passed 7-0.

7. Topics for Future Agendas: There were no topics for future agendas given.

8. Announcements

- A. Office closed November 11, 2016 in observance of Veterans Day
- B. Engineering Workshop, November 14, 2016 at 4:00 p.m.
- C. Regular Board Meeting, November 21, 2016 at 7:00 p.m.
- D. Office closed November 24th and 25th in observance of Thanksgiving

9. Closed Session (One Item) Time: 4:14 p.m.

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code Section 54956.9
One potential case

The meeting reconvened to open session at: **Time: 4:32 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: 4:33 pm

Draft - Subject to Board Approval
Jeffrey W. Davis, Secretary of the Board

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SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223
Minutes of the
Board of Directors Engineering Workshop
November 14, 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
Dan Flory, Consultant

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., November 14, 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. **Second Follow-up Presentation on Allocation of Agency Water by Dan Flory, Provost & Pritchard.** A copy of the Water Allocation Analysis was included in the agenda package. Dan Flory reviewed his analysis of the Agency's allocation process and an alternate process that had previously been proposed. His conclusion was that the Agency's current method for allocating water is consistent with the San Gorgonio Pass Water Agency Act, the Water Code, and the Agency's contract with the Department of Water Resources. Also he indicated that the current process is not fatally flawed. His recommendation to the Agency was to acquire additional water supplies, noting that the real issue is water supply, not allocation of water supply. He reviewed ten categories of comments (a total of 62 individual comments) that were made at the May and July Engineering workshops. He answered questions from the Board and from the public.
4. **Discussion of San Bernardino Valley Municipal Water District Term Sheet.** A copy of a term sheet from the San Bernardino Valley Municipal Water District regarding a potential deal for its surplus water was included in the agenda

package. General Manager Davis reviewed the term sheet with the Board, including cost of the water, term of the agreement, and the fact that the Agency has the right of first refusal to the first 5000 acre-feet of surplus water declared by the Valley District's Board. The Agency's Board accepted the term sheet and gave General Manager Davis direction to negotiate an agreement consistent with the term sheet and to bring it back to the Board for consideration.

5. Announcements:

- A. Regular Board Meeting, November 21, 2016 at 7:00 pm.
- B. Office closed November 24th and 25th, 2016 in observance of Thanksgiving
- C. Finance and Budget Workshop, November 28, 2016 at 4:00 p.m.

6. Adjournment: Chairman Dickson adjourned the meeting at 5:07 p.m.

DRAFT - SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary to the Board

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Revised Municipal Water Quality Investigations Specific Project Agreement

DATE: November 21, 2016

Summary:

At the September Engineering workshop, the Board discussed a revised Municipal Water Quality Investigation (MWQI) specific project agreement for the next three years. The purpose of the proposed Board action is to determine if the Board wishes to continue with the MWQI program and therefore to approve the agreement.

Background:

The Municipal Water Quality Investigation (MWQI) Specific Project Committee is a committee of the State Water Contractors Project Authority (SWPCA). The Agency is a longtime member of the Committee, as are most urban State Water Contractors. Every three years, the agreement is updated. The current agreement expires December 31; thus a new one is required for the next three years.

Detailed Report:

The annual budget for the MWQI is \$3.1 million. In the past, \$2.7 million has been paid directly to the Department of Water Resources (DWR) for its staff and support of MWQI, with \$400,000 remaining for the Committee to spend on equipment and vendors. DWR's equipment and vendor procurement policies are inefficient, so it makes sense for the Committee to expend these funds separately.

Past accomplishments of the MWQI program include the publication of a watershed sanitary survey every five years, implementation of real-time monitoring of water quality throughout the SWP, and publication of a 6-month water quality forecast for the SWP.

In the future, the Committee wants to begin a more detailed analysis of algae throughout the SWP, which is a concern to many urban water users in the State at this time.

For the new agreement, the Committee has decided to decrease the amount paid to DWR by \$300,000, and to use these funds to perform special studies as needed. In the past DWR has performed these, but in the opinion of the Committee, the work could be done better by the Committee through its own consultants.

At the Engineering workshop, this was a point of discussion, as the Board was under the impression that the \$700,000 to be disbursed by the Committee was an overall increase. In fact, it is not. The annual budget will still be \$3.1 million, but now \$700,000 will be discretionary to the Committee instead of \$400,000, with DWR's budget decreased accordingly. The Committee feels that this is a more efficient use of Contractor funds.

Fiscal Impact:

The funds are budgeted in the Debt Service budget, and hence there are no significant fiscal impacts. The approximate cost to the Agency in 2017 will be \$19,000, out of a Debt Service budget of \$19,000,000.

Relationship to Strategic Plan:

There is no direct relationship to the strategic plan.

Recommendation:

Staff recommends that the Board authorize the General Manager to sign the revised Special Project Committee agreement for 2017-2019.

STATE WATER PROJECT CONTRACTORS AUTHORITY

MWQI PROGRAM

SPECIFIC PROJECT AGREEMENT

Recitals

WHEREAS, the parties to this Specific Project Agreement (“Specific Project Agreement”) are among the members of the State Water Project Contractors Authority (“Authority”) by virtue of their individual executions of the Joint Powers Agreement (“JPA Agreement”) for the State Water Project Contractors Authority;

WHEREAS, State Water Project water quality issues are of considerable importance to the parties;

WHEREAS, Section 4.3 (“Specific Projects”) of the JPA Agreement provides that specific project agreements may be entered into pursuant to which the Authority may undertake tasks as described in such specific project agreements;

WHEREAS, the parties to this Specific Project Agreement (“Specific Project Members”) will execute an agreement (“MWQI Agreement”) with the Department of Water Resources (DWR) providing for the parties’ participation in the Municipal Water Quality Investigations (MWQI) Program for the period January 1, ~~2014~~ 2017 through December 31, ~~2016~~ 2019;

WHEREAS, the MWQI Agreement established an MWQI SPC Account, not to exceed \$~~400~~700,000 annually whereby the MWQI Specific Project Committee can use these funds to perform supplemental water quality related services for the MWQI Program to ensure that work is completed in a timely and cost-effective manner and to provide additional value to the MWQI Program.

NOW, THEREFORE, it is agreed by and between the Parties as follows:

1. This Specific Project Agreement, upon execution, hereby supersedes and replaces in total all previous MWQI Program Specific Project Agreements.
2. This Agreement shall become effective upon receipt of signatures of those Specific Project Members whose combined Maximum M&I Table A amounts, as identified in Table 1, total 2.3 million acre-feet. This Specific Project Agreement shall terminate on December 31, ~~2016~~ 2019, except for payments or credits found through re-determination pursuant to Paragraph 16 of the MWQI Agreement entered into between the Department of Water Resources, the State Water Project

Contractors Authority, and the Specific Project Members for the period January 1, ~~2014-2017~~ through December 31, ~~2016~~2019.

3. The Specific Project Members hereby form the MWQI Specific Project Committee (“Committee”). Each Specific Project Member shall appoint a representative to the Committee to exercise the Member’s voting rights, and may appoint an alternate, to the Committee. In the representative’s absence, the alternate shall function as the representative.
4. The Committee anticipates that DWR will request the Authority General Manager to perform certain water quality related services through the MWQI SPC Account.
5. On behalf of the Authority, the Committee shall each year review and approve the MWQI Work Plan Appendix 1 items and budget and authorize the Authority General Manager to perform supplemental water quality related services as specified in the MWQI Agreement.
6. In accordance with the JPA Agreement and on behalf of the Authority, the Committee shall (a) select, pursuant to a competitive process, direct and receive work performed by consultants; (b) direct the Authority General Manager’s administration of consultant contracts; and (c) undertake any ancillary work related thereto.
7. Individual Specific Project Member voting rights as a percentage of all voting rights shall be allocated in the same percentages as costs are allocated in Table 1 – MWQI SPA. Committee actions shall only be effective if approved by a majority of the Specific Project Members and by a majority of the Members’ voting rights.
8. If the Committee seeks approval of a special project outside of the annual MWQI SPC ~~\$400~~700,000 limit allowed under the MWQI Agreement, the Committee shall direct the Authority General Manager to carry out such work only after it establishes a scope of work, schedule, and budget and notifies each agency in writing of its cost sharing proportion of the proposed Special Project. Any agency may choose to “opt in” participation for this Special Project by providing written notice within ten working days of notification. Each participating agency’s cost share of the proposed Special Project shall be allocated based upon its Table 1 value in proportion to all agencies’ Table 1 values that “opt-in” to the proposed Special Project or as otherwise agreed to amongst the participating agencies. The General Manager shall, as soon as practicable, invoice only the participating Specific Project Members for the resulting costs incurred by the Authority.
9. The Committee recognizes that the Committee shall incur administrative costs resulting from, but not limited to, participation in meetings, negotiations, analysis and general operational overhead administrative costs not to exceed \$50,000 per

year. Administrative charges shall be billed to the MWQI Work Plan Appendix 1 or assessed to the Specific Project Members as appropriate if work is done on Special Projects under Paragraph 8, depending upon the direct or indirect nature of the charges.

10. Specific Project Members may from time to time provide direct services to the Committee through use of their facilities and staff. Prior to carrying out such work, the Specific Project Member shall provide an estimate to the Committee for their review and approval. Such services shall be administered by the Authority in the same manner as other consultant services, following the same procedures and limitations. The Authority shall compensate Specific Project Members for such services and recover the costs in accordance with Paragraphs 4 or 8 of this Specific Project Agreement as appropriate.
11. The Committee shall elect a Chairperson, and Vice Chairperson, and such other officers, with titles and duties as determined by the Committee.
12. A Specific Project Member may terminate its participation in this Specific Project Agreement upon 30 days notice to the Authority General Manager. Any terminating Member shall only be responsible for its share of any and all costs incurred or committed by the Authority prior to the notice.
13. This Specific Project Agreement shall not be considered to be a precedent.
14. Notwithstanding the provisions of Section 15.8 (Limitations on Liability) of the Joint Powers Agreement, as between themselves, the Specific Project Members agree to severally assume any liability of the Authority resulting from this Specific Project Agreement in proportion to their respective shares of costs. Each Specific Project Member agrees that all members of the Authority that are not participating in this Specific Project Agreement shall incur no liability as a result of the Authority undertaking the work provided for by this Specific Project Agreement.
15. All provisions of the JPA Agreement are incorporated by reference and remain in full force and effect.
16. This Specific Project Agreement may be executed in counterparts.
17. The terms and conditions of the MWQI Agreement are incorporated by reference in this Specific Project Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Specific Project Agreement by authorized officials thereof on the dates indicated below.

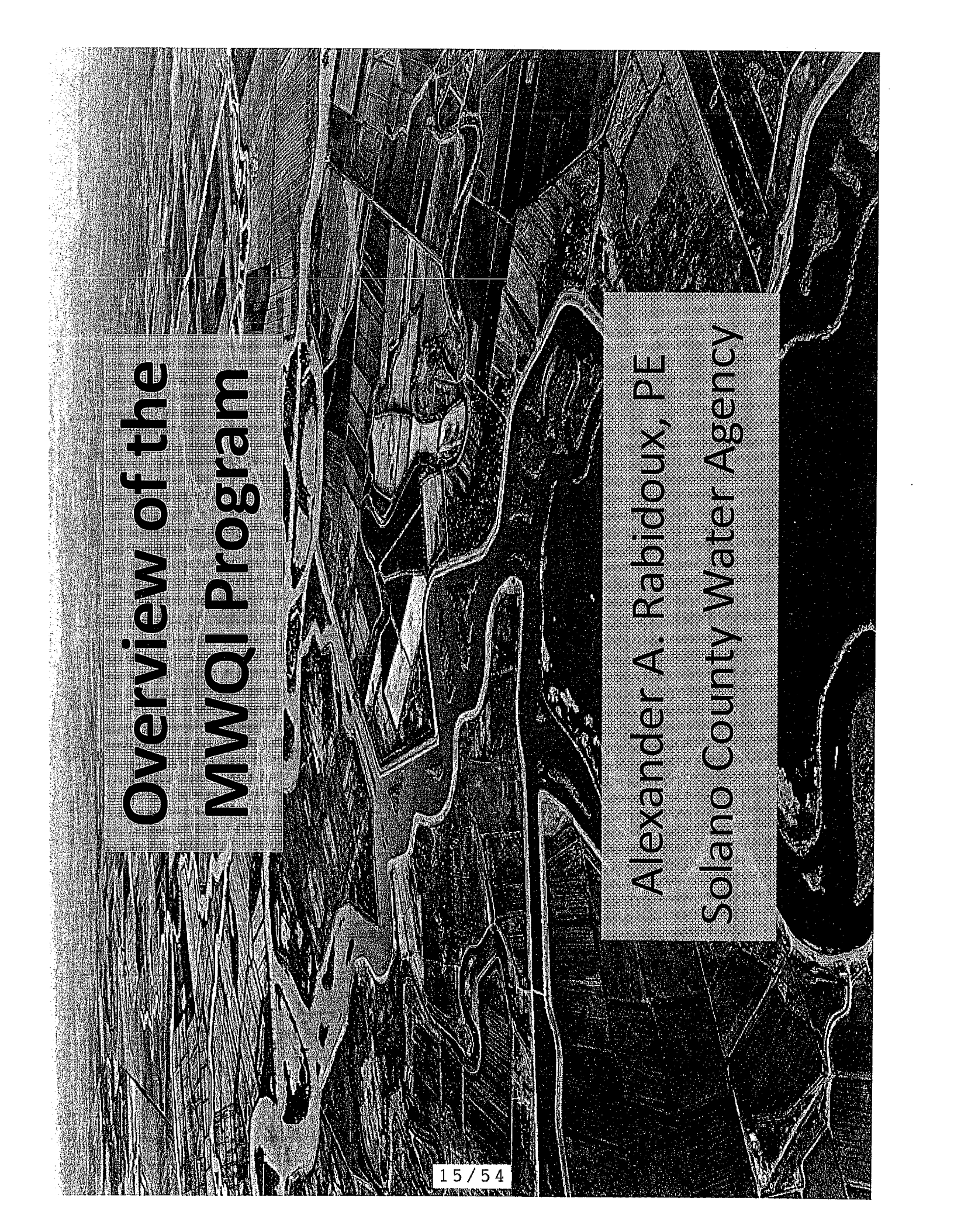
DATE: _____

By: _____
Member and Authorized Representative

Table 1 - MQWI SPA

Participating SWP Contractor	Maximum Table A (acre-feet)*	Cost Allocation *
Alameda County Flood Control and Water Conservation District, Zone 7	80,619	0.02866729
Alameda County Water District	42,000	0.01493477
Antelope Valley-East Kern Water Agency	144,844	0.05150503
Castaic Lake Water Agency	95,200	0.03385214
Central Coast Water Authority	45,486	0.01617435
Crestline-Lake Arrowhead Water Agency	5,800	0.00206242
Kern County Water Agency	79,000	0.02809159
Metropolitan Water District of Southern California	1,911,500	0.67970970
Mojave Water Agency	89,800	0.03193195
Napa County Flood Control and Water Conservation District	29,025	0.01032099
Palmdale Water District	21,300	0.00757406
San Bernardino Valley Municipal Water District	102,600	0.03648350
San Geronio Pass Water Agency	17,300	0.00615170
Santa Clara Valley Water District	100,000	0.03555897
Solano County Water Agency	47,756	0.01698154
Total:	2,812,230	1.00000000

* Cost allocation is based on SWP contract Maximum Table A amounts (KCWA amount is based on Municipal and Industrial use for two member units).



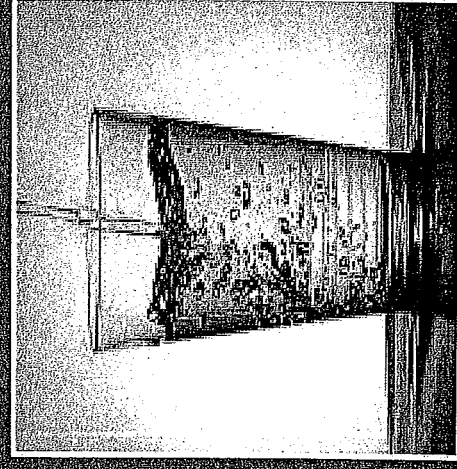
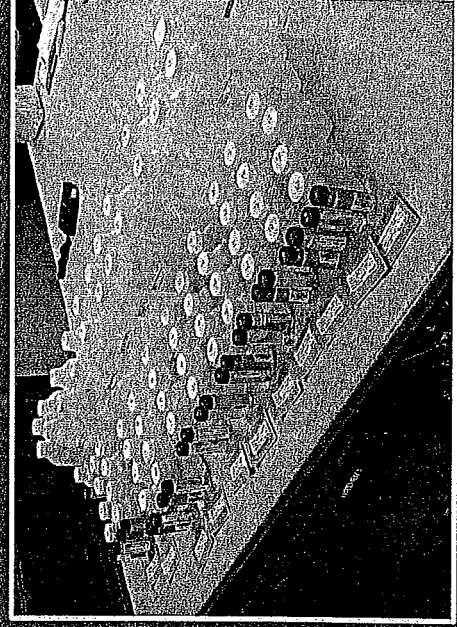
Overview of the MWOI Program

Alexander A. Rabidou, PE
Solano County Water Agency

What is MWQI?

Municipal Water Quality Investigation (MWQI) Program

- DWR Staffed Program (DES / Office of Water Quality)
- Funded by 16 Urban State Water Contractors
- Program started in 1983
- Focus is on SWP for municipal use
- Direct accountability to SWPCA / SWC



What is MWQI?

MWQIP (DWR Staff)

Special Studies

Forecasting

Field Support

Specific Project Committee (SPC)

SWC Technical Staff

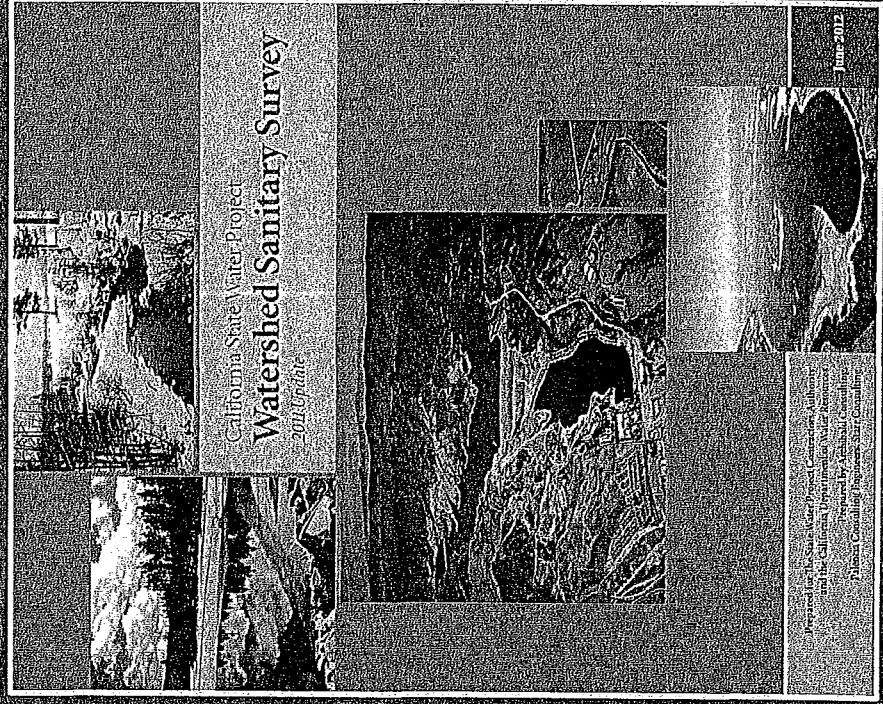
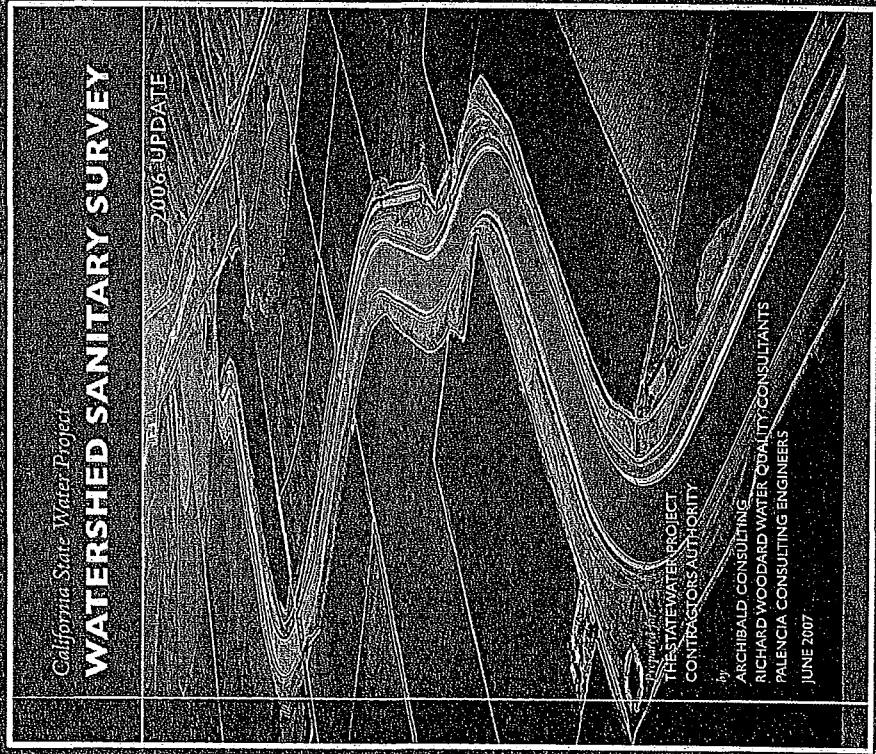
Total Budget = \$3.1 million

- MWQIP (DWR) = \$2.7 million
- SPC = \$400K
- SPC Purpose:
 - Technical Guidance & Direction to DWR
 - Equipment/Vendors (State Process is very inefficient)

Accomplishments

SWP Watershed Sanitary Surveys

- Required for all Urban SWCs (5-year Updates)

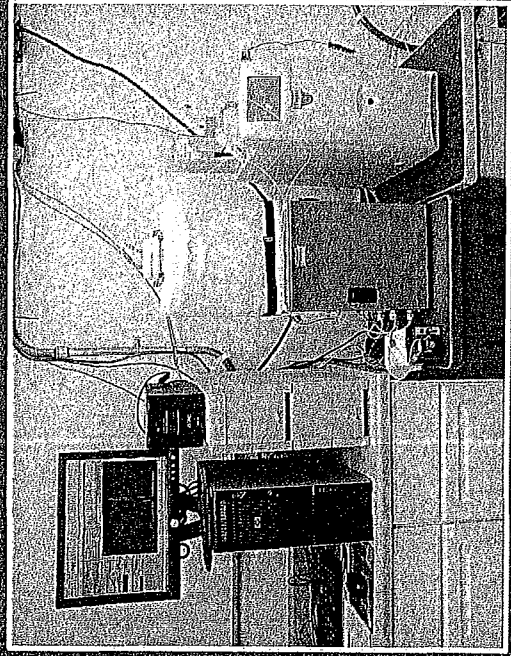
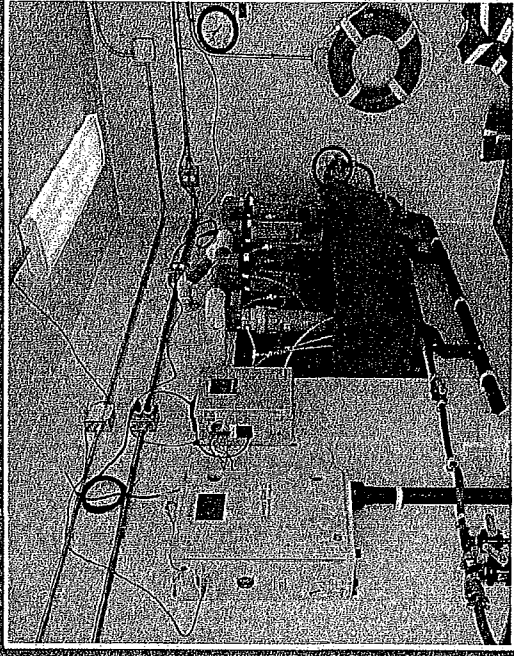


Accomplishments

Realtime Monitoring

- Lab Instruments for Realtime Data
- Key Delta & SWP Locations

Station	Realtime Constituents
Sac River @ Hood	TOC, DOC
SJ River @ Vernalis	TOC, DOC, Anions
Banks P.P.	TOC, DOC, Anions
Jones P.P.	TOC, DOC, Anions
Gianelli P/G Plant	TOC, DOC, Anions



Discrete Monitoring (28 Locations)

Lake Tahoe



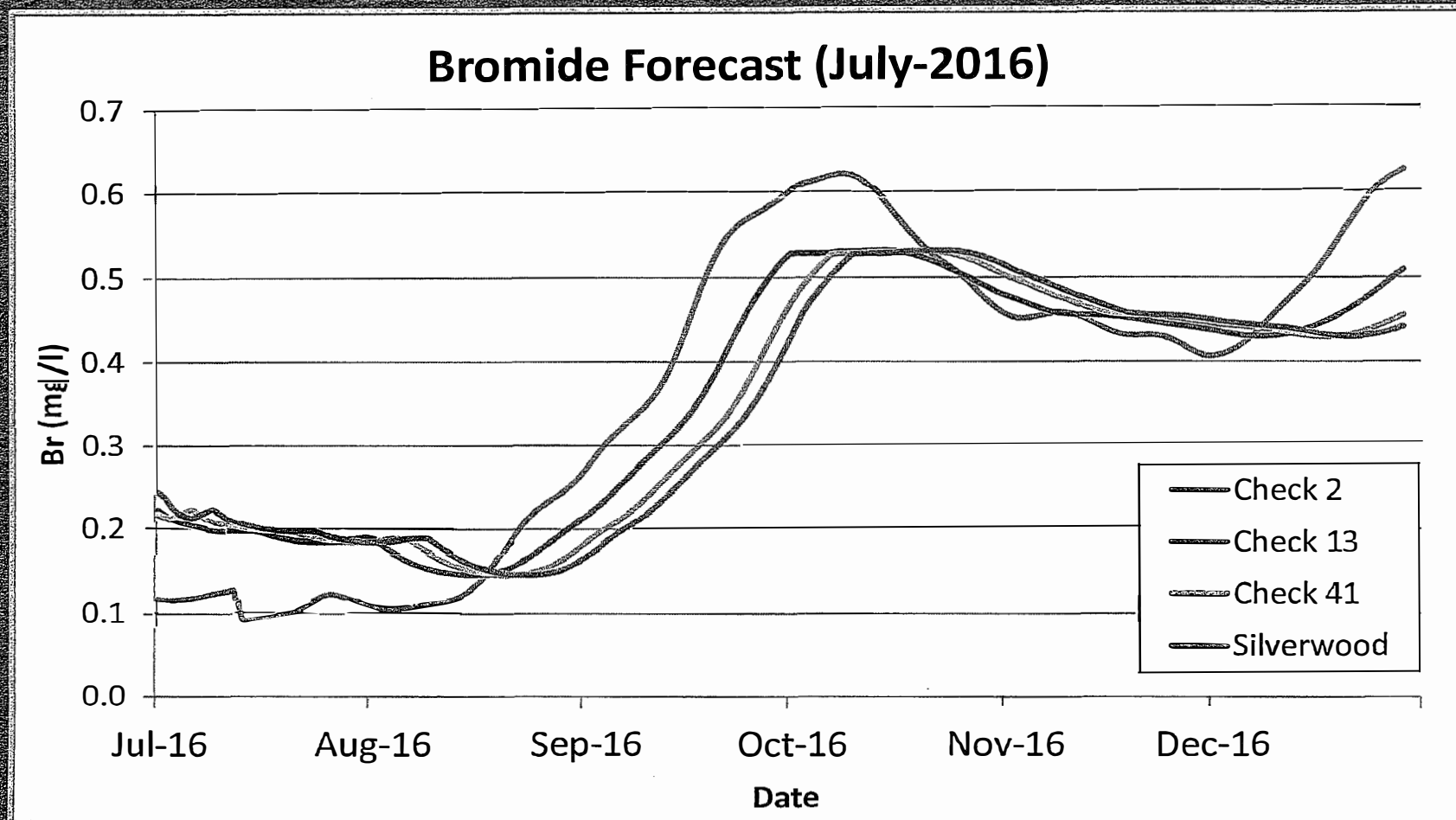
Location of Sampling

- Operations
- Delta Inputs
- Urban Runoff
- Wetland Restoration

Accomplishments

SWP Forecasts

- 6-month WQ Forecast (EC, Br)

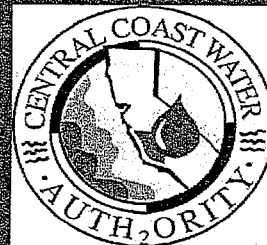
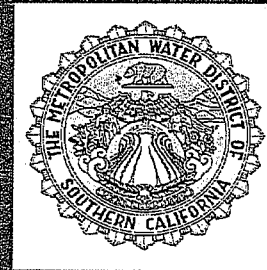
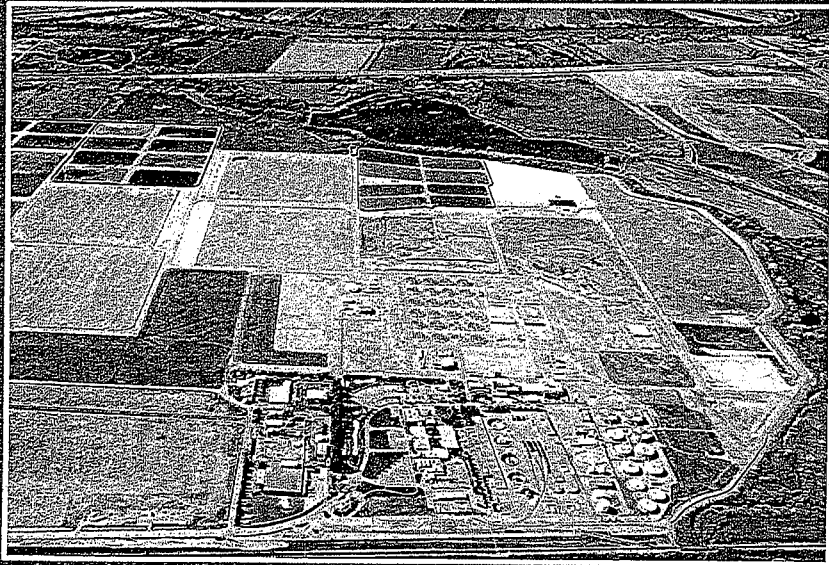


Accomplishments

Annual Face-to-Face Meeting

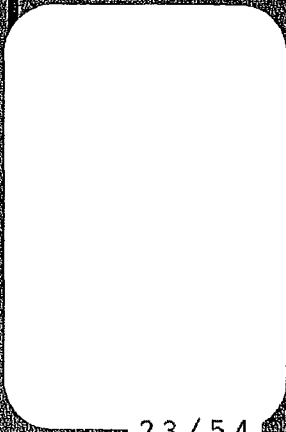
- Rotates b/t SWCs and SWP Facilities
- 1-day Tour (2016 - Sac Regional WWTP)
- 1-day Presentations & Focus Group
- Better understanding of individual SWC Ops/Challenges

22/54



Future Direction

MWQIP (DWR Staff)



Forecasting

Field Support

Specific Project Committee (SPC)

SWC Technical Staff

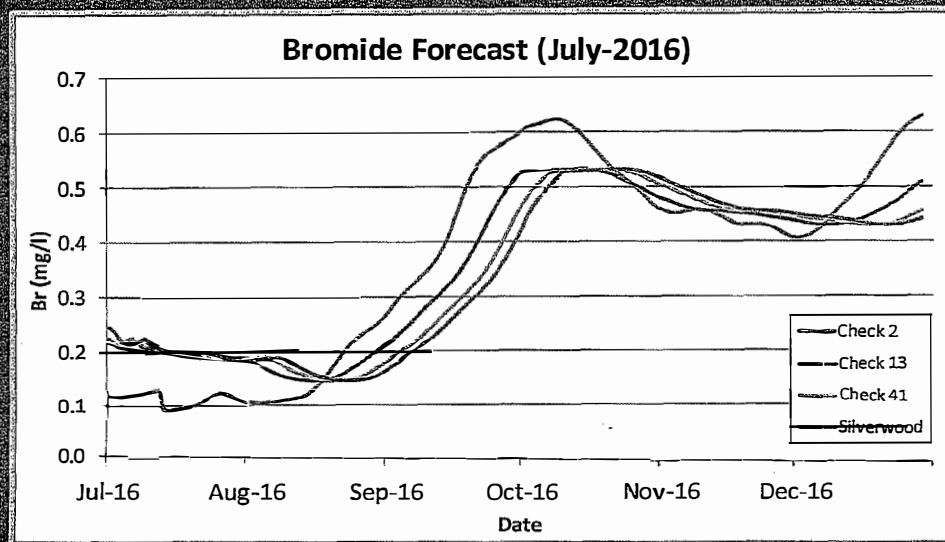
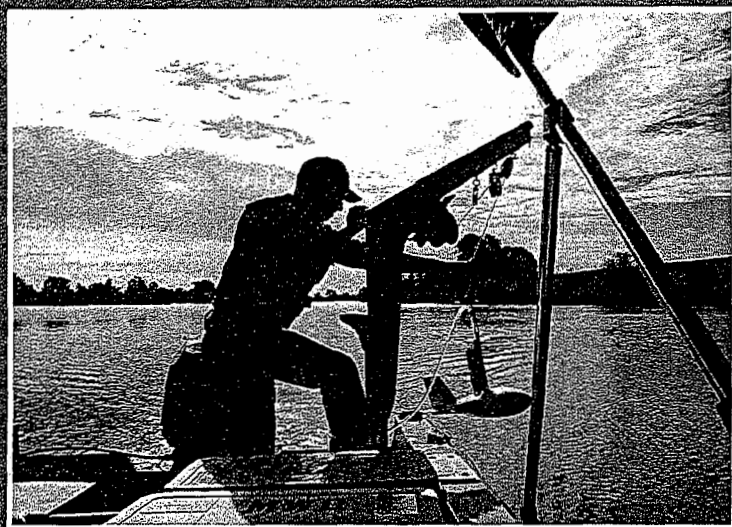
Entering new Agreement Period (2017-2019)

- Reduce DWR Funding → Increase SPC Funding
- DWR Special Studies Program, not meeting SWC needs
- Total Budget (unchanged) = \$3.1 million
 - MWQIP (DWR) = \$2.4 million
 - SPC Funding = \$0.7 million

Future Projects

- Continue WQ monitoring in the Delta / SWP Facilities
- Continue WQ Forecasts for SWP
- Interest in detailed Algal Analysis
 - Taste & Odor, Cyanotoxin Production
- MWQI Program can now more efficiently address SWC water quality related questions.

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MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: MWQI Agreement with the Department of Water Resources

DATE: November 21, 2016

Summary:

The Board discussed a revised draft agreement between the Agency and the Department of Water Resources (DWR) regarding the MWQI program at the September Engineering workshop. The purpose of this proposed Board Action is to determine if the Board wishes to renew the agreement with DWR for another three years.

Background:

The Agency has two separate agreements to enable its participation in the MWQI program. The first is a Specific Project Committee agreement with the State Water Project Contractor's Authority. The second is a separate agreement with DWR that defines the work to be done under the MWQI program. The agreement under consideration is the latter.

Detailed Report:

The proposed MWQI agreement with DWR is very similar to the agreement for the past three years. The agreement defines the work of the MWQI program and how the Agency will pay for its share of the charges. Most of the funds will be paid through invoices from DWR through the Debt Service fund. The remaining funds will be paid as dues to SWPCA. Total cost to the Agency for calendar year 2017 is expected to be approximately \$19,000.

Fiscal Impact:

Since this is budgeted and already included in the Debt Service budget, there will be no appreciable fiscal impact to the Agency in approving this agreement.

Relationship to Strategic Plan:

There is no direct relationship to the strategic plan.

Recommendation:

Staff recommends that the Board authorize the General Manager to sign the draft MWQI agreement with DWR, thus enabling the Agency to participate in the program for the next three years.

**STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES
MUNICIPAL WATER QUALITY INVESTIGATIONS
AGREEMENT**

**BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES,
STATE WATER PROJECT CONTRACTORS AUTHORITY AND
PARTICIPATING STATE WATER PROJECT CONTRACTORS
SWPAO NO. XXXXX**

THIS AGREEMENT is made this ___ day of _____, 2016, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through the Department of Water Resources (DWR), the State Water Project Contractors Authority (Authority) and participating urban State Water Project (SWP) contractors located in the State of California (Urban SWP Contractors).

RECITALS

WHEREAS, DWR and the Urban SWP Contractors have entered into and subsequently amended long-term water supply contracts, herein referred to as the Water Supply Contracts, providing that DWR will supply certain quantities of water to the Urban SWP Contractors and providing that the Urban SWP Contractors shall make certain payments to DWR, and setting forth the terms and conditions of such supply and such payment;

WHEREAS, DWR conducts various studies and activities to protect and improve the quality of SWP drinking water supplies

WHEREAS, DWR's Municipal Water Quality Investigations (MWQI) Program endeavors to monitor, evaluate, report-on, and forecast water quality conditions, and identify and evaluate the sources of contaminants that affect the municipal drinking water supplies of the Urban SWP Contractors;

WHEREAS, DWR must have a source of funding to repay the costs of the MWQI Program;

WHEREAS, the Urban SWP Contractors believe the MWQI Program is necessary to provide this important water quality information in a timely way to insure the best available source water is conveyed by the SWP, to efficiently operate their drinking water treatment facilities and to plan for and design cost effective drinking water treatment facilities to meet future drinking water quality standards;

WHEREAS, DWR and the Urban SWP Contractors are endeavoring to increase the value that DWR provides to the contractors;

WHEREAS, the Authority, a public entity, is a Joint Powers Authority created in 2003 to assist DWR with improving SWP efficiency and reliability and is a signatory to this Agreement;

WHEREAS, this Agreement will allow the Authority to provide supplemental water-quality related services to the MWQI Program;

WHEREAS, the Authority has formed an MWQI Specific Project Committee (SPC) made up of many Authority members that are Urban SWP Contractors and are participants in the MWQI Program;

WHEREAS, the MWQI SPC will perform supplemental water quality-related services to the MWQI Program with the intent to offer sufficient flexibility to complete required activities;

WHEREAS, Urban SWP Contractors are willing to enter into this Agreement to pay their share of the MWQI Program costs and accordingly the Urban SWP Contractors will be included in decisions related to the budget, scope, schedule, and activities of the MWQI Program;

AGREEMENT

NOW THEREFORE, it is mutually agreed that the following terms, conditions, and procedures hereby apply to the implementation and funding of the MWQI Program:

1. **Definitions.** When used in this Agreement, the following definitions shall apply:
 - (a) **“Bond Act”** means the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.
 - (b) **“Calendar Year”** means the calendar year beginning January 1 through December 31.
 - (c) **“Field Support Section” or “FSS”** means a Section of staff within the MWQI Program which routinely conducts water quality monitoring (both real-time and discrete) at sites in the Delta for municipal and industrial uses, and provides water quality data and knowledge-based data support to the Real-Time Data and Forecasting Comprehensive Program (RTDF-CP), and other programs within DWR.
 - (d) **“Municipal Water Quality Investigations Program” or “MWQI Program”** means a program to determine and evaluate the sources of contaminants in the SWP system and evaluate their impacts on municipal drinking water supplies to Urban SWP Contractors. This includes work conducted by the RTDF-CP, FSS, and the program partners in the Division of Operations & Maintenance (O&M) Regulatory Compliance & Reporting Branch and the Environmental Assessment Branch, and the Bay Delta Office (BDO) Delta Modeling Section. The MWQI Program includes work done under the direction of DWR management with guidance and support from the Authority and SWP Contractors.
 - (e) **“Municipal Water Quality Program (MWQP)”** means a branch within the DWR Division of Environmental Services that manages the MWQI Program with oversight on administrative functions and work conducted by the MWQI Program.
 - (f) **“MWQI Modeling and Forecasting Program Partners”** means staff in the O&M Environmental Assessment Branch which routinely conducts water quality monitoring (both real time and discrete) at SWP facilities in the San Luis Field Division including the Gianelli Monitoring Station and staff in the

O&M Operations Control Office Regulatory Compliance & Reporting Branch and the BDO Delta Modeling Section who provide modeling and forecasting support through MWQI resource agreements.

- (g) **“MWQI SPC Charge”** means the charge to be collected by the Authority each fiscal year through invoices from the Authority to those Participating Contractors that have agreed in their MWQI Specific Project Agreement to pay a portion of the total MWQI Program costs into the MWQI Account for MWQI Program work that is performed by the MWQI SPC during the Fiscal Year.
- (h) **“MWQI Specific Project Agreement”** An agreement entered into by Urban SWP Contractors to permit the MWQI SPC to perform supplemental water quality related services as identified in Appendix 1 of the MWQI Work Plan in addition to the work performed by DWR.
- (i) **“MWQI Specific Project Committee (SPC)”** consists of members of the Authority that have signed the MWQI Specific Project Agreement.
- (j) **“MWQI Statements of Charges (SOC) Charge”** means the charge, based on projected costs, to be collected each calendar year by DWR through the SOC for MWQI Program work that is performed by DWR during the Calendar Year.
- (k) **“MWQI Work Plan”** means a plan for work to be performed by DWR and the MWQI SPC during a given Calendar Year.
- (l) **“Participating Contractor”** means an Urban SWP Contractor that has executed this Agreement.
- (m) **“Project Management Plans”** means using the DWR accepted Project Management Body of Knowledge (PMBOK) standard for managing individual projects. This standard offers a general guide of using the basic processes of initiating, planning, executing, monitoring and controlling, and closing a project to better manage projects most of the time.
- (n) **“Real-Time Data and Forecasting Comprehensive Program (RTDF-CP)”** is a program within the MWQI Program that conducts modeling studies; produces water quality forecasts; and incorporates the FSS’s and O&M’s SWP drinking water quality monitoring data to create and disseminate daily, weekly, and web based reports on the sources and concentrations of contaminants in the Delta and SWP system. The RTDF-CP also provides historical and seasonal trends, MWQI web site updates, and conducts data management activities pertaining to database infrastructure enhancement and development to improve long-term storage and retrieval of RTDF-CP data.

- (o) **"Real-Time Data and Forecasting Steering Committee (RTDF Steering Committee)"** consists of representatives from the MWQP branch, the DWR program partners, the Authority, and Urban SWP Contractors.
- (p) **"Real-Time Data and Forecasting (RTDF) Section"** means a Section of staff within the MWQP branch that routinely supports and sustains the RTDF-CP program.
- (q) **"Resource Agreements"** means a written program-partnering agreement to manage the workloads, staff resources, deliverables, and budgets across DWR Divisions in respective programs. MWQP has individual 3-year resource agreements (RA) with the: O&M Operations Control Office (OCO) Regulatory Compliance & Reporting Branch; BDO Delta Modeling Branch; and O&M Environmental Assessment Branch.
- (r) **"Statements of Charges (SOC)"** means the annual charges distributed to each Water Supply Contractor on July 1 of each year as defined in Article 29 of the Water Supply Contract.
- (s) **"SWP"** means the State Water Project, which includes the Delta for purposes of the MWQI Program work plan projects.
- (t) **"SWP Project Interest Rate"** means the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimal fraction to five places.
- (u) **"Water Supply Contract"** means a long-term contract between the State of California and each Urban SWP Contractor for a water supply from the SWP of the type contained in DWR's Bulletin 141 dated November 1965.
- (v) **"Water Supply Contractor"** means a public agency that has a current Water Supply Contract.

2. **MWQI Real-Time Data Forecasting Steering Committee (RTDF Steering Committee).** The MWQI RTDF Steering Committee shall meet as needed to review, refine, and recommend changes to the Work Plan.

3. **Work Plan Development.**

- (a) DWR shall develop a proposed annual MWQI Work Plan, budget, and workload assessment by September 15 for the upcoming Calendar Year for presentation to, and to receive recommendations from, the RTDF Steering Committee and for the concurrence of the MWQI SPC and the Authority for work performed under their Account.

DWR will hold monthly meetings/conference calls with the MWQI RTDF

Steering Committee and provide a report on the status and progress of the Work Plan projects with monthly updates on expenditures. The final Work Plan shall be developed by December 15 of each year for the upcoming Calendar Year.

- (b) In developing the Work Plan each year, all comments and suggestions from the Participating Contractors will be processed through the MWQI SPC. The MWQI SPC will submit a unified set of comments to DWR.
- (c) The MWQI Work Plan shall, at a minimum, include:
 - (1) A description of the water quality assessment work to be accomplished, with monitoring projects broken down into routine or short-term including planned field and laboratory work;
 - (2) A description of the RTDF-CP work including production and dissemination of daily, weekly, and website RTDF-CP reports, information and data management activities, and water quality forecasting;
 - (3) A description of the water quality modeling and forecasting work including production, dissemination, reporting of model improvements, Delta fingerprint modeling, and seasonal forecasts;
 - (4) A description of other MWQI funded program activities;
 - (5) Specifications for deliverables related to individual program components; and
 - (6) Budget for each program component, along with a total budget and workload assessment.

4. MWQI Work Plan Implementation.

- (a) MWQI Program work shall be implemented upon final approval by DWR and the MWQI SPC, and will be conducted in accordance with the Work Plan.
- (b) Adjustments to the MWQI Program may be made as needed by DWR in response to conditions or opportunities that may arise at any time in a Calendar Year. These changes will be submitted to the RTDF Steering Committee for concurrence, and as needed to the MWQI SPC at their next scheduled meeting for their review, input, and approval.

5. Program Deliverables. At a minimum, DWR will provide the RTDF Steering Committee the Program Deliverables listed below, subject to modification by decision of DWR, and with the concurrence of the RTDF Steering Committee and

the MWQI SPC:

- (a) Monthly status reports and an assessment of recent MWQI expenditures in relation to the program budget at the last week of the month or at the next scheduled RTDF Steering Committee meeting.
- (b) All MWQI FSS data collected will be made available through the Water Data Library or the California Data Exchange Center. All MWQI final RTDF-CP reports will be posted on the MWQI website.
- (c) MWQI RTDF-CP monitoring and forecasting reports shall be completed in a timely manner given staffing and financial constraints.

6. MWQI SOC Charge.

- (a) DWR shall recover its costs for the MWQI Program through the MWQI SOC Charge. The MWQI SOC Charge shall recover costs incurred by DWR for the MWQI Program consistent with the annual MWQI Work Plan during the term of this Agreement. Each Participating Contractor's share of the annual MWQI SOC Charge for the term of the Agreement will be calculated each year based upon the annual MWQI SOC Charge multiplied by their proportionate share of the M&I Table A amount, except that of Kern County Water Agency. Kern County Water Agency shall be limited to 79,000 acre-feet and the remainder of the Participating Contractors' share shall increase proportionately, as shown in Table 1 and Table 2.
- (b) To facilitate billing on a calendar year basis, each Participating Contractor's share of the MWQI SOC Charge will be computed and included in the Participating Contractor's annual SOC under the Transportation Minimum OMP&R component, and, except as otherwise expressly provided in this Agreement, shall be collected under the same terms and conditions as charges are collected under that Water Supply Contract. The MWQI SOC Charge shall initially be based on projections of costs determined pursuant to development of the annual MWQI Work Plan. The MWQI SOC Charge shall then be subject to re-determination each year by DWR so that the charges may accurately reflect the increases or decreases in costs as compared to the projections of costs and all other factors that are determinative of such charges. Adjustments to the annual charges resulting from a re-determination shall be reflected in each Participating Contractor's share of the MWQI SOC Charge in the following calendar year with interest at the current SWP Project Interest Rate.
- (c) The MWQI SOC Charge plus the MWQI SPC Charge will not exceed \$3,100,000 for any Calendar Year.

7. **Performance.** Implementation of the MWQI Program will require staff involvement of various organizational units within DWR. DWR will take steps to ensure sufficient staffing and coordination occurs consistent with the adopted MWQI Work Plan. From time to time due to other assigned duties, individual staff assigned to the MWQI Program may devote less than 100 percent of their effort to identified tasks in the MWQI Work Plan. DWR will not bill Participating Contractors for staff efforts not included in the MWQI Work Plan.
8. **MWQI SPC Account.** Work to be completed by the MWQI SPC is identified in Appendix 1 of the MWQI Work Plan. Appendix 1 is developed by DWR and the MWQI RTDF Steering Committee and submitted to the MWQI SPC for approval prior to any work being performed. Appendix 1 shall, at a minimum, include: a description of all professional services to be rendered; all equipment, supplies or services to be purchased; a description of the work to be accomplished, broken down into individual Work Plan components; descriptions of planned field and laboratory work; specifications for deliverables related to individual work elements; and, budgets for each work element, along with a total budget. The MWQI SPC Account costs for supplemental water quality related services will be collected through the MWQI SPC Charge. Payments from Contra Costa Water District (CCWD) for its participation in the MWQI Program activities may be used to offset the MWQI SPC Charge as necessary. The MWQI SPC Charge shall not exceed \$700,000 annually. The MWQI SPC will obtain the necessary goods and services using funds from the MWQI SPC Account to accomplish its share of the MWQI Work Plan.
9. **MWQI SPC Charge.** Each year as necessary, the Authority shall invoice Participating Contractors to collect funds for the MWQI Account. Each Participating Contractor's share of the annual MWQI SPC Charge for the term of the Agreement will be calculated each year based on the annual MWQI SPC Charge multiplied by their proportionate share of the M&I Table A amount except that The MWQI Account shall be used to implement the MWQI SPC activities identified in the annual MWQI Work Plan. The MWQI SPC Charge shall initially be based on projections of costs determined pursuant to development of the MWQI Work Plan. The MWQI SPC Charge shall then be subject to re-determination each year by the MWQI SPC so that the charges may accurately reflect the increases or decreases in costs as compared to the projections of costs and all other factors that are determinative of such charges. Adjustments to the annual charges resulting from a re-determination shall be reflected in each Participating Contractor's share of the MWQI SPC Charge in the following calendar year with interest at the current SWP Project Interest Rate.
10. **Disposition of Property and Equipment.** Any property or equipment obtained by the Authority through the MWQI Account may, at the discretion of the MWQI SPC, be given to DWR "as is." DWR, at its sole discretion, may choose to accept such property or equipment. Upon acceptance, such property or equipment shall become the property of the State of California, and neither the Authority nor any Water Supply Contractor shall have any further responsibility or liability for such

property or equipment. The Authority does not and shall not provide any express or implied warranties for any property or equipment given to and accepted by DWR. However, to the extent permitted, the Authority will transfer to DWR any warranties provided by the manufacturer or other third parties for such property or equipment.

11. **Services Provided by the MWQI SPC on State Property.** With the approval of DWR for specific activities, the Authority on the recommendation or approval of the MWQI SPC may provide for services to be completed on State property as part of the Work Plan in Appendix 1. The Authority shall hold the State harmless for any litigation resulting from any claims that may arise from the participating vendor, contracted by the Authority, providing the services.
12. **Water Supply Contract.** Except as specified in this Agreement, the provisions of the Participating Contractor's Water Supply Contract shall be applicable to this Agreement.
13. **State Law.** This Agreement is made under and shall be construed in accordance with the laws of the State of California.
14. **MWQI Staff Out-of-State Travel.** If requested by the MWQI SPC, MWQI staff may be required to attend out of state scientific conferences to ensure that the MWQI Program provides the best available water quality information to the MWQI SPC and ensures that scientific studies are designed in the most innovative, cost-effective manner possible to meet future drinking water quality standards. Travel expenses will come out of DWR's MWQI Program Budget.
15. **Adjustment of Table 2 Proportionate Factors.** Table 2 Proportionate Use Factors are based upon the best information available of Participating Contractors that will be paying into the MWQI SPC Charge at the time this Agreement is executed. These Proportionate Use Factors may be adjusted if a Participating Contractor requests not to pay into the MWQI Account and the request is approved by the MWQI SPC. The total of the Participating Contractors Table A Amount in Table 2 shall not be less than 2,500,000 acre-feet. Any Participating Contractor not paying into the MWQI SPC Account through the MWQI SPC Charge will still be subject to Paragraph 16, the Final Program Accounting.
16. **Final Program Accounting.**
 - (a) At the end of the Agreement, DWR and the Authority will work together to summarize all Participating Contractor's MWQI SOC Charges, MWQI SPC Charges and those MWQI Account costs paid for by the payments from CCWD and all actual MWQI Program costs incurred during the term of this Agreement. This Final Program Accounting will determine if each Participating Contractor has paid its proportionate share of the total actual MWQI Program costs through its payments to both the MWQI SOC

Charge and the MWQI SPC Charge during the term of the Agreement. Each Participating Contractor's proportionate share of the total MWQI Program costs will be in the same proportion as its M&I Table A Amount shown in Table 1 bears to the total of all Participating Contractor's M&I Table A Amounts shown in Table 1.

- (b) If a new MWQI Agreement, similar to this MWQI Agreement, is implemented effective January 1, 2020, DWR will account for each Participating Contractor's Final Program Accounting over and under payment to the MWQI SOC Charge in the 2021 MWQI SOC Charge. If a new MWQI Agreement, similar to this MWQI Agreement is not implemented, DWR will invoice each Participating Contractor for its Final Program Accounting over or under payment in the 2021 SOC.
- (c) If a new MWQI Agreement, similar to this MWQI Agreement is implemented effective January 1, 2020, the Authority will provide for each Participating Contractor's Final Program Accounting over and under payment to the MWQI SPC Charges for the Calendar Year 2020 - 2021 MWQI SPC Charge. If a new MWQI Agreement, similar to this MWQI Agreement is not implemented, the Authority will issue either a check or invoice to each Participating Contractor for its Final Program Accounting over or under payment by July 1, 2020.
- (d) The MWQI SPC may vote to not conduct the Final Program Accounting at the end of the 2017-2019 MWQI Agreement if the M&I Table A amounts of the Contractors participating in both the SOC and SPC charges exceed 2,300,000 acre-feet.

17. Term of Agreement. This Agreement shall take effect on January 1, 2017, only if this MWQI Agreement is executed by the Participating Contractors that together have M&I Table A Amounts totaling at least 2,300,000 acre-feet. This Agreement shall terminate on December 31, 2019, except for payments or credits found through re-determination pursuant to Paragraph 16 of this Agreement. This Agreement may be terminated by any party with a twelve months written notice. Written notice of termination shall be delivered by certified mail with receipt for delivery returned to the sender. If any party provides notice of termination, the Authority and DWR will renegotiate the budget for the time remaining in the twelve month period. DWR shall perform such work as is necessary for the orderly completion of work scheduled for the twelve month period. The cost of such work shall not exceed the budget for that twelve month period. If the Participating Contractors decide to continue to fund the MWQI Program starting January 1, 2020, the MWQI SPC will provide DWR with a Letter of Intent no later than February 1, 2019, of that intent. This will allow DWR time to prepare the preliminary estimates for the 2020 SOC.

18. Agreement Execution. This Agreement may be executed in counterpart, each will be deemed to be an original and all of which together will be deemed to be

the same document. Each entity certifies that the person signing below on the respective entity's behalf has the authority to bind that entity to the covenants made in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

APPROVED AS TO LEGAL FORM
AND SUFFICIENCY

Cathy Crothers
Chief Counsel

Date _____

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT, ZONE 7

G.F. Duerig
General Manager

Date _____

ANTELOPE VALLEY-EAST KERN
WATER AGENCY

Dan Flory
General Manager

Date _____

CENTRAL COAST WATER AUTHORITY

Ray Stokes
Executive Director

Date _____

KERN COUNTY WATER AGENCY

James Beck
General Manager

Date _____

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Dean F. Messer, Chief
Division of Environmental Services

Date _____

ALAMEDA COUNTY WATER DISTRICT

Robert Schaver
General Manager

Date _____

CASTAIC LAKE WATER AGENCY

Matt Stone
General Manager

Date _____

CRESTLINE-LAKE ARROWHEAD
WATER AGENCY

Roxanne Holmes
General Manager

Date _____

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Devendra Upadhyay, Group Manager
Water Resource Management

Date _____

MOJAVE WATER AGENCY

NAPA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT

Kirby Brill
General Manager

Phillip Miller
District Engineer

Date _____

Date _____

PALMDALE WATER DISTRICT

SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT

Dennis LaMoreaux
General Manager

Douglas Headrick
General Manager

Date _____

Date _____

SAN GORGONIO PASS WATER AGENCY

SAN LUIS OBISPO COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

Jeff Davis, P.E.
General Manager and Chief Engineer

Paavo Ogren
Public Works Director

Date _____

Date _____

SANTA CLARA VALLEY WATER DISTRICT

SOLANO COUNTY WATER AGENCY

Norma Camacho
Chief Executive Officer

Roland Sanford
General Manager

Date _____

Date: _____

STATE WATER PROJECT
CONTRACTORS AUTHORITY

Mary Lou Cotton
General Manager
Date

STATEMENT OF CHARGES ALLOCATION FACTORS**TABLE 1**

	M&I Table A	Proportionate Share
ALAMEDA CO FC&WCD - ZONE 7	80,619	0.02841469
ALAMEDA COUNTY WD	42,000	0.01480317
ANTELOPE VALLEY-EAST KERN WA	144,844	0.05105120
CASTAIC LAKE WA	95,200	0.03355385
CENTRAL COAST WATER AUTH.	45,486	0.01603183
CRESTLINE-LAKE ARROWHEAD WA	5,800	0.00204425
KERN COUNTY WATER AGENCY	79,000	0.02784406
METROPOLITAN WD OF SC	1,911,500	0.67372050
MOJAVE WATER AGENCY	89,800	0.03165059
NAPA COUNTY FC&WCD	29,025	0.01023005
PALMDALE WD	21,300	0.00750732
SAN BERNARDINO VALLEY MWD	102,600	0.03616203
SAN GORGONIO PASS WA	17,300	0.00609750
SAN LUIS OBISPO CO. FC&WCD	25,000	0.00881141
SANTA CLARA VALLEY WD	100,000	0.03524564
SOLANO COUNTY WA	47,756	0.01683191
TOTAL	2,837,230	1.00000000

MWQI SPECIFIC PROJECT COMMITTEE CHARGE FACTORS**TABLE 2**

	M&I Table A	Proportionate Share
ALAMEDA CO FC&WCD - ZONE 7	80,619	0.02866729
ALAMEDA COUNTY WD	42,000	0.01493477
ANTELOPE VALLEY-EAST KERN WA	144,844	0.05150503
CASTAIC LAKE WA	95,200	0.03385214
CENTRAL COAST WATER AUTH.	45,486	0.01617435
CRESTLINE-LAKE ARROWHEAD WA	5,800	0.00206242
KERN COUNTY WATER AGENCY	79,000	0.02809159
METROPOLITAN WD OF SC	1,911,500	0.67970970
MOJAVE WATER AGENCY	89,800	0.03193195
NAPA COUNTY FC&WCD	29,025	0.01032099
PALMDALE WD	21,300	0.00757406
SAN BERNARDINO VALLEY MWD	102,600	0.03648350
SAN GORGONIO PASS WA	17,300	0.00615170
SANTA CLARA VALLEY WD	100,000	0.03555897
SOLANO COUNTY WA	47,756	0.01698154
TOTAL	2,812,230	1.00000000

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Contracting With David Taussig and Associates to Perform Financial Analysis and Modeling Related to Procurement of Additional Water Supplies

DATE: November 21, 2016

Summary:

The Agency is currently engaged in an effort to procure additional water supplies using various sources of revenue and projected revenue. The Agency is also revisiting the amount of its capacity fee based on current market conditions and other factors. The purpose of this proposed Board action is to contract with David Taussig & Associates to perform financial modeling, analyze the existing capacity fee, and to general make recommendations to the Agency as to how to most efficiently fund additional water supplies.

Background:

In July 2015 the Agency adopted a capacity fee to provide a revenue stream to procure additional water supplies. The nexus study providing the basis for the fee was prepared primarily in 2014. Agency staff is currently engaged in negotiating a cooperative agreement that may be used to implement the capacity fee and to begin deriving revenues from it as development proceeds in the region.

Detailed Report:

The Agency must determine, as it seeks additional water supplies, how best to utilize its various revenue sources to fund new supplies. As indicated previously, the Agency has four potential revenue sources—reserves, income from water sales (although this is currently not being collected since the current water rate is not high enough to provide this revenue), a dedicated portion of general fund tax revenues, and future capacity fee revenues.

The Agency needs a financial model to determine how best to utilize these revenue sources to procure additional supplies, and how to shift them as necessary in various types of years (for example, when water sales are low, when development is decreased, etc.). This information will provide critical information to the Board in deciding whether to procure specific future supplies, as it will indicate how annual payments may be made under various conditions.

In addition, the Agency needs to revisit the amount of the capacity fee. The nexus study recommends that the Agency revisit this on an annual basis. It is believed that the current fee as structured may be too low based on the fact that it was developed several years ago and based on the fact that, due to development pressures, water may need to be procured immediately for newly-approved development. The original intent of the fee was to provide the Agency with a number of years in which to seek the best opportunities available and to negotiate deals that would be advantageous to the Agency.

Since the capacity fee was not implemented in 2011 as planned, and since development has continued since that time, it would appear likely that any new development may need additional water supplies immediately, which will obviously impact the amount of the fee, especially in the fifth year of a drought.

The attached proposal from David Taussig & Associates (DTA) was received based on a scope of work defined by Agency staff. DTA has previously worked with the Agency on the capacity fee (twice) and on water rates, and their staff is well versed on the Agency and the issues it currently faces.

Fiscal Impact:

This work is included in the 2016-2017 general fund budget. Thus, the financial impact will be minimal.

Relationship to Strategic Plan:

The strategic plan calls for a regional funding plan, of which this modeling is an integral part. Thus, this proposed work is consistent with the strategic plan and was envisioned by it.

Recommendation:

Staff recommends that the Board authorize the General Manager to sign an agreement with DTA for an amount not to exceed \$30,000, to provide the work identified in the scope of work, in a form acceptable to the General Counsel.

AGREEMENT FOR CONSULTING SERVICES

THIS AGREEMENT is made and entered into this ____ day of October 2016, by and between the San Gorgonio Pass Water Agency located at 1210 Beaumont Avenue, Beaumont, CA 92223, herein called "Client," and David Taussig and Associates, Inc. at 5000 Birch Street, Suite 6000, Newport Beach, CA 92660, herein after called "Consultant." The Client and the Consultant in consideration of the mutual promises and conditions herein contained agree as follows.

ARTICLE I
TERM OF CONTRACT

Section 1.1 This agreement shall become effective on the date stated above and will continue in effect until the earlier of (i) that day when the services provided for herein have been performed or (ii) until terminated as provided in Article 6 below.

ARTICLE II
SERVICES TO BE PERFORMED BY CONSULTANT

Section 2.1 Consultant agrees to perform the professional services for the Client in accordance with the applicable professional standard of care and to deliver the work products to the Client as described in the Scope of Work statement attached as Exhibit "A" hereto. Such professional services and work products, as from time to time modified in accordance with Section 2.3 hereof, are collectively referred to as the "Consulting Services."

Section 2.2 Instruments of Service. All computer software (including without limitation financial models, compilations of formulas and spreadsheet models), inventions, designs, programs, improvements, processes and methods (collectively, the "Proprietary Models"), reports, drawings, specifications, computer files, field data, notes and other documents and instruments prepared by DTA are Instruments of Service of DTA and shall remain the property of DTA. DTA shall likewise retain all common law, statutory and other reserved rights, including the copyright thereto. Client acknowledges and agrees that the consideration paid by Client herein only entitles Client to a license to use the hard copy or electronically transmitted reports generated pursuant to the Consulting Services and that any Proprietary Model that DTA uses to generate such reports is owned by, or is duly licensed from a third party to Consultant and is not being provided to Client hereunder. The reports and models used to generate such reports are for use on this Project only. The Client shall not reuse or make any modification to the hard copy or electronically transmitted reports generated pursuant to the Consulting Services without the prior written authorization of the DTA. The Client agrees, to the fullest extent permitted by law, to indemnify and hold harmless the DTA, its shareholders, officers, directors, employees and subconsultants (collectively, DTA) against any damages, liabilities or costs, including reasonable attorneys' par fees and defense costs, arising from or allegedly arising from or in any way connected with the unauthorized use, reuse or modification of the hard copy or electronically transmitted reports generated pursuant to the Consulting Services or any of DTA's Instruments of Service, including models, by the Client or any person or entity that

acquires or obtains the reports from or through the Client without the written authorization of the DTA. Client acknowledges that DTA may have used reports and analyses that DTA authored for other clients as base works or templates for the reports and analyses prepared for Client pursuant to this Agreement, and Client acknowledges and agrees that DTA has the right to use the reports and analyses that it authors pursuant to this Agreement as base works or templates for reports and analyses that DTA authors for DTA's other clients, provided, however that DTA shall not use any confidential information provided by Client in such future reports and analyses. Client further acknowledges and agrees that DTA has spend substantial time and effort in collection and compiling data and information (the "Data Compilations") in connection with the Consulting Services and that such Data Compilations may be used by DTA for its own purposes, including, without limitation, sale or distribution to third parties; provided, however, that DTA will not sell or distribute any of Client's confidential information that may be contained in such Data Compilations, unless such confidential information is used only on an aggregated and anonymous basis.

Section 2.3 Any proposed changes in the Consulting Services hereunder shall be submitted to the other party hereto, and any such changes agreed to by the parties shall be reflected in an amendment to Exhibit "A" in accordance with Section 7.2 hereto.

Section 2.4 Nothing in this Agreement shall give the Consultant possession of authority with respect to any Client decision beyond the rendition of information, advice, recommendation or counsel.

ARTICLE III COMPENSATION

Section 3.1 Client agrees to pay Consultant for its Consulting Services in accordance with this Agreement, a professional fee computed according to the Professional Fee Schedule attached as Exhibit "B" hereto and incorporated herein by reference (the "**Fee Schedule**"). Client acknowledges and agrees that portions of Consultant's professional fees and expenses may have been incurred by Consultant prior to the execution of this Agreement (the "**Pre-Agreement Fees**") and Client agrees to pay such Pre-Agreement Fees in accordance with this Agreement.

Section 3.2 The Client shall reimburse the Consultant for Consultant's out-of-pocket expenses plus a 15% administrative charge. Expenses shall include all actual expenditures made by Consultant in the performance of any Consulting Services undertaken pursuant to the Agreement, including, without limitation, the following expenditures:

- (a) Cost of clerical assistance @ \$35.00 per hour, including typing, collation, printing and copying, plus copier and photography costs, including photographic reproduction of drawings and documents.
- (b) Transportation costs, including mileage for the use of personal automobiles at the prevailing IRS standard rate, rental vehicles, lodging and regularly scheduled commercial airline ticket costs.
- (c) Courier services, facsimile, and telephone expenses.

Section 3.3 On or about the first two weeks of each month during which Consulting Services are rendered hereunder, Consultant shall present to Client an invoice covering the current Consulting Services performed and the reimbursable expenses incurred pursuant to this Agreement and exhibits thereto. Such invoices shall be paid by Client within thirty (30) days of the date of each invoice. A 1.2% charge may be imposed against accounts which are not paid within 30 days of the date of each invoice.

Section 3.4 The maximum total fee amount set forth in Exhibit "B" may be increased as a result of any expansion of the Consulting Services to be rendered hereunder pursuant to Section 2.3 or as provided in Exhibit "A" hereto.

Section 3.5 Records of the Consultant's costs relating to (i) Consulting Services performed under this Agreement and (ii) reimbursable expenses shall be kept and be available to the Client or to Client's authorized representative at reasonable intervals during normal business hours.

ARTICLE IV

OTHER OBLIGATIONS OF CONSULTANT

Section 4.1 Consultant agrees to perform the Consulting Services in accordance with Exhibit "A" and the applicable standard of care. Should any errors caused by Consultant's negligence be found in such services or products, Consultant will correct them at no additional charge by revising the work products called for in Exhibit "A" to eliminate the errors.

Section 4.2 Consultant will supply all tools and instrumentalities required to perform the Consulting Services under the Agreement.

Section 4.3 Neither this Agreement nor any duties or obligations under this Agreement may be assigned by Consultant without the prior written consent of Client. However, Consultant may subcontract portions of the work to be performed hereunder to other persons or concerns provided Consultant notifies Client of the name and address of said proposed subcontractor and Client either consents or fails to respond to notification with respect to the use of any particular proposed subcontractor.

Section 4.4 In the performance of its Consulting Service hereunder, Consultant is, and shall be deemed to be for all purposes, an independent contractor (and not an agent, officer, employee or representative of Client) under any and all laws, whether existing or future. Consultant is not authorized to make any representation, contract or commitment on behalf of Client.

Section 4.5 Neither this Agreement, any duties or obligations under this Agreement, nor the intentions or expectations of Client will cause the Consultant to be a "public official" as that term is used in Section 87100 of Title 9 of the California Government Code. Client and Consultant agree that Consultant is not a "public official" or "participating in governmental decision" as those terms are used in Section 87100. The Client and Consultant also agree that no actions and opinions necessary for the performance of duties under the Contract will cause the Consultant to be a "public official" or "participating in a governmental decision" as those terms are used in Section 87100.

ARTICLE V
OTHER OBLIGATIONS OF CLIENT

Section 5.1 The Client shall provide full information in a timely manner regarding requirements for and limitations on the Project. Client agrees to comply with all reasonable requests of Consultant and provide access to all documents reasonably necessary to the performance of Consultant's duties under this Agreement with the exception of those documents which Exhibit "A" calls upon the Consultant to prepare.

Section 5.2 Neither this Agreement nor any duties or obligations under this Agreement may be assigned by Client without the prior written consent of Consultant.

Section 5.3 Consultant frequently is retained by developers, landowners, and other persons and concerns interested in development projects which often eventually lead to the preparation on a contract basis by Consultant of preliminary tax spread models for government agencies to determine tax rates and other matters necessary to accomplish various improvements to realty for financing under a Mello-Roos or other financing programs. In light of the foregoing, Client will determine whether or not it is appropriate to conduct a "significant substantive review" or a "significant intervening substantive review" of Consultant's activities conducted pursuant to this Agreement as such terms are defined in Section 18700(c)h of Title 2 of the California Administrative Code. Should Client elect to conduct such a substantive review, then Client shall determine whether it has sufficient expertise on staff to conduct such a review, and, if not, will retain an independent expert consultant to review Consultant's work. Thereafter, Client shall conduct such review, or cause such independent review to be conducted, prior to the making of any governmental decision relating to the matters contained within the Scope of Work described in Exhibit "A". The parties do not intend and nothing in this Section 5.3 is meant to imply that Consultant is a "public official," "participating in a governmental decision," or has a "financial interest" in the services provided as such terms are used in Section 87100 of Title 9 of the California Governmental Code.

Section 5.4 The Client shall provide prompt written notice to the Consultant if the Client becomes aware of any fault or defect in the Project, including any errors, omissions or inconsistencies in the Consultant's Instruments of Service.

Section 5.5 Client, public agencies, landowners, consultants and other parties dealing with Client or involved in the subject development project referred to in Exhibit "A" will be furnishing to Consultant various data, reports, studies, computer printouts and other information and representations as to the facts involved in the project which Client understands Consultant will be using and relying upon in preparing the reports, studies, computer printouts and other work products called for by Exhibit "A." Consultant shall not be obligated to establish or verify the accuracy of the information furnished by or on behalf of Client, nor shall Consultant be responsible for the impact or effect on its work products of the information furnished by or on behalf of Client, in the event that such information is in error and therefore introduces error into Consultant's work products.

Section 5.6 Indemnity by Client. Client agrees to defend, indemnify and hold Consultant harmless from and against all obligations, losses, liabilities, damages, claims, attachments, executions, demands, actions and/or proceedings (collectively, "Claims") and all costs and expenses in connection therewith, including reasonable attorneys' fees, arising out of or connected with the performance of Consultant's Consulting Services under this Agreement, except as may arise from

Consultant's willful misconduct or gross negligence. In that regard, Client will indemnify and hold Consultant harmless from any Claims arising from, growing out of, or in any way resulting from, errors contained in data or information furnished by Client or Client's designee to Consultant for use in carrying out the Consulting Services called for by this agreement. If for any reason the indemnification under this Section 5.6 is unavailable to Consultant or insufficient to hold it harmless, then the Client shall contribute to the amount paid or payable by Consultant as a result of such loss, liability, damage, claim, demand, action or proceeding in such proportion as is appropriate to reflect not only the relative benefits received by the Client on the one hand and Consultant on the other hand but also the relative fault of the Client and Consultant as well as any relevant equitable considerations; provided that Consultant's contribution obligations hereunder shall in no event exceed the amounts received by Consultant under this Agreement.

Section 5.7 In the event that court appearances, testimony or depositions are required of Consultant by Client in connection with the services rendered hereunder, Client shall compensate Consultant at a rate of \$250 per hour and shall reimburse Consultant for out-of-pocket expenses on a cost basis.

ARTICLE VI

TERMINATION OF AGREEMENT

Section 6.1 Either party may terminate or suspend this Agreement upon thirty (30) days written notice. Unless terminated as provided herein, this Agreement shall continue in force until the Consulting Services set forth in Exhibit "A" have been fully and completely performed and all proper invoices have been rendered and paid.

Section 6.2 Should either party default in the performance of this Agreement or materially breach any of its provisions, the other party at its option may terminate this Agreement by giving written notification to the defaulting party. Such termination shall be effective upon receipt by the defaulting party, provided that the defaulting party shall be allowed ten (10) days in which to cure any default following receipt of notice of same.

Section 6.3 In the event of any termination that is not the fault of the Consultant, the Client shall pay the Consultant, in addition to payment for services rendered and reimbursable costs incurred, for all expenses reasonably incurred by the Consultant in connection with the orderly termination of this Agreement, including but not limited to demobilization, reassignment of personnel, associated overhead costs and all other expenses directly resulting from the termination, plus an amount for the Consultant's anticipated profit on the value of the services not performed by the Consultant.

Section 6.4 Suspension and Termination for Non-Payment. (i) In addition to any other provisions in this Agreement regarding breach of the Agreement, if the Client fails to make payments when due, the Consultant may suspend performance of services upon ten (10) calendar days' notice to the Client. The Consultant shall have no liability whatsoever to the Client for any costs or damages as a result of such suspension caused by any breach of this Agreement by the Client. Upon payment in full by the Client, the Consultant shall resume services under this Agreement, and the time schedule and compensation shall be equitably adjusted to compensate for the period of suspension plus any other reasonable time and expense necessary for the Consultant to resume

performance. (ii) If the Client fails to make payment to the Consultant in accordance with the payment terms herein, and/or Client has failed to cure its breach or default following a suspension of services as set forth above, this shall constitute a material breach of this Agreement and shall be cause for termination of this Agreement by the Consultant upon seven (7) days written notice to the Client. (iii) Payment of invoices shall not be subject to any discounts or set-offs by the Client, unless agreed to in writing by the Consultant. Payment to the Consultant for services rendered and expenses incurred shall be due and payable regardless of any subsequent suspension or termination of this Agreement by either party.

Section 6.5 The covenants contained in Sections 3.1, 3.2, 4.4, 5.3, 5.4, 5.5, 5.6 and all of Article VII shall survive the termination of this Agreement.

ARTICLE VII

GENERAL PROVISIONS

Section 7.1 Any notices to be given hereunder by either party to the other may be effected either by personal delivery in writing or by mail. Mailed notices shall be addressed to the parties at the addresses appearing in the introductory paragraph of this Agreement, but each party may change the address by written notice in accordance with the first sentence of this Section 7.1. Notices delivered personally will be deemed communicated as of actual receipt. Mailed notices will be deemed communicated as of two (2) days after mailing.

Section 7.2 This Agreement and exhibits hereto supersede any and all agreements, either oral or written, between the parties hereto with respect to the rendering of service by Consultant for Client and contains all of the covenants and agreements between the parties with respect to the rendering of such services. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement (including any exhibit hereto) will be effective if it is in writing and signed by the party against whom it is sought to be enforced.

Section 7.3 If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

Section 7.4 Disputes. The parties agree to first try in good faith to settle the dispute by mediation pursuant to the Mediation Rules of the American Arbitration Association. If the claim or controversy is not settled by mediation, the claim or controversy may be resolved by final and binding arbitration. On the written request of one party served on the other, the dispute shall be submitted to binding arbitration in accordance with the commercial rules and regulations of the American Arbitration Association and the provisions of the California Arbitration Act (Sections 1280 through 1294.2 of the California Code of Civil Procedure). The arbitration shall take place in Newport Beach, California, or such other location mutually agreed to by the parties.

The arbitrator(s) shall be selected as follows: In the event that Consultant and Client agree on one arbitrator, the arbitration shall be conducted by such arbitrator. In the event Consultant and Client do not so agree, Consultant and Client shall each select an arbitrator and the two arbitrators so

selected shall select the third arbitrator. If there is more than one arbitrator, the arbitrators shall act by majority vote. The parties may propose arbitrators from JAMS, ADR, ARC or any independent arbitrator/neutral for dispute resolution. The parties are not required to hire an AAA arbitrator for resolution of a dispute hereunder.

No arbitration shall include by way of consolidation or joinder any parties or entities nor a party to this Agreement without the express written consent of the Client, the Consultant and any party or entity sought to be joined with an express reference to this provision. Any party or entity joined in the arbitration, after mutual consent, shall be bound by this provision.

The decree or judgment of an award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

Section 7.5 The prevailing party in any arbitration or legal action brought by one party against the other and arising out of this Agreement shall be entitled, in addition to any other rights and remedies it may have, to reimbursement for its expenses, including court costs and reasonable attorneys' fees. The non-prevailing party shall be liable, to the extent allowable under law, for all fees and expenses of the arbitrator(s) and all costs of the arbitration.

Section 7.6 This Agreement will be governed by and construed in accordance with the laws of the State of California.

Section 7.7 Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the Client or the Consultant. The Consultant's services under this Agreement are being performed solely for the Client's benefit, and no other party or entity shall have any claim against the Consultant because of this Agreement or the performance or nonperformance of services hereunder.

Section 7.8 Notwithstanding any other provision of this Agreement, and to the fullest extent permitted by law, neither the Consultant nor the Client, their respective officers, directors, partners, employees, contractors or subconsultants shall be liable to the other for, or shall make, any claim for any incidental, indirect or consequential damages arising out of or connected in any way to the Project or to this Agreement. This mutual waiver of consequential damages shall include, but is not limited to, loss of use, loss of profit, loss of business, loss of income, loss of reputation or any other consequential damages that either party may have incurred from any cause of action including negligence, strict liability, breach of contract and breach of strict or implied warranty.

Section 7.9 It is intended by the parties to this Agreement that the Consultant's services in connection with the Project shall not subject the Consultant's individual shareholders, officers, directors, members, managers or employees to any personal legal exposure for the risks associated with this Project. Therefore, and notwithstanding anything to the contrary contained herein, Client agrees that as Client's sole and exclusive remedy, any claim, demand or suit shall be directed and/or asserted only against Client and not against any of the individual shareholders, officers, directors, members, managers or employees.

Section 7.10 Limitation of Liability – for available insurance: In recognition of the relative risks and benefits of the Project to both the Client and the Consultant, the risks have been allocated such that the Client agrees, to the fullest extent permitted by law, to limit the liability of the Consultant to the Client for any and all claims, losses, costs, damages of any nature whatsoever or

claims expenses from any cause or causes, including attorneys' fees and costs and expert-witness fees and costs, so that the total aggregate liability of the Consultant to the Client shall not exceed the

sum of insurance coverage available at the time of settlement or judgment. It is intended that this limitation apply to any and all liability or cause of action however alleged or arising, except for Consultant's willful misconduct or unless otherwise prohibited by law.

IN WITNESS WHEREOF, this Agreement has been executed on the date and year first above written.

CONSULTANT:
David Taussig & Associates, Inc.

CLIENT:
San Geronio Pass Water Agency

By: _____
David Taussig, President

By: _____

Date: _____

Date: _____

EXHIBIT A

SCOPE OF WORK

SAN GORGONIO PASS WATER AGENCY

David Taussig & Associates, Inc. (“Consultant”) shall provide financial consulting services to assist San Gorgonio Pass Water Agency (“Client” or “Agency”) with the preparation of a financial model and forecast. The focus of this engagement is to provide the Client with ideas and opportunities to utilize one-time funds over a period of time, if required, as well as providing advice on the most efficient (and fairest) methods of funding water purchases in order to leverage assets, maximize value, and minimize water rate increases.

The specific activities and tasks to be performed under this Scope of Work include the following:

1. Review Agency’s current financial situation, including level of reserves, revenue sources, ongoing trends, projected future trends, etc., with Agency staff.
2. Review Agency capacity fee level, especially the new water portion, with respect to current available opportunities, and make a recommendation as to the adequacy of the existing fee.
3. Review highest priority opportunities adopted by Board for procurement of new supplies, from Provost & Pritchard study. Include any and all information garnered by Agency staff related to possible costs of these opportunities, and the timing of payments (up front vs. annual).
4. Review urban water management plans from retail agencies to determine expected rate of new home building and expected capacity fee revenues on an annual basis for the next five years.
5. Run models (likely Excel-based) of Agency projected revenues from listed sources, along with various possibilities of costs per AF for new water supplies, to determine what is viable and what is not, and what would be most efficient method of funding new water supplies.
6. Work with Agency staff during this process to set parameters, estimate costs, determine model inputs, etc.
7. This process is likely to be iterative. Review useful model runs with Agency staff to determine strengths and weaknesses, and to determine parameters for next model run.
8. Model runs should go at least ten years into the future.
9. Model runs should determine if current funding levels are sufficient or if fees/rates need to change in order to maintain adequate supplies in the future.

10. Write a summary memo describing the results of the models, including recommendations to the Board. Recommendations could include: increase the amount of fees, increase the component of the water rate to purchase new water supplies, change the structure of the capacity fee or the water rate, or other recommendations that are borne out by the modeling. Include a section in the memo on leveraging one-time capacity fees to make periodic payments and how this can be done effectively.

EXHIBIT B

FEE SCHEDULE

SAN GORGONIO PASS WATER AGENCY

DTA's proposed budget for the tasks listed in the Scope of Work described above is time and materials up to \$30,000. These tasks shall be billed according to actual hours worked at the rates shown below:

Managing Director	\$250/Hour
Vice President	\$225/Hour
Manager	\$200/Hour
Senior Associate	\$180/Hour
Associate	\$165/Hour
Senior Analyst	\$145/Hour
Analyst	\$125/Hour
Research Assistant	\$105/Hour

Monthly progress payments will be made by Client upon presentation of invoice by Consultant providing details of services rendered and expenses incurred. At Client's request services in addition to those identified in the Scope of Work may be provided if the total fee required to complete Tasks 1 through 10 is less than the amount shown above. Alternatively, if the Scope of Work can be completed for less than the maximum amount, only the hours actually expended will be billed.

In addition to fees for services, Client shall reimburse Consultant for travel, copying, courier, facsimile, telephone expenses, data services, maps, clerical charges, administrative charges, and other out-of-pocket expenses, in an amount not to exceed \$1,000 for each fiscal year. Monthly progress payments shall be made by Client upon presentation of invoices by Consultant providing details of services rendered and expenses incurred.

Limitations

The preceding hourly rates apply for a 12 month period from execution of the Agreement and are subject to a cost-of-living and/or other appropriate increase every 12 months thereafter.

The maximum fee listed above assumes that the time between initiation of work and completion of all tasks in the Scope of Work is no longer than six (6) months. Any delays in the schedule beyond this timeframe may result in increased fees. In addition, an excessive number of meetings (more than three) may also require additional fees if the total fee has been exceeded. Lastly, unanticipated work related to data gathering may result in increased fees. Such additional fees shall be added to the "Total Fee" amounts listed above