

**SAN GORGONIO PASS WATER AGENCY**  
**1210 Beaumont Avenue, Beaumont, CA**  
**Board of Directors Meeting**  
**Agenda**  
**March 18, 2019 at 1:30 p.m.**

**1. Call to Order, Flag Salute, Invocation 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. Speakers are requested to keep their comments to no more than five minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Board or staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to staff for follow up.

**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, March 4, 2019\* (p. 2)
- B. Approval of the Minutes of the Engineering Workshop, March 11, 2019\* (p. 6)

**5. Reports:**

- A. General Manager's Report
  - 1. Operations Report
  - 2. Water Supply Report
  - 3. General Agency Updates
- B. General Counsel Report\* (p. 8)
- C. Directors' Reports
- D. Committee Reports

**6. New Business:**

- A. Discussion of Draft Strategic Plan\* (p. 9)
- B. Consideration and Possible Action on Agreement with DTA to Perform a Capacity Fee Nexus Study\* (p. 36)
- C. Consideration and Possible Action in Support of Al Lopez of WMWD for ACWA JPIA Executive Committee\*(p. 53)

**7. Topics for Future Agendas**

**8. Announcements:**

- A. Finance and Budget Workshop, March 25, 2019 at 1:30 p.m.
- B. San Gorgonio Pass Regional Water Alliance, March 27, 2019 at 5:00 p.m. – Banning City Hall
- C. Regular Board Meeting, April 1, 2019 at 1:30 p.m.

**9. Adjournment**

**Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at: [www.sgpwa.com](http://www.sgpwa.com) (3) Any person with a disability who requires accommodation in order to participate in this meeting should contact 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**  
**March 4, 2019**

**Directors Present:** Ron Duncan, President  
Lenny Stephenson, Vice President  
Stephen Lehtonen, Treasurer  
Blair Ball, Director  
David Fenn, Director  
David Castaldo, Director  
Michael Thompson, Director

**Staff Present:** Jeff Davis, General Manager  
Thomas Todd, Finance Manager  
Cheryle Stiff, Executive Assistant  
Casmir Olaivar, Student Intern

1. **Call to Order, Flag Salute, Invocation, and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President Duncan at 1:30 p.m., March 4, 2019 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. President Duncan led the Pledge of Allegiance to the flag. Director Lehtonen gave the invocation. A quorum was present.
2. **Adoption and Adjustment of Agenda:** *President Duncan asked if there were any adjustments to the agenda. There being none the agenda was adopted as published.*
3. **Public Comment:** *President Duncan 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 that are not on today's agenda. There were no members of the public that wished to comment at this time.*
4. **Consent Calendar:**
  - A. Approval of the Minutes of the Regular Board Meeting, February 19, 2019
  - B. Approval of the Finance and Budget Workshop Report, January 28, 2019
  - C. Approval of the Minutes of the Finance and Budget Workshop Report, February 25, 2019
  - D. Approval of the Finance and Budget Workshop Report, February 25, 2019

*President Duncan asked for a motion on the Consent Calendar. Director Stephenson made a motion, seconded by Director Fenn, to adopt the consent calendar. Motion passed 7-0.*

5. **Reports:**
  - A. **General Manager's Report:**
    - (1) **Operations Report:** General Manager Davis stated that the Agency was unable to deliver water during the month of February; this was due to a State mandated inspection of California dams and Crafton Hills Pump Station leaky valves. As of Friday, water is being delivered into Crafton Hills Reservoir. Water

is being delivered to BCVWD as of today at 10 cfs. DWR wanted to limit deliveries to all SWC on the EBX to 16 cfs for the month of March. A number of SWC, including this Agency, sent emails to DWR to asking them to reconsider its decision. DWR contacted SBVMWD and informed them that our Agency will be able to receive 20 cfs, effective immediately.

**(2) Water Supply Report:** General Manager Davis reported on the snowpack in the Sierras, precipitation in northern California, and storage in Lake Oroville using graphs from the DWR website; the graphs were made available to the Board members and the public. Snowpack is above the April 1<sup>st</sup> average. It was noted that the State Water Project water allocation was increased from 15% to 35%. The Agency is seeking to evacuate up to 2700 AF of its carryover water to the Bunker Hill Basin. General Manager Davis informed the Board that the Agency will be receiving Article 14b water later this year to make up for water that could not be delivered in February.

**(3) General Agency Updates:** General Manager Davis reported on the following:

- a. **Monitoring Wells:** The first of the three monitoring wells is done. Drilling for the second well will probably start on Friday.
- b. **California WaterFix:** There is no new information from SWC meetings to report. We do know that even with only one tunnel the benefits of the Cal WaterFix would equate on the average of 900,000 AF of water per year; 613,000 AF would be Table A, and 163,000 AF would be Article 21 water. Average long-term of the SWP reliability without the Cal WaterFix would be 48% and with 63%. An opt-in alternative is being discussed right now, but nothing is certain at this time.
- c. **Construction:** Construction continues at both the Mountain View Connection and the Noble Creek Enlargement. Mountain View Connection issues include Edison energizing the site and getting a new control systems consultant. The previous control system consultant dismissed himself from the project. A control system consultant is needed to tie the different components together and we are in the process of hiring one
- d. Next week's Engineering workshop will include a water rate workshop.

#### **B. Directors Reports:**

1) **Director Thompson** reported that the Conservation and Education Committee did not meet last month. There is a scheduled meeting for March 14<sup>th</sup>. 2) **Director Stephenson** reported that he attended the YVWD Workshop on February 26<sup>th</sup>. He also reported on the Yucaipa Basin SGMA meeting that he attended on February 27<sup>th</sup>.

**C. Committee Reports:** 1) **Director Ball** reported on the Capacity Fee ad hoc committee meeting that was held on February 25<sup>th</sup>. 2) **Director Lehtonen** reported on the Ad Hoc Strategic Planning Committee meeting that was held last week. 3) **Director Fenn** reported on the SGPRWA meeting that was held on February 27<sup>th</sup>.

**6. New Business:**

**A. Discussion and Possible Action on Municipal Water Quality Investigations Funding Agreement.** A staff report and a copy of DWR's MWQI Program Work Plan for January – December 2019 were included in the agenda package. General Manager Davis explained that is a program that this Agency has been involved with for many years, as are most urban Contractors. General Manager Davis reviewed with the Board the purpose of being involved in this program. The proposed action is to approve a new funding agreement for the next three years, from 2020 through 2022. This funding agreement includes participating Contractors as well as DWR. General Manager Davis asked for the Board to consider approving the MWQI Funding Agreement. Director Fenn moved, seconded by Director Stephenson, to approve item 6a. The motion passed 7-0.

**B. Discussion and Possible Action on Municipal Water Quality Investigations Specific Project Committee Agreement.** A staff report and the MWQI Work Plan were included in the agenda package. General Manager Davis explained that is a program that this Agency has been involved with for many years. This action is to approve a new specific project agreement for the next three years, from 2020 through 2022. General Manager Davis reviewed with the Board the purpose of being involved in this program during item 6a. This specific project agreement only includes the participating Contractors. General Manager Davis asked for the Board to consider approving the Municipal Water Quality Investigations Specific Project Committee Agreement. Director Fenn moved, seconded by Director Stephenson, to approve item 6a. The motion passed 7-0.

**C. Appointment of Ad-Hoc Committee on Function and Use of Agency Administration Building.** President Duncan informed the Board that he is adding a new Ad-Hoc Committee for the use for the SGPWA facility. The Facility Ad-Hoc Committee is composed of the following members: Michael Thompson, Chair; Steve Lehtonen, Member; David Castaldo, Member.

**7. Topics for Future Agendas:** **1.** Director Thompson requested discussion on upper management training. This item will be discussed by the GM Performance Evaluation Committee this month. **2.** Director Stephenson requested an update on the Flume. **2.** Director Castaldo stated that YVWD had said during a meeting that SGPWA would not allow YVWD to de-annexation in the Riverside County boundaries. Director Stephenson asked to meet with Director Castaldo so that he could update him on this issue.

**8. Announcements:**

- A. Engineering Workshop/Water Rate Workshop March 11, 2019 at 1:30 p.m.
- B. Water Conservation & Education Workshop, March 14, 2019 at 1:30 p.m.
- C. Regular Board Meeting, March 18, 2019 at 1:30 p.m.
- D. Finance and Budget Workshop, March 25, 2019 at 1:30 p.m.

**9. Closed Session (2 Items)**

**Time: 2:29 p.m.**

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
Pursuant to Government Code section 54956.8  
Property: Potential water rights/supplies offers from Casitas MWD  
Agency negotiator: Jeff Davis, General Manager  
Negotiating parties: Mike Flood  
Under negotiation: price and terms of payment
  
- B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
Pursuant to Government Code section 54956.8  
Property: Potential water rights/supplies  
Agency negotiator: Jeff Davis, General Manager  
Negotiating parties: Ron Gastelum  
Under negotiation: price and terms of payment

**The meeting reconvened to open session at: Time: 3:31 pm**

*General Manager Davis stated that there was no action taken during closed session that is reportable under the Brown Act.*

**10. Adjournment**

**Time: 3:31 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**  
**March 11, 2019**

**Directors Present:** Ron Duncan, President  
Leonard Stephenson, Vice President  
Blair Ball, Director  
David Castaldo, Director  
David Fenn, Director  
Steve Lehtonen, Director

**Directors Absent:** Mike Thompson, Director

**Staff Present:** Jeff Davis, General Manager  
Jeff Ferre, General Counsel  
Cheryle Stiff, Executive Assistant  
Tom Todd, Finance Manager  
Casmir Olaivar, Student Intern

**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 Vice President Stephenson at 1:30 p.m., March 11, 2019 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Vice President Stephenson led the Pledge of Allegiance to the flag. A quorum was present.

**2. Public Comment:** No member of the public wished to address the Board at this time.

**3. Discussion of a New Water Rate for 2019 Only.** Director Stephenson turned this portion of the meeting over to President Duncan, as it was considered to be a water rate workshop. General Manager Davis presented a graph and two tables to the Board, copies of which were made available to the public. The graph showed the progression of power costs that the Agency has paid to DWR over the years, and how they have changed with annual SWP allocation. The first table summarized revenues and expenses incurred related to water deliveries since 2004. The second summarized projected costs for this year at various delivery rates, and the required commodity rate to recover costs for each. The Board discussed this table in detail and heard comment from Dan Jagggers of BCVWD and Joe Zoba of YVWD. After discussion, it was the consensus of the Board that a water rate for 2019 should be adopted based on projected costs. Staff was directed to bring back two alternatives—one that did not include any Nickel water in the rate, and one that included half of the projected Nickel expenses in the rate. This would be for a decision at an upcoming Board meeting. The Board recognized that a longer term rate would require completion of a capacity fee nexus study, which will take several months.

**4. Discussion of a Potential Policy on Use of Water in Agency Storage Account.** President Duncan turned the meeting back over to Vice President Stephenson. General Manager Davis presented a list of potential issues to be considered in adopting a policy governing sale of water in the Agency's Beaumont Basin storage account. This list was handed out to the public as well. The Board discussed whether stored water should be for dry year yield only or available at other times as well. After

discussion, the Board requested staff to bring back the issue again at a future workshop, expressing some consensus on three of the issues presented. The Board expressed a desire for further discussion on the issue of dry year yield and when the Agency should make water in its storage account available for sale.

**5. Announcements:**

- A. Water Conservation and Education Committee Meeting, March 14, 2019 at 1:30 pm.
- B. Regular Board Meeting, March 18, 2019 at 1:30 p.m.
- C. Finance and Budget Workshop, March 25, 2019 at 1:30 pm

**6. Closed Session (1 Item) 3:20 pm**

- A. CONFERENCE WITH REAL PROPERTY NEGOTIATORS**  
Pursuant to Government Code section 54956.8  
Property: Potential water rights/supplies  
Agency negotiator: Jeff Davis, General Manager  
Negotiating Parties: Ron Gastelum  
Under negotiation: price and terms of payment

At 3:36, the Board came out of closed session. General Counsel Ferre announced that no action was taken that is reportable under the Brown Act.

**7. Adjournment:** Vice President Stephenson adjourned the meeting at 3:36 pm.

***Draft - subject to Board approval***

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Jeff Davis, Secretary to the Board

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**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

**Memorandum**

**To:** President and Members of the Board  
San Geronio Pass Water Agency

**From:** Jeffrey F. Ferre, General Counsel  
Best Best & Krieger LLP

**Date:** March 18, 2019

**Re:** General Counsel Report - Board of Directors Meeting

*Please note that this is a general update for public discussion purposes only and does not constitute legal advice and does not constitute any representation as to the price of any water right, supply or resource to any degree whatsoever.*

In 2018, the Nasdaq launched the Nasdaq Veles California Water Index which tracks the spot rate price of water in California. The Index represents the current valuation of water as determined by water entitlement transactions from California's surface water market and selected groundwater basins. The Index is created by taking into account the following:

Value is based on the volume-weighted average of the prevailing prices in five specific California water markets;

Prices are adjusted for market-specific pricing factors specific to each of the eligible markets and transactions; and

A pricing algorithm is then applied to come up with a benchmark price for water transactions across California which is reflected in a price per acre foot.

The five specific water markets that comprise the Index are as follows:

Central Basin - Southern LA County;

Chino Basin - Upper Santa Ana River Watershed;

Main San Gabriel Basin - San Gabriel Valley;

Mojave Basin (Alto Subarea) - San Bernardino County; and

California Surface Water Resources - Sacramento-San Joaquin River Delta, State Water Project and Central Valley Project.



## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Review of Draft Strategic Plan

**DATE:** March 18, 2019

### **Summary:**

The purpose of this proposed Board agenda item is for the ad hoc strategic plan committee to review the draft strategic plan with the Board, determine if the Board wishes to make any changes, and to come up with a final version that may be brought to the Board for consideration at the next Board meeting.

### **Background:**

In January 2017, the President appointed an ad hoc strategic plan committee to work with staff to update the Agency's 2012 strategic plan with a new one. The Committee decided that the Agency did not need to start from scratch, but could revise and update the 2012 Plan, making relatively minor additions and updates. It felt that the Agency's strategic plan should be shorter and more succinct than the 2012 Plan. That ad hoc Committee did not quite finalize a draft prior to the new President appointing a new committee in January 2019. The new Committee, working with staff, has finalized a draft strategic plan that is included in the agenda package for the Board to review and discuss at the Board meeting. This item is not for action at this meeting.

### **Detailed Report:**

The updated Plan adds a new goal, Implementation of SGMA, deletes a previous goal, Regional Leadership Role, and revises the Communication Plan goal to focus more on communicating the Agency's mission and strategy to the public and key stakeholders. Other goals were updated. It is recognized that the water supply goal and the infrastructure goal must be based on meeting the Agency's Urban Water Management Plan, which will be updated in 2020.

Thus, the implementation of these goals will depend heavily on that future UWMP. The new strategic plan uses water demand projections from the 2015 UWMP but only as a placeholder for now.

**Fiscal Impact:**

There is no fiscal impact to discussing, or even adopting, a strategic plan. Implementation of the plan may require the Board to take actions that will have substantial cost implications for the Agency.

**Recommendation:**

The recommendation of staff and of the ad hoc committee is that the Board discuss the draft plan and make recommendations that could be incorporated into a final strategic plan that would be brought to the Board for consideration at the April 1 Board meeting.



# **San Geronio Pass Water Agency**

## **STRATEGIC PLAN**

March 2019

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## A MESSAGE FROM THE BOARD OF DIRECTORS AND GENERAL MANAGER

The San Geronio Pass Water Agency (Agency) is one of 29 State Water Project (SWP) contractors, and was established by the State Legislature in 1961. Our mission is to import supplemental water and to protect and enhance local water supplies for use by present and future water users. We sell imported water to local water agencies within the SGPWA service area that extends from Calimesa to Cabazon and includes the Beaumont-Cherry Valley Water District, the City of Banning and the Yucaipa Valley Water District as its retail service providers.

Since its inception the Agency has worked diligently to provide the regional leadership necessary to meet the water supply needs of a growing region. By undertaking this strategic planning process, we are looking to the future and how the Agency prepares itself to meet the challenges of today as well as through the next decade. The water supply situation throughout the entire State is less than clear for the foreseeable future and a key goal of the Strategic Planning process is to prepare ourselves and take advantage of opportunities when they present themselves to enhance the long-term water supply for our region.

The Board of Directors and General Manager developed this Strategic Plan with the goal in mind of developing a planning tool to guide future decisions from both a water supply and a financial perspective to meet the needs of our customers.

### **The Board of Directors**

Ron Duncan, President  
Lenny Stephenson, Vice President  
Blair Ball, Director  
David Castaldo, Director  
David Fenn, Director  
Steve Lehtonen, Director  
Mike Thompson, Director

### **General Manager**

Jeff Davis, P.E.

## Executive Summary

This 2019 Strategic Plan is an update of the 2012 strategic plan. The Agency did not undertake a completely new process, but rather decided that the 2012 plan was robust enough that its general outline could be used, with some of the goals updated and some new goals added.

The five goals in the 2019 strategic plan are as follows:

- Goal 1 Regional Water Supply Plan
- Goal 2 Effective Communication of Agency's strategy and mission
- Goal 3 Sustainable Groundwater Management Act Implementation
- Goal 4 Infrastructure Plan
- Goal 5 Financial Plan

Goals 2 and 3 are new to this version of the strategic plan. Goals 1, 4, and 5 are similar to goals in the previous plan. As an update, the infrastructure plan goal is now geared towards infrastructure both inside and outside the Agency's service area, whereas previously it was geared strictly towards new infrastructure within the Agency's service area.

Since goals 1 and 4, and to a lesser extent, goal 5, are related to meeting future water demands, the Agency of necessity will need to complete its 2020 Urban Water Management Plan (UWMP) in order to finalize and implement those goals. Due to actions taken by the Agency Board over the past two years, the Agency expects the 2020 UWMP to look very different from the 2015 plan, in that adequate water supplies will likely be available at least through 2025, and perhaps through 2030, at least for average years. This was not the case for the 2012 plan. In effect, goal 1, Regional Water Supply Plan, will be an update of the previous plan, reflecting those actions taken by the Board over the past two years to secure additional short-term and long-term supplies.

Goal 2 reflects the Agency's desire to initiate a social media footprint, bringing it abreast of the times with regard to direct communication from public agencies to their stakeholders. Goal 3 recognizes that the Agency, based on its mission, must play a significant role in implementing a new state law passed in 2014 that mandates that all groundwater basins in the state be managed sustainably by 2042 and have a plan for doing so by 2022.

The Agency Board and management will base major decisions in the next few years on this plan and the accomplishment of the goals and objectives set therein.

# 2019 Strategic Plan

It has been seven years since the Agency Board adopted a strategic plan (previous 2006 and 2012 strategic plans may be found on the Agency's web site). In the intervening years, the Agency has survived a five year drought; found a new water supply; has invested in Sites Reservoir, and is invested in the California Water Fix.

In addition, the Agency is completing construction of a new, independent recharge facility in the Beaumont Basin, and has obtained a 10,000 AF storage account in the Basin with the Watermaster.

These actions are an indication that the Agency has made great progress since its 2012 strategic plan in upgrading its water supply portfolio and its infrastructure—but there is more work to be done. There are still a number of strategic goals that the Agency must set and accomplish. These are listed below.

Goal 1: Regional Water Supply Plan

Goal 2: Effective Communication of Agency's Strategy and Mission

Goal 3: Sustainable Groundwater Management Act Implementation

Goal 4: Infrastructure Plan

Goal 5: Financial Plan

Some of these goals are similar to those identified in the 2012 plan, while others are vastly different or even new. The Sustainable Groundwater Management Act, passed in 2014, was obviously not included in the 2012 plan.

These goals are discussed in more detail below.

## **Goal #1: Regional Water Supply Plan**

It is critical for the financial health of the Agency that the Agency seek additional water supplies through the State Water Project and/or State Water Project Contractors, supplies that would be covered under the Agency's SWP mandate. A Regional Water Plan prepared by the Agency is important in that it will have impact beyond its immediate service area boundaries. This plan must constantly change and be adapted to the times. For example, the 2012 strategic plan included this goal, but Sites Reservoir was not an option at that time. Other water supply opportunities that were not available in 2012 are on the Agency's radar screen at this time. The Agency's 2015 Urban Water Management Plan (UWMP) indicates current and future water demands on the Agency will be met through a combination

of existing State Water Project deliveries, projected new supplies, local groundwater production, recycled water production and demand-side measures through and beyond the year 2025. The Agency will need to meet its existing supply deficit by securing new permanent water supplies through 2035 as reflected in Table 5-2 of the UWMP as follows:

<u>Planning Year</u>	<u>Add'l Supplies Req'd</u>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

The Agency is well on its way to fulfilling this goal based on its procurement of 1700 AF of 100% reliable water for 20 years, as well as a one-time exchange with the City of Ventura and Casitas MWD that yielded an additional 5,250 AF in 2018. Because of these, the Agency's 2020 UWMP will show that average year regional demands will be met at least through 2025, with additional water supplies needed as early as the late 2020s. The Agency is also in a position to strike deals with other State Water Contractors for additional long-term supplies if the Cal Water Fix is constructed, and is an investor in Sites Reservoir, another potential long-term supply. Should these two projects be constructed, the Agency will garner additional long-term water supplies starting in the early 2030s that will go a long way toward meeting the ultimate demands of the region. Even with these projects, the Agency has a need for dry-year supplies in the near term, based on the 2015 UWMP.

An important element of developing a Regional Water Supply Plan is to anticipate and take delivery of new water supplies prior to the actual need existing. The process of identifying and securing a water supply often does not directly correlate to the actual timing of the need for delivery of the water. However, it is important that the Agency take advantage of water supply opportunities and potentially lock in favorable long-term pricing as available.

Part of any strategy to purchase water is determining the most cost-effective method to either store the water for future use or allow for directly utilizing existing infrastructure. Storage opportunities presently exist in the region and the Agency is adding to these opportunities; these may prove to be the most cost effective, although should delivery of the new water supply source be an issue, the Agency should look to off-site storage opportunities outside the Agency's service area as a temporary measure.

It is recommended that the Agency do the following:

1. Acquire permanent water rights, when available, that are associated with the State Water Project.
2. Seek out dry year supplies to have available as needed in the short term.
3. Utilize existing and planned financial resources for all water purchases as discussed in Goal 5, Financial Plan.
4. Develop financial mechanisms for future water purchases in advance of the need for the water.



## **Goal #2: Effective Communication of Agency's Strategy and Mission**

Effective communication to stakeholders and the public is key to the success of any public agency. The Agency must utilize the necessary resources to communicate its mission and its long-term strategies involved in meeting that mission with the public, with retail water agencies, and with other key regional leaders. This communication should occur on an ongoing basis but should begin with a communications offensive geared toward key constituencies and encompassing key issues such as the need for raising wholesale water rates, the current and future water supply situation, key infrastructure required to meet regional demands in the future, and a funding mechanism to make the plans and strategies a reality.

Communication strategies for wholesale water agencies are historically difficult, since these entities are not well known to the public or well understood by it. Lacking a consistent direct communication with the public (such as a monthly or bi-monthly water bill), these public agencies frequently struggle with a methodology to explain their mission and their presence on the tax bill to the voting public. This is especially true for a wholesale purveyor such as the Agency, which has no major media outlets in its service area with the exception of two weekly newspapers and daily newspapers that are based in Los Angeles, San Bernardino, or Riverside.

However, the importance of the Agency to the Pass region became clear during the 2012-2016 drought, and the importance of its mission became clear when development in the region was temporarily stalled in 2015 and 2016 due to a lack of clarity in the water supply picture. As water supplies become even more scarce in the future due to regulatory actions, and as the region grows even more, the importance of the Agency, as well as its ability to effectively communicate its mission and its strategy to the public, will become apparent.

With major infrastructure projects looming in the near future that will cost the Agency hundreds of millions of dollars in the long term (specifically the California WaterFix and Sites Reservoir), the Agency must be able to communicate to the public why these facilities are important to Pass residents and why the Agency must invest tax dollars or ratepayer dollars in them. With the completion of its Fiesta Recharge Facility on Beaumont Avenue at hand, the Agency's visibility in the community will increase. Residents will wonder what the facility does, who owns it, how it was funded, and how it will improve the long-term water supply of the region.

The Agency has made some attempts to better communicate with the public in the past. It held two "State of the Water Supply" events during the drought, one in 2014 and the other in 2016. Attendance by the public was excellent for the first but not the second one. The Agency attempted a newsletter over a decade ago, but the cost of postage to mail it out to all residents in the Pass proved prohibitive. Without a mailing list, the newsletter was sent to "Resident." Most homeowners discard such mail without ever reading it. Attempts were made to ask if retail water agencies

would include an Agency mailer in their bills to customers, but this too did not pan out.

In an effort to reach out using newer technologies, the Agency recently began a social media platform to underscore the importance of clear and honest communication. As the Agency has progressed through a rate-setting process, its first in a decade, it has attracted media attention and questions from the public about the Agency's role in the region and how its mission impacts the lifestyle of residents and businesses in the region.

Clear and honest communication is important to the Agency, and it will continue to update and inform the public through these activities.

It is recommended that the Agency do the following:

1. Continue to use social media to inform and educate the public on the Agency's activities.
2. Use local newspapers to announce significant changes (such as new water rates) and/or accomplishments
3. Have Directors and staff participate actively in public agency board and council meetings and other community meetings to ensure that accurate information is communicated.
4. Consider initiating a government relations campaign to get to know local elected officials at the federal, state, county, and local level.
5. Consider contracting with a strategic communications firm to help successfully implement these objectives.

### **Goal # 3: Implementation of Sustainable Groundwater Management Act**

In 2014, the Legislature passed the Sustainable Groundwater Management Act, which requires virtually all groundwater basins in California to be managed sustainably by 2042, and to have a plan to do so by January 31, 2022. As the regional water importer and supplier for its service area, the Agency must play a critical role in all activities related to this legislation, since it is responsible for bringing supplemental water to the region. Supplemental water will play a critical role in ensuring groundwater sustainability in the basins within the Agency's service area.

Implementation of the goal will be accomplished through the following objectives:

1. Play an active role in formation of all Groundwater Sustainability Agencies (GSA's) in groundwater basins within the Agency's service area.
2. Become a member of all GSA's in groundwater basins within the Agency's service area.
3. Actively participate in formation of all Groundwater Sustainability Plans (GSP's) in groundwater basins in the Agency's service area.

#### **Goal #4: Regional Infrastructure Plan**

Water supplies are needed for the future but construction of and investment in infrastructure are also required to ensure that future demands can be met throughout the service area. The Agency needs to develop a plan to distribute its imported water to key areas that will have need of it in the future, and to find adequate storage to take advantage of future wet years. Construction of the California WaterFix and Sites Reservoir, if constructed, will lead to large volumes of water being available in certain years; the Agency needs to have a plan to store this water so that it is available in dry years. With the capacity of the East Branch Extension limited to 64 cfs, the Agency may need to seek storage opportunities outside its service area. Since these tend to be quite costly, the Agency should carefully define its needs and then find a storage program that meets those needs for the lowest cost.

Development of new facilities should accommodate new water supply to offset the impending supply deficit as shown in Table 5-2 of the 2015 UWMP through 2035, while remembering that these numbers will be very different in the 2020 UWMP and will show adequate supplies through at least 2025 and possibly longer. It is recommended that the Agency identify the infrastructure needs to accommodate the supply deficit for the following three planning horizons, or as shown in the 2020 UWMP:

<b><u>Planning Year</u></b>	<b><u>Add'l Supplies Req'd</u></b>
2025	5,800 acre-feet
2030	9,700 acre-feet
2035	13,700 acre-feet

The agency has 10,000 AF of storage capacity in the Beaumont Basin. Additional storage facilities will be necessary to ensure future water deliveries to all residents within the service area. From Calimesa to Cabazon, the Agency will develop a plan for completing the required infrastructure. This plan will depend on the rate of growth in the region as well as implementation of SGMA. For example, if the GSP for the San Gorgonio Pass Subbasin identifies the need to import supplemental water to the subbasin as a management tool, the Agency would have to construct the infrastructure to implement that tool.

It is recommended that the Agency do the following:

1. Begin identifying all possible infrastructure that will be required to meet the region's needs in the long term, including storage, conveyance, distribution, and treatment infrastructure, along with cost estimates for each.
2. Upon completion of the 2020 Urban Water Management Plan, identify which of the facilities identified above will be required in the foreseeable future, along with the approximate time frame that each will be required.
3. Develop more detailed cost estimates for each facility identified above.

## **Goal #5: Financial Plan**

In 2011, the Agency authorized the preparation of a Capacity Fee Study as a means of developing a revenue stream to offset future infrastructure and water acquisition costs with fees placed on new development. Existing revenue sources such as the Agency's Commodity Rate will continue to be used to fund existing development impacts on water demand.

Implementation of a Capacity Fee type mechanism assures users of the water delivery system that the cost will be apportioned based on development and water demand activity. Prior to full implementation of any new Capacity Fee structure the Agency will need to look to existing revenues or reserve funds to fund the acquisition of available new water supplies due to the nature of identifying, acquiring and transporting new water supplies into the region.

Implementation of this goal will be accomplished through the following objectives:

1. Implement a Capital Capacity Fee designed to offset the cost of developing new infrastructure and new water supplies resulting from growth in demand.
2. Develop a long-range financial plan that correlates to the need for new infrastructure as identified in the Regional Infrastructure Plan resulting from Goal 4 above.
3. Review the current commodity-rate to ensure that revenues are adequate to fully fund the purchase of new water for existing development.

## **Appendix A**

### **Overview of the San Gorgonio Pass Water Agency**

The San Gorgonio Pass Water Agency is one of the 29 State Water Contractors in the State and was established by the State Legislature in 1961. Under Chapter 101 of the SGPWA Law, the Agency has broad-ranging powers and duties such as the annexation of territory and the establishment of water rates. The language within the enabling act noted that in the allocation of water from the State Water Project, the highest priority should be given to eliminating groundwater overdraft, which is found in Section 15.5 of the Law entitled "Allocation of water from State Water Project". The Agency has an annual allocation of Table "A" water supply of 17,300 acre-feet. As a State Water Contractor it is responsible for paying its share of the overall debt of the State Water Project. While most of the major construction on the State Water Project occurred over 30 years ago, ongoing operation and maintenance and capital work continues. The primary source of local water supply to the Agency's service area at the present time is natural runoff and groundwater basins.

*"The mission of the San Gorgonio Pass Water Agency is to import supplemental water and to protect and enhance local water supplies for use by present and future water users and to sell imported water to local water agencies within the San Gorgonio Pass Water Agency service area."* The Agency is able to import supplemental water from sources that provide the highest quality and the most cost effective price, including the State Water Project and other potential sources. The Agency also works with local retail agencies to manage local and regional water resources in a sustainable manner designed to manage overdraft within the Agency's service area. Increased demand from new growth and decreasing reliability will continue to exert pressure on the ability of the Agency to deliver wholesale water on a reliable basis. The Agency's boundaries extend through the cities of Calimesa, Beaumont and Banning and Riverside County areas from Cherry Valley to Cabazon. (See Exhibit A – Service Area Boundary).

The Agency utilizes a Board – a General Manager form of governance with seven board members. Five members of the Board are elected to represent specific divisions within the Agency's service area with two members elected at large.

## **Appendix B**

### **SGPWA 2006 Strategic Plan**

The Agency completed its last Strategic Plan in 2006. This planning effort has been used in conjunction with other supporting studies and documentation to guide the planning process of staff and the Board. The 2006 Plan identified four Critical Factors for Success.

#### **1. Define**

- Define our role as a public agency in the region and educate the public regarding that role.

#### **2. Plan**

- Develop plans to identify and procure additional supplemental water for the region.
- Develop plans in concert with other local water agencies for a storage and distribution system to meet the needs of the region.
- Develop a plan to finance current and future facilities.

#### **3. Partner**

- Create formal and informal partnerships with local water agencies, cities, state agencies, and other stakeholders to find solutions for local and regional water problems.

#### **4. Manage**

- Work to manage regional water resources for their best use while preserving local groundwater basins.
- Manage water resource data to enable us to make the best possible decisions regarding those resources.

The 2006 Strategic Plan also identified five priorities with a set of accompanying objectives with time frames for implementation.

#### **Priority One: Additional Water**

##### **Objective 1:**

Identify by January 2007, additional supplemental water available for the Agency, including State Project Water and other alternatives.

##### **Objective 2:**

Take steps to secure additional rights as needed and complete negotiations to acquire additional rights as available by June 2008.

## **Priority Two: Additional Facilities**

### Objective 1:

Work with the San Bernardino Valley Municipal Water District and the Department of Water Resources (DWR) to complete the EIR and design for East Branch Extension 2 (EBX 2) and advertise for pipeline construction bids by December 2007.

### Objective 2:

Construct or work with others to construct additional permanent recharge facilities in local groundwater basins to augment the Little San Gorgonio Creek facility by 2007.

### Objective 3:

Extend East Branch Extension (EBX) of the State Water Project to the Cabazon area within ten years.

### Objective 4:

Work with local water retailers on an ongoing basis to ensure that any new facilities we construct will work with their facilities to provide the best management of available resources.

## **Priority Three: Water Management**

### Objective 1:

Work with Banning Heights Mutual Water Company and the City of Banning to plan, finance, and construct Whitewater Flume repairs and upgrades and maintain operation of the flume. Plan with timelines to be completed by December 2006.

### Objective 2:

Sign a contract with Yucaipa Valley Water District to ensure a long-term supply of SPW for its pending filtration plant by 2006.

### Objective 3:

Complete steps to utilize the Cabazon Basin as a storage reservoir by December 2007. Have a program in place to establish storage contracts with other agencies for this basin by December 2008.

### Objective 4:

Continue to work with the Beaumont Basin Watermaster to provide the best possible management of the Beaumont Basin.

### Priority Three Continued:

### Objective 5:

Have a program in place by June 2007, to search and identify other water storage opportunities.

#### **Priority Four: Regional Planning**

Objective 1:

Work with other agencies outside our region to develop plans by late 2008 for additional facilities to bring water to and distribute within the Pass area.

Objective 2:

Complete an integrated regional water management plan by 2007, with the Agency as the defined region, in concert with other stakeholders, and use it to apply for Prop 50 implementation funds.

#### **Priority Five: Financial Issues**

Develop a comprehensive financial plan by June 2007, to provide funding for needed new water and infrastructure. Take steps to implement the plan as needed to fund projects. Update plan annually.



## Appendix C 2012 Strategic Plan

The Strategic Planning process outlined in the Scope of Work is designed to guide the planning and implementation of Plan action items necessary to meet the SGPWA's long-term mission. The major strategic planning components outlined in the Scope of Work include the following: 1. Review of 2006 Strategic Plan; 2. Review existing Mission and Vision Statements; 3. Examine present and future role using the "Influence Model" tool; 4. Conduct future visioning exercise; 5. Conduct analysis of the current reality and role of the Agency; 6. Conduct "Gap Analysis" - a comparative analysis of the desired future role and the present role of the Agency; and 7. Develop the strategic planning document.

To guide the process, the General Manager, with the approval of the Board of Directors, established the Strategic Planning Ad Hoc Committee. The Committee provided valuable insight and direction on key steps in developing the 2102 Strategic Plan.

A review of the 2006 Strategic Plan identified five key priorities with accompanying objectives for implementation. Each of the priorities identified continue to be critical areas for future planning purposes and will be discussed in greater detail in developing the 2012 Planning goals and objectives. Further review of the objectives listed for each of the five priorities in the 2006 Plan indicates that some progress has been made towards completion of the objectives. A number of the 2006 Plan objectives will be updated and included in the current planning effort.

The Agency's Mission Statement describes the overall purpose and scope of the Agency which has not changed and remains relevant for the immediate future. The Mission Statement should be reviewed and, if acceptable, shortened to specific language depicting the core purpose and role. The Agency does not have a specific Vision Statement; however, the 2006 Plan does include a section entitled "Critical Factors for Success". The factors as outlined in this section are noteworthy and will be incorporated into the overall goals and objectives of the new plan.

Whereas the Mission Statement for the Agency speaks to the *intended* purpose and function of the Agency, the actual application of its role within the region as a State Water Contractor will need to be strengthened. The SGPWA is the primary source for supplemental water supply affecting a region covering approximately 225 square miles within Riverside County. As a wholesale water agency it is responsible for selling water to local retail agencies where it is used for treatment and distribution to consumers, replenishment of existing groundwater basins and for "banking" water for future needs within the region. Inherent in this role is the important relationship with and the link to the local retail agencies as well as the municipal agencies with land-use planning authority. To gain an understanding of the working relationship between the Agency and its constituent retail agencies an "Influence Model" was utilized to solicit input on a variety of pre-determined factors

as to the existing and envisioned working relationship with the Agency. After consultation with several key stakeholders within the region the exercise provided valuable input in five key areas as follows:

1. **Communication** – Improved levels of communication by and between the Agency and others will lead to greater levels of collaboration, trust and the ability of the Agency to promote and advance its goals and objectives.
2. **Role** – The role of the Agency is demonstrated by how well it performs its mission within the region, with specific reference to defining what the desired or intended mission of the Agency should be. The Agency’s role as the provider of supplemental water was affirmed as well as that of a facilitator and leader of regional infrastructure projects.
3. **Financing** – The Agency has rate setting authority to recover costs as passed through to the Agency for the purchase of water and as required to fund the operational costs and capital improvements within its service area to carry out its mission. A long-term perspective on financial planning and communication is important to the Agency’s overall success.
4. **Groundwater Management** – Inherent in its role as a State Water Contractor is the function the Agency plays with respect to importation of water to meet current and future demands. Identification and acquisition of supplemental supplies above and beyond its Table A allotment from the Department of Water Resources requires close coordination with the various retail agencies and the Beaumont Basin Watermaster for purposes of storage and management.
5. **Allocation of Existing Supply** – Allocation of the Agency’s existing supply of Table A supplies is seen as an important function in order to ascertain certainty by some retail agencies. Existing water supply planning laws, including the Urban Water Management Planning Act, provides for continuous and coordinated planning between the Agency and its retail customers. Allocation of the Agency’s Table A supplies may have unintended future consequences. A potential program to acquire and finance additional future water supplies by the Agency will “allocate” water based on individual agency’s participation in the program.

The Influence Model exercise provided valuable insight into the existing and desired role of the Agency as described by the survey participants. While this role may vary to some degree from how the Agency views its role in carrying out its mission, several key elements between the different perspectives are useful in developing or supporting new goals and objectives for the 2012 Strategic Plan.

In addition to the feedback obtained through the Influence Modeling exercise other reports and documents were reviewed as well to provide a basis for evaluation and determining new goals and objectives. The following reports were included in this review:

2006 San Gorgonio Pass Water Agency Strategic Plan  
2010 Urban Water Management Plan for the San Gorgonio Pass Water Agency  
(Camp Dresser McKee)  
2007 Evaluation of Potential Water Transfer Opportunities (Kennedy Jenks  
Consultants)  
2009 Supplemental Water Planning Study (Albert A. Webb Associates)  
2011 Capacity Fee Study for San Gorgonio Pass Water Agency (David Taussig &  
Associates, Inc.)  
2011/2012 Regional Allocation Agreement for Water Imported by San Gorgonio  
Pass Water Agency  
2010 Report of Water Conditions  
2010 Report on Sustainability of the Beaumont Basin  
1961, Chapter 101 San Gorgonio Pass Water Agency Law

The following retail agency documents were also reviewed:

Yucaipa Valley Water District

2008 Strategic Plan for a Sustainable Future

2010 Urban Water Management Plan

City of Banning

2010 Urban Water Management Plan

Note: This will be the beginning of the updated strategic plan. The entire 2012 Strategic Plan will be included as an appendix to this one but we will edit this 2012 plan to update it to the 2019 Plan.

## **Strategic Planning Goals & Implementation Strategy**

Five goals have been identified for the 2019 Strategic Plan. Each Goal has accompanying objectives that will be used as a part of an overall implementation strategy. It is recommended that the Board of Directors and General Manager review the progress of implementation annually. An annual review and update of the Strategic Plan is recommended due to the critical nature of a number of the implementation objectives. The five Strategic Plan Goals are as follows:

- 1. Regional Water Supply Plan**
- 2. Effective Communication of Agency's Strategy and Mission**
- 3. Sustainable Groundwater Management Act**
- 4. Regional Infrastructure Plan**
- 5. Regional Financial Plan**

### **Goal #1 - Regional Water Supply Plan**

The first Strategic Plan Goal of developing a regional water supply plan is significant in that it has impacts beyond the immediate service area boundaries of the Agency. This will be particularly true when combined with the strategic planning goal of developing a Regional Infrastructure Plan. Future economic development of much of the area within the Agency service area will be dependent on execution of these strategies.

The Agency has recently procured some additional supplies (some long-term, some one-time) that have closed the water supply gap in the near term. Based on current projections, the existing supplies should meet regional demands through approximately 2025 or 2026. From that time until the Cal WaterFix and or Sites Reservoir go online, the Agency is expected to experience an average year water supply deficit. In the immediate future, the region will still be facing an available water supply deficit in very dry years that must be met with a mixture of new supply sources.

Success in accomplishing the goal of developing a Regional Water Supply Plan will be achieved through the following objectives:

1. Find additional dry-year supplies in the near term, or determine, through working with the Watermaster, that dry year supplies are not required in the near term due to storage levels in the Beaumont Basin.
2. Find one or more additional supplies for the years 2025 through 2033, to make up for expected shortages prior to the Cal WaterFix and

Sites Reservoir coming online. Based on current projections, this is expected to be over 6,000 acre-feet between 2025 and 2032.

3. Participate in the Cal WaterFix and Sites Reservoir to the extent that they together meet the Agency’s long-term water supply demands.

For purposes of developing the Strategic Plan, a planning horizon of 2040 was used and corresponds to the planning horizon used in the 2015 Urban Water Management Plan, (UWMP). Table \_\_\_ of the UWMP indicates that current and future water demands on the Agency service area are as follows:

**Time and Demand Matrix**

<u>Year</u>	<u>Demand on SGPWA</u>
2020	13,200 AFY
2025	16,500 AFY
2030	20,400 AFY
2035	24,400 AFY
2040	27,700 AFY

During an average hydrologic year, the imported water demand increases to over \_\_\_ acre-feet by 2040. Based on the Agency’s SWP Table A, annual allocation of 17,300 acre-feet, the demand for imported water exceeds their allocation around 2025 or 2026.

Although the Agency has an annual allocation of 17.3 thousand acre-feet per year, the current reliability from the SWP is approximately 60% of the total allocation. As reliability on the SWP improves or diminishes further, the Agency will need to recalibrate its regional water supply planning scenarios. Addition of 1700 AFY of 100% reliable water in 2017 for a period of 20 years greatly improved the Agency’s water supply position. Acquisition of 5,250 AF of one-time water from Ventura County in 2018 further bolstered local storage, virtually filling the hole created in the Beaumont Basin during the 2012-2016 drought.

Section 5-2 of the UWMP provides the methodology for developing a water supply plan for the San Gorgonio Pass planning area under an average hydrologic condition as follows:

**Total Local Potable Supply (+) Total Local Non-Potable (+) Conservation (+)  
Table A Supply (-) Total Demand (=) Total Supply Surplus/Deficit**

Applying this methodology the Agency will need to secure new permanent supplemental supplies prior between 2025 and 2035 as reflected in Table 5-

<u>Planning Year</u>	<u>Supply Deficit</u>
2025	0 acre-feet
2030	5,805 acre-feet
2035	0 acre-feet*
2040	4,270 acre-feet*

\*Assumes Sites Reservoir and Cal WaterFix are online by 2035 and a deal with another State Water Contractor currently in discussion with the Agency is consummated

### **Identify Additional Sources of Water Supply**

**The Agency has done an excellent job of identifying additional sources of supply and has published them in a study performed by Provost & Pritchard in 2016. This report provides an excellent blueprint for future water acquisition opportunities for the Agency.**

It is recommended that the Agency do the following:

1. Seek out dry year supplies to have available as needed in the short term.
2. Participate to the greatest extent possible in the Cal WaterFix and Sites Reservoir to shore up and augment long-term water supplies for both wet and dry years.
3. Seek out long-term water supplies that will extend beyond 2040, such as long-term transfers of Table A water or other long-term or permanent supplies.

### **Goal #2 – Effective Communication of Agency’s Strategy and Mission**

Communication strategies for wholesale water agencies are historically difficult, since these entities are not well known to the public or well understood by it. Lacking a consistent direct communication with the public (such as a monthly or bi-monthly water bill), these public agencies frequently struggle with a methodology to explain their mission and their presence on the tax bill to the voting public. This is especially true for a wholesale purveyor such as the Agency, which has no major media outlets in its service area with the exception of two weekly newspapers and daily newspapers that are based in Los Angeles, San Bernardino, or Riverside.

However, the importance of the Agency to the Pass region became clear during the 2012-2016 drought, and the importance of its mission became clear when development in the region was temporarily stalled in 2015 and 2016 due to a lack of clarity in the water supply picture. As water supplies become even more scarce in the future due to regulatory actions, and as the region grows even more, the importance of the Agency, as well as its ability to effectively communicate its mission and its strategy to the public, will become apparent.

The recent efforts on the part of the Agency to begin a social media footprint underscore the importance of a communications strategy to the current Board. As the Agency has progressed through a rate-setting process, its first in a decade, it has attracted media attention and questions from the public about the Agency’s role in the region and how its mission impacts the lifestyle of residents and businesses in the Pass.

With major infrastructure projects looming in the near future that will cost the Agency hundreds of millions of dollars in the long term (specifically the California WaterFix and Sites Reservoir), the Agency must be able to communicate to the public why these facilities are important to Pass residents and why the Agency must invest tax dollars or ratepayer dollars in them. With the completion of its Fiesta Recharge Facility on Beaumont Avenue at hand, the Agency's visibility in the community will increase. Residents will wonder what the facility does, who owns it, how it was funded, and how it will improve the long-term water supply of the region.

The Agency has made some attempts to better communicate with the public in the past. It held two "State of the Water Supply" events during the drought, one in 2014 and the other in 2016. Attendance by the public was excellent for the first but not the second one. The Agency attempted a newsletter over a decade ago, but the cost of postage to mail it out to all residents in the Pass proved prohibitive. Without a mailing list, the newsletter was sent to "Resident." Most homeowners discard such mail without ever reading it. Attempts were made to ask if retail water agencies would include an Agency mailer in their bills to customers, but this too did not pan out.

With social media platforms being the new normal in news distribution, the Agency is on the right track with its nascent social media efforts. It must gradually increase this footprint to attract more users, "friends," and followers. It must also make a greater effort to reach out to the community with a speakers program. Chambers of Commerce and service clubs such as Rotary are constantly seeking speakers for their meetings. The "State of the Water Supply" event should be continued on a regular basis and reach out to all segments of the community—homeowners associations, business groups, elected officials, service clubs, and others. This event should be well publicized in traditional media and social media, and it should be used to communicate the Agency's mission and overall strategy in achieving its mission, both in the short term and in the long term.

In order to achieve this goal, the following objectives should be met:

1. Expand current social media efforts to reach most Pass residents on social media. Employ whatever strategies need to be in order to accomplish this.
2. Continue with annual "State of the Water Supply" events to reach out directly to the public.
3. Consider contracting with a strategic communications firm to help successfully implement these objectives.
4. Consider initiating a government relations campaign to get to know local elected officials at the federal, state, county, and local level.

### **Goal #3 – Sustainable Groundwater Management Act**

The third goal of the Strategic Plan, Sustainable Groundwater Management Act, relates to implementation of a series of important laws passed by the Legislature and signed by Governor Brown in 2014. Together, these laws are known as the

Sustainable Groundwater Management Act, or SGMA. The purpose of this legislation was to regulate the use of groundwater in the State, such that the 517 groundwater basins in California are eventually managed to be sustainable in perpetuity.

Ensuring sustainability of groundwater basins results inevitably in the reduction of withdrawals from basins, meaning less groundwater will be pumped in California in the future. While in the long term this is a necessity for the survival of the State, in the shorter term it means less water supplies for public water agencies that depend on groundwater. The Agency's service area is served primarily with groundwater. Insuring sustainability will also mean maximizing replenishment opportunities for groundwater basins. Since the Agency is the sole importer of water in its region, this places a greater responsibility on the Agency to ensure that it obtains the needed supplies to continue replenishing local basins, thus ensuring their long-term sustainability. The Agency will also be responsible for the infrastructure to import and store the required additional replenishment water.

The Agency has always had a major role to play in preserving local groundwater basins. Indeed, the Agency was founded in large measure due to the overdraft of local groundwater basins that was occurring in the 1960's. A few years ago, the Agency was named the official CASGEM (California State Groundwater Elevation Monitoring) entity for the two basins within its service area. Playing a major role in SGMA implementation would be a natural continuation of this role.

In order to ensure that it has influence on the GSP's in its service area, the Agency has become part of the GSA's in the basins in its service area. The Agency covers portions of three groundwater basins, as identified and defined in the Department of Water Resources Bulletin 118. These are the San Gorgonio Pass Sub-basin of the Coachella Valley Basin, the San Timoteo Sub-Basin of the Santa Ana Basin, and the Yucaipa Sub-Basin of the Santa Ana Basin. While the latter includes a relatively small portion of the Agency's service area, it does include the Calimesa Sub-Basin of the Yucaipa Sub-Basin, which is cause for the Agency to be involved in the Yucaipa Sub- Basin.

In 2016 and 2017, the Agency participated in process forming GSA's in these three sub-basins, and is now officially part of three GSA's—one for the Yucaipa Sub-basin and two for the San Gorgonio Pass Sub-Basin. The San Timoteo Sub-basin was downgraded by DWR and does not require a GSA. As of the development of this updated Strategic Plan, the Agency is moving forward in developing GSP's in the two sub-basins required by law.

Implementation of this goal will be accomplished through the following objectives:

1. Play the leading role in the San Gorgonio Pass Sub-basin GSA's and ensure that the resulting GSP meets all objectives of SGMA as well as objectives of the Agency.
2. Play an active role in the Yucaipa Sub-basin GSA and work with other members to assure a GSP that meets the requirements of SGMA and of the Agency.



## **Goal #4 - Regional Infrastructure Plan**

The fourth goal of the Strategic Plan, Regional Infrastructure Plan, directly corresponds to the need to make available and take delivery of supplemental water into the Agency's service area. Execution of this goal will require determining what facilities may be required in the region, as well as outside the region, to ensure that future water supplies can be stored as needed and delivered to retail water agencies that need them. Implementation of this planning goal will require that it be accomplished in close coordination with Goal #2, so as to develop infrastructure in relation to the needed new demand within the Agency's service area. This will also have a direct bearing on the timing of Goal #5, the Regional Financial Plan. Based on the need to anticipate future new supplemental water supplies, the Agency may elect to construct facilities well in advance to take advantage of opportunities as they develop.

Implementation of this goal will be accomplished through the following objectives:

- 1. Develop a plan or matrix of needed facilities within the service area to manage the increased water demands through 2040, and**
- 2. Develop a similar plan for potential facilities outside the service area, including water supply infrastructure such as Sites Reservoir and the California WaterFix, the Bunker Hill Conjunctive Use Project, or other similar facilities.**

Introduction of new water supplies by the Agency into the region will require multiple facilities of varying types and constructed in a carefully financed and coordinated manner. The projected water demands as identified in the Agency's UWMP and referenced in Goal #1 - Regional Water Supply Plan, can be used to predict when certain projects will be required; however, and as stated previously, the ability to develop and acquire new sources of water supply is a dynamic and somewhat unpredictable process which will require that the Agency consider developing facilities in anticipation of future delivery or expanding existing facilities.

### **Develop a Matrix of Needed Facilities**

Based on information contained within the Agency's UWMP, a predictive model or Time and Demand Matrix can be developed to anticipate facility needs over the planning period. The type of facility and location of needed facilities will be determined in large part by the location of the supply source and the ease at which the source can be best utilized on a regional basis. The Agency will need to give careful consideration to multiple options that include developing new spreading and recharge facilities, enlarging existing recharge facilities, direct injection facilities and direct delivery. In some instances existing facilities may be able to accommodate all or part of the additional demand and should be given consideration due to their cost

effectiveness versus constructing new facilities. The 2006 Strategic Plan identified several opportunities for new or expanded facilities that are incorporated herein.

It is recommended that the Agency do the following:

1. By December 2019, identify the infrastructure needs to accommodate the additional demands that correspond to Table 5-2 of the UWMP as follows:

<u>Planning Year</u>	<u>Supply Deficit</u>
2030	5,800 acre-feet
2035	0 acre-feet
2040	4,300 acre-feet

### **Goal #5: Regional Financial Plan**

The 2006 Strategic Plan noted that a “comprehensive financial plan” be developed to fund the needed new infrastructure and that the plan be updated annually. In addition to developing a funding mechanism for the infrastructure needs through the planning period, funding for new sources of water to supplement the Agency’s existing SWP entitlement and local supplies will be required. In 2011, the Agency authorized the preparation of a Capacity Fee Study, which would develop the nexus for any proposed new capacity fees that retail agencies or land-use planning agencies would collect from new development on behalf of the Agency. As noted in the Capacity Fee Study the additional revenue generated through the capacity fee would fund “(1) pipelines to provide additional water conveyance capacity, (2) purchase of capacity in existing pipeline systems owned by others, (3) additional basin recharge projects for storage in the Beaumont and Cabazon Basins, including land purchases associated with such basin facilities, and (4) purchase of new water and/or water rights to meet future demand.” The Study also indicates that within the next twenty years the total cost of new facilities will exceed \$72.0 million.

The Agency should review the previous study and update it to incorporate more recent events. An updated study may identify specific supply sources (such as Nickel water) and/or specific infrastructure (such as the Bunker Hill Conjunctive Use Project or Sites Reservoir) that may lend themselves to financing or partial financing through a capacity fee, or fee on new development.

Although one of the components of the Capital Capacity Fee placed on new development is to fund acquisition of new water rights, the Agency will likely have to pre-purchase water in anticipation of new development requiring close coordination with the various land use planning agencies. The Agency will need to develop new sources of funding or rely on existing sources including reserves to acquire the water in advance of actual receipt of funds resulting from payment of the Capital Capacity Fee by new development. The Regional Water Supply Plan outlines key timeframes when new water supplies will be needed.

Implementation of this goal will be accomplished through the following objectives:

- 1. Implement a Capital Capacity Fee designed to offset the cost of developing new infrastructure and new water supplies resulting from growth in demand,**
- 2. Develop a long-range financial plan that correlates to the need for new infrastructure as identified in the Regional Infrastructure Plan, and**
- 3. Review the current water commodity rate to insure that revenues are adequate to fully fund the purchase of new water for existing development.**

The Agency has previously considered the implementation of the Capital Facilities Fee with many of its retail agencies. Used in conjunction with the proposed fee development contained in a long-range financial plan, it then provides a complimentary to, and model of when, revenue is needed to offset the cost of new infrastructure and water rights.

It is recommended that the Agency do the following:

1. By August of 2019, the Agency should confirm and update if necessary the monetary values assigned to the facility capacity fee and water capacity fee in the 2011 Capacity Fee Study, and
2. By November of 2019, the Agency should retain the services of a financial consultant to develop a financial model that would include a review and make recommendation for modification, if any, to the existing commodity charge and timing of new revenue needs through the 2040 planning period.

## MEMORANDUM

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**TO:** Board of Directors

**FROM:** General Manager

**RE:** Contracting With DTA to Produce a Capacity Fee Nexus Study

**DATE:** March 18, 2019

### **Summary:**

The purpose of this proposed Board action item is to determine if the board wishes to contract with DTA (formerly David Taussig & Associates) to perform a nexus study to implement a capacity fee. This is at the recommendation of the ad hoc Capacity Fee Committee.

### **Background:**

In 2015, the Agency passed a resolution adopting a capacity fee for new facilities and new water supplies. The San Geronio Pass Water Agency Act specifies that the Agency may adopt such a fee, but must work with either local retail water agencies or land use planning agencies to collect the fee. In order to do so, the Agency would have to enter into cooperative agreements with these entities. No cooperative agreement has ever been adopted, so no revenues have been generated by the fee.

With the Agency's agreement with the Antelope Valley East Kern Water Agency (AVEK) to procure a 20-year water supply in 2017, the Agency's costs of procuring and delivering water increased. Since that time, the Agency Board has worked to determine the best way to finance this water supply. The Board's plan at the time of the 2017 agreement was to finance it with a capacity fee, but no retail water purveyor or land use planning entity has yet come forward to sign a cooperative agreement. One retail water purveyor, South Mesa Water Company, has indicated verbally that it would be willing to do so.

The market for water supplies has changed markedly from the time the first nexus study by Taussig & Associates was completed. While the Agency Board adopted the resolution implementing a capacity fee in 2015, most of the work on the nexus study was done years before this, starting in 2011. At that time, there was an expectation that water rights could be procured for up-front cash. This is no longer the nature of the water market. Any future water supplies acquired by the Agency would likely be something less than permanent, or would require the construction of infrastructure to create the water (for example, the Cal WaterFix or Sites Reservoir).

Because of this change in the market, and the overall increase in the cost of water supplies, the Agency must do a new, updated nexus study. Another reason for this is that the previous study identified new construction at a snapshot in time. The number of homes to be constructed at that time was very different from the number today, as many homes have been constructed in the meantime. Thus, a new study is required in order to determine how many new homes are to be built over a particular time frame so that costs can be apportioned in the fee.

**Detailed Report:**

At the direction of the Board, staff inquired of the retail managers as to their possible support of a capacity fee for the Agency that would include partial or full funding of Nickel water. Retail managers expressed support for a fee but recognized that a new nexus study would be required. The ad hoc Capacity Fee Committee also has recognized the need for an updated study, and asked staff to obtain a proposal from DTA for such a study.

The proposal is attached. It is organized as most similar nexus studies would be. The total cost of the work as described by DTA in the attached proposal is \$57,500. The amount of work to do is substantial. Most of it revolves around determining the number of units that will be constructed in the Agency's service area over whatever period of time is selected for the study. This will involve working with retail water agencies and land use planning agencies as well.

In order for DTA to complete the study, the Board will have to tell DTA what should be included in the study—that is, what facilities and/or water supplies should be attributed to new growth. The ad hoc committee has discussed this and the Board will have to discuss this, and make a decision, early on in the process.

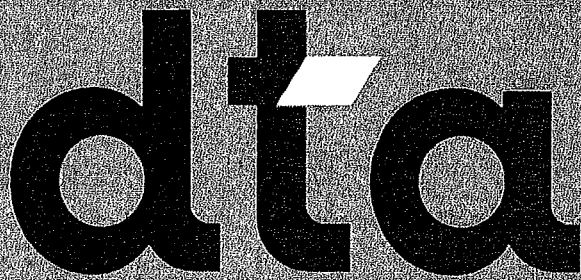
The proposal does not include a timetable to do the work. DTA has worked with the Agency previously and has seen that previous Boards have had difficulty making decisions at key decision points (the previous nexus study lasted for nearly four years). Because of this, staff did not request a timetable for this work. It is staff's estimate that this work, if expedited and fully supported by the Board, could be completed in 9-12 months.

**Fiscal Impact:**

This year's budget includes \$25,000 for an update of the current capacity fee nexus study. While the proposal is for more than twice this amount, it is anticipated that no more than \$25,000 will be expended in this fiscal year (between now and June 30). Thus, the work that would be done this fiscal year is in the general fund budget. Whatever portion of the study is not completed in this fiscal year will be included in the budget for next year's general fund budget.

**Recommendation:**

The ad hoc Capacity Fee committee recommends that the Board award a contract to DTA, under terms acceptable to the General Counsel, to develop a capacity fee nexus study for the Agency at a cost not to exceed \$57,500. Any costs beyond this would be brought to the Board for approval as required in the Agency's procurement policy.



[www.FinanceDTA.com](http://www.FinanceDTA.com)

**AGREEMENT FOR  
CONSULTING SERVICES**

**CAPACITY FEE NEXUS STUDY**

**SAN GORGONIO PASS WATER AGENCY**

March 11, 2019

Public Finance  
Public Private Partnerships  
Development Economics  
Clean Energy Bonds

## **AGREEMENT FOR CONSULTING SERVICES**

THIS AGREEMENT is made and entered into this \_\_\_\_ day of March of 2019, by and between the San Gorgonio Pass Water Agency at 1210 Beaumont Avenue Beaumont, CA 92223, herein called "Client" or "SGPWA," and DTA 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** **DISCLOSURES AND TERM OF CONTRACT**

**Section 1.1** As of the date of this Agreement, there are no actual or potential conflicts of interest that DTA is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If DTA becomes aware of any potential conflict of interest that arise after this disclosure, DTA will disclose the detailed information in writing to the Client in a timely manner.

**Section 1.2** DTA, a Securities and Exchange Commission ("SEC") and MSRB registered firm, does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Client may electronically access DTA's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

<https://www.sec.gov/edgar/searchedgar/companysearch.html>

**Section 1.3** 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 for the Capacity Fee Nexus Study, herein after called "Project" 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 Consultant are Instruments of Service of Consultant and shall remain the property of Consultant. Consultant 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 Consultant 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 Consultant. The Client agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Consultant, its shareholders, officers, directors, employees and subconsultants (collectively, Consultant's) 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 Consultant'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 Consultant. Client acknowledges that Consultant may have used reports and analyses that Consultant 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 Consultant 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 Consultant authors for Consultant's other clients, provided, however that Consultant shall not use any confidential information provided by Client in such future reports and analyses. Client further acknowledges and agrees that Consultant has spent 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 Consultant for its own purposes, including, without limitation, sale or distribution to third parties; provided, however, that Consultant 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 out-of-pocket and administrative expenses by paying a charge equal to 3% of DTA's monthly billings. 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 at \$75.00 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 \$400 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 affected 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 a AAA arbitrator for resolution of a dispute hereunder.

No arbitration shall include by way of consolidation or joinder any parties or entities not 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 Consultant 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 and Associates, Inc.  
d/b/a DTA

CLIENT:  
San Geronio Pass Water Agency

By: \_\_\_\_\_  
David Taussig, President

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_





## SCOPE OF WORK

### Task 1 – Develop Demographic Data

This task entails preparation and documentation of existing and future demographic data for the San Geronio Pass Water Agency (“SGPWA”) service area. The projections resulting from this task will ultimately be used to determine the allocation of costs across the various land uses. This task consists of four subtasks.

DTA will coordinate with SGPWA staff, member retail agencies, and City/County planning departments to develop the necessary data, including, but not limited to:

- Existing and Future Residential Units;
- Existing and Future Non-Residential Building Square Footage;
- Any Residential and Non-Residential entitlements, both secured by conditions of approval or proposed in specific plans
- Any estimated development absorption rates over the study period

### Task 2 – Identify Facility and New Water Needs

This task entails identification of the capital facilities and new water rights needed to serve the new development in SGPWA service area, as identified in Task 1. SGPWA staff will provide the full list of facilities that are to be funded, or partially funded, by the Capacity Fee. Such list will include the timing at which improvements will be needed and cost estimates related to the projects identified on the list of facilities.

Based on the data provided, DTA will prepare and submit the Public Facilities Needs List and Cost Estimates to SGPWA for review and consideration. This review is important, as this list is the basis on which the new fee program will be created.

**Work Product:** Final Facilities Needs List

### Task 3 – Methodology for Calculating Fee Amounts

This task entails developing the methodology used to establish the fee amount for each fee component to the extent appropriate. The methodology will meet the requirements of California Government Code Section 66013, and the resulting Capacity Fee Study will achieve the following goals related to said Section:

- Ensure that the facility capacity fee does not exceed the estimated reasonable cost of providing the service for which the fee is imposed; and
- Provide a clear and concise document that will serve as the basis for the proposed fee levels.

#### **Task 4 – Determine Fee Levels**

This task entails calculating the fee amounts based upon the dwelling unit and commercial/industrial square feet development projections completed in Task 1, facilities needs and costs determined in Task 2, and the methodology selected in Task 3.

##### **Subtask 4.1 – Calculate Recommended Fee Amounts**

DTA shall calculate the fees by inputting the data compiled under Task 1 and Task 2 into a financial model, or models, consistent with the requirements of Task 3. This task will compute and document a fee schedule listing each fee to be levied. This work will be done in a spreadsheet format which can be updated on an annual basis.

##### **Subtask 4.2 – Document Fee Derivation**

DTA shall document the methodology utilized for the fee calculation model in a manner that can be understood by SGPWA member cities and the public. DTA shall prepare written statements documenting the validity of the methodology for deriving each of the fees to be included in the Capacity Fee Study.

**Work Product:** Fee Model.

#### **Task 5 – Prepare Draft and Final Capacity Fee Study**

This task entails preparation of the draft and final Capacity Fee Study for consideration by the SGWPA staff and SGWPA Board.

##### **Subtask 5.1 – Prepare Draft Capacity Fee Study for Comments**

Based on the work completed in Task Nos. 1 through 4, DTA will prepare the Draft Capacity Fee Study for consideration by SGPWA and its retail member agencies.

##### **Subtask 5.2 – Prepare Final Draft Capacity Fee Study for Comments**

DTA will incorporate comments from SGPWA staff and SGPWA Board to the Draft Capacity Fee Study . DTA will then submit the Final Draft Capacity Fee Study to SGPWA staff and SGPWA Board for final review and comment.

##### **Subtask 5.3 – Prepare Final Capacity Fee Study**

DTA will incorporate any SGPWA comments, work with and secure concurrence from the retail member agencies, and prepare the Final Capacity Fee Study for consideration by the SGPWA Board.

**Work Product:** Draft, Final Draft and Final Capacity Fee Study

**Task 6 – Attend Meetings**

This task entails attendance at a total of nine meetings, including one meeting with SGPWA staff, four meetings/workshops with member retail agencies, and four meetings/workshops with the SGPWA Board and all stakeholders. The first meeting will be with SGPWA Board to introduce and kick-off the Study. The next seven meetings will be a series of meetings with SGPWA staff, SGPWA Board and/or member retail agencies. The purpose of these meetings will be to collect data, discuss methodology, resolve issues related to model assumptions, and secure concurrence on the form, content and recommendations of the final financial model and Capacity Fee Study. The ninth and final meeting will include presentation of the fee model and the final Capacity Fee Study to the SGPWA Board for approval.

**FEE SCHEDULE**

DTA’s proposed budget for the tasks listed in the full Scope of Work described in Section II is time and materials up to an estimate of \$57,500. These tasks shall be billed according to actual hours worked at the rates shown below:

**Table 1: 2019 Hourly Rates**

<b>Labor Category</b>	<b>Labor Rate (\$)</b>
Managing Director	\$250/Hour
Vice President	\$225/Hour
Senior Manager	\$200/Hour
Manager	\$185/Hour
Senior Associate	\$175/Hour
Associate II	\$165/Hour
Associate I	\$150/Hour
Research Associate II	\$140/Hour
Research Associate I	\$125/Hour

In addition to fees for services, Client shall reimburse DTA for out-of-pocket and administrative expenses by paying a charge equal to 3% of DTA’s monthly billings for labor, plus clerical time at \$50 per hour, travel costs, and any outside vendor payments, not to exceed a total of \$2,500.

Invoices shall be submitted on a monthly basis and shall be due within thirty days thereafter. A late charge of 1.2% per month shall be charged on late payments.

**Limitations**

The labor costs in the table above include attendance at a total of nine formal meetings with SGPWA staff, member retail agencies, and the SGPWA Board. Attendance at more than nine meetings, detailed

written responses to resolve disputes, or preparation of more than two sets of major revisions to the draft report will be classified as Additional Work and billed at hourly rates identified in the table above.

Other examples of Additional Work shall include:

- Additional analyses based on revised assumptions requested by the SGPWA, including possible changes in facility needs and adjustments to the methodology to account for local conditions ;
- Attendance at more than nine meetings;
- Additional coordination required for timely data collection;
- Actual implementation of fee programs; and
- Reproduction of more than 10 copies of technical memoranda or draft or final reports.

All hourly rates for services apply for a 12-month period from execution of the agreement and are subject to a cost-of-living increase every 12 months. On or about the first two weeks of each month during which consulting services are rendered hereunder, DTA shall present to Client an invoice covering the current consulting services performed and the reimbursable expenses incurred pursuant to the agreement and exhibits thereto.

Craig D. Miller  
General Manager

Robert Stockton  
Division 1

Gracie Torres  
Division 2

Brenda Dennstedt  
Division 3

Donald D. Galleano  
Division 4

S.R. "Al" Lopez  
Division 5



Securing Your Water Supply

March 1, 2019

Jeff Davis  
General Manager  
San Geronio Pass Water Agency  
1210 Beaumont Avenue  
Beaumont, CA 92223

RE: Request for Resolution in support of S. R. Al Lopez to the ACWA JPIA Executive Committee

Dear Jeff Davis,

Western Municipal Water District is pleased to support our Director S. R. Al Lopez in his interest in being a candidate for the upcoming election for the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) Executive Committee. The election will be held on May 6, 2019 and requires the candidate to receive resolutions of support from three other JPIA members. Nominations and supporting resolutions must be submitted to the JPIA by March 22, 2019.

Western will be taking this item to our Board for consideration on March 6, 2019 and requests your support as well. I have attached a draft resolution, and Director Lopez's Bio and qualifications for your convenience. If you have any questions regarding this letter of support, please feel free to contact me or Jean Perry, at (951) 571-7224.

Very Respectfully,

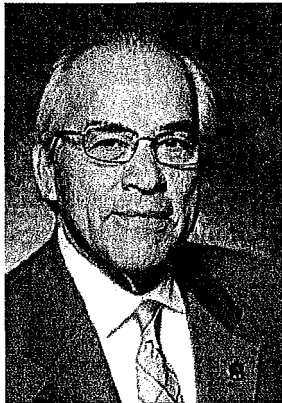
A handwritten signature in black ink that reads "Craig D. Miller".

CRAIG D. MILLER, P.E.  
General Manager



## S.R. "Al" Lopez

### Division 5



A pillar in the water quality community and in Riverside County, S.R. "Al" Lopez joined Western's board in January 2001. He represents Division 5, which includes the City of Corona, Home Gardens, El Cerrito and a portion of Temescal Canyon.

Mr. Lopez has been an active community partner throughout his service on the board. He represents Western on committees for several agencies, including the Western Riverside County Regional Wastewater Authority; the Temescal Valley Municipal Advisory Council; and the Association of California Water Agencies Joint Powers Insurance Authority Liability Committee.

In addition, Director Lopez serves as Western's alternate representative for the Santa Rosa Regional Resources Authority Committee and the Joint Inland-Orange County Caucuses. Director Lopez's leadership in the region includes his membership on

Western's Finance Committee and his roles on the joint committees of Western and Elsinore Valley Municipal Water Districts.

Director Lopez was honored in February 2005 by Congressman Ken Calvert with a Congressional Record Tribute for 25 years of Community Service.

Mr. Lopez earned an Associate of Arts degree from Riverside Community College and received "The Watershed Certificate" award from Chapman University in Orange, California. Lopez is the owner of SR Consulting specializing in business, governmental relations and real estate. In addition to his unwavering commitment to community service, Director Lopez enjoys riding his motorcycle.

Director Lopez is a veteran of the United States Marine Corp, serving from 1958 - 1962.

Director Lopez's current term on the Western Municipal Water District Board expires Dec. 2020.

14205 Meridian Parkway, California 92518 - Main No.: 951.571.7100  
wmwd.com

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF THE

(NAME OF MEMBER DISTRICT)

**CONCURRING IN NOMINATION TO THE EXECUTIVE COMMITTEE**

OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY ("ACWA JPIA")

**WHEREAS**, this district is a member district of the ACWA JPIA; and

**WHEREAS**, the Bylaws of the ACWA JPIA provide that in order for a nomination to be made to ACWA JPIA's **Executive Committee**, three member districts must concur with the nominating district, and

**WHEREAS**, another ACWA JPIA member district, the (NAME OF NOMINATING DISTRICT) has requested that this district concur in its nomination of its member of the ACWA JPIA Board of Directors to the **Executive Committee** of the ACWA JPIA;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the (NAME OF MEMBER DISTRICT) that this district concur with the nomination of (NAME OF NOMINEE) of (NAME OF NOMINATING DISTRICT) to the **Executive Committee** of the ACWA JPIA.

**BE IT FURTHER RESOLVED** that the District Secretary is hereby directed to transmit a certified copy of this resolution to the ACWA JPIA at P.O. Box 619082, Roseville, CA 95661-9082, forthwith.

**ADOPTED** this (DATE) day of (MONTH), 2019.

(SIGNATURE)  
Board President

ATTEST:

(SIGNATURE)  
Secretary