

San Gorgonio Pass Water Agency

DATE: November 3, 2025

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Emmett Campbell, Director of Water Resources

SUBJECT: Consideration of a Memorandum of Understanding for the Purchase of 2025 Surplus Water and the Development of a Multi-Year Water Transfer Package Between the San Gorgonio Pass Water Agency and San Bernardino Valley Municipal Water District

RECOMMENDATION

Authorize the General Manager to Execute the Memorandum of Understanding (“MOU”) for the Purchase of 2025 Surplus Water and the Development of a Multi-Year Water Transfer Package Between the San Gorgonio Pass Water Agency (“SGPWA”) and San Bernardino Valley Municipal Water District (“SBVMWD”) and authorize a budget adjustment to accommodate the transfer.

PREVIOUS CONSIDERATIONS

No previous considerations.

BACKGROUND AND ANALYSIS

As the calendar year draws to a close, State Water Contractors (“Contractors”) are working to move as much water as possible before year-end. Current SWP conditions indicate that a spill event may occur early next year, placing carryover water at risk of being lost. In response, Contractors are seeking opportunities to move or utilize their carryover supplies before a potential spill.

The SBVMWD is one such Contractor. Due to limited local demands, SBVMWD has declared “surplus water,” enabling it to sell water to entities outside of its service area.

SGPWA has an existing Surplus Water Agreement with SBVMWD, executed in 2018, which authorizes the purchase of up to 5,000 acre-feet of surplus water. SGPWA and SBVMWD intend to exercise this agreement in spirit. However, because the 2018 Surplus Water Agreement predates the State Water Project’s Water Management Tools Amendment, it does not reflect current practices for long-term, flexible water transfers. Both Agencies share the goal of replacing this outdated agreement with a long-term, multi-year transfer agreement (“Multi-Year Agreement”) that aligns with the updated water management tools framework.

Developing and executing a Multi-Year Agreement is a complex process that is not expected to be completed until 2026. In the meantime, SBVMWD must reduce its carryover in San Luis Reservoir during 2025 to minimize potential spill losses. To facilitate

this, and to continue cooperation under the spirit of the existing Surplus Water Agreement, SGPWA proposes entering into a MOU with SBVMWD.

The proposed MOU is intended to achieve two primary objectives:

1. Provide SBVMWD with assurance that there is a committed purchaser for the water in 2025, preventing the asset from being stranded.
2. Authorize staff from both Agencies to collaboratively begin developing the Multi-Year Agreement, a prerequisite for obtaining Department of Water Resources ("DWR") approval of the transfer.

Key Terms of the Proposed MOU:

1. SBVMWD will recharge up to 5,000 acre-feet of its own water into its basin during 2025.
2. SGPWA will pay \$200 per acre-foot plus variable transportation costs to a specified Reach within SBVMWD's service area. The variable transportation costs are estimated to be around \$200 per acre-foot.
3. SGPWA's payment will serve as a good-faith deposit, up to \$2 million, depending on the final volume of water recharged in 2025.
4. SBVMWD will return 85% of the recharged water ("Return Water") to SGPWA in a future year and will pay the variable transportation cost to the same specified Reach. SGPWA will cover any additional transportation costs to its final delivery point.
5. Return Water deliveries will occur within ten (10) years. Any remaining balance of unreturned water after that period will be refunded to SGPWA based on the associated dollar value.
6. The MOU is contingent upon successful completion and approval of the Multi-Year Agreement.
7. If the Multi-Year Agreement is not executed by the end of 2026, the MOU will automatically terminate.
8. The MOU is non-binding and may be terminated at any time by either party.
9. Upon termination, SBVMWD will retain the recharged water and refund all good-faith deposit funds to SGPWA.
10. Both Agencies will initiate work on the Multi-Year Agreement, including completing any required CEQA documentation.

In summary, the MOU serves as an interim step toward establishing a long-term Multi-Year Agreement anticipated for completion in 2026. This approach provides flexibility to both Agencies, supports SBVMWD's immediate operational needs, and ensures SGPWA continues to pursue secure, cost-effective water supply opportunities.

STRATEGIC PLAN NEXUS

The MOU between SGPWA and SBVMWD helps advance various aspects of the Agency's Strategic Plan, including:

- Strategic Goal 1: Align with the current and future water landscape, supporting the region's long-term needs by diversifying the local supply portfolio and advancing water sustainability.
 - ✓ Objective 2 – Establish relationships and expand collaborative opportunities at the local, regional, state, tribal, and federal levels that will enhance the water supplying the region.
 - ✓ Objective 3 – Seek opportunities in the California water market to maximize the beneficial use of Agency water assets.

FISCAL IMPACT

This proposed transfer would be charged to the line item 'Water Transfers' in the Debt Service Fund (the Red Bucket, line 173) for FY 2025-26. This line item has a budgeted amount of \$2.7M, which is expected to be used to pay for the Ventura agreement. If the Board approves this transfer, a budget of adjustment of \$2M would be made to this line item.

As a result, the expected net addition to the Red Bucket reserves at year-end would be reduced, but the final projected net balance at year-end would still be positive.

ACTION

Authorize the General Manager to Execute the Memorandum of Understanding ("MOU") for the Purchase of 2025 Surplus Water and the Development of a Multi-Year Water Transfer Package Between the San Gorgonio Pass Water Agency and San Bernardino Valley Municipal Water District and authorize a budget adjustment to accommodate the transfer.

ATTACHMENTS

1. Memorandum of Understanding for the Purchase of 2025 Surplus Water and the Development of a Multi-Year Water Transfer Package Between the San Gorgonio Pass Water Agency and San Bernardino Valley Municipal Water District

**MEMORANDUM OF UNDERSTANDING
BETWEEN
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
AND
SAN GORGONIO PASS WATER AGENCY
FOR THE PURCHASE OF 2025 SURPLUS WATER AND THE DEVELOPMENT OF A
MULTI-YEAR WATER TRANSFER PACKAGE**

This Memorandum of Understanding (“MOU”) is entered into and effective this ____ day of _____, 2025 (“Effective Date”), by and between the San Bernardino Valley Municipal Water District (“San Bernardino Valley”) and the San Gorgonio Pass Water Agency (the “Pass Agency”). San Bernardino Valley and the Pass Agency are each sometimes referred to herein as a “Party” and collectively as the “Parties.”

Recitals

- A. San Bernardino Valley is a municipal water district, formed to develop and manage long-term water supplies for the San Bernardino valley area, including importing water under its State Water Project (“SWP”) contract and managing groundwater storage within its service area; and
- B. Pass Agency is a regional water agency created in 1961 by the California State Legislature pursuant to Water Code Appendix 101: San Gorgonio Pass Water Agency Law, Act 9099, empowered to acquire, import, and distribute water resources, including up to 17,300 acre feet annually under its SWP contract, to promote water supply reliability and regional resilience; and
- C. In 2025, San Bernardino Valley identified up to 12,500 acre-feet (“AF”) of surplus SWP supplies, which San Bernardino Valley intends to recharge within its own service area; and
- D. The Parties entered into a Surplus Water Agreement in 2018. Because that agreement predates the Water Management Tools Amendment to the SWP contract with the California Department of Water Resources (“DWR”), both Parties now wish to preserve the intent of the Surplus Water Agreement while replacing it with a new comprehensive, multi-year transfer agreement; and
- E. The Pass Agency desires to purchase up to 5,000 AF of the surplus water for delivery in a future year, and the Parties intend that Pass Agency will purchase the water at a rate of \$200/AF; and
- F. Because DWR has advised that such an arrangement requires development of a multi-year transfer agreement, the Parties intend that this MOU serve as an initial step, to be followed by negotiation of a definitive multi-year transfer package

subject to DWR approval and environmental review under the California Environmental Quality Act ("CEQA"); and

- G. The Parties anticipate that a future multi-year transfer agreement may include bi-directional transfers, a term of up to twenty (20) years, and use of various SWP supply components (e.g., Table A, Carryover, Article 21), but acknowledge that all such terms remain subject to future negotiation, approval by each Party's respective Board of Directors, and approval by DWR; and
- H. The Parties therefore wish to memorialize their mutual understandings regarding the 2025 transfer and establish a framework for future discussions, while preserving full flexibility until a definitive agreement is executed.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the Parties hereto agree as follows:

MOU

1. Purpose. This MOU establishes the intent of the Parties with respect to the 2025 purchase of up to 5,000 AF of San Bernardino Valley's surplus water supplies and outlines the commitment to pursue a future multi-year transfer agreement.
2. 2025 Transfer Concept.
 - a. San Bernardino Valley will recharge up to 5,000 AF of its own surplus SWP supplies in 2025 within its service area.
 - b. The Pass Agency will agree to purchase this recharge water at a rate of \$200/AF plus estimated transportation variable costs, contingent upon, among other things, compliance with CEQA and receipt of approvals from DWR for the future multi-year transfer agreement.
 - c. The Pass Agency will provide a good faith deposit of up to \$2,000,000 (5,000 AF x \$200/AF, plus estimated transportation variable costs) with San Bernardino Valley after the water has been recharged.
 - d. Return deliveries to the Pass Agency through SWP facilities will total 85% of the recharged surplus amount, up to 4,250 AF to account for typical losses. The Parties acknowledge that the purchase price will be based on 5,000 AF of recharge, notwithstanding that the delivered amount will be less.
 - e. San Bernardino Valley will offer return water to the Pass Agency no later than April 1 of each year, and the Pass Agency will provide its response no later than April 15 of the same year.

- f. The return water will be delivered to the Pass Agency within ten (10) years. If, at the end of the ten-year period, any portion of the return water remains undelivered, San Bernardino Valley will return the balance of the Pass Agency's prepaid account associated with this transfer of 5,000 AF.
- g. For calendar year 2025, the Pass Agency will reimburse San Bernardino Valley for its transportation variable costs to a specific reach on the East Branch Extension ("Point of Transfer"). In the year when the Pass Agency takes delivery of the return water, San Bernardino Valley will reimburse transportation costs up to the same Point of Transfer. Thereafter, Pass Agency will be responsible for all transportation variable costs from the Point of Transfer to the designated delivery point within the Pass Agency service area. Each Party will submit an invoice to the other Party for reimbursement. The reimbursing Party will pay within 45 days of receipt of the invoice. In the event that this MOU terminates pursuant to Section 5 below, San Bernardino Valley will reimburse the Pass Agency for its costs incurred under this section.

3. Multi-Year Transfer Negotiations. The Parties agree to negotiate in good faith toward a multi-year transfer agreement, which may include, but not be limited to:

- a. Bi-directional transfers; and
- b. A term of up to twenty (20) years; and
- c. Various SWP supply components (Table A, Carryover, Article 21); and
- d. Carryover storage sharing component in San Luis Reservoir; and
- e. No obligation to transfer water in any given year; and
- f. Annual approval of transfers under the agreement (cost, volume, and terms) will be considered and approved by each Party's respective Board of Directors.

4. Term. This MOU will take effect upon the Effective Date and will remain in force until December 31, 2026, unless earlier terminated pursuant to Section 5 below.

5. Termination.

- a. Termination With or Without Cause. Because this MOU is intended to express the non-binding intent of the Parties, either Party may terminate this MOU at any time, with or without cause, upon thirty (30) days' prior written notice to the other Party.

- b. Execution of Multi-Year Transfer Agreement. This MOU will automatically terminate upon the execution of a definitive multi-year transfer agreement by the Parties that is then approved by DWR, as contemplated herein.
- c. Failure to Execute Multi-Year Transfer Agreement. This MOU will automatically terminate if a definitive multi-year transfer agreement is not executed by the Parties, or is not approved by DWR.
- d. CEQA Compliance. This MOU will terminate if environmental review under CEQA determines that the contemplated actions cannot proceed, or if necessary CEQA approvals are not obtained.
- e. Effect of Termination. Upon termination of this MOU, the Pass Agency will not be deemed to have purchased the 2025 recharge water, San Bernardino Valley will have no obligation to deliver or return any water to the Pass Agency, and neither party will have any further obligation to the other with respect to the 2025 recharge water. Additionally, San Bernardino Valley will return the good faith deposit to the Pass Agency, along with any other monies paid by the Pass Agency to San Bernardino Valley pursuant to this MOU, within 30 days of termination.

6. General Provisions.

- a. Nothing in this MOU will be construed to limit either Party's independent rights and authorities under law.
- b. Each Party will bear its own costs associated with this MOU, unless otherwise agreed in writing.
- c. This MOU may only be amended in writing signed by both Parties.
- d. This MOU does not create any joint venture, partnership, or other legal entity between the Parties.
- e. All notices, requests, demands, or other communications required or permitted under this MOU will be in writing to the addresses as follows:

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

General Manager
San Bernardino Valley Municipal Water District
380 East Vanderbilt Way
San Bernardino, CA 92408
Telephone: (909) 387-9200
Facsimile: (909) 387-9247

SAN GORGONIO PASS WATER AGENCY

General Manager
San Gorgonio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223
Telephone: (951) 845-2577
Facsimile: (951) 845-0281

IN WITNESS WHEREOF, the Parties have executed this Memorandum of
Understanding by their duly authorized representatives as of the Effective Date.

SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT

SAN GORGONIO PASS WATER
AGENCY

By: _____

By: _____

Dated: _____

Dated: _____