

San Gorgonio Pass Water Agency

DATE: November 2, 2026

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Matt Howard, Operations Manager

SUBJECT: Consideration of a 1,500 Acre-Foot Water Purchase from Crestline-Lake Arrowhead Water Agency

RECOMMENDATION

Authorize the General Manager to purchase 1,500 acre-feet of water at a rate of \$150 per acre-foot from Crestline-Lake Arrowhead Water Agency and complete all necessary documentation.

PREVIOUS CONSIDERATIONS

- No Previous Considerations

BACKGROUND AND ANALYSIS

The San Gorgonio Pass Water Agency (SGPWA) receives imported water supplies through the State Water Project (SWP) under its long-term Water Supply Contract with the California Department of Water Resources ("DWR"). The Crestline-Lake Arrowhead Water Agency (CLAWA) is also a SWP contractor, and the two agencies have a long history of working cooperatively to maximize the beneficial use and prudent management of their respective SWP water supplies.

The 2026 SWP allocation was initially established at 10% and subsequently increased to 30% in January. In May 2026, DWR increased the allocation to 45% of contractors' Table A amounts. Throughout the year, Agency staff have continued to evaluate available supplies, delivery demands, carryover conditions, and opportunities to acquire additional water that can be beneficially used within the Agency's service area.

CLAWA has Article 56(c) carryover water available after meeting its anticipated 2026 water needs and has agreed to transfer up to 1,500 acre-feet ("AF") to SGPWA. Article 56(c) allows carryover water to be transferred between SWP contractors, subject to approval by the California Department of Water Resources ("DWR").

Under the proposed agreement, the transfer will occur within San Luis Reservoir for accounting and operational purposes. SGPWA will purchase CLAWA's Article 56(c) carryover water at \$150 per AF and will only pay for water actually released from San Luis Reservoir to SGPWA. If the full 1,500 AF is transferred, the total purchase price will be \$225,000.

CLAWA will make the maximum amount of transfer water available prior to December 31, 2026. SGPWA will take as much of the available water as possible based on SWP operations and conditions at San Luis Reservoir. SGPWA will not be required to pay for water that becomes unavailable due to a spill at San Luis Reservoir.

If DWR makes Article 21 water available during the transfer period, SGPWA will prioritize Article 21 deliveries and may temporarily reduce or suspend delivery of the CLAWA transfer water.

SGPWA will be responsible for DWR variable conveyance charges from San Luis Reservoir to the Agency's service area, along with applicable CEQA, legal, and administrative costs. This purchase is subject to DWR approval.

This purchase provides the Agency with an opportunity to secure up to 1,500 AF of additional SWP water at a predictable cost while maximizing the beneficial use of available SWP supplies. The agreement also limits the Agency's financial exposure by requiring payment only for water actually made available and released to SGPWA.

STRATEGIC PLAN NEXUS

The water purchase from CLAWA 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, and federal levels that will enhance the water supply of the region.
 - ✓ Objective 3 – Seek opportunities in the California water market to maximize the beneficial use of Agency water assets.

CEQA ANALYSIS

The Agreement is statutorily exempt from CEQA under State CEQA Guidelines section 15282(u) and Water Code section 1729, which exempts qualifying temporary water transfers. The Project involves the one-time transfer of up to 1,500 acre-feet of CLAWA's Article 56(c) carryover water to SGPWA using existing State Water Project facilities, with no construction of new facilities.

The Project is also exempt under State CEQA Guidelines section 15301 (Class 1 – Existing Facilities) and section 15061(b)(3), as the transfer will use existing facilities and will not result in a significant effect on the environment.

SGPWA, as the CEQA lead agency, plans to file a Notice of Exemption for the Project.

FISCAL IMPACT

The purchase price for the transferred water is \$150 per acre-foot. If all 1,500 acre-feet of transfer water is delivered, then the total cost to the Agency will be \$225,000.

This is considered a transfer from another State Water Contractor, and the transfer cost will be charged to the Debt Service Fund (the Red Bucket), under line item "Water Transfers" (line #174). The budget for FY26-27 is \$4.2 million, and no funds have been spent from this line item to date.

ACTION

Authorize the General Manager to purchase 1,500 acre-feet of water at a rate of \$150 per acre-foot from Crestline-Lake Arrowhead Water Agency and complete all necessary documentation.

ATTACHMENTS

1. Water Transfer Agreement Between Crestline-Lake Arrowhead Water Agency District and San Geronio Pass Water Agency

TRANSFER AGREEMENT

This Transfer Agreement (“Agreement”) is made and entered into as of November ____, 2026 (“Effective Date”), by and between the CRESTLINE-LAKE ARROWHEAD WATER AGENCY (“CLAWA”) and the SAN GORGONIO PASS WATER AGENCY (“SGPWA”). CLAWA and SGPWA are sometimes individually referred to herein as a “Party” and collectively as the “Parties.”

RECITALS

A. CLAWA and SGPWA are both State Water Contractors having access to the imported water supplies through the California State Water Resources Development System (“State Water Project” or “SWP”). CLAWA and SGPWA are each entitled to receive water from the SWP as set forth in their respective Water Supply Contracts with the California Department of Water Resources (“DWR”). This water consists of annual allocations based upon their Table A Amounts, or carryover water as set forth in Article 56(c) of their Water Supply Contracts, or water occasionally made available to them as set forth in Article 21 of their Water Supply Contracts (collectively, “SWP Water”).

B. CLAWA and SGPWA have a long history of cooperation to maximize the prudent management of their respective SWP Water supplies.

C. CLAWA’s and SGPWA’s respective Water Supply Contracts allow for the transfer of SWP Water under certain conditions and subject to DWR approval. Specifically, Article 56(c) provides for the transfer of Article 56 carryover water from CLAWA to another SWP contractor, such as SGPWA, in accordance with Article 56(c)(4).

D. In 2026, CLAWA has Article 56 carryover water available to it after its 2026 water use and has agreed to transfer up to 1,500 acre-feet (“AF”) of this Article 56 carryover water (“Transfer Water”) to SGPWA in 2026, subject to the terms and conditions hereinafter set forth (“Transfer”).

E. The Parties wish to enter into this Agreement to address water supply needs for this current year. The Parties desire to work collaboratively to provide for the efficient use of water supplies in areas of the state where water supplies are needed.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the promises and covenants contained herein, the Parties agree as follows:

1. Term. Subject to DWR’s approval, the term of this Agreement shall commence on the Effective Date and terminate on May 31, 2027, or upon satisfaction of the Parties’ respective obligations pursuant to this Agreement, whichever is sooner (“Term”).

2. Transfer and Release of Transfer Water in 2026. CLAWA shall take any and all actions necessary to make the maximum amount of the Transfer Water available at the Point of Transfer, as defined in Paragraph 3, prior to December 31, 2026. SGPWA shall take as much Transfer Water

at the Point of Transfer as is available under the terms of this Agreement, based upon operations of San Luis Reservoir and before any spill of San Luis Reservoir.

3. Point of Transfer.

(a) Both Parties have access to water supplies and conveyance capacity in the California Aqueduct and San Luis Reservoir facilities, which are part of the SWP. For accounting and operational purposes, it is hereby acknowledged that the Transfer will be made in San Luis Reservoir, which shall be deemed to be the “Point of Transfer” for the Transfer Water.

(b) Neither Party is making any representation or warranty concerning the quality of the water transferred under this Agreement.

4. Cooperation in Obtaining DWR Approvals.

(a) The Parties will take the necessary actions to fulfill their respective obligations, including but not limited to their respective obligations in coordinating with DWR to obtain DWR’s approval of the Transfer.

(b) As soon as practicable after the Effective Date, CLAWA will submit a request to DWR that DWR deliver the Transfer Water to SGPWA pursuant to the delivery schedule agreed upon by the Parties. CLAWA will coordinate with DWR to confirm the quantity of Transfer Water available for delivery to SGPWA pursuant to this Agreement.

(c) The Parties will cooperate as follows:

(i) Coordination with DWR for processing and obtaining DWR approvals necessary for the approval and implementation of this Agreement.

(ii) Coordination with DWR for delivery of the Transfer Water.

(iii) CLAWA, in coordination with SGPWA, will submit the water delivery schedule to DWR for delivery of the Transfer Water.

5. Water Availability. SGPWA will coordinate with DWR to track Transfer Water availability before any spill occurs at San Luis Reservoir. SGPWA has no obligation to pay for any Transfer Water that is not available and released from San Luis Reservoir to SGPWA due to the operations of the SWP that cause San Luis Reservoir to spill. CLAWA has no obligation to provide SGPWA water to make up for any portion of the Transfer Water that is unavailable due to the operations of the SWP that cause San Luis Reservoir to spill.

6. Article 21 Water. If DWR makes Article 21 water available during the Term of this Agreement, SGPWA will prioritize the delivery of the available Article 21 water, which may result in suspending or reducing the delivery of Transfer Water as necessary. Once the availability of Article 21 water ends, SGPWA will resume delivery of any remaining Transfer Water that did not spill.

7. Payment and Reconciliation

(a) The purchase price for Transfer Water shall be One Hundred and Fifty Dollars (\$150) per AF.

(b) Within thirty (30) days after SGPWA has acquired all Transfer Water that will be available before December 31, 2026, or at the conclusion of the Transfer of the full amount of Transfer Water during the Term (whichever is earlier), SGPWA shall pay CLAWA the purchase price for the Transfer Water. The total cost shall be calculated by multiplying the purchase price per AF by the total acre-feet of Transfer Water released from San Luis Reservoir to SGPWA.

8. Costs and Expenses

(a) SGPWA will be responsible for the following costs and expenses:

(i) Costs and expenses in connection with taking delivery of the Transfer Water at the Point of Transfer.

(ii) DWR's variable charges for conveying the Transfer Water from the Point of Transfer to SGPWA's service area.

(iii) California Environmental Quality Act (CEQA) compliance costs per Paragraph 9(c).

(iv) SGPWA's internal and transaction costs in connection with SGPWA's activities under this Agreement including, but not limited to, costs for review and processing of required agreements, environmental documents, and other transaction costs.

(b) CLAWA will be responsible for the following costs and expenses:

(i) Costs and expenses in connection with delivering the Transfer Water to the Point of Transfer.

(ii) CLAWA's internal and transaction costs in connection with CLAWA's activities under this Agreement including, but not limited to, costs for review and processing of required agreements, environmental documents, and other transaction costs.

9. Approvals and Requirements. The Transfer provided for in this Agreement shall be subject to satisfaction of all applicable approvals and requirements and shall be governed by the terms and conditions of such approvals and any other applicable legal requirements. Each Party is responsible for satisfying its respective requirements, as applicable, including but not limited to the following:

(a) complying with each Party's respective Water Supply Contract;

(b) obtaining all permits, consents, entitlements, and approvals necessary to perform this Agreement; and

(c) fully and completely complying with the California Environmental Quality Act (“CEQA”). The lead agency for the purposes of CEQA will be SGPWA. The Parties shall cooperate with each other and DWR in determining and completing any environmental reviews associated with the activities under this Agreement.

10. Conditions Precedent. This Agreement is subject to the following condition precedent:

(a) DWR’s written approval of the Transfer. CLAWA and SGPWA anticipate that DWR’s approval will be provided in the form of an Article 56 Carryover Water Transfer Agreement (“DWR Approval Agreement”). In the event of a conflict between the terms of this Agreement and the DWR Approval Agreement, the terms of the DWR Approval Agreement shall govern.

(b) In the event DWR does not approve this Agreement, or does not provide approval with sufficient time to complete the Transfer by December 31, 2026, then either Party may terminate this Agreement prior to expiration of the Term.

11. Termination.

(a) This Agreement may be terminated in accordance with the following:

(i) Default. In the event a Party fails to perform any of its obligations under this Agreement (“Defaulting Party”), the other Party (“Non Defaulting Party”) may demand in writing that the Defaulting Party cure such non-performance. The Defaulting Party shall have 30 days after receipt of such demand to cure the default. In the event the Defaulting Party fails to cure the default within the 30 day period, the Non Defaulting Party may terminate this Agreement and take any and all actions in law or in equity which may be available to enforce this Agreement.

(ii) Mutual Consent. This Agreement may be terminated at any time by mutual written consent of both Parties.

(iii) Failure of One or More Conditions Precedent. In the event any condition precedent to this Agreement has not been satisfied by December 31, 2026, due to circumstances outside of the responsibility or control of the Parties, as applicable, the Parties will meet and confer to discuss whether to amend, suspend, or terminate this Agreement. If mutual agreement is not reached on or before December 31, 2026, then either Party may terminate this Agreement.

12. Force Majeure. The respective obligations of each party shall be suspended while it is prevented from complying by acts of God, war, riots, civil insurrection, acts of civil or military authority, fires, floods, earthquakes, labor accidents or incidents, rules and regulations of any governmental agency (other than the Parties themselves), or other cause of the same or other character any of which are beyond the reasonable control of either Party (collectively, “Force Majeure”). In the event of a suspension due to the Force Majeure, the Party whose obligations are suspended shall promptly notify the other Party in writing of such suspension and the cause and estimated duration of such suspension.

13. Defense. In the event of any legal action by a third party to challenge this Agreement and/or the Transfer described herein, the Parties agree to cooperate in the defense thereof and to share equally in the costs of such defense, utilizing counsel mutually acceptable to the Parties.

14. Power and Authority to Execute and Perform this Agreement. Each Party has the power and authority to enter into this Agreement and to perform its obligations and all necessary approvals and authorizations have been obtained for entering into this Agreement.

15. General Provisions.

(a) Remedies Not Exclusive. Remedies provided in this Agreement for enforcement of its terms are intended and shall be construed as cumulative rather than exclusive and shall not be deemed to deprive either Party from also using any other remedies provided by this Agreement or by law.

(b) Subject to Applicable Law. The Parties acknowledge and agree that this Agreement and the rights and obligations of the Parties shall be subject to the laws governing public agencies as they now exist and as they may be amended or codified by the Legislature of the State of California.

(c) Entire Agreement. This Agreement contains the entire understanding between the Parties with respect to its subject matter, and supersedes all prior agreements, oral or written, and all prior or contemporaneous discussions or negotiations between the Parties. This Agreement cannot be amended except in writing signed by both Parties.

(d) No Waiver. Any failure or delay on the part of either Party to exercise any right under this Agreement shall not constitute a waiver of the right and shall not preclude such Party from exercising or enforcing the right, or any other provision of this Agreement, on any subsequent occasion.

(e) Notices. All notices or other communications required or desired to be given pursuant to this Agreement shall be in writing and shall be delivered in person, by email, or sent by a reputable overnight courier service providing delivery confirmation. Each such notice or communication shall be deemed to be duly given when hand-delivered or one day after being emailed or deposited for next day delivery with an overnight courier. Each such notice or communication shall be addressed to the Parties at their respective addresses set forth next to their signatures below, or such other address as a Party notifies the other in writing.

(f) Headings; Section References. Captions and headings appearing in this Agreement are inserted solely as reference aids for ease and convenience; they shall not be deemed to define or limit the scope or substance of the provisions they introduce, nor shall they be used in construing the intent or effect of such provisions.

(g) Severability. If any provision of this Agreement is finally determined by a court to be invalid or unenforceable as written, the provision shall, if possible, be enforced to the extent reasonable under the circumstances and otherwise shall be deemed deleted from this Agreement. The other provisions of this Agreement shall remain in full force and effect so long as the material purposes of the Agreement and understandings of the Parties are not impaired.

(h) Binding Effect on Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the Parties, and their respective successors and permitted assigns.

(i) Attorneys' Fees. In the event that any action or proceeding is brought to enforce one or more of the terms of this Agreement, to restrain an alleged violation of this Agreement, or to determine the validity of this Agreement or any part, the prevailing Party in any such action or proceeding shall be entitled to recover from the other its reasonable costs and attorneys' fees, in addition to any other remedies available to it in law or equity. If both Parties are successful in one or more causes of action during any such proceeding, the costs and fees shall be apportioned as determined by the court.

(j) Governing Law and Venue. This Agreement is a contract governed in accordance with the laws of the State of California. The Parties hereby agree that venue for any action brought to enforce the terms of this Agreement shall be in a court of competent jurisdiction in the County of San Bernardino, California, and consent to the jurisdiction thereof.

(k) Counterparts; Delivery by Email; Electronic Signatures. The Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which when taken together shall constitute one and the same document. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Signatures follow on the next page]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**CRESTLINE-LAKE ARROWHEAD
WATER AGENCY**

**SAN GORGONIO PASS WATER
AGENCY**

Date: _____

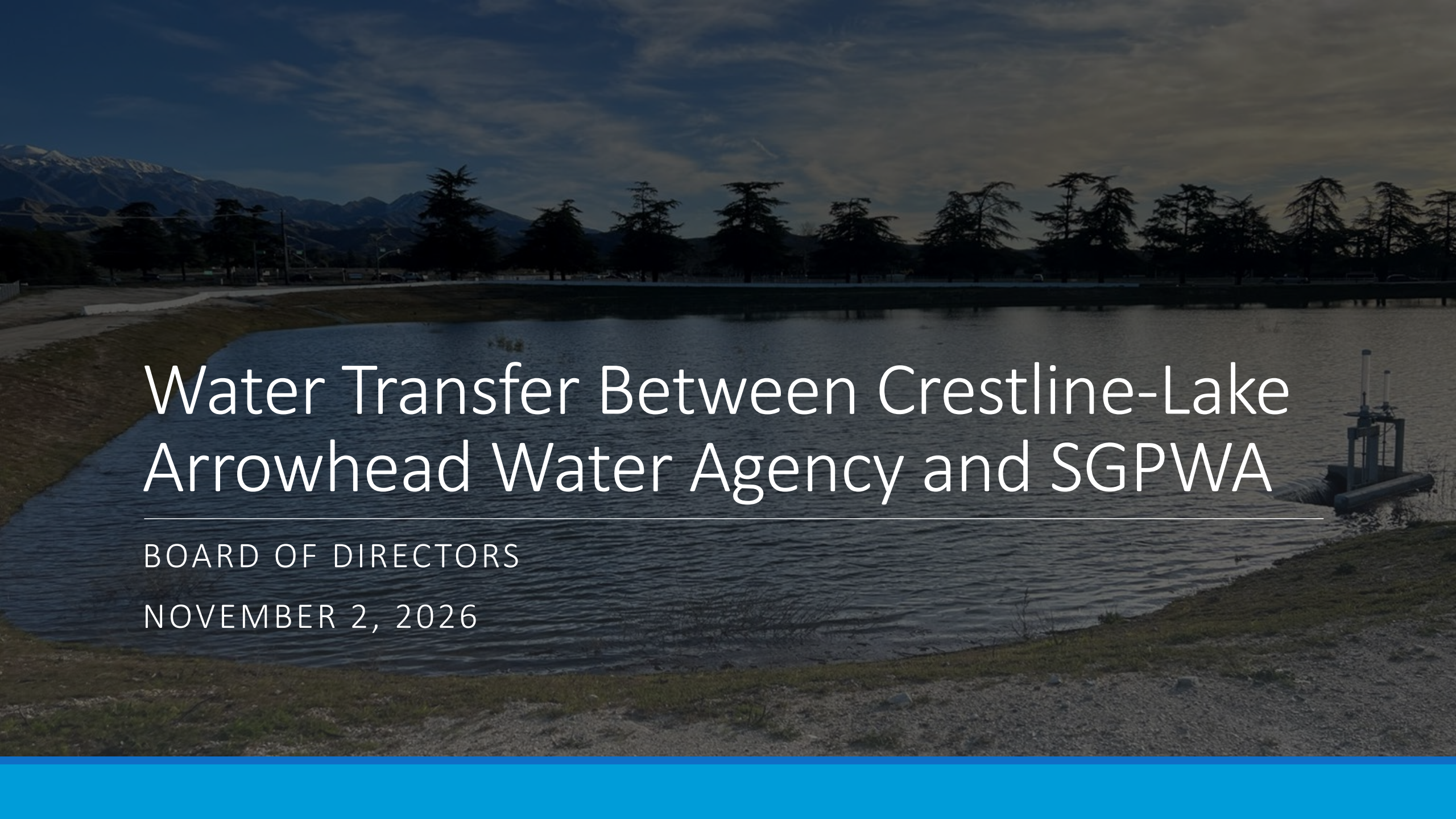
Date: _____

By: _____
Jennifer Spindler
General Manager

By: _____
Lance Eckhart, PG, CHG
General Manager/Chief Hydrogeologist

Crestline-Lake Arrowhead Water Agency
24116 Crest Forest Drive
Crestline, CA 92325
Email: clawa2@clawa.net

San Gorgonio Pass Water Agency
1210 Beaumont Ave.
Beaumont, CA 92223
Email: Leckhart@sgpwa.com

A scenic view of a lake with mountains in the background and a water pump structure on the right. The image is dark and moody, with a blue sky and mountains in the background. A line of trees is visible on the far shore. In the foreground, there's a body of water with a small structure on the right side. The text is overlaid on the left side of the image.

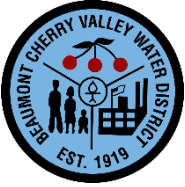
Water Transfer Between Crestline-Lake Arrowhead Water Agency and SGPWA

BOARD OF DIRECTORS

NOVEMBER 2, 2026

Water Orders 2026

Total Water Orders: 16,200 AF



BCVWD

- 14,000 AF
 - 11,200 AF (*Demands*) ✓
 - 2,800 AF (*Banking*) ✓



YVWD

- 200 AF
 - 200 AF (*Direct Demand*) ✓



City of Banning

- 2,000 AF
 - 1,500 AF (*Demands*) ✓
 - 500 AF (*Banking*) ✓



SGPWA

- TBD (Future Supply)

Water Orders 2027

Total Water Orders: 16,200 AF



BCVWD

- 14,000 AF
 - 11,200 AF (*Demands*)
 - 2,800 AF (*Banking*)



YVWD

- 200 AF
 - 200 AF (*Direct Demand*)



City of Banning

- 2,000 AF
 - 1,500 AF (*Demands*)
 - 500 AF (*Banking*)



SGPWA

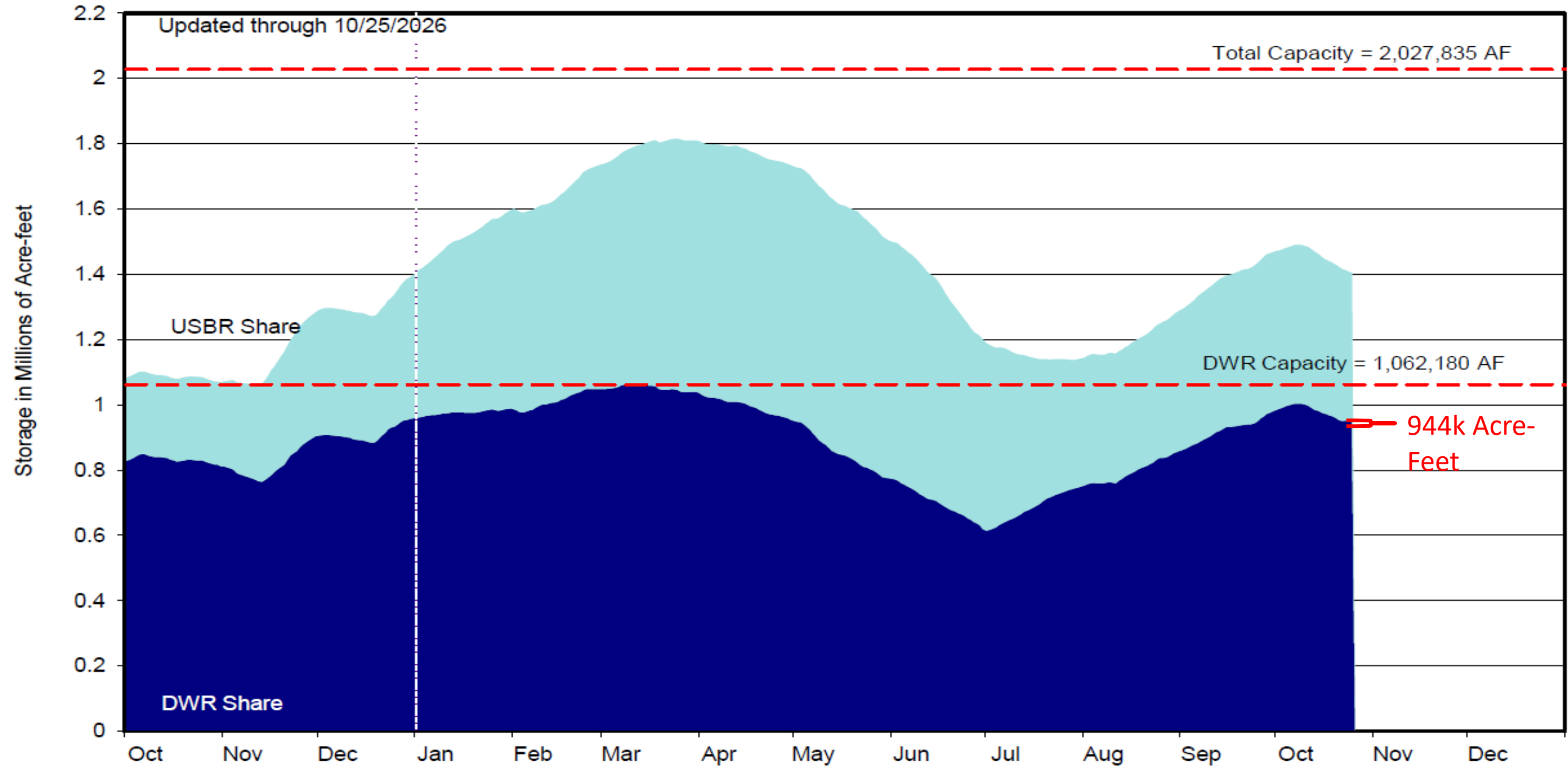
- TBD (Future Supply)

2026 Water Supply	
All Values in Acre-Feet	
<u>Source</u>	<u>Table A - 45%</u>
Table A	12,285
Carryover	50
Nickel Water	1,700
County of Napa Transfer	3,000
Potential CLAWA Purchase/Transfer	1,500
Total Available Supply	18,535

The allocation as of May 14, 2026, is set at 45% - total SGPWA available supply at this allocation is estimated at around 18,535 acre-feet

San Luis Reservoir Storage

Combination Water/Calendar Year



Terms of the Purchase/Transfer with CLAWA

1. CLAWA will transfer up to 1,500 acre-feet of carryover water to SGPWA.
2. SGPWA will take delivery of as much of this water as possible before any spill event occurs.
3. For each acre-foot successfully delivered, SGPWA will pay CLAWA \$150.
4. The Agency anticipates starting delivery of this purchased water ASAP and completing the delivery before the end of 2026. If all 1,500 acre-feet are successfully delivered, the total cost of the transfer will amount to \$225,000.
5. Water Purchases/Transfers are budgeted for in the Board-adopted FY2026-27 Annual Budget, under “Water Purchases” or Line 174

Recommendation

Authorize the General Manager to purchase 1,500 acre-feet of water at a rate of \$150 per acre-foot from Crestline-Lake Arrowhead Water Agency and complete all necessary documentation.