San Gorgonio Pass Water Agency

DATE: November 16, 2026

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Emmett Campbell, Director of Water Resources

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

RECOMMENDATION

Authorize the General Manager to execute the First Amendment to the Memorandum of Understanding ("MOU") between San Gorgonio Pass Water Agency ("SGPWA") and San Bernardino Valley Municipal Water District ("SBVMWD"), extending the term of the MOU through December 31, 2027.

PREVIOUS CONSIDERATIONS

November 3, 2025 - Board of Directors Meeting: the Board of Directors authorized execution of the MOU for the Purchase of 2025 Surplus Water and the Development of a Multi-Year Water Transfer Package between SGPWA and SBVMWD, along with a budget adjustment to accommodate the proposed transfer.

BACKGROUND AND ANALYSIS

SGPWA and SBVMWD entered into the MOU in November 2025 to establish a framework for the purchase of up to 5,000 acre-feet of SBVMWD's 2025 surplus State Water Project water for future delivery to SGPWA and to initiate development of a comprehensive Multi-Year Water Transfer Agreement ("Multi-Year Agreement"). The Multi-Year Agreement is intended to replace the Agencies' 2018 Surplus Water Agreement with a more flexible arrangement consistent with the State Water Project's Water Management Tools Amendment.

The MOU contemplated completion of the Multi-Year Agreement by the end of 2026 and is currently scheduled to expire on December 31, 2026. Development of the Multi-Year Agreement requires coordination between both Agencies and the Department of Water Resources, as well as negotiation of transfer terms and completion of any necessary environmental review and approvals.

Due to competing priorities and staff commitments at both Agencies, development of the Multi-Year Agreement has not progressed as initially anticipated. Additionally, there has been no immediate operational need requiring the Parties to finalize the agreement. Both Agencies remain interested in pursuing the Multi-Year Agreement and propose extending

the existing MOU by one year to allow additional time to complete the necessary coordination, negotiations, and approvals.

The proposed First Amendment would revise Section 4 of the MOU to extend its expiration date from December 31, 2026, to December 31, 2027. All other provisions of the MOU would remain unchanged, including the 2025 surplus water transaction, the framework for negotiating the Multi-Year Agreement, and the termination provisions.

The extension would preserve the existing framework while allowing both Agencies to continue working toward a long-term transfer arrangement without having to establish a new MOU.

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

Approval of the First Amendment would not, by itself, authorize additional expenditures or require a new budget adjustment. The amendment only extends the term of the existing MOU; the financial provisions of the original MOU would remain unchanged.

ACTION

Authorize the General Manager to execute the First Amendment to the MOU between SGPWA and SBVMWD, extending the term through December 31, 2027.

ATTACHMENTS

1. First Amendment to 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

2. 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

FIRST AMENDMENT TO 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 First Amendment to Memorandum of Understanding ("First Amendment") is made and effective this ____ day of _____, 2026 ("First Amendment 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 individually referred to herein as a "Party" and collectively as the "Parties."

Recitals

A. The Parties entered into a Memorandum of Understanding dated November 3, 2025, regarding the 2025 transfer and purchase of surplus water and the development of a multi-year water transfer agreement ("MOU"); and

B. The Parties now desire to amend the MOU to extend the term of the MOU.

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

MOU

1. Term. Section 4 of the MOU shall be deleted in its entirety and replaced as follows:

   "This MOU will take effect upon the Effective Date and will remain in force until December 31, 2027, unless earlier terminated pursuant to Section 5 below."

2. Continuing Effect of MOU. Except as amended by this First Amendment, all provisions of the MOU as amended shall remain in full force and effect and shall govern the actions of the Parties under this First Amendment. Whenever the term "MOU" or "Memorandum of Understanding" appears in the original MOU from and after the First Amendment Effective Date of this First Amendment, it shall mean the MOU as amended.

[*Signatures on following page*]

DRAFT

IN WITNESS WHEREOF, the Parties hereto have executed this First Amendment as of the First Amendment Effective Date.

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT	**SAN GORGONIO PASS WATER AGENCY**
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

DRAFT

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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 3rd day of November, 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

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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.

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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.

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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

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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: Signed by: Heather Dyer 12CC2489422C4D1...	By: DocuSigned by: 82EF629E307240E...
Dated: 11/5/2025	Dated: 11/5/2025