July 16, 2021

MEETING NOTICE

WATER STORAGE EXPLORATORY COMMITTEE

Board Members of the Water Storage Exploratory Committee
Director Gary Kremen, Committee Chair
Director Richard P. Santos
Director John L. Varela

Staff Support of the Water Storage Exploratory Committee
Rick Callender, Esq., Chief Executive Officer
Melanie Richardson, Assistant Chief Executive Officer
Aaron Baker, Chief Operating Officer, Water Utility
Rachael Gibson, Chief of External Affairs
Sue Tippets, Interim Chief Operating Officer, Watersheds
J. Carlos Orellana, District Counsel
Brian Hopper, Senior Assistant District Counsel
Vincent Gin, Deputy Operating Officer, Water Supply Division
Christopher Hakes, Deputy Operating Officer, Dam Safety & Capital Delivery Division
Heath McMahon, Deputy Operating Officer, Water Utility Capital Division
Don Rocha, Deputy Administrative Officer, Office of Government Relations
Gregory Williams, Interim Deputy Operating Officer, Raw Water Division
Emmanuel Aryee, Assistant Officer, Dam Safety & Capital Delivery Division
Kirsten Struve, Assistant Officer, Water Supply Division
Erin Baker, Asset Management Manager
Cindy Kao, Imported Water Manager, Imported Water Unit
Ryan McCarter, Pacheco Project Manager, Pacheco Project Delivery Unit
Metra Richert, Unit Manager, Water Supply Planning & Conservation Unit
Charlene Sun, Treasury and Debt Manager
Andrew Garcia, Senior Water Resources Specialist, Imported Water Unit
Samantha Greene, Senior Water Resources Specialist, Water Supply Planning & Conservation Unit

A special meeting of the Santa Clara Valley Water District (SCVWD) Water Storage Exploratory Committee is to be held on **Monday, July 19, 2021, at 1:00 p.m.** Join Zoom Meeting https://valleywater.zoom.us/j/98246045660.

Enclosed are the meeting agenda and corresponding materials for your convenience.

Enclosures

WATER STORAGE EXPLORATORY COMMITTEE MEETING

Join Zoom Meeting
https://valleywater.zoom.us/j/98246045660

Meeting ID: 982 4604 5660
One tap mobile
+16699009128,,98246045660# US (San Jose)

Dial by your location
+1 669 900 9128 US (San Jose)
Meeting ID: 982 4604 5660

Santa Clara Valley Water District
Water Storage Exploratory Committee Meeting

Teleconference
Join Zoom Meeting
https://valleywater.zoom.us/j/98246045660

SPECIAL MEETING
AGENDA

Monday, July 19, 2021
1:00 PM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

WATER STORAGE EXPLORATORY COMMITTEE

Gary Kremen, Committee Chair, District 7
Richard P. Santos, District 3
John L. Varela, District 1

During the COVID-19 restrictions, all public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

Mr. Vincent Gin
Mr. Christopher Hakes
(Staff Liaisons)

Glenna Brambill (Committee Liaison)
Management Analyst II
(408) 630-2408,
gbrambill@valleywater.org

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

Santa Clara Valley Water District
Water Storage Exploratory Committee

SPECIAL MEETING
AGENDA

Monday, July 19, 2021	1:00 PM	Teleconference

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-08-21 issued on June 11, 2021, that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Committee during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in the order requests are received and granted speaking access to address the Committee.

Santa Clara Valley Water District (Valley Water) in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Committee meetings to please contact the Clerk of the Board's office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at https://emma.msrb.org/ and https://www.valleywater.org/how-we-operate/financebudget/investor-relations, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting
https://valleywater.zoom.us/j/98246045660

Meeting ID: 982 4604 5660
One tap mobile
+16699009128,,98246045660# US (San Jose)

1. CALL TO ORDER:

1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to two minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes. 21-0807

Recommendation: Approve the June 30, 2021, Meeting Minutes.
Manager: Michele King, 408-630-2711
Attachments: Attachment 1: WSEC-Minutes-06302021
Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

4.1. Los Vaqueros Reservoir Expansion Project Update. 21-0808

Recommendation:
A. Receive and Discuss Presentation Regarding Current Timelines for the Los Vaqueros Reservoir Expansion Project;
B. Receive and Discuss Presentation Regarding Primary Elements of Draft Joint Exercise of Powers Agreement; and
C. Provide Direction Regarding Los Vaqueros Reservoir Expansion Project Topics for Further Review.

Manager: Brian Hopper, 408-630-2765

Attachments: Attachment 1: July 2021 A Baker Memo
Attachment 2: JPA Agreement (v.14) 6-25-21
Attachment 3: LVE JPA 071921 FINAL

Est. Staff Time: 25 Minutes

4.2. Pacheco Reservoir Expansion Project - Fire Suppression and Prevention. 21-0809

Recommendation: Receive and discuss information regarding the Pacheco Reservoir Expansion Project (PREP) with respect to topics related to fire suppression and wildfires. This is an information-only item, however, action may be taken by the Committee, if deemed necessary.

Manager: Christopher Hakes, 408-630-3796

Est. Staff Time: 10 Minutes

4.3. CAL FIRE Presentation. 21-0810

Recommendation: Receive information from CAL FIRE. This is an information-only item; however, action may be taken as the Committee deems appropriate.

Manager: Gregory Williams, 408-630-2867

Est. Staff Time: 20 Minutes

4.4. Review Water Storage Exploratory Committee Work Plan and the Committee's Next Meeting Agenda. 21-0811

Recommendation: Review the Committee's Work Plan to guide the Committee's discussions regarding policy alternatives and implications for Board deliberation.

Manager: Michele King, 408-630-2711

Attachments: Attachment 1: WSEC Work Plan

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

6.1. Adjourn to Regular Meeting to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-08-21.

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File No.: 21-0807

Agenda Date: 7/19/2021
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:
Approval of Minutes.

RECOMMENDATION:
Approve the June 30, 2021, Meeting Minutes.

SUMMARY:
A summary of Committee discussions, and details of all actions taken by the Committee, during all open and public Committee meetings, is transcribed and submitted for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the District's historical records archives and serve as historical records of the Committee's meetings.

ATTACHMENTS:
Attachment 1: 06302021 WSEC Draft Mins

UNCLASSIFIED MANAGER:
Michele King, 408-630-2711

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SANTA CLARA VALLEY WATER DISTRICT (VALLEY WATER)
WATER STORAGE EXPLORATORY COMMITTEE

DRAFT MINUTES

MONDAY, JUNE 30, 2021
11:00 AM

(Paragraph numbers coincide with agenda item numbers)

A special meeting of the Water Storage Exploratory Committee (Committee) was held on June 30, 2021, via Zoom.

1. CALL TO ORDER

The Water Storage Exploratory Committee was called to order by Committee Chair Director Gary Kremen at 11:00 a.m.

1.1 ROLL CALL

Valley Water Board Members in attendance were: Director Gary Kremen-District 7, Director Richard P. Santos-District 3, and Director John L. Varela-District 1.

Valley Water Staff in attendance were: Emmanuel Aryee, Aaron Baker, Lisa Bankosh, Glenna Brambill, Andrew Garcia, Vincent Gin, Mike Hagerty, Brian Hopper, Dana Jacobson, Cindy Kao, Kathleen Low, Ryan McCarter, Heath McMahon, Carmen Narayanan, Carlos Orellana, Steven Peters, Metra Richert, Don Rocha, Jamie Silva, Ranithri Slayton, Kirsten Struve, Charlene Sun, Darin Taylor, and Toni Vye.

Guests in attendance were: Les Chau (Kleinfelder), Hon. Brad Gleason (Pleasant Valley Water District {PVWD}), Thomas Francis (BAWSCA), Stephen A. Jordan (BAWSCA and Purissima Hills Water District), Marguerite Patil (Contra Costa Water District {CCWD}), and Hon. John Weed (Alameda County Water District {ACWD}).

Public in attendance were: Kelly A., Director Tony Estremera (Valley Water District 6), Val Frenkel, and Andrea Traum.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON AGENDA

There was no one present who wished to speak.

3. APPROVAL OF MINUTES

3.1 APPROVAL OF MINUTES

It was moved by Director Richard P. Santos, second by Director John L. Varela, and by roll call and unanimous vote carried to approve the minutes of the April 5, 2021, meeting of the Water Storage Exploratory Committee with amendment of having consistency noting those representing agencies in attendance and when making comments.

4. ACTION ITEMS

4.1 PACHECO RESERVOIR EXPANSION PROJECT UPDATE

Mr. Ryan McCarter reviewed the materials as outlined in the agenda item.

<u>The Water Storage Exploratory Committee discussed the following</u>**:** cost changes, WIFIA changes, permitting agencies, project progressing faster and making the project a priority, discussion with Cal Fire/emergencies, partnerships, and being proactive to move project forward.

<u>The Water Storage Exploratory Committee took the following action.</u>
It was moved by Director Gary Kremen, seconded by Director Richard P. Santos, and by roll call and unanimous vote approved to have the Board request the Chief Executive Officer (CEO) review the Pacheco Reservoir Expansion Project's efforts to date, all potential partnerships, and other project issues to ensure that this project is a priority by staff. Also, request the CEO consider reorganizing staff resources, if deemed appropriate, since the Board has approved this project as #2 priority. The Committee requested an update on this recommendation at the next meeting.

<u>Public Comment received:</u>
Mr. Kelly A, going back 6 months to a newspaper story about draining of the Anderson Dam after hearing of the earthquake problems, and the San Jose Mercury news article December 2020 noted that Valley Water (VW) was going to make up for lost water, there was no dire emergency, going to pump more local groundwater, use Recycled Water, pull water from the Delta and from semitropic storage district in Kern County, there was no dire emergency 6 months ago and now there's a dire emergency, he's stunned to hear now cost is no object and blaming staff for being slow to get partners for cost sharing, and to reorganize staff, he feels staff is working in a confident way and the snide remark of 'senior politician' City of San Jose needing to be a hydro geologist, wonder if anyone from VW Board is, it's a highly technical field, urge everyone to calm down and go back and review the plans, wonders how this emergency has crept up on 2m people of Santa Clara county residents, need to be cognizant, good planning, cost effective/cost efficient costs responsibility when spending public's money is very important.

4.2 GROUNDWATER BANK UPDATE

Mr. Andrew Garcia reviewed the materials as outlined in the agenda item.

The Water Storage Exploratory Committee discussed the following:
Scheduling of tour, water from semitropic, partners, getting water from San Luis, Ordinance/policy, quality of water concern, cost implications, groundwater banking or long-term exchange, Committee would like COO, Mr. Aaron Baker/staff to do a cost analysis/comparison with banking vs Pacheco (storing water underground vs. building).

Public Comment received:
Hon. Brad Gleason-President of Pleasant Valley Water District, Update: engaged with environmental engineer, on permitting and design where they will deposit water, with a construction engineer on pipeline takeout from the Coalinga Canal, favorable comments from Bureau and Department of Fish and Game and other agencies for permitting, hoping to be shovel ready January 2022, and reconnect to engage with Valley Water (Mr. Vincent Gin responded), final note: studies indicate storage (1m af water) within their basin enclosed and water won't migrate, borders Westlands which allows a direct return into canal or even into the aqueduct (help with stranded water).

The Water Storage Exploratory Committee took the following action.
It was moved by Director Gary Kremen, second by Director Richard P. Santos, by roll call and unanimous vote approved that the Board request the CEO do a budget adjustment to hire a high-level staff person with a business development background and a water resources focus that can dedicate negotiating groundwater banking, storage, dam, and appropriate agreements.

4.3 LOS VAQUEROS RESERVOIR EXPANSION PROJECT UPDATE

Mr. Michael Martin and Mr. Brian Hopper, reviewed the materials as outlined in the agenda item

The Water Storage Exploratory Committee discussed the following:
Agreement, cost-sharing, formation of user group, setting policy having elected officials.

The Water Storage Exploratory Committee took the following action.
It was moved by Director Gary Kremen, second by John L. Varela, and by roll call and unanimous vote approved requesting that the Board form a User Group Ad Hoc Committee (non Brown Act) and suggested having at least 1 WSEC Director, appropriate staff representation, and potentially having 1 or 2 elected officials from each policy user agency to discuss the Los Vaqueros Reservoir Expansion Project JPA Agreement, usage, and other pertinent business terms.

4.4 STANDING ITEMS INFORMATION

Ms. Cindy Kao reported on the following items:

Del Puerto: no updates.

Semitropic: related to banking operations up to May 1st took out 9,274 af scheduled to take an additional 1,162 af in June, through calendar 2021 scheduled to take 35,000 af, uncertainty related to takes but DWR's strong support of operation looks good.

Sites: cost estimate updated, increased to $3.9 billion a 30% increase from previous estimates, current phase expires end of 2021, new phase beginning 2022 through December 2024, VW may be asked to and receive a participation agreement later in 2021.

B. F. Sisk Dam Raise Project*:*
Reclamation and San Luis and Delta-Mendota Water Authority (Authority) continuing to work on Endangered Species Act, compliance and other permitting requirements, and doing preconstruction planning, the Office of Management and Budget (OMB) requested that the feasibility study be amended to include an updated cost estimate in the finalized transportation benefit analyses, also requiring that the Authority and Reclamation select an operational configuration to support our advice cost estimate for the program and that addendum to the feasibility study is due September 2021, expect discussions to pick up over the next few months, notice of determination and record of decision is expected in the Fall of this year and construction is slated for 2025 (schedule subject to change).

Shasta: No updates.

The Water Storage Exploratory Committee took no action, however, change Standing items Information to read Standing Items moving forward.

4.5 REVIEW WATER STORAGE EXPLORATORY COMMITTEE WORK PLAN AND THE COMMITTEE'S NEXT MEETING AGENDA
Ms. Glenna Brambill reviewed the agenda materials as outlined in the agenda item.

The Committee would like the following agenda items for the next meeting

1. LVE and related information
2. Director Varela met with CEO and he asked the Water Storage Exploratory Committee to add a discussion item on extreme emergency water supply for fire suppression in the County and invite Cal Fire for a presentation to explain their needs.

Set the next meeting potentially for July 19, 2021, Mr. Brian Hopper will work with Ms. Candice Kwok-Smith to get a firm date.

<u>*Public Comments received:*</u>
Committee Chair Director Gary Kremen received a public comment that was missed (raised hand) during agenda item 4.3. There is a cost estimate out there and want to be sure that the Transfer Bethany is an option only.

Like to receive a cost estimate called the Bartle Wells Cost Estimate in the Non-Agenda Packet Friday-July 2nd.

Mr. Stephen Jordan (BAWSCA and Purissima Hills Water District) confirmed there is a cost estimate for LVE by Bartle Wells that has total cost af of storage.

5. Numbering error, no agenda.

6. CLERK REVIEW AND CLARIFICATION OF COMMITTEE ACTIONS

Ms. Glenna Brambill noted there were three action items for Board consideration.

<u>Agenda Item 4.1</u>
The Committee unanimously approved by roll call vote to request the Chief Executive Officer (CEO) review the Pacheco Reservoir Expansion Project's efforts to date, all potential partnerships, and other project issues to ensure that this project is a priority by staff. Also, request the CEO consider reorganizing staff resources, if deemed appropriate, since the Board has approved this project as #2 priority. The Committee requested an update on this recommendation at the next meeting.

<u>Agenda Item 4.2</u>
The Committee unanimously approved by roll call vote that the Board request the CEO do a budget adjustment to hire a high-level staff person with a business development background and a water resources focus that can dedicate negotiating groundwater banking, storage, dam, and appropriate agreements.

<u>Agenda Item 4.3</u>
The Committee unanimously approved by roll call vote to request that the Board form a User Group Ad Hoc Committee (non Brown Act) and suggested having at least 1 WSEC Director, appropriate staff representation, and potentially having 1 or 2 elected officials from each policy user agency to discuss the Los Vaqueros Reservoir Expansion Project JPA Agreement, usage, and other pertinent business terms.

7. CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL:

7.1 PENDING LITIGATION GOVERNMENT CODE SECTION 54956.9(D)(1) SCVWD V. JIN, SANTA CLARA COUNTY SUPERIOR COURT, CASE NO. 19CV352227

7.2. DISTRICT COUNSEL REPORT ON CLOSED SESSION.
Mr. Brian Hopper reported that direction was given to staff.

8. ADJOURNMENT

Committee Chair Director Gary Kremen adjourned the meeting at 12:46 p.m.

Glenna Brambill
Board Committee Liaison
Office of the Clerk of the Board

Approved:

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Valley Water

File No.: 21-0808 **Agenda Date:** 7/19/2021
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:
Los Vaqueros Reservoir Expansion Project Update.

RECOMMENDATION:

A. Receive and Discuss Presentation Regarding Current Timelines for the Los Vaqueros Reservoir Expansion Project;
B. Receive and Discuss Presentation Regarding Primary Elements of Draft Joint Exercise of Powers Agreement; and
C. Provide Direction Regarding Los Vaqueros Reservoir Expansion Project Topics for Further Review.

SUMMARY:

The Santa Clara Valley Water District (Valley Water) continues to evaluate participating in the Los Vaqueros Reservoir Expansion Project (LVE Project) led by Contra Costa Water District (CCWD). This presentation will include an update on current timelines for the LVE Project and an update on the key elements of the current draft of the Joint Exercise of Powers Agreement (JPA).

<u>Background</u>

CCWD estimates the total LVE Project development and construction costs to be $827 million in 2018 dollars, or $951 million when escalated with an inflation factor of 3%. Federal and local environmental review is complete and did not receive legal challenges or significant public opposition.

Valley Water continues to work with CCWD and local area partners (LAPs) to evaluate long-term participation levels, and associated water storage and/or supply benefits, costs, and risks. As reported in previous agenda memoranda and most recently at the February 26, 2021 Water Storage Exploratory Committee, Valley Water is investigating participation scenarios using Transfer Bethany Pipeline conveyance only (no storage), shared storage in the reservoir, or dedicated storage. Participation in reservoir storage includes the Transfer Bethany Pipeline. The reservoir can store Valley Water's contract supplies and surplus Delta supplies. Modeling indicates project yield may be 1,000 acre-feet per year (AFY) to 5,000 AFY and is primarily from the project's ability to capture and convey surplus Delta supplies. Previous 100-year lifecycle cost estimates have ranged from $50 million to $635 million depending on Valley Water's participation scenario and the participation of other partners. Lifecycle cost is all costs over a 100-year period in present value dollars. Costs include the following components: (1) cash contributions and debt service for the planning, design and construction of the new LVE facility; (2) usage fees paid to East Bay Municipal Utility District (EBMUD) and CCWD for use of their existing facilities; and (3) fees associated with operating the new facility such as power, repair and replacement, operations and maintenance, and JPA administration costs. Further refinement of project benefits and costs will depend on participation level of other LAPs as well as Service Agreement terms which will be authorized by the JPA Board once the Board membership is established. Once Service Agreements are finalized and associated benefit evaluations are completed, updated costs and yields will be reported to the committee.

On July 1, 2021, Chief Operating Officer Aaron Baker provided a memorandum to the Board with updates on the Los Vaqueros Reservoir Project. This memorandum (with attachments) is reproduced here as Attachment-1.

Current Timeline

- July 19, 2021 - Legal Work Group Meeting (JPA development);
- July 26-29, 2021 Further Legal Work Group Meeting (to be scheduled);
- July 29, 2021 General Managers Meeting;
- Late summer 2021 - LAP approval of JPA (requested);
- Late summer 2021 - LAP approval of 3rd Amendment to Cost Share Agreement (requested);
- October 20, 2021 (tentative) - California Water Commission (CWC) Feasibility Hearing for the $394 million grant funding;
- First JPA Board Meeting - within 60 days of effective date of JPA Agreement;
- Mid 2022: Final award hearing with the CWC for Water Storage Investment Program (WSIP) funding.
- Post JPA Formation:
    - Development of Interim Funding Agreement;
    - Development of Facilities Usage Agreements;
    - Development of Service Agreements; and
    - Development of Potential Related Activity Agreements
- Late 2022 - Execution of Service Agreements;
- Late 2022 - Execution of Facilities Usage Agreements with CCWD and EBMUD;
- Late 2022 - Execution of Final Funding Agreement with CWC for the $394 million grant funding;
- 2023 - Construction is expected to start on the initial LVE Project elements;
- 2023 - 2025: Construction of Transfer-Bethany Pipeline;
- 2027 - 2029: Construction of dam raise, pumping facilities, and other conveyance improvements; and
- 2030: LVE Project is expected to be in full operation.

JPA Formation

LAPs, including CCWD, have been working to develop a JPA to operate the LVE Project. Until the

JPA is formed, CCWD is leading the project planning, which includes environmental review and initial design. After JPA formation, project planning, construction, and post-construction activities will transition to the JPA. Post-construction activities include operating the facilities, ensuring adequate funding, facility maintenance and repair, and delivering project water. The JPA will have a Board of Directors with a representative from each JPA member agency.

The development of the JPA Agreement (Agreement) has been led by an independent counsel (Lagerlof, LLP) working with a Legal Working Group made up of legal staff from CCWD and the LAPs. The Legal Working Group has enlisted the assistance of outside bond counsel to provide input on the draft agreement to avoid any future problems with financing.

The JPA is being developed to allow for varying levels of participation by the LAPs. The LAP options for participation include:

- Dedicated Storage (reserved for individual agency use);
- Pooled Storage (unreserved for use by any LAP); and
- Conveyance Only (utilize existing and future conveyance facilities)

The June 25, 2021, draft JPA Agreement is attached as Attachment 2. Key elements of the Draft Agreement are outlined for discussion in the attached PowerPoint presentation (Attachment 3).

The final draft will be presented to the WSEC for review before it goes to the full Board for approval. CCWD has identified the summer of 2021 as the target date for LAPs to approve the JPA. To maintain eligibility for the Water Storage Infrastructure Program grant funding of $394 million, the California Water Commission (CWC) has indicated that it is preferable to have formed the JPA by the fall 2021 CWC project meeting, and the JPA Board confirms its commitment for funding at least 75% of the non-public benefits cost share of the LVE Project by January 1, 2022. In case the JPA is not formed before the fall 2021 CWC feasibility hearing, CCWD is preparing a letter of support from the LAPs to present to the CWC by January 1, 2022 to meet the CWC's funding commitment requirement pursuant to Section 6013(f) of Title 23, Division 7, Chapter 1 of the California Code of Regulations.

ATTACHMENTS:
Attachment 1: July 1, 2021 A. Baker Memo to Board re Los Vaqueros Reservoir Expansion Update (with attachments)
Attachment 2: Draft Los Vaqueros Reservoir Joint Exercise of Powers Agreement
Attachment 3: PowerPoint

UNCLASSIFIED MANAGER:
Brian Hopper, 408-630-2765

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Valley Water

MEMORANDUM

FC 14 (08-21-19)

TO: Board of Directors **FROM**: Aaron Baker

SUBJECT: Los Vaqueros Expansion Update **DATE**: July 1, 2021

At its June 30, 2021 Water Storage Exploratory Committee (WSEC) meeting, the WSEC requested staff provide a non-agenda memo to the Board with an update on a cost estimate prepared by Contra Costa Water District (CCWD) for the Los Vaqueros Expansion Project (LVE Project). In discussions with CCWD, there is no comprehensive cost estimate recently completed. The financial model used by CCWD in estimating project benefits with project partners updated the overall development of the LVE Project costs, resulting in a reduction from $857 million to $827 million in 2018 dollars. The reduction in cost is largely driven by the removal of a project element that would have provided a new pipeline from CCWD's Middle River intake to their transfer facility.

To provide the Board with an update of LVE Project activities attached is a Power Point prepared by CCWD in February 2021 (Attachment 1) with preliminary Local Agency Partner (LAP) costs that show the estimated costs for various levels of participation including dedicated storage, pooled storage, and conveyance only (Transfer Bethany Pipeline).

Attachment 2 is a monthly report and update distributed by CCWD.

Attachment 3 is the final Letter of Intent (LOI) that memorializes the cost calculation methodology and CCWD's usage fees determination with related discussions. The focus of project planning moved away from development of the usage fees until the Joint Powers Authority (JPA) is established. The JPA will continue negotiations on user fees with CCWD and East Bay Municipal Utilities District (EBMUD). A draft was previously provided in a non-agenda memorandum in January 2021.

CCWD would like to have the JPA agreement and third amendment to the existing multi-party cost share agreement completed by later summer. The cost-share agreement needs to be amended to provide funding and extend the agreement through 2022. The California Water Commission feasibility hearing on the LVE Project is tentatively scheduled in October 2021, at which time CCWD must provide an update to the Commission on the status of the JPA agreement and the LAP's funding commitments through 2022.

Aaron Baker

Aaron Baker, P.E.
Chief Operating Officer
Water Utility Enterprise

Attachment 1: LVE Project Presentation, February 4, 2021
Attachment 2: Partner Newsletter June 29, 2021
Attachment 3: Letter of Intent Concerning Development of Usage Fees for CCWD Facilities

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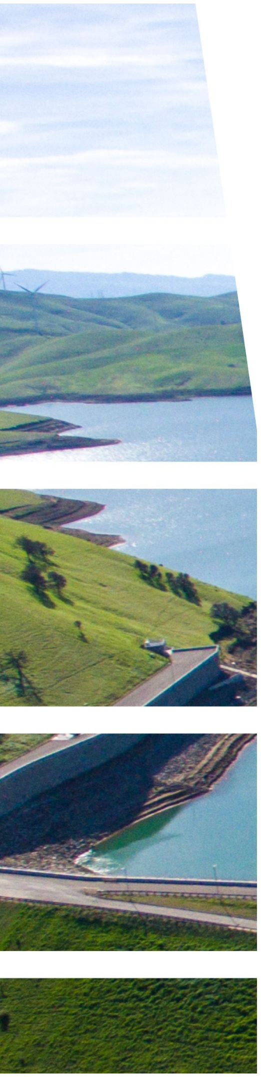
LOS VAQUEROS RESERVOIR EXPANSION PROJECT

San Luis & Delta-Mendota Water Authority Board Meeting
Los Vaqueros Reservoir Expansion Project
CCWD Presentation

February 4, 2021

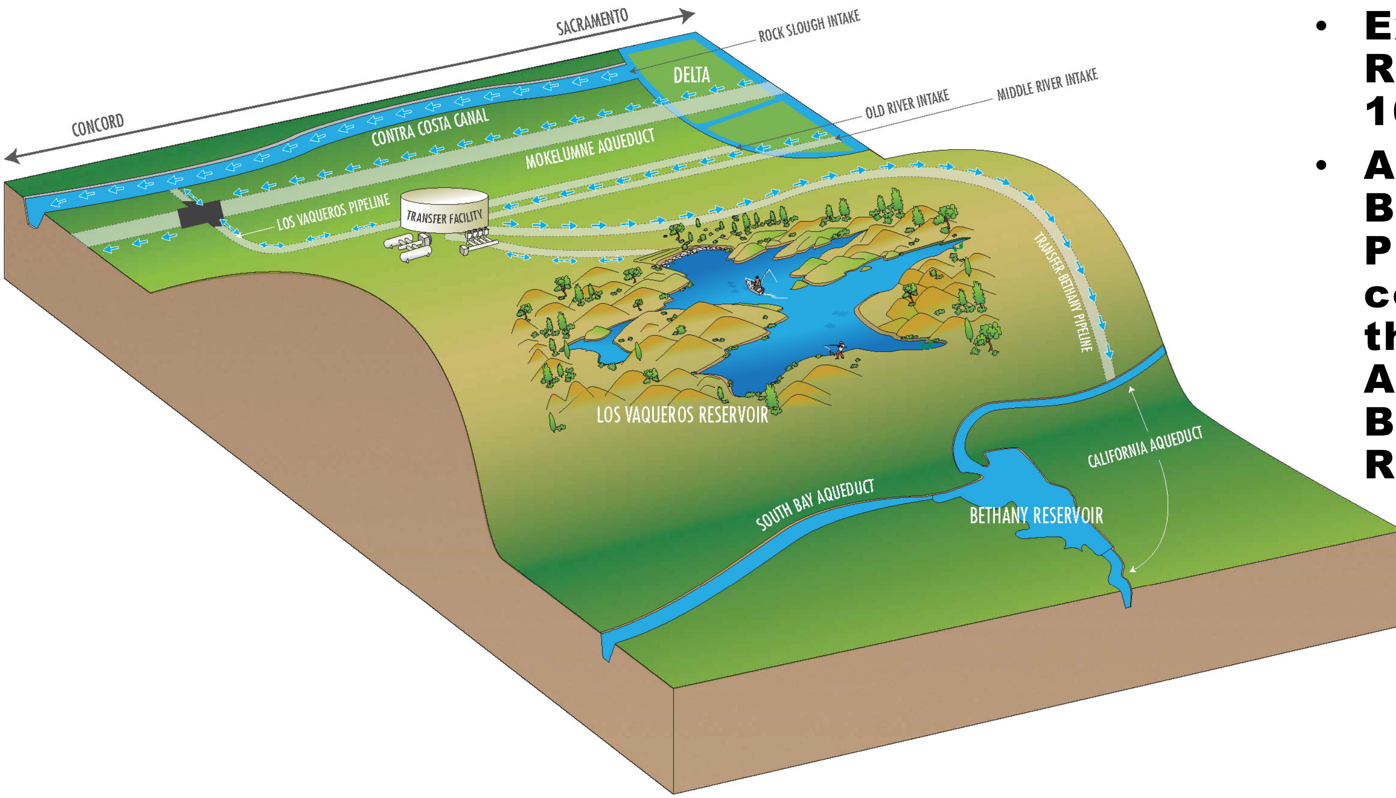
Existing Los Vaqueros Reservoir

- **Los Vaqueros Reservoir is an off-stream reservoir in Contra Costa County with a capacity of 160,000 acre-feet (AF)**
- **Contra Costa Water District (CCWD) operates Los Vaqueros Reservoir in conjunction with four Delta intakes**
- **Benefits:**
  - **Water quality improvements**
  - **Drought supply reliability**
  - **Emergency supply**



Proposed Project

LOS VAQUEROS RESERVOIR EXPANSION PROJECT

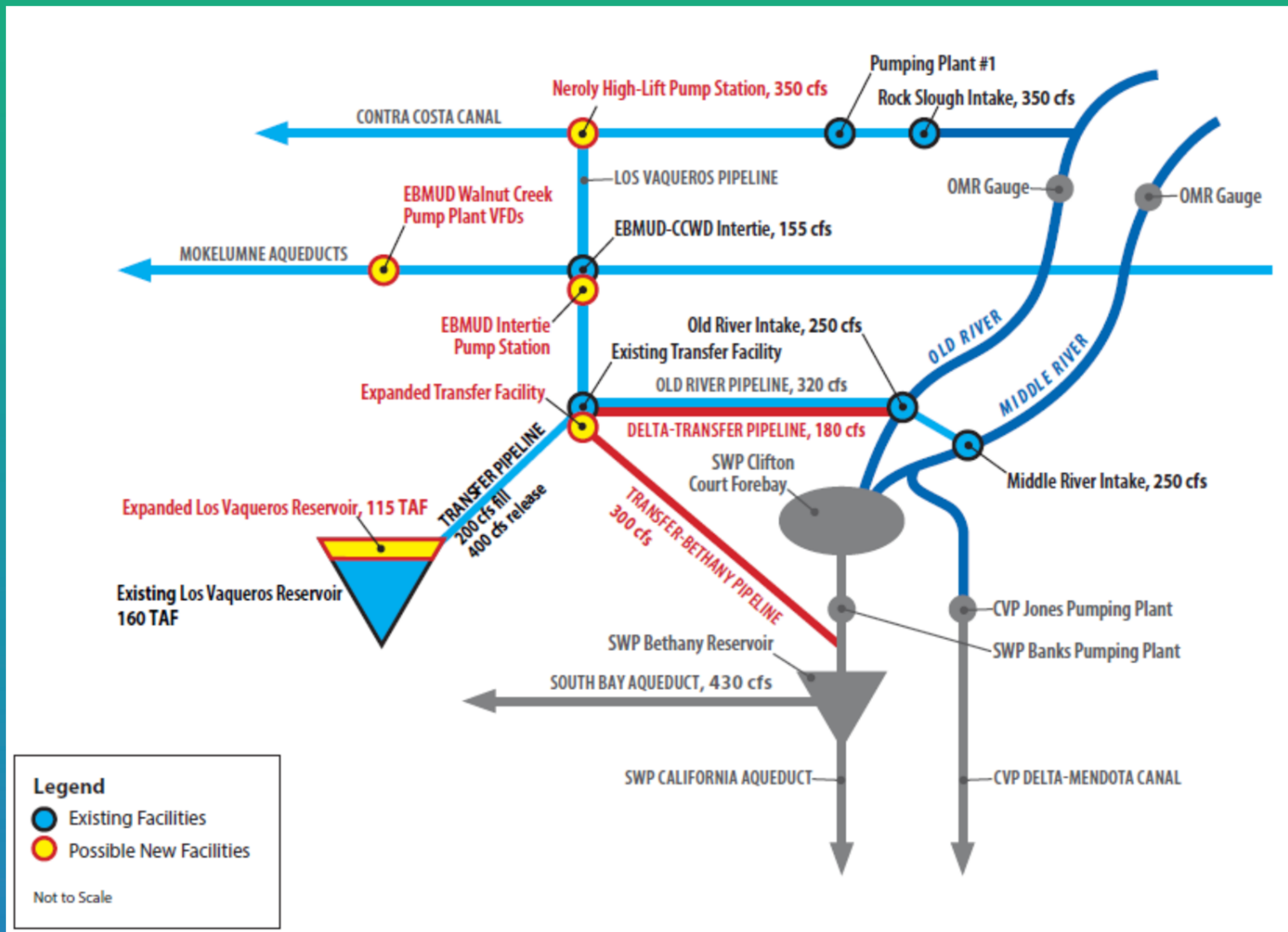


New Facilities

- **Expand Reservoir from 160 to 275 TAF**
- **Add Transfer-Bethany Pipeline, connecting to the California Aqueduct at Bethany Reservoir**

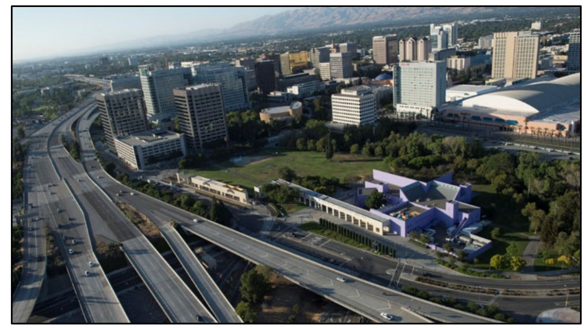
Proposed Facilities

LOS VAQUEROS RESERVOIR EXPANSION PROJECT



Primary Project Benefits

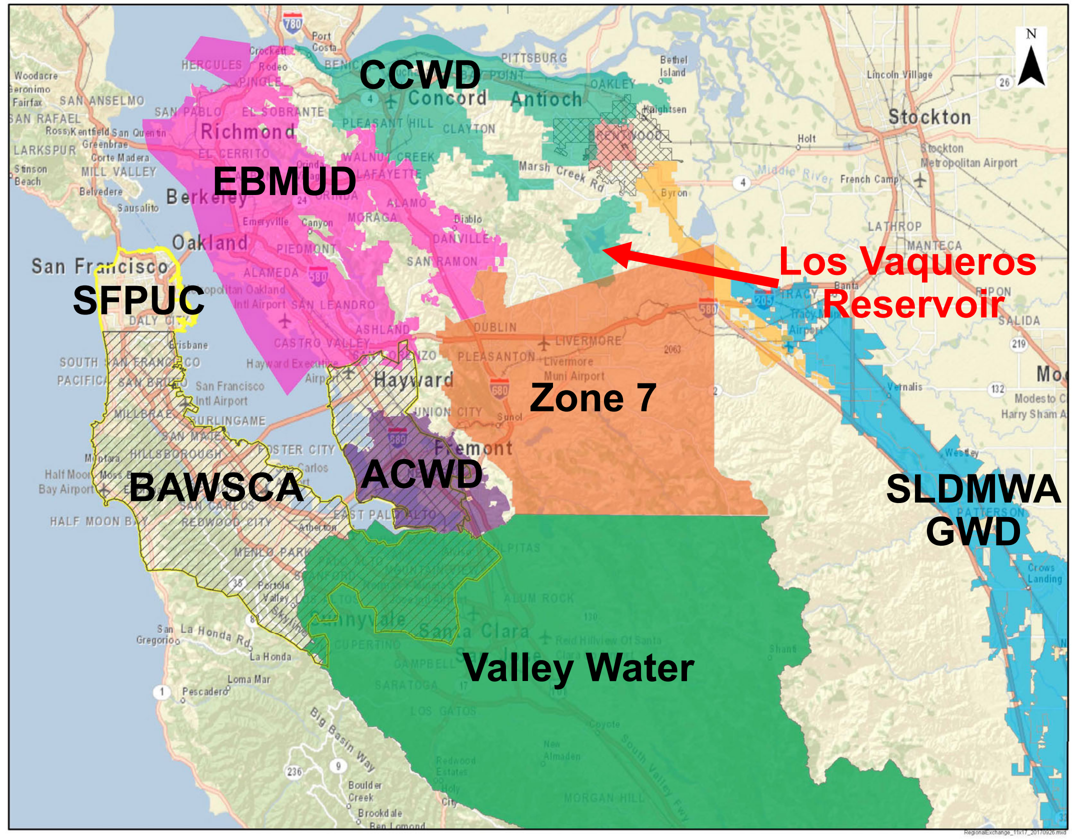
- Increased Municipal & Industrial Supply
- Agricultural Supply
- Wildlife Refuge Supply
- Central Valley Project (CVP) Operational Flexibility
- Drinking Water Quality Improvements



LOS VAQUEROS RESERVOIR EXPANSION PROJECT

Local Agency Partners (LAPs)

- **Central Valley Project (CVP) Contractors:**
  - Contra Costa Water District
    - City of Brentwood
  - East Bay Municipal Utility District
  - San Luis & Delta-Mendota Water Authority
    - Byron-Bethany Irrigation District
    - Del Puerto Water District
    - Panoche Water District
    - Westlands Water District
  - Valley Water
- **State Water Project Contractors:**
  - Alameda County Water District
  - Valley Water
  - Zone 7 Water Agency
- **State, Federal, Local Wildlife Refuges:**
  - Grassland Water District
- **Regional Partners:**
  - East Bay Municipal Utility District
  - San Francisco Public Utilities Commission
    - Bay Area Water Supply and Conservation Agency

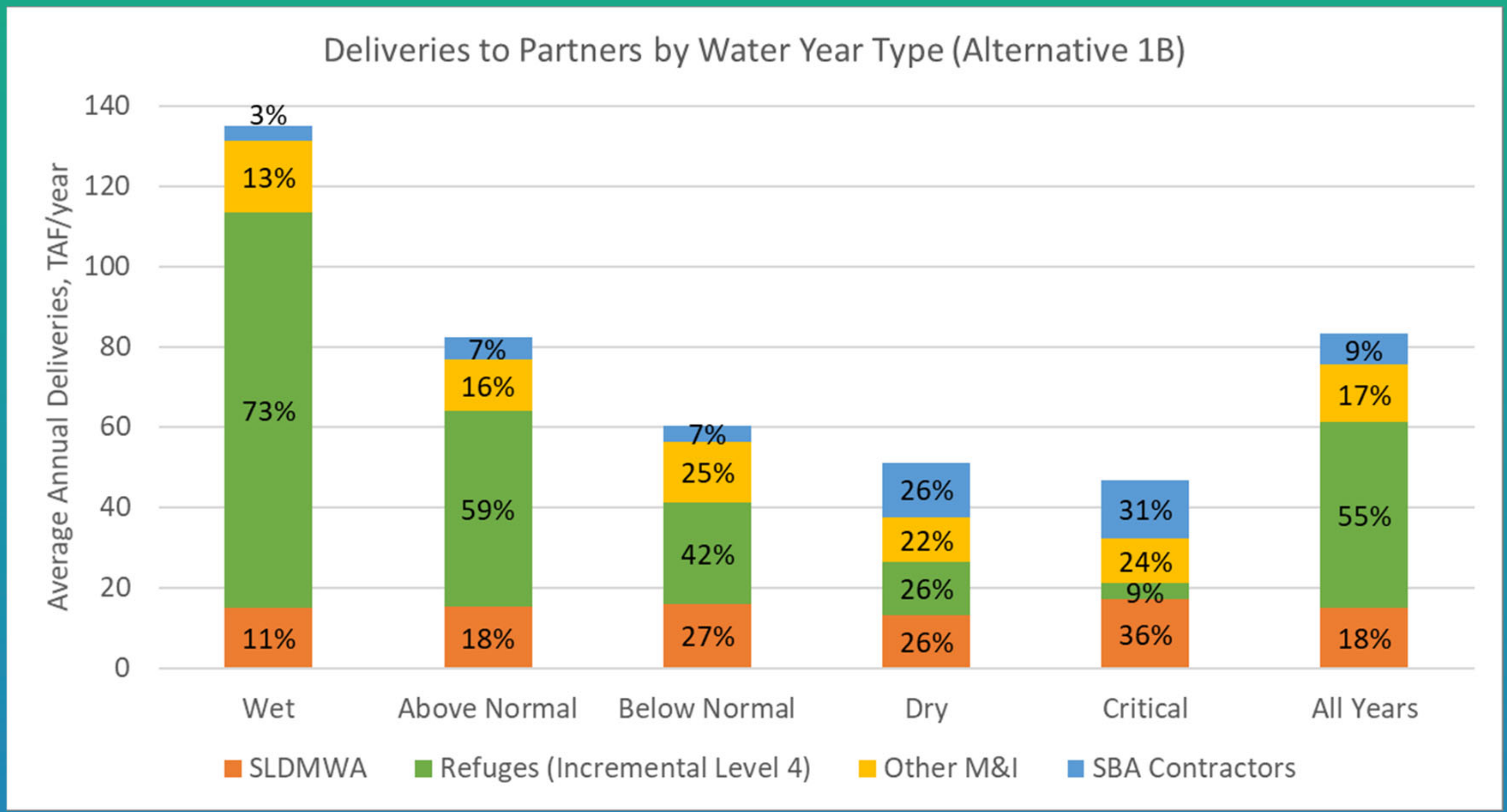


LAP Options for Participation

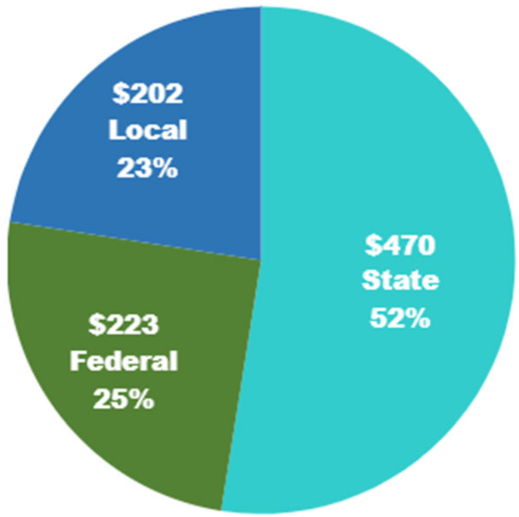
- **Dedicated Storage**
  - **Reserved for individual agency use**
- **Pooled Storage**
  - **Unreserved for use by any LAP**
- **Conveyance Only**
  - **Utilize existing and future conveyance facilities**
- **LAPs are currently evaluating various scenarios of participation that best meet their needs and retain future flexibility**
- **Methodology and pricing under development**

Project Benefits to LAPs and Wildlife Refuges

LOS VAQUEROS RESERVOIR EXPANSION PROJECT



Preliminary Cost Allocation

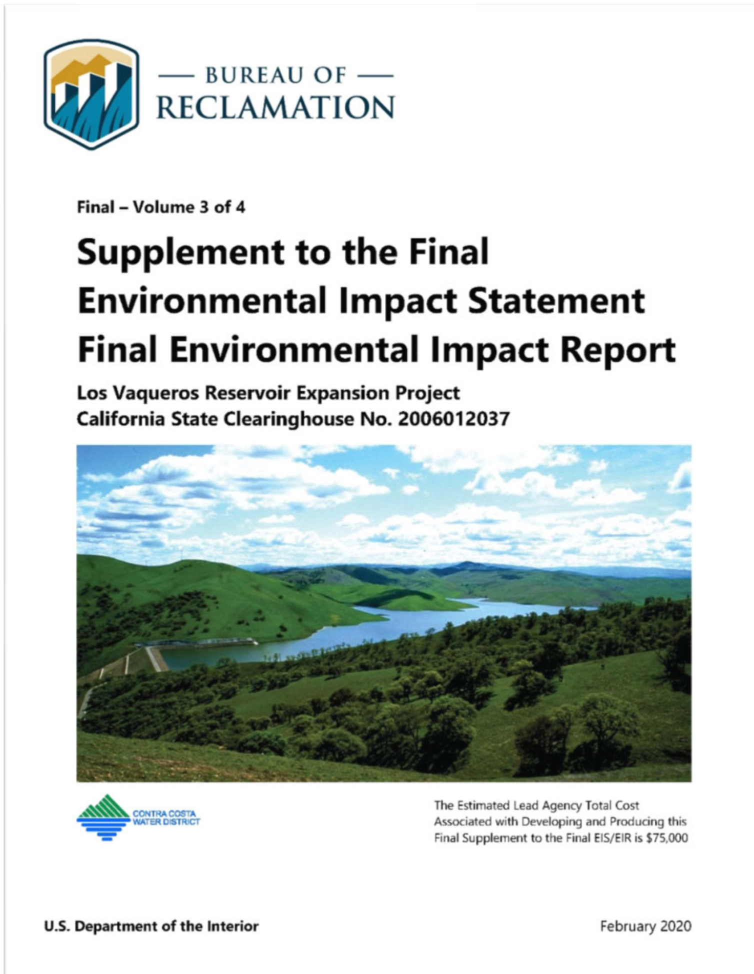


- Cost allocation shown in million dollars
- Cost estimates from Final Feasibility Report (August 2020)
- State allocation based on 2015 dollars with initial inflation adjustment
  - In January 2021 the State award was increased by 2.5%; additional increases are possible
  - Dual classification (Reservoir Reoperation and CALFED Surface Storage) allows State award greater than 50% of total cost

Preliminary LAP Costs

- **Dedicated Storage**
  - **Approximate average of $1,700 to 2,700/acre-foot**
- **Pooled Storage**
  - **Approximate average of $700 to 900/acre-foot**
- **Conveyance Only**
  - **Approximate average of $400/acre-foot**
- **All preliminary costs are currently being updated to reflect:**
  - **Reduced CCWD usage fees**
  - **Reduced construction cost estimates**
  - **Updated LAP requests and operations modeling**

Environmental Document Finalized



— BUREAU OF —
RECLAMATION

Final – Volume 3 of 4

Supplement to the Final Environmental Impact Statement Final Environmental Impact Report

Los Vaqueros Reservoir Expansion Project
California State Clearinghouse No. 2006012037

CONTRA COSTA WATER DISTRICT

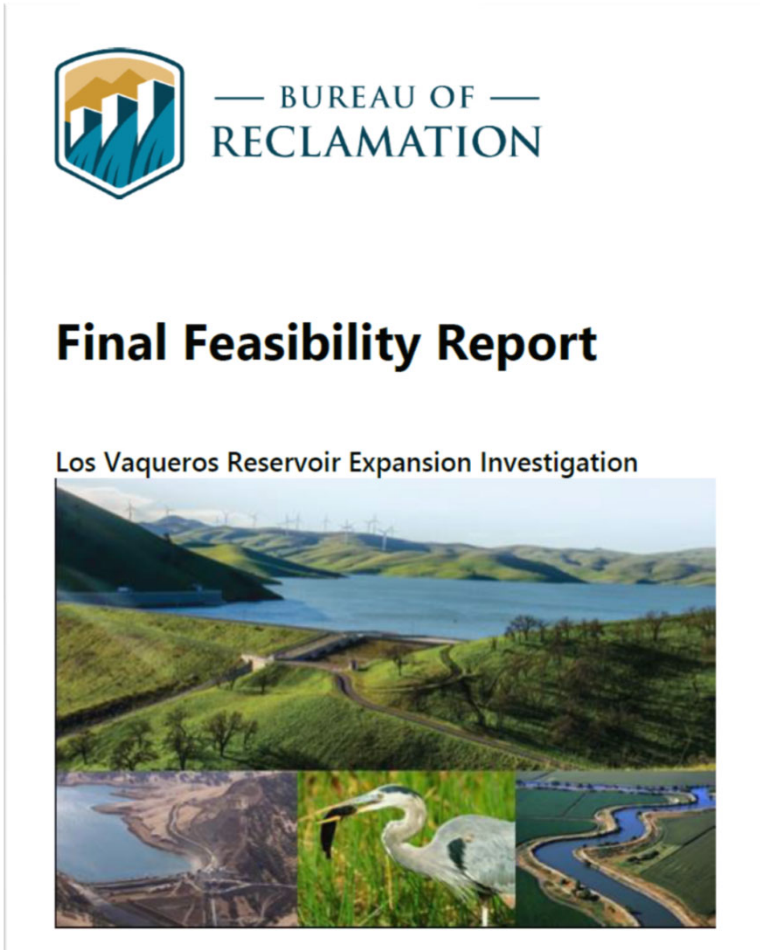
The Estimated Lead Agency Total Cost Associated with Developing and Producing this Final Supplement to the Final EIS/EIR is $75,000

U.S. Department of the Interior

February 2020

- **Document published in February 2020**
- **CCWD certified document, approved Project and filed Notice of Determination in May 2020**
- **Tolling period concluded without any legal challenges in September 2020**

Final Feasibility Report Published 8/11/20



BUREAU OF RECLAMATION

Final Feasibility Report

Los Vaqueros Reservoir Expansion Investigation

- **Secretary of Interior determined LVE Project is feasible and recommended for implementation**
- **Project authorization provides for federal cost sharing up to 25%**
- **$11.95 million in federal funding approved in December 2020 for pre-construction and construction activities**

Current Status on Key Activities

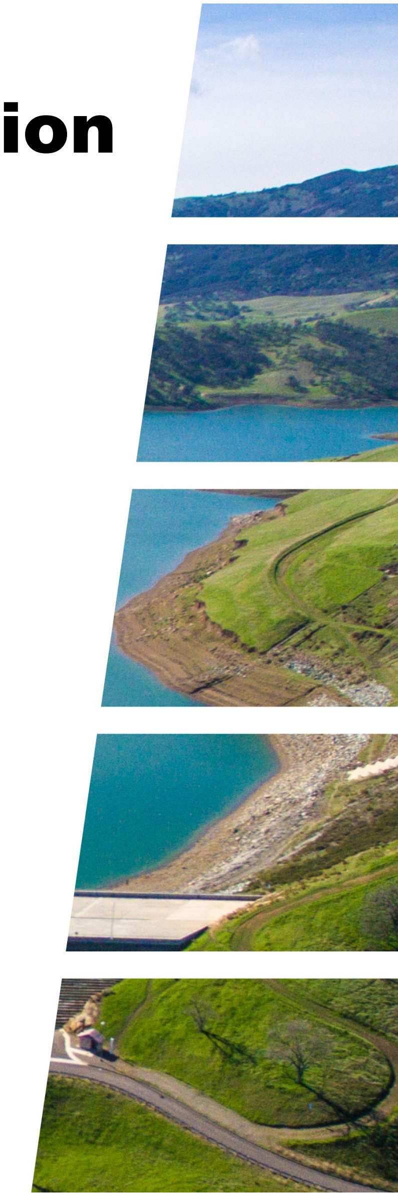
- Permitting, Design, and Agreement Development are Ongoing
- Change Petitions for Modifying Existing Water Rights in Development
- Other Key Agreements:
  - Service Agreement
  - Coordinated Operations Agreement
  - DWR Agreements
  - Funding Agreements

Los Vaqueros Reservoir JPA Formation

- CCWD and Local Agency Partners (LAPs) intend to form new Joint Powers Authority (JPA)
- Target date for formation is Spring 2021
- JPA Purposes and Objectives
  - Provide governance of the Project by the LAPs and ensure all parties have a seat at the table
  - Ensure sufficient and stable funding for the Project, including administrative and support activities as required, through separate agreements
  - Ensure costs are reasonable and cost allocations are equitable and transparent, following beneficiaries pay principle
  - Ensure reliable delivery of water to the LAPs consistent with the terms of the future Service Agreements

Los Vaqueros Reservoir JPA Formation

- **JPA Role**
  - **Enter into contracts for administration of public benefits**
  - **Enter into state and federal funding agreements**
  - **Finance LAP share of construction**
  - **Coordinate LAP and wildlife refuge requests for service**
  - **Monitoring and reporting**
- **CCWD Role**
  - **Manage Early Funding Agreement with California Water Commission (CWC)**
  - **Continue to operate intakes, reservoir and LV Watershed**
  - **Provide additional services under contract to the JPA as required**



Near Term Schedule

Spring 2021	JPA formation
Fall 2021	Amend Multi-party Agreement or Execute Interim Funding Agreement
Spring 2022	California Water Commission Final Award Hearing
Mid 2022	Start Construction of Earliest Project Component (Pumping Plant No. 1)
Late 2022	JPA issues debt for LAP cost share of construction (last LAP offramp in Service Agreement)

Thank You!

For more information:

CCWD Project Website
www.ccwater.com/lvstudies

Reclamation Project Website
www.usbr.gov/mp/vaqueros/index.html

Contact Info:

Marguerite Patil
Assistant General Manager – Policy and External Affairs
Contra Costa Water District
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Concord, CA 94524
(925) 688-8018
mpatil@ccwater.com

LOS VAQUEROS RESERVOIR EXPANSION PROJECT

JUNE 29, 2021

UPCOMING ACTIVITIES

July 2 – Local Agency Partner (LAP) Comments due on the Draft Letter of Support

July 16 – LAP Comments due on the Draft Multi-party Agreement (MPA) Amendment No. 3

August 18 – CCWD Authorize MPA Amendment No. 3

UPCOMING LAP BOARD COORDINATION

June 30 – Valley Water Storage Committee

August TBD – LAP Board meetings to consider approval of the JPA Agreement

August – October TBD – LAP Board meetings to consider appointment of Director and Alternate to the JPA Board of Directors

August – November TBD – LAP Board meetings to consider approval of MPA Amendment No. 3

ADDITIONAL PROJECT INFO

https://www.ccwater.com/lvstudies

https://www.usbr.gov/mp/vaqueros/

https://cwc.ca.gov/Water-Storage/WSIP-Project-Review-Portal/All-Projects/Los-Vaqueros-Reservoir-Expansion-Project

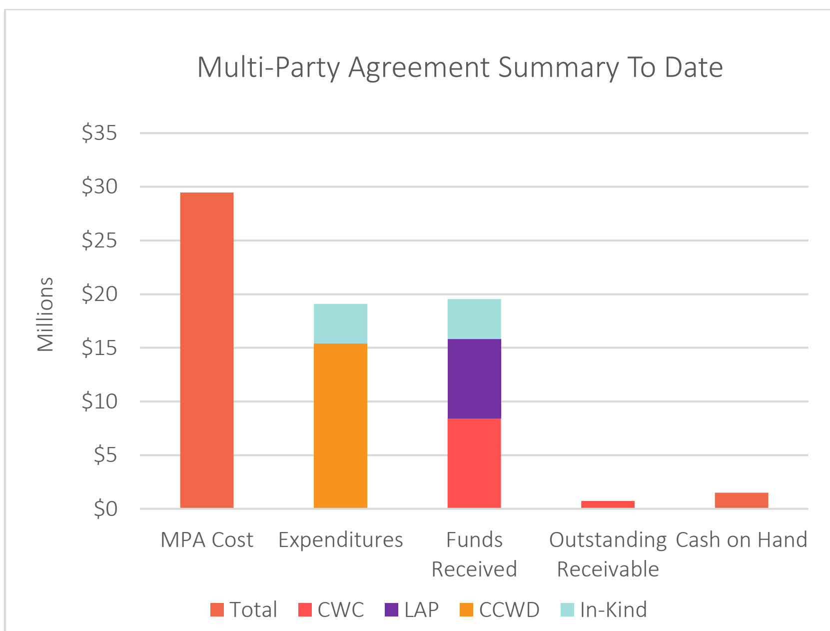
MONTHLY REPORT

FUNDING

CCWD is working with Reclamation to develop an assistance agreement for a portion of the federal funding that will be administered by CCWD for preconstruction activities. It is anticipated that the agreement will include approximately $7 million of federal funding for the Project. The current Federal funding request includes the remainder of the full federal share of 25 percent of the total project cost (approximately $211 million). Subsequent agreements would be needed to fund construction.

CCWD provided the draft of Amendment No. 3 to the Multi-party Cost Share Agreement (MPA) to extend the termination date from December 31, 2021 to December 31, 2022, and allocate cost share for activities in 2022. The MPA is intended to be replaced with an Interim Funding Agreement through the Los Vaqueros Reservoir Joint Powers Authority (JPA) once the JPA has been formed and is ready to assume LVE financial management responsibilities. A workshop with the LAPs was held June 23 to review schedule, assumptions and cost estimates for the proposed amendment. Comments on Amendment No. 3 are requested by July 2.

The following chart provides an overview of the MPA expenditures to date. The in-kind services, funds received, outstanding receivable, and cash on hand are shown through June 22, 2021. All LAPs remain in good standing on progress payments. The next invoice will be sent to the LAPs in July 2021. If MPA Amendment No. 3 is approved, the subsequent invoice would be sent in January 2022.



JPA FORMATION

The Legal Work Group met on June 24 to continue revisions the terms of the JPA Agreement. The next legal workgroup call is scheduled for July 12 to review version 14 of the JPA Agreement. The target date for completion of the final form of the JPA Agreement is prior to July 31, 2021. The current schedule assumes the LAP Boards would consider approval of the JPA Agreement in August 2021. LAP Boards have the option of appointing their Director and Alternate to the JPA Board of Directors at the same meeting, or at a future meeting held within 30 days of the effective date of the JPA Agreement.

CWC FEASIBILITY HEARING

All seven storage projects that received a conditional eligibility award from the California Water Commission (CWC) must meet three criteria prior to January 1, 2022 to remain eligible for funding: 1) draft environmental documents must be complete, 2) the CWC must make a finding that the project is feasible, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta, and 3) the Director of the Department of Water Resources must receive a letter demonstrating support for not less than 75 percent of the non-public benefit cost share of the project (joint support letter). The joint support letter is being reviewed by LAPs and would replace the previous support letters from CCWD and the LAPs that were submitted to the CWC in 2017. The Phase 2 LVE Project is tentatively scheduled for a CWC Feasibility Hearing on October 20. CCWD staff are closely coordinating with CWC staff to ensure the Project meets the statutory requirements and remains eligible for funding.

PERMITTING

Reclamation is continuing review of the aquatic Biological Assessment (BA). The U.S. Fish and Wildlife Service (USFWS) is reviewing the terrestrial BA per Section 7 of the Federal Endangered Species Act. A Bald and Golden Eagle Protection Act 'take' permit application for the USFWS is being developed. The State Historic Preservation Officer is continuing consultation under Section 106 of the National Historic Preservation Act. A Historic Properties Treatment Plan, to support this consultation, is being developed. CCWD staff are preparing a response to the California Department of Fish and Wildlife (CDFW) with additional information required in support of the Incidental Take Permit application. A Compensatory Mitigation Plan to support the USFWS and CDFW permits is being developed. The CDFW Lake and Streambed Alteration Agreement package is being developed. The U.S. Army Corps of Engineers (USACE) and Central Valley Regional Water Quality Control Board (CVRWQCB) continue review of their respective permit packages.

The Draft Wetland Mitigation Plan and Restoration and Revegetation Plan, required by the USACE and CVRWQCB, are continuing to be developed.

DESIGN

On June 24, CCWD conducted a technical briefing with LAPs to respond to questions raised during the dam design and construction cost workshop that was held in April. Dam expansion design work and coordination with the California Division of Safety of Dams (DSOD) continues, and the 90-percent design (plans and specifications) were submitted to DSOD in June for their review. Transfer-Bethany Pipeline alignment evaluations continued with an assessment of land rights through parcels south of Vasco Road, and CCWD staff obtained additional information from other landowners. Preliminary design of the Turn-in to the California Aqueduct at the Bethany Reservoir continues to progress.

CONTRA COSTA
WATER DISTRICT

March 19, 2021

Local Agency Partners
Phase 2 Los Vaqueros Reservoir Expansion Project

Subject: Letter of Intent Concerning Development of Usage Fees for CCWD Facilities

Dear Local Agency Partners:

This Letter of Intent (LOI) between the Contra Costa Water District (CCWD) and the undersigned Local Agency Partners (LAPs) for the Phase 2 Los Vaqueros Reservoir Expansion Project (Project) describes the intention and agreement of CCWD and the LAPs to negotiate in good faith the usage fees associated with the use of CCWD's existing facilities as part of the Project. It is envisioned that a Facilities Usage Agreement, as provided for in Project planning documents, will be negotiated and executed by CCWD and the Los Vaqueros Reservoir Joint Powers Authority (JPA) which is to be formed as part of the Project by CCWD and the LAPs.

CCWD and the LAPs have engaged in a collaborative process to develop usage fees consistent with industry standard cost allocation principles that are fair and equitable to both CCWD as the owner of the facilities, and the LAPs that will assist in construction of new facilities and benefit from the future use of CCWD's existing facilities. The process, which is ongoing, has thus far resulted in significant changes to the initial proposed methodology and assumptions for the usage fees and included a comprehensive and independent third-party review and multiple rounds of LAP comments and input. CCWD recognizes that further review of the proposed usage fees by the LAPs may be required. The usage fees are intended to follow the beneficiary pays principle and meet the principles established by CCWD's Board of Directors in Resolution 03-24, which includes reimbursement for the value of the existing Los Vaqueros Project assets shared, replaced, rendered unusable, or lost with the Project.

CCWD's proposed framework for the Facilities Usage Agreement is described in the memorandum entitled *Contra Costa Water District Proposed Usage Fees Version February 2021* (attached hereto as Exhibit A), which includes a table containing LAP member comments raised to date on the framework and methodology. The proposed framework in Exhibit A, including remaining concerns from the LAPs, will serve as the basis for continued discussions and good faith negotiations regarding CCWD's usage fees in the final Facilities Usage Agreement.

1331 CONCORD AVE, CONCORD, CA 94520 | 925-688-8000 | CCWATER.COM

This LOI constitutes only an expression of intent regarding the basis of the terms and conditions upon which CCWD and the LAPs intend to negotiate, and shall not be deemed to create a binding obligation until mutually agreeable terms have been approved by the governing bodies of CCWD and the other JPA Members, and an agreement executed. CCWD and the LAPs recognize that final estimated Project costs and associated state and federal funding must be determined prior to creation of a binding Facilities Usage Agreement.

CCWD sincerely appreciates the past and future engagement and collaboration of the LAPs in developing the proposed usage fees methodology and assumptions for the Project. Please sign indicating your concurrence with this LOI and return to CCWD at your earliest convenience.

Sincerely

Stephen J. Welch
General Manager

SW/JQ:kh

Exhibit A: Contra Costa Water District Proposed Usage Fees, Version: Updated February 2021

Letter of Intent Concerning Development of Usage Fees for CCWD Facilities

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Robert Shaver, General Manager
Alameda County Water District

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Clifford C. Chan, General Manager
East Bay Municipal Utility District

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Michael Carlin, Acting General Manager
San Francisco Public Utilities Commission

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Rick L. Callender, Esq. Chief Executive Officer
Santa Clara Valley Water District

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Federico Barajas, Executive Director
San Luis & Delta-Mendota Water Authority

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Valerie Pryor, General Manager
Zone 7 Water Agency

Letter of Intent Concerning Development of Usage Fees for CCWD Facilities

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Alameda County Water District

Clifford Chan

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Letter of Intent Concerning Development of Usage Fees for CCWD Facilities

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Clifford C. Chan, General Manager
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Michael Carlin
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Michael Carlin, Acting General Manager
San Francisco Public Utilities Commission

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Rick Callender 4/9/2021
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Rick L. Callender, Esq. Chief Executive Officer
Santa Clara Valley Water District

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DocuSigned by:
Valerie Pryor
Valerie Pryor, General Manager
Zone 7 Water Agency

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Exhibit A

Contra Costa Water District Proposed Usage Fees
Version: Updated February 2021

Contra Costa Water District Proposed Usage Fees
Version: Updated February 2021

The Contra Costa Water District (CCWD) and Local Agency Partners (LAPs) are currently evaluating the Los Vaqueros Reservoir Expansion Project Phase 2 (Project). The Project would include expansion of the Los Vaqueros Reservoir from 160 thousand acre-feet (TAF) to 275 TAF and construction of new conveyance facilities. The Project would also rely on several of CCWD's existing facilities to provide the desired benefits to the LAPs and the future Joint Powers Authority (JPA). CCWD would be compensated for the usage of its existing facilities, which includes the Rock Slough Intake and four associated pumping plants, Old and Middle River Intakes and Pumping, Transfer Pump Station/Tank, Los Vaqueros Reservoir/Dam, and associated conveyance. A figure showing CCWD's existing facilities in relation to the new facilities proposed for the Project is provided as Attachment 1. Revenues that would be paid to CCWD through the usage fee are intended to cover an equitable proportion of capital and renewal/replacement costs based on actual use of the aforementioned facilities. LAPs will also pay a proportion of fixed O&M costs and the power required to deliver water.

CCWD's Board of Directors adopted ten principles in 2003 that must be met for CCWD's participation in a further expansion of the Los Vaqueros Reservoir. The principles have been included in memoranda of understanding between the LAPs and CCWD and are an attachment to the Multi-Party Agreement. Principles 6 through 9 are most relevant to the consideration of usage fees and are listed in Figure 1. The usage fee methodology and resulting fees presented in this memorandum are subject to further consideration and approval from CCWD's Board of Directors.

The intent of the usage fees is to provide reasonable compensation to CCWD that is fair to both the Project partners that are receiving benefits from the existing facilities, and CCWD's customers who have paid for or are paying for the facilities. CCWD developed preliminary usage fees which were initially released for review in October 2018. The LAPs contracted with Bartle Wells Associates (BWA) to conduct a third-party review of the methodology and resulting fees. On December 30, 2019, BWA released their final report, *Los Vaqueros Reservoir Expansion Evaluation of Proposed Water Wheeling Charges*, and included several recommendations and alternatives for consideration in the usage fee determination. The usage fee methodology was updated and circulated for review and input from the LAPs on March 9, 2020. This memorandum reflects incorporation of the BWA alternatives and the additional comments received from LAPs on the March 9, 2020 version. All LAP comments, including remaining concerns, are provided as an attachment to this memorandum, along with CCWD's response.

<u>Figure 1. CCWD Board Principles</u>

6. CCWD continues as owner and manager of the Los Vaqueros Watershed;

7. CCWD maintains control over recreation in the Los Vaqueros Watershed;

8. CCWD continues as operator of the Los Vaqueros Reservoir system;

9. CCWD will be reimbursed for the value of the existing Los Vaqueros Project assets shared, replaced, rendered unusable or lost with the expansion project and said reimbursement will be used to purchase additional drought supply and water quality benefits or reduce debt on the existing Los Vaqueros Project;

<u>Conveyance Facilities</u>

BWA made the following primary recommendations for consideration in the usage fees for conveyance facilities, which includes intakes, pump stations and pipelines.

- *BWA recommends moving away from use of a flow-based "utilization factor" in the fee. As previously noted, BWA believes it is more reasonable to apportion capital-related costs by some reasonable measure of facility capacity, which need not be full design capacity but instead can be "firm operational capacity" or "average day design capacity" excluding additional capacity built in to meet peak demands. BWA also believes that the LAPs – who have a lower priority of use and can only wheel water when spare capacity is available – should only have to pay for capacity in facilities involved in the wheeling of water.*
- *BWA suggests that a single charge could replace the combined Capacity Usage and Renewal/Replacement fees. This charge can recover costs for both the replacement cost of facilities (in current dollars) as well as estimated or actual costs of financing, apportioned over the life of the asset. BWA recognizes that this would result in a lower charge than the two proposed charges combined, but also believes it would compensate CCWD in current dollars for facilities as well as financing costs associated with each facility.*

The intent of the usage fee is to cover a proportional and fair share of the value of the existing CCWD facilities utilized as part of the Project, including the original investment and ongoing wear and tear on the facilities (renewal and replacement costs). CCWD's original usage fees included two separate components--Capacity Usage and Renewal/Replacement fees--to recover both capital cost considerations. BWA suggested a single charge to replace the combined fees to recover a proportional share of the replacement cost as well as costs of financing, apportioned over the life of the asset. The usage fees were updated based on the BWA recommendations to combine the usage fees and to apportion the costs over the facility's life. In addition, any proceeds received from State or Federal grants have been removed from consideration of the facility value.

The single proposed Conveyance Usage Fee would replace the Capacity and Renewal/Replacement Usage fees in CCWD's original memorandum. The Conveyance Usage Fees are determined according to the following equation and presented in Table 1.

$$= \frac{Facility\ Value, \$}{(Useful\ Life, YRS) * (Water\ Deliveries, AF/YR)}$$

Contra Costa Water District Proposed Usage Fees
Version: Updated February 2021

Table 1 – Revised Conveyance Usage Fees

Facilities (Year Built)	Original Cost Less Grants	Current Value	Useful Life, Years	Water Deliveries, AF/YR	Usage Fee, $/AF
Rock Slough Facilities (Various)	$117,170,377	$304,803,409	75	89,443	$45.44
Middle River Pipeline (2011)	40,963,850	52,657,853	75	63,888	10.99
Old River Pipeline (1996)	38,293,849	91,164,893	75	81,776	14.86
Los Vaqueros Pipeline (1996)	48,519,455	115,508,654	75	102,220	15.07
Transfer Pipeline (1996)	23,998,870	57,133,312	75	51,110	14.90
Middle River Intake (2011)	24,736,150	31,797,611	50	63,888	9.95
Old River Intake (1996)	30,497,364	72,604,061	50	63,888	22.73
Transfer Pump Station/Tank (1996)	17,281,844	41,142,311	40	51,110	20.12

Original Cost Less Grants: Actual cost of facility at the time of construction or acquisition. This amount excludes any funds that CCWD received from State or Federal grants. The Rock Slough and Middle River facilities received grant funding.

Current Value: The CCWD facilities proposed to be used as part of the Project were debt financed. The Current Value was determined based on the present value of the stream of debt service payments escalated or discounted into current dollars. Past costs were escalated using the San Francisco Engineering News Record Construction Cost Index. Future costs were discounted assuming an annual rate of 3% (ten-year average SF ENR). Interest rates and debt issuance costs were updated for this version based on the actual debt service costs rather than an estimated average interest rate of 4%. The actual interest rates reflect the aggregate interest rate cost of the entire bond issuance to maturity, including consideration of any premiums received from CCWD. Actual debt service interest rates are:

Los Vaqueros Project: 4.52%
Los Vaqueros Expansion: 3.39%
Middle River Intake Project: 3.07%
Rock Slough Facilities: 3.342%

Debt issuance costs were updated from the estimated value of 1.5% to the actual weighted average of 0.4%. Calculation of the present value of debt is provided in Attachment 2.

Useful Life: Estimate of the number of years an asset can provide benefits. Value represents the average of all components within a given facility.

Water Deliveries: The estimated average annual quantity of water delivered from the Project, including CCWD, LAPs, and wildlife refuges. The usage fee for each pathway in CCWD's untreated water conveyance system was based on the average utilization, or total quantity of water delivered from the system. Overall system utilization, as compared to the capacity of the individual facility components, ranges from approximately 32% to 35% as estimated in the operations models. Basing a usage fee on the amount of water delivered from a network, or integrated system, is consistent with industry practice including treated water distribution system fees and charges and wheeling rates for the State and Federal water projects. CCWD also evaluated the consideration of using the Firm Operational Capacity of the system based on comments and remaining concerns expressed by the LAPs. The Firm Operational Capacity of the conveyance facilities was estimated as the ratio of the capacity of the proposed Transfer-Bethany Pipeline (300 CFS) to the total capacity of CCWD's intakes (350 + 250 + 250 CFS). The Firm Operational Capacity was determined to be 35.3% (300 CFS / 850 CFS) of the installed capacity. Example calculation for Rock Slough: 350 CFS capacity is approximately 253,379 AF/YR, with 89,443 AF/YR (35.3% of capacity) of Firm Operational Capacity. Consideration of Water Deliveries and Firm Operational Capacity results in a similar determination of the conveyance usage fees (35% vs 35.3%). CCWD has used a value of 35.3% to determine the utilization and amount of water delivered from the project as the throughput basis of the usage fee determination.

Conveyance of water by CCWD would involve the use of multiple facilities depending on the specific intake utilized and pathway. A summary of the revised Conveyance Usage Fee by delivery route is provided in Table 2 on the following page and includes a comparison to the previous values proposed by CCWD.

LAPs have commented that any portion of the conveyance usage fee that is for reimbursement of original facility costs should sunset or end upon attainment of the assumed useful life of the facility. LAPs would then pay only for wear and tear (renewal and replacement) costs after that point. CCWD is agreeable to include an end date for the reimbursement component of the facility usage fee. The end date would be subject to further negotiation and assessment of the remaining useful life, including past CCWD investments in facility renewal and replacement.

Contra Costa Water District Proposed Usage Fees
Version: Updated February 2021

Table 2 – Comparison of Original and Revised Conveyance Usage Fees

Delivery Pathway	June 2019 (Original)[1] Version, $/AF	March 2020 Version, $/AF	Current Version, $/AF	Reason for Change (March to Current)
Rock Slough	$115.05	$97.36	$60.50	• Removal of grant funds • Decrease of debt interest rate from 4% to 3.342% • Decrease of debt issuance cost from 1.5% to 0.4% • Use of Water Deliveries/Firm Operational Capacity
Old River	60.09	39.40	37.59	• Increase of debt interest rate from 4% to 4.52% • Decrease of debt issuance cost from 1.5% to 0.4% • Use of Water Deliveries/Firm Operational Capacity
Middle River	87.46	53.04	35.81	• Removal of grant funds • Decrease of debt interest rate from 4% to 3.07% • Decrease of debt issuance cost from 1.5% to 0.4% • Use of Water Deliveries/Firm Operational Capacity
Weighted Average (RS, MR, OR)	103.37	81.52	52.59	
Transfer to Reservoir	53.80	36.71	35.03	• Increase of debt interest rate from 4% to 4.52% • Decrease of debt issuance cost from 1.5% to 0.4% • Use of Water Deliveries/Firm Operational Capacity

1. Includes both the Capacity and Renewal/Replacement conveyance usage fees from the June 2019 Contra Costa Water District Proposed Usage Fees.

Storage Facilities

The Project includes the expansion of the Los Vaqueros Reservoir from its current capacity of 160 TAF to 275 TAF. The costs to expand the dam would be fully paid by the Project beneficiaries. The existing reservoir will serve as the foundation to the expanded reservoir and previous CCWD investment and existing dam facilities will provide benefits to the Project. CCWD developed a preliminary usage fee for the existing Los Vaqueros Dam/Watershed following similar methodology as the conveyance facilities based on debt service interest only. The original usage fee was volumetric ($38/AF/yr) and was proposed to be applied each year water is stored in the expanded reservoir. BWA noted in the report that CCWD's preliminary charge was based on the original cost of the facilities and would be significantly higher if based on current/replacement value of facilities and/or current market value of land.

BWA recommended an alternative approach to determine a fixed usage fee for storage that would be determined similar to a land right. BWA recommendations for storage facilities are summarized below:

- *BWA suggests an alternative approach for cost recovery based a fixed amount of payments to reimburse CCWD for the LAPs share of costs for land and shared foundational facilities. This fixed amount could be allocated to the LAPs by the same approach ultimately used to allocate costs for the reservoir expansion project. The costs could be paid up front or could be recovered over time via annual payments (similar to debt service payments).*
- *This approach would entail first identifying land and shared foundational assets that benefit the expansion project but exclude assets that only benefit CCWD's 160 TAF of reservoir capacity that are not shared assets. Cost recovery for these "shared facilities" could be allocated based on a pro-rata share of total capacity of the expanded reservoir with the LAPs allocated 115/275 or roughly 42% of the costs identified for recovery, similar to the allocation incorporated in CCWD's proposed charge.*

The land and shared facilities such as the foundation, spillway, inlet/outlet structures, utilities, and utilities relocation can be viewed as a component of the future expansion costs that were previously funded by CCWD. Following is a discussion of the determination of the value of the 1) shared land and 2) foundational storage assets ("Improvements").

Land

CCWD purchased approximately 19,288 acres of land for a total cost of $79 million in Contra Costa County from 1986 to 1998 to support the Los Vaqueros dam facilities and watershed. A map of the watershed property is provided as Attachment 3. There are three distinct areas shown in the map which are described further below:

160 TAF Inundation Area: The inundation area of CCWD's 160 TAF reservoir is approximately 1,916 acres. The underlying land is considered shared as it supports CCWD's 160 TAF as well as the JPA's expansion of 115 TAF, which will conceptually sit on top of CCWD's existing reservoir. The value of underlying land is allocated 58.2% (160/275ths) to CCWD and 41.8% (115/275ths) to the JPA.

275 TAF Inundation Area (incremental): Expansion of the reservoir will incrementally increase the reservoir inundation area by approximately 585 acres. The incremental inundation area solely benefits the proposed 115 TAF expansion in terms of storage, as the expansion and increase in reservoir storage is for the JPA. The incremental inundation area does provide retained value to CCWD as part of the overall watershed. The allocation to the JPA was updated based on the proportional usage of the land area as storage versus watershed. The area provides 100% of the storage benefit to the JPA and 41.8% (115/275ths) of the watershed benefit to the JPA. The area provides 0% storage benefit to CCWD and 58.2% (160/275ths) of the watershed benefit to CCWD. Considering both the watershed and storage benefits, the resulting allocation to the JPA is 70.9%.

Watershed: The remainder of the watershed property totals 16,787 acres. The watershed protects water quality and captures local runoff as a minor water supply; these functions will benefit both CCWD and the LAPs. The value of the shared land is allocated 58.2% to CCWD and 41.8% to the JPA. A portion of the watershed was purchased as mitigation for the original LV. The mitigation area (approx. 1,600 acres) has retained value to the JPA as part of the watershed but was purchased as mitigation for CCWD's original project. This area was valued following the same methodology as the 275 TAF Inundation Area. The area provides 0% of the storage benefit to the JPA and 41.8% (115/275ths) of the watershed benefit to the JPA. The area provides 100% storage benefit (as mitigation) to CCWD and 58.2% (160/275ths) of the watershed benefit to CCWD. Considering both the watershed and storage benefits, the resulting allocation to the JPA for the watershed mitigation area is 20.9%.

The value of the shared land and allocation to the JPA is provided in Table 3. The Current Value of the land was determined from the present value of the debt service payments associated with the original cost for land, then allocated to the JPA based on the resulting capacity share. A discount factor of 90% was applied to the resulting value to recognize that ownership of the land is not being conveyed to the JPA consistent with CCWD's Board principles for participation in an expansion. The proportional share of value of the land benefitting the JPA was estimated to be approximately $69.7 million.

CCWD has not commissioned a formal land appraisal but estimates the land value would increase by a minimum of 30% if it were based on current market value, versus the original cost escalated. Costs for similar land in Contra Costa County are currently estimated to range from $12,000 to $15,000 per acre. This estimated market value information is provided for reference only and was not used in determining the estimated value of the

JPA share. The proposed valuation of land utilizing the present value of past debt payments results in a cost to the JPA that is significantly less than market value.

Table 3 – Value of Los Vaqueros Watershed Land

Watershed Area	Current Value[1]	JPA Allocation, %	JPA Share @ 90%, $
160 TAF Inundation	$18,716,780	41.8%	$7,041,253
275 TAF Inundation (incremental)	5,712,764	70.9%	3,645,782
Watershed (Remaining)	149,799,123	41.8%	56,354,430
- Watershed (Mitigation)	14,196,580	20.9%	2,669,812
	$188,422,247		**$69,711,277**

1. Current Value of the land was determined based on the present value of the debt service payments associated with the original cost for land.

The estimated value of the JPA's portion of the shared land is approximately $69.7 million. The final negotiated value for land could be paid upfront by the JPA or over time. Assuming a term of 50 years and 3%, the annual fixed payment for land would be $2.709 million. Under the annual payment scenario, the JPA would receive a right to utilize the land for the life of the Project, and the fixed payment for land would terminate after year 50.

<u>Improvements</u>
BWA recommended a similar approach to valuing the dam improvements by identifying shared assets and excluding those that solely benefit CCWD's existing 160 TAF of reservoir storage. Cost recovery for the shared facilities was recommended to be based on a pro-rata share of total capacity of the expanded reservoir with the LAPs allocated 115/275 or 41.8% of the costs identified for recovery. Costs below and shown in Table 4 for the original 100 TAF reservoir ("Original LV") are in 1996 dollars. Costs for the 60 TAF expansion are in 2013 dollars.

Costs Excluded from JPA
Following is a discussion of the facilities and estimated costs for those improvements that only benefit CCWD's existing 160 TAF of reservoir capacity. The costs associated with these facilities are excluded from any allocation to the JPA.

Recreation: All costs associated with recreation are excluded from the JPA reimbursement and assumed to benefit only CCWD. This includes approximately $17.6M for the Original LV and $13.7M for the 60 TAF expansion.

Mitigation: All cost for mitigation associated with the inundation of CCWD's 160 TAF reservoir capacity are excluded from JPA reimbursement. This includes $15.4M for the 60 TAF expansion.

CCWD Facilities: Facilities that only benefit CCWD were assumed to be the placement of all dam material associated with CCWD's 160 TAF capacity. This includes procurement and placement of all borrowed and imported dam material for both the Original LV and the 60 TAF expansion. Costs associated with the excavation and rework for the 60 TAF expansion (i.e., the haircut) were also assumed to benefit only CCWD. In addition, any facilities that were replaced in kind by CCWD as part of the 60 TAF expansion, or will be replaced in kind by the JPA, were excluded from cost recovery. Examples of facilities replaced in kind include the inlet/outlet building, dam access road and associated pavement and structures, and SCADA and communication equipment. Facilities that will be replaced in kind are excluded from JPA reimbursement as the JPA will fund replacement as part of the future 115 TAF expansion project at no cost to CCWD. CCWD Facilities as described above that will be excluded from JPA reimbursement total approximately $17.2M for the Original LV and $44.2 M for the 60 TAF expansion.

Costs for items listed above that are excluded from recovery from the JPA are $34.8M for the Original LV and $73.3M for the 60 TAF expansion as shown in Table 4 below.

Table 4 – Value of Los Vaqueros Dam Shared Facilities

	Original LV Dam, $ (1996)	**60 TAF Expansion, $ (2013)**
Total Costs	$210,888,779	$111,422,000
Costs Excluded		
Recreation	*(17,574,128)*	*(13,667,000)*
Mitigation	*0*	*(15,421,597)*
Dam/Earthwork/Demo	*(17,216,999)*	*(44,217,420)*
Costs Excluded (Subtotal)	(34,791,127)	(73,306,017)
Total Shared Costs	*$176,097,652*	*$38,115,983*

Remaining Costs Allocated to the JPA and CCWD

Remaining facilities that benefit both CCWD and the JPA include Vasco Road relocation, utilities and utilities relocation, foundation and abutment work, drainage facilities, emergency release valves/piping, bypass valves/piping, inlet outlet structures, and the spillway. These facilities are shared and are allocated 41.8% to the JPA and 58.2% to CCWD. The determination of the value of shared facilities is provided in Table 5. Similar to the conveyance facilities, the Current Value was determined from the present value of the associated debt service payments.

Table 5 – Current Value and Allocation of Shared Facilities[1]

Facilities	Original Cost, $	Current Value, $	JPA Share, %	JPA Share, $
Original 100 TAF LV (1996)	$176,097,652	$419,229,826	41.8%	$175,314,291
60 TAF Expansion (2013)	38,115,983	48,152,456	41.8%	20,136,482

The annual usage fee associated with storage facilities was determined by apportioning the present value over the estimated useful life and are presented in Table 6. The depreciated value of the dam facilities was used (as opposed to full value in the case of the conveyance facilities) to determine the annual usage fee as CCWD and the JPA will pay a proportional share of future renewal/replacement costs as an integrated and shared dam facility.

Table 6 – Usage Fee for Los Vaqueros Dam Shared Facilities that benefit JPA

Facilities	Current Value (JPA Share)	Depreciated Value[1]	Useful Life, Years	Usage Fee, $/yr
Original 100 TAF LV	$175,314,291	$134,992,004	100	$1,349,920
60 TAF Expansion	20,136,482	18,928,293	100	189,283
			Total	$1,539,203

1. 2019 used as basis to determine facility to maintain consistency with previous memorandums. Depreciated value was determined assuming an age of 23 years for the Original 100 TF LV and 6 years for the 60 TAF Expansion.

The total usage fee for the dam and watershed is the combined value of land and shared facilities. The preliminary estimate of the combined value is approximately $4.8 million per year as shown in Table 7. This table includes a comparison to the usage fee from the previous version.

Table 7 – Revised Usage Fee for Los Vaqueros Land and Shared Facilities

Facility	March 2020 Version Value	June 2020 Version Value	Reason for Change (March to June)
Land[1]	$3,044,502	$2,709,363	• Increase of debt interest rate from 4% to 4.52% • Decrease of debt issuance cost from 1.5% to 0.4% • Change in incremental allocation area from 100% to 70.9% • Application of 90% of estimated value to reflect lack of ownership
Shared Facilities[1]	1,892,739	1,539,203	• Increase of debt interest rate for original LV from 4% to 4.52% • Decrease of debt interest rate for 60 TAF LV Expansion from 4% to 3.39% • Decrease of debt issuance cost from 1.5% to 0.4%
Total	$4,937,241	$4,248,566	

1. Estimate assumes annual payments for the value of land and facilities. CCWD would be open to considering an up-front payment for storage facilities, in lieu of annual usage fees.

Operations and Maintenance

BWA did not have significant comments on the allocation of O&M costs, and generally concurred with the previous methodology used by CCWD. The discussion of O&M costs from the previous CCWD memo is included below.

CCWD incurs both fixed and variable costs in operating and maintaining the existing facilities. Some examples of fixed O&M costs include valve exercising, preventative maintenance, labor, agency fees, and biological monitoring. These fixed costs do not change significantly in response to varying water deliveries. Fixed O&M costs for the existing facilities are proposed to be allocated to the LAPs based on the average historical modeled deliveries, as established in the Proforma financial model. On average, the LAPs proportional share of deliveries (excluding refuges) through CCWD conveyance facilities has ranged from approximately 30 to 35%, depending on the particular CALSIM run utilized. The LAPs receive approximately 33% of the water delivered through the facilities and would be allocated 33% of the fixed O&M costs associated with those facilities. The fixed O&M is currently estimated to be $3.2 million per year. The proportion allocated for reimbursement is 33% of this amount or $1.05 million.

Power is the primary variable O&M cost, and the additional power costs associated with pumping of water for Project beneficiaries would be passed on directly to the LAPs. Current estimates of power costs for the existing facilities are shown in Table 8.

Table 8 – Variable Power Costs

Facility	Estimated Power Cost ($/AF)
Middle River Intake	$46.70
Old River Intake	38.20
Rock Slough Facilities	22.70
Transfer Pump Station	70.00

Other BWA Recommendations:

The BWA report included several other recommendations regarding implementation of the usage fees. The BWA recommendation and CCWD's response is provided below.

Since CCWD anticipates choosing the source of water supply and associated intake/pathway based on operational preferences and needs, both CCWD and the LAPs may want to consider establishing a single "weighted average" charge for the three intakes and pathways, in line with the "postage stamp" approach.

CCWD is open to consider establishing a weighted usage fee.

Annual True Up: This charge component is based on a number of variables such as a) volume of LAPs' wheeled water, b) volume of CCWD water conveyance, c) amount of applicable CCWD fixed operating costs incurred each year. As such, BWA recommends that these charges be established each year based on reasonable estimates with a subsequent true up to reflect the actual flows and costs that had been incurred. The true up could be applied toward the LAPs charges in the subsequent year or potentially refunded at year end.

Agreed.

Multi-Year Averaging: Since the volume of water conveyed by CCWD and the LAPs can vary from year to year, BWA recommends consideration of multi-year averaging in the fee calculation. For example, the share of flow allocated to the LAPs could be based on a trailing 3-year average.

The original estimates were determined based on long-term averages from the operations modeling. CCWD agrees it would be appropriate to establish a process based on multi-year averaging of actual deliveries to allocate fixed O&M costs.

Annual True Up: Due to the variability of electricity charges, CCWD's Variable O&M Charge can be levied based on reasonable estimates and subject to a subsequent true up to reflect the actual power costs incurred.

Agreed. Power costs are intended to be passed on directly to the JPA without mark-up. A true-up process would be utilized to reconcile estimated versus actual costs.

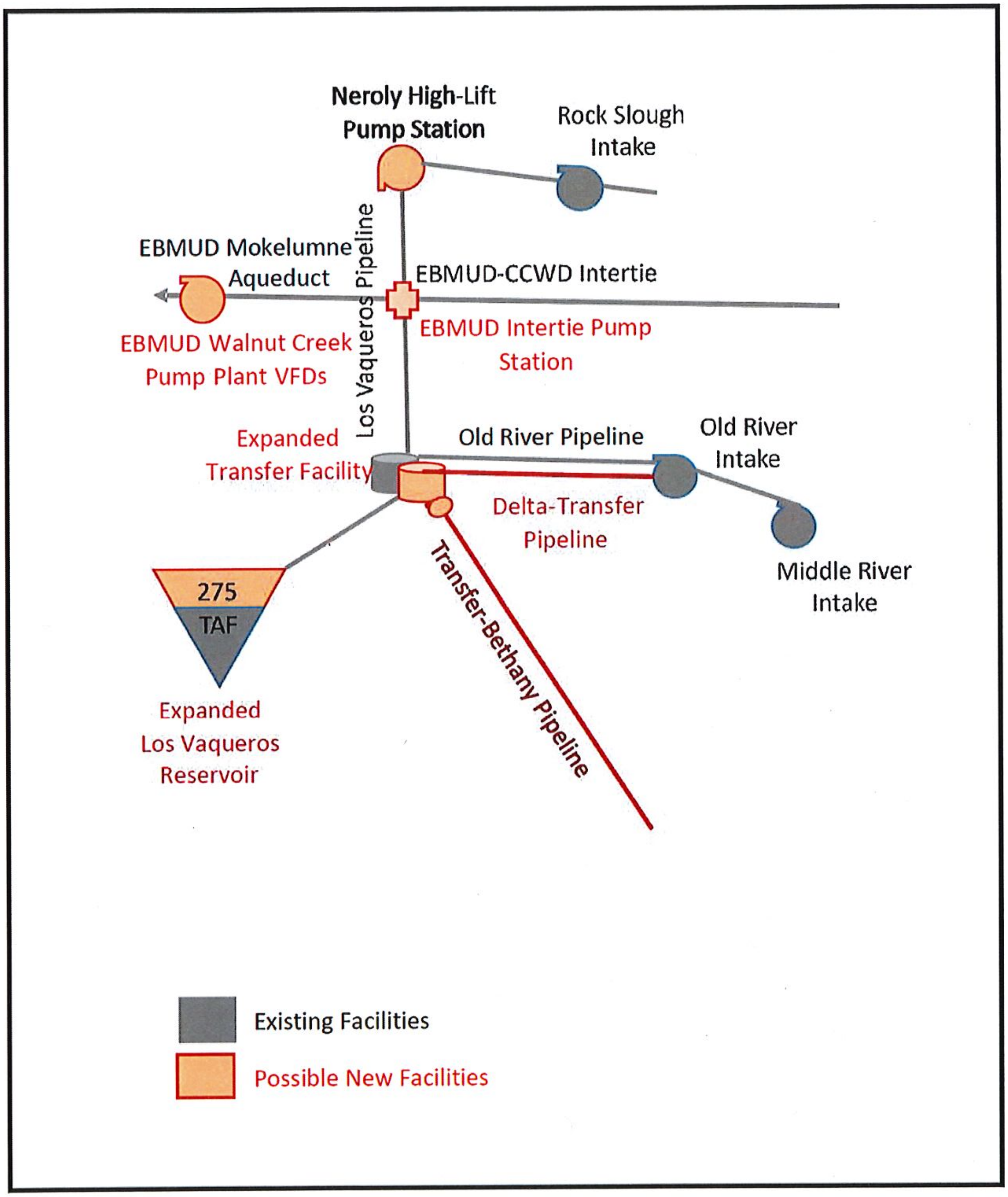
BWA recommends CCWD and the LAPs establish a method for periodically reviewing and updating or modifying the water wheeling charges to ensure future charges are reasonable and "fairly compensate" CCWD for costs incurred wheeling water. For example, a review/advisory committee could be established to periodically review the charges.

CCWD agrees that there should be triggers for reviewing the usage fees including such considerations as a general periodic review, major facility replacements, or events that significantly impact the assumptions utilized to determine the usage fees. An example would be a natural disaster that significantly reduces the estimated life of a given facility.

Attachment 1

Los Vaqueros Reservoir Expansion Phase 2

Existing and Proposed New Facilities


Neroly High-Lift
Pump Station
Rock Slough
Intake
Los Vaqueros Pipeline
EBMUD Mokelumne
Aqueduct
EBMUD-CCWD Intertie
EBMUD Walnut Creek
Pump Plant VFDs
EBMUD Intertie Pump
Station
Expanded
Transfer Facility
Old River Pipeline
Old River
Intake
Delta-Transfer
Pipeline
Middle River
Intake
275
TAF
Transfer-Bethany Pipeline
Expanded
Los Vaqueros
Reservoir
Existing Facilities
Possible New Facilities

Attachment 2

Calculation of Present Value of Debt Service Payments

Debt Service Calculations
Rock Slough Facilities
Assumptions:

Construction Year	1987	Current SF-ENR	12764.52	(December 2019)
Term, years	30			
Interest Rate, %	3.342%			
Issuance Costs, %	0.4%			
Amount Borrowed	$1,000,000			

Year	Principal	Interest	Total Debt Service	SF ENR	PV Adjustment	Present Value
1988	$19,960	$33,554	$53,514	5734.48	222.6%	$119,117
1989	$20,627	$32,887	$53,514	5932.57	215.2%	$115,140
1990	$21,316	$32,197	$53,514	6055.61	210.8%	$112,800
1991	$22,029	$31,485	$53,514	6222.06	205.1%	$109,783
1992	$22,765	$30,749	$53,514	6293.15	202.8%	$108,543
1993	$23,526	$29,988	$53,514	6477.95	197.0%	$105,446
1994	$24,312	$29,202	$53,514	6530.35	195.5%	$104,600
1995	$25,124	$28,389	$53,514	6558.16	194.6%	$104,156
1996	$25,964	$27,549	$53,514	6629.61	192.5%	$103,034
1997	$26,832	$26,682	$53,514	6731.08	189.6%	$101,481
1998	$27,729	$25,785	$53,514	6845.59	186.5%	$99,783
1999	$28,655	$24,858	$53,514	6816.70	187.3%	$100,206
2000	$29,613	$23,901	$53,514	7447.99	171.4%	$91,713
2001	$30,603	$22,911	$53,514	7399.07	172.5%	$92,319
2002	$31,625	$21,888	$53,514	7644.46	167.0%	$89,356
2003	$32,682	$20,831	$53,514	7788.80	163.9%	$87,700
2004	$33,774	$19,739	$53,514	8228.39	155.1%	$83,014
2005	$34,903	$18,610	$53,514	8462.45	150.8%	$80,718
2006	$36,070	$17,444	$53,514	9108.66	140.1%	$74,992
2007	$37,275	$16,239	$53,514	9131.81	139.8%	$74,802
2008	$38,521	$14,993	$53,514	9781.67	130.5%	$69,832
2009	$39,808	$13,705	$53,514	9722.17	131.3%	$70,260
2010	$41,139	$12,375	$53,514	10120.29	126.1%	$67,496
2011	$42,513	$11,000	$53,514	10204.29	125.1%	$66,940
2012	$43,934	$9,579	$53,514	10355.09	123.3%	$65,965
2013	$45,402	$8,111	$53,514	10898.84	117.1%	$62,674
2014	$46,920	$6,594	$53,514	10915.84	116.9%	$62,576
2015	$48,488	$5,026	$53,514	11155.41	114.4%	$61,233
2016	$50,108	$3,405	$53,514	11609.44	109.9%	$58,838
2017	$51,783	$1,731	$53,514	12014.72	106.2%	$56,853
Total	$1,004,000	$601,407	$1,605,407			$2,601,369

Value Multiplier 2.601

Debt Service Calculations
Los Vaqueros Facilities
Assumptions:

Construction Year	1996	Current SF-ENR	12764.52 (December 2019)
Term, years	30		
Interest Rate, %	4.52%		
Issuance Costs, %	0.4%		
Amount Borrowed	$1,000,000		

Year	Principal	Interest	Total Debt Service	SF ENR	PV Adjustment	Present Value
1997	$16,401	$45,381	$61,782	6731.08	189.6%	$117,161
1998	$17,143	$44,639	$61,782	6845.59	186.5%	$115,201
1999	$17,918	$43,865	$61,782	6816.70	187.3%	$115,689
2000	$18,727	$43,055	$61,782	7447.99	171.4%	$105,884
2001	$19,574	$42,208	$61,782	7399.07	172.5%	$106,584
2002	$20,459	$41,323	$61,782	7644.46	167.0%	$103,162
2003	$21,383	$40,399	$61,782	7788.80	163.9%	$101,251
2004	$22,350	$39,432	$61,782	8228.39	155.1%	$95,841
2005	$23,360	$38,422	$61,782	8462.45	150.8%	$93,191
2006	$24,416	$37,366	$61,782	9108.66	140.1%	$86,579
2007	$25,520	$36,263	$61,782	9131.81	139.8%	$86,360
2008	$26,673	$35,109	$61,782	9781.67	130.5%	$80,622
2009	$27,879	$33,903	$61,782	9722.17	131.3%	$81,116
2010	$29,139	$32,643	$61,782	10120.29	126.1%	$77,925
2011	$30,456	$31,326	$61,782	10204.29	125.1%	$77,283
2012	$31,833	$29,950	$61,782	10355.09	123.3%	$76,158
2013	$33,271	$28,511	$61,782	10898.84	117.1%	$72,358
2014	$34,775	$27,007	$61,782	10915.84	116.9%	$72,246
2015	$36,347	$25,435	$61,782	11155.41	114.4%	$70,694
2016	$37,990	$23,792	$61,782	11609.44	109.9%	$67,929
2017	$39,707	$22,075	$61,782	12014.72	106.2%	$65,638
2018	$41,502	$20,280	$61,782	12115.37	105.4%	$65,093
2019	$43,378	$18,404	$61,782	12764.52	100.0%	$61,782
2020	$45,339	$16,444	$61,782	*13147.46*	97.1%	$59,983
2021	$47,388	$14,394	$61,782	*13541.88*	94.3%	$58,236
2022	$49,530	$12,252	$61,782	*13948.14*	91.5%	$56,539
2023	$51,769	$10,014	$61,782	*14366.58*	88.8%	$54,893
2024	$54,108	$7,674	$61,782	*14797.58*	86.3%	$53,294
2025	$56,554	$5,228	$61,782	*15241.50*	83.7%	$51,742
2026	$59,110	$2,672	$61,782	*15698.75*	81.3%	$50,235
Total	$1,004,000	$849,467	$1,853,467			$2,380,667

Value Multiplier 2.381 *Italic = assumed 3%*

Debt Service Calculations
Middle River Facilities
Assumptions:

Construction Year	2011	Current SF-ENR	12764.52 (December 2019)
Term, years	30		
Interest Rate, %	3.07%		
Issuance Costs, %	0.4%		
Amount Borrowed	$1,000,000		

Year	Principal	Interest	Total Debt Service	SF ENR	PV Adjustment	Present Value
2012	$20,865	$30,823	$51,688	10355.09	123.3%	$63,715
2013	$21,506	$30,182	$51,688	10898.84	117.1%	$60,536
2014	$22,166	$29,522	$51,688	10915.84	116.9%	$60,442
2015	$22,846	$28,842	$51,688	11155.41	114.4%	$59,144
2016	$23,548	$28,140	$51,688	11609.44	109.9%	$56,831
2017	$24,271	$27,417	$51,688	12014.72	106.2%	$54,914
2018	$25,016	$26,672	$51,688	12115.37	105.4%	$54,457
2019	$25,784	$25,904	$51,688	12764.52	100.0%	$51,688
2020	$26,575	$25,113	$51,688	*13147.46*	97.1%	$50,182
2021	$27,391	$24,297	$51,688	*13541.88*	94.3%	$48,721
2022	$28,232	$23,456	$51,688	*13948.14*	91.5%	$47,302
2023	$29,099	$22,589	$51,688	*14366.58*	88.8%	$45,924
2024	$29,992	$21,696	$51,688	*14797.58*	86.3%	$44,586
2025	$30,913	$20,775	$51,688	*15241.50*	83.7%	$43,288
2026	$31,862	$19,826	$51,688	*15698.75*	81.3%	$42,027
2027	$32,840	$18,848	$51,688	*16169.71*	78.9%	$40,803
2028	$33,848	$17,840	$51,688	*16654.80*	76.6%	$39,614
2029	$34,887	$16,800	$51,688	*17154.45*	74.4%	$38,461
2030	$35,959	$15,729	$51,688	*17669.08*	72.2%	$37,340
2031	$37,062	$14,625	$51,688	*18199.15*	70.1%	$36,253
2032	$38,200	$13,488	$51,688	*18745.13*	68.1%	$35,197
2033	$39,373	$12,315	$51,688	*19307.48*	66.1%	$34,172
2034	$40,582	$11,106	$51,688	*19886.71*	64.2%	$33,177
2035	$41,828	$9,860	$51,688	*20483.31*	62.3%	$32,210
2036	$43,112	$8,576	$51,688	*21097.81*	60.5%	$31,272
2037	$44,435	$7,253	$51,688	*21730.74*	58.7%	$30,361
2038	$45,799	$5,889	$51,688	*22382.66*	57.0%	$29,477
2039	$47,205	$4,482	$51,688	*23054.14*	55.4%	$28,618
2040	$48,655	$3,033	$51,688	*23745.77*	53.8%	$27,785
2041	$50,148	$1,540	$51,688	*24458.14*	52.2%	$26,976
Total	$1,004,000	$546,637	$1,550,637			$1,285,471

Value Multiplier 1.285

Italic = assumed 3%

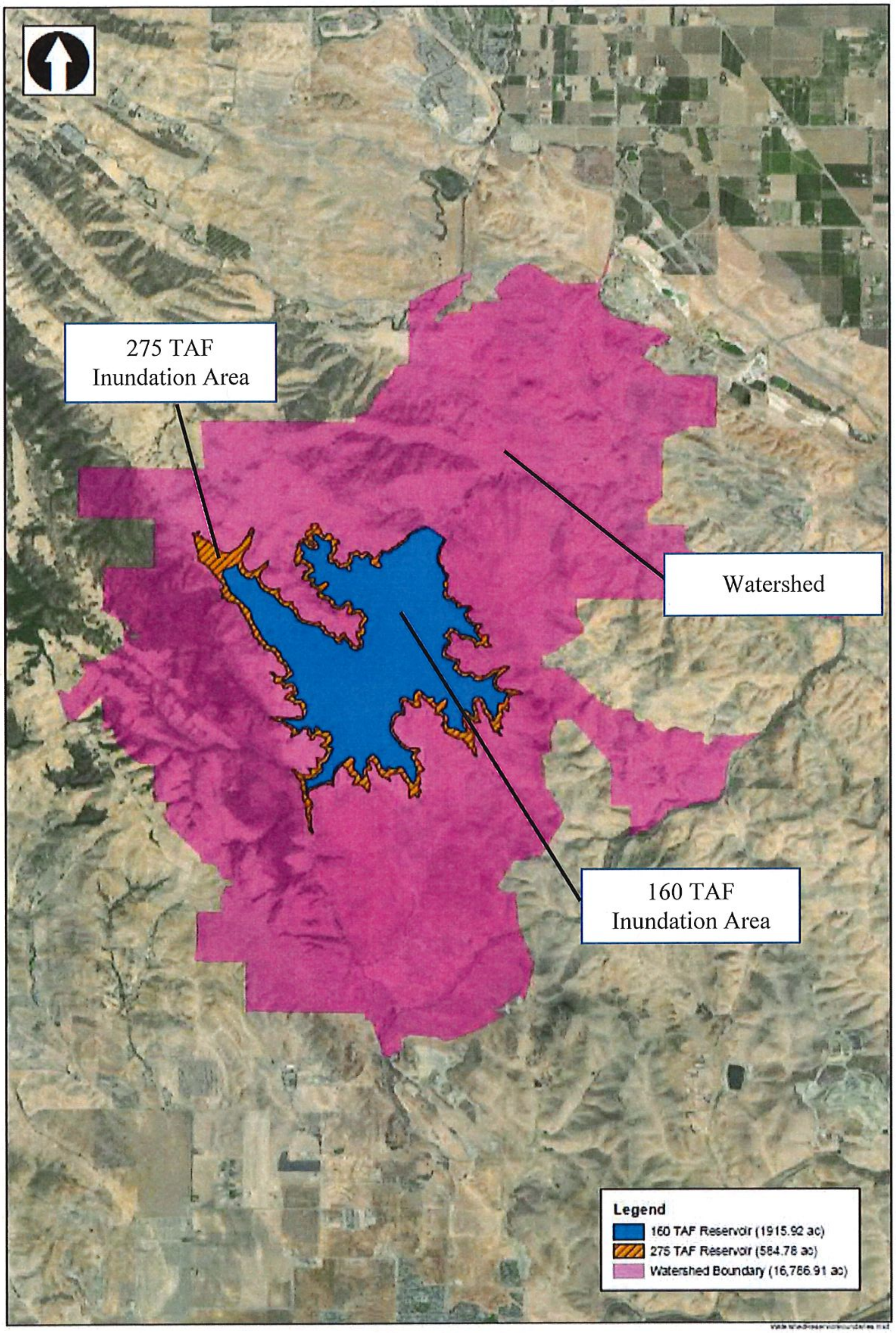
Debt Service Calculations
Los Vaqueros Expansion
Assumptions:

Construction Year	2013	Current SF-ENR	12764.52	(December 2019)
Term, years	30			
Interest Rate, %	3.39%			
Issuance Costs, %	0.4%			
Amount Borrowed	$1,000,000			

Year	Principal	Interest	Total Debt Service	SF ENR	PV Adjustment	Present Value
2014	$19,803	$34,036	$53,839	10915.84	116.9%	$62,957
2015	$20,475	$33,364	$53,839	11155.41	114.4%	$61,605
2016	$21,169	$32,670	$53,839	11609.44	109.9%	$59,196
2017	$21,887	$31,953	$53,839	12014.72	106.2%	$57,199
2018	$22,628	$31,211	$53,839	12115.37	105.4%	$56,724
2019	$23,396	$30,443	$53,839	12764.52	100.0%	$53,839
2020	$24,189	$29,650	$53,839	*13147.46*	97.1%	$52,271
2021	$25,009	$28,830	$53,839	*13541.88*	94.3%	$50,749
2022	$25,857	$27,983	$53,839	*13948.14*	91.5%	$49,270
2023	$26,733	$27,106	$53,839	*14366.58*	88.8%	$47,835
2024	$27,639	$26,200	$53,839	*14797.58*	86.3%	$46,442
2025	$28,576	$25,263	$53,839	*15241.50*	83.7%	$45,089
2026	$29,545	$24,294	$53,839	*15698.75*	81.3%	$43,776
2027	$30,547	$23,293	$53,839	*16169.71*	78.9%	$42,501
2028	$31,582	$22,257	$53,839	*16654.80*	76.6%	$41,263
2029	$32,653	$21,186	$53,839	*17154.45*	74.4%	$40,061
2030	$33,760	$20,079	$53,839	*17669.08*	72.2%	$38,894
2031	$34,904	$18,935	$53,839	*18199.15*	70.1%	$37,762
2032	$36,087	$17,752	$53,839	*18745.13*	68.1%	$36,662
2033	$37,311	$16,528	$53,839	*19307.48*	66.1%	$35,594
2034	$38,576	$15,264	$53,839	*19886.71*	64.2%	$34,557
2035	$39,883	$13,956	$53,839	*20483.31*	62.3%	$33,551
2036	$41,235	$12,604	$53,839	*21097.81*	60.5%	$32,574
2037	$42,633	$11,206	$53,839	*21730.74*	58.7%	$31,625
2038	$44,078	$9,761	$53,839	*22382.66*	57.0%	$30,704
2039	$45,573	$8,266	$53,839	*23054.14*	55.4%	$29,809
2040	$47,118	$6,721	$53,839	*23745.77*	53.8%	$28,941
2041	$48,715	$5,124	$53,839	*24458.14*	52.2%	$28,098
2042	$50,366	$3,473	$53,839	*25191.88*	50.7%	$27,280
2043	$52,074	$1,765	$53,839	*25947.64*	49.2%	$26,485
Total	$1,004,000	$611,173	$1,615,173			$1,263,314
Value Multiplier	1.263			*Italic = assumed 3%*		

Attachment 3

Map of Los Vaqueros Reservoir Watershed



LOCATION MAP
NTS

Attachment 4

Response to Local Agency Partner Comments

Comment ID	Agency	Comment	Description	CCWD Response
1	ACWD	Conveyance - Grant funds that supported initial construction should be considered	We request that any grants received to help fund the initial construction of a facility be considered in developing the corresponding usage fee. This is particularly relevant since the facility valuation method used (net present value of debt payments) is based on the original construction cost to CCWD to build the facility and the grants received reduced that cost. Additionally, most grants were likely provided by State or Federal programs. All California residents, including ACWD's customers, support these programs through their State and Federal taxes. This comment applies to facilities included in all proposed usage fees that received grant funds; not just conveyance facilities.	CCWD has removed all grant funds received from the cost basis of the usage fees. Grant funds were received for the Rock Slough and Middle River facilities.
2	ACWD	Conveyance - The general utilization factor of 32% continues to be applied	We request that conveyance usage fees be calculated based on firm operational capacity. We recognize that maximum capacity would not be a reasonable basis for a usage fee calculation for a facility that is not designed to operate at that level. However, because we only have access to the facility when there is spare capacity (i.e. CCWD's ability to use the facility is never infringed upon by the LVE project), we do not consider it reasonable to develop fees that require us to either 1) pay for unused operational capacity, or 2) pay based on our peak facility use. If CCWD were willing to provide facility access on par with their own rights, then we would be open to discussing alternative capacity calculation approaches to allocate LAP costs.	The conveyance usage fees were recalculated considering the Firm Operational Capacity, rather than the capacity utilization. Both assumptions (Water Deliveries and Firm Operational Capacity) result in similar usage fee determinations. Firm Operational Capacity of the conveyance facilities was determined as the ratio of the capacity of the proposed Transfer-Bethany Pipeline (300 CFS) to the total capacity of CCWD's intakes (350 + 250 + 250 CFS). The Firm Operational Capacity was determined to be 35.3% (300 CFS / 850 CFS) of the installed capacity. Example calculation for Rock Slough: 350 CFS capacity is approximately 253,379 AF/YR, with 89,443 AF/YR (35.3% of installed capacity) of Firm Operational Capacity.
3	ACWD	Conveyance - Facilities were valued based on the net present value of debt service payments with some cost estimation.	Bartle Wells identified a total of eight potential approaches to value facilities used to convey water and those approaches likely represent the reasonable range for calculating facility value. Bartle Wells did not identify a specifically recommended option from these various approaches and we note that the approach selected by CCWD does not represent an average or midpoint of the various approaches, but is the second most expensive option. To balance the interests of CCWD and LAPs, ACWD has focused on the approach that escalates the net book value (less grant funds) by CPI. This approach will provide for the initial facility value funded by CCWD's rate payers to be escalated by the metric that best reflects the time value of money. This approach further recognizes that up until this point CCWD has been the sole beneficiary of the facility and should reasonably be expected to pay the full cost of facility use for this period (and similarly, this recognizes that LAPs are not receiving a brand new facility). Also, we are concerned by 1) the use of estimated debt issuance costs in the revised proposal as actual or average actual costs should be used instead, and 2) the approach for escalating past costs and deflating future costs because it provides for relatively greater escalation of past costs compared to deflation of future costs (although these two concerns are not relevant to the facility valuation methodology suggested by ACWD in this comment).	Usage of the book value as the basis of the usage fees would exclude the costs incurred by CCWD to finance the facilities, and would not adequately collect a proportional share of renewal/replacement costs. The revised usage fee calculations retain the previous methodology of using the present value of the debt service payments. CCWD has revised the usage fee calculations to reflect the actual and true interest costs of debt service. In addition, interest rates were revised (lowered) to account for debt sold at a premium, meaning CCWD received more proceeds than the outstanding debt. Actual weighted and true average debt service interest rates are: Los Vaqueros Project: 4.52% Los Vaqueros Expansion: 3.39% Middle River Intake Project: 3.07% Rock Slough facilities: 3.342% The future valuation was based on the historical 10-year average ENR rate. CCWD is open to consider other reasonable averaging periods as the basis to deflate future facility values.

Comment ID	Agency	Comment	Description	CCWD Response
4	ACWD	Storage - Third-party review of calculations.	Proposed usage fees for storage facilities have been substantially revised in response to the Bartle Wells report. ACWD views many of these changes as positive; however, given the substantial changes we believe it would be advisable to have Bartle Wells review the calculations as they have done for other proposed fees even if that requires a contract amendment for Bartle Wells.	No response required.
5	ACWD	Storage - Land and facilities were valued based on the net present value of debt service payments	Similar to conveyance facilities, CCWD has valued land and facilities based on the net present value of debt service payments. ACWD believes that other approaches, as described previously, may more reasonably allocate costs between respective beneficiaries. Additionally, we ask that CCWD confirm that land value was not adjusted based on estimated market value.	The land value was not based on market value. The information on estimated market value is provided for reference only in the usage fee memo. The methodology used by CCWD is resulting in a cost basis that is estimated to be at least 30% below market value for the land. This is a benefit that is realized by the JPA using the existing methodology. CCWD did not escalate the value of land based on market value.
6	ACWD	Storage - Allocation of specific facility benefits to LAPs	Except as noted below, ACWD offers no opinion about how CCWD has proposed to allocate specific storage facility benefits to LAPs. Other LAPs may be better positioned to provide specific feedback regarding which existing dam facilities benefit LAPs through the LVE project.	No response required.
7	ACWD	Storage - Incremental inundation area cost allocation.	The cost of these 585 acres has been fully allocated to LAPs. However, it is unclear why CCWD wouldn't benefit from this land at the same rate as it benefits from general watershed land or why CCWD's aggregate benefit of all inundated and watershed land is less than its proportional share of an expanded reservoir. Consequently, ACWD requests that the value of this land be allocated between CCWD and LAPs in the same manner as general watershed land.	CCWD agrees that there is retained value to CCWD within the incremental inundation area as part of the overall watershed. However, the JPA benefits exclusively from the incremental area for the purposes of water storage. The allocation to the JPA was updated based on the proportional usage of the land area as storage vs watershed. Proportional Benefit (Storage %, Watershed %) CCWD: (0% Storage, 58.2% Watershed) JPA: (100% Storage, 41.8% Watershed) Weighted Benefit CCWD: 29.1% JPA: 70.9%
8	ACWD	Storage - Buy-in for Los Vaqueros land payment options.	ACWD finds the concept of a 50-year payment plan with 3% interest reasonable, but also requests an option to buy-in with a lump sum payment. Additionally, because LAPs are buying into the land, this should convey an ownership right. For example, if an LAP were to leave the project in the future, they should be reimbursed for their ownership share of the land whether their share of the project is bought by another agency or otherwise distributed back to Los Vaqueros Reservoir beneficiaries. If CCWD does not intend to convey an ownership right on par with their own rights, then land-use costs for LAPs should be discounted.	CCWD would be open to up-front consideration of the storage usage fee. Ownership of the land would remain with CCWD, consistent with CCWD's Board principles. If an LAP were to leave the project in the future and transfer associated benefits to another party, CCWD believes it is fair for the leaving member to be expected to be compensated for costs paid for the storage usage fee (if paid up-front). The leaving member would have also paid for, or will be paying for, new facilities constructed as part of the project. Consideration of members leaving or joining the project, and procedures for negotiating costs and transferring project benefits should be established by the JPA. CCWD has applied a factor of 90% to the present value of land in the revised usage fees to recognize the lack of ownership.

Comment ID	Agency	Comment	Description	CCWD Response
				CCWD notes that the proposed present value methodology results in a significantly lower cost for land to the JPA than current market value.
9	ACWD	Storage - Future adjustments to shared storage facilities usage fee.	The memo states that the JPA will pay a proportional share of future renewal/replacement costs. As investments are made by the JPA to renew/replace facilities, the usage fee should be adjusted to reflect those investments. This comment also applies to any costs shared by the JPA for future renewal/replacement of conveyance facilities.	This comment only applies to dam facilities. The depreciated value of the dam facilities was used to determine the usage fee since LAPs will pay a proportional share of future actual R/R costs for the new dam, which will be a joint facility. LAPs will not be responsible for a proportional share of future R/R costs for conveyance facilities beyond what is being paid through the usage fee.
10	BAWSCA	Conveyance - Grant funds that supported initial construction should be considered	We request that any grants received to help fund the initial construction of a facility be considered in developing the corresponding usage fee. This is particularly relevant since the facility valuation method used (net present value of debt payments) is based on initial construction cost and the grants received reduced the construction cost of the facility for CCWD. Additionally, most grants were likely provided by State or Federal programs, supported by all California residents including BAWSCA's customers through their tax dollars. This comment applies to facilities included in all proposed usage fees that received grant funds; not just conveyance facilities.	See response to Comment 1.
11	BAWSCA	Conveyance - Conveyance usage fees should be calculated based on firm operational capacity	BAWSCA appreciates that CCWD has updated conveyance usage fees, based on the BWA recommendations, to combine the capacity usage and renewal/replacement fees into a single charge and to apportion the costs over the facility life. However, we request that conveyance usage fees be calculated based on firm operational capacity, rather than the general utilization factor of 32%. We recognize that maximum capacity would not be a reasonable basis for a usage fee calculation for a facility that is not designed to operate at that level. Because we only have access to the facility when there is spare capacity (i.e. CCWD's ability to use the facility is never infringed upon by the LVE project), we do not consider it reasonable to develop fees that require us to either 1) pay for unused operational capacity, or 2) pay based on our peak facility use. If CCWD were willing to provide facility access on par with their own rights, then we would be open to discussing alternative approaches that spread LAP costs across an alternative capacity calculation.	See response to Comment 2.
12	BAWSCA	Conveyance - An average or midpoint of the potential approaches to value conveyance facilities should be used.	Bartle Wells identified a total of eight potential approaches to value facilities used to convey water and those approaches likely represent the potential range for calculating facility value but did not identify a recommended option from these approaches. CCWD's proposed valued facilities based on the net present value of debt service payments with some cost estimation. We note that the approach selected by CCWD is the second most expensive option. We request that CCWD consider an average or midpoint of the various approaches to balance the interests of CCWD and the LAPs. In particular, we support the approach for valuation of conveyance facilities proposed by ACWD in their comment letter and encourage CCWD to consider their approach.	See response to Comment 3.

Comment ID	Agency	Comment	Description	CCWD Response
			Additionally, we note that the full value of conveyance facilities was used in the calculation of the true value of assets (as opposed to the depreciated value). Per Governmental Accounting Standards Board, Statement No. 62, 2010 (GASB 62) ¶ 5-22 authoritative guidance, the only amount of debt that qualifies for capitalization are the interest payments from project inception until assets are placed in service. The true value of the underlying assets should be the original cost (with capitalized interest) less depreciation.	GASB 62: GASB 62 provides guidance on financial reporting and accounting for governmental agencies. GASB 62 does not provide guidance on the recovery of costs through rates and charges, wheeling fees, or other assessments. The CCWD facilities being used by the LAPs were debt funded and interest costs were or are being incurred to make those facilities available to the LAPs. It is reasonable to include consideration of those costs in the determination of the usage fees. The majority of wheeling or usage fee examples that CCWD has reviewed have included the costs of financing or the "value of capital". Costs for the delivery of non-project water through the CVP and SWP facilities include consideration of interest costs.
13	BAWSCA	Conveyance - More information is needed on CCWD's Intake Operation Criteria.	Conveyance of water by CCWD would involve the use of multiple facilities depending on the specific intake utilized and pathway. CCWD anticipates choosing the source of water supply and associated intake/pathway based on operational needs. While we conceptually support BWA's recommendation for establishing a single "weighted average" charge for the intakes and pathways, we would like to better understand CCWD's intake operation criteria, especially during a drought. The intake selection impacts both usage fee and the O&M charges.	The usage fee includes O&M for existing facilities. CCWD selects the intakes to use based on hydrology, Delta salinity, regulations, and permit constraints. During a drought, direct diversions will likely be limited by Delta salinity and other curtailments that may be needed to comply with regulations. During a drought, it is anticipated that most of the water delivered to partners will come from storage. Partners would be charged to use our intakes when the water is put into storage when the Delta is fresh and water is available; when the water is released from storage at a later time, no new usage fees would be incurred.
14	BAWSCA	Storage - Third-party review of calculations of storage facility usage fees is needed	Proposed usage fees for storage facilities have been substantially revised in response to the Bartle Wells report. Given the extent of the changes, BAWSCA requests that Bartle Wells provide an independent review the detailed calculations for these proposed fees.	No response required.
15	BAWSCA	Storage - Other approaches should be considered for valuation of land and facilities	Similar to conveyance facilities, CCWD has valued land and facilities based on the net present value of debt service payments. BAWSCA believes that other approaches may more reasonably allocate costs between respective beneficiaries. Additionally, we ask that CCWD confirm that land value was not adjusted based on estimated market value.	The comment notes potential alternatives to allocate costs but does not provide specific details. CCWD notes that the current methodology results in a land value basis that is significantly lower than market value. The JPA enjoys an efficiency through the future expansion in that every foot of dam height expansion provides a greater volume of created storage than the original project. Other allocation methodologies, such as a proportional share of all costs to construct a 275 TAF reservoir, would result in a greater allocation of the cost of CCWD's original facilities to the JPA. CCWD did not base the value of land on current market value. As noted in the comment and the usage fee memo, land value was based on the present value of past debt service payments.

Comment ID	Agency	Comment	Description	CCWD Response
16	BAWSCA	Storage - Incremental inundation area costs should be allocated between CCWD and the LAPs	The cost of these 585 acres has been fully allocated to LAPs. However, it is unclear why CCWD wouldn't benefit from this land at the same rate as it benefits from general watershed land. Consequently, BAWSCA requests that the value of this land be allocated between CCWD and LAPs in the same manner as general watershed land.	See response to Comment 7.
17	BAWSCA	Storage - Buy-in for Los Vaqueros land payment options should convey an ownership right	The proposed cost structure calls for LAPs to buy in to land under a 50-year payment plan with 3% interest. This proposed structure should convey an ownership right. For example, if an LAP were to leave the project in the future, they should be reimbursed for their ownership share of the land whether their share of the project is bought by another agency or otherwise distributed to Los Vaqueros Reservoir beneficiaries.	See response to Comment 8.
18	BAWSCA	Storage - Future adjustments to shared storage facilities usage fee should be made as JPA invests in renewal and replacement costs	The memo states that the JPA will pay a proportional share of future renewal/replacement costs. As investments are made by the JPA to renew/replace facilities, the usage fee should be adjusted to reflect those investments.	See response to Comment 9.
19	BWA	Our general recommendation is that the final charges should fall somewhere along this continuum.	As presented in our Evaluation of Proposed Water Wheeling Charges dated December 20, 2019, our general findings were that a) we found CCWD's proposed charges for recovering operating and maintenance costs were reasonable, and b) we identified issues/concerns regarding CCWD's proposed charges to recover costs for use of capacity in CCWD infrastructure. Additionally, we calculated a range of conceptual fee alternatives for capital cost recovery. These fee alternatives were not recommendations, but were developed to provide estimates of charges for capital cost recovery under a range of approaches along a continuum from "Incremental or Marginal" cost recovery to "Maximum" cost recovery.	The usage fee memo was intended to inform the LAPs when changes made to the methodology or underlying assumptions were consistent with the alternatives presented in the BWA report. CCWD was not intending to suggest that BWA recommends or supports CCWD's selection of an alternative or its application of information from the BWA report. The intent of the discussion is to inform LAPs where CCWD incorporated changes consistent with the alternatives in the BWA report, and to be transparent about BWA comments that were not incorporated.
20	BWA	Utilization factor	Our initial report identifies a number of concerns with CCWD's proposed use of a "Utilization Factor" for capital cost recovery and questions whether the use of a 32% utilization factor is "reasonable" as calculated and applied. BWA is concerned the utilization factor results in charges that may exceed the definition of "fair compensation". Our understanding is that CCWD's water supply and transmission system is sized to provide substantial redundancy and meet peak capacity needs for the benefit of CCWD's customer base. These benefits are provided to CCWD customers even when water is not being conveyed. The system redundancy and peaking component of facilities do not provide similar benefit to the LAPs (who are not regular customers). Our concern is that the utilization factor results in LAPs paying for facilities and/or capacity not used or needed for the temporary wheeling of water when spare capacity is available.	See response to Comment 2. CCWD notes that use of its existing facilities for the proposed project is not "temporary". The operating and service agreements are anticipated (subject to negotiation and input from JPA members) to have an initial term of 50-years. The project, if implemented, is likely to exist in perpetuity. The new project facilities will be fully integrated with CCWD existing facilities. Renewal/ Replacement costs are typically recovered based on water deliveries (utilization).
21	BWA	Minor comments (unspecified)	BWA also has some minor concerns with details of the calculations of various fee components of CCWD's revised draft charges. These details can be identified and considered as CCWD and the LAPs move forward in their discussions.	No response required.

Comment ID	Agency	Comment	Description	CCWD Response
22	EBMUD	Please consider developing a list of guiding principles to clarify proposed cost allocations	There are several topics EBMUD feels need to be outlined and presented to potential JPA members that, until now, only appear to have been captured in verbal statements, presentation slides, or eluded to in fee methodology memos. We feel that the underlying costs, benefits, and risks would be clearer if these topics were addressed upfront, and then linked to each element of a proposed cost allocation method in memorandums.	Principles governing the development of usage fees have been identified in the usage fee memo, and CCWD's Board principles for expanding to a regional facility are included as an attachment to the Multi-Party Agreement executed by all parties.
23	EBMUD	Please consider only allocating the "expansion" elements to the JPA	CCWD is proposing to collect fees from the JPA that pay for a portion of facilities and land that CCWD already owns in fee or is paying debt service, and that CCWD is the sole benefactor (e.g., existing 160 TAF). Pending item 1 above, we would like CCWD to investigate limiting the cost allocation to the JPA to only those facilities solely required to expand the dam. If the methodology doesn't include the JPA funding a portion of the original 160 TAF, please clarify that in the memorandum, and if it does, please describe the benefits the JPA would receive (including ownership and use) for the portion of the 160 TAF funded by the JPA.	Facilities or land that are solely benefitting CCWD have been excluded from cost recovery in the usage fee. Existing facilities that are shared or benefit the future expansion are included in the cost basis of the usage fee. The shared facilities are described in the memo and include Vasco Road relocation, utilities and utilities relocation, foundation and abutment work, drainage facilities, emergency release valves/piping, bypass valves/piping, inlet outlet structures, and the spillway. These facilities are shared and provide benefits to both CCWD and the JPA's share of storage facilities. The JPA enjoys an efficiency through the future expansion in that every foot of dam height increase yields a greater volume of created storage than the original project. Other allocation methodologies, such as a proportional share of all costs to construct a 275 TAF reservoir, would result in a greater allocation of the cost of the original facilities to the JPA.
24	EBMUD	Please explain how CCWD's modified debt service is accounted for in the proposed methodology.	CCWD modified its debt service for LVE facilities in 2013. We would like CCWD to explain how the debt service, if at all, is incorporated into the proposed user fee methodology.	CCWD constructed the 60 TAF reservoir expansion project in 2013. Debt funding for the expansion was separate from the original LV project and did not impact the original debt service. The value of each component (original LV and 60 TAF expansion) is based on the present value of the separate debt service payments.
25	EBMUD	Adjust the value of the conveyance facility to reflect the portion of the facility being used by CCWD and the JPA.	The formula proposed by CCWD adjusts the water deliveries using a 32% utilization factor; however, the full value of the facility is still being used even though CCWD and the JPA only use 32% of the facility. We would ask CCWD to consider reducing the Facility Value to remove the "peak" capacity not being used by the JPA during wheeling.	See response to Comment 2. LAP peak use of facilities is comparable to CCWD. Peak use of facility capacity is shown below: (table follows)

	Peak Usage, % of Capacity		
Facility	CCWD	Refuges	LAP
15. Los Vaqueros Pipeline	77%	63%	64%
16. Middle River Intake	100%	100%	100%
17. Middle River Pipeline	100%	100%	100%
18. Old River Intake	100%	100%	100%
19. Old River Pipeline	96%	94%	94%
20. Rock Slough Facilities	100%	71%	58%
21. Transfer Pipeline	100%	100%	100%
	96%	90%	88%

Comment ID	Agency	Comment	Description	CCWD Response
26	EBMUD	Revise the method used to value each conveyance facility.	CCWD proposes using the present value of the stream of debt service to value each facility. We would ask that CCWD consider using the value of the original cost of the facility plus inflation. We think the value of the facility is more accurately estimated by inflating the original cost rather than incorporating a theoretical debt service schedule and inflating or deflating the principal and interest payments.	See responses to Comments 3 and 12. It is typical for usage fees to include consideration of financing costs, including rates developed to convey non-project water in SWP and CVP facilities. EBMUD's principles for the use of Freeport facilities includes recovery of financing costs. The usage fees have been updated to reflect actual debt service interest rates, instead of estimated rates.
27	EBMUD	Revise the Allocation of Land between CCWD and JPA. CCWD divided the land associated with the project into three categories: Inundation for the first 160 TAF (52% CCWD & 48% JPA); Inundation associated with the expansion (100% JPA); and remaining watershed area (52% CCWD & 48% JPA). We would ask that CCWD consider the following:	Inundation of first 160 TAF – We feel this is 100% CCWD since the land – not the reservoir expansion – is already a sunk cost and being used solely by CCWD. Inundation of Incremental 115 TAF – If CCWD maintains that the JPA is responsible for a portion of the inundation of land for the first 160 TAF, then the same "beneficial" argument can be made that CCWD benefits from the incremental inundation. Also, EBMUD understands that the original purchase of the land that will now be incrementally inundated was necessary for the creation and ongoing operations of the existing reservoir. The fact that it will be inundated with the expansion does not remove the necessity or usefulness of this land to CCWD. For example, CCWD would not be willing to sell this land to a private party for development, thereby losing control over it. Therefore, CCWD still benefits from this land after expansion. Remaining Watershed Area – The remaining watershed area shown in the March 9th memorandum appears to be associated with the original 160 TAF, and it is unclear how much of the area is attributable to the need of the expansion (both in management and/or mitigation). We feel the JPA should only be responsible for the watershed land draining into the reservoir and any land required for the mitigation of the expansion. Ownership and Rights of Land Paid for by the JPA: CCWD indicates that the JPA would receive a right to land; please clarify whether this is ownership in fee or something else.	The land underlying the 160 TAF inundation area benefits both CCWD and the JPA, as the JPA's water theoretically resides on top of CCWD's 160 TAF. CCWD agrees the incremental inundation area has retained value to CCWD as part of the watershed. See response to Comment 7 for the updated calculation. All land purchased for the original Los Vaqueros Project was necessary and benefits future expansion by protecting water quality, providing water supply (minimal), and by providing a buffer. Mitigation that was required for inundation of CCWD's 160 TAF was excluded from cost recovery as this only benefits CCWD. The service and/or usage fee agreements will provide a right to utilize land and said facilities for the life of the project.
28	EBMUD	Dam Improvements Allocated to the JPA should be limited to the expansion.	CCWD should provide more justification for the allocation of improvements to the JPA. For example, based on the information provided, the expansion will not require moving Vasco Road since Vasco Road appears to be outside of the watershed area. Utilities allocated to the JPA also need more definition so we can better understand why they are being allocated to the JPA.	Existing facilities that are shared or benefit the expansion are included in the cost basis of the usage fee. The shared facilities are described in the memo and include Vasco Road relocation, utilities and utilities relocation, foundation and abutment work, drainage facilities, emergency release valves/piping, bypass valves/piping, inlet outlet structures, and the spillway. These facilities are shared and provide benefits to both CCWD and the JPA's share of storage facilities. Utilities, such as power, will benefit operation of the future expanded facility. CCWD paid for the relocation of Vasco Road for the original Los Vaqueros Project. The original project, and any future expansion, would not be possible without the previous relocation of Vasco Road.

Comment ID	Agency	Comment	Description	CCWD Response
29	SFPUC	Usage Fees for Conveyance (CCWD Intakes, Pump Stations and Pipelines)	1. In this case, the SFPUC would pay up front for the peak capacity needed during a dry year (~20 TAF) as a buy-in charge. However, the ability to take delivery of this water may be limited by the SBA, in which case the delivery may not be available. This calculation does not appear to fully consider the potential downstream conveyance constraints of the SBA. The bottleneck capacity should be considered in this calculation. 2. Point of clarification: is there a buy-in charge that is a one time charge (based on 20 TAF in the above example and a second capacity charge based on actual usage, which would be dynamic (based on volume of dry year deliveries in the case of the SFPUC)? Based on the recommendation in the Bartle Wells' recommendation, we are assuming that there is a single charge.	The usage fee does not consider SBA operations or capacity. As the usage fee is incurred only when CCWD's existing facilities are used, those fees will be incurred when water is diverted to storage for SFPUC. When SFPUC calls upon previously stored water, no additional usage fees will be incurred. There is no upfront payment or buy-in charge anticipated for conveyance. Conveyance usage fees will be variable and charged as facilities are used. CCWD has indicated it is open to considering an up-front payment for the storage usage fee, if desired by the LAPs.
30	SFPUC	Usage Fees for Conveyance (CCWD Intakes, Pump Stations and Pipelines)	3. Since CCWD anticipates choosing the source of water supply and associated intake/pathway based on operational needs, and that on BWA's recommendation, LAPs may want to consider establishing a single "weighted average" charge for the intakes and pathways, we would like to better understand CCWD's intake operation criteria, especially during a drought. The intake selection impacts both usage fee and the O&M charges.	See response to Comment 13.
31	SFPUC	Usage Fees for Conveyance (CCWD Intakes, Pump Stations and Pipelines)	4. What was the rationale for using the full value of conveyance facilities in the calculation of the true value of assets? By contrast, the valuation of the dam utilized the depreciated value, which seems appropriate here as well. Per Governmental Accounting Standards Board, Statement No. 62, 2010 (GASB 62) ¶ 5-22 authoritative guidance, the only amount of debt that qualifies for capitalization are the interest payments from project inception until assets are placed in service. The true value of the underlying assets should be the original cost (with capitalized interest) less depreciation. 5. How is the "average utilization factor" calculated? A discussion would be instructive. It seems that using the firm operational capacity as the basis for calculating conveyance usage fees may be appropriate rather than an average factor of 32% as the LAPs will not be using the facilities on a regular basis.	See response to Comment 12. The basis of the usage fee calculation was revised to be based on Firm Operational Capacity.
32	SFPUC	Usage Fees for Storage	6. Based on internal discussion, we think that the methodology used to capitalize the underlying Los Vaqueros asset (using present value of interest) seems reasonable. Based on the memo, it appears that the estimated market value was used only as a reference, and not for calculation (which is consistent with our reasoning). However, as we do not have direct experience with utilizing this methodology for sharing costs of assets, this is an area we believe would benefit from independent review by Bartle Wells. We would also like to better understand how these costs will be shared between the parties.	No response required.
33	SFPUC	Usage Fees for Storage	7. As is the case with the original inundation area, it seems that CCWD would also benefit from the incremental inundation area of 585 acres. We would like there to be consideration of sharing these costs.	See response to Comment 7.

Comment ID	Agency	Comment	Description	CCWD Response
34	SFPUC	Usage Fees for Storage	8. Based on the reference text, it appears that once annual payments for the JPA's share of the land costs terminate after year 50, there are no further obligations for the property and the JPA will continue to operate lease-free. However, if an LAP were to leave the project, they would not benefit from the payment into the underlying asset (land). There should be some provisions in place contemplating scenarios under which partial monetization of the asset is envisioned.	See response to Comment 8.
35	SFPUC	EBMUD Usage Fees	9. This memo addresses the proposed methodology for developing CCWD's usage fees. Will there be a similar effort to consider usage fees associated with the use of EBMUD facilities?	Will be discussed with EBMUD.
36	Valley Water	General Point 1	It appears CCWD is calculating usage fees bases differently between different types of facilities, in some cases using the original construction costs (Table 1 conveyance), in others an inflated 'market value' (Table 3 land value), and depreciated values (Table 5 dam facilities). Valley Water requests that CCWD provide comparison of these different valuations between all conveyance and storage facilities and provide rationale for the use of these different methods.	The market value of land was not used to determine usage fees. Methodology to value conveyance and facilities was determined based on the present value of the debt service paid by CCWD. The full value (no depreciation) was used for conveyance facilities since renewal/replacement is considered and recovered in the usage fee. LAPs have no future responsibility for conveyance renewal/replacement costs beyond the usage fee. The depreciated value of the dam facilities is used because LAPs will be paying a proportional share of actual future dam renewal/replacement costs. The renewal/replacement cost is included separately in the pro forma model.
37	Valley Water	General Point 2	It is not clear if conveyance usage fees will be structured in a way that would allow for immediate or close-to-immediate pass-through of LAP water supplies through LVE Project facilities, including Valley Water deliveries through Transfer-Bethany. Valley Water requests additional information on how utilization factor could change if non-LVE project water supplies are passed through project facilities without use of storage or use of storage for a limited number of days	The basis of the usage fees was revised to Firm Operational Capacity. This comment regarding the former methodology using the utilization factor is no longer applicable. Firm Operational Capacity is a fixed quantity and would not change.
38	Valley Water	Page 2	Valley Water understands that CCWD wishes to charge for use of existing facilities based on a portion of their "original cost" (with that portion for LAPs yet to be determined). All CCWD original cost values for the facilities and storage appear to be based on gross amount instead of amount net of grants received, meaning the costs shown in the document are higher than the BWA Report (third-party usage fee review by Bartle Wells Associates). While it's understood that the original costs are based on actual expenses incurred to construct applicable facilities, Valley Water requests that CCWD net out any grants received before allocating costs to the LAPs or clarify why this was not done in the proposed original cost values	See response to Comment 1.

Comment ID	Agency	Comment	Description	CCWD Response
39	Valley Water	Page 3	CCWD appears to be retaining the earlier proposal of "water delivered based on 32% utilization (factor)" applied to the denominator in calculating the Usage Fee $/AF. Valley Water believes that to make this a fair assessment for the LAPs the numerator should also be multiplied by the same factor (scaling the "Original Cost") so that the LAPs are only paying for the cost of a facility sized to deliver the water as they've calculated. Valley Water requests that CCWD apply the utilization factor consistently in the Usage Fee calculations to avoid potential LAP "over-payment" for excess facility capacity.	See response to Comment 2
40	Valley Water	Page 5	The overall basis for LAP payment for watershed lands should be explained. For storage, CCWD states that the "value of the shared land (watershed) is allocated 58.2% to CCWD and 41.8% to the JPA" but does not specify how these values were obtained. It does not appear the LAPs would benefit from captured runoff in the Los Vaqueros watershed (as only CCWD would own the water rights to benefit from that water). Valley Water requests clarification on the breakdown of watershed lands between CCWD and the JPA, and how runoff water supplies would be allocated once captured in Los Vaqueros Reservoir.	The memo indicates the basis of the cost allocation, which is the proportional share of the expanded reservoir capacity of 275 TAF. CCWD retains use of 160 TAF, or 58.2% of the usable storage. The JPA would use up to 115 TAF, or 41.8% of the storage capacity. It is not feasible to accurately differentiate reservoir losses between seepage and evaporation, or accurately estimate water supply contributions from the watershed. Local runoff is much less than evaporation on an average annual basis. All participants will benefit from local run-off being captured as a reduction in annual water losses.
41	Valley Water	Page 5	Assuming a reasonable basis for LAP's sharing the cost of watershed lands is arrived at, the use of current market value of land should be re-examined. For storage, CCWD appears to be inflating the original Los Vaqueros Reservoir land cost by 30% to reflect a 'current market value'. Valley Water requests that CCWD provide comparison using a different metric(s), such as CPI or from a land value assessor, for estimates of land value	CCWD did not use market value to determine the usage fee. That information is provided for reference only. The current methodology results in a value that is estimated to be at least 30% below market value. This is a benefit being realized by the JPA.
42	Valley Water	Page 5	Assuming a reasonable basis for LAP's sharing the cost of watershed lands is arrived at, the usage fees would best be aligned with the life of the project. For storage, CCWD states that the LAPs will receive the right to utilize the land for the life of the project and fixed payment for the land would terminate after year 50. Valley Water requests that clarification be provided to the LAPs regarding JPA utilization of project lands following the repayment period, and asks why the residual value of the land should not be subtracted from the current value to derive the usage fees to reflect the ownership retention by CCWD	See response to Comment 8.
43	Valley Water	Attachment 3	It appears CCWD is using the SF-ENR inflation factor to calculate the discount rate for PV adjustment, which generally results in a higher value multiplier as opposed to the CPI method used in the BWA Report. Valley Water requests that clarification be given to the LAPs on why the SF-ENR inflation factor was used when calculating PV adjustment.	CPI is a general indicator of the change in prices for goods and services. The Engineering News Record index is a measure of construction costs and more accurately reflects changes in the value of constructed facilities.

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LOS VAQUEROS RESERVOIR
JOINT EXERCISE OF POWERS AGREEMENT

THIS JOINT POWERS AGREEMENT ("Agreement") is made and entered into as of the Effective Date defined below, by and between the parties listed on Exhibit A attached hereto, which is incorporated herein by this reference. Those parties are referred to in this Agreement individually as a "Member" and collectively as the "Members".

RECITALS

A. Each Member is a public agency authorized and empowered to contract for the joint exercise of powers under Articles 1 through 4, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State of California; and

B. Each Member has the power to plan for, design, construct, operate, maintain, repair, and replace water-related facilities, as contemplated in the Project, as defined in Section 1.1.26, below; and

C. The Members desire to use any and every power common to them for the purpose of designing, and for their potential participation in, constructing, operating, repairing and maintaining the Project, or taking such other actions that will make the use of the Project more efficient or effective in providing the Members and their respective ratepayers a more reliable and affordable water supply, but nothing in this Agreement shall provide any power to Contra Costa Water District to unilaterally suspend the delivery of Project benefits to a Member; and

D. Contra Costa Water District's Board of Directors adopted Resolution No. 21-006 at a regularly scheduled meeting on April 7, 2021 that found and determined the Project, as contemplated by this Agreement, is consistent with the applicable principles of that district included in Resolution 03-24, adopted on June 25, 2003; and

E. The Members desire, by means of this Agreement, to establish a new public agency that is separate and apart from each of the Members, to provide for its governance and administration, and to create a structure for Members to assist in the design, construction, operation, and administration of the Project as Members may elect, and for related purposes. This Agreement does not legally bind or otherwise commit the Authority or the Members to participate in or otherwise proceed with the Project. The Members will comply with the California Environmental Quality Act ("CEQA"), as applicable, prior to participating or otherwise proceeding with the Project. The Members further acknowledge the Project has been the subject of prior review in compliance with CEQA and that Contra Costa Water District, as lead agency, has completed and certified an environmental impact report concerning the Project.

F. Establishing and joining the Authority are administrative and organizational actions that will not result in a direct physical change in the environment or a reasonably foreseeable indirect change to the environment, and thus is not a project as defined by CEQA Guidelines section 15378(b)(5).

NOW THEREFORE, in consideration of the above Recitals and of the mutual promises and agreements contained herein, the Members agree as follows:

ARTICLE 1
GENERAL PROVISIONS

1.1 Definitions. The words and terms defined in this Section 1.1 shall, for the purposes of this Agreement, have the meanings herein specified.

1.1.1 Act means Articles 1 through 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500) relating to the joint exercise of powers common to public agencies, as amended or supplemented from time to time.

1.1.2 Administrative Agreement means the agreement between the Authority and the Administrator under which the Administrator will provide administrative services to the Authority and will be reimbursed for the costs of those services.

1.1.3 Administrator means the person or entity engaged by the Board of Directors to manage and administer the financial and administrative activities of the Authority in accordance with Section 4.5, below.

1.1.4 Agreement means this Joint Exercise of Powers Agreement.

1.1.5 Authority means the Los Vaqueros Reservoir Joint Powers Authority, which is created by this Agreement.

1.1.6 Board or Board of Directors means the Board of Directors referred to in Article 2 of this Agreement, which is the governing body of the Authority.

1.1.7 Bonds means bonds, notes, commercial paper, and any other evidence of indebtedness of the Authority authorized and issued pursuant to the Act, any indebtedness issued or incurred by the Authority pursuant to any act supplementary to the Act, including, but not limited to, refunding bonds authorized and issued pursuant to Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

1.1.8 Capacity Usage Rights means the Authority's rights to Project water transmission and storage capacity, which the Authority may then assign to each Member under the terms of the Service Agreements.

1.1.9 CCWD means Contra Costa Water District, a county water district formed under Division 12 of the Water Code, and the owner of the Los Vaqueros Reservoir.

1.1.10 CCWD-Provided Facility means an existing facility owned and operated by CCWD with excess capacity that has been made available for use by the Authority in accordance with the Facilities Usage Agreement between CCWD and the Authority. CCWD-Provided Facilities are listed and identified in Exhibit B, as it may be subsequently amended to reflect changes to the Project in accordance with Section 8.2, below; provided that inclusion of a CCWD-Provided Facility on Exhibit B does not give the Authority any Capacity Usage Rights to use that facility, except as provided in the Facilities Usage Agreement between CCWD and the Authority.

1.1.11 Costs of Service mean the costs of Services included in the payments, or other non-monetary benefits, the Authority will receive from Members pursuant to the Service Agreements or any Related Activity Agreement based on Capacity Usage Rights. The Costs of Service, which shall be as fully described and specified in the respective Service Agreements or any Related Activity Agreement, include, but are not limited to, all Project capital costs and operating expenses, such as Project development costs; debt service, to the extent applicable under any agreed upon financing vehicle, including interest, on any Bonds; amounts payable to CCWD and EBMUD under the Facilities Usage Agreements; operations and maintenance costs of the Project or of any Related Activity; Authority administrative expenses; capital reserve payments; and payments to a renewal and replacement fund the Authority will establish.

1.1.12 Design & Construction Agreement means the design and construction agreements the Authority will enter into with CCWD for the New Facilities and Modified Facilities for which CCWD is designated as the builder on Exhibit B hereto; and with EBMUD for the New Facilities and Modified Facilities for which EBMUD is designated as the builder on Exhibit B hereto. Those agreements will address the design and construction services to be provided by the contracting party in accordance with industry standards, and the Authority's payment obligations for such design and construction services.

1.1.13 Director means a member of the Board appointed to the Board pursuant to Section 2.2 of this Agreement or a duly appointed alternate acting for the appointed Board member in his or her absence.

1.1.14 Early Funding Agreement means the agreement between the California Water Commission and CCWD, dated December 20, 2018 and as amended on July 24, 2020, and as it may subsequently be amended, to partially fund Project development activities. The Early Funding Agreement cannot be assigned to the Authority.

1.1.15 EBMUD means East Bay Municipal Utility District, a municipal utility district formed under Division 6 of the Public Utilities Code.

1.1.16 EBMUD-Provided Facility means an existing facility owned and operated by EBMUD, that may be made available for use by the Authority in accordance with, and to the extent provided by, the Facilities Usage Agreement between EBMUD and the Authority. EBMUD-Provided Facilities are listed and identified in Exhibit B as it may be subsequently amended to reflect changes to the Project in accordance with Section 8.2, below; provided that inclusion of an EBMUD-Provided Facility on Exhibit B does not give the Authority any Capacity Usage Rights to use that facility, except as provided in the Facilities Usage Agreement between EBMUD and the Authority.

1.1.17 Effective Date means the date the last Member signs this Agreement, as CCWD shall confirm in written notice to the Members.

1.1.18 Facilities Usage Agreement means the agreements entered into by the Authority and CCWD as to CCWD-Provided Facilities and, as may be applicable, any New Facilities and Modified Facilities for which CCWD is designated as the operator on Exhibit B hereto; and by the Authority and EBMUD as to EBMUD-Provided Facilities and, as may be applicable, any New Facilities and Modified Facilities for which EBMUD is designated as the operator on Exhibit B hereto. Each Facilities Usage Agreement shall provide the Authority with Capacity Usage Rights in some or all of those facilities in exchange for making payments to CCWD or EBMUD, as applicable. Each Facilities Usage Agreement shall specify the nature and extent of Capacity Usage Rights conveyed, the terms and conditions under which those rights may be exercised, and the payment to be made in return for obtaining or exercising Capacity Usage Rights. The Authority may assign its Capacity Usage Rights obtained through Facilities Usage Agreements to one or more Members through the Service Agreements.

1.1.19 Final Funding Agreement means the agreement entered into by the Authority and the California Water Commission under which the California Water Commission agrees to provide funding of approximately $435 million (subject to adjustment) to partially finance design and construction of the Project and the Authority agrees to construct the Project and comply with related contractual obligations in providing public benefits.

1.1.20 Fiscal Year means the period commencing on July 1 of each year and ending on and including the following June 30.

1.1.21 Interim Funding Agreement means the agreement entered into among the Members and the Authority, following formation of the Authority, to provide an interim source of funding for Project development costs, including the initial expenses related to the formation of the Authority, prior to the time where permanent sources of Authority revenues are in place. The Interim Funding Agreement is separate from the Cost Share Agreement for Los Vaqueros Reservoir Expansion Project Planning, as amended among the agencies who will become Members, which has provided funding for Project-related functions prior to formation of the Authority, and from the Service Agreements, which are expected to provide funding to the Authority once it is in a position to provide Services to the Members. It is contemplated the above-referenced Cost Share Agreement, as amended, will provide funding before formation of the Authority, the Interim Funding Agreement will provide funding in the early stages after formation of the Authority and the Service Agreements will provide permanent, ongoing funding for the Authority.

1.1.22 Member means any of the members of the Authority, as listed on Exhibit A hereto, and any other entity added to this Agreement by a subsequent amendment to Exhibit A that executes this Agreement. As used herein, the term “Member” shall not include the Department of Water Resources, which pursuant to Water Code Section 79759(b), shall be an ex officio non-voting member of the Authority.

1.1.23 Modified Facilities means existing facilities owned by CCWD or EBMUD that will be modified as part of the Project, funded in whole or in part through the Authority’s proportional share of the costs of development, design, construction, operations and maintenance which are expected to be financed or paid through the Service Agreements the Members enter into with the Authority, and through Design & Construction Agreements and O & M Agreements between the Authority and CCWD and EBMUD, as applicable, or through one or more Related Activity Agreements among those Members benefitting from specific Modified Facility(ies). The Modified Facilities are identified on Exhibit B hereto, as it may be subsequently amended to reflect changes to the Project in accordance with Section 8.2, below; provided that inclusion of a Modified Facility on Exhibit B does not give any Member other than CCWD or EBMUD, as the operator of that facility, any Capacity Usage Rights to use that facility, except as provided in any Facilities Usage Agreement. A Modified Facility may also be referred to as a “specific component” of the Project for purposes of describing specific Modified Facilities to be included in particular financings the Authority will undertake.

1.1.24 New Facilities means facilities necessary for the Project that are expected to be financed by the Authority and designed, built, owned, operated and maintained by CCWD or EBMUD through Design & Construction Agreements and O & M Agreements between the Authority and CCWD and EBMUD, as applicable, or through one or more Related Activity Agreements among those Members benefitting from specific New Facility(ies). The Authority may also own New Facilities. New Facilities which are owned by the Authority may be operated by a Member or by the Authority, as the Board shall determine with the written agreement of the Member to be charged with operational responsibility. The Authority, including CCWD and EBMUD in their capacity as Members, is expected to be solely responsible for all costs and liabilities related to the New Facilities. The New Facilities are identified on Exhibit B hereto, as it may be subsequently amended to reflect changes to the Project in accordance with Section 8.2, below; provided that inclusion of a New Facility on Exhibit B does not give any Member other than CCWD or EBMUD, as the operator of that facility, any Capacity Usage Rights to use that facility, except as provided in any Facilities Usage Agreement. A New Facility may also be referred to as a "specific component" of the Project for purposes of describing specific New Facilities to be included in particular financings the Authority will undertake.

1.1.25 O & M Agreement means the operations and maintenance agreements the Authority will enter into with CCWD for the New Facilities and Modified Facilities for which CCWD is designated as the operator on Exhibit B hereto; and with EBMUD for the New Facilities and Modified Facilities for which EBMUD is designated as the operator on Exhibit B hereto. Those agreements will address operations and maintenance services to be provided by the contracting party in accordance with industry standards, and the payment for such services the Authority will be obligated to make.

1.1.26 Project means generally the second phase of the efforts to expand existing conveyance facilities, and construct new conveyance facilities, at the Los Vaqueros Reservoir owned and operated by CCWD. The Project will expand Los Vaqueros Reservoir to a capacity up to 275,000 acre-feet and will interconnect CCWD's intake system to new and existing conveyance facilities that will serve the Members to create a regional system. The Project is expected to provide statewide public benefits, including ecosystem benefits to the Project Service Area, including south-of-Delta wildlife refuges, drought and non-drought emergency water supply benefits for the Members, and recreation benefits. The Project is also expected to provide benefits to regional water supply agencies that are Members located within the Project Service Area, integration with state and federal water systems, Central Valley Project operational flexibility, and enhanced opportunities for sustainable groundwater and recycled water management. The Project includes the components specified in Exhibit B hereto as to be more specifically described in subsequent agreements, including New Facilities, Modified Facilities, CCWD-Provided Facilities and EBMUD-Provided Facilities. The Project may include any Related Activity approved by the Board and facilities associated therewith.

1.1.27 Project Service Area means the San Francisco Bay Area (consisting of the counties of Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Solano and Sonoma) and the Central Valley Project service area (as it may be modified from time to time).

1.1.28 Recreational Facilities means those facilities owned, managed and controlled by CCWD that provide recreational opportunities in the Watershed for fishing, boating and hiking, and educational opportunities. The Recreational Facilities are included as a Modified Facility for purposes of this Agreement, which CCWD shall continue to own, manage and control. Funding issues with respect to Recreational Facilities shall be addressed in a Member's Service Agreement.

1.1.29 Related Activity means an effort, not deemed to be of general benefit to all Members, but consistent with this Agreement's purposes and the Authority's objectives, which is undertaken through the Authority by a subset of Members which choose to voluntarily participate in the particular Related Activity, and with respect to which only such participating Members shall receive benefits or incur financial or other obligations.

1.1.30 Related Activity Agreement means the agreement entered into among the Authority and those Members participating in a Related Activity, which sets forth the Authority's and participating Members' rights and obligations with respect to that Related Activity.

1.1.31 Reservoir System means the Los Vaqueros Dam, Reservoir, the other CCWD-Provided Facilities listed on Exhibit B, related buildings and structures and any appurtenant facilities.

1.1.32 Reservoir System Operator means CCWD in its capacity as the owner and operator of the Reservoir System.

1.1.33 Services mean the services of the Project provided to the Members pursuant to the respective Service Agreements, consisting, in general, of water storage and conveyance through the various facilities to which the Authority has contracted to have access and use in accordance with each Member's share of Capacity Usage Rights held by the Authority pursuant to the Facilities Usage Agreements. Specific services to be provided to Members will depend on Members' requests, water delivery priorities specified in the Service Agreements, hydrological conditions and permit and regulatory conditions.

1.1.34 Service Agreement means an agreement entered into by a Member and the Authority pursuant to which the Authority provides Services to the Member and the Member is obligated to make payments, or provide other non-monetary benefits to the Authority with respect to the costs thereof, as consideration for those Services, all in accordance with the terms and conditions of any such Service Agreement. It is the intent of the Members that the Service Agreements shall allocate the Costs of Service among the Members in proportion to their anticipated use of Project facilities and other benefits a Member derives from the Project in accordance with its share of Capacity Usage Rights as expressed by the "beneficiary pays" principle. It is also the intent of the Members that the Service Agreements will also allocate costs in a manner to negate any cross-subsidy among Members (i.e., where any Member obtains an unreasonable financial benefit through financial contributions of another Member or other Members), taking into consideration any grant funding the Authority or any Member has received for Project-related costs.

1.1.35 Watershed means the Los Vaqueros Watershed, which is owned and managed by CCWD, consisting of approximately 20,000 acres of protected watershed land that surrounds the Los Vaqueros Reservoir. CCWD shall continue to own and manage the Watershed throughout the term of this Agreement.

1.2. Findings. The Members find and declare the following:

1.2.1. The Members represent a diverse group of public agencies engaged in water management, conservation, and/or delivery in the Project Service Area. This area's regional water systems are vulnerable to water shortages due to emergencies such as earthquakes, fire, or drought, and to dry year supply decreases due to insufficient regional storage.

1.2.2. The Project will improve Bay-Delta and Central Valley water supply reliability and water quality while providing additional habitat and Delta ecosystem benefits.

1.2.3. The Authority is created to enable public agencies responsible for water distribution to work collaboratively with a regional focus to improve water supply reliability through the development and operation of the Project.

1.3 Purposes and Objectives. The purposes of this Agreement are to: (1) create the Authority; (2) provide for the administration of the Authority; (3) provide the organizational framework to plan for, design, construct, operate, maintain, repair, and replace the Project for the benefit of the Members and the region; and (4) coordinate the performance of services related to the Project and approved by the Board. The primary objectives of the Authority are to:

1.3.1 Provide governance of the Project by the Members;

1.3.2 Ensure sufficient stable funding for the Project and related administrative and support activities to be provided through the Service Agreements and Administrative Agreement;

1.3.3 Ensure costs are reasonable and cost allocations are equitable and transparent, as provided through the Service Agreements;

1.3.4 Acquire and maintain sufficient Capacity Usage Rights in water storage and conveyance facilities as may be necessary to provide Services to the Members, consistent with the terms of all Project-related agreements; and

1.3.5 Ensure reliable delivery of water to the Members consistent with the terms of the Service Agreements and Facilities Usage Agreements, such that the Members are provided with the contemplated benefits from their respective investments in the Project.

1.4 Creation of Authority. Pursuant to the Act, there is hereby created a public agency known as the "Los Vaqueros Reservoir Joint Powers Authority." The Authority shall be a public agency separate and apart from the Members.

1.5 Term. The term of this Agreement shall commence on the Effective Date and shall continue until terminated by the Members as provided in Article 8 of this Agreement.

1.6 Powers of Authority.

1.6.1 General Powers. The Authority shall exercise, in the manner herein provided, the powers common to the Members, powers otherwise permitted under the Act, and powers necessary to accomplish the purposes of this Agreement.

1.6.2 Specific Powers. The Authority is hereby authorized, in its own name, to do all acts necessary, convenient and appropriate for the exercise of the foregoing powers for the purposes set forth in this Agreement and to do any or all of the following:

(a) To make and enter into contracts;

(b) To employ agents and employees;

(c) To lease, acquire, construct, manage, maintain or operate any building, works or improvements;

(d) To acquire, hold or dispose of property or the right to use property or facilities;

(e) To supervise and manage the Project so as to deliver state, federal, and Member benefits commensurate with state, federal, and Member investment in the Project consistent with contractual obligations;

(f) To incur debts, liabilities, or obligations which do not constitute a debt, liability, or obligation of any Member;

(i) To receive gifts, contributions, and donations of property, funds, services, and other forms of assistance from persons, firms, corporations, and governmental entities, provided that the Authority consents to such gifts, contributions, and donations;

(j) To prescribe the duties, compensation, and other terms and conditions of employment of other agents, officers, and employees;

(k) To adopt reasonable rules and regulations for the conduct of the day-to-day operations of the Authority;

(l) To apply for, accept, receive, and disburse grants and loans from local, state, or federal agencies or from individuals or businesses;

(m) To sue and be sued in its own name;

(n) To fund and maintain adequate reserve funds to support debt and operational requirements;

(o) To invest money in its treasury, pursuant to Government Code Section 6505.5 et seq., that is not required for the immediate necessities of the Authority, as the Authority determines advisable, in the same manner and on the same conditions as local agencies, pursuant to Section 53601 of the Government Code;

(p) To enter into state funding agreements and federal funding agreements relating to the Project, and assume rights and obligations pursuant to these agreements;

(q) To finance Project development activities;

(r) To enter into Design & Construction Agreements and O & M Agreements with CCWD and EBMUD, as applicable;

(s) To enter into Facilities Usage Agreements with CCWD and EBMUD;

(t) To enter into an Administrative Agreement with the Administrator;

(u) To enter into agreements with individuals or entities providing program management, Water Supply Manager, legal, financial, accounting, auditing, and other services as required;

(v) To enter into agreements with the California Department of Water Resources, the California Department of Fish and Wildlife, the United States Department of Interior, Bureau of Reclamation, and other local, state or federal entities as may be required to comply with the requirements of any state or federal funding agreements and to implement the Project, including the administration of public benefits;

(w) To issue Bonds;

(x) To deliver Services to the Members, and receive payment from the Members, pursuant to the Service Agreements;

(y) To exercise any and all powers which are provided for in the Act and in Government Code Section 6584 *et seq.*, including, without limitation Government Code Section 6588, as they exist on the Effective Date of this Agreement or may hereafter be amended;

(z) To take action by resolution, ordinance, or motion, as approved by the Board as specified herein;

(aa) To carry out and enforce all provisions of this Agreement with respect to the activities necessary to undertake the development, construction, and operation of the Project;

(bb) To conduct such other activities as are necessary and appropriate to the above; and

(cc) To exercise any power necessary or incidental to the foregoing powers.

1.6.3 Limitation on Powers. Notwithstanding the general and specific powers listed in Sections 1.6.1 and 1.6.2, the Authority shall not have any power to modify CCWD's role in owning, managing and operating the Watershed and Los Vaqueros Reservoir System, and Recreational Facilities.

1.7 Intent of the Agreement. Nothing in this Agreement shall be interpreted to limit or restrict a Member's operations of its water systems and facilities, including such operations that may involve areas outside of the Project Service Area. The Members acknowledge that entering into this Agreement does not constitute a commitment to carry out the Project, but such commitments to construct and implement the Project may be undertaken in the future through the execution of subsequent agreements, including, but not limited to, the Service Agreements.

1.8 Manner of Exercising Authority Powers. In accordance with Government Code Section 6509, the Authority shall exercise its powers in the manner by which CCWD exercises its powers, except to the extent this Agreement or the Act specifically provide otherwise.

ARTICLE 2
BOARD OF DIRECTORS

2.1 Creation. The Authority shall be governed by a Board of Directors, which is hereby established, consisting of one (1) Director for each Member, along with one (1) Director appointed by the Department of Water Resources, which is required by law to be a non-voting ex officio member of the Authority pursuant to Water Code Section 79759(b). The governing board shall be known as the "Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority." All voting power shall reside in the Board and be exercised as specified in Section 3.3, below. By establishing the Authority and creating the Board, the Members do not intend to create any incompatibility between the service of a Member's governing body member on the Member's governing body, and his or her service as a Director of the Authority, and this Agreement shall be interpreted, if and where necessary, so that no such incompatible office exists.

2.2 Directors.

2.2.1 Directors Appointed; Term. Within thirty (30) days of the Effective Date of this Agreement, each Member shall designate and appoint, by a formal action of its governing body, either one (1) member of its governing body (provided that any Member which itself consists of one or more member agencies may appoint any member of one of its member agencies' governing bodies), or a management-level employee of the Member, or of any member agency of a Member, to act as its representative on the Board; and one (1) other governing body member or Member employee, either by name or position title, to act as an alternate to that Director so appointed. If a Director's or alternate's membership on the appointing Member's governing body ceases or that person ceases to be on the governing body of a Member's member agency, if applicable, or if the Director or alternate is an employee of the Member, or of a Member's member agency, and the Director's or alternate's employment by the Member ceases, his or her membership on the Board or position as an alternate, as applicable, shall also immediately cease. The alternate appointed by each Member shall have the authority to attend and participate in any meeting of the Board, but shall only be allowed to vote at any meeting of the Board when the regular Director is absent. At any meeting of the Board when the regular Director is absent, the alternate shall have the full authority of the Member to vote on any issue before the Board. Each Director shall hold office until his or her successor is selected by the appointing Member, except where immediate cessation of Board membership is expressly provided for by this section. Directors shall serve at the pleasure of the governing board of the appointing Member and may be removed at any time, with or without cause, in the sole discretion of the appointing Member's governing board. If a Director ceases to serve on the Board, the Member that appointed that Director shall select that Director's replacement, and may allow the alternate then serving to fill that Director's position on a temporary or permanent basis, in that Member's discretion; provided that any alternate who is a non-managerial employee of a Member may only serve in the Director's position on a temporary basis, until that Member permanently fills that Director position in accordance with the requirements set forth above.

2.2.2 Board Compensation. The Board shall serve without compensation from the Authority. Compensation may be provided as approved by the Member that appoints its representative Director and alternate, and any such compensation will be the responsibility of that Member.

2.3 Powers and Responsibilities of the Board. All of the power and authority vested in the Authority shall be exercised by the Board, which may delegate such power in its discretion. Notwithstanding the above, the Board shall not delegate its legislative powers. In exercising these powers, the Board shall undertake the following roles and responsibilities:

2.3.1 Fulfill the Authority's purposes;

2.3.2 Engage key Authority executives, including the Executive Director, as desired by the Board, and the Authority attorney;

2.3.3 Approve the engagement of a Program Manager, Water Supply Manager, and other consultants and advisors, including those related to issuance of any Bonds;

2.3.4 Approve annual or two-year budgets;

2.3.5 Approve agreements through which Project will be implemented;

2.3.6 Fund the Authority and Project through issuance of Bonds and collections from Members; and

2.3.7 Establish committees for activities such as design, construction, and operations.

2.4 Provision for Bylaws. The Board may cause to be developed and may adopt, from time to time, such bylaws for the Authority to govern its day-to-day operations. Each Member shall receive a copy of any bylaws developed and adopted under this section.

ARTICLE 3
MEETINGS OF THE BOARD

3.1 Meetings. The Board shall meet at least monthly, and more frequently as the Board deems necessary to conduct the Authority's business. The Board shall provide for the date, hour, and place of its regular meetings by Resolution of the Board filed with the governing body of each Member. The Board may suspend the holding of regular meetings so long as there is no need for Authority business. The Board shall hold its first meeting within sixty (60) days after the Effective Date. The Board may meet by teleconference or by video conferencing, and in joint session with other public agencies and advisory bodies in accordance with California law.

3.2 Ralph M. Brown Act. All meetings of the Board, including without limitation, regular, adjourned regular, and special meetings, shall be called, noticed, held, and conducted in accordance with the provisions of the Ralph M. Brown Act, commencing with Section 54950 of the Government Code.

3.3 Voting.

3.3.1 Simple Majority Votes. Subject to the veto rights provided in Section 3.3.4, below, and the provisions of Section 3.4, below, each Director representing his or her appointing Member shall have one vote. Except as otherwise provided by law or as set forth in Sections 3.3.2 and 3.3.3, below, all actions of the Board, including, but not limited to, approval of Authority budgets under Article 7, below, and approval of the issuance or refunding of Bonds shall be approved on the affirmative vote of a majority of the total number of Directors of the Authority pursuant to Section 2.1. In the event of a tie vote among the Directors, the matter will not be considered to have passed.

3.3.1.1 The approval of the admission of a new Member will be by simple majority vote, subject to Sections 3.3.1.1.1, 3.3.1.1.2 and 3.3.1.1.3, below.

3.3.1.1.1 If the admission of a new Member may have an adverse and material effect, as described in Section 3.3.1.1.3, on a current Member, the Director appointed by the affected Member may request that the Members meet and confer, and then the Members shall meet and confer in good faith to attempt to address the claimed adverse and material effect. The Director appointed by the affected Member who declared that the admission of a new Member will have an adverse and material effect shall, as soon as practicable thereafter, provide relevant information to substantiate the adverse and material effect on the Member. In addition, the affected Member's governing body shall adopt a resolution setting forth specific findings of all adverse and material effects which are expected to result from the proposed admission of the new Member. The meet and confer session shall occur at the next Board meeting, or as soon thereafter as Authority staff, the Administrator, the Executive Director (if one has been appointed), or the Members can obtain any further information, in addition to the information provided by the Director appointed by the affected Member, as needed to determine if the claimed adverse and material effect can be confirmed and eliminated. If confirmed adverse and material effects cannot be eliminated, then the proposed new Member will not be admitted to the Authority.

3.3.1.1.2 The Members to this Agreement recognize that the Authority was created, in part, to provide benefits to regional water supply agencies located within the Project Service Area, including to address water supply and emergency water needs in urban, exurban, agricultural and refuge service areas, and that certain state funding arrangements are based on the regional benefits of the Project to the Project Service Area. The Parties also acknowledge that the current Members represent a diverse coalition of parties, which together are able to deliver regional impacts and benefits from the Project. Therefore, if a Member withdraws from the Authority pursuant this Agreement, and the withdrawal results in the loss of benefit to a particular service area, then any regional wholesale customer, supplier, or member agency of a current or former Member in the service area impacted by the withdrawing Member will have a priority to seek to join the Authority as a new Member over other agencies that are not directly connected to a current or former Member in the impacted service area and, if approved by a majority of the Members, will have a right of first refusal to join the Authority.

3.3.1.1.3 For purposes of this subdivision, an "adverse and material effect" means one or more of the following: (a) a decision that would unreasonably increase the affected Member's operational costs as compared to that Member's existing operational costs; (b) a decision that would decrease capacity of a Project facility used by the affected Member; (c) a decision that would materially restrict the affected Member in its ability to provide an adequate water supply within its service area, including, but not limited to, causing the affected Member to violate any operational permit or water rights permit or license; and/or (d) a decision that would result in a material adverse impact on the quality of water conveyed from the Project.

3.3.2 Items Requiring at Least Three-Quarters Votes for Approval. Notwithstanding Section 3.3.1, above, the following actions of the Board must be approved by at least three-quarters (seventy-five percent (75%)) of the total number of Directors, but subject to Section 3.4, below:

3.3.2.1 Approval of an amendment to the Agreement other than to Exhibits A or B; provided that amendments described in Section 3.3.3.6 must have unanimous Board approval; and provided further that if the proposed amendment relates to Section 7.12, then any such amendment's approval must include a vote of approval by the SFPUC;

3.3.2.2 Termination of a Member's membership pursuant to Section 9.2; and

3.3.2.3 Termination of the Agreement.

3.3.3 Items Requiring Unanimous Approval. Notwithstanding Sections 3.3.1 and 3.3.2, above, the following actions of the Board must be unanimously approved by the Board:

3.3.3.1 Commencement of litigation by the Authority relating to the funding or operation of the Project; or against any Member to interpret or enforce this Agreement or otherwise relating to the Member's obligations concerning the Project; provided that the Member against whom that litigation is contemplated shall not be included in that unanimous vote requirement;

3.3.3.2 Approval of any additional funding contributions under Section 7.7.2, below;

3.3.3.3 Any disproportionate disbursement to a Member or Members made upon termination of this Agreement, as described in Section 8.5, below;

3.3.3.4 Any decision by the Board to approve the creation of positions of employment for the Authority;

3.3.3.5 Approval of any contract with Cal-PERS or any other public retirement system; and

3.3.3.6 Approval of an amendment to the Agreement which would change the requirement for unanimous approval of an action listed in Section 3.3.3, or which relates to the veto right provided by Section 3.3.4.

3.3.3.7 Approval of the incurrence of debt in connection with a Related Activity pursuant to Section 6.1.

3.3.4. Veto Rights of CCWD and EBMUD.

3.3.4.1 Notwithstanding any other provision of this Agreement, for any proposed decision by the Board that either CCWD or EBMUD determines would have an adverse and material effect, as described in Section 3.3.4.4, upon a CCWD-Provided Facility or an EBMUD-Provided Facility, respectively, or upon one or more New Facilities or Modified Facilities owned and operated by CCWD or EBMUD, CCWD or EBMUD, as applicable in connection with the facility(ies) to be affected, acting through the Director it appointed, shall have the right to veto that decision in accordance with the provisions of this Section 3.3.4.

3.3.4.2 The Director appointed by the affected Member (i.e., either CCWD or EBMUD) shall exercise the veto by declaring an intention to veto a proposed decision during a Board meeting at the time the matter is discussed or considered for action. If such intent is declared, the Board may (i) proceed immediately with a vote on the matter, or (ii) by majority vote, delay the vote on that matter to a future meeting to allow the development of an alternative or modified recommended action.

3.3.4.3 If the Board elects to hold a vote, the Director appointed by the affected Member may veto the proposed action, which veto shall be final and conclusive. In the event of such a veto, the Authority shall not proceed with the action specified in that proposed decision. If the Board elects to delay the matter to a future meeting, the Members shall meet and confer in good faith to attempt to develop a revised action which addresses the adverse and material effect. The Director appointed by the affected Member which declared its intent to exercise the veto shall, as soon as practicable after declaring its intent to veto, provide relevant information to substantiate the adverse and material effect on the affected Member which is expected to result from the Authority's proposed action. In addition, that Member's governing body shall adopt a resolution setting forth specific findings of all adverse and material effects which are expected to result from the Authority's proposed action. The meet and confer session shall occur at the next Board meeting, or as soon thereafter as Authority staff, the Administrator, the Executive Director (if one has been appointed), or the Members can obtain any further information, in addition to the information provided by the Director appointed by the affected Member which declared its intent to veto, or clarifying direction as needed to propose an alternative or modified recommended action. Any revised action proposed to the Board shall be subject to the veto rights described in this section. No proposed action shall be delayed pursuant to this section more than once, except with the consent of the Director affected by the affected Member which declared its intent to veto the action.

3.3.4.4 For purposes of this subdivision, an "adverse and material effect" includes the following: (a) a decision that would unreasonably increase the affected Member's operational costs as compared to that Member's existing operational costs; (b) a decision that would decrease capacity of the subject facility; (c) a decision that would materially restrict the affected Member in its operation of the subject facility or in its ability to provide an adequate water supply within its service area, including, but not limited to, causing the affected Member to violate any operational permit or water rights permit or license; and/or (d) a decision that would result in a material adverse impact on the quality of water conveyed from the Project.

3.4 Effect of Recusal. If any Director recuses himself or herself from voting on any matter before the Board where the Director, in the Director's sole discretion, determines it is inappropriate for that Director to participate in the vote on that matter, then that Director shall not be counted as a voting Director, such that the total number of voting Directors is reduced by one in calculating the required quorum and in calculating the total number of votes that may be cast and utilized in determining any applicable threshold for the Board's approval of that matter.

3.5 Special Voting Rules Applicable to Grassland Water District. Due to the fact that Grassland Water District will not be making monetary contributions to the Authority, Grassland Water District shall only be entitled to vote on non-financial matters and those financial matters that concern the administration of public benefits or the delivery of ecosystem benefits to south-of-Delta refuges. In any situation where Grassland Water District is not permitted to vote, for purposes of the determination of the vote needed for approval, Grassland Water District shall not be counted as a voting Member, including for purposes of determining whether a quorum is present pursuant to Section 3.6, such that the total number of voting Members is reduced by one in calculating total number of votes that may be cast and utilized in determining any applicable threshold for the Board's approval of any such action.

3.6 Quorum. A majority of the Directors shall constitute a quorum for the transaction of business, but subject to the voting approval requirements specified in Section 3.3.

3.7 Board Action. The Board may act by resolution, ordinance, or motion. Unless otherwise provided in the bylaws or by law, ordinances shall not be required to be introduced and adopted at separate meetings of the Board.

3.8 Closed Session. Closed sessions of the Board shall be confidential. However, confidential information from closed sessions may be disclosed to each Member's governing body as permitted and limited by Government Code Section 54956.96. The Board may include provisions in the Authority's Bylaws to implement this section. In addition, when any closed session is held pertaining to any matter in which a Member holds a position adverse to the Authority (including, but not limited to pending or potential litigation or ongoing real estate negotiations), the Director appointed by that adverse Member shall be recused from any such closed session. Prior to the Authority conducting any closed session involving the liability clams or potential litigation where a Member may have a position adverse to the Authority, the Authority and Member shall comply with any meet and confer requirements set forth in this Agreement; provided, however, that the Authority may waive, by majority vote of the Board, any such meet and confer requirement in the event a statute of limitation would otherwise expire.

3.9 Minutes. The Secretary of the Authority shall cause minutes of regular, adjourned regular, and special meetings to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director and to each Member.

3.10 Rules and Regulations. The Board may adopt from time to time such rules and regulations for the conduct of its and the Authority's affairs as may be required.

ARTICLE 4
OFFICERS AND EMPLOYEES OF THE AUTHORITY

4.1 Chair. At the Board's first meeting, and then in its first meeting of each calendar year or as soon thereafter as practicable, it shall elect one of the Directors as Chair of the Board. The term of office for the Chair shall be one year, or until his or her successor is elected. A Chair may not serve more than four (4) consecutive terms as Chair, and the foregoing term limit shall also apply to the Member on whose behalf the Chair is serving, such that no Member shall be allowed to have any Director or combination of Directors serve on its behalf as Chair for more than four (4) consecutive terms. The Chair of the Board shall preside at all meetings and shall perform such other duties as are specified by the Board through order, resolution or motion. Subject to the foregoing, the position of Chair shall be elected on the basis of the individual Director and not on the basis of the underlying Member with which the Chair is affiliated.

4.2 Vice-Chair. At the Board's first meeting, and then in its first meeting of each year or as soon thereafter as practicable, it shall elect one of the Directors as Vice-Chair of the Board. The term of office for the Vice-Chair shall be one year. The Vice-Chair shall perform all the duties of the Chair in the absence of the Chair, or in the event the Chair of the Board is unable to perform such duties, and shall perform such other duties as are specified by the Board.

4.3 Secretary. The Board may appoint the Authority's Secretary or may delegate the appointment of the Authority's Secretary to the Administrator; provided that if the Administrator position has been removed, then the Board shall appoint the Authority's Secretary. If the Board does not elect to appoint an individual of its own choosing as the Secretary, the Secretary shall serve at the pleasure of the Administrator and may be removed at any time, with or without cause, in the sole discretion of the Administrator or, if the Administrator is an entity, the Administrator's governing board or a management-level employee of the Administrator. The Secretary shall be responsible for the minutes and other records of the proceedings of the Board and shall perform such other duties as specified by the Administrator pursuant to the Administrative Agreement, as applicable. If the Board elects to appoint another individual of its own choosing, the Secretary shall perform such other duties as the Board specifies.

4.4 Treasurer and Auditor/Controller. Pursuant to Government Code Sections 6505.5 and 6505.6, the Board may appoint the Authority's Treasurer and Auditor/Controller or may delegate the appointment of the Authority's Treasurer and Auditor/Controller to the Administrator; provided that if the Administrator position has been removed, then the Board shall appoint the Authority's Treasurer and Auditor/Controller. If the Administrator is an entity, it may appoint its senior financial officer (such as its chief financial officer, director of finance, or finance manager, as designated by the Administrator) as the Treasurer and Auditor/Controller. The Treasurer shall be the depository and have custody of all money of the Authority, from whatever source, and shall have all of the duties and obligations set forth in Sections 6505 and 6505.5 of the Government Code. However, in no event shall any person or entity that is not a public agency or an employee of a public agency be appointed as Treasurer or Auditor/Controller or have authority to have custody of Authority monies, and the Authority will establish a depository account with a financial institution on behalf of and in the name of the Authority for purposes of holding the Authority's money. . The Treasurer shall also manage the Authority's billing and cash management, financial reporting and debt; engage the independent auditor to review the Authority's financial statements; and report to the Authority's Executive Director or to the Administrator if no Executive Director has been appointed. Subject to the limitations set forth in this Section 4.4, the offices of Treasurer and Auditor/Controller may be held by separate individuals, or combined and held by one individual as the Board may elect. If the Board does not elect to appoint another individual of its own choosing as the Treasurer and Auditor/Controller, the Treasurer and Auditor/Controller shall serve at the pleasure of the Administrator and may be removed at any time, with or without cause, in the sole discretion of the Administrator or, if the Administrator is an entity, the Administrator's governing board or a management-level employee of the Administrator.

4.5 Administrator.

4.5.1 Generally. The Board shall select the Administrator, which shall provide management and administrative services for the Authority, as more specifically described in Section 4.5.2, below. CCWD shall serve as the initial Administrator, and its rights and responsibilities in that role shall be set forth in the Administrative Agreement, or other agreement between CCWD and the Authority. The Board may, in its discretion, upon the termination or assignment of the Administrative Agreement, appoint a subsequent Administrator to replace CCWD, may transfer some or all of the

Administrator's duties to the Executive Director appointed under Section 4.6, below, or may combine the Administrator's position with the Executive Director; subject, however, to ensuring that any contractual obligations CCWD has undertaken with respect to the administration of the Project, including under the Early Funding Agreement, are met. Until such time as an Executive Director is appointed, the Administrator shall oversee and manage any consultants and (if any) employees of the Authority, and the Administrator shall report to the Board. After an Executive Director is appointed, the Administrator shall report to the Executive Director and be subject to the Executive Director's supervision, subject to compliance with any existing contractual obligations of the Administrator.

4.5.2 Administrator Services. Subject to the Board's revision of duties of the Administrator, which may be transferred to the Executive Director in the Board's discretion, the Administrator shall perform all services reasonably necessary for the management and administration of the Authority including, but not limited to:

(a) coordinating the planning, design, permitting (including compliance monitoring), operations modeling and analysis, and procurement activities necessary to construct and operate the Project, including through funds provided by the Early Funding Agreement, which CCWD shall continue to manage as the initial Administrator, and Interim Funding Agreement;

(b) coordinating and preparing for Board meetings;

(c) identifying and selecting key staff that will provide services to the Board and the Authority, including staff who may potentially serve as Secretary and Treasurer and Auditor/Controller, as the Board or Administrator may determine;

(d) being responsible for the appointment, employment, management, and/or termination of any personnel (other than the Executive Director and Authority Attorney), contractors, or consultants providing services to the Authority including, but not limited to, contractors and consultants necessary for the planning, design, permitting and procurement of the Project;

(e) performing administrative tasks related to the Board's selection and appointment of the Executive Director and Authority attorney;

(f) implementing the policies, decisions, and directions of the Board, as provided to the Administrator;

(g) conducting communications and outreach support and website hosting;

(h) coordinating and conferring with the Members' technical staffs relative to Project-related functions; and

(i) such other duties as are determined by and assigned by the Board.

4.5.3 Compensation. The Administrator shall be compensated for the services it renders to the Authority as specified in the Administrative Agreement, or in any other contractual arrangement between the Administrator and the Authority.

4.5.4 Administrator Staff. If the Administrator is an entity, the Administrator shall identify key staff that shall provide services required of the Administrator, including one employee who shall serve as the main point of contact for the Authority. Such key staff identified by the Administrator shall be qualified to perform services required of the Administrator. Unless otherwise agreed in writing by the Authority, such key staff shall at all times remain under the exclusive direction and control of the Administrator and the Authority shall not have any right to discharge or discipline any member of the Administrator's staff. Subject to payment by the Authority as provided in the Administrative Agreement or other agreement, the Administrator shall be responsible for all compensation, supervision, and administrative costs relating to its staff. If the Administrator is an individual, the Administrator shall coordinate the retention of any outside staff with the Board and obtain approval of such staff positions from the Board before hiring or retaining any such staff.

4.5.5 Independent Contractor; Authority Employees. Until such time, if any, as the Administrator is hired as an Authority employee, as provided under this Agreement and to the extent allowed by law, the Administrator shall be retained as an independent contractor and not an employee of Authority. No employee or agent of the Administrator shall become an employee of the Authority, except as may be agreed in writing. Any Administrator employees or agents assigned to provide services under this Agreement shall remain under the exclusive control of the Administrator, subject to Section 4.6 if an Administrator's employee serves as Executive Director. The Authority may only create positions of employment with unanimous approval by the Board.

4.6 Executive Director. The Board may appoint an Executive Director to work with the Administrator in connection with the duties specified under Section 4.5.2, above. Upon the appointment of an Executive Director, the Board may transfer any of the Administrator's duties to the Executive Director, as may be feasible based on applicable contractual limitations set forth in the Early Funding Agreement. As determined by the Board, the Executive Director may be an independent contractor; an employee of the Administrator, of a Member or of a non-Member firm or entity; or, upon unanimous approval of the Board, an employee of the Authority. It is contemplated that the Executive Director would report directly to the Board and would manage Authority activities, oversee and manage the Authority's consultant and (if any) employees, ensure that the Board receives appropriate and timely information, supervise the Administrator, including coordinating Project activities with the Administrator, and ensure that the Authority provides services and fulfills its obligations to the Members in accordance with the respective Service Agreements and in accordance with all other Project-related agreements.

4.7 Authority Attorney.

4.7.1 Appointment. The attorney for the Authority shall be appointed by the Board, provided that an individual, office, or firm providing general counsel services to one of the Members shall not serve as the Authority attorney. Such individuals, offices, or firms may, however, provide special counsel services to the Authority. Notwithstanding the above, the general counsel to one of the Members may provide interim general counsel services until the Board appoints an Authority attorney.

4.7.2 Duties. The attorney for the Authority or a designated deputy shall attend all meetings of the Board; provided, however, that the absence of the Authority attorney shall not affect the validity of any meeting. The attorney shall take charge of all suits and other legal matters to which the Authority is a party or in which it is legally interested. The attorney shall provide legal counsel to the Authority and its Board, ensure the legal sufficiency of all contracts, ordinances, resolutions, and other legal instruments of the Authority, and perform such other duties as the Board specifies, including, but not limited to, obtaining specialized legal services.

4.8 Program Manager. The Board may engage one or more persons or entities to provide program management services as a Program Manager, who shall report to the Executive Director or Administrator if no Executive Director has been appointed. The Program Manager shall coordinate with the Administrator and/or Executive Director regarding various design and construction activities for the Project, including coordination with CCWD and EBMUD in accordance with the Design and Construction Agreement and O & M Agreements with respect to decisions likely to have a cost impact on the Authority and the Members. Such coordination shall include, but not be limited to, budget tracking, scheduling and quality control/quality assurance, with the understanding that CCWD and EBMUD have primary responsibility for the design and construction of their respective facilities, as will be specified in the Design & Construction Agreements. The Program Manager, in consultation with the Executive Director and subject to Board approval in accordance with Authority policies, may contract for additional services that may be required.

4.9 Water Supply Manager. The Board may engage one or more persons or entities to provide the services as a Water Supply Manager, who shall report to the Executive Director or Administrator if no Executive Director has been appointed. The Water Supply Manager shall oversee the operations of the Project in coordination with CCWD as to CCWD-Provided Facilities and any Modified Facilities or New Facilities that CCWD operates, and with EBMUD as to EBMUD-Provided Facilities and any Modified Facilities or New Facilities that EBMUD operates. The Water Supply Manager shall coordinate with all Members who are South Bay Aqueduct Contractors, as well as the SFPUC, regarding operations that will foreseeably impact South Bay Aqueduct facilities. The Water Supply Manager's duties shall include scheduling necessary diversions and deliveries of stored water in response to Members' requests on behalf of the Members, coordinating Members' storage and conveyance needs with CCWD's system operator, tracking the delivery of Services to the Members, and ensuring compliance with all Project agreements, reporting requirements and coordinated operations agreements with the United States Department of Interior, Bureau of Reclamation and the California Department of Water Resources. The Water Supply Manager shall perform his or her duties in accordance with the terms of the Service Agreements and the Facilities Usage Agreements, as well as with operating protocols to be adopted by the Board. The operating protocols shall not unreasonably restrict: (1) CCWD's or EBMUD's ability to manage their respective facilities; or (2) the exercise of the Authority's Capacity Usage Rights expressed in any Facilities Usage Agreement, and as allocated to the Members in the respective Service Agreements. Any Water Supply Manager decision shall be subject to an appeal process to be established by the Board.

4.10 Official Bond. Pursuant to Government Code section 6505.1, the public officer, officers or persons who have charge of, handle or have access to any property of the Authority shall file an official bond in an amount to be fixed by the Board.

4.11 Additional Officers and Employees. The Board shall have the power to appoint additional officers as it deems necessary, and to make modifications to the Authority's organization chart. The Executive Director, upon consultation with the Board and with the Board's required approval, as applicable relative to the hiring of any Authority employees, shall have the power to hire and terminate employees, assistants, contractors, consultants, and others, as the Executive Director deems appropriate, but subject to the terms of any applicable agreement and to the Authority's bylaws or policies.

ARTICLE 5
COMMITTEES

5.1 Committees. The Board, by a majority vote, may form committees for any purpose. Any such Board action to create a committee shall include the purpose of the committee and details concerning the appointment of the chair and members of such committee.

ARTICLE 6
PROJECT OPERATIONS

6.1 Related Activity. Upon approval by a majority of the Board, one or more of the Members may establish a Related Activity that such Member or Members will undertake through the Authority for matters not deemed to be of general benefit to all Members, provided that no Member shall be involved in any such Related Activity without the approval of its governing body. A specific written Related Activity Agreement between the Member or Members who consented to participate in the specific Related Activity and the Authority shall be established for each Related Activity to set forth the respective obligations, functions, and rights of the participating Members and of the Authority. A budget for each Related Activity shall be established in accordance with Section 7.3, below. The Directors representing the Member or Members who will be involved in financing and implementing the specific Related Activity, or their respective designees, shall constitute a "Related Activity Committee," for purposes of administration and implementation of the specific Related Activity. Notwithstanding the foregoing, no debt shall be incurred by the Authority for a specific Related Activity without the unanimous consent of the Board, and of the Related Activity Committee. Any contributions approved by the Related Activity Committee and approved by the participating Member or Members shall be paid by the participating Member or Members. Such contributions by a Related Activity's Members shall be held and accounted for separately from other Authority monies and any Related Activity expenses or liabilities shall be paid from such monies held on account of that Related Activity. To the extent allowed by law, the Member or Members participating in any Related Activity shall indemnify and hold harmless the Authority and the Members not participating in the Related Activity from any and all claims, demands, damages, liabilities, fines, expenses and related costs and fees, including attorneys' and experts' fees, arising from or related to the particular Related Activity, except to the extent of the Authority's or non-participating Member's negligent or intentional acts or omissions. A Related Activity shall not have a material adverse effect impact on any Member that is not participating in the Related Activity. The unanimous consent of the Board to incur debt for a Related Activity as required pursuant to this Section 6.1 shall be conclusive evidence that such Related Activity has been determined not to have a material adverse effect on any Member that is not participating in such Related Activity.

6.2 CCWD Facilities. In accordance with the voting provisions set forth in Section 3.3.4, above, CCWD will retain a veto right with respect to any decision by the Board that would have an adverse and material effect on either or both of the following: (i) a New Facility or Modified Facility for which CCWD is designated as the builder and operator on Exhibit B hereto, and/or (ii) a CCWD-Provided Facility. CCWD may authorize the Authority to take actions and/or make decisions with respect to those facilities in accordance with the applicable Facilities Usage Agreement, Design & Construction Agreements and O & M Agreements.

6.3 EBMUD Facilities. In accordance with the voting provisions set forth in Section 3.3.4, above, EBMUD will retain a veto right with respect to any decision by the Board that would have an adverse and material effect on either or both of the following: (i) a New Facility or Modified Facility for which EBMUD is designated as the builder and operator on Exhibit B hereto, and/or (ii) an EBMUD-Provided Facility. EBMUD may authorize the Authority to take actions and/or make decisions with respect to those facilities in accordance with the applicable Facilities Usage Agreement, Design & Construction Agreements and O & M Agreements.

ARTICLE 7
FINANCES

7.1 Fiscal Year. The Fiscal Year of the Authority shall be as defined in Section 1.1 of this Agreement.

7.2 Budget. The Board shall adopt a budget (the "Budget") prior to the start of each Fiscal Year. The Budget may be adopted on a single Fiscal Year or bi-annual basis, in the Board's discretion. The Budget shall include components to fund the Authority's administrative and operational costs, debt service on any Bonds and any capital improvements; provided the Authority shall provide the Members with the draft capital component of the Budget at least six (6) months prior to the start of the Fiscal Year(s) to which the proposed Budget relates. The Board may update and revise the Budget as necessary throughout the period to which the Budget applies. The Budget shall equitably allocate expenses under the Budget to a Member in proportion to that Member's proportionate use of Project facilities, operational priorities and other benefits, as determined in accordance with the Member's Service Agreement, or if a Member's Service Agreement is not in place, the Interim Funding Agreement or any other funding agreement specified by the Board in accordance with Section 7.7, below. The Budget shall take into account any non-monetary contributions being received from Grassland Water District. The Authority shall coordinate with CCWD regarding the establishment of the capital components of the Budget to ensure that costs are properly allocated as between the Authority and CCWD. The contributions approved by the Board shall be paid by the Member Agencies pursuant to Section 7.5, below. Any Member which has opted under Section 7.6, below, to self-fund its share of a specific portion of Project capital costs through a lump sum contribution, rather than financing that contribution through participating in the Authority's Bonds, shall not be required to make further payments under the capital component of the Budget until that lump sum contribution is exhausted and further contribution from that Member is necessary to meet that Member's share of Authority capital costs that would be payable under the Budget. Any funds contributed by a Member that are not used in a Fiscal Year shall roll over to the subsequent Fiscal Year's Budget.

7.3 Specific Related Activity Budgets. In addition to the foregoing Budget, Authority staff, in consultation with the applicable Related Activity Committee, shall develop a budget for any Related Activity established in accordance with Section 6.1, above. The Related Activity Committee shall recommend such Related Activity budget for approval by the Board, which may then approve that Related Activity budget by majority vote in accordance with Section 3.3.1. Any contributions approved by the Related Activity Committee and approved by the participating Members shall be paid by the participating Member Agencies pursuant to Section 7.5, below.

Each Related Activity budget shall include, without limitation, the following:

(a) Administrative expenses;

(b) Studies and planning costs;

(c) Engineering and construction costs;

(d) The allocation of costs, including debt service costs, if any, among participating Members;

(e) Annual maintenance and operating expenses for the Related Activity, including any reserve requirements necessitated by the Related Activity; and

(f) A formula for allocating annual maintenance and operating expenses, if any.

7.4 Failure to Obtain Budget Approvals. In the event the Board does not approve the Budget or any Related Activity budget prior to the start of a Fiscal Year, the Authority shall continue to operate at the level of expenditure as authorized below:

7.4.1. Operating Expenses. The operational cost components of the Budget shall be set at the expenditure level authorized by the last approved Budget, and the allocation of such Costs of Service to each Member shall be in proportion to the allocation of such costs in the last approved Budget. Any shortfall in revenues for such operational cost components will be made up from available reserves dedicated by the Board for such a purpose, and if those available reserves are insufficient to cover the shortfall, any other available reserve funds not designated by the Board for other purposes or otherwise not legally restricted may be used to meet that shortfall. Such reserves shall be drawn from among the Members in proportion to the allocation of Costs of Service in the last approved Budget. In the event that a shortfall in available funds exceeds available unrestricted reserves of the Authority, such resulting unfunded shortfall shall be carried forward into the subsequent Fiscal Year. Members shall have no obligation to cure such unfunded shortfall other than as may be provided in the applicable Service Agreement or, if applicable, Related Activity Agreement. As used herein, "reserves" shall mean any available unrestricted cash or investments.

7.4.2. Debt Service. The debt service component of the Budget shall automatically be established at the required level necessary to meet the Authority's annual debt service requirements, including any revenue coverage covenants and the allocation of any applicable Costs of Service to each Member shall be in proportion to the allocation of such costs in the last approved Budget.

7.4.3. Capital Costs. The capital component of the Budget shall automatically be established at the required level necessary to implement capital projects previously approved by the Authority and the allocation of any applicable Costs of Service to each Member shall be in proportion to the allocation of such costs in the last approved Budget.

7.5 Payments of Amounts Due; True-Up of Costs. The payments owed for contributions from each Member to the Authority shall conform to amounts payable, or any non-monetary contributions to be provided to the Authority, under each Member's Service Agreement and in accordance with the Budget approved by the Board pursuant to Section 7.2, above, and any Related Activity Budget under Section 7.3, above. Amounts to be paid to the Authority may be divided into a fixed, annual component and a variable component payable on a monthly or other periodic basis as authorized by the Board.

7.6 Member Self-Funding of Project Capital Costs. Notwithstanding any other provision of this Agreement, a Member may elect to self-fund its share of capital costs for specific Project components to be constructed, with the proportion and timing of that self-funding determined under the Member's Service Agreement, in lieu of participating in the issuance of Bonds for that Project component. Any such self-funded payments, including remaining unexpended funds deposited in a previous Fiscal Year, shall be used to offset that Member's share of Project capital costs applicable to that specific Project component that are included in the applicable component of the Budget, until such time as the self-funded amount has been exhausted. In the event the Authority, in its discretion, determines an additional funding contribution from a Member who has self-funded is needed, then the Authority may provide written notice to that Member of the need to deposit additional monies with the Authority, in such amounts as the Authority, acting through its Administrator or Executive Director, shall determine in its reasonable discretion. The Member shall deposit that amount within six (6) months of receipt of notice from the Authority. The Authority shall refund or credit to a

Member who has self-funded any remaining unexpended funds contributed by that Member within sixty (60) days of the completion of the specific component of the Project for which that Member has made self-funded payments, unless the Board finds and determines that the return or credit of such unexpended funds would adversely impact the Authority's financial condition. ,

7.7 Funds, Accounts and Reports. There shall be strict accountability of all funds and reporting of all receipts and disbursements, including through operation and maintenance and capital reserve accounts.

7.7.1 Sources of Funds. The sources of funds available to the Authority may include, but are not limited to, the following:

(a) Grants, donations, and loans received by the Authority from local, state, or federal agencies, including any amounts received under the Early Funding Agreement. Such funds can be used for any Project facility.

(b) Funds collected from Members under the Service Agreements and any Related Activity Agreements.

(c) Funds collected from Members, including, but not limited to, funds paid pursuant to the Interim Funding Agreement.

(d) Funds received from state and federal disaster relief agencies.

(e) Funds obtained by issuing Bonds.

(f) "In kind" contributions from Members, include refuge resources provided by Grassland Water District; provided that the Board shall establish a procedure to ensure that any "in kind" contributions comply with any applicable contractual or regulatory requirements and are fair and reasonable in relation to the benefits provided to the contributing Member, and further the Authority's interests.

(g) Funds from any other source derived.

7.7.2 Interim Funding Plans. The Members intend for the Authority to fund initial Authority costs through the Interim Funding Agreement, and other agreements and revenue sources available to the Authority for such purposes. Notwithstanding the foregoing, in the event the Board unanimously determines that certain costs cannot be funded through such revenue sources and additional monies are required to be contributed by the Members, each Member agrees that it will contribute to a fund or budget approved by the Board in such proportion as the Board shall reasonably determine, as set forth in this article, taking into consideration any non-monetary contributions being received from Grassland Water District. Notwithstanding the foregoing, any financial obligation of the City and County of San Francisco, acting through the San Francisco Public Utilities Commission as a Member of the Authority, payable pursuant to this section is subject to Section 7.12.

7.7.3 Long-Term Funding Plans. The Members intend that all Authority activities will ultimately be funded through various Service Agreements, and Related Activity Agreements, if any, under which the Members will pay or otherwise contribute for services provided by the Authority. The Members intend that the aforementioned agreements will, when taken together, be sufficient to fund all activities of the Authority, including, but not limited to, all administrative, capital and/or debt service expense, and operation and maintenance costs of the Authority, the Project and Related Activities.

7.7.4 Accounts. Revenues or funds received or made available to the Authority from any source whatsoever, shall be deposited into accounts that may be established by the Authority, and may be expended by the Authority in any legal manner, subject to such reservations as may be imposed by the Authority from time to time.

7.7.5 Reports. The Treasurer shall, within one hundred and eighty (180) days after the close of each Fiscal Year, give a complete written report of all financial activities for such Fiscal Year to the Board and to each Member. The Authority's books and records shall be open to inspection at all reasonable times by representatives of each Member. The Treasurer shall prepare and provide such additional reports, including audited financial statements and ongoing disclosure reports, as are required by separate agreements entered into by the Authority.

7.8 Payments and Advances. No expenditures in excess of those budgeted shall be made unless otherwise approved by the Authority's Board.

7.9 Audit. In accordance with Sections 6505 through 6505.6 of the Government Code, the Treasurer shall cause an annual audit of the accounts and records of the Authority to be made and reported. The audit shall be conducted by an independent certified public accountant or public accountant. The audit shall conform to generally accepted auditing standards. Such report shall be filed within twelve (12) months of the end of the Fiscal Year under examination.

7.10 Procurement Methods. The Board may adopt such policies relating to procurement of services, equipment, supplies, and other materials needed to accomplish the purposes of this Agreement.

7.11 Reserve Accounts. The Authority and each Member shall establish in that Member's Service Agreement, or in any Related Activity Agreement, and each Member shall pay into, reserve accounts established for administrative, operational, debt service and capital costs. The respective Service Agreements and, if applicable, Related Activity Agreements, shall specify how the reserve accounts will be replenished in the event such reserves are used. The Authority shall hold those reserves to provide readily available funds in the event a Member is not able to pay its share of the applicable type of costs as provided in that Member's Service Agreement and herein.

7.12 San Francisco Certification of Funds, Budget and Fiscal Provisions.

7.12.1 The financial obligations of the City and County of San Francisco (the "City," acting through the SFPUC as a Member of the Authority) under this Agreement, including all related agreements such as a Service Agreement to which it is a party or a Related Activity Agreement to which it is a party, are subject to and contingent upon the budget and fiscal provisions of the City and County of San Francisco's Charter. Except as provided in Section 7.12.2, below, for each budgetary cycle of the City, charges may accrue to the SFPUC for such budgetary cycle only after the prior written certification of the City's Controller, and the amount of the SFPUC's financial obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization, as required under Charter Sections 3.105 and 9.113. The SFPUC's financial obligations under this Agreement will terminate without penalty, liability or expense of any kind to the SFPUC at the end of any fiscal year if funds are not appropriated for the next succeeding fiscal year, subject to the one (1) year suspension process described in this Section 7.12.1. If funds are appropriated for a portion of the fiscal year, the SFPUC's financial obligations under this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated, subject to the one (1) year suspension process described in this Section

7.12.1. The SFPUC has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. City budget decisions are subject to the discretion of the Mayor and the Board of Supervisors. This section controls against any and all other provisions of this Agreement, except Section 7.12.2 and Section 8.4.2. In the event the City fails to appropriate adequate funds in any fiscal year to meet the City's financial obligations under this Agreement, or fails to timely obtain the certification described in Section 7.12.2 relating to funding commitments for the Project or a Related Activity, the Authority may, in the sole discretion of the Authority's Board of Directors, suspend any benefits the City would receive from this Agreement until such time as all financial obligations owed to the Authority under this Agreement are satisfied, provided that the Authority has first given the City a minimum of sixty (60) days' advance written notice of such suspension. If the City does not satisfy its financial obligations under this Agreement following receipt of the Authority's written notice for a period of one (1) year from the effective date of the suspension, the City shall be deemed to have withdrawn from the Authority, including the withdrawal of its representative Director from the Board. The Authority shall not impose interest on the City's financial obligations under this Agreement during this one (1) year period. If the SFPUC is deemed to have withdrawn from the Authority under this Section 7.12.1, the SFPUC's financial obligations under this Agreement shall not be governed by the provisions of Section 8.4.1, but Section 8.4.2 shall apply and the SFPUC shall be responsible for its share of the costs incurred by the Authority up until the end of the last fiscal year for which funds were appropriated, or the end of the term for which funds were last appropriated in the event that funds are appropriated for a portion of the fiscal year.

7.12.2 The financial obligations of the City under a Service Agreement to which it is a party or a Related Activity Agreement to which it is a party, may include an SFPUC commitment to (1) participate in Bonds issued to fund the Project's capital costs, (2) participate in Bonds issued to fund a Related Activity's capital costs or (3) indebtedness evidencing the SFPUC's obligation to fund the City's share of capital costs of the Project or the Related Activity, as applicable, specified in the related Service Agreement or Related Activity Agreement. Notwithstanding Section 7.12.1, above, any SFPUC funding commitment described in (1), (2), or (3) in the previous sentence shall be subject to the requirement in San Francisco Charter Section 9.111 that the City Controller certifies that sufficient unencumbered balances are expected to be available in the proper fund to meet all SFPUC payment obligations as they become due, as well as the terms and conditions contained in any debt instrument, which may include a pledge by the SFPUC of certain SFPUC rate revenues, which certification must be obtained prior to the time the Authority commits to issue Bonds for the Project or Bonds for a Related Activity, as applicable, and shall not be subject to the City Controller certification requirements of Charter Sections 3.105 and 9.113.

7.13 <u>One-Year Suspension Period</u>. If any Member fails to appropriate adequate funds in any fiscal year to meet that Member's financial obligations under this Agreement, the Authority may, in the sole discretion of the Authority's Board of Directors, suspend any benefits that Member would receive from this Agreement until such time as all of that Member's financial obligations owed to the Authority under this Agreement are satisfied, provided that the Authority has first given that Member a minimum of sixty (60) days' advance written notice of such suspension. If that Member does not satisfy its financial obligations under this Agreement following receipt of the Authority's written notice for a period of one (1) year from the effective date of the suspension, that Member shall be deemed to have withdrawn from the Authority. The Authority shall not impose interest on that Member's financial obligations under this Agreement during this one (1) year period.

7.14 <u>No Commitment to Bond Financing</u>. The execution of this Agreement is not a commitment to participate in any Bonds or to incur debt which will occur, if at all, at a later date.

ARTICLE 8
TERMINATION / AMENDMENT; WITHDRAWAL

8.1 Duration and Termination. Subject to the terms of any agreement between the Authority or CCWD and any state or federal agency, this Agreement shall continue in full force and effect until terminated by action taken by at least three-quarters (3/4ths) (seventy-five percent (75%)) of the Board and ratified by at least three-quarters (3/4ths) (seventy-five percent (75%)) of the governing bodies of the Members. If at any time there are only two (2) Members of the Authority and one (1) of those Members intends to withdraw, the other Member's written consent to terminate this Agreement shall not be unreasonably conditioned or delayed. Notwithstanding the prior provisions of this Section 8.1, this Agreement and the Authority shall continue to exist for the purpose of disposing of all claims, distribution of assets, and all other functions necessary to conclude the affairs of the Authority, and the Authority shall have a continuing obligation following termination of this Agreement with respect to the payment of debt service on any Bonds or other outstanding financial commitments of the Authority.

8.2 Amendment. This Agreement may be amended at any time by action taken by at least three-quarters (3/4ths) of the Board and ratified by at least three-quarters (3/4ths) (seventy-five percent (75%)) of the governing bodies of the Members; provided that if the proposed amendment is to change the requirement for unanimous approval of an action required under Section 3.3.3 or relates to the veto right provided by Section 3.3.4, then any such amendment must have unanimous Board approval; and provided further that if the proposed amendment relates to Section 7.12, then any such amendment's approval must include a vote of approval by the SFPUC; and provided further that Exhibit B to this Agreement may be amended by the Administrator or Executive Director, with majority vote of the Board approving such amendment to Exhibit B, to reflect changes to the Project's facilities approved by the Board. Exhibit A shall be updated by the Administrator or Executive Director as necessary to reflect any changes in the Members that occurs with the Board approval required herein for new Members or withdrawing Members.

8.3 Withdrawal. A Member may only withdraw from the Authority as follows:

8.3.1 Failure to Execute Interim Funding Agreement. In the event a Member does not execute the Interim Funding Agreement or other agreement provided under Section 7.7.2 to provide interim funding to the Authority within eight (8) weeks after that Member receives the execution version of that agreement, or such later date as the Board shall establish, or does not agree in writing to make the financial contributions described in Section 7.7.2 within twelve (12) weeks of receiving a written demand from the Authority for it do so, that Member shall be deemed to have withdrawn from the Authority and shall have no further rights or obligations under this Agreement, except as provided in Section 8.4.

8.3.2 Failure to Execute Service Agreement. In the event a Member decides not to proceed with the completion of its Service Agreement and provides written notice to the Authority of that decision, or does not execute its Service Agreement within twelve (12) weeks after that Member receives the execution version of that agreement, or such later date as the Board shall establish, that Member shall be deemed to have withdrawn from the Authority and shall have no further rights or obligations under this Agreement, except as provided in Section 8.4. The Authority shall not issue any Bonds until the later of: (a) all Service Agreements, and any other agreements with CCWD that are pre-requisites to execution of the Service Agreements, have been executed; or (b) the time for the last Member to execute its Service Agreement under this Section 8.3.2 has lapsed and either all other Members have executed their respective Service Agreements, or have been deemed to have withdrawn from the Authority by reason of their failure to timely execute the Service Agreement as provided in this Section 8.3.2.

8.3.3 Engineer's Estimate is Too Expensive. Subject to Section 8.3.8, in the event that a Member concludes the engineer's estimate for any work on a specific component of the Project is too expensive, then a Member may initiate a meet and confer process among the Members' respective staffs to discuss those cost issues, which meeting shall take place within thirty (30) days after the Member gives notice of its desire for that meeting. If upon conclusion of that meet and confer process the Member that initiated that process is not satisfied with the estimate, then that Member may withdraw from the Authority upon at least sixty (60) days' written notice to the other Members.

8.3.4 Withdrawal of Other Member. Subject to Section 8.3.8, in the event that another Member has withdrawn from the Authority under this Section 8.3 and the result of such withdrawals has made remaining in the Authority either cost prohibitive for a Member or adversely affects the operational feasibility of the Project for that Member, then any other Member may withdraw from the Authority upon at least sixty (60) days' written notice to the other Members.

8.3.5 Revocation or Unacceptable Conditioning of State or Federal Funding. In the event the State of California or the federal government withdraws any previously approved funding for a specific component of the Project or conditions such funding in a manner a Member deems unacceptable prior to the first to occur of: (i) the time when the Authority first issues any Bonds for capital costs associated with the Project, or (ii) the Authority executes the Final Funding Agreement, then any Member may withdraw from the Authority upon at least sixty (60) days' written notice to the other Members.

8.3.6 Unacceptable Permit Conditions. Subject to Section 8.3.8, in the event any entity or jurisdiction whose approval must be obtained to design, construct, or operate a specific component of the Project conditions its approval in a manner a Member deems unacceptable, such Member may withdraw from the Authority upon at least sixty (60) days' written notice to the other Members.

8.3.7 Water Supply Conditions for Withdrawal. Subject to Section 8.3.8, in the event a Member determines that it cannot timely obtain: (i) long-term water supply for the Project, including any necessary water rights, upon terms it finds reasonable and consistent with its needs and objectives; (ii) any rights or entitlements needed to acquire or convey such a water supply; or (iii) agreements with the California Department of Water Resources, the South Bay Aqueduct (SBA) Contractors or any other entity to allow for the conveyance of water supplies through the SBA or other conveyance facility for use by the Member or any of its wholesale customers, that Member may withdraw from the Authority upon at least sixty (60) days' written notice to the other Members.

8.3.8 Approval once Bonds are Issued or Final Funding Agreement is Executed. Notwithstanding the foregoing subsections in this Section 8.3, after the first to occur of: (i) the Authority first issues any Bonds for capital costs associated with the Project, or (ii) the Authority executes the Final Funding Agreement, then a Member may withdraw from the Authority only if (a) approved by at least seventy-five percent (75%) of the total number of Directors, who must find and determine in connection with such approval that there would be no adverse and material effect, as defined in this Section 8.3.8, or (b) if some or all of the other Members have agreed to assume the withdrawing Member's obligations under such Bonds to finance Project facilities described on Exhibit B, and/or have agreed to assume the withdrawing Member's outstanding payment of capital costs to which it has committed in its Service Agreement. For purposes of this Section 8.3.8, "adverse and material effect" means any effect that would result in a downgrade or suspension on the rating of the Bonds or cause delays or increased costs with respect to construction of the Project. Where the withdrawal of a Member pursuant to this Section 8.3.8 does not occur with the approval of the Board in accordance with subdivision (a), then notwithstanding the assumption of the withdrawing Member's obligations with respect to any Bonds or payment of capital costs, as applicable, if the

Member or Members assuming those obligations fails or fail to make the assumed portion of any debt service payment or capital costs, as applicable, the withdrawing Member shall be obligated for any such shortfall in payment, for as long as such Bonds remain outstanding or until construction of the Project component has been completed, as applicable. Notwithstanding any withdrawal permitted under subdivision (b) of this Section 8.3.8, a Member, or its successor if applicable, shall remain obligated under this Agreement to make any payments with respect to any specific component of the Project to which that Member previously committed, either as self-funded or under any Bonds. Such a withdrawing Member shall have no obligation under this Agreement for any financial commitments for any specific component of the Project in which the withdrawing Member did not commit to participate prior to its withdrawal. The Authority shall not issue Bonds for any specific component of the Project before all construction bids for that component have been received and any meet and confer process undertaken pursuant to Section 8.3.3 has concluded.

8.4 Effect of Withdrawal.

8.4.1 A withdrawal from the Authority constitutes a withdrawal of that Member's representative Director from the Board and from any committee on which that Director is serving, including in the event a Member's obligations under any Bonds have been assumed by another Member as stated in Section 8.3.8, above, so that the assuming Member does not obtain a second Director position by reason of its assumption of those obligations. If at any time there are only two (2) Members, any desired withdrawal shall be subject to the termination provisions of this Agreement. Unless otherwise agreed upon by all of the remaining Members, the withdrawal of a Member shall not terminate its responsibility to contribute its share of any obligation incurred by the Authority on or before the date the withdrawing Member gives written notice of intent to withdraw, as determined by the Board based upon that Member's obligations under the Interim Funding Agreement, its respective Service Agreement (if the Member has executed that agreement), or otherwise under this Agreement, or to perform any other obligation arising from a separate agreement or other legally binding obligation, including amounts determined by the Board for (1) liabilities and claims accrued during the time prior to that Member giving written notice of intent to withdraw, or is deemed to have withdrawn (including any future obligations arising from retirement benefits for past and existing employees of the Authority, if any), or (2) budgeted expenses for the Budget period in which notice of intent to withdraw is given. A withdrawing Member therefore shall remain obligated to pay its portion of debt service on any outstanding obligations for which such Member was obligated to pay prior to withdrawal, or remain obligated to pay any portion of ongoing capital costs for a Project component in which the withdrawing Member was participating prior to such withdrawal.

8.4.2 Except as the withdrawing Member may agree in writing with the Authority, the withdrawing Member shall automatically relinquish all rights as a Member under this Agreement, on the effective date of the withdrawal and shall not accrue any financial obligations under this Agreement or any other Project-related agreement after the date that notice of intent to withdraw is given. The withdrawing Member's share of Project rights and benefits shall be distributed among the remaining Members in proportion to their allocations of such rights and benefits as of the effective date of the withdrawal, unless the Members otherwise agree to a different distribution; provided, however, that the distribution of the withdrawing Member's share of Project rights and benefits shall not occur until such time as the Board confirms the proportionate distribution of those rights and benefits or approves the plan for such distribution.

8.4.3 For any Member that has self-funded any financial obligation to the Authority for a specific component of the Project and subsequently withdrawn from the Authority, the Board shall determine an equitable allocation of such monies previously paid to the Authority and return to that withdrawing Member any uncommitted funds, provided that any such refund may be structured to ensure it does not materially adversely impact the Authority's financial condition. The Board's determination of that equitable allocation shall take into consideration the amount of Project costs that have been paid through payment of principal under any Bonds issued in the period since the withdrawing Member self-funded its financial obligation.

8.5 Disbursement Upon Termination; Post-Termination Liabilities. Upon termination of this Agreement and after payment of all liabilities, costs, expenses, and charges validly incurred under this Agreement, the Board may, in its discretion and by a unanimous vote of the then-current Directors, distribute all remaining assets of the Authority based on an apportionment the Board deems equitable. In the event the Board cannot reach a unanimous vote on that distribution, then the Members shall proceed in accordance with Section 11.2 to attempt to resolve any disputed issue in connection with the distribution of assets. Any further liabilities of the Authority that may accrue after termination of this Agreement shall be allocated among the former Members in the same proportion as the Authority's expenses are allocated under the Budget at the time of the termination; provided that the Board shall take into consideration any non-monetary contributions Grassland Water District may provide with respect to its share of such liabilities.

ARTICLE 9
BREACH AND MEMBERSHIP TERMINATION

9.1 Compliance with Agreement. Each Member shall comply with the terms of this Agreement and fulfill its obligations hereunder, as well as under its Service Agreement, including all financial obligations it undertakes in connection with the Project.

9.2 Breach of Agreement. Subject to the one-year suspension period under Section 7.13 as to any Member's failure to appropriate adequate funds to meet its financial obligations, in the event the Board determines a Member has breached any obligation under this Agreement by failing to perform any obligation hereunder or failing to pay any required contribution, payment or advance, the Authority shall give that Member written notice of that breach and an opportunity for sixty (60) days to cure that breach, or such longer period of time as the Board determines is reasonable, in its sole and absolute discretion, to cure the breach. If that Member fails to cure that breach within that sixty (60) day or longer period, then that Member may have its rights under this Agreement terminated and may be excluded from further participation in the Authority by the vote of at least three-quarters (seventy-five percent (75%)) of the total number of Directors. Any such termination shall be deemed a withdrawal from the Authority for the purposes of Section 8.4, and such defaulting Member shall continue to be liable for its obligations to the extent and as provided in Section 8.4, including, but not limited to, such defaulting Member's obligation to pay its share of any debt service on any outstanding Bonds, or its share of any capital costs relating to a specific Project component. Notwithstanding the foregoing, if the Member's breach relates to a failure to pay administrative and/or operational expenses, that Member shall not be subject to termination until such time as that Member's funds held by the Authority as administrative and/or operational reserves are exhausted. For the purposes of this Section 9.2, any failure by a Member to appropriate adequate funds in any Fiscal Year to meet that Member's obligation under its Service Agreement or other financial obligations under this Agreement, including as described in Section 7.12.1, above, as to SFPUC, is not a breach of this Agreement.

9.3 Enforcement. Subject to the one-year suspension period under Section 7.13 as to any Member's failure to appropriate adequate funds to meet its financial obligations, if a Member defaults in any undertaking contained in this Agreement, that default shall not excuse such Member or any other Member from fulfilling its obligations under this Agreement and each Member shall continue to be liable for the performance of all conditions herein contained. Each Member hereby declares that this Agreement is entered into for the benefit of the Authority created hereby and for each Member and hereby grants to the Authority the right to enforce by whatever means, legal and equitable, the Authority deems appropriate in consideration of all obligations of each of the Members hereunder. The foregoing provisions in this Section 9.3 do not pertain to any failure by a Member to appropriate adequate funds in any Fiscal Year to meet the its obligation under its Service Agreement or other financial obligations under this Agreement, including as described in Section 7.12.1, above, as to SFPUC. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

ARTICLE 10
SPECIAL PROVISIONS

10.1 Insurance. The Authority shall maintain types and levels of insurance coverage for the Authority as the Board determines to be reasonably adequate.

10.2 Liability of Authority and Members.

10.2.1 To the full extent authorized by Government Code Section 6508.1, the debts, liabilities, and obligations of the Authority, with the exception of retirement liabilities of the Authority if the Authority contracts with a public retirement system, shall be the debts, liabilities, and obligations solely of the Authority and not the debts, liabilities, and obligations of any of the Members or any of their respective members, officers, directors, employees, or agents. The Authority, its Directors, officers, employees, staff, and agents shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement.

10.2.2 No Member, its officers, directors, or employees shall be responsible for any action taken or omitted by any other Member, or its members, officers, directors, or employees. To the extent allowed by law, the Members repudiate the provision for joint and several tort liability provided under Government Code Section 895.2, and agree, pursuant to Government Code Section 895.4, that each Member shall fully indemnify and hold harmless each other Member and its agents, officers, employees, and contractors from and against all claims, damages, losses, judgments, liabilities, expenses, and other costs, including litigation costs and attorney fees, arising out of, resulting from, or in connection with any negligent or wrongful act or omission of such Member in the performance of this Agreement, and the Members intend that each Member provide indemnity or contribution in proportion to that Member's responsibility for any such claim, damage, loss, judgment, liability, expense or other cost, as determined under principles of comparative negligence.

10.3 New Members. It is recognized that public agencies other than the original Members to this Agreement may wish to participate in the Authority. As determined by the Board of Directors, in its sole discretion, any such public agency must have the common powers specified in Recitals A and B, above, must be located within the Project Service Area, must be credit worthy, and must provide benefits to the Project and other Members. Any proposed new Member must meet all established principles or requirements adopted by any Member with respect to potential participation in the Project that are in effect at the time the proposed new Member applies to become a Member. Additional public agencies may become Members upon such terms and conditions as approved by at least a simple majority vote of the Board, including establishment of an appropriate cost allocation for that new Member and payment by the new Member of an acceptable financial contribution to offset prior expenses incurred by the existing Members in developing and operating the Project. Any new Member must be approved by at least a simple majority of the governing boards of the existing Members of the Authority, evidenced by the execution of a written amendment to this Agreement signed by the new Member.

10.4 Retirement System. The Authority shall not enter into a contract with the California Public Employees' Retirement System or any other public retirement system without the unanimous approval of the Board and ratification by all of the governing bodies of the Members. The Members acknowledge that if the Authority enters into any such contract, as referenced in Section

10.2, above, the Members may have responsibility under Government Code Section 6508.2 for the Authority's retirement liabilities in the event this Agreement is terminated or the Authority terminates that contract. In such a situation, the Members shall attempt to reach mutual agreement on the allocation of those liabilities among the Members, and understand that if they are unable to reach such a mutual agreement, those liabilities shall be allocated among the Members in the same proportion as the Authority's expenses are allocated under the Budget at the time of the termination of this Agreement or of the retirement system contract.

10.5 Indemnity by the Authority. The Authority shall indemnify, defend and hold harmless the Board, the individual Members, and their members, officers, directors, employees, and agents from and against any and all liability, loss, damages, expenses, costs (including, without limitations, costs and fees of litigation or arbitration) of every nature, arising out of any act or omission related to this Agreement, except such loss or damage which was caused by the negligence or willful misconduct of any individual Member, or their members, officers, directors, employees, and agents. The Authority's duty to indemnify each Member pursuant to this Agreement shall survive that Member's withdrawal from the Agency.

10.6 Conflict of Interest Code. The Authority shall, by resolution, adopt a conflict of interest code as required by law.

10.7 No Policy Advocacy. The Authority shall only engage in policy advocacy or legislative, lobbying, or governmental affairs activities directly related to the Project, including third party funding and financial issues. Such functions may also be performed by individual Members in their sole discretion.

ARTICLE 11
MISCELLANEOUS PROVISIONS

11.1 Severability. If any section, clause or phrase of this Agreement or the application thereof to any Member or any other person or circumstance is for any reason held to be invalid by a court of competent jurisdiction, it shall be deemed severable, and the remainder of the Agreement or the application of such provisions to any other Member or to other persons or circumstances shall not be affected thereby. In the event a provision is held to be invalid, the Members shall work in good faith to restore the intent of any provision that held to be invalid. Each Member hereby declares that it would have entered into this Agreement, and each subsection, sentence, clause and phrase thereof, irrespective that one or more sections, subsections sentences, clauses or phrases or the application thereof might be held invalid.

11.2 Dispute Resolution. If a dispute arises as to the construction, interpretation or implementation of any portion of this Agreement or any matters that arise in connection with this Agreement, the Members in dispute (including the Authority if the dispute is between one or more Members and the Authority, in which case the Board shall determine who will represent the Authority in the meet and confer and mediation processes) shall meet and confer in person in an attempt to resolve that dispute within thirty (30) days of a Member or the Authority giving the other Members or the Authority notice of the dispute. If the Members or the Authority cannot resolve the dispute through that meet and confer process, the Members or the Authority in dispute shall proceed to non-binding mediation of the dispute in front of an independent, neutral mediator agreed to by those Members or the Authority, unless they both agree to waive that mediation. If the Members or the Authority in dispute cannot agree upon a mediator, the mediation service selected shall choose the mediator. The Members or the Authority in dispute shall equally divide and pay the mediation costs.

11.3 Notices. Notices required or permitted hereunder shall be sufficiently given if made in writing and delivered either personally, by registered or certified mail, postage prepaid, by nationally-recognized overnight courier, or by e-mail to the respective Members, at the addresses provided in Exhibit C attached hereto. With respect to delivery by e-mail, any such e-mail message shall be sent using a system that provides reasonable assurance: (i) that the message was sent; (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient, along with a verifiable electronic record of the exact content of the message sent. The Members may from time to time change the address to which notice may be provided by providing notice of the change to the other Members.

11.4 Consent. Whenever in this Agreement or in any amendment thereto consent or approval is required, the same shall not be arbitrarily or capriciously withheld or delayed.

11.5 Other Agreements Not Prohibited. Other agreements by and between the Members or any other entity are neither prohibited nor modified in any manner by execution of this Agreement.

11.6 Section Headings. The section headings herein are for convenience of the Members only, and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions or language of this Agreement.

11.7 Governing Law; Venue. Any judicial action or proceeding that relates to the Agreement, the Authority or the Project between or among any or all of the Members and/or the Authority shall be initially brought in Contra Costa County Superior Court and will be transferred to a neutral venue. The litigants shall attempt to stipulate to a mutually agreeable neutral venue, and if unable to agree will resolve any venue dispute through a motion to transfer brought pursuant to California Code of Civil Procedure section 394. The parties to any litigation will support transfer to a neutral venue and will not object to transfer to a neutral venue.

11.8 Construction of Language. It is the intention of the Members that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid. Additionally, any dispute concerning determination of an "adverse and material effect" pursuant to Section 3.3.4 shall be determined under an arbitrary and capricious standard in connection with the affected Member's exercise of its veto right.

11.9 Cooperation. The Members recognize the necessity and hereby agree to cooperate with each other in carrying out the purposes of this Agreement.

11.10 Successors. Subject to Section 11.11, this Agreement shall be binding upon and shall inure to the benefit of the successors of the Members.

11.11 Assignment. A Member may not assign its membership in the Authority without the consent of all of the other Members. Any assignment of a membership in the Authority made under this Section 11.11 upon the consent of all of the other Members will not result in the novation of the assignor Member's obligations with respect to this Agreement, the Member's Service Agreement or any other agreement which may obligate the assignor Member, unless such novation is agreed to in writing by such consenting Members, the assignee and the assignor Member. Notwithstanding the foregoing, a Member may assign its rights to utilize the Project in accordance with the provisions of its Service Agreement and any applicable Facilities Usage Agreement; but in such a case, the assignor Member that holds those rights will remain obligated for the payment of debt service, capital costs or operating expenses to the extent such costs are not paid by the assignee. In addition, any such assignment of rights to use of the Project must be consistent with the Project's permits and approvals and be limited to use within the Project Service Area.

11.12 Enforcement. The Authority is hereby authorized to take any and all legal or equitable actions, including but not limited to an injunction and specific performance, necessary or permitted by law to enforce this Agreement.

11.13 Integration. This Agreement constitutes the full and complete Agreement of the Members regarding the creation and administration of the Authority.

11.14 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

SIGNATURES ON FOLLOWING PAGE(S)

IN WITNESS WHEREOF, the Members have caused this Joint Exercise of Powers Agreement to be executed and attested by their proper officers thereunto duly authorized on the day and year set forth below.

______________________________________ ____________________

Robert Shaver, General Manager — Date
Alameda County Water District

______________________________________ ____________________

Approved as to Form: — Date
Patrick Miyaki, General Counsel

______________________________________ ____________________

__________________, — Date
California Department of Water Resources

______________________________________ ____________________

Approved as to Form: — Date
______________, Deputy Attorney General

______________________________________ ____________________

Stephen J. Welch, General Manager — Date
Contra Costa Water District

______________________________________ ____________________

Approved as to Form: — Date
Douglas E. Coty, General Counsel

______________________________________ ____________________

Clifford C. Chan, General Manager — Date
East Bay Municipal Utility District

______________________________________ ____________________

Approved as to Form: — Date
_____________, General Counsel

Ric Ortega, General Manager
Grassland Water District

Date

Approved as to Form:
Ellen Wehr, General Counsel

Date

Michael Carlin, Acting General Manager
San Francisco Public Utilities Commission

Date

Approved as to Form:
_________________, Deputy City Attorney
San Francisco

Date

Federico Barajas, Executive Director
San Luis & Delta-Mendota Water Authority

Date

Approved as to Form:
Rebecca Akroyd, General Counsel

Date

Rick Callender, General Manager
Santa Clara Valley Water District

Date

Approved as to Form:
___________, General Counsel

Date

Valerie Pryor, General Manager
Zone 7 Water Agency

Date

Approved as to Form:
_______________, General Counsel

Date

____
California Department of Water Resources

Date

Approved as to Form:
_______________, _________________

Date

EXHIBIT A

AUTHORITY MEMBERS

- Alameda County Flood Control & Water Conservation District, Zone 7
- Alameda County Water District
- Contra Costa Water District (to include City of Brentwood*)
- East Bay Municipal Utility District
- Grassland Water District
- Santa Clara Valley Water District
- San Francisco Public Utilities Commission (to include Bay Area Water Supply & Conservation Agency*)
- San Luis & Delta-Mendota Water Authority, consisting of:
    - Byron-Bethany Irrigation District
    - Del Puerto Water District
    - Panoche Water District
    - Westlands Water District

  [NOTE: The number and list of SLDMWA-member agencies participating through SLDMWA may change without requiring amendment of this Exhibit A or the Agreement]
- Department of Water Resources (ex officio, non-voting pursuant to Water Code Section 79759(b))

*The City of Brentwood and the Bay Area Water Supply & Conservation Agency are not signatory parties to the JPA, and are not bound by, and do not independently benefit from, its terms and conditions. Rather, these parties contract for project benefits through their wholesale providers.

EXHIBIT B

LIST OF FACILITIES*

No.	Description	Type	Builder	Operator
1	Los Vaqueros Dam Raise	New Facility	CCWD	CCWD
2	Neroly High-Lift Pump Station	New Facility	CCWD	CCWD
3	Transfer Facility Expansion	New Facility	CCWD	CCWD
4	Transfer-Bethany Pipeline	New Facility	CCWD	CCWD
5	Los Vaqueros Recreation Facilities	Modified Facility	CCWD	CCWD
6	Rock Slough PP#1 Replacement	Modified Facility	CCWD	CCWD
7	Transfer Facilities Improvements	Modified Facility	CCWD	CCWD
8	Mokelumne Aqueduct Lining	Modified Facility	EBMUD	EBMUD
9	Walnut Creek VFDs	New Facility	EBMUD	EBMUD
10	Mokelumne Aqueduct	EBMUD-Provided Facility	EBMUD is responsible for construction, operation, and maintenance and is compensated through the EBMUD Facilities Usage Agreement	
11	Freeport Intake	EBMUD-Provided Facility		
12	Walnut Creek Pumping Plant	EBMUD-Provided Facility		
13	EBMUD-CCWD Intertie	CCWD-Provided Facility	CCWD is responsible for construction, operation, and maintenance and is compensated through the CCWD Facilities Usage Agreement	
14	Los Vaqueros Dam	CCWD-Provided Facility		
15	Los Vaqueros Pipeline	CCWD-Provided Facility		
16	Middle River Intake	CCWD-Provided Facility		
17	Middle River Pipeline	CCWD-Provided Facility		
18	Old River Intake	CCWD-Provided Facility		
19	Old River Pipeline	CCWD-Provided Facility		
20	Rock Slough Facilities	CCWD-Provided Facility		
21	Transfer Pipeline	CCWD-Provided Facility		

*This Exhibit B lists those facilities that have been included in various Project application and agreement documents. Some facilities listed on Exhibit B will provide differing levels of benefits (or no benefits) to certain

Members. The Service Agreements and Facilities Usage Agreements will address those specific levels of benefits and related cost allocations. Facilities listed in this Exhibit B are subject to modification as to the nature and type of the facility, and additional facilities may be added to Exhibit B prior to JPA formation as circumstances may warrant, including obtaining of additional state or federal grant funding. No rights to the use of any facility are provided by reason of the listing of that facility on Exhibit B. Such rights of use are only provided through the Facilities Usage Agreements and Service Agreements to be entered into.

EXHIBIT C

MEMBER ADDRESSES

Member	**Addresses**
Alameda County Water District	43885 S. Grimmer Blvd., Fremont, California 94538
California Department of Water Resources	1416 9th Street, Room 1115-1, Sacramento, California 95814 P. O. Box 942836, Room 1115-1, Sacramento, California 94236-0001
Contra Costa Water District	1331 Concord Avenue, Concord, California 94520 P.O. Box H20 Concord, California 94524
East Bay Municipal Utility District	375 Eleventh Street, M.S. 407, Oakland, California 94607
San Luis & Delta Mendota Water Authority	15990 Kelso Road, Byron, California 94514 P.O. Box 2157, Los Baños, California 93635
Grassland Water District	200 W. Willmott Avenue, #5501, Los Baños, California 93635
San Francisco Public Utilities Commission	525 Golden Gate Avenue, 10th Floor San Francisco, California 94102
Santa Clara Valley Water District	5750 Almaden Expressway, San Jose, California 95118
Zone 7 Water Agency	100 N. Canyon Parkway, Livermore, California 94551

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Water Storage Exploratory Committee
July 19, 2021

Los Vaqueros Expansion Project

Valley Water

Local Agency Partners (LAPs)

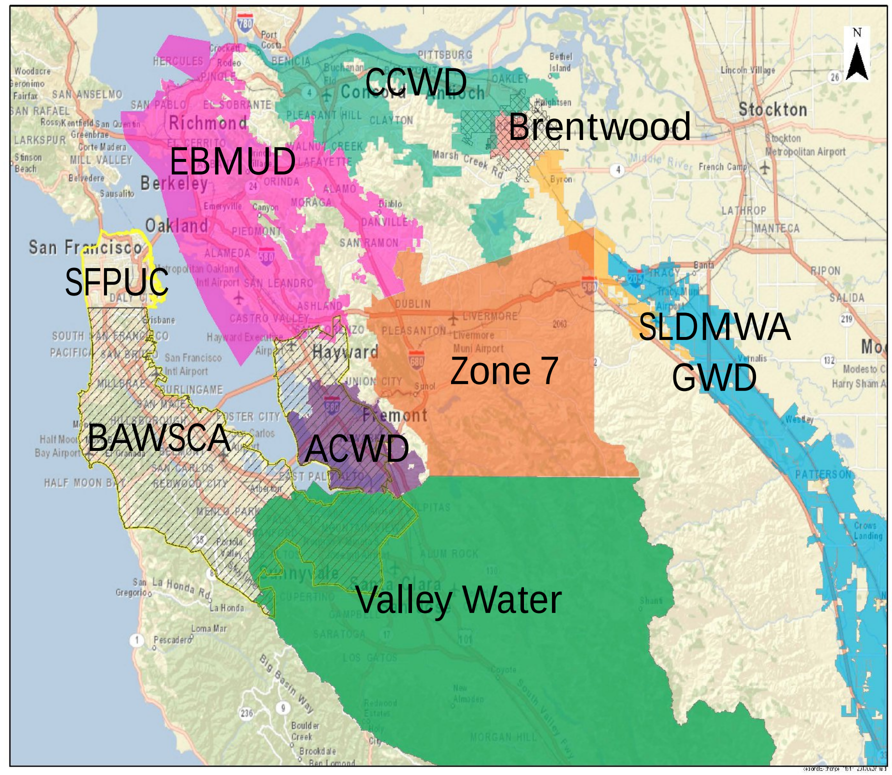
2

Alameda County Water District
Contra Costa Water District
- City of Brentwood

Grassland Water District
East Bay Municipal Utility District
San Francisco Public Utilities Commission
- Bay Area Water Supply and Conservation Agency

San Luis & Delta-Mendota Water Authority
- Byron-Bethany Irrigation District
- Del Puerto Water District
- Panoche Water District
- Westlands Water District

Valley Water
Zone 7 Water Agency



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JPA Timeline

3

- July 19, 2021 – Legal Work Group Meeting (JPA development)
- July 26-29, 2021 - Further Legal Work Group Meeting (to be scheduled)
- July 29, 2021 - General Managers Meeting
- Late summer 2021 - Member approval of JPA (requested)
- Late summer 2021 – Member approval of 3rd Amendment to Cost Share Agreement (requested)
- October 20, 2021 (tentative) – California Water Commission (CWC) Feasibility Hearing

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JPA TIMELINE

4

- First JPA Board Meeting – within 60 days of effective date of JPA Agreement

- Post JPA Formation:

  o Development of Interim Funding Agreement
  o Development of Facilities Usage Agreements
  o Development of Service Agreements
  o Development of Potential Related Activity Agreements

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JPA TIMELINE

- Late 2022 – Execution of Service Agreements
- Late 2022 – Execution of Facilities Usage Agreements with CCWD and EBMUD
- Late 2022 – Execution of Final Funding Agreement with CWC
- 2023 - Construction is expected to start on the initial LVE Project elements
- 2023 – 2025: Construction of Transfer-Bethany Pipeline
- 2027 – 2029: Construction of dam raise, pumping facilities, and other conveyance improvements
- 2030: LVE Project completion

Valley Water

Usage Fees

- Project requires use of existing Contra Costa Water District (CCWD) facilities to convey water
- CCWD proposed a method for calculating fees for using their facilities late in 2018
- Independent review of the proposed fees was conducted (12/19)
- Multiple rounds of Member comments and input
- Progress was made on several usage fees components, but disagreement remains on certain issues

Usage Fees

- ❑ Letter of Intent Concerning Development of Usage Fees for CCWD Facilities executed in March 2019
- ❑ Expressed intent/agreement of CCWD and LAPs to negotiate in good faith the usage fee
- ❑ CCWD Proposed Usage Fees Version Feb. 2021 and table of LAP comments will serve as the basis for continued negotiations (See Attachment 2 to A. Baker 7/1/21 memo to Board)
- ❑ Resolution through future Facilities Usage Agreement

JPA AGREEMENT – KEY TERMS

- Capacity Usage Rights (sec. 1.1.8)
  - JPA's rights to Project water transmission and storage capacity, which the Authority may then assign to each Member under the terms of the Service Agreements

Valley Water

JPA AGREEMENT – KEY TERMS

- Costs of Service (sec. 1.1.11)
  - To be fully described and specified in Service Agreements or any Related Activity Agreements
  - Includes:
    - Project capital costs and operating expenses
    - Debt service
    - Amounts payable to CCWD/EBMUD under Facilities Usage Agreements
    - O&M costs of Project or Related Activity
    - JPA Administrative Expenses
    - Capital Reserve Payments / Renewal-Replacement Fund Payments

Valley Water

JPA AGREEMENT – KEY TERMS

- Facilities Usage Agreement

  - Developed post-JPA formation
  - Entered into between JPA and CCWD for CCWD provided facilities and any New Facilities and Modified Facilities where CCWD is the operator
  - Entered into between JPA and EBMUD for EBMUD provided facilities and any New Facilities and Modified Facilities where EBMUDs the operator
  - Shall provide JPA with Capacity Usage Rights
  - JPA may assign its Capacity Usage Rights to Members through Service Agreements

Valley Water

JPA AGREEMENT – KEY TERMS

- New Facilities (sec. 1.1.24)
  - Facilities necessary to the Project that are to be financed by JPA
  - Listed in Exhibit B to JPA Agreement
  - Includes Transfer-Bethany Pipeline
  - JPA responsible for all costs/liabilities
  - JPA may own New Facilities
  - New Facilities owned by JPA may be operated by a Member or by the JPA, as the JPA Board shall determine with written agreement of the Member to be charged with operational responsibility

Valley Water

JPA AGREEMENT – KEY TERMS

- Related Activity (sec. 1.1.29)
  - An effort not of general benefit to all Members undertaken through JPA by a subset of Members
  - Only participating Members receive benefits/incur financial or other obligations
- Related Activity Agreement (sec. 1.1.30)
- Establishing Related Activity requires approval of a majority of the Board (sec. 6.1)

Valley Water

JPA AGREEMENT – KEY TERMS

- Service Agreement (sec. 1.1.34)
  - Agreement between JPA and Member providing Services (1.1.33) to Member
  - Sets forth payments or other non-monetary benefits from Member to JPA
  - Intent that Costs of Service be in proportion to Members' anticipated use of Project facilities and other benefits Member derives from Project in accordance with its share of Capacity Usage Rights
  - Intent that Service Agreements allocate costs in a manner to negate any cross-subsidy among Members.

Valley Water

JPA AGREEMENT

- Board of Directors (Article 2)
  - Appointed within 30 days of effective date of JPA Agreement
  - First Board meeting within 60 days after effective date of JPA Agreement
  - Member of an Member's governing body or a management level employee
  - No compensation from JPA for service
  - May develop bylaws (sec. 2.4)
  - Meetings conducted pursuant to the Brown Act (sec. 3.2);
  - Voting rights (sec. 3.3)

Valley Water

JPA AGREEMENT

- Veto Rights of EBMUD and CCWD (sec. 3.3.4)
  - Greatly modified following input from Valley Water and others
  - Triggered by "adverse and material effect" on a CCWD or EBMUD Provided Facility (secs. 1.1.10, 1.1.16)
  - "Adverse and material effect" defined in sec. 3.3.4.4
    - Unreasonable increase in affected Member's operational costs;
    - Decreased capacity of the subject facility;
    - Decision that would materially restrict affected Member in operation of subject facility or ability to provide an adequate water supply in its service area; or
    - Decision that would result in a material adverse impact on the quality of water conveyed from the Project

Valley Water

JPA AGREEMENT

- CCWD/EBMUD Veto Rights (continued)
  - Once veto raised, JPA can either not proceed with the action or proceed and start meet and confer process
  - Member using veto must provide evidence to support the "adverse and material effect"
  - New requirement for Member's Board resolution to state specific findings of "adverse and material effects"

JPA AGREEMENT

- JPA Officers and Employees (Art. 4)
  - Chair (sec. 4.1)
  - Vice-Chair (sec. 42)
  - Secretary (sec. 4.3)
  - Treasurer and Auditor/Controller (sec. 4.4)
  - Administrator (sec. 4.5)
  - Executive Director (sec. 4.6)
  - Authority Attorney (sec. 4.7)
  - Program Manager (sec. 4.8)
  - Water Supply Manager (sec. 4.9)

Valley Water

JPA AGREEMENT

- One-year suspension (7.13)
  - JPA may suspend all benefits to a Member where the Member has failed to appropriate adequate funds in any fiscal year to meet that Member's financial obligations under Agreement;
  - Developed as a result of San Francisco Charter provisions in sec. 7.12
  - Deemed withdrawal after one year
  - Sections 7.12 and 7.13 still under development

JPA AGREEMENT

- Withdrawal and Offramps (secs. 8.3-8.4)
  - Failure to execute Interim Funding Agreement (8.3.1)
  - Failure to execute Service Agreement (8.3.2)
  - Engineer's Estimate too Expensive (8.3.3)
  - Withdrawal of other Members (8.3.4)
  - Revocation of state or federal funding or unacceptable funding conditions (8.3.5)

Valley Water

JPA AGREEMENT

- Withdrawal and Offramps (cont.)
  - Unacceptable permit conditions (8.3.6)
  - Insufficient water supply or water rights (8.3.7)
  - Once bonds issued or Final Funding Agreement is executed, with approval of JPA (75%), so long as remaining Members assume departing Member's share of benefits and obligations
  - Ongoing financial obligations absent approval of JPA (8.4)

JPA AGREEMENT

Other provisions of interest?

Questions?

Valley Water

Valley Water

File No.: 21-0809 **Agenda Date:** 7/19/2021
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:
Pacheco Reservoir Expansion Project - Fire Suppression and Prevention

RECOMMENDATION:
Receive and discuss information regarding the Pacheco Reservoir Expansion Project (PREP) with respect to topics related to fire suppression and wildfires. This is an information-only item, however, action may be taken by the Committee, if deemed necessary.

SUMMARY:
The Draft Environmental Impact Report includes a Chapter on Wildfire that describes the fire history, severity zone, threat, suppression access, evacuation routes, regulations, policies, and laws that apply to the PREP site and surrounding area. The project team has been communicating with the California Department of Forestry and Fire Protection (CAL FIRE) on several topics and will continue with coordination of project features, fire mitigation plans, and best management practices. The PREP will introduce some incidental improvements to fire suppression and prevention in the area with a significant reduction of fuel (dry grass, shrubs, trees), increased water availability, and the reservoir acting as a firebreak.

ATTACHMENTS:
None.

UNCLASSIFIED MANAGER:
Christopher Hakes, 408-630-3796

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Santa Clara Valley Water District

File No.: 21-0810

Agenda Date: 7/19/2021
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:
CAL FIRE Presentation.

RECOMMENDATION:
Receive information from CAL FIRE. This is an information-only item; however, action may be taken as the Committee deems appropriate.

SUMMARY:
Santa Clara Valley Water District's CEO asked the Water Storage Exploratory Committee to add a discussion item on extreme emergency water supply for fire suppression in the County and invite Cal Fire for a presentation to explain their needs.

The Committee will receive a special presentation from Assistant Chief Dwight Good of CAL FIRE, Santa Clara Unit, the topics may include fuel reduction work in flood control channels, ponding basins, and needed improvements, safety for firefighters and residents, lowering insurance premiums and ensure that effective firefighting water supplies are available when and where needed.

ATTACHMENTS:
None

UNCLASSIFIED MANAGER:
Gregory Williams, 408-630-2867

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File No.: 21-0811 **Agenda Date:** 7/19/2021
Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:
Review Water Storage Exploratory Committee Work Plan and the Committee's Next Meeting Agenda.

RECOMMENDATION:
Review the Committee's Work Plan to guide the Committee's discussions regarding policy alternatives and implications for Board deliberation.

SUMMARY:
The Committee's Work Plan outlines the Board-approved topics for discussion to be able to prepare policy alternatives and implications for Board deliberation. The work plan is agendized at each meeting as accomplishments are updated and to review any work plan assignments by the Board.

BACKGROUND:

Governance Process Policy-8:

The District Act provides for the creation of advisory boards, committees, or committees by resolution to serve at the pleasure of the Board.

Accordingly, the Board has established Advisory Committees, which bring respective expertise and community interest, to advise the Board, when requested, in a capacity as defined: prepare Board policy alternatives and provide comment on activities in the implementation of the District's mission for Board consideration. In keeping with the Board's broader focus, Advisory Committees will not direct the implementation of District programs and projects, other than to receive information and provide comment.

Further, in accordance with Governance Process Policy-3, when requested by the Board, the Advisory Committees may help the Board produce the link between the District and the public through information sharing to the communities they represent.

ATTACHMENTS:
Attachment 1: WSEC 2021 Work Plan

UNCLASSIFIED MANAGER:
Michele King, 408-630-2711

2021 Work Plan: Water Storage Exploratory Committee

Update: July 2021

The annual work plan establishes a framework for committee discussion and action during the annual meeting schedule. The committee work plan is a dynamic document, subject to change as external and internal issues impacting Valley Water occur and are recommended for committee discussion.

ITEM	WORK PLAN ITEM	MEETING	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
1	Standing Items: 1. Update on Los Vaqueros Reservoir Expansion Project (LVE) Transfer Bethany Pipeline (TBP) and Update on Management of South Bay Aqueduct (SBA) Facilities 2. Del Puerto 3. Water Banking Opportunities including but not limited to Pleasant Valley Water District 4. Pacheco/ San Luis Reservoir Low Point 5. Semitropic 6. Sites 7. B.F. Sisk Dam Raise Project 8. Shasta	2-26-2021 6-30-2021	• Receive quarterly reports on standing items. **(Information)**	**Accomplished February 26, 2021:** The Committee received updates on the following projects: Del Puerto; Staff is tracking this project Groundwater Banking: See Agenda 4.3. Semitropic: • annual operations requesting maximum contractual amount of 31,500 af of water (intend to meet request but are sensitive to the exchange capacity and potential limitations), • staff is working with closely with DWR, contacting other SBA Contractors and met with Semitropic Sites: No Report. B.F. Sisk Dam Raise Project: • December 18, 2020, Reclamation released final EIR/Supplemental EIS • December 30, 2020, Feasibility report approved by The Secretary of the Interior • Congress--eligible for funds under the WIIN Act. • Reclamation and The Authority continuing to work on Endangered Species Act compliance, permitting, preconstruction planning and • On target for project to begin in 2025 Shasta: No Report.

Yellow = Update Since Last Meeting
Blue = Action taken by the Board of Directors

ITEM	WORK PLAN ITEM	MEETING	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
				Accomplished June 30, 2021: The Committee received updates on the following projects: ***Del Puerto***: no updates. ***Semitropic:*** related to banking operations up to May 1st took out 9,274 af scheduled to take an additional 1,162 af in June, through calendar 2021 scheduled to take 35,000 af, uncertainty related to takes but DWR's strong support of operation looks good. ***Sites:*** cost estimate updated, increased to $3.9 billion a 30% increase from previous estimates, current phase expires end of 2021, new phase beginning 2022 through December 2024, VW may be asked to and receive a participation agreement later in 2021. ***B. F. Sisk Dam Raise Project***: Reclamation and San Luis and Delta-Mendota Water Authority (Authority) continuing to work on Endangered Species Act, compliance and other permitting requirements, and doing preconstruction planning, the Office of Management and Budget (OMB) requested that the feasibility study be amended to include an updated cost estimate in the finalized transportation benefit analyses, also requiring that the Authority and Reclamation select an operational configuration to support our advice cost estimate for the program and that addendum to the feasibility study is due September 2021, expect discussions to pick up over the next few months, notice of determination and record of decision is expected in the Fall of this year and

ITEM	WORK PLAN ITEM	MEETING	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
				construction is slated for 2025 (schedule subject to change). Shasta: No updates. The Water Storage Exploratory Committee took no action, however, change Standing items Information to read Standing Items moving forward.
2	Review of 2021 Water Storage Exploratory Committee Work Plan	2-26-2021 6-30-2021	• Review the Committee's 2021 Work Plan.	**Accomplished February 26, 2021:** The Committee reviewed the Committee's 2021 work plan and took no action. **Accomplished June 30, 2021:** The Committee reviewed the Committee's 2021 work plan and the CEO asked that the Committee add a discussion item on extreme emergency water supply for fire suppression in the County and invite Cal Fire for a presentation to explain their needs.
3	Update on Delta Conveyance Project	2-26-2021	• Receive an update on Delta Conveyance Project.	**Accomplished February 26, 2021:** The Committee received a presentation from Ms. Carolyn (Carrie) Buckman of the California Department of Water Resources (DWR) and took no action.
4	Update on Los Vaqueros Reservoir Expansion Project: (Joint Powers Authority, Usage Fee Letter of Intent, and Investment Scenarios)	2-26-2021	• Receive, discuss, and provide feedback regarding the creation of a Joint Powers Authority for the construction and operation of the Los Vaqueros Reservoir Expansion Project, Draft Letter of Intent regarding usage fees and Investment scenarios.	**Accomplished February 26, 2021:** The Committee received an update and discussed the creation of a Joint Powers Authority for the construction and operation of the Los Vaqueros Reservoir Expansion Project, Draft Letter of Intent regarding usage fees and Investment scenarios and took no action.

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2021 Work Plan: Water Storage Exploratory Committee

Update: July 2021

ITEM	WORK PLAN ITEM	MEETING	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
5	Groundwater Bank Update (Comparison Matrix)	2-26-2021 6-30-2021	• Receive and discuss information regarding potential groundwater storage projects. (Comparison Matrix)	**Accomplished February 26, 2021:** The Committee received an update and discussed information regarding potential groundwater storage projects-Comparison Matrix and took no action. **Accomplished June 30, 2021:** The Committee received an update and discussed information regarding potential groundwater storage projects and took the following action: The Committee by roll call and unanimous vote approved that the Board request the CEO do a budget adjustment to hire a high-level staff person with a business development background and a water resources focus that can dedicate negotiating groundwater banking, storage, dam, and appropriate agreements.
6	Update on Pacheco Reservoir Financing, Partners, and Public Private Partnership	2-26-2021	• Receive update on Pacheco Reservoir Financing, Partners, and Public Private Partnership.	**Accomplished February 26, 2021:** The Committee received an update on Pacheco Reservoir Financing, Partners, and Public Private Partnership, and took no action.
7	Pacheco Reservoir Expansion Project Workshop Topics.	4-5-2021	• Receive a presentation on the Pacheco Reservoir Expansion Project Workshop topics.	**Accomplished April 5, 2021:** The Committee received a presentation on the Pacheco Reservoir Expansion Project Workshop topics and took no action, However, next steps staff will be working on are prioritizing partnerships and gathering as much information for the Board and Committee on Pacheco Reservoir as possible!

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2021 Work Plan: Water Storage Exploratory Committee

Update: July 2021

ITEM	WORK PLAN ITEM	MEETING	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
8	Sargent Ranch Discussion.	4-5-2021	• Discuss Sargent Ranch-special presentation	**Accomplished April 5, 2021:** The Committee received a presentation from Mr. Howard Justus on Sargent Ranch and took no action.
9	Pacheco Reservoir Expansion Project Update (San Luis Reservoir Low Point Projects)	6-30-2021 7-19-2021	• Receive and discuss information regarding the status of Pacheco Reservoir Expansion Project (San Luis Reservoir Low Point Projects)	**Accomplished June 30, 2021:** The Committee received an update on the Pache Reservoir Expansion Project and took the following action: The Committee by roll call and unanimous vote approved that the Board request the Chief Executive Officer (CEO) review the Pacheco Reservoir Expansion Project's efforts to date, all potential partnerships, and other project issues to ensure that this project is a priority by staff. Also, request the CEO consider reorganizing staff resources, if deemed appropriate, since the Board has approved this project as #2 priority. The Committee requested an update on this recommendation at the next meeting.
10	Update on Los Vaqueros Reservoir Expansion Project:	6-30-2021 7-19-2021	• Receive an update on Los Vaqueros Reservoir Expansion Project	**Accomplished June 30, 2021:** The Committee received an update on the Los Vaqueros Reservoir Expansion Project and took the following action: The Committee by roll call and unanimous vote approved request to have the Board form a User Group Ad Hoc Committee (non Brown Act) and suggested having at least 1 WSEC Director, appropriate staff representation, and potentially having 1 or 2 elected officials from each policy user agency to discuss the Los Vaqueros Reservoir Expansion Project JPA Agreement, usage, and other pertinent business terms.

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2021 Work Plan: Water Storage Exploratory Committee

Update: July 2021

ITEM	WORK PLAN ITEM	MEETING	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
11	CAL FIRE Presentation	7-19-2021	• Receive information from CAL FIRE.	

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