May 10, 2018

MEETING NOTICE

JOINT MEETING
SCVWD WATER STORAGE EXPLORATORY COMMITTEE
SAN BENITO COUNTY WATER DISTRICT
PACHECO PASS WATER DISTRICT

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

SBCWD Board Members of the Water Storage Exploratory Committee
   Director Sonny Flores
   Director John Tobias

PPWD Representatives
   Director Frank O’Connell, President
   Director Steve Lindsay

SCVWD Staff Support of the Water Storage Exploratory Committee
   Norma J. Camacho, Chief Executive Officer
   Nina Hawk, Chief Operating Officer, Water Utility
   Rick Callender, Chief of External Affairs
   Stanly Yamamoto, District Counsel
   Garth Hall, Deputy Operating Officer, Water Supply Division
   Katherine Oven, Deputy Operating Officer, Water Utility Capital Division
   Jerry De La Piedra, Water Supply Planning & Conservation Manager
   Cindy Kao, Imported Water Manager, Imported Water Unit
   Hemang Desai, Dam Safety Program Manager, Dam Safety Program & Project Delivery Unit
   Melih Ozbilgin, Senior Water Resources Specialist, Imported Water Unit
   Medi Sinaki, Senior Engineer – Water Quality
A joint meeting of the Santa Clara Valley Water District (SCVWD) Water Storage Exploratory Committee is to be held on **Thursday, May 17, 2018, at 2:00 p.m.** in the Conference Room located at the Casa de Fruta, 10031 Pacheco Pass Highway, Hollister, California 9502

Enclosed are the meeting agenda and corresponding materials. Please bring this packet with you to the meeting.

Enclosures
From District:
Go North on Almaden Expressway
Turn right onto Hwy 85 South
To Hwy 101 South to Gilroy
At exit 356, take ramp right and follow signs for CA-152 East
Turn left onto CA-152/East 10th St
Take ramp right and follow signs for Casa de Fruta Parkway
Turn right onto Casa de Fruta Pkwy
and then immediately turn left onto Pacheco Pass Hwy
Arrive at Pacheco Pass Hwy on the right
The last intersection is Casa de Fruta Pkwy
AGENDA

JOINT MEETING
SCVWD WATER STORAGE EXPLORATORY COMMITTEE
SAN BENITO COUNTY WATER DISTRICT
PACHECO PASS WATER DISTRICT

THURSDAY, MAY 17, 2018

2:00 P.M.

CASA de FRUTA
CONFERENCE ROOM
10031 PACHECO PASS HWY
HOLLISTER, CA  95023

Time Certain:

2:00 p.m. 1. Call to Order/Roll Call

2. Time Open for Public Comment on Any Item Not on the Agenda

   Comments should be limited to two minutes. If the Committee wishes to discuss a subject raised by the speaker, it can request placement on a future agenda.

3. Introductions

4. Approval of Minutes

   4.1 Approval of Minutes (approval by the SCVWD Pacheco Reservoir Exploratory Ad Hoc Committee) – September 14, 2017, meeting

5. Action Items:

   5.1 Review of the Water Supply Benefits and Costs of the Anderson Reservoir Seismic Retrofit Project (Katherine Oven)

   Recommendation: This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.
5.2 Update on the Proposed Pacheco Reservoir Expansion Project
   a. Update on the California Water Commission Review Process (Cindy Kao)
      Recommendation: This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

   b. Update on Communication with Agencies, Stakeholders and Interested Parties (Rick Callender)
      Recommendation: Receive updated information, and consider and recommend Board action on an agreement with Pacheco Pass Water District and San Benito County Water District.

   c. Consideration of Proposed Term Sheet with the District, San Benito County Water District and the Pacheco Pass Water District (Garth Hall)
      Recommendation: Staff is requesting the Committee to approve the Proposed Term Sheet.

   d. Update on Procurement for Engineering Design and Environmental Documentation, as well as Project Management (Katherine Oven)
      Recommendation: This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

5.3 Update on the Proposed Sites Reservoir Project (Cindy Kao)
   Recommendation: Receive and discuss information on the Sites Reservoir Project (Sites). This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

5.4 Update on the Los Vaqueros Expansion Project (Jerry De La Piedra)
   Recommendation: This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

5.5 Review of Other Potential Storage Projects including Temperance Flat Proposition 1 Application (Cindy Kao)
   Recommendation: This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

5.6. Review of 2018 Water Storage Exploratory Committee Work Plan and the Committee’s next meeting agenda (Committee Chair)
   Recommendation: Review the Committee work plan to guide the Committee’s discussions regarding policy alternatives and implications for Board deliberation.

6. Clerk Review and Clarification of Committee Actions
   This is a review of the Committee’s Actions (from Item 5).

7. Adjourn
WATER STORAGE EXPLORATORY COMMITTEE PURPOSE:
The purpose of the Water Storage Exploratory Committee will receive and discuss information on issues related to water storage options. The Committee representatives may assist their respective Board of Directors on policies and actions related to these matters.
A scheduled meeting of the Pacheco Reservoir Exploratory Committee was held on September 14, 2017, in the Board Room of the San Benito County Water District, 30 Mansfield Road, Hollister, California.

1. **CALL TO ORDER/ROLL CALL:**
   A meeting of the San Benito County Water District/Santa Clara Valley Water District Pacheco Pass Exploratory Committee was called to order at 3:00 p.m. on September 14, 2017 in the Board Room of the San Benito County Water District, 30 Mansfield Road, Hollister, California.

   San Benito County Water District (SBCWD) Board Members present were: Director Joe Tonascia (who was substituting for John Tobias) and Director Sonny Flores. SBCWD staff members in attendance were Jeff Cattaneo, Sara Singleton and Garrett Haertel.

   Santa Clara Valley Water District (SCVWD) Board Members present were: Director Gary Kremen and Director John L. Varela. SCVWD staff members in attendance were: Garth Hall, Melih Ozbilgin, Steve Woo, Michelle Conlon, Brian Hopper and Glenna Brambill.

   Also attending today’s meeting, were two members of the Pacheco Pass Water District; Director Frank O’Connell and Director Steve Lindsay.

2. **TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON AGENDA**
   There were no public comments.

3. **INTRODUCTIONS**
   San Benito County Water District, San Benito County Water District and Pacheco Pass Water District attendees introduced themselves.
4. APPROVAL OF MINUTES

4.1 APPROVAL OF MINUTES – JULY 12, 2017 MEETING
A motion was made by Director Flores and seconded by Director Tonascia; the Minutes of July 12, 2017 were unanimously approved.

5. ACTION ITEMS:

5.1 UPDATE ON THE EXISTING PACHECO RESERVOIR DAM AND SPILLWAY. OWNER AND OPERATED BY PACHECO PASS WATER DISTRICT (FRANK O’CONNELL)
Director O’Connell stated there has been no physical progress. Mr. Cattaneo asked if the Pacheco Pass Water District has been in contact with the Department of Safety of Dams. Director O’Connell stated that they keep in constant contact. He added their facilities have moderate damage, so DSOD is okay with them for now.

Recommendation:
This is an information only item and no action is required.

5.2 UPDATE ON PROPOSITION 1 FUNDING APPLICATION FOR PACHECO RESERVOIR EXPANSION PROJECT (MELIH OZBILGIN)
Mr. Ozbilgin reported the application was submitted on August 14th and the request was for 50% of the project, which is the maximum amount that can be requested. There is approximately $2.7 billion available for the Prop 1 funding and everyone is hopeful the agencies have a good chance. A letter received from the California Water Commission was distributed. The information asked for in the letter, will be hand delivered by Mr. Ozbilgin tomorrow.

Director Kremen asked if something was missed in the application. Mr. Ozbilgin stated no, that everyone got a similar letter who had applied for the grant. The next deadline is January 2018. Discussion ensued about how the other applicants look for the grant. Mr. Ozbilgin plans to review the other applicants next week. Mr. Cattaneo added generally it’s good to see how you fair against the top 3. Mr. Ozbilgin stated it appears our application fairs well against them.

Director Kremen stated a meeting was held with the Munson tribe yesterday; SCVWD stated the tribe is expecting mitigation. He asked if the Pacheco Pass Water District would be alright with the Munson tribe coming out to the site. Director O’Connell said that would be fine.

Mr. Hall stated 9 tribal bands have been identified, which will need additional outreach.

Mr. Ozbilgin gave a review of the timeline for the grant, with the final decision being in either spring or mid-year, 2018. He stated securing planning and design would be important to keep the project moving. Mr. Cattaneo asked what funding will be needed by June 2018, as SBCWD’s Board will need to discuss it. Discussion ensued about how much funding SCVWD is willing to allocate while waiting to hear the status of the grant. As part of the grant application, Mr. Ozbilgin stated we have asked for early funding.
Recommendation:
This is an information only item and no action is required.

5.3 UPDATE ON PACHECO RESERVOIR EXPANSION PROJECT OUTREACH
(MICHELLE CONLON)
Ms. Conlon reported almost 50 letters have been accumulated and since filing, letters are still being received. Discussion ensued about contacting some groups/organizations as their support would be helpful.

Director Kremen asked that staff review the other applicants before the next meeting.

Mr. Hall asked if there should be representation for boating, fishing, and recreation. Mr. Cattaneo stated this would drive up the costs as access is different for recreation and would be a costly change to the project. Director Lindsay stated access does raise a good point. Mr. Ozbilgin added the agencies should proceed with caution, as the main purpose of this project is water storage.

Director Kremen suggested having another joint meeting before the end of the year. Mr. Cattaneo suggested having both a Pacheco Reservoir Exploratory and a Reach 1 Committee Meeting, so the rehabilitation project can be recapped. Director Kremen suggested having the next meeting following the SLDMWA Meeting in December. It was also suggested the start time be 3 p.m., to allow sufficient travel time following the SLDMWA Meeting.

Recommendation:
This is an information only item and no action is required.

6.0 CLERK REVIEW AND CLARIFICATION OF COMMITTEE ACTIONS
No other actions were noted.

7.0 ADJOURNMENT
With a motion by Director Varela and a second by Director Flores, the meeting was adjourned at 3:50 p.m.

Barbara L. Mauro
Board Clerk
San Benito County Water District

Approved:
SUBJECT: Review of the Water Supply Benefits and Costs of the Anderson Reservoir Seismic Retrofit Project

RECOMMENDED ACTION:

This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

SUMMARY:

At the January 23, 2018, Board Meeting, staff presented an update for the Anderson Dam Seismic Retrofit Project (Project). With the 30% design documents completed and the 60% design work underway, staff indicated that the estimated costs for the Project’s construction phase had increased by $100M (from $360M to $460M), yielding a total estimated Project cost of $550M. This Project cost is included in the District’s draft FY2019-23 Capital Improvement Program.

As a result of the estimated Project cost increases and other water storage options under consideration by the District, questions have been raised regarding the District’s intent to proceed with and complete the seismic retrofit of Anderson Dam. The following paragraphs describe the options and likely cost implications of ceasing work on this Project.

DSOD does not allow water level restrictions as a permanent means to provide dam safety. If the District were to decide not to construct the Anderson Dam Seismic Retrofit Project, it is anticipated that both state and federal dam safety regulators would require the District to severely restrict water levels in the reservoir, potentially precluding any impoundment of water by the dam except for temporary flood storage. This would effectively remove the reservoir from the District water supply system, resulting in severe impacts to the District’s water supply portfolio.

On average, the reservoir stores 47,000 acre-feet per year; the stored water is conveyed to the District’s three conventional water treatment plants and/or released for groundwater recharge and environmental flows. In the absence of this annual storage, the District would have to identify and procure a new water source and construct a new means of storing that water. Based on a current average cost of $750 per acre-foot for imported water, the annual cost to replace Anderson Reservoir’s average annual storage is $35.6M per year. Over a 50-year period, this investment alone yields a net present cost of $1.8 billion. This cost does not include costs of new storage facilities; a new low-level outlet to drain any stored water after a severe earthquake or significant rainstorms; nor associated annual O&M costs.

Over a 50-year period, this investment alone yields a net present cost of $1.8 billion. This cost does not include costs of new storage facilities; a new low-level outlet to drain any stored water after a severe earthquake or significant rainstorms; nor associated annual O&M costs.
**Anderson System and Operational Reliability**

In addition to the estimated costs to replace water supply provided by Anderson Dam and Reservoir, the Anderson system is a critical element of the District’s day-to-day water supply operations:

- Anderson Reservoir provides a large local storage which can carryover excess water supplies from one year to the next;
- Anderson Reservoir maintains an emergency supply in case of catastrophic emergencies such as earthquakes;
- Anderson Reservoir provides critical recharge to the Coyote Valley, and environmental and fisheries flows to Coyote Creek;
- Connected by pipeline to the imported water supply as well as the delivery pipeline to the District’s water treatment plants, Anderson storage provides backup water supply in the event of an outage of the District’s Central Valley Project (CVP) supply from San Luis Reservoir;
- Anderson Reservoir also provides temporary relief from poor water quality events such as algae blooms in San Luis Reservoir. Water from Anderson Reservoir can be blended with CVP water conveyed to the water treatment plants to improve water quality.

Given Anderson Dam and Reservoir’s role in day-to-day water supply operations, and comparing the No-Project costs to the current cost to seismically retrofitting Anderson Dam, staff believes it is prudent to proceed with the Project.

**ATTACHMENT(S):**

Attachment 1: PowerPoint Presentation
Update on District’s Water Storage Projects

May 17, 2018
Anderson Reservoir Seismic Retrofit Project

Cost of Not Undertaking Anderson Dam Seismic Retrofit Project

- DSOD: Permanent Reservoir restriction cannot be long-term dam safety measure
  - Anderson Reservoir to remain empty except for temporary flood-related retention;  
  - New outlet would still be required to meet DSOD criteria; 
  - District must secure 47,000 acre-feet/year (AFY) replacement water and accompanying storage.

- Net Present Cost of replacing Anderson Reservoir’s average 47,000 AFY yield: $1.8B
  - Based on $750/AF cost 
  - Assumes 50-year time period 
  - Does not include cost of new outlet and new storage facilities.
COMMITTEE AGENDA MEMO

SUBJECT: Update on the Proposed Pacheco Reservoir Expansion Project

RECOMMENDED ACTION:

5.2a This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

5.2b Receive updated information, and consider and recommend Board action on an agreement with Pacheco Pass Water District and San Benito County Water District.

5.2c Staff is requesting the Committee to approve the Proposed Term Sheet.

5.2d This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

SUMMARY:

This summary provides a project update to the proposed Pacheco Reservoir Expansion Project.

Update on the California Water Commission Review Process

On August 14, 2017, the Santa Clara Valley Water District (SCVWD) submitted an application to the California Water Commission (CWC) for the Pacheco Reservoir Expansion Project requesting funding for public benefits at fifty percent of the cost to construct the Project. On December 13, 2017, SCVWD made a presentation to the Commission on the merits and public benefits of the Project. Since the beginning of the year, following progress has been made:

- January 12, 2018: SCVWD representatives met with the California Water Commission (CWC) staff for a briefing from the CWC in advance of the release of the staff-adjusted Public Benefit Ratios (PBRs).
- February 1, 2018: CWC staff released their initial technical review of the PBRs for each applicant.
- February 8, 2018: SCVWD representatives met with the CWC staff to receive answers to clarifying questions related to the initial technical review.
- February 23, 2018: SCVWD submitted its appeal of CWC staff’s revised PBR, presenting its case for an increased PBR.
Following is an update on remaining CWC review process for finalizing decision on project awards:

- April 20, 2018: CWC staff provided responses to the appeals.
  - Pacheco PBR was recommended as 1.77, one of the two highest scores.
  - CWC staff accepted the Project’s Ecosystem Steelhead Habitat physical benefits and monetary value, as appealed by SCVWD.
  - CWC staff accepted the Project’s Ecosystem Refuge Supply physical benefit and increased the monetary value from $4 million to $5 million.
  - CWC staff recommended reduction of Emergency Response benefit from $1.8 billion to $138 million.
  - CWC staff recommended Maximum Eligible Amount for the Project is $484.5 million, which is same as the original ask by SCVWD.

- May 1-May 3, 2018: CWC 3-day meeting to determine PBRs. On May 3, 2018, SCVWD staff appealed the CWC staff recommended Emergency Response benefit.

- Staff will provide an oral update as to the outcome of CWC’s meeting to decide upon PBRs. See Attachment 2 – Summary of Commission Determinations for Public Benefit Ratios.

- May 25, 2018: CWC is expected to post their staff recommendations for overall application scores.

- June 27-June 29, 2018: CWC’s 3-day meeting to determine the scores.

- July 6, 2018: CWC will post the final scores and application ranks on its website.

- July 24-July 26, 2018: CWC 3-day meeting where maximum conditional eligibility determinations and early funding awards will be made. SCVWD applied for $24.2 million in early funding from Water Storage Investment Program (WSIP) to augment its budget to prepare the environmental documentation and permitting.

SCVWD representatives are collaborating with the Association of California Water Agencies (ACWA) in its effort to schedule additional meetings between the applicants and the CWC staff to receive briefings prior to public announcement of the subsequent scores in April, May and June. On March 21, 2018, the CWC decided to allow one additional meeting between applicants and CWC staff after the April 20 posting of staff recommended PBR scores. SCVWD meeting was held on April 25, 2018.

**Update on Communication with Agencies, Stakeholders and Interested Parties**

Staff continues to conduct a robust outreach effort to garner support for the project, having secured dozens of support letters from a variety of elected officials, municipalities, business and labor groups, and diversity organizations. Recent outreach efforts include:

- January 17, 2018 and March 7, 2018: Presentations to key environmental, fishery, and waterfowl advocacy organizations.
- February 5, 2018: Staff successfully advocated for project support and received a support letter from the Santa Clara County Cities Association.
- February 9, 2018: Presentation by Director Kremen and staff to The Nature Conservancy.
- March 8, 2019: SCVWD staff met with a representative from Coastal Habitat Education Environment Restoration to advocate for project support.
- SCVWD staff has engaged with the Association of California Water Agencies to inform the organization’s advocacy with the CWC for a fair and transparent process for the allocation of Proposition 1 Water Storage Investment Program funding.
- As a result of SCVWD staff’s efforts, Representative Panetta has agreed to champion the project at the federal level; staff is developing a letter from Rep. Panetta to the Bureau of Reclamation to urge them to transfer funding to study the feasibility of using the Pacheco project as a solution to the San Luis Lowpoint Improvement Project.
- SCVWD staff is coordinating an update presentation on Pacheco to the Pajaro Compass Group and their representative agencies in late April.
• Key Pacheco Project supporters have testified at CWC meetings:
  o November 15, 2017: representatives of Assemblymember Anna Caballero, Assemblymember Kansen Chu; the San Jose/Silicon Valley Branch of the NAACP; and Santa Clara/San Benito Counties Building and Trades
  o December 13, 2017: La Raza Roundtable de California and NAACP
  o March 21, 2018: ACWA representative to request three meetings prior to public announcement of scores in April, May, and June; representative of Assemblymember Caballero to support project and support ACWA’s request; hydrologist Mark Strudley from Santa Cruz County who provided the perspective of a Disadvantaged Community who would benefit from the project in terms of reduced flood risk
• Additional testimony is being planned for future meetings as the Commission moves toward funding decisions later this summer.
• Initial outreach has been made to the Native American communities with dates being discussed for site tours. This includes the Amah Mutsun Tribal Band, Costanoan Rumsen Carmel Tribe, Amah Mutsun of Mission San Juan Bautista Tribe, Ohlone/Costanoan-Esselan Nation, Ohlone Indian Tribe, North Valley Yokuts, Muwekma Ohlone Indian Tribe of the SF Bay Area, Indian Canyon Mutsun Band of Costanoan Indians and Xolon-Salinan Tribe.
• Communications collateral status is as follows:
  o SCVWD staff is preparing Frequently Asked Questions as a briefing collateral.
  o Website content is being updated
  o Pacheco Reservoir Expansion Project information sheet completed in January 2018
  o Fact sheet completed in January 2018
• Continued outreach to influencers statewide
  o Statewide Social Media Program being finalized and implemented
  o Monitoring and engagement on CWC process and staff recommendations
  o Monitoring of CWC Board decisions regarding WSIP

Consideration of a proposed Agreement with the District, San Benito County Water District and the Pacheco Pass Water District

SCVWD staff will be bringing a proposed agreement to the Water Storage Committee meeting for consideration and action.

Consideration of the potential WAPA connection to support the Pacheco Reservoir Expansion Project.

SCVWD staff is exploring the possibility of an electric utility connection with the Western Area Power Administration (WAPA) to support the Pacheco Reservoir Expansion project. If requested, the US Bureau of Reclamation (BOR) would complete a System Impact Study (SIS) at no cost to the SCVWD. BOR is planning to initiate a SIS for WAPA connection to the existing Pacheco Pumping Plant. If requested, this effort could be expanded to evaluate power connection to the Pacheco Reservoir site as well.

Update on Procurement for Engineering Design and Environmental Documentation, as well as Project Management.

SCVWD is in negotiations with a firm on the engineering design and environmental documentation RFP. Tentative selection has been made for project management services.
BACKGROUND:

At the September 14, 2017, Pacheco Reservoir Exploratory Ad Hoc Committee meeting staff discussed the application submitted to the CWC on August 14, 2017 requesting $484.5 million, half of the capital cost of a project to expand Pacheco Reservoir. At the meeting staff provided copies of the Executive Summary and Early Funding Scope, Schedule, and Budget submitted with the application.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
Attachment 2: Summary of Commission Determinations for Public Benefit Ratios
Update on District’s Water Storage Projects

May 17, 2018
Update on California Water Commission Review Process

- On February 23, SCVWD submitted an appeal of the CWC staff assessment of the Public Benefits Ratio (PBR) with a revised PBR of 5.26, a large increase from the original 2.43.
- CWC staff considered the appeals and provided their recommendations announced on April 20.
- Pacheco Reservoir Expansion project was recommended for a PBR score of 1.77.
- CWC staff accepted the Project’s Ecosystem Steekhead Habitat physical benefits and monetary value, as appealed by SCVWD.
- CWC staff accepted the Project’s Ecosystem Refuge Supply physical benefit and increased the monetary value from $4 million to $5 million.
Update on Proposed Pacheco Reservoir Expansion Project

Update on California Water Commission Review Process

- CWC staff recommended Total Public Benefits for the Project is $858.5 million, of which $721 million is for Ecosystem Benefits.
- CWC staff recommended Maximum Eligible Amount for the Project is $484.5 million, which is same as the original ask by SCVWD.
- SCVWD staff is preparing to appeal the CWC staff recommended Emergency Response benefit at the 3-day public hearing during May 1 through 3.
- Staff will provide an oral update at the meeting.
- Other application scores will be determined late June.
- Final Maximum Conditional Eligibility will be determined late July with early funding awards announced at the same time.
Update on Communication with Agencies, Stakeholders and interested Parties

- Continued efforts to engage key parties and gain project support
  - Engage ACWA to assist with staff meeting requests with CWC
  - Engage key supporters to provide testimony at CWC meetings
  - Engage with Native American Tribes and Tribal Bands to gain project support
  - Continued outreach to interested influencers statewide, and to continue to gain project support

- Continue to develop communications/informational collateral
Consideration of Proposed Term Sheet with the District, San Benito County water District and the Pacheco Pass Water District
Update on Proposed Pacheco Reservoir Expansion Project

Update on Procurement for Engineering Design and Environmental Documentation and Project Management
Update on District’s Water Storage Projects

May 17, 2018
## Summary of Commission Determinations for Public Benefit Ratios

*As of May 3, 2018*

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<th>Project</th>
<th>Applicant</th>
<th>Type of Project</th>
<th>Total Cost</th>
<th>Funding Requested</th>
<th>Staff Recommended Eligible Amount</th>
<th>Commission Approved Eligible Amount</th>
<th>Commission PBR</th>
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**Total Cost** – Total cost as provided in the original application.  
**Funding Requested** – $ amount requested by applicants.  
**Staff Recommended Eligible Amount** – Post-Appeal $ amount staff estimated based on staff adjustments to benefits and value, per Proposition 1 requirements. (April 2018).  
**Commission Approved Eligible Amount** – $ amount Commission approved based benefits and value, per Proposition 1 requirements. (May 3, 2018)  
**Staff Recommended PBR** – Ratio of value of public benefits divided by funding requested (April 20, 2018)  
**Commission PBR** – Ratio of revised value of public benefits divided by funding requested (May 3, 2018). *Applicants can change their funding request by COB May 9, PBRs will be finalized on May 10.*
COMMITTEE AGENDA MEMO

SUBJECT: Update on the Proposed Sites Reservoir Project

RECOMMENDED ACTION:

Receive and discuss information on the Sites Reservoir Project (Sites). This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

SUMMARY:

At its March 14, 2017, meeting, the Santa Clara Valley Water District Board of Directors (Board) authorized the Chief Executive Officer to execute the Sites Project Authority’s Amended and Restated Phase 1 Reservoir Project Agreement (Project Agreement). As a signatory to the Project Agreement, the District became a voting member of the Reservoir Project Committee, which decides the scope of work, budget, and schedule for the current phase of the project (Phase 1). The District also committed to help fund Phase 1 in proportion to its share of the project. The focus of Phase 1 is to prepare a Proposition 1 Water Storage Investment Program (WSIP) application and develop an EIR/EIS and a Federal Feasibility Report.

The current status of the project is as follows.

- WSIP Application
  - Sites staff submitted a WSIP application to the California Water Commission (Commission) on August 11, 2017. The application requested $1.6 billion in funding based on a calculated public benefit ratio of 2.11.
  - On February 1, 2018, Commission staff released their review of the public benefit ratios of all WSIP applications and gave Sites a score of 0.40. None of the projects received a public benefit ratio of 1.0 or more. The Commission staff review of Sites concluded that it was only eligible for $662.6 million in WSIP funding.
  - On February 23, 2018 Sites staff submitted an appeal of the public benefit ratio review.
  - District staff reviewed and commented on the draft WSIP application and appeal.
  - On April 20, 2018 CWC staff provided responses to Sites appeal and issued a post-appeal PBR score of 0.67 with post-appeal eligible funding amount of $933.3 million.
  - Under Agenda Item 5.2, Attachment 2 provides the Commission’s final determination of Public Benefit Ratios for Sites as well as other projects seeking Proposition 1 funding.
• Draft Environmental Impact Report. Environmental Impact Statement (Draft EIR/S)
  o Sites staff submitted a Draft EIR/S as part of the WSIP application.
  o The Draft EIR/S was made available for public review and comment from August 14, 2017 until January 15, 2018.
  o District staff reviewed and commented on the administrative draft EIR/S.

• Draft Federal Feasibility Report
  o Sites staff submitted a Draft Federal Feasibility Report as part of the WSIP application.
  o The report supports a potential federal interest in Sites for up to 14 percent of the total cost.

• Planning for Phase 2
  o After the Commission makes its WSIP funding decisions, currently expected to occur in the summer of 2018, the current Sites participants, including the District, will need to decide if they want to continue participating in the project.

• Conversion of District Shares
  o The anticipated water supply benefits for project participants are divided into two classes: Class 1 water corresponds to a more secure proportion of anticipated water supply yield, and Class 2 water corresponds to a proportion of benefits that could be available as water supply yield if it is ultimately not used for public benefit under Proposition 1. Last year the District was able to convert 3,467 acre-feet of its Class 2 water share into the preferred Class 1 water shares, bringing the Districts total participation costs in Phase 1 up to $997,232. This bring the District closer to its initial participation proposal of 24,000 acre-feet of Class 1 water at a price not to exceed $1,440,000, which the Board approved at its July 28, 2016 meeting. The acre-foot yield estimates are preliminary and will change based on final regulatory criteria to be determined by fishery agencies.

BACKGROUND:

Sites Reservoir is a proposed 1.81 million acre-foot north-of-Delta off-stream reservoir that would be located approximately 10 miles west of the town of Maxwell in Colusa County. The proposed reservoir would collect winter flood flows from the Sacramento River with the objective of increasing water supply reliability, while ensuring in-stream flows to benefit the Delta ecosystem. These new supplies could be stored in Sites during wet years, to provide a future dry year supply. The District is evaluating the Sites Reservoir Project along with other potential water supply projects in its Water Supply Master Plan update.

The capital cost for building Sites is estimated at $5.2 billion (2015 dollars). This is higher than the $4.7 billion presented to the Board in March 2017 due updated construction costs. To help fund this cost, Sites staff submitted a WSIP funding application asking the Commission for $1.6 billion. Sites staff is also pursuing $730 million in federal funding, based on the results of the Draft Federal Feasibility Report. Any remaining capital cost will fall on the project participants. Should the District continue to participate in the project at its current level, its share of the capital cost is estimated at $250 million.
NEXT STEPS:

Once the Commission makes its WSIP funding decisions in summer 2018, the Board will need to decide whether to participate in Phase 2 of the project. Phase 2 will include finalizing the EIR/S, completing preliminary design, developing permit applications, and applying for federal funding of pre-construction activities. Staff intends to provide the Board with more information on Phase 2 participation after the Commission makes its decision in the summer of 2018.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
Update on District’s Water Storage Projects

May 17, 2018
Update on Proposed Sites Reservoir Project

- WSIP Application


- Draft Federal Feasibility Report

- Planning for Phase 2

- Conversion of District Shares from Class 2 to Class 1
COMMITTEE AGENDA MEMO

SUBJECT: Update on the Los Vaqueros Expansion Project

RECOMMENDED ACTION:

This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

SUMMARY:

The District is currently updating its Water Supply Master Plan (WSMP), which is the District’s strategy for providing a reliable and sustainable water supply in a cost-effective manner into the future. One of the projects being considered is the expansion of Los Vaqueros Reservoir owned by the Contra Costa Water District (CCWD).

Preliminary studies assume that the reservoir would provide up to 35,000 acre-feet (AF) of additional storage capacity for the District and up to 10,000 AF per year of dry year deliveries. The District would bank State Water Project (SWP) and Central Valley Project (CVP) contract supplies in an expanded Los Vaqueros Reservoir and also be able to receive delivery of Delta surplus supplies. The project’s expanded storage and conveyances may provide alternate points of diversion for the District during periods when SWP and CVP exports are restricted by regulatory requirements that do not apply to CCWD diversions. Delta water could be routed from CCWD to the California Aqueduct through a new Transfer-Bethany Pipeline. In addition, expanded storage could help the District leverage its planned investment in potable reuse; in wetter years, the District could bank or exchange some of its CVP or SWP supplies and increase use of purified water. During drier years, the banked or exchanged water could be returned to the District using CCWD intakes and conveyance.

- WSIP Application
  - CCWD staff submitted a WSIP application to the California Water Commission (Commission) on August 14, 2017. The application requested $459 million in funding based on a calculated public benefit ratio of 3.58.
  - On February 1, 2018, Commission staff released their review of the public benefit ratios of all WSIP applications and gave Los Vaqueros a score of 0.46. None of the other projects received a public benefit ratio of 1.0 or more. The Commission staff review of Los Vaqueros tentatively concluded that it was not eligible for WSIP funding, pending appeal process.
  - On February 23, 2018 CCWD staff submitted an appeal of the public benefit ratio review.
  - On April 20, 2018 CWC staff provided responses to CCWD appeal and issued a post-appeal PBR score of 1.77 with post-appeal eligible funding amount of $422.6 million.
  - CCWD is scheduled to appeal the post-appeal CWC staff recommendations on May 1, 2018.
Under Agenda Item 5.2, Attachment 2 provides the Commission’s final determination of Public Benefit Ratios for Los Vaqueros as well as other projects seeking Proposition 1 funding.

BACKGROUND:

Los Vaqueros is an off-stream reservoir, located in the foothills west of the Delta in Contra Costa County. Originally constructed in 1998 with a capacity of 100,000 AF, it was expanded to 160,000 AF in 2012. The original reservoir and first expansion were completed on time and within budget, without opposition. The project would expand the reservoir to 275,000 AF and add a new pipeline connecting CCWD’s system to the California Aqueduct. Water could be moved from CCWD’s intakes in the Delta to the District’s system, without relying on South-of-Delta pumps.

Total construction cost of the expansion is estimated to be approximately $980 million in 2015 dollars. Costs would be shared by project partnering agencies and may be offset by up to $459 million in Proposition 1 funding. The District has committed $100,000 to assist in preparing the Proposition 1 funding application and the Supplement to the Final EIS/EIR. In addition, the project could be built in phases, starting with the improvements to connect CCWD’s system to the California Aqueduct via the Transfer-Bethany Pipeline. Other potential partners include Alameda County Water District, Bay Area Water Supply and Conservation Agency, Byron Bethany Irrigation District, City of Brentwood, Del Puerto Water District, East Bay Municipal Utility District, East Contra Costa Irrigation District, Grassland Water District, San Francisco Public Utilities Commission, San Luis Water District, San Luis & Delta Mendota Water Authority, Westlands Water District, and Zone 7.

CCWD released a draft Supplement to the Final EIR/EIS for expanding the reservoir in June 2017, and the Bureau of Reclamation released a draft Feasibility Study in February 2018. A final Supplement to the Final EIR/EIS and Feasibility Study is expected by the end of the year. In addition, the District’s groundwater production charge analysis includes funding for the District’s share of the Transfer-Bethany Pipeline and staff at CCWD and the District have started discussing how the District can play a greater role in moving the project forward.

ATTACHMENT(S):

Attachment 1: PowerPoint Presentation
Attachment 2: Fact Sheet
Update on District’s Water Storage Projects

May 17, 2018
Update on Los Vaqueros Expansion Project
Update on Los Vaqueros Expansion Project

Los Vaqueros Benefits

- Provides additional storage capacity
- Provides additional access to Delta surplus supplies
- Provides additional conveyance (Transfer-Bethany Pipeline) and point of diversion options
- Low total lifecycle ($40 million) and unit cost ($400/AF) to District based on current cost and benefit estimates and assuming Prop 1 funding
- Transfer-Bethany Pipeline included in groundwater production charge analysis
OBJECTIVES

• Develop water supplies for environmental water management
• Increase municipal and industrial water supply reliability
• Improve the quality of water deliveries

PURPOSE

WATER FOR REFUGES

Reliable water supply for South of Delta wildlife refuges

WATER FOR PARTNERS

Reliable water supply for local water agencies

REGIONAL INTEGRATION

High potential for regional water system integration

WATER QUALITY

Protection of delivered water quality

RECREATION

Recreation facility enhancement

HOW IT WORKS

1. Water is pumped into the system from one of four existing Delta Intakes.

2. Once in the system, water is sent to an upgraded Transfer Facility pump station.

3. From the Transfer Facility, water can be delivered directly to local agency partners and wildlife refuges or pumped into an expanded Los Vaqueros Reservoir for later delivery.
FUNDING

- Estimated project cost: $980 Million
  (2015 dollars, updated per Feb. 2018 appeal)
- A portion of project cost may be paid for by California Proposition 1

$459 Million
(Prop 1 funding request, updated per Feb. 2018 appeal)
- Remainder of project cost could be covered by local agency partners and federal funding (for wildlife refuge benefits)

PROP 1 PUBLIC BENEFIT CATEGORIES

- Ecosystem improvement
- Emergency response
- Recreation

POTENTIAL PARTNERS

These agencies have provided funding and in-kind services, and are evaluating potential participation in the project to diversify their water supply portfolios against drought, emergencies, climate change and regulatory challenges.

- Los Vaqueros Reservoir
- Contra Costa Water District
- City of Brentwood
- East Contra Costa Irrigation District
- Byron Bethany Irrigation District
- East Bay Municipal Utility District
- San Francisco Public Utilities Commission
- Zone 7 Water Agency
- Bay Area Water Supply & Conservation Agency
- Alameda County Water District
- Santa Clara Valley Water District
- Del Puerto Water District
- Grassland Water District
- San Luis Water District
- San Luis & Delta-Mendota Water Authority
- Westlands Water District

NEXT STEPS

CCWD is currently working with Reclamation and the local potential partners and wildlife refuge managers to evaluate the proposed project.

JUNE 2017
Draft Supplement to the Final EIS/EIR

FEBRUARY 2018
Public Draft Federal Feasibility Report

NOVEMBER 2018
Final Supplement to the Final EIS/EIR and Final Federal Feasibility Report

JANUARY 2022
Final CWC funding agreements

AUGUST 2017
California Water Commission Funding Application

FEBRUARY 2018
Prop 1 funding request appeal filed with CWC

JULY 2018
Preliminary CWC eligibility and funding decisions

2019 - 2021
Finalize design, permitting, local agreements

Updated February 23, 2018

www.ccwater.com lve@ccwater.com
COMMITTEE AGENDA MEMO

SUBJECT:  Review of Other Potential Storage Projects including Temperance Flat Proposition 1 Application

RECOMMENDED ACTION:

This is an information only item and no action is required. However, the Committee may provide comments for Board consideration.

SUMMARY:

Following presents the status review of the other potential storage projects, including Temperance Flat Reservoir and three groundwater projects applying for the Proposition 1 funding under Water Storage Investment Program. Note that three project applications that are not considered to be storage projects are not included in this review summary. Staff is evaluating how implementation of these projects could affect the District.

**Temperance Flat Reservoir**

The proposed Temperance Flat Reservoir (TFR) Project would be a new reservoir, formed by constructing a new dam within the footprint of the existing Millerton Lake, approximately 20 miles northeast of Fresno, CA. The TFR project proposes to provide an additional 1.26 MAF of water storage capacity on the San Joaquin River that would manage water supplies stored from inflow that exceeds the operational capabilities of Millerton Lake and exchanged water supplies developed through coordinated operations with statewide water systems. The combined operation of Millerton Lake and TFR would preserve the existing requirements and delivery capabilities of Millerton Lake for river restoration releases, water deliveries, and flood protection.

Project proponents anticipate that additional storage capacity provided through the construction of the TFR Project would be operated to provide the following benefits:

- Additional water supplies to water users located south of the Delta, including wildlife refuges and lands within and adjacent to the Friant Division of the CVP;
- Increased conjunctive management that can support groundwater sustainability consistent with SGMA;
- Improved ecosystem and water quality conditions for anadromous fish in the San Joaquin River;
- Water that could support emergency response needs;
- Increased recreation opportunities;
- Increased flood risk reduction downstream from Friant Dam; and
- Increased operational flexibility and drought resilience of statewide water systems.
The Water Storage Investment Program (WSIP) application for the TFR Project was submitted by the San Joaquin Valley Water Infrastructure Authority (SJVWIA), which was formed to prepare the WSIP Application for TFR Project and advocate for other water supply infrastructure improvements in the San Joaquin Valley. SJVWIA members include:

- Merced, Madera, Fresno, Kings, and Tulare counties
- Small communities in the San Joaquin Valley, with representation by East and West members
- The San Joaquin River Exchange Contractor Water Authority (SJRECWA)
- The San Luis & Delta-Mendota Water Authority (SL&DMWA)
- The Friant Water Authority (FWA)

The California Water Commission (CWC) Public Benefit Ratio (PBR) Review of the Project’s physical and monetized benefits highlighted several overarching water operations issues identified in the Application and reduced the claimed PBR from 2.86 to 0.10. The Applicant has revised the PBR in response to the PBR Review, and adjusted the PBR value for the TFR Project to between 2.65 and 2.68 (two values calculated differently), with total Project ask of between $1.06 billion and 1.07 billion (two values calculated differently). CWC staff considered the TFR appeal and provided their recommended PBR on April 20, 2018 as 0.38. CWC staff also provided a post-appeal maximum eligible amount of $171.3 million for TFR.

Under Agenda Item 5.2, Attachment 2 provides the Commission’s final determination of Public Benefit Ratios for the TFR Project as well as other projects seeking Proposition 1 funding.

**Kern Fan Groundwater Storage Project:**
Irvine Ranch Water District (IRWD) and Rosedale Rio-Bravo Water Storage District (Rosedale) propose to develop a regional water bank in the Kern Fan area to capture, recharge and store unallocated Article 21 water during wet year conditions and extract water when needed to provide ecosystem, emergency supply, and water supply benefits. The water would be used at a later date through use of groundwater wells and direct or exchange delivery. Operations of the Project will be coordinated with the State Water Project (SWP) through the California Department of Water Resources (DWR).

The CWC PBR Review of the Project’s physical and monetized benefits highlighted several overarching water operations issues identified in the Application and reduced the claimed PBR from 1.47 to 0.58. The Applicant has revised the PBR in response to the PBR Review, and adjusted the PBR value for the Kern Fan Project to 2.05, with total Project ask of $85.7 million, as originally submitted. CWC staff considered the IRWD appeal and provided their recommended PBR on April 20, 2018 as 0.85. Post-appeal eligible amount for the Kern Fan is provided as $72.5 million. IRWD is scheduled to discuss the post appeal scores in front of the CWC on May 2, 2018.

Under Agenda Item 5.2, Attachment 2 provides the Commission’s final determination of Public Benefit Ratios for the Kern Fan Project as well as other projects seeking Proposition 1 funding.

**Tulare Lake Storage and Floodwater Protection Project:**
As proposed by the Semitropic Water Storage District (SWSD), Tulare Lake Storage and Floodwater Protection Project includes water conveyance and surface storage facilities within the historic Tulare Lake to capture, convey, and regulate surplus floodwater from the Kings River and Delta to the Semitropic Groundwater Bank, which has been in operation for nearly 25 years. Floodwater captured from the Kings River and conveyed through the Tulare Lake facilities is proposed to be used to increase the local water supply reliability for Semitropic, by directly replacing groundwater pumping and by recharge and storage in the Semitropic Groundwater Bank and neighboring groundwater banking projects. Surplus floodwater from the Delta would be conveyed and stored in the Semitropic Groundwater Bank to provide a water supply for Delta ecosystem and emergency response benefits. Operation of the Project will require integrated coordination of local projects with the State Water Project (SWP) and the Central Valley Project (CVP).
The CWC PBR Review of the Project’s physical and monetized benefits highlighted several overarching issues identified in the Application and reduced the claimed PBR from 1.63 to 0.01, accounting only for emergency supply and recreational benefits. The Applicant has revised the PBR in response to the PBR Review, and adjusted the PBR value for the Tulare Lake Storage and Floodwater Protection Project to 1.0, with total Project ask of $452.2 million, as originally submitted. CWC staff considered the Project appeal and provided their recommended PBR on April 20, 2018 as 0.03. Post-appeal eligible amount for the Tulare Lake is provided by the CWC staff as zero dollars. SWSD is scheduled to discuss the post appeal scores in front of the CWC on May 1, 2018.

Under Agenda Item 5.2, Attachment 2 provides the Commission’s final determination of Public Benefit Ratios for the Tulare Lake Project as well as other projects seeking Proposition 1 funding.

**Willow Springs Water Bank Conjunctive Use Project:**
The Willow Springs Water Bank Conjunctive Use Project seeks to leverage one-half million acre-feet of existing groundwater storage facilities and operate conjunctively with the State Water Project (SWP) allowing capture of additional Delta flows (Article 21). These waters would be transformed to dry year water supplies of high value to water users and the environment, as well as during water supply emergencies.

The CWC Public Benefit Ratio (PBR) Review of the Project’s physical and monetized benefits highlighted several issues identified in the Application and reduced the claimed PBR from 2.6 to 0.0, discounting both emergency supply and ecosystem benefits. The Applicant has revised the PBR in response to the PBR Review, and adjusted the PBR value for the Willow Springs Water Bank Conjunctive Use Project to 1.38, with total Project ask of $301.8 million, versus $305.8 million originally submitted. CWC staff considered the Project appeal and provided their recommended PBR on April 20, 2018 as 0.35. Post-appeal eligible amount for the Kern Fan is provided as $105.3 million. Southern California Water Bank Authority is scheduled to discuss the post appeal scores in front of the CWC on May 3, 2018.

Under Agenda Item 5.2, Attachment 2 provides the Commission’s final determination of Public Benefit Ratios for the Willow Springs Project as well as other projects seeking Proposition 1 funding.

**Other Groundwater Storage Opportunities:**
In addition to evaluating the potential benefits and impacts of storage projects that are applying for Prop 1 funding, staff has also been evaluating other potential groundwater storage opportunities. Any projects that are likely to provide significant benefits to the District will be brought to the committee for further discussion.

**BACKGROUND:**

Proposition 1 dedicated $2.7 billion for investments in new water storage projects. The California Water Commission (CWC), through the Water Storage Investment Program (WSIP), will fund the public benefits of these projects.

On August 14, 2017, twelve organizations submitted funding applications to the CWC requesting $5.8 billion for projects costing total $13.1 billion.

On October 13, 2017, CWC determined the application submitted by the River Partners for the San Joaquin River and Tributaries Conjunctive Use Project to be ineligible for Proposition 1 funding. This was based on CWC staff determination that the project does not meet the requirements of a conjunctive use project as defined in the regulations.

Following release of the CWC PBR review on February 1, 2018, the Nevada Irrigation District decided to pull its application for the Centennial Water Supply Project.
February 1, 2018, release of the CWC staff reviews adjusted the project PBRs to below 0.75 from the applicants’ submitted range of 1.22 to 6.09. Applicants submitted their appeals to the staff adjusted PBRs on February 23, 2018. Commission staff publicly released their responses to the appeals on April 20, 2018. Commission will determine final PBRs in its 3-day meeting May 1 through 3, 2018. Final determinations on maximum conditional eligibility are expected during the Commission’s 3-day meeting starting July 24, 2018.

ATTACHMENT(S):

None.
COMMITTEE AGENDA MEMO

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

RECOMMENDED ACTION:

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 additional 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.

ATTACHMENT(S):

Attachment 1: Water Storage Exploratory Committee 2018 Work Plan
GP8. 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.

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 the District occur and are recommended for committee discussion. Subsequently, an annual committee accomplishments report is developed based on the work plan and presented to the District Board of Directors.

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a. Update on the California Water Commission Review Process  
b. Update on Communication with Agencies, Stakeholders and Interested Parties  
c. Consideration of Proposed Term Sheet with the District, San Benito County Water District and the Pacheco Pass Water District  
d. Update on Procurement for Engineering Design and Environmental Documentation, as well as Project Management | May 17 | | |
| 3    | Update on the Proposed Sites Reservoir Project | May 17 | | |

Yellow = Update Since Last Meeting  
Blue = Action taken by the Board of Directors
### 2018 Work Plan: Water Storage Exploratory Committee

Update: May 2018

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Handouts
MEMORANDUM OF UNDERSTANDING ("MOU") BY AND BETWEEN PACHECO PASS WATER DISTRICT ("PPWD"), SAN BENITO COUNTY WATER DISTRICT ("SBCWD") AND SANTA CLARA VALLEY WATER DISTRICT ("SCVWD") TO IDENTIFY TECHNICAL ISSUES REGARDING THE POTENTIAL PLANNING, DESIGN AND CONSTRUCTION OF A LARGER RESERVOIR TO REPLACE THE CURRENT PACHECO RESERVOIR ON THE NORTH FORK PACHECO CREEK. PPWD, SBCWD, and SCVWD may be referred to individually as a "Party" or collectively as the "Parties." This MOU is effective on the date it is executed by last Party.

WHEREAS, PPWD owns and operates North Fork Dam and Pacheco Reservoir (collectively, "Pacheco Reservoir") in Santa Clara County, California.

WHEREAS, the Parties are exploring the possibility of removing Pacheco Reservoir and replacing it with a larger reservoir that has a storage capacity of up to 140,000 acre-feet ("Expanded Pacheco Reservoir") and that a major factor in the SCVWD deciding whether to proceed with further evaluation of an Expanded Pacheco Reservoir depends in part on the amount of grant funding awarded by the State of California in response to SCVWD's application under the Proposition 1 Water Storage Investment Program.

WHEREAS, PPWD's real property within and around the footprint of Pacheco Reservoir is located within the area that would be needed if the Expanded Pacheco Reservoir were to be constructed.

WHEREAS, SCVWD seeks to enter a real estate option agreement with PPWD to acquire a fee simple right to said PPWD real property if the SCVWD Board decides to award a public works construction contract to a primary contractor to proceed with construction of the Expanded Pacheco Reservoir.

WHEREAS, such real estate option agreement will contain terms and conditions negotiated by the SCVWD and PPWD and is anticipated to be executed after the effective date of this MOU.

WHEREAS, the Parties recognize that an Expanded Pacheco Reservoir may have potential benefits as follows: for PPWD, preserve the continued operational benefits it would currently receive if Pacheco Reservoir was fully operational, including groundwater recharge in Pacheco Creek upstream of the Highway 156 crossing; for SBCWD and SCVWD, operational flexibility of their respective water management activities; and for the public, improved steelhead habitat in the North Fork Pacheco Creek, a supply of water to federal wildlife refuges, and emergency supplies in the event of a water supply emergency, including failure of Delta infrastructure curtailing deliveries of imported water.

WHEREAS, the Parties acknowledge that construction and operation of the Expanded Pacheco Reservoir will be subject to various federal, State, and local permits and operating agreements, in compliance with federal and state laws, including any agreements that SBCWD and/or SCVWD may enter into as a condition of receiving state and/or federal funding for the Expanded Pacheco Reservoir.

WHEREAS, before SBCWD and SCVWD contribute substantial resources towards planning and designing the Expanded Pacheco Reservoir, they seek PPWD's commitment to provide the SCVWD a real property option to acquire title and ownership to PPWD's property within and around the footprint of Pacheco Reservoir if the SCVWD decides to award a public works construction contract to a primary contractor to construct the Expanded Pacheco Reservoir.

1 of 6
WHEREAS, SBCWD and SCVWD intend to explore the formation of a joint powers authority with membership by SBCWD and SCVWD for the purposes, without limitation, of constructing, operating and maintaining the Pacheco Expansion Reservoir.

WHEREAS, PPWD wishes to ensure that it will always have sufficient water rights for domestic and agricultural uses within its service area as defined in its license #2879, dated August 15, 1947.

NOW, THEREFORE, in consideration of the mutual promises and agreements stated herein, PPWD, SBCWD and SCVWD hereby agree as follows:

1. **CEQA Compliance.** This MOU memorializes the prospective terms, as negotiated and agreed upon by the Parties. This MOU does not bind the Parties or commit the Parties to any definite course of action without first complying with the requirements of the California Environmental Quality Act (CEQA). This MOU does not restrict the Parties from considering any alternatives, including a "no-action" alternative, or requiring any feasible mitigation measures, when considering whether to issue approvals related to the Expanded Pacheco Reservoir project. Nothing in this MOU precludes the Parties from weighing the economic, legal, social, technological, or other benefits of the Expanded Pacheco Reservoir project when determining whether to issue such approval. The Parties approval of this MOU does not constitute issuing an approval for the proposed Expanded Pacheco Reservoir project.

2. **Allocation Plan.**
   a. SBCWD and SCVWD agree to develop, within two years of execution of this MOU, a water storage and water resource allocation plan (Allocation Plan) for the Expanded Pacheco Reservoir, including an approach for securing the necessary water rights.
   b. The Allocation Plan will recognize and support PPWD's continued enjoyment of the current operational benefits it receives from the existing Pacheco Reservoir and its longstanding water right in North Fork Pacheco Creek described in appropriative water right license #2879, dated August 15, 1947 (Water Right License #2829).
   c. The cost for developing the Allocation Plan will initially be shared equally between SBCWD and SCVWD. After acceptance of the Allocation Plan by both Parties, the costs for development shall be trued up based on the relative benefit received by both Parties.
   d. The Allocation Plan shall be limited to the use of the Expanded Pacheco Reservoir only for delivery and use of water within the service areas of PPWD, SBCWD and SCVWD within their respective service areas. Associated with the Allocation Plan, SBCWD and SCVWD will account for the environmental benefits of the Expanded Pacheco Reservoir and will recognize the incidental flood control benefits for downstream disadvantaged communities; they will also consider recreational benefits that could be provided by the Expanded Pacheco Reservoir.
e. By written agreement between SBCWD and SCVWD, the Allocation Plan may be amended upon terms and conditions acceptable to SBCWD and SCVWD for the purpose of providing benefits to third parties under contractual or partnership arrangements with SBCWD and/or SCVWD.

3. **Explore the Possibility of Forming a Joint Powers Authority.** SBCWD and SCVWD shall explore the possibility of forming a joint powers authority comprised of SBCWD and SCVWD for the purposes, without limitation, of constructing, operating and maintaining the Pacheco Expansion Reservoir. As part of this assessment, SBCWD and SCVWD shall identify advantages, disadvantages, constraints and limitations of forming a joint powers authority.

4. **Obligations in Construction Phase.** If SCVWD decides to proceed with construction of the Expanded Pacheco Reservoir:

   a. PPWD agrees that the existing Pacheco Reservoir, including the North Fork Dam facilities, will be removed to allow for construction and operation of the Expanded Pacheco Reservoir and ancillary facilities;

   b. SBCWD and SCVWD will support PPWD’s application for amendment of PPWD Water Right License #2829 for the sole purpose of moving the point of diversion from the existing Pacheco Reservoir to the new Expanded Pacheco Reservoir;

   c. Subject to the State Water Resources Control Board’s approval of the change of point of diversion described in Section 4(b), PPWD’s support of SCVWD’s and/or SBCWD’s water right application(s) described in Section 4(e), and PPWD’s execution of a Real Estate Option Agreement described in Section 6, PPWD may utilize a volume of operational storage capacity of the Expanded Pacheco Reservoir that is consistent with its existing Water Right License #2829;

   d. Subject to demonstration by PPWD of its need for additional water for beneficial use to meet domestic and agricultural needs within its service area as defined in Water Right License #2829, SBCWD and SCVWD will not oppose a future water rights application by PPWD for that purpose, provided that the public benefits paid for by any Proposition 1 funds for the Expanded Pacheco Reservoir are not thereby impacted;

   e. PPWD will support the SCVWD’s and/or SBCWD’s water right application(s) to appropriate available water on the North Fork of Pacheco Creek and its upstream tributaries, given that these new rights shall be junior to PPWD’s existing water right described in Water Right License #2829; and

   f. Within three years of execution of this MOU, SBCWD and SCVWD will enter into a provisional operating agreement describing the details of how their respective shares of water resources stored in the Expanded Pacheco Reservoir will be managed (subject to regulatory and funding requirements), including the timing of...
releases to Pacheco Creek. The provisional operating agreement will recognize and support PPWD’s continued full and beneficial use of its Water Right License #2829. SBCWD and SCVWD recognize that updates to the operating agreement may be needed from time to time.

5. **Sharing Costs.**

   a. SBCWD and SCVWD will contribute to the planning, CEQA, design, construction, and operation and maintenance costs based on the relative water storage and water resource allocations for benefits not funded by Proposition 1 or other State or federal funding, consistent with the Allocation Plan. A beneficiary-pays principle shall be applied to allocate the costs not funded by Proposition 1 or by other State or federal funding. Ancillary benefits derived from public benefits and public benefits funds will not be considered in the beneficiary-pays analysis.

   b. Prior to completion of the Allocation Plan, SBCWD and SCVWD shall share in planning, CEQA and design costs based on a 5% and 95% share, respectively, subject to true up pursuant to Section 5(a) above, where such cost share will be retroactively effective as of the effective date of this MOU.

   c. Subject to PPWD’s execution of a Real Estate Option Agreement described in Section 6, PPWD shall not be required to contribute towards the planning, CEQA, design, capital/construction, and operation and maintenance costs of the Expanded Pacheco Reservoir.

   d. The Parties are not responsible to contribute towards the costs for water storage and water resource allocations dedicated to public benefits that are paid for with Proposition 1 funding or with other State or federal funding. Public benefits may include improved ecosystem Steelhead habitat, improved ecosystem refuge water supply, and improved emergency water supply.

   e. PPWD acknowledges that SBCWD and/or SCVWD may seek and enter into partnership and cost sharing agreements with other parties for the Expanded Pacheco Reservoir. Any such agreements will require the written consent of the other Party (i.e. SBCWD or SCVWD). Any such agreements will include a condition that PPWD will continue to enjoy the same volume of operational storage capacity that it currently enjoys with the existing Pacheco Reservoir.

6. **Real Estate Option Agreement.** PPWD and SCVWD shall negotiate in good faith the terms and conditions of a real estate option agreement that provides the SCVWD with a right to acquire, at no cost (other than providing PPWD certain storage capacity rights described below in this Section 6), a fee simple interest in PPWD real property the SCVWD determines is necessary for the construction, operation and maintenance of the Expanded Pacheco Reservoir. A material term of any such option agreement is that the SCVWD agrees to pay $50,000 for the option rights granted by PPWD and that, should the SCVWD exercise the option to acquire PPWD’s real property, SCVWD would provide PPWD a right to utilize a volume of operational storage capacity of the Expanded Pacheco Reservoir consistent with its existing Water Right License #2829.
7. **Indemnification.** PPWD, SBCWD and SCVWD shall each indemnify, defend and hold each other from and against any liability, cause of action or cost arising out of their comparative negligence or willful misconduct in connection with their performance and participation in the planning, design, construction, operation and maintenance of the Expanded Pacheco Reservoir.

8. **Tours.** The Parties agree that SBCWD and/or SCVWD may provide periodic tours of the existing Pacheco Reservoir and the potential Expanded Pacheco Reservoir project site during normal SBCWD/SCVWD business hours.

9. **Right of Entry.** Effective upon the date of execution of this MOU, PPWD grants SBCWD and SCVWD, as well as any federal or state agency that may have an interest in or jurisdiction over the proposed Expanded Pacheco Reservoir, access rights to the land owned or controlled by PPWD upon which the existing dam and facilities are located, and use of easements that PPWD has established for access to its facilities. These access rights may include, but not be limited to, site visits for community outreach and regulators, surveying, geological investigations (including drilling) to prepare designs for construction of the new facilities and removal of existing facilities. SBCWD and SCVWD will provide at least three calendar days' courtesy notice to PPWD prior to each such new entry. Surveying and geological investigations conducted by SBCWD and SCVWD will not interfere with PPWD's operation and maintenance of its existing dam and facilities.

10. **Exiting or Terminating the MOU.**

   a. SBCWD may, upon thirty calendar days' written notice, exit from this MOU at any time prior to start of construction of the Expanded Pacheco Reservoir project, provided that SBCWD and SCVWD shall each remain obligated to the other Party for their respective shares of the costs incurred to the date of SBCWD's exit.

   b. Prior to SCVWD's award of the primary construction contract for the Expanded Pacheco Reservoir, with 30 days' notice, SCVWD may terminate this MOU, provided that SBCWD and SCVWD shall each remain obligated to the other Party for their respective shares of the costs incurred as of the date of termination.

   c. Once the Expanded Pacheco Reservoir project construction commences, this MOU may be terminated by the written consent of the Parties.
IN WITNESS WHEREOF, THE PARTIES HAVE SET FORTH BELOW THEIR CONSENT TO THE TERMS AND CONDITIONS OF THIS MOU THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

For San Benito County Water District:

_________________________  _______________________
Joe Tonascia, Board President  Date

For Santa Clara Valley Water District:

_________________________  _______________________
Richard Santos, Board Chair  Date

For Pacheco Pass Water District:

_________________________  _______________________
Frank O'Connell, Board President  Date
OPTION AGREEMENT FOR PURCHASE OF REAL PROPERTY

This Option Agreement for Purchase of Real Property (the "Agreement") is dated _____ ("Effective Date"), by and between Pacheco Pass Water District, a California Special District ("Owner"), and the Santa Clara Valley Water District, a California Special District (the "District").

RECITALS

WHEREAS, the Owner is the owner of that certain real property located at _____, identified by Santa Clara County Assessor Parcel Number(s) _____, totaling approximately _____ acres, depicted on Exhibit "A" attached hereto and made a part hereof (the "Property");

WHEREAS, the Owner has agreed to grant the District the option to purchase the Property upon the terms and conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the terms and conditions contained in this Agreement and for good and valuable consideration, the receipt and adequacy of which are acknowledged by both parties, the parties hereby agree as follows:

1. **Grant of Option.** Owner hereby grants to the District the exclusive option to purchase the Property (the "Option"). The Property shall be comprised of: (i) all of Owner's transferable right, title and interest in and to any improvements to the Property and all fixtures attached or related to any such improvements, except that the Owner [may/shall] remove the following: [List any excluded/retained property], and (ii) all of Owner’s transferable right, title and interest in and to all rights, privileges, tenements, hereditaments, rights-of-way, easements, and appurtenances including, without limitation, mineral rights, development rights, air rights and riparian rights belonging or appurtenant to the Property.

2. **Term of Option.** The "Term" of this option shall begin on the Effective Date and automatically expire on the earliest of the following dates:

   (a) Fifteen year(s) from the Effective Date, unless the Term is extended as provided below in this section;
(b) The date on which District has delivered to Owner written notice of the termination of the Agreement; or

(c) The date the parties consummate the transfer of the Property, following the exercise of the Option by the District (which is at the sole and absolute discretion of the District), pursuant to a negotiated Purchase and Sale Agreement.

(d) Upon payment of an extension fee ("Extension Fee") by the District, the Term shall be extended for an additional five years. If District elects to extend the Term, District must notify the Owner in writing and provide payment of the Extension Fee to the Owner prior to expiration of the Term.

i) The amount of the Extension Fee is $500.

ii) The Extension Fee is part of the Option Consideration described in Section 3.

3. **Option Consideration.** As consideration for the Option granted under this Agreement, District agrees to pay Owner, the following amounts ("Option Consideration"):

(a) Within _____ days from the Effective Date of this Agreement, the sum of $50,000, and

(b) Owner shall use the $50,000 to repair the damaged spillway on Owner’s existing reservoir.

All Option Consideration will be credited to the Purchase Price of the Property.

4. **Purchase Price.** The purchase price/consideration for the Property shall be the fair market value of the amount of Owner’s water right diversion storage limits in Owner’s existing appropriate water right (Water Rights License #2829) ("Purchase Price"), less the Option Consideration, upon the closing of escrow.

5. **CEQA Compliance.** A condition to District’s exercise of this Option is its completion of environmental review to the extent required under the California’s Environmental Quality Act ("CEQA") and the satisfaction of the District’s obligations with respect thereto ("CEQA Compliance"), as determined by District in its sole and absolute discretion.

6. **Consummation of Option.** Upon (i) District’s Compliance with CEQA requirements, and (ii) District’s written notice of the exercise of the Option delivered to Owner within the Option Term, District and Owner will negotiate a purchase and sale agreement, which shall provide for District’s purchase of the Property for the Purchase Price, to close at a mutually agreeable date within ninety (90) days of Owner’s approval of the purchase and sale agreement.

7. **License to Enter.** During the Term, Owner grants District, its employees, agents and contractors a license to enter the Property to inspect, test or investigate any aspect of the land or buildings to determine the Property’s suitability for District’s proposed development. Prior to entering the Property under this right of license, District shall give Owner at least five business days written notice, including a reasonably detailed summary of the scope and duration of the proposed activities, and areas required for access ("Notice of Entry").
The Owner will provide written approval of the Notice of Entry within five business days of Owner’s receipt, subject to Owner’s additional reasonable conditions.

Owner grants SCVWD and any partners, including but not limited to any federal or state agency that may have an interest in or jurisdiction over the proposed Expanded Pacheco Reservoir Project, access rights to the land owned or controlled by Owner upon which the existing dam and facilities are located, and use of easements that Owner has established for access to its facilities. These access rights may include, but not be limited to, site visits for community outreach and regulators, surveying, geological investigations (including drilling) to prepare designs for construction of the new facilities and removal of existing facilities. District will provide at least three calendar days’ courtesy notice to Owner prior to each such new entry. Surveying and geological investigations conducted by District will not interfere with Owner's operation and maintenance of its existing dam and facilities.

8. **Title.** District has obtained a Preliminary Report dated as of _____ (under Order Number _____). The following shall be considered “Permitted Exceptions” for purposes of this Agreement and the Purchase Agreement: (1) property taxes and assessments collected with property taxes, which are at the date of the closing lien not yet due or payable, (2) property taxes and assessments collected with property taxes, which are at the date of the closing lien that is due and payable, but not yet delinquent (subject to proration as provided in the Purchase Agreement), (3) the lien of supplemental taxes, if any, assessed subsequent to the closing based upon any reassessment pursuant to Chapter 3.5 (commencing with Section 75) of the California Revenue and Taxation Code, to the extent that such supplemental taxes are assessed solely by reason of the change of ownership from Owner to District, and (4) the exceptions described as exception items _____ as shown in the Preliminary Report. Owner shall deliver title to the Property to District at closing, subject only to the Permitted Exceptions.

9. **No Encumbrances.** During the Term, Owner will not convey any interest in the Property to any party or otherwise encumber the Property without the prior written consent of District. The foregoing restriction shall apply to, but is not limited to, any lease or license of the Property. If Owner proposes to lease or license the Property during the Term or otherwise create any occupancy rights in favor of a third party, the Owner shall be required to obtain from the tenant, licensee or occupant a complete waiver of its right to any relocation benefits under federal and California law, in such form approved in advance by District. Owner will be responsible, at its expense, for delivering the Property to the District free and clear of all tenants, licensees and occupants.

10. **Representation and Warranties of Owner.** Owner makes the following representations to District, which shall be true and correct as of the Effective Date and as of the closing:

   (a) **Title.** Owner currently owns fee title to the Property and Owner has not created or granted any options or rights of offer, refusal, lease or purchase to any third parties. Owner has the full power and authority to execute, deliver and perform its obligations under this Agreement.

   (b) **Compliance with Laws.** To Owner's knowledge, neither the Property nor the operation thereof violates any laws, regulations or building codes of any governmental or municipal authority having jurisdiction over the Property.
(c) **Hazardous Materials.** To Owner's knowledge, except as expressly disclosed in writing to the District, the Property is free from petroleum, asbestos, polychlorinated biphenyls, radioactive materials, radon gas or any chemical, material or substance now or hereafter defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" or words of similar import under any Environmental Laws (as hereinafter defined) (collectively, "Hazardous Substances"), and is not in violation of any law, statute, ordinance, requirement, restriction, rule, regulation, consent decree or administrative order of any federal, state or local governmental agency relating to the use, generation, manufacture, installation, release, discharge, storage or disposal of Hazardous Substances, or relating to public health and safety and the protection of the environment (collectively, "Environmental Laws").

(d) **Contracts.** As of the closing, there will be no contracts to which Owner is a party for any improvements to the Property which have not been paid in full by Owner. Owner shall cause to be discharged any mechanic's liens caused by or on behalf of Owner and arising prior to the closing.

(e) **Litigation.** To Owner's knowledge, except as expressly disclosed in writing to the District, no litigation or other proceedings are pending or threatened against the Property, its operation or Owner relating to the Property.

(f) **Liens.** There are no any monetary liens (except for the Permitted Exceptions), that will not be removed by Owner prior to or concurrent with the closing.

11. **No Brokers' Commission.** The Owner and District each warrant to the other that no person or entity can properly claim a right to a commission, finder's fee, or other compensation with respect to the transaction contemplated by the Agreement.

12. **Successors and Assignment.** The Agreement is binding upon the Owner, its administrators, legal representatives, successors-in-interest, executors or assignees. District may not assign this Agreement, or any rights or obligations hereunder, without first having obtained the written consent of the Owner; such consent shall not be unreasonably withheld if to a reputable affordable housing developer with an established record in the Bay area.

13. **Notices.** Except as otherwise specified in this Agreement, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the parties at their respective addresses specified below or to such other address as a party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

- Personal delivery, in which case notice is effective upon delivery;
- Certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt;
- Nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.
To District: Santa Clara Valley Water District  
Attention: Real Estate Services Unit Manager  
5750 Almaden Expressway  
San Jose, CA  95118

To Owner:  


Notices shall be addressed as appears herein, provided that if any party gives notice of change of name or address, notices to the giver of that notice shall thereafter be given as demanded in that notice.

14. **Invalidity of Any Provision.** If any provision or portion of a provision of the Agreement is held to be illegal, invalid or unenforceable by a court of competent jurisdiction under present or future laws effective during the term of the Agreement, the legality, validity, and enforceability of the remaining provisions or the balance of such provision shall not be affected thereby.

15. **Applicable Law.** This Agreement shall be governed by the laws of the State of California.

16. **Entire Agreement.** The Agreement contains the entire agreement of the parties and supersedes any prior written or oral agreements between them concerning the subject matter contained herein. Any amendment to the Agreement must be reduced to writing and signed by both parties before it will be effective.

District has executed this agreement as of: ____________________________

SANTA CLARA VALLEY WATER DISTRICT

By: ____________________________  
Chief Executive Officer

ATTEST: MICHELE L. KING

Clerk/Board of Directors

APPROVED AS TO FORM:

By: ____________________________  
District Counsel

Owner has executed this agreement as of: ____________________________
HANDOUT: AGENDA ITEM 5.2c

DOCUMENT NO.: 

OWNER

By: ______________________
Name: ______________________
Title: ______________________

Recommended for Approval:

By: ______________________
    Real Estate Services Unit Manager
STATE OF CALIFORNIA  
COUNTY OF ___________________________  

On ______________________, 20___ before me, ___________________________, Notary Public, personally appeared __________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _______________________________ (seal)
Exhibit A

DESCRIPTION OF THE PROPERTY