



## Santa Clara Valley Water District Board of Directors Meeting

District Headquarters Board Room  
5700 Almaden Expressway  
San Jose, CA 95118

### **\*AMENDED/APPENDED AGENDA 12:00 PM CLOSED SESSION 1:00 PM REGULAR MEETING**

**Tuesday, March 14, 2017  
12:00 PM**

**\*ITEMS AMENDED AND/OR APPENDED SINCE THE ORIGINAL PUBLICATION OF THIS  
AGENDA ARE IDENTIFIED BY AN ASTERISK (\*) HEREIN**

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

#### DISTRICT BOARD OF DIRECTORS

John L. Varela, Chair - District 1  
Richard Santos, Vice Chair - District 3  
Barbara Keegan - District 2  
Linda J. LeZotte - District 4  
Nai Hsueh - District 5  
Tony Estremera - District 6  
Gary Kremen - District 7

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 for public inspection at the Office of the Clerk of the Board at the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, CA 95118, 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 attend Board of Directors' meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

NORMA CAMACHO  
Interim Chief Executive Officer

MICHELE L. KING, CMC  
Clerk of the Board  
(408) 265-2600  
Fax (408) 266-0271  
[www.valleywater.org](http://www.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.**

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**Santa Clara Valley Water District  
Board of Directors**

**\*AMENDED/APPENDED AGENDA  
12:00 PM CLOSED SESSION  
1:00 PM REGULAR MEETING**

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Tuesday, March 14, 2017

12:00 PM

District Headquarters Board Room

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**1. CALL TO ORDER:**

1.1. Roll Call.

**2. TIME CERTAIN:**

**12:00 PM**

*Notice to the Public: The Board of Directors meets in Closed Session in accordance with the Ralph M. Brown Act. Following the conclusion of Closed Session discussion, the Board will return for the remaining items on the regular meeting agenda.*

**2.1. CLOSED SESSION**

[17-0116](#)

**CONFERENCE WITH LABOR NEGOTIATORS**

Pursuant to Government Code Section 54957.6(a):

Agency Designated Representatives: Norma Camacho, Susan Stanton,  
Anil Comelo, Michael Baratz, and Laura Harbert  
Employee Organizations: Employees Association, Engineers Society,  
Professional Managers Association

**1:00 PM**

2.2. District Counsel Report.

2.3. Pledge of Allegiance/National Anthem.

2.4. Orders of the Day.

- A. Approximate Discussion Time (Board); and  
B. Adjustments to the Order of Agenda Items.*

2.5. Time Open for Public Comment on any Item not on the Agenda.

*Notice to the public: This item is reserved for persons desiring to address the Board on any matter not on this agenda. Members of the public who wish to address the Board on any item not listed on the agenda should complete a Speaker Card and present it to the Clerk of the Board. The Board Chair will call individuals to the podium in turn. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Board action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board 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 Board may take action on any item of business appearing on the posted agenda.*



- 2.6. Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Issuance of Not To Exceed \$65 Million Water System Refunding Revenue Bonds, Series 2017A, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts In Connection Therewith.

[16-0588](#)

- Recommendation: A. Adopt a RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH;
- B. Authorize and direct the Interim Chief Executive Officer, Chief Operating Officer-Administration, Chief Financial Officer, Treasury/Debt Officer, District Counsel, and the Clerk of the Board of Directors and such other officers and staff of the District, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to consummate the sale and delivery of the Refunding Revenue Bonds; and
- C. Approve the suspension of Wells Fargo Bank from the District's Negotiated Sale Underwriter Pool through September 27, 2017.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Resolution](#)  
[Attachment 2: Indenture](#)  
[Attachment 3: Notice of Intention to Sell Securities](#)  
[Attachment 4: Official Notice of Sale, Bid Form](#)  
[Attachment 5: Preliminary Official Statement](#)  
[Attachment 6: Continuing Disclosure Agreement](#)  
[Attachment 7: Escrow Agreement](#)  
[Attachment 8: Debt Management Policy](#)

Est. Staff Time: 20 Minutes

**3. CONSENT CALENDAR: (3.1 - 3.6) (Est. Time: 5 Minutes)**

*Notice to the public: There is no separate discussion of individual consent calendar items. Recommended actions are voted on in one motion. If an item is approved on the consent vote, the specific action recommended by staff is adopted. Items listed in this section of the agenda are considered to be routine by the Board, or delegated to the Board Appointed Officers (BAOs) yet required by law or contract to be Board approved (EL-7.10). Any item may be removed for separate consideration at the request of a Board member. Whenever a resolution is on the consent calendar, a roll call vote will be taken on the entire calendar. Members of the public wishing to address the Board on any consent items should complete a Speaker Card and present it to the Clerk of the Board.*

- 3.1. Resolution Authorizing Conveyance of Real Property with PREG Western Tropicana on Permanente Creek at W. El Camino Real (Mountain View) (District 7). [16-0751](#)

- Recommendation:
- A. Adopt the Resolution APPROVING THE EXCHANGE OF REAL PROPERTY WITH PREG WESTERN TROPICANA;
  - B. Authorize the Interim Chief Executive Officer to execute the Real Property Easement Exchange Agreement With PREG Western Tropicana for the exchange of real property over the Permanente Creek box culvert pursuant to Section 31 of the District Act; and
  - C. Authorize the Interim Chief Executive Officer to execute and deliver the Quitclaim Deed to PREG Western Tropicana (Real Estate File 1024-1.3) and accept in exchange the new Easement Deed from PREG Western Tropicana (Real Estate File 1024-170).

Manager: Vincent Gin, 408-630-2633

Attachments: [Attachment 1: Location Map](#)  
[Attachment 2: Resolution](#)

- 3.2. Resolution Declaring March 21-28, 2017, as a Week of Public Service in Honor of César Chávez. [17-0095](#)

- Recommendation:
- A. Recognize and observe March 21-28, 2017, as a week of public service in honor of César Chávez; and
  - B. Adopt the resolution DECLARING MARCH 21-28, 2017, AS A WEEK OF PUBLIC SERVICE IN HONOR OF CESAR CHAVEZ.

Manager: Norma Camacho, 408-630-2084

Attachments: [Attachment 1: Resolution](#)

- 3.3. Board of Directors' Quarterly Expense Report for the Quarter Ending December 31, 2016. [17-0038](#)
- Recommendation: A. Review the Board of Directors' Quarterly Expense Report for the Quarter Ending December 31, 2016; and
- B. Approve the report, if the reimbursements comply with Board Policy.
- Manager: Darin Taylor, 408-630-3068
- Attachments: [Attachment 1: 123116 Quarterly Expense Report](#)
- 3.4. Reduction of Construction Contract Retention for the Lower Silver Creek Flood Protection and Creek Restoration Project, Reach 6B, Robert A. Bothman, Inc., Contractor, Project No. 40264008, Contract No. C0594 (San Jose) (District 6). [17-0089](#)
- Recommendation: Authorize reducing the current construction contract retention of ten percent (10%) to five percent (5%), consistent with the minimum amount required by the California Public Contract Code.
- Manager: Katherine Oven, 408-630-3126
- Attachments: [Attachment 1: Construction Progress Photos](#)
- \*3.5. CEO Bulletins for the Weeks of February 24 Through March 2, and March 3-9, 2017. [17-0148](#)
- Recommendation: Accept the CEO Bulletins.
- Manager: Norma Camacho, 408-630-2084
- Attachments: [Attachment 1: 030217 CEO Bulletin](#)  
[\\*Attachment 2: 030917 CEO Bulletin](#)
- 3.6. Approval of Minutes. [17-0088](#)
- Recommendation: Approve the minutes.
- Manager: Michele King, 408-630-2711
- Attachments: [Attachment 1: 011717 Special Joint Meeting Minutes](#)  
[Attachment 2: 012417 Regular Meeting Minutes](#)  
[Attachment 3: 013117 Special Meeting Minutes](#)  
[Attachment 4: 021417 Regular Meeting Minutes](#)

## **REGULAR AGENDA:**

## **4. BOARD OF DIRECTORS:**

- \*4.1. Recommendation from the Pacheco Reservoir Exploratory Ad Hoc Committee to Authorize the Interim CEO to execute the Principles of Agreement - Submittal of Proposition 1 Application and Joint Investigation of Pacheco Reservoir Expansion. [17-0147](#)

Recommendation: The Pacheco Reservoir Exploratory Ad Hoc Committee recommends that the Board authorize the Interim CEO to execute the Principles of Agreement - Submittal of Proposition 1 Application and Joint Investigation of Pacheco Reservoir Expansion

Manager: Garth Hall, 408-630-2750

Attachments: [Attachment 1: Principles of Agreement](#)

Est. Staff Time: 10 Minutes

- 4.2. Board Committee Reports.

## 5. WATER UTILITY ENTERPRISE:

- 5.1. Review and Confirm Proposed Principles Related to California WaterFix. [17-0087](#)

Recommendation: A. Review and confirm proposed Principles related to the California WaterFix; and

B. Receive and discuss updated information on the California WaterFix.

Manager: Garth Hall, 408-630-2750

Attachments: [Attachment 01: Draft Principles](#)  
[Attachment 02: SCVWD Policy Statement to State Water Board](#)  
[Attachment 03: Board Policy and CEO Interpretations](#)  
[Attachment 04: Board of Supervisors Resolution](#)  
[Attachment 05: Board Communication Schedule](#)  
[Attachment 06: PowerPoint](#)

Est. Staff Time: 10 Minutes

- 5.2. Sites Project Authority's Amended and Restated Phase 1 Reservoir Project Agreement. [17-0105](#)

Recommendation: Authorize the CEO to execute the Sites Project Authority's Amended and Restated Phase 1 Reservoir Project Agreement and to pay the Sites Joint Power Authority \$913,146 towards the current phase of the Sites Reservoir Project expenditures.

Manager: Garth Hall, 408-630-2750

Attachments: [Attachment 1: Sites Phase 1 Agreement](#)  
[Attachment 2: Exhibit A1](#)  
[Attachment 3: Exhibit B](#)  
[Attachment 4: Exhibit C](#)  
[Attachment 5: Bylaws of the Sites JPA](#)  
[Attachment 6: Proposal to Participate](#)  
[Attachment 7: Estimated Revenue Table](#)  
[Attachment 8: Revisions to Sites Phase 1 Agreement](#)  
[Attachment 9: Amended Sites JPA Agreement](#)  
[Attachment 10: PowerPoint](#)

Est. Staff Time: 10 Minutes

## 6. WATERSHEDS:

- 6.1. Staff Response to Independent Monitoring Committee (IMC) Report on Safe, Clean Water and Natural Flood Protection Program Year 3 Annual Report for Fiscal Year 2015-2016. [17-0119](#)

Recommendation: A. Accept Staff Response to IMC Report on Safe, Clean Water and Natural Flood Protection Program Year 3 Annual Report for Fiscal Year 2015-2016; and  
B. Provide additional direction as necessary.

Manager: Ngoc Nguyen, 408-630-2632

Attachments: [Attachment 1: Staff Response to FY16 IMC Report](#)

Est. Staff Time: 15 Minutes

- 6.2. Safe, Clean Water and Natural Flood Protection Program (SCW) [17-0123](#)  
Priority D - Project D3 (Grants and Partnerships to Restore Wildlife  
Habitat and Provide Access to Trails) Mini-Grant Pilot Program.

Recommendation: A. Approve the proposed Priority D - Project D3  
Mini-Grant Pilot Program components listed below;  
including; and

- i. Mini-Grant Minimum Requirements and  
Evaluation Criteria;
- ii. Submittal, Selection and Award Process;
- iii. Application Form;
- iv. Evaluation Score Sheet; and
- v. Outreach Plan.

B. Authorize the District to implement the Priority D3  
Mini-Grant Pilot Program through June 30, 2018 or until  
the \$200,000 in funding is awarded (whichever occurs  
first); at which time staff will evaluate the program's  
success and present to the Board a recommendation  
for its continuation or termination.

Manager: Melanie Richardson, 408-630-2035

Attachments: [Attachment 1: Minimum Requirements and Evaluation Criteria](#)  
[Attachment 2: Submittal, Selection and Award Process](#)  
[Attachment 3: Application Form](#)  
[Attachment 4: Evaluation Score Sheet](#)  
[Attachment 5: Outreach Plan](#)

Est. Staff Time: 10 Minutes

## 7. CHIEF EXECUTIVE OFFICER:

- 7.1. Recommended Position on State Legislation: SB 492 (Beall) Upper  
Guadalupe and Los Gatos Creek Watersheds. [17-0106](#)

Recommendation: Adopt a position of "Support" on: SB 492 (Beall) Upper  
Guadalupe and Los Gatos Creek Watersheds.

Manager: Rick Callender, 408-630-2017

Est. Staff Time: 5 Minutes

- 7.2. Chief Executive Officer Report.

\*7.2 A. Storm Report Update (March 1, 2017 Through March 14, 2017) -  
Receive and Discuss Current Storm Report Information.

[17-0150](#)

8. **ADMINISTRATION: None.**

9. **DISTRICT COUNSEL: None.**

10. **ADJOURN:**

10.1. Board Member Reports/Announcements.

10.2. Clerk Review and Clarification of Board Requests.

10.3. Adjourn to the 9:00 a.m. Special Meeting, on March 23, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

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**File No.:** 17-0116

**Agenda Date:** 3/14/2017  
**Item No.:** 2.1.

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**NON-EXHIBIT/CLOSED SESSION ITEM**

**SUBJECT:**

CLOSED SESSION  
CONFERENCE WITH LABOR NEGOTIATORS  
Pursuant to Government Code Section 54957.6(a):  
Agency Designated Representatives: Norma Camacho, Susan Stanton,  
Anil Comelo, Michael Baratz, and Laura Harbert  
Employee Organizations: Employees Association, Engineers Society,  
Professional Managers Association

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**File No.:** 16-0588

**Agenda Date:** 3/14/2017  
**Item No.:** 2.6.

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## BOARD AGENDA MEMORANDUM

### SUBJECT:

Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Issuance of Not To Exceed \$65 Million Water System Refunding Revenue Bonds, Series 2017A, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts In Connection Therewith.

### RECOMMENDATION:

- A. Adopt a RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH;
- B. Authorize and direct the Interim Chief Executive Officer, Chief Operating Officer-Administration, Chief Financial Officer, Treasury/Debt Officer, District Counsel, and the Clerk of the Board of Directors and such other officers and staff of the District, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to consummate the sale and delivery of the Refunding Revenue Bonds; and
- C. Approve the suspension of Wells Fargo Bank from the District's Negotiated Sale Underwriter Pool through September 27, 2017.

### SUMMARY:

Approval of staff recommendations will allow the District to issue a principal amount of up to \$65 million Water System Refunding Revenue Bonds, Series 2017A (2017 Bonds) to: (i) refund all of the currently outstanding Water Utility System Revenue Certificates of Participation, Series 2007A (2007A COPs); and (ii) pay costs of issuance of the 2017 Bonds.

The 2007A COPs were issued in September 2007 with a principal amount of \$77.27 million. The debt proceeds were used to pay for capital costs of water utility system improvements, purchase a debt service reserve surety bond, and pay capitalized interest and costs of issuance associated with the 2007A COPs. The 2007A COPs with maturity dates on and after June 1, 2018 are subject to optional prepayment prior to the respective maturity dates on any date on or after June 1, 2017.

Based on market rates as of January 26, 2017 plus 0.50% interest rate cushion, the 2017 Bonds are expected to generate between \$6.9 million or 10.4% to \$9.4 million or 14.2% in Net Present Value (NPV) savings. The expected all-in true-interest-cost (TIC) is between 3.4% - 3.7% for the 2017 Bonds. The final refunding savings and TIC are subject to change, pending the market conditions, investor demand, interest rate environment and other factors on the pricing day of the debt sale.

#### Financing Structure/Method of Sale

The 2017 Bonds will be sold on a competitive basis to the responsible bidder whose bid produces the lowest true interest cost. Per the Government Finance Officers Association best practices, a competitive sale "...promotes the appearance of an open, fair process ...[and] taxpayers have greater assurance that bonds have been awarded at the lowest possible cost...". Given the relatively small size of the transaction and the high credit ratings expected on the 2017 Bonds, it is anticipated that a competitive sale will provide the most expeditious execution and lowest overall cost to the District. The 2017 Bonds are expected to be structured with annual principal repayment at a fixed interest rate with the same final maturity date on June 1, 2037 as the 2007A COPs that are being refinanced.

The authority to issue Revenue Refunding Bonds is provided in Section 25.1 of the District Act and Sections 53580-53589.5 of the California Government code.

#### Estimated Sources and Uses of Bond Proceeds

The estimated sources and uses of funds with respect to the 2017 Bonds are set forth below. The total principal amount shown in the table below is based on the current financing plan, which is lower than the total not to exceed authorization of \$65 million. The not to exceed authorization allows for flexibility to adjust the financing structure to buffer for market volatility.

##### Sources

Principal Amount of 2017 Bonds	\$57,925,000
Plus/Less Net Original Issue Premium/Discount	7,368,935
2007A Principal/Interest Due 6/1/2017	3,481,000
<b>TOTAL</b>	<b>68,774,935</b>

##### Uses

Deposit to 2007A Escrow Fund	68,204,653
Costs of Issuance	280,000
Underwriter's Discount	289,625
Additional Proceeds	657
<b>TOTAL</b>	<b>68,774,935</b>

#### Security

The obligation of the District to pay principal of and interest on the 2017 Bonds is secured by a pledge of and lien on the District's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility System Parity Master Resolution No 16-10 approved by the Board on February 23, 2016, as amended. The obligation of the District to pay the principal of and interest on the 2017 Bonds does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

### Financing Documents

The following financing documents, in substantially final form, are attached for Board review and/or approval: Resolution of the Board; Indenture; Notice of Intention to Sell Securities; Official Notice of Sale and Bid Form; Preliminary Official Statement; Continuing Disclosure Agreement; Escrow Agreement; and Debt Management Policy.

### Costs of Issuance

The estimated total costs of issuance in the amount of \$280,000 will be paid from the proceeds of the debt issuance at closing.

	<b>Estimate</b>
Rating Fees (Fitch/Moody's)	<u>\$80,000</u>
Bond Counsel	70,000
Municipal Advisor	70,000
Trustee	15,000
Printing	10,000
Verification Agent	1,750
Arbitrage Rebate Analysis Fee	10,000
Other Fees/Charges & Contingency (10%)	<u>23,250</u>
<b>Total</b>	<b><u>\$ 280,000</u></b>

### Financing Schedule

Pending Board approval of the financing plan, the target financing schedule is as follows:

<b>Description</b>	<b>Date</b>
Board approval:	3/14/2017
Ratings:	3/31/2017
Post Preliminary Official Statement:	4/3/2017

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Pricing (competitive sale):	4/11/2017
Closing:	5/ 2/2017

### Wells Fargo Bank Suspension

At its December 13, 2016 board meeting, the Board directed staff to provide the Board with recommendations on sanctions of financial institutions for future consideration. Staff conferred with bond counsel, municipal advisor, and District Counsel, and analyzed the potential legal implications of any such sanctions. Based on this analysis, staff recommends that the Board approve a suspension of Wells Fargo Bank from the District's Negotiated Sale Underwriter Pool through September 27, 2017. The suspension period coincides with the current sanction imposed on Wells Fargo Bank by the California State Treasurer's Office (STO). Going forward, staff will conduct annual reviews of all participants of the District's Negotiated Sale Underwriter Pool to determine if any of the participants received sanctions from the STO, and recommend further actions for the Board to consider. This procedure is documented in the District's Debt Management Policy (Attachment 6 - Debt Management Policy Section I.B.4.v. Method of Sale (page 7)).

### **FINANCIAL IMPACT:**

The estimated total costs of issuance in the amount of \$280,000 will be paid from the proceeds of the debt issuance at closing.

### **CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

### **ATTACHMENTS:**

- Attachment 1: Resolution of the Board
- Attachment 2: Indenture
- Attachment 3: Notice of Intention to Sell Securities
- Attachment 4: Official Notice of Sale and Bid Form
- Attachment 5: Preliminary Official Statement
- Attachment 6: Continuing Disclosure Agreement
- Attachment 7: Escrow Agreement
- Attachment 8: Debt Management Policy

### **UNCLASSIFIED MANAGER:**

Darin Taylor, 408-630-3068

**BOARD OF DIRECTORS  
SANTA CLARA VALLEY WATER DISTRICT**

**RESOLUTION NO. 17-**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH**

WHEREAS, the Santa Clara Valley Water District (the "District"), is a flood control and water district duly organized and existing under and pursuant to the Constitution and laws of the State of California;

WHEREAS, the District has previously financed the acquisition of certain capital improvements to the water utility system equipment and facilities of the District by causing the execution and delivery of the Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2007A (the "2007A Certificates");

WHEREAS, the District has determined that it would be in the best interests of the District and citizens of the community to authorize refunding bonds in one or more series (the "Refunding Bonds") to refund all or a portion of the 2007A Certificates;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Santa Clara Valley Water District does hereby find, determine, declare, and resolve as follows:

**Section 1. Authorization of Refunding Bonds.** This Board hereby authorizes the issuance, sale and delivery of one or more series of Refunding Bonds in an aggregate principal amount not to exceed \$65,000,000 in accordance with the terms and provisions of the Indenture of Trust referred to in Section 2 below; provided however that in no event shall the true interest cost of the Refunding Bonds exceed 5.00% per annum. The purposes for which the proceeds of the sale of the Refunding Bonds shall be expended are to refund all or a portion of the 2007A Certificates, and to pay the costs of the sale and delivery of the Refunding Bonds.

The Chief Operating Officer – Administration, the Chief Financial Officer and the Treasury/Debt Officer are hereby authorized and directed to award the sale of the Refunding Bonds to the bidder with the lowest true interest cost. The Chief Operating Officer – Administration, the Chief Financial Officer and the Treasury/Debt Officer may accept or reject all or any portion of bids received on the Refunding Bonds in order to accomplish the goals of the District as set forth herein.

**Section 2. Indenture.** The Indenture of Trust with respect to the Refunding Bonds, in substantially the form on file with the District, and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The Chief Executive Officer, the Chief Operating Officer – Administration, the Chief Financial Officer (or any acting or interim of such positions) and the Clerk of the Board or the designee thereof (each an "Authorized Officer" and together the "Authorized Officers"), are hereby each individually authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by such Authorized Officer executing the same, said execution being conclusive evidence of such approval.

**Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Issuance of not to Exceed \$65,000,000 Water System Refunding Revenue Bonds, Series 2017a, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith**  
Resolution No. 17-

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**Section 3. Notice of Intention to Sell Securities.** The Authorized Officers, in cooperation with Bond Counsel and Public Resources Advisory Group, the District's Municipal Advisor, are each hereby authorized and directed, pursuant to Section 53692 of the California Government Code, to cause to be published the Notice of Intention to Sell Securities once at least five (5) days prior to the date set for receipt of bids on the Refunding Bonds, in a financial publication generally circulated throughout the State of California or reasonably expected to be disseminated among prospective bidders for the securities. The Authorized Officers, in cooperation with the District's Municipal Advisor, shall cause the Official Notice of Sale (the "Notice of Sale"), in substantially the form on file with the District, which form is hereby approved, to be circulated among prospective bidders.

**Section 4. Preliminary Official Statement and Official Statement.** The preparation and distribution of the Preliminary Official Statement relating to the Refunding Bonds in substantially the form on file with the District, is hereby approved. Each Authorized Officer is individually authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement and each Authorized Officer is individually authorized and directed to execute, approve and deliver the Official Statement in the form of the Preliminary Official Statement which, upon execution as authorized below, are made a part hereof as though set forth in full herein, with such changes, insertions and omissions as may be approved by such Authorized Officer executing the same, said execution being conclusive evidence of such approval. The underwriter for the Refunding Bonds is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Refunding Bonds and are directed to deliver copies of any final Official Statement to all actual initial purchasers of the Refunding Bonds.

**Section 5. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement relating to the Refunding Bonds in substantially the form on file with the District and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer is individually authorized and directed to execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by such Authorized Officer executing the same, said execution being conclusive evidence of such approval.

**Section 6. Escrow Agreement.** The Escrow Agreement (2007A Certificates) relating to the refunded 2007A Certificates (the "Escrow Agreement"), in substantially the form on file with the District and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. Each Authorized Officer is individually authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by such Authorized Officer executing the same, said execution being conclusive evidence of such approval.

**Section 7. Trustee.** U.S. Bank National Association, San Francisco, California is hereby appointed to act as trustee under the Indenture of Trust with respect to the Refunding Bonds.

**Section 8. Debt Management Policy.** The Debt Management Policy of the District (the "Debt Management Policy") is on file with the District. In accordance with California Government Code Section 8855(i), the Board hereby delegates and authorizes the Authorized



**Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Issuance of not to Exceed \$65,000,000 Water System Refunding Revenue Bonds, Series 2017a, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith**  
Resolution No. 17-

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Officers to approve any amendments to the Debt Management Policy from time to time as such Authorized Officers deem necessary.

**Section 9. Other Actions.** The Authorized Officers and such other officers and staff of the District are authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to consummate the sale and delivery of the Refunding Bonds, and the delivery of the Indenture of Trust, the Continuing Disclosure Agreement, the Preliminary Official Statement and the Official Statement, the Escrow Agreement, and otherwise effectuate the purposes of this Resolution, and such actions in connection therewith previously taken by such officers and staff are hereby ratified and confirmed.

**Section 10. Definitions.** Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture of Trust, unless the context otherwise clearly requires.

**Section 11. Effect.** This resolution shall take effect immediately.

PASSED and ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on the 14<sup>th</sup> day of March, 2017.

AYES: Directors:

NOES: Directors:

ABSENT: Directors:

ABSTAIN: Directors:

SANTA CLARA VALLEY WATER DISTRICT

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JOHN L. VARELA  
Chair/Board of Directors

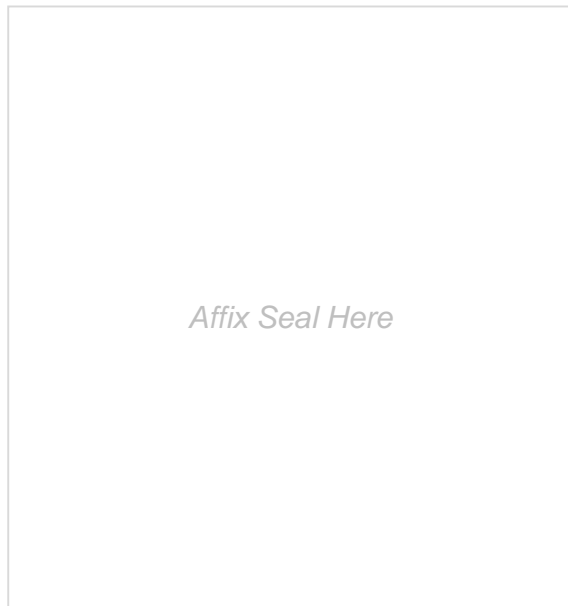
ATTEST: MICHELE L. KING, CMC

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Clerk/Board of Directors

**Resolution of the Board of Directors of the Santa Clara Valley Water District Authorizing the Issuance of not to Exceed \$65,000,000 Water System Refunding Revenue Bonds, Series 2017a, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Acts in Connection Therewith**  
Resolution No. 17-

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I hereby certify that the foregoing is a full, true and correct copy of the original thereof on file in my office.

DATED: March 14, 2017

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MICHELE L. KING  
Clerk, Board of Directors  
Santa Clara Valley Water District

**INDENTURE OF TRUST**

**Dated as of March 1, 2017**

**By and between**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**and the**

**SANTA CLARA VALLEY WATER DISTRICT**

**Relating to**

**\$\_\_\_\_\_**  
**SANTA CLARA VALLEY WATER DISTRICT**  
**WATER SYSTEM REFUNDING REVENUE BONDS,**  
**SERIES 2017A**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of March 1, 2017 (the “Indenture”), by and between SANTA CLARA VALLEY WATER DISTRICT, an agency duly organized and existing under and by virtue of the laws of the State of California (the “District”), and U.S. BANK NATIONAL ASSOCIATION, duly organized and existing under the laws of the United States of America, as trustee hereunder (the “Trustee”);

### WITNESSETH:

WHEREAS, the District has previously financed the acquisition of certain capital improvements to the water utility system equipment and facilities of the District by causing the issuance of the Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A (the “Series 2007A Certificates”); and

WHEREAS, the District has determined that it is in the best interest of the public to pay, prepay and defease, the Series 2007A Certificates; and

WHEREAS, the District is authorized under the Santa Clara Valley Water District Act, Chapter 1405 of Statutes of 1951 of the State of California, as amended, and by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including all laws amendatory thereof or supplemental thereto, to refinance the acquisition of property for its water system; and

WHEREAS, in order to provide for the authentication and delivery of refunding revenue bonds (the “2017 Bonds”), to establish and declare the terms and conditions upon which such 2017 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of this Indenture; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the 2017 Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

### GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2017 Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2017 Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “Trust

Estate”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the District to the 2017 Bond Owners hereinafter set forth:

#### GRANTING CLAUSE FIRST

All right, title and interest of the District in and to the Water Utility System Revenues (as defined in the Water Utility Parity System Master Resolution), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Water Utility System Revenues payable to or receivable by the District under the Constitution of the State, the Government Code of the State of California, the Water Utility Parity System Master Resolution and this Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the District is or may become entitled to do thereunder, subject to the terms hereof and of the Water Utility Parity System Master Resolution.

#### GRANTING CLAUSE SECOND

All moneys and securities held in funds and accounts of this Indenture and of the Water Utility Parity System Master Resolution, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or therein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder or thereunder to the Trustee by the District or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof and of the Water Utility Parity System Master Resolution.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the 2017 Bonds issued under and secured by this Indenture and the Water Utility Parity System Master Resolution without privilege, priority or distinction as to the lien or otherwise of any of the 2017 Bonds over any of the other 2017 Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2017 Bonds due or to become due thereon, at the times and in the manner provided in the 2017 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2017 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Water Utility System Revenues, hereby assigned and pledged under the Water Utility Parity System Master Resolution, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses



and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2017 Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 and in the Water Utility Parity System Master Resolution, shall for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, or as specified in the Water Utility Parity System Master Resolution, in each case to be equally applicable to both the singular and plural forms of any of the terms defined.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Authorized Representative. The term "Authorized Officer" means the Chief Executive Officer/General Manager of the District, any acting or interim Chief Executive Officer/General Manager or, if there is no officer such designated as the Chief Executive Officer/General Manager, the highest ranking officer of the District (excluding members of the Board of Directors of the District), the Chief Operating Officer – Administration, the Chief Financial Officer, or the Treasury/Debt Officer.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Year. The term "Bond Year" will have the meaning set forth in the Tax Certificate.

Business Day. The term "Business Day" means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms "Certificate," "Direction," "Request," and "Requisition" of the District mean a written certificate, direction, request or requisition signed in the name of the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and

construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Closing Date. The term “Closing Date” means the date on which the 2017 Bonds are delivered to the original purchaser thereof.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Agreement. The term “Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2017, by and between the District and U.S. Bank National Association, as dissemination agent, relating to the 2017 Bonds, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

Corporation. The term “Corporation” means the Santa Clara Valley Water District Public Facilities Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2017 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2017 Bonds and any other cost, charge or fee in connection with the original issuance of the 2017 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated,

and (4) pre-refunded municipal obligations rated not lower than the rating on securities described in clause (2) above.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as Securities Depository for the 2017 Bonds.

District. The term “District” means Santa Clara Valley Water District, an agency duly organized and existing under and by virtue of the laws of the State of California, including the Law.

Escrow Agent. The term “Escrow Agent” means U.S. Bank National Association, as escrow agent under the Series 2007A Escrow Agreement.

Event of Default. The term “Event of Default” means any of the events specified in Section 7.01.

Federal Securities. The term “Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Indenture. The term “Indenture” means this Indenture of Trust, dated as of March 1, 2017, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, each of whom is independent of the District pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, and who, or each of whom:

- (1) is in fact independent and not under domination of the District;
- (2) does not have any substantial interest, direct or indirect, with the District; and
- (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with

respect to called bonds as the District may specify in a certificate to the Trustee or as the Trustee may select.

Interest Account. The term “Interest Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Interest Payment Date. The term “Interest Payment Date” means each June 1 and December 1, commencing [June 1, 2017].

Investment Agreement. The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated, at the time of execution, equal to at least the Minimum Rating by two of three Rating Agencies.

Law. The term “Law” means the Santa Clara Valley Water District Act, Chapter 1405 of Statutes of 1951 of the State of California, as amended and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including all laws amendatory thereof or supplemental thereto.

Letter of Representations. The term “Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the 2017 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District delivered to and accepted by the Depository.

Manager. The term “Manager” means the Chief Executive Officer/General Manager of the District (or any acting or interim officer holding such position) or, if there is no officer designated as the Chief Executive Officer/General Manager, the highest ranking officer of the District (excluding members of the Board of Directors of the District), the Chief Operating Officer – Administration or the Chief Financial Officer.

Minimum Rating. The term “Minimum Rating” means “A+”, “A1” or “A+” by S&P, Moody’s or Fitch, respectively.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office of the Trustee. The term “Office of the Trustee” means the principal corporate trust office of the Trustee in San Francisco, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of 2017 Bonds, such term means the principal corporate trust office of the Trustee in St. Paul, Minnesota, or such other office as the Trustee may from time to time designate in writing to the District and the Owners.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2017 Bonds, means (subject to the provisions of Section 11.09) all 2017 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (i) 2017 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2017 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2017 Bonds (or portions thereof) described in Section 11.09; and (iii) 2017 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2017 Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner; 2017 Bond Owner. The term “Owner” or “2017 Bond Owner,” whenever used herein with respect to a 2017 Bond, means the person in whose name the ownership of such 2017 Bond is registered on the Registration Books.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as Securities Depository.

Payment Fund. The term “Payment Fund” means the fund by that name established pursuant to Section 5.02.

Permitted Investments. The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the District.

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash insured at all times by the Federal Deposit Insurance Corporation; and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank;

Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;

- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's, "A-1" by S&P and "F1" by Fitch and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's, "A-1" by S&P or "F1" by Fitch and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by any of S&P, Fitch or Moody's, including such funds for which the Trustee or an affiliate provides investment advice for other services;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
  - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's, S&P or Fitch, or any successors thereto; or
  - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (i) The following municipal obligations: (1) revenue obligations of states or any department, board, agency or authority thereof rated “A1” or better by Moody’s, “A+” or better by S&P or “A+” or better by Fitch; (2) general obligations of states rated “A3” or better by Moody’s, “A-” or better by S&P or “A-” or better by Fitch; (3) adjustable rate revenue obligations of states or any department, board, agency or authority thereof rated “P-1” or better by Moody’s, “A-1+” or better by S&P or “F-1”+ or better by Fitch; (4) fixed rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “A1” or better by Moody’s, “A+” or better by S&P or “A+” or better by Fitch; or (5) adjustable rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “P-1” or better by Moody’s, “A-1+” or better by S&P or “F-1+” by Fitch;
- (j) Investment Agreements;
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of Government Code § 53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.
- (n) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated “AA” or better by S&P and Fitch or “Aa2” or better by Moody’s.

The value of the above investments shall be determined as provide in the definition of “Value.”

Principal Account. The term “Principal Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Rating. The term “Rating” means any currently effective rating on the 2017 Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means S&P, Fitch and Moody’s.

Rebate Fund. The term “Rebate Fund” means the fund by that name established pursuant to Section 5.07.

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Redemption Date. The term “Redemption Date” means the date fixed for an optional or extraordinary redemption prior to maturity of the 2017 Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term “Redemption Price” means, with respect to any 2017 Bond (or portion thereof), the principal amount of such 2017 Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2017 Bond and this Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2017 Bonds pursuant to Section 2.05.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of this Indenture.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District deliver to the Trustee.

Series 2007A Certificates. The term “Series 2007A Certificates” means the outstanding Santa Clara Valley Water District, Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A, executed and delivered pursuant to the Trust Agreement dated as of September 1, 2007, by and among the District, the Corporation and U.S. Bank National Association, as trustee.

Series 2007A Escrow Agreement. The term “Series 2007A Escrow Agreement” means that certain Series 2007A Escrow Agreement, dated as of March 1, 2017, by and between the District and the Escrow Agent.

Series 2007A Escrow Fund. The term “Series 2007A Escrow Fund” means the fund by that name established under the Series 2007A Escrow Agreement.

State. The term “State” means the State of California.

Supplemental Indenture. The term “Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the District and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.



Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2017 Bonds, issued by the District on the date of issuance of the 2017 Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank National Association, a national banking association having a corporate trust office in San Francisco, California, duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2017 Bonds. The term “2017 Bonds” means the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A issued pursuant to the Water Utility Parity System Master Resolution and this Indenture.

Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

Value. The term “Value,” which shall be determined as of the end of each month, means that the value of any investments, which shall be the face amount thereof, plus accrued interest.

Water Utility Parity System Master Resolution. “Water Utility Parity System Master Resolution” means the Water Utility Parity System Master Resolution, Resolution No. 16-10 adopted by the Board of Directors of the District on February 23, 2016, as amended by Resolution No. 16-82 adopted by the Board of Directors of the District on December 13, 2016, as such resolution may be further supplemented and amended from time-to-time.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of the District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District,” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by the Chair of its Board of Directors or its Manager or by the Clerk of its Board of Directors or by any other person (whether or not officers of the Board of Directors of the District) who is specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture except the certificate of destruction provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall

include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### THE 2017 BONDS

Section 2.01. Authorization of 2017 Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2017 Bonds, which shall constitute special obligations of the District, for the purpose of (i) currently refunding the outstanding Series 2007A Certificates and (ii) paying the Costs of Issuance. The 2017 Bonds are hereby designated the “Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A” in the aggregate principal amount of \$\_\_\_\_\_. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2017 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2017 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2017 Bonds. The 2017 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2017 Bonds shall mature on June 1 in each of the years and in the amounts set forth below and shall bear interest at the rates set forth below:

<i><b>Maturity Date</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>
<i><b>(June 1)</b></i>		

Interest on the 2017 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by

first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any 2017 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2017 Bonds shall be payable in lawful money of the United States of America.

Each 2017 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before [May 15], 2017 in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2017 Bond, interest thereon is in default, such 2017 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2017 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2017 Bonds. Any 2017 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2017 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2017 Bond during the period in which the Trustee is selecting 2017 Bonds for redemption and any 2017 Bond that has been selected for redemption.

Whenever any 2017 Bond or 2017 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2017 Bond or 2017 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2017 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2017 Bonds, the Trustee will cancel and destroy the 2017 Bonds it has received.

Section 2.04. Exchange of 2017 Bonds. 2017 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2017 Bond during the period in which the Trustee is selecting 2017 Bonds for redemption and any 2017 Bond that has been selected for redemption. The Trustee shall require the 2017 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2017 Bonds, the Trustee will cancel and destroy the 2017 Bonds it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2017 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under

such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2017 Bonds as hereinbefore provided.

The person in whose name any 2017 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2017 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2017 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2017 Bonds. The 2017 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2017 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its Chair of the Board of Directors. The 2017 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2017 Bonds. The 2017 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed any of the 2017 Bonds shall cease to be such officer or officers of the District before the 2017 Bonds so signed shall have been authenticated or delivered by the Trustee, or issued by the District, such 2017 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District, and also any 2017 Bonds may be signed on behalf of the District by such persons as at the actual date of execution of such 2017 Bonds shall be the proper officers of the District although at the nominal date of such 2017 Bonds any such person shall not have been such officer of the District.

Only such of the 2017 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2017 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.07. 2017 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2017 Bond shall become mutilated, the District, at the expense of the Owner of said 2017 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2017 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2017 Bonds so mutilated, but only upon surrender to the Trustee of the 2017 Bond so mutilated. Every mutilated 2017 Bond so surrendered to the Trustee shall be canceled by it. If any 2017 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2017 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2017 Bond so lost, destroyed or stolen (or if any such 2017 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2017 Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2017 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in connection therewith. Any 2017 Bond issued under the provisions of this Section in lieu of any 2017 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2017 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other 2017 Bonds secured by this Indenture. Notwithstanding any other provision of this Section,

in lieu of delivering a new 2017 Bond for a 2017 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2017 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2017 Bonds, the District may provide that such 2017 Bonds shall be initially issued as book entry 2017 Bonds. If the District shall elect to deliver any 2017 Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2017 Bonds in an authorized denomination corresponding to that total principal amount of the 2017 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2017 Bond shall be registered in the 2017 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2017 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2017 Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2017 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2017 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2017 Bond Registration Books, of any notice with respect to book entry 2017 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2017 Bonds to be redeemed in the event the District redeems the 2017 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2017 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2017 Bond is registered in the 2017 Bond Registration Books as the absolute Owner of such book entry 2017 Bond for the purpose of payment of principal of, premium and interest on such 2017 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2017 Bond, for the purpose of registering transfers with respect to such 2017 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2017 Bonds only to or upon the order of the respective Owner, as shown in the 2017 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2017 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2017 Bond Registration Books, shall receive a 2017 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2017 Bonds. Upon delivery by the Depository to the District and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2017 Bonds for the Depository's book entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2017 Bonds other than the Owners, as shown on the 2017 Bond Registration Books. By executing a Letter of Representations, the District shall agree to take all action

necessary at all times so that the District will be in compliance with all representations of the District in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify book entry 2017 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as Securities Depository for book entry 2017 Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2017 Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified Securities Depository, the District shall prepare or direct the preparation of a new single, separate, fully registered 2017 Bond for each of the maturity dates of such book entry 2017 Bonds, registered in the name of such successor or substitute qualified Securities Depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified Securities Depository to replace the Depository, then the 2017 Bonds shall no longer be restricted to being registered in such 2017 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2017 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of this Indenture to the contrary, so long as all Outstanding 2017 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2017 Bond and all notices with respect to such 2017 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2017 Bonds to Substitute Depository.

(i) The 2017 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2017 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) ("Substitute Depository"); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2017 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2017 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2017 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2017 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2017 Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2017 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2017 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2017 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2017 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2017 Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2017 Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2017 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2017 Bonds.

### ARTICLE III

#### ISSUANCE OF 2017 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2017 Bonds. At any time after the execution of this Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2017 Bonds in the aggregate principal amount of \$\_\_\_\_\_.

Section 3.02. Application of Proceeds of the 2017 Bonds and Certain Other Moneys. The proceeds received from the sale of the 2017 Bonds shall be deposited with the Trustee, who shall transfer: (a) \$\_\_\_\_\_ to the Series 2007A Escrow Agent for deposit in the Series 2007A Escrow Fund and (b) deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund. The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits and transfer.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of

Issuance upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the issuance of the 2017 Bonds, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be retained in the Cost of Issuance Fund.

Section 3.04. Validity of 2017 Bonds. The validity of the authorization and issuance of the 2017 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2017 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF 2017 BONDS

#### Section 4.01. Terms of Redemption.

(a) The 2017 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in the Water Utility Parity System Master Resolution, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The 2017 Bonds with stated maturities on or after June 1, 20\_\_ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after \_\_ 1, 20\_\_ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Section 4.02. Selection of 2017 Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2017 Bonds, the Trustee shall select such 2017 Bonds for redemption as a whole or in part on any date as directed by the District and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the District in writing of the numbers of such 2017 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be given at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2017 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided, however, that so long as a book-entry system is used for the 2017 Bonds, the Trustee will send notice of redemption only to the Securities



Depositories and Information Services. Notice of redemption to the Securities Depositories shall be given by registered mail, other electronically secure means, or any other method agreed upon and notice of redemption to the Information Services shall be given by mail, other electronically secure means, or any other method agreed upon. Each notice of redemption shall state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2017 Bonds of any such maturity are to be redeemed, the serial numbers of the 2017 Bonds of such maturity to be redeemed by giving the individual number of each 2017 Bond or by stating that all 2017 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2017 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2017 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2017 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2017 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2017 Bond. Notice of redemption of 2017 Bonds shall be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2017 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2017 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2017 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2017 Bonds. Upon surrender of any 2017 Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new 2017 Bond or 2017 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2017 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2017 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2017 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2017 Bonds so called for redemption shall cease to accrue, said 2017 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said 2017 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2017 Bonds to be redeemed on their Redemption Dates, pay such 2017 Bonds at the Redemption Price.

All 2017 Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

## ARTICLE V

### REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; Revenue Fund.

(a) The 2017 Bonds are intended to be “Bonds” under the Water Utility Parity System Master Resolution and shall be secured by the pledge and liens created in the Water Utility Parity System Master Resolution.

(b) In order to carry out and effectuate the pledge and lien contained in the Water Utility Parity System Master Resolution for the 2017 Bonds, not later than three (3) business days prior to each Interest Payment Date, the District shall transfer Net Water Utility System Revenues from the Water Utility System Revenue Fund held by the District under the Water Utility Parity System Master Resolution to the Trustee the amount, if any, necessary for the payments of interest and principal on the 2017 Bonds due and payable on such Interest Payment Date.

Section 5.02. Application of Payment Fund. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2017 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2017 Bonds transferred by the District from the Water Utility System Revenue Fund to the Payment Fund pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2017 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee shall transfer from the Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2017 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such Interest Payment Date on all 2017 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2017 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2017 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2017 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2017 Bonds as it shall become due and payable (including accrued interest on any 2017 Bonds purchased or accelerated prior to maturity pursuant to this Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2017 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2017 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2017 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2017 Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2017 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2017 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2017 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2017 Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the District or the Trustee pursuant to this Indenture shall be invested by the District or the Trustee, as the case may be, solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Any investments by the Trustee shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (g) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in this Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06.

The District acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of

security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the District periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee and brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service; paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or an affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under this Indenture.

The District shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder (other than the Rebate Fund), but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee accounting system.

#### Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund designated the "Rebate Fund." Except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2017 Bonds will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2017 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions hereof and thereof if it follows all Requests of the District; and (ii) shall have no liability or responsibility to enforce compliance by the District with the terms of this Section and the Tax Certificate; and (iii) may rely conclusively on the District's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the District's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in this Section or the Tax Certificate

(e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the Written Request of the District an amount shall be deposited to the Rebate Fund by the Trustee from any Net Water Utility System Revenues legally available for such purpose (as specified by the District in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the District the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Written Request of the District, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the 2017 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the District), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2017 Bonds and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2017 Bonds.

Section 5.08. Application of Funds and Accounts When No 2017 Bonds are Outstanding. On the date on which all 2017 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in

any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to this Indenture shall be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

## ARTICLE VI

### PARTICULAR COVENANTS

Section 6.01. Compliance with Indenture and Water Utility Parity System Master Resolution. The Trustee will not authenticate or deliver any 2017 Bond in any manner other than in accordance with the provisions of this Indenture and the Water Utility Parity System Master Resolution, and the District will not suffer or permit any default by it to occur under this Indenture or the Water Utility Parity System Master Resolution, but will faithfully observe and perform all the covenants, conditions and requirements hereof and thereof.

Section 6.02. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2017 Bond (including persons holding 2017 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2017 Bond for federal income tax purposes.

Section 6.03. Punctual Payment. The District shall pay and cause the Trustee to pay the principal and interest to become due in respect of all of the 2017 Bonds, in strict conformity with the terms of the 2017 Bonds and of this Indenture, according to the true intent and meaning thereof, but only as provided in this Indenture and in the Water Utility Parity System Master Resolution.

Section 6.04. Extension of Payment of 2017 Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2017 Bonds or the time of payment of any claims for interest by the purchase of such 2017 Bonds or by any other arrangement, and in case the maturity of any of the 2017 Bonds or the time of payment of any such claims for interest shall be extended, such 2017 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the 2017 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.

Section 6.05. Power to Issue 2017 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2017 Bonds, to enter into this Indenture and to pledge and assign the Water Utility System Revenues and other assets purported to be pledged and assigned under the Water Utility Parity System Master Resolution and this Indenture in the manner and to the extent provided in the Water Utility Parity System Master Resolution and this Indenture. The 2017 Bonds and the provisions of the Water Utility Parity System Master Resolution this Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other

assets and all the rights of the 2017 Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 6.06. Tax Covenants. Notwithstanding any other provision of this Indenture, and except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2017 Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2017 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2017 Bonds or of any other moneys or property which would cause the 2017 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2017 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2017 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2017 Bonds or take or omit to take any action that would cause the 2017 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2017 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2017 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2017 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2017 Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2017 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing other Bonds or Contracts the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.07. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the 2017 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.08. Further Assurances. The District will adopt, make, execute and deliver any and all such further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the 2017 Bonds of the rights and benefits provided in this Indenture.

Section 6.09. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2017 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water Utility System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors) and every 2017 Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2017 Bond Owner upon any claim by a 2017 Bond Owner or a third party arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2017 Bonds or involving the rights of the Trustee or any 2017 Bond Owner under this Indenture; provided that the Trustee or any 2017 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2017 Bond Owners against any and all liability claimed or asserted by any such person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2017 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2017 Bonds. The District shall promptly reimburse any 2017 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under this Indenture or the 2017 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF 2017 BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default:

(a) default by the District in the due and punctual payment of the principal of or interest on any 2017 Bonds when and as the same shall become due and payable;

(b) default by the District in the observance of any of the other agreements or covenants required herein to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default or, if such default is not reasonably susceptible to cure within thirty (30) days after notice thereof, such default shall have continued for a period of sixty (60) days;

(c) the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal



bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

(d) declaration of an “event of default” under any Contract or Bond as provided by the terms of such Contract or Bond.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01 shall occur and be continuing, any Owner shall have the following rights, for the equal benefit and protection of all Owners similarly situated:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any member of the District’s Board of Directors, officer or employee thereof, and to compel the District or any such member of the District’s Board of Directors, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or

(c) by suit in equity upon the happening of an Event of Default to require the District and any member of the District’s Board of Directors, officers and employees to account as the trustee of an express trust.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Water Utility System Revenues thereafter received by the District and amounts on deposit in the funds and accounts held under the Water Utility Parity System Master Resolution (other than amounts held in the Rebate Fund) shall be applied in the following order:

(i) To the payment, without preference or priority, and in the event of any insufficiency ratably without any discrimination or preference, of the fees, costs and expenses, if any of the Trustee, including reasonable compensation to their respective accountants and counsel;

(ii) To the payment of Operation and Maintenance Costs;

(iii) to the payment of Senior Obligations in accordance with the terms thereof; and

(iv) to the payment of the entire principal amount of the unpaid 2017 Bonds and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the 2017 Bonds and such Bonds and Contracts if paid in accordance with their respective terms.

Section 7.04. Trustee to Represent 2017 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2017 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2017 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2017 Bonds or this Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event

of Default or other occasion giving rise to a right in the Trustee to represent the 2017 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2017 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2017 Bonds or this Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Water Utility System Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the 2017 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2017 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2017 Bonds, subject to the provisions of this Indenture.

Section 7.05. 2017 Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2017 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2017 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2017 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture with respect to such 2017 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2017 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2017 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2017 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2017 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of 2017 Bonds, or to enforce any right under the 2017 Bonds, this Indenture, or applicable law with respect to the 2017 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be

instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2017 Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of this Indenture or in the 2017 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2017 Bonds to the respective Owners of the 2017 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Water Utility System Revenues and other assets pledged and assigned herein and in the Water Utility Parity System Master Resolution therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2017 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2017 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2017 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture, and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The District may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2017 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon the District shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2017 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within ninety (90) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2017 Bond Owner (on behalf of himself and all other 2017 Bond Owners) may petition any court of competent jurisdiction at the expense of the District for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency which is then rating the 2017 Bonds and to the 2017 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may sell or

transfer all or substantially all of its corporate trust business, provided such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2017 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or the 2017 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2017 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2017 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2017 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2017 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2017 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2017 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2017 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2017 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The

Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of Owners pursuant to this Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) Whether or not herein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2017 Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of this Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, which affect the Trustee's ability to perform its obligations hereunder, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water Utility System Revenues, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by secured e-mail, facsimile transmission or other similar secured electronic methods, provided, however, that, for purposes of this Indenture, an e-mail does not constitute a notice, request, or other communication hereunder but rather, the portable document format or similar attachment attached to such e-mail shall constitute a notice, request, or other communication hereunder and provided further that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such

designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding the fact that such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2017 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2017 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and shall be subject at all reasonable times to the inspection of the District, and any 2017 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their

attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture.

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred to a 2017 Bond Owner or a third party without negligence or bad faith on its part, arising out of or in connection with the execution of this Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the indemnification obligations of the District shall survive removal or resignation of the Trustee hereunder or the discharge of the 2017 Bonds and this Indenture.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE/WATER UTILITY PARITY SYSTEM MASTER RESOLUTION

#### Section 9.01. Amendments to Indenture Permitted.

(a) The Indenture and the rights and obligations of the District, the Owners of the 2017 Bonds, and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, subject to subsections (b) – (d) of this Section. No such modification or amendment shall: (1) extend the fixed maturity of any 2017 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2017 Bond so affected; (2) reduce the percentage of Owners required to provide consent or direction under this Indenture or (3) reduce the percentage of owners of any Bonds or Contracts required to provide consent to any amendment or modification of the Water Utility Parity System Master Resolution as set forth in Section 9.05 below. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2017 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2017 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2017 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2017 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;



(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the District may deem necessary or desirable;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute;

(4) to modify, amend or supplement this Indenture in such manner as to cause interest on the 2017 Bonds to remain excludable from gross income under the Code; and

(5) to make such other amendments or modifications as may be in the best interests of the Owners of the 2017 Bonds.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2017 Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District, the Trustee and all Owners of 2017 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of 2017 Bonds; Preparation of New 2017 Bonds. 2017 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2017 Bonds Outstanding at the time of such execution and presentation of his or her 2017 Bonds for such purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for such purpose, a suitable notation shall be made on such 2017 Bonds. If the Supplemental Indenture shall so provide, new 2017 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2017 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2017 Bond Owner, for 2017 Bonds then Outstanding, upon surrender for cancellation of such 2017 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2017 Bonds. The provisions of this Article shall not prevent any 2017 Bond Owner from accepting any amendment as to the particular 2017 Bonds held by such 2017 Bond Owner.

Section 9.05. Amendment to Water Utility Parity System Master Resolution. The Water Utility Parity System Master Resolution may be amended or modified by the District at any time by a supplemental resolution thereto, including but not limited to, modifications, amendments or supplements (i) to add to the agreements and covenants of the District other agreements and covenants to be observed, or to surrender any right or power therein reserved to the District, or (ii) to cure, correct or supplement any ambiguous or defective provision contained therein, or (iii) to resolve questions arising thereunder as the District may deem necessary or desirable, and which do not materially adversely affect the interests of the owners of outstanding Bonds and Contracts. Such amendments or modifications shall become binding with the written consent of the owners or holders of a majority of the aggregate principal amount of all outstanding Bonds and Contracts, without respect to whether a majority of the owners or holders of the aggregate principal amount of any individual series of Bonds or any individual Contract has so approved such amendment or modification. Written consent of such amendment or modification shall be filed by the District with the applicable Trustee for such outstanding Bonds or Contracts. The District shall give notice of any such amendment or supplement to each Rating Agency then rating the 2017 Bonds.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. The 2017 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on such 2017 Bonds, as and when the same become due and payable;
- (b) by the deposit with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2017 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2017 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a certificate of the District filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and this Indenture), and notwithstanding that any such 2017 Bonds shall not have been surrendered for payment, all covenants, agreements and other obligations of the District under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of such 2017 Bonds not theretofore surrendered for such payment or redemption to the District.

Section 10.02. Discharge of Liability on 2017 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2017 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2017 Bonds), provided that, if such Outstanding 2017 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such 2017 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2017 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2017 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2017 Bonds, the money or securities so to be deposited or held shall be invested in Defeasance Securities and shall be held by the Trustee in the funds and accounts established pursuant to this Indenture. Defeasance may be accomplished by depositing with the Trustee:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2017 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2017 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2017 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Defeasance Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2017 Bonds to be paid or redeemed as directed by the District as such principal, interest and premium, if any, become due, provided that in the case of 2017 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2017 Bonds as directed by the District; (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2017 Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above); (iii) the District shall have delivered an escrow agreement; and (iv) the District shall have delivered a certificate of discharge of the Trustee with respect to the 2017 Bonds. The opinion of Bond Counsel and Independent Certified

Public Accountant's or Independent Financial Consultant's opinion referred to above shall be acceptable in form and substance, and addressed, to the District and the Trustee.

The 2017 Bonds shall be deemed Outstanding under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 10.04. Payment of 2017 Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2017 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2017 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2017 Bonds became due and payable, shall be transferred to the State and become subject to the escheat laws of the State free from the trusts created by this Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2017 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the transfer of such moneys to the State as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District), first mail to the Owners of 2017 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2017 Bonds so payable and not presented and with respect to the provisions relating to the transfer to the State of the moneys relating for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Liability Limited. Notwithstanding anything contained herein or in the Water Utility Parity System Master Resolution, the District shall not be required to advance any moneys derived from any source of income other than the Net Water Utility System Revenues and the other funds provided herein for the payment of principal of and interest on the 2017 Bonds or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to pay the principal of and interest on the 2017 Bonds is a special obligation of the District payable solely from such Net Water Utility System Revenues and other funds described herein and in the Water Utility Parity System Master Resolution, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2017 Bond Owners. Nothing expressed or implied in this Indenture or in the 2017 Bonds is intended or shall be construed to give to any person

other than the District, the Trustee and the Owners of the 2017 Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2017 Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2017 Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2017 Bonds, the Trustee shall destroy such 2017 Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the 2017 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2017 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Santa Clara Valley Water District, 5750 Almaden Expressway, San Jose, California 95118, Attention: Treasury/Debt Officer (or such other address as may have been filed in writing by the District with the Trustee) or to the Trustee at U.S. Bank National Association, One California Street, Suite 1000, San Francisco, California; Attention: Global Corporate Trust Services, Reference: Santa Clara Valley Water District, Series 2017A; Facsimile: (415) 273-4591. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2017 Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by 2017 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2017 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2017 Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The Ownership of 2017 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2017 Bond shall bind every future Owner of the same 2017 Bond and the Owner of every 2017 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2017 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2017 Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, 2017 Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2017 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2017 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2017 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2017 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2017 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2017 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2017 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2017 Bonds (or portions of 2017 Bonds in the case of registered 2017 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2017 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable for the protection of the security of the 2017 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2017 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer,

agent, employee, consultant or attorney from the performance of any official duty provided by law or by this Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2017 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2017 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2017 Bondholders and that neither the District nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE

IN WITNESS WHEREOF, the District has caused this Indenture to be signed in its name by its Authorized Officer, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Its: Authorized Officer

Attest:

\_\_\_\_\_  
Clerk of the Board of Directors

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Its: Authorized Officer



**EXHIBIT A**

**FORM OF 2017 BOND**

***UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.***

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

SANTA CLARA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BOND,  
SERIES 2017A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	June 1, 20__	_____, 2017	___

REGISTERED OWNER      CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The SANTA CLARA VALLEY WATER DISTRICT, an agency duly organized and existing under the laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before [May 15], 2017 in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on each June 1 and December 1, commencing [June 1, 2017], calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation

and surrender hereof at the Office of the Trustee (as defined in the hereinafter described Indenture) of U.S. Bank National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Net Water Utility System Revenues (as such term is defined in the Water Utility Parity System Master Resolution adopted by the Board of Directors of the District on February 23, 2016 (the "Water Utility Parity System Master Resolution") and other moneys pledged and assigned therefor under the Water Utility Parity System Master Resolution and the Indenture of Trust, dated as of March 1, 2017 (the "Indenture"), by and between the District and the Trustee. Such pledge, together with the pledge created by all other Contracts and Bonds (as such terms are defined in the Water Utility Parity System Master Resolution), constitutes a second lien on Revenues and all amounts on deposit in the funds and accounts under the Water Utility Parity System Master Resolution to the extent set forth therein, subordinate to the Senior Obligations, as permitted by the Water Utility Parity System Master Resolution, and subject to application of Net Water Utility System Revenues in accordance with the terms of the Water Utility Parity System Master Resolution and the Indenture. The obligation of the District to make payments in accordance with the Water Utility Parity System Master Resolution and the Indenture is a limited obligation of the District as set forth in the Water Utility Parity System Master Resolution and the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Water Utility Parity System Master Resolution and the Indenture. The Bonds do not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the "Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the "Bonds"), of an aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_)," all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Water Utility Parity System Master Resolution, the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Water Utility Parity System Master Resolution and the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Water Utility System Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by the District to refund certain obligations of the District, as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Water Utility Parity System Master Resolution and the Indenture) are special obligations of the District, secured by a pledge and lien on and payable from the Water Utility System Revenues and any other amounts on deposit in certain funds and accounts created under the Water Utility Parity System Master Resolution. As and to the extent set forth in the Water Utility Parity System Master Resolution and the Indenture, all of the Water Utility System Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Water Utility Parity System Master Resolution and the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The Water Utility Parity System Master Resolution, the Indenture and the rights and obligations of the District and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a resolution or resolutions or an indenture or indentures supplemental thereto. No such modification or amendment shall: (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or (ii) permit the creation of any lien on the Water Utility System Revenues (as such term is defined in the Water Utility Parity System Master Resolution) and other assets pledged under the Water Utility Parity System Master Resolution and the Indenture prior to or on a parity with the lien created by the Water Utility Parity System Master Resolution except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Water Utility Parity System Master Resolution on such Net Water Utility System Revenues and other assets except as permitted herein.

The Indenture and the rights and obligations of the District, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a supplemental indenture if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture shall not materially adversely affect the interests of the Owners of the Outstanding Bonds.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds with stated maturities on or after June 1, 20\_\_ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after \_\_ 1, 20\_\_ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the Redemption Date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at said Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption.

The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Chair as of this \_\_\_\_ day of \_\_\_\_\_, 2017.

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Its: Chair of the Board of Directors

Attest:

\_\_\_\_\_  
Clerk of the Board of Directors

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: \_\_\_\_\_, 2017

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Its: Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) on this Assignment must  
correspond with the name(s) as written on the  
face of the within Bond in every particular  
without alteration or enlargement or any  
change whatsoever.

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature guarantee shall be made by a  
guarantor institution participating in the  
Securities Transfer Agents Medallion Program  
or in such other guarantee program acceptable  
to the Trustee.

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**NOTICE OF INTENTION TO SELL**

**SANTA CLARA VALLEY WATER DISTRICT**

**(Santa Clara County, California)**

**\$\_\_\_\_\_**

**(NOT TO EXCEED)**

**WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

The Santa Clara Valley Water District (the “District”) will receive electronic bids (as discussed in the Official Notice of Sale) until \_\_\_\_\_ a.m. California time, on

\_\_\_\_\_, **April \_\_, 2017**

for the purchase of not to exceed \$\_\_\_\_\_ aggregate principal amount of Water System Refunding Revenue Bonds, Series 2017A (the “Securities”) dated the Date of Delivery.

Any prospective bidder that intends to submit a bid must submit its bid via the PARITY® electronic bid submission system of Ipreo (**no other form of electronic bidding will be accepted**). The District will not be responsible or liable for bids submitted electronically.

The Securities are secured by an obligation of the District payable solely from the District’s Net Water Utility System Revenues on a subordinate basis to the pledge and lien under a certain Senior Master Resolution securing certain bonds and installment payments, all as more fully described in the Preliminary Official Statement.

The Securities shall be issued in registered form in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York. The Securities shall mature in the years and amounts, represent interest payable at such times, and be of such denominations and bear such other details as set forth in the Official Notice of Sale referred to herein. The Securities are subject to optional, mandatory or extraordinary redemption prior to their stated maturities as described in the Preliminary Official Statement. The Securities will be awarded to the responsible bidder with the lowest true interest cost complying with the terms of the Official Notice of Sale.

The final approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel, will be furnished to the successful bidder without cost. The successful bidder will also be furnished with the customary closing documents, dated as of the date of delivery of and payment for the Securities, including a certificate that states there is no litigation pending or threatened affecting the validity of the Securities.

Copies of the Preliminary Official Statement and Authorization to Accept Electronic Bid Form and copies of the Official Notice of Sale and Bid Form for the purchase of the Securities may be obtained from the District's municipal advisor, Public Resources Advisory Group at telephone (310) 477-1453. Reference should be made to the Official Notice of Sale for information related to the Securities details, award, form of bid, good faith deposit and purchase price, right of rejection, security, authority, delivery and CUSIP numbers. The District or its municipal advisor will furnish supplemental information to any bidder upon request.

Dated: \_\_\_\_\_, 2017

Darin Taylor  
Chief Financial Officer  
Santa Clara Valley Water District

**OFFICIAL NOTICE OF SALE  
AND BID FORM**

\$\_\_\_\_\_\*

**SANTA CLARA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

NOTICE IS HEREBY GIVEN that the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the "Securities") to be issued pursuant to Resolution No. \_\_\_\_ adopted by the Board of Directors of the Santa Clara Valley Water District (the "District") on March \_\_, 2017 and an Indenture of Trust, dated as of March 1, 2017, (the "Indenture") between the District and U.S. Bank National Association, as Trustee, will be offered for sale according to the following terms:

**DATE AND TIME:** Electronic bids will be received on April \_\_, 2017 until \_\_\_\_ a.m. California time; provided, however, that the District reserves the right to cancel the sale or postpone the sale date, as more fully described herein under "Postponement and Cancellation." Electronic bids must be submitted through PARITY®, as further described herein under "ELECTRONIC BIDS."

The Securities are more particularly described in the Preliminary Official Statement, dated April \_\_, 2017, Resolution No. 16-10 adopted by the Board of Directors of the District (as amended, the "Resolution") and the Indenture.

**ELECTRONIC BIDS:** Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY®.

The District assumes no responsibility or liability for bids submitted through PARITY®. If any provisions in this Official Notice of Sale conflict with information provided by PARITY®, this Official Notice of Sale shall control. Information about PARITY® may be obtained from:

PARITY® Customer Support  
(877) 588-5030

An electronic bid shall be deemed an irrevocable offer to purchase the Securities pursuant to the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.

For purposes of the electronic bid process, the time as maintained by PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the District, as described in this Official Notice of Sale and in the written form of the Bid Form. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the form of Bid Form.

**DATE AND DENOMINATION:** The Securities are to be issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York,

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\* Preliminary, subject to change.

New York (“DTC”), and will be available in book-entry form only in denominations of \$5,000 or any integral multiples thereof, all dated as of the dated date of the Securities, and comprising all of the authorized Securities.

**PAYMENT:** Payment of interest with respect to any Security on each June 1 and December 1 (each, an “Interest Payment Date”), commencing June 1, 2017, shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date (the close of business on the fifteenth day of the month preceding each Interest Payment Date, whether or not such fifteenth day is a business day) immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such Owner on the Interest Payment Date at his or her address as it appears on such registration books or at such other address as he or she may have filed with the Trustee for that purpose on or before the Record Date.

It is anticipated that the Securities will be issued in the name of Cede & Co., a nominee of DTC, and will be available in book-entry form only. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Securities by participants of DTC will be the responsibility of such participants and other nominees of the beneficial owners. The District will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or acting through such participants.

**MATURITIES:** The Securities will mature on June 1 in each of the years and in the amounts, as set forth in the following table. The final amount of each maturity of the Securities shall be subject to increase or reduction as described below under the heading “Adjustment of Maturity Amounts.”

<b>June 1</b>	<b>Principal Amount*</b>	<b>June 1</b>	<b>Principal Amount*</b>
	\$		

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*\* Preliminary, subject to change.*

**REDEMPTION:** The Securities are subject to optional, mandatory and extraordinary redemption prior to their stated maturities as set forth in the Preliminary Official Statement.

**PURPOSE:** The proceeds of the sale of the Securities together with other monies are to be applied to refund all of the currently outstanding Santa Clara Valley Water District Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A and to pay costs of issuance with respect thereto.

**SECURITY:** The Securities are secured by a pledge of and lien under the Resolution and the Indenture on District Water Utility System Revenues and are payable from Net Water Utility System Revenues on a subordinate basis to the pledge and lien under a certain Senior Master Resolution securing certain bonds and installment payments, all as more fully described in the Preliminary Official Statement.

## **TERMS OF SALE**

### ***Form of Bid; Maximum Discount/Premium***

All bids must be unconditional. All bids must be made using the “Bid Form” as provided in this Official Notice of Sale. All bids must be for not less than all of the Securities hereby offered for sale and at a purchase price of (i) not less than [110%] of the par value thereof and (ii) not more than [120%] of the par value thereof. Each bid must be in accordance with the terms and conditions set forth in this notice. Bids may be submitted via PARITY®, all as described herein.

### ***Designation of Interest Rates***

Each bidder must specify the rate or rates of interest which the Securities shall represent. The maximum rate bid on any maturity of the Securities may not exceed five percent (5%) per annum. A bidder will be permitted to bid different rates of interest for the respective maturities of the Securities, but

- (i) each interest rate specified must be in a multiple of one-twentieth (1/20) or one-eighth (1/8) of one (1) percent and a zero rate of interest cannot be specified;
- (ii) no Security shall represent more than one rate of interest;
- (iii) interest with respect to each Security shall be computed from the scheduled date of the Securities, to its stated maturity at the interest rate specified in the bid, payable on the Interest Payment Dates as set forth above;
- (iv) all Securities maturing at any one time shall represent the same rate of interest; and
- (vi) no proposal will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price.

### ***Designation of Best Bid***

The Securities will be awarded to the responsible bidder whose bid produces the lowest true interest cost (“TIC”) on the Securities (and without regard to any adjustment of the principal amount after the receipt of bids and described under the caption “Terms of Sale — Adjustment of Maturity Amounts”). The TIC specified in any bid will be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on all Securities to May \_\_, 2017\*, the delivery date of the Securities, from their respective maturity dates produces an amount equal to the purchase price specified in such bid. For purposes of computing the TIC represented by any proposal, the purchase price specified in such proposal shall be equal to the par amount of the Securities plus any premium or minus any discount specified in such proposal, and the TIC shall be

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\* Preliminary, subject to change.

calculated by the use of a semiannual interval of compounding interest, computed on the basis of a 360-day year consisting of twelve 30-day months, based on the Interest Payment Dates for the Securities. In the event two or more bids offer the same lowest TIC, the District reserves the right to exercise its own discretion and judgment in making the award.

### ***Adjustment of Maturity Amounts***

The principal components of each maturity of Securities set forth above reflect certain estimates of the District and its Municipal Advisor with respect to the likely interest rates of the winning bid and the premium (or discount) contained in the winning bid. Following the determination of the successful bidder for the Securities (the “Purchaser”), the District reserves the right to adjust the par amount of Securities maturing on any one date (in \$5,000 increments) for the purpose of achieving its financing objectives. Any such adjustment shall not cause the aggregate principal amount of the Securities to increase or decrease by more than 10% from the total amount shown in the table of the section herein titled “Maturities” or change the principal amount of any maturity by more than the greater of [\$500,000 or 10%]. Any such adjustments will be made within 24 hours of the bid opening and at the sole discretion of the District. The dollar amount bid for the Securities by the Purchaser will be adjusted to reflect any adjustments in the total principal amount. THE PURCHASER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR ANY INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE STATED PRINCIPAL AMOUNTS.

### ***No Insurance***

The Purchaser may not purchase municipal bond insurance in connection with the initial offering of the Securities.

### ***Right of Rejection***

The District reserves the right, in its discretion, to reject any and all bids and, to the extent permitted by law, to waive any irregularity or informality in any bid.

### ***Good Faith Deposit***

A good faith deposit (“Deposit”) in the form of a wire transfer in immediately available federal funds in the amount of \$[500,000] is required following the award to the Purchaser. The Deposit of the Purchaser must be sent by wire transfer in accordance with the following wire instructions:

U.S. Bank National Association  
ABA \_\_\_\_\_  
BNF U.S. Bank National Association  
Account: \_\_\_\_\_  
Ref: Santa Clara Valley Water District  
Attention: Mary Wong

The Purchaser is required to submit its Deposit to the District not later than 10:30 a.m. California time on the next business day following the award. In the event the Purchaser fails to honor its accepted bid, the Deposit will be retained by the District as and for full liquidated damages

for the failure of the Purchaser to accept delivery of and pay for the Securities. The retention of such Deposit shall constitute a full release and discharge of all claims and rights of the District against the Purchaser on account of such failure and a waiver of any right the District may have to any additional damages for such failure. By submitting a bid, the Purchaser waives any right to claim that actual damages resulting from such failure are less than the amount of such Deposit, and agrees that the amount of such Deposit is a reasonable estimate of damages that the District may suffer in the event of such failure.

If the Purchaser completes its purchase of the Securities on the terms stated in its proposal, its Deposit will be applied to the purchase price of the Securities on the date of delivery of the Securities. No interest will be paid upon the Deposit made by the Purchaser.

### ***Right to Reject Bids, Waive Irregularities***

The District reserves the right to reject any and all bids, and to the extent permitted by law, to waive any irregularity or informality in any bid.

### ***Prompt Award***

In the event the District does not reject all bids, notice of the award will be given by telephone or telecopy transmission or via PARITY® to the Purchaser not later than 12:00 noon California time on the date specified above for receipt of the bids. Upon the giving of such notice, the Securities shall be deemed sold to the bidder so notified.

### ***Delivery and Payment; Book-Entry Only***

Delivery of the Securities is expected to be made in the name of Cede & Co., as nominee of The Depository Trust Company in New York, New York on or about May \_\_, 2017 and will be available to the Purchaser in book-entry form only as more fully set out in the Official Statement for the Securities. Payment for the Securities must be made in Federal Reserve Bank funds or other funds immediately available to the Trustee in San Francisco, California. Any expense associated with providing immediate funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the Purchaser.

### ***Right of Cancellation***

The Purchaser shall have the right, at its option, to cancel its bid if the District shall fail to issue the Securities and tender the same for delivery within 60 days from the date of sale thereof.

### ***Statement of True Interest Cost***

Each bidder is requested, but not required, to state in its proposal the TIC of its bid, which shall be considered as informative only and not binding.

### ***CUSIP Numbers***

The Purchaser will be required to apply for CUSIP identification numbers for the Securities, and furnish such numbers to Bond Counsel. It is anticipated that CUSIP numbers will be printed on the Securities, but neither the failure to print such numbers on the Securities nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser thereof to accept

delivery of and pay for the Securities in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Securities shall be paid for by the District, but the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the Purchaser. The Purchaser shall also be required to pay all fees required by DTC, Securities Industry and Financial Market Association, the Municipal Securities Rulemaking Board and any other similar entity imposing a fee in connection with the execution and delivery of the Securities.

### ***Official Statement***

The District has approved a Preliminary Official Statement relating to the Securities and has authorized the use of said Preliminary Official Statement in connection with the sale of the Securities. The Preliminary Official Statement has been “deemed final” by the District for purposes of SEC Rule 15c2-12 (the “Rule”), although subject to revision, amendment and completion in a final Official Statement in conformance with such Rule. The District will provide the Purchaser such reasonable number of printed copies of the final Official Statement as such bidder may request no later than seven business days after the date of sale of the Securities. Up to 5 copies of the final Official Statement will be furnished without cost to the Purchaser and further copies, if desired, will be made available at the Purchaser’s expense. Within 24 hours after the District has given notice of the award of the Securities, the Purchaser agrees to supply to the District all necessary pricing information and any underwriter identification necessary to complete the Official Statement.

### ***Reoffering Price***

Simultaneously with or before delivery of the Securities, the Purchaser shall furnish to the District a written statement in form and substance acceptable to Bond Counsel (a) stating the initial reoffering prices on each maturity of the Securities, (b) certifying that a bona fide offering of the Securities has been made to the public (excluding bond houses, brokers, and similar persons acting in the capacity of underwriters or wholesalers), and (c) stating the prices at which at least 10% of each maturity of the Securities were sold to the public (excluding bond houses, brokers, and similar persons acting in the capacity of underwriters or wholesalers). The statement shall state that it is made on the best knowledge, information and belief of the Purchaser after appropriate investigation. The statement shall be made in substantially the form attached hereto as Exhibit A.

### ***DTC Fee***

All fees paid to DTC as a result of the use of DTC’s book entry system for the Securities shall be paid by the Purchaser.

### ***California Debt and Investment Advisory Commission***

The Purchaser will be required to pay any fees due to the California Debt and Investment Advisory Commission (“CDIAC”) under California law. CDIAC will invoice the Purchaser after the delivery of the Securities.

### ***Tax-Exempt Status***

Stradling Yocca Carlson & Rauth, A Professional Corporation, Bond Counsel to the District, will render its opinion as to the Securities that, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain



covenants and requirements, interest on the Securities is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and interest on the Securities is exempt from State of California personal income tax.

### ***Legal Opinion***

The legal opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, as Bond Counsel, approving the validity of the Indenture, will be furnished to the Purchaser of the Securities without cost. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Security at the expense of the District.

### ***Continuing Disclosure***

In order to assist the Purchaser in complying with the Rule, the District has committed to undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. A copy of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth in the final Official Statement. The District will be required to deliver a Continuing Disclosure Agreement in substantially the form and containing substantially the same provisions as set forth in the Preliminary Official Statement, and the failure by the District to deliver such document in form and substance identical to the form set forth in the Preliminary Official Statement will relieve the Purchaser of its obligation to purchase the Securities. See the Preliminary Official Statement under the caption "CONTINUING DISCLOSURE UNDERTAKING" for information with respect to the District's prior compliance with undertakings pursuant to the Rule.

### ***Closing Documents***

The District will furnish to the Purchaser at the closing of the Securities: (i) a no-litigation certificate certifying that as of and at the time of delivery of the Securities, there is no litigation or administrative proceeding pending or threatened concerning the validity of the Securities, the security of the Securities, the corporate existence of the District or the title of the officers legally responsible for the authorization, execution and delivery of the Securities of their respective offices; (ii) a certificate of authorized officials of the District, stating to the best knowledge, information and belief of such officials, that the Preliminary Official Statement used in connection with the Securities, did not on the date of sale, and the final Official Statement does not on the date of delivery: (a) contain any untrue statement of a material fact; or (b) omit to state a material fact necessary in order to make the statements therein contained, in light of the circumstances under which they were made, not misleading; (iii) a certificate of the District stating that on the basis of the facts, estimates and circumstances in existence on the date of delivery, it is not expected that the proceeds of the Securities will be used in a manner that would cause the Securities to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended; and (iv) a receipt of the Trustee showing that the purchase price of the Securities, including interest accrued to the date of delivery thereof, has been received by the Trustee.

### ***Right to Modify or Amend***

The District reserves the right to modify or amend this Official Notice of Sale including, but not limited to, the right to adjust and change the amortization schedule of the Securities being offered

as described above under the caption “Terms of Sale — Adjustment of Maturity Amounts;” however, such modifications or amendments shall be made not later than 1:00 p.m. California time one business day prior to the bid opening and communicated through notice delivered via Thomson Municipal Market Monitor ([www.tm3.com](http://www.tm3.com)), Bloomberg Financial Markets or The Bond Buyer or by some other method as determined by the District.

### ***Postponement or Cancellation***

The District reserves the right to cancel at any time or postpone, from time to time, the date established for the receipt of bids. Any such cancellation or postponement will be announced by notice delivered via Thomson Municipal Market Monitor ([www.tm3.com](http://www.tm3.com)), Bloomberg Financial Markets or The Bond Buyer or by some other method as determined by the District prior to the date and time for receipt of bids. If any date fixed for the receipt of bids is postponed, any alternative sale date will be announced by notice delivered via Thomson Municipal Market Monitor ([www.tm3.com](http://www.tm3.com)), Bloomberg Financial Markets or The Bond Buyer or by some other method as deemed by the District at least 24 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Securities in conformity in all respects with the provisions of this Official Notice of Sale except for the new date of sale and except for the changes announced at the time the new sale date and times are announced.

### ***Additional Information***

Copies of the current drafts of the Indenture and of this Official Notice of Sale, the Bid Form and the Preliminary Official Statement and any other pertinent information will be furnished to any potential bidder upon request made to the District’s Municipal Advisor at: Public Resources Advisory Group, 11500 West Olympic Blvd., Suite 502, Los Angeles, California 90064, attention: Edmund Soong; phone (310) 477-1453; telecopy (310) 477-0105; email [esoong@pragadvisors.com](mailto:esoong@pragadvisors.com).

By making a bid for the Securities, the Purchaser agrees (1) to disseminate to all members of the underwriting syndicate copies of the final Official Statement, including any supplements prepared by the District, (2) promptly file a copy of the final Official Statement, including any supplements prepared by the District, with a Nationally Recognized Municipal Securities Information Depository, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Securities to ultimate purchasers.

Dated: April \_\_, 2017

---

Chief Financial Officer

**BID FORM**  
**(Electronic Bids Accepted via PARITY® — see the Official Notice of Sale)**

\$ \_\_\_\_\_ \*

**SANTA CLARA VALLEY WATER DISTRICT**  
**WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

To: The Santa Clara Valley Water District

We offer to purchase all of the aggregate principal amount of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the “Securities”), more particularly described in the Official Notice of Sale dated \_\_\_\_\_, 2017, which is incorporated herein and made a part hereof, at a purchase price of \$ \_\_\_\_\_. This offer is for Securities representing interest at the rates and maturing as follows.

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Serial</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
	\$				

---

\* Preliminary, subject to change.

Our calculation of the true interest cost ("TIC") which is considered to be informative only and not a part of the bid, is \_\_\_\_\_.

We have noted that payment of the purchase price is to be made in immediately available Federal Reserve Funds at the time of delivery of the Securities.

We represent that we have full and complete authority to submit this bid on behalf of our bidding syndicate and that the undersigned will serve as the lead manager for the group if the Securities are awarded pursuant to this bid.

I certify (or declare) under penalty of perjury under the laws of the State of California that this proposal is genuine, and not a sham or collusive, nor made in the interest of or on behalf of any person not herein named, and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for himself an advantage over any other bidder.

Respectfully submitted,

\_\_\_\_\_  
Name of Firm

By: \_\_\_\_\_

Telephone No. \_\_\_\_\_

Syndicate Members: \_\_\_\_\_  
(If your bid is delivered electronically, a Syndicate Members list, if applicable, must be provided in writing to the District within 24 hours after the receipt of your bid; if your bid is delivered by telecopy transmission, a Syndicate Members list, if applicable, should be filled in herein)

**EXHIBIT A**

**\$ \_\_\_\_\_  
SANTA CLARA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

**CERTIFICATION OF THE PURCHASER**

This Certificate is furnished by \_\_\_\_\_ (the "Purchaser") the Purchaser of the \$ \_\_\_\_\_ \* Santa Clara Valley Water District, Water System Refunding Revenue Bonds, Series 2017A (the "Obligations"), and it hereby certifies and represents the following, based upon the information available to it:

**A. Issue Price.**

1. As of the date that the Underwriter submitted the winning bid with respect to the Obligations (the "Sale Date"), the Underwriter reasonably expected to sell a substantial amount (at least 10%) of each maturity of the Obligations to the general public (excluding bond houses, brokers, or similar persons, known to the Underwriter to be acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices listed on Schedule A.

2. In our opinion, and based upon our estimate as of the date hereof, the issue prices of the Obligations set forth in Schedule A are within a reasonable range of, and should reflect, the fair market prices for such Obligations as of the Sale Date.

3. As of the date of execution of the Official Notice of Sale and Bid Form, all of the Obligations have actually been offered to the general public at the prices listed in Schedule A.

4. At least 10% of each maturity of the Obligations has been sold to the general public at the prices referred to in Schedule A.

**B. Certification.** This Certification is made on the best knowledge, information and belief of the Underwriter after appropriate investigation.

Dated: \_\_\_\_\_, 2017

\_\_\_\_\_,  
as Purchaser

By: \_\_\_\_\_  
Its: Authorized Officer

**SCHEDULE A**

**PRICE OF THE OBLIGATIONS  
OFFERED OR REASONABLY EXPECTED TO BE OFFERED  
TO THE GENERAL PUBLIC IN A BONA FIDE PUBLIC OFFERING**

\$\_\_\_\_\_\*

**SANTA CLARA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2017A**

<b>Maturity Date (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>
	\$	%	%

---

\* *Preliminary, subject to change.*

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2017

**NEW ISSUE-Book Entry Only**

See "RATINGS" herein.

\$ \_\_\_\_\_\*

**Santa Clara Valley Water District  
Water System Refunding Revenue Bonds, Series 2017A**

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside cover**

The Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A Bonds are being issued to provide a portion of the money to (i) refund all of the currently outstanding Santa Clara Valley Water District Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A and (ii) pay costs of issuance of the 2017 Bonds, all as more fully described herein. Interest due on the 2017 Bonds is payable on each June 1 and December 1, commencing June 1, 2017.

The 2017 Bonds are being issued pursuant to Resolution No. 16-10 adopted by the Board of Directors of the District on February 23, 2016 (as amended to the date hereof, the "Parity Master Resolution") and an indenture of trust, dated as of March 1, 2017 (the "Indenture") by and between the District and U.S. Bank National Association, as trustee thereunder. **The 2017 Bonds are subject to optional and extraordinary redemption prior to maturity as described in this Official Statement.**

The 2017 Bonds are being issued in fully registered form and, when each of the 2017 Bonds are delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Bonds. Purchasers of beneficial interests will not receive certificates representing their interest in the 2017 Bonds. So long as Cede & Co. is the registered owner of the 2017 Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the 2017 Bonds. Individual purchases of the 2017 Bonds will be made in book-entry form only in authorized denominations of \$5,000 or any integral multiple thereof. Principal and interest on the 2017 Bonds are payable directly to DTC by U.S. Bank National Association, as Trustee. Upon receipt of payments of principal and interest, DTC is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2017 Bonds.

The principal and interest on the 2017 Bonds are secured by a pledge of and lien under the Parity Master Resolution on District Water Utility System Revenues and are payable from Net Water Utility System Revenues. The pledge and lien created under the Parity Master Resolution is subordinate to the pledge and lien created under the Senior Master Resolution which, after the refunding contemplated herein, secures \$62,340,000 aggregate principal amount of bonds and installment payments relating to certain Senior Obligations and which are payable prior to the 2017 Bonds. The District has covenanted in the Parity Master Resolution that it will not issue or incur any additional Senior Obligations under the Senior Master Resolution, including but not limited to refunding obligations. The principal and interest on the 2017 Bonds is secured by Water Utility System Revenues and are payable from Net Water System Revenues on a parity with the obligation of the District to pay debt service and to make installment payments on Bonds and Contracts outstanding, as of June 30, 2016, in the aggregate principal amount of \$279,575,000. The revenues of the District's flood control system and parcel tax revenue of the Safe, Clean Water Program, as well as property taxes levied by the District to pay certain State Water Project costs, are not included in Water Utility System Revenues pledged to the payment of the 2017 Bonds.

*The obligation of the District to pay the principal of and interest on the 2017 Bonds does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.*

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences with respect to the 2017 Bonds.*

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

*The 2017 Bonds are offered when, as and if executed and delivered to the Purchaser, subject to the approval as to the legality of certain matters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by District Counsel, Stan Yamamoto, Esq. and for the Trustee by its counsel. It is expected that the 2017 Bonds will be available for delivery through the facilities of DTC on or about May \_\_, 2017.*

**BIDS TO BE RECEIVED ON \_\_\_\_\_, 2017.  
SEE THE NOTICE OF SALE ATTACHED HERETO.**

Dated: \_\_\_\_\_, 2017

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## MATURITY SCHEDULE

\$ \_\_\_\_\_  
**Santa Clara Valley Water District**  
**Water System Refunding Revenue Bonds, Series 2017A**

<i>Payment Date</i> <i>(June 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP<sup>†</sup></i>
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\$ \_\_\_\_\_ % Term Bonds due June 1, 20\_\_ - Yield \_\_\_\_% - Price \_\_\_\_\_, CUSIP<sup>†</sup> \_\_\_\_\_

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Purchaser takes any responsibility for the accuracy of such numbers.



## **SANTA CLARA VALLEY WATER DISTRICT**

5750 Almaden Expressway  
San Jose, California 95118

### **BOARD OF DIRECTORS AND OFFICERS OF THE DISTRICT**

John Varela, Chair, District 1  
Richard P. Santos, Vice Chair, District 3  
Barbara Keegan, Director District 2  
Linda J. LeZotte, Director District 4  
Nai Hsueh, Director District 5  
Tony Estremera, District 6  
Gary Kremen, Director, District 7

### **DISTRICT STAFF**

Norma Camacho, Interim Chief Executive Officer  
Susan Stanton, Chief Operating Officer – Administration  
Jim Fiedler, Chief Operating Officer – Water Utility Enterprise\*  
Melanie Richardson, Interim Chief Operating Officer – Watersheds  
Darin Taylor, Chief Financial Officer  
Stan Yamamoto, Esq., District Counsel  
Michele L. King, CMC, Clerk of the Board

### **BOND COUNSEL**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Sacramento, California

### **TRUSTEE**

U.S. Bank National Association  
San Francisco, California

### **MUNICIPAL ADVISOR**

Public Resources Advisory Group  
Los Angeles, California

### **VERIFICATION AGENT**

Causey Demgen & Moore P.C.  
Denver, Colorado

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\* Anticipated retirement date May 1, 2017.

No dealer, broker, salesperson or other person has been authorized by the Purchaser, the District, or the Trustee to give any information to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2017 Bonds by a person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Official Statement is not to be construed as a contract with the purchasers or any of the owners of the 2017 Bonds. Any statement made in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, is intended solely as such and not as representations of fact. The information set forth herein has been furnished by the District, The Depository Trust Company, and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as representations by the Purchaser.

In reliance upon exemptions contained in such acts, the 2017 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended. The registration or qualification of the 2017 Bonds in accordance with applicable provisions of securities laws of any state in which the 2017 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation. Neither those states nor any of their agencies have passed upon the merits of the 2017 Bonds or the accuracy or completeness of this Official Statement.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Purchaser. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

**IN CONNECTION WITH THE OFFERING OF THE 2017 BONDS, THE PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

The District maintains a website, however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2017 Bonds.

References to website addresses other than the District's website presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

For purposes of compliance with Rule 15c2-12, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the District that has been deemed final by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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**Santa Clara Valley Water District  
Water System Refunding Revenue Bonds, Series 2017A**

**INTRODUCTION**

**General**

This Official Statement, including the cover page, inside cover page and Appendices, is provided to furnish certain information in connection with the offering of (i) \$ \_\_\_\_\_ \* aggregate principal amount of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the “2017 Bonds”). The Santa Clara Valley Water District (the “District”) is a multi-purpose special district organized and existing in accordance with the Santa Clara Valley Water District Act, Chapter 1405 of Statutes 1951 of the State of California, as amended.

Capitalized terms used herein with respect to the 2017 Bonds and not otherwise defined shall have the meanings set forth in “APPENDIX B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS WITH RESPECT TO PARITY OBLIGATIONS.” Capitalized terms used herein with respect to the Senior Obligations (defined below) and not otherwise defined shall have the meanings set forth in “APPENDIX C—SUMMARY OF SENIOR MASTER RESOLUTION.”

**The 2017 Bonds**

**General.** The 2017 Bonds will be issued pursuant to Resolution No. 16-10, adopted by the Board of Directors of the District on February 23, 2016 (amended to the date hereof, the “Parity Master Resolution”) and an Indenture of Trust, dated as of March 1, 2017 (the “Indenture”) by and between the District and U.S. Bank National Association, as trustee thereunder (the “Trustee”).

**Purpose.** The 2017 Bonds are being issued to provide a portion of the money to (i) refund the currently outstanding Santa Clara Valley Water District Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A (the “2007A Certificates”) and (ii) pay costs of issuance of the 2017 Bonds, all as more fully described herein. See “THE REFUNDING PLAN.”

**Security for the 2017 Bonds.** The 2017 Bonds are secured by a pledge of the Water Utility System Revenues of the District’s Water Utility System (as such terms are defined in the Parity Master Resolution and as more particularly described under the caption “SOURCES OF PAYMENT FOR THE BONDS — Pledge of Water Utility System Revenues”) and amounts on deposit in certain funds and accounts established under Parity Master Resolution and the Indenture. The obligation of the District to pay principal of and interest on the 2017 Bonds is a special obligation of the District payable solely from Net Water Utility System Revenues of the Water Utility System. Net Water Utility System Revenues of the Water Utility System of the District include the Water Utility System Revenues remaining after payment of Operation and Maintenance Costs and less the principal and interest with respect to Senior Obligations (as defined in the Parity Master Resolution) and transfers to and from the Rate Stabilization Fund and Special Purpose Funds. The District’s obligation to pay debt service on the 2017 Bonds from Net Water Utility System Revenues is subordinate to the District’s obligation to pay debt service on the Senior Obligations, and on a parity with the obligation to pay debt service on the Parity Obligations (as defined below). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Pledge of Water Utility System Revenues” and “— Allocation of Water Utility System Revenues — *Senior Master Resolution.*”

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\* Preliminary, subject to change.

***No Reserve Fund for the 2017 Bonds.*** No reserve fund has been created or will be funded with respect to the 2017 Bonds.

***Redemption.*** The 2017 Bonds will be subject to optional and extraordinary redemption prior to maturity, as more fully described under the caption “THE 2017 BONDS.”

### **Senior Obligations**

After the refunding contemplated herein, the District’s obligation to pay debt service on the 2017 Bonds from Net Water Utility System Revenues is subordinate to the District’s obligation to pay debt service on \$20,370,000 aggregate principal amount of the District’s Water Utility System Refunding Revenue Bonds Taxable Series 2006B (the “2006B Bonds”) and to make, after the refunding described herein, \$41,970,000 aggregate principal amount of installment payments under an installment purchase agreement dated as of September 1, 2007 (the “2007 Installment Purchase Agreement”), which installment payments secure \$41,970,000 aggregate principal amount of the District’s Revenue Certificates of Participation (Water Utility System Improvement Projects) Taxable Series 2007B (the “2007B Certificates” and together with the 2006B Bonds, the “Senior Obligations”). The Senior Obligations were delivered pursuant to Resolution No. 94-58 adopted by the Board of Directors of the District (the “Board”) on June 23, 1994, entitled “A Resolution of the Board of Directors of the Santa Clara Valley Water District Providing for the Allocation of Water Utility System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Utility System Revenues,” as amended and supplemented from time to time (the “Senior Master Resolution”). The District has covenanted in the Parity Master Resolution that it will not issue or incur any additional Senior Obligations under the Senior Master Resolution, including but not limited to refunding obligations.

### **Parity Obligations**

The 2017 Bonds are secured by a pledge of the Water Utility System Revenues and certain funds and accounts established under the Parity Master Resolution and are payable from Net Water Utility System Revenues on a parity with (i) the obligation of the District to pay principal of and interest on the District’s Water System Refunding Revenue Bonds, Series 2016A (the “2016A Bonds”) and Taxable Series 2016B (the “2016B Bonds” and together with the 2016A Bonds the, “2016 Bonds”) in the aggregate principal amount of \$181,530,000; (ii) the obligation of the District to make installment payments under an installment purchase agreement dated as of February 1, 2016 (the “2016 Installment Purchase Agreement”) by and between the District and the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”), which installment payments secure \$98,045,000 aggregate principal amount of the District’s Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2016C and Taxable Series 2016D (collectively, the “2016 Certificates”) and (iii) the obligation of the District to pay principal of and interest on any obligations hereafter issued or incurred on a parity therewith subject to the terms of the Parity Master Resolution (collectively, the “Parity Obligations”). See “DEBT STRUCTURE OF THE DISTRICT” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Additional Bonds and Contracts.”

## Rate Covenants

**Senior Obligations.** The District has covenanted in the Senior Master Resolution to fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and the Debt Service for the then current Fiscal Year, and (ii) Net Water Utility System Revenues which are at least 1.25 times the sum of all Debt Service and Net Water Utility System Revenues which are at least 1.10 times the sum of all Debt Service on all Bonds and Contracts plus all debt service on all obligations subordinate to Bonds and Contracts; but, in any event such Net Water Utility System Revenues shall be sufficient in each Fiscal Year to make all of the allocations, transfers and payments to pay Debt Service on Bonds and Contracts and to replenish any reserve fund established with respect to such Bonds and Contracts. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Rate Covenant” herein. **Defined terms used in the foregoing rate covenant under the Senior Master Resolution shall have the meanings set forth Appendix C “— SUMMARY OF SENIOR MASTER RESOLUTION” and differ in certain respects from similar defined terms in the Parity Master Resolution.**

The rate covenant described above applies only to coverage of Debt Service of Senior Obligations and shall not be effective with respect to the 2017 Bonds on and after the date no Senior Obligations are outstanding.

**Parity Obligations.** The District has covenanted under the Parity Master Resolution, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges for Water Service at the commencement of each Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues (as such terms are defined in the Parity Master Resolution), as the case may be, are reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and the Debt Service for the then current Fiscal Year, and (ii) Net Water Utility System Revenues which are at least 1.25 times the sum of all Debt Service for such Fiscal Year. Debt Service under the Parity Master Resolution includes the principal of and interest on the 2017 Bonds.

The District may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the foregoing requirements. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Rate Covenant” herein.

So long as the District has complied with its obligations described above, the failure of Current Water Utility System Revenues to meet the threshold in clause (i) in the second preceding paragraph or the failure of Net Water Utility System Revenues to meet the threshold in clause (ii) in the second preceding paragraph will not constitute a default or an event of default under the Parity Master Resolution.

## Additional Parity Debt Test

The Parity Master Resolution provides for the incurring of Parity Obligations payable from Net Water Utility System Revenues on a parity with the 2017 Bonds upon satisfaction of certain conditions. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Additional Bonds and Contracts” and in Appendix B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS WITH RESPECT TO PARITY OBLIGATIONS — WATER UTILITY MASTER RESOLUTION — Additional Bonds and Contracts.”



## **Rate Stabilization Fund**

The District has established a Rate Stabilization Fund under the Parity Master Resolution to be held by the District. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Utility System Revenue Fund for application in accordance with the Parity Master Resolution. Amounts transferred from the Rate Stabilization Fund to the Water Utility System Revenue Fund may be taken into account as Water Utility System Revenues for purposes of the calculations for the rate covenant and the issuance of additional Bonds or Contracts under the Parity Master Resolution but not the Senior Master Resolution. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Rate Stabilization Fund.” As of December 31, 2016, approximately \$19,973,809 was on deposit in the Rate Stabilization Fund.

## **Special Purpose Funds**

The Parity Master Resolution authorizes the District to establish Special Purpose Funds. Upon certain determinations by the Board, the District may withdraw all or any portion of the amounts in a Special Purpose Fund and transfer such amounts to the Water Utility System Revenue Fund for application in accordance with the Parity Master Resolution. Amounts transferred from a Special Purpose Fund to the Water Utility System Revenue Fund may be taken into account as Water Utility System Revenues for purposes of the calculations for the rate covenant and the issuance of additional Bonds or Contracts under the Parity Master Resolution but not the Senior Master Resolution. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Special Purpose Funds.” The District has previously designated the Drought Reserve, the San Felipe Emergency Reserve, the Santa Clara Valley Advanced Water Purification Center Reserve and the Supplemental Water Supply Reserve as Special Purpose Funds. As of December 31, 2016, there was approximately \$22,055,014 on deposit in such Special Purpose Funds.

## **Flood System Obligations, Parcel Tax Revenue and State Water Project Property Taxes**

The District has executed and delivered two installment purchase agreements outstanding as of March 1, 2017, in the approximate aggregate principal amount of [\$91,040,000] secured by revenues of the District’s Flood Control System (the “Flood Control System Obligations”). No Water Utility System Revenues are pledged to payment of these installment purchase agreements and the revenues of the Flood Control System are not pledged to the payment of the 2017 Bonds.

The District also receives parcel tax revenues in connection with its Safe, Clean Water program which are not pledged to the payment of the 2017 Bonds.

The District levies property taxes to pay certain costs under the District’s State Water Project contract. Such State Water Project contract costs are not Maintenance and Operation Costs of the Water Utility System and such State Water Project property taxes are not pledged to the payment of the 2017 Bonds.

## **Limited Obligations**

The obligation of the District to pay principal of and interest on the 2017 Bonds described herein is secured by a pledge of and lien on, the District’s Water Utility System Revenues and are payable from the Net Water Utility System Revenues (which remain after the payment of Maintenance and Operations Costs and the Senior Obligations). The obligation of the District to pay the principal of and interest on the 2017 Bonds does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

## **Miscellaneous**

Brief descriptions of the Senior Master Resolution, the Parity Master Resolution, the 2017 Bonds, the security and sources of payment for the 2017 Bonds and the District are provided herein. Such descriptions do not purport to be comprehensive or definitive. Definition of certain capitalized terms used herein with respect to the Parity Master Resolution and the Senior Master Resolution may be found in Appendix B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS WITH RESPECT TO PARITY OBLIGATIONS” and in Appendix C “— SUMMARY OF SENIOR MASTER RESOLUTION,” respectively. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Clerk of the Board of the District located at 5750 Almaden Expressway, San Jose, California.

## **Continuing Disclosure**

The District has covenanted in a Continuing Disclosure Agreement for the benefit of the holders and beneficial owners of the 2017 Bonds to provide certain financial information and operating data relating to the District by not later than each April 1, commencing April 1, 2018, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Reports and the notices of material events will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth hereto in Appendix F — “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Purchaser in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. For a discussion of the District’s compliance with prior continuing disclosure undertakings, see the caption “CONTINUING DISCLOSURE UNDERTAKING.”

## **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “CAPITAL IMPROVEMENT PROGRAM” and “FINANCIAL INFORMATION OF THE DISTRICT” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **THE REFUNDING PLAN**

A portion of the proceeds of the 2017 Bonds together with certain other moneys, will be applied to (i) currently refund, \$66,610,000 aggregate principal amount of the 2007A Certificates. The 2007A Certificates were initially executed and delivered pursuant to a Trust Agreement by and among the District, the Corporation and U.S. Bank National Association, as trustee. Pursuant to the Indenture, the District will deliver a portion of the proceeds of the 2017 Bonds to U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under the Escrow Agreement (2007A) dated as of March 1, 2017 (the “2007A Escrow Agreement”), by and between the District and the Escrow Agent for deposit in an escrow fund (the “2007A Escrow Fund”) established thereunder. Such amounts, together with certain amounts transferred to the Escrow Agent from the District and deposited in the 2007A Escrow Fund, will be held in cash or invested in direct general obligations of the United States of America (the “Defeasance Obligations”). The cash and Defeasance Obligations held in the 2007A Escrow Fund will be scheduled to mature in such amounts and at such times and bear interest at such rates to provide amounts sufficient to pay on June 1, 2017 the regularly scheduled payment of interest and principal with respect to the 2007A Certificates and the prepayment price of the 2007A Certificates (equal to 100% of the principal amount thereof) maturing on and after June 1, 2018.

The amounts held in the 2007A Escrow Fund are pledged solely to the payment of the 2007A Certificates. The funds deposited in the 2007A Escrow Fund will not be available for the payment of principal or interest with respect to the 2017 Bonds. Sufficiency of the deposits in the 2007A Escrow Fund for those purposes will be verified by Causey Demgen & Moore P.C. (the “Verification Agent”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the 2007A Escrow Agreement, the 2007A Certificates will be defeased pursuant to the provisions of the 2007A Trust Agreement and the obligation of the District under the 2007 Installment Purchase Agreement will be discharged as of the date of issuance of the 2017 Bonds. See the caption “—Verification of Mathematical Computations” below.

### **Verification of Mathematical Computations**

Upon delivery of the 2017 Bonds, the Verification Agent, a firm of independent public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Purchaser relating to the adequacy of the maturing principal of and interest earned on the Defeasance Obligations, together with the cash to be concurrently deposited in the 2007A Escrow Fund, to pay on June 1, 2017, the regularly scheduled payment of interest and principal with respect to the 2007A Certificates and the prepayment price of the 2007A Certificates maturing on and after June 1, 2018 (equal to 100% of the principal amount thereof).

The estimated sources and uses of funds with respect to the 2017 Bonds are set forth below.

**Table 1**  
**SANTA CLARA VALLEY WATER DISTRICT**  
**Estimated Sources and Uses of Funds**

Sources

Principal Amount of 2017 Bonds  
Plus Original Issue Premium  
Transfer from the District<sup>(1)</sup>  
TOTAL

Uses

Deposit to 2007A Escrow Fund  
Costs of Issuance<sup>(2)</sup>  
TOTAL

<sup>(1)</sup> Reflects amount to pay the regularly scheduled principal of and interest with respect to the 2007A Certificates on June 1, 2017.

<sup>(2)</sup> Includes fees for the Trustee, Municipal Advisor's fees, legal fees, printing costs, rating agency fees, purchaser's discount and other costs of delivery.

**THE 2017 BONDS**

**Terms of the 2017 Bonds**

The 2017 Bonds will be issued in the aggregate principal amount of \$\_\_\_\_\_.<sup>\*</sup> The 2017 Bonds will be dated the date of initial issuance thereof, will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on each June 1 and December 1, commencing June 1, 2017 (each, an "Interest Payment Date"), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2017 Bonds will be computed on the basis of a 360 day year of twelve 30 day months.

The 2017 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Bonds. Ownership interests in the 2017 Bonds may be purchased in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption "— Book-Entry Only System" below and Appendix D attached hereto.

In the event that the book-entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2017 Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in St. Paul, Minnesota, California (the "Office of the Trustee"). Interest on the 2017 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the "Registration Books") as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check or draft of the Trustee, sent by first class mail to the Owner at such Owner's address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2017 Bonds may, at such Owner's option, be paid interest by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2017 Bonds will be payable in lawful money of the United States of America.

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<sup>\*</sup> Preliminary, subject to change.

Interest on any 2017 Bond will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before May 15, 2017, in which case interest thereon will be payable from the Issuance Date.

### **Redemption of 2017 Bonds**

***Optional Redemption.*** The 2017 Bonds with stated maturities on or after June 1, 20\_\_ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after \_\_\_\_ 1, 20\_\_ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

***Redemption from Insurance or Eminent Domain Proceeds.*** The 2017 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in the Parity Master Resolution, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the caption “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS WITH RESPECT TO PARITY OBLIGATIONS — Covenants of the District—Eminent Domain and Insurance Proceeds” for a description of the circumstances under which the 2017 Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

***Selection of 2017 Bonds for Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the 2017 Bonds, the Trustee will select the 2017 Bonds for redemption as a whole or in part on any date as directed by the District and by lot within each maturity in integral multiples of \$5,000 in accordance with the Indenture.

### **Notice of Redemption**

When redemption is authorized or required, such notice will be given at least twenty (20) days but not more than sixty (60) days before any redemption date, to the respective Owners of any 2017 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided, however, that so long as a book-entry system is used for the 2017 Bonds, the Trustee will send notice of redemption only to the Securities Depositories and Information Services. Notice of redemption to the Securities Depositories shall be given by registered mail, other electronically secure means, or any other method agreed upon and notice of redemption to the Information Services shall be given by mail, other electronically secure means, or any other method agreed upon. Each notice of redemption will state the date of notice, the redemption date, the place or places of redemption, the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2017 Bonds of any such maturity are to be redeemed, the serial numbers of the 2017 Bonds of such maturity to be redeemed by giving the individual number of each 2017 Bond or by stating that all 2017 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2017 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice shall also state that on the redemption date there will become due and payable on each of said 2017 Bonds or parts thereof designated for redemption the redemption price thereof or of said specified portion of the principal thereof in the case of a 2017 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been

deposited with the Trustee) from and after such redemption date interest thereon will cease to accrue, and will require that such 2017 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2017 Bond. Notice of redemption of 2017 Bonds shall be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2017 Bonds, such notice will state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2017 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2017 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

### **Book-Entry Only System**

One fully-registered 2017 Bond of each maturity and series will be issued in the principal amount of the 2017 Bonds of such maturity and series. Such 2017 Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2017 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2017 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

### **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event that the book-entry system described above is abandoned, the 2017 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2017 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2017 Bond for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2017 Bond for transfer, the Trustee is to issue a new 2017 Bond or 2017 Bonds of the same maturity, for a like series and aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2017 Bond issued upon any transfer. The Trustee may require the payment by any 2017 Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2017 Bonds, the Trustee will cancel and destroy the 2017 Bonds it has received.

2017 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2017 Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2017 Bond issued upon any exchange except in the case of any exchange of temporary 2017 Bonds for definitive 2017 Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2017 Bonds, the Trustee will cancel and destroy the 2017 Bonds it has received.

The Trustee is not required to register the exchange or transfer of any 2017 Bond during the period in which the Trustee is selecting 2017 Bonds for redemption for any 2017 Bond which the Trustee has selected for redemption.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS**

### **Pledge of Water Utility System Revenues**

Pursuant to the Parity Master Resolution, the District has continued and agreed to maintain, so long as any Bonds or Contracts remain outstanding, the Water Utility System Revenue Fund. The District has covenanted that all Water Utility System Revenues received by the District will be deposited in the Water Utility System Revenue Fund. So long as any Senior Obligations are outstanding, amounts in the Water Utility System Revenue Fund will be disbursed, allocated and applied solely to the uses and purposes described in the Senior Master Resolution and in the Parity Master Resolution. On and after the date no Senior Obligations are outstanding, amounts in the Water Utility System Revenue Fund will be disbursed, allocated and applied solely to the uses and purposes described in the Parity Master Resolution. Pursuant to the Senior Master Resolution and the Parity Master Resolution, amounts held in the Water Utility System Revenue Fund will be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

Pursuant to the Parity Master Resolution, all Water Utility System Revenues have been irrevocably pledged to the payment of the Bonds and Contracts (as defined in the Parity Master Resolution), and such Water Utility System Revenues will not be used for any other purpose while any Bonds and Contracts remain outstanding; provided that out of the Water Utility System Revenues and amounts on deposit in the Water Utility System Revenue Fund there may be apportioned for such purposes as are expressly permitted in the Parity Master Resolution. Such pledge constitutes a lien on Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit therein as permitted in the Parity Master Resolution for the payment of Contracts and Bonds in accordance with the terms thereof subordinate solely to the lien created under the Senior Master Resolution. See “— Allocation of Water Utility System Revenues” below.

The 2017 Bonds are Bonds under the Parity Master Resolution and are secured by the pledge and the liens created therein. Pursuant to the Indenture, in order to carry out the pledge contained in the Parity Master Resolution, the District will transfer Net Water Utility System Revenues from the Water Utility System Revenue Fund to the Trustee to pay the principal of and interest on the 2017 Bonds when due, all in accordance with the terms of the Parity Master Resolution and the Indenture. No reserve fund has been created with respect to the 2017 Bonds.

Water Utility System Revenues are defined in the Parity Master Resolution to be, with respect to any Fiscal Year or other period, (i) Current Water Utility System Revenues (which include any transfers to the Water Utility System Revenue Fund from Special Purpose Funds), plus (ii) deposits to the Water Utility System Revenue Fund from amounts on deposit in the Rate Stabilization Fund, representing amounts other than Current Water Utility System Revenues, less (iii) any Current Water Utility System Revenues transferred from the Water Utility System Revenue Fund to the Rate Stabilization Fund.

Current Water Utility System Revenues are defined by the Parity Master Resolution to be, for any Fiscal Year or other period, (1) all gross income and revenue of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees, contributions in aid of construction legally available for Debt Service, and charges and standby or water availability charges), amounts allocated to the District pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenues and Taxation Code (or any successor or supplementary provisions) and allocated by the Board of Directors of the District to the Water Utility System and all other income and revenue howsoever derived by the District from the ownership or operation of the Water Utility System or arising from the Water Utility System, (2)(a) all income from the

deposit or investment of any money in the Water Utility System Revenue Fund and the Rate Stabilization Fund and (b) all income from the investment of money held in any construction or acquisition fund established pursuant to a Trust Agreement to the extent such income is required to be deposited in the Water Utility System Revenue Fund, and (3) deposits to the Water Utility System Revenue Fund from amounts on deposit in Special Purpose Funds made in accordance with the Parity Master Resolution; but excluding benefit assessments and proceeds of taxes, including but not limited to proceeds of taxes levied to pay costs with respect to the State Water Project, and excluding also any refundable deposits made to establish credit and advances or contributions in aid of construction.

Net Water Utility System Revenues are defined by the Parity Master Resolution to be, for any Fiscal Year or other period, the Water Utility System Revenues during such Fiscal Year or period less the Maintenance and Operation Costs and less the principal and interest with respect to Senior Obligations payable during such Fiscal Year or period. The obligation of the District to pay the principal of and interest on the 2017 Bonds from Net Water Utility System Revenues is absolute and unconditional.

**THE OBLIGATION OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2017 BONDS IS A LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER UTILITY SYSTEM REVENUES OF THE DISTRICT'S WATER UTILITY SYSTEM AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED FOR THE PAYMENT OF THE 2017 BONDS. THE OBLIGATION OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2017 BONDS DOES NOT CONSTITUTE INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.**

#### **Allocation of Water Utility System Revenues**

The Senior Master Resolution and the Parity Master Resolution provide for the allocation of Water Utility System Revenues as described below. As set forth under the Senior Master Resolution and the Parity Master Resolution, all Current Water Utility System Revenues (as such terms are used in the Senior Master Resolution and the Parity Master Resolution) are deposited initially in the Water Utility System Revenue Fund.

**Senior Master Resolution.** So long as the Senior Obligations are outstanding, the District shall transfer or make payments from the Water Utility System Revenue Fund the amounts set forth below at the following times and in the following order of priority:

- (a) Such amounts at such times as the District shall require to provide for the payment of Maintenance and Operation Costs;
- (b) To each Trustee to pay Debt Service at the times and in the amounts required by the Senior Obligations;
- (c) To each Trustee for deposit in the reserve funds created with respect to Senior Obligations an amount equal to the amount, if any, at such times as required to be deposited therein to build up or replenish such Senior Obligations reserve funds as and to the extent required by the applicable Senior Obligation;
- (d) On any date prior to the last Business Day of each Fiscal Year, after making each of the foregoing payments, the balance of the money then remaining in the Water Utility System Revenue Fund may be used for any lawful purpose of the Water Utility System (including payment of the principal of and interest on the 2017 Bonds); and



(e) On the last Business Day of each Fiscal Year, the balance of the money then remaining in the Water Utility System Revenue Fund may be used for any lawful purpose of the District.

**Defined terms used in the foregoing description of the allocation of Water Utility System Revenues under the Senior Master Resolution shall have the meanings set forth Appendix C “— SUMMARY OF SENIOR MASTER RESOLUTION” and differ in certain respects from similar defined terms in the Parity Master Resolution.**

***Parity Master Resolution.*** On and after the date no Senior Obligations are outstanding, Water Utility System Revenues will be allocated only as provided in the Parity Master Resolution to the following purposes, at the following times and in the following order of priority:

(a) to provide for the payment of Maintenance and Operation Costs of the Water Utility System as the District requires;

(b) to pay Debt Service at the times and in the amounts required by applicable Bonds or Contracts or the trust agreements securing each Bond or Contract;

(c) to each trustee for deposit in the applicable reserve fund with respect to such Bonds or Contracts, if any, an amount equal to the amount, if any, at such times as required to be deposited therein to build up or replenish such Bond or Contract reserve fund as and to the extent required by the applicable Bond or Contract or the resolutions, trust agreements, indentures or other instruments securing each Bond or Contract;

(d) so long as the District reasonably determines that there will be sufficient Current Water Utility System Revenues to make the transfers described in (a) through (c) above for the remainder of such Fiscal Year, for any purpose of the Water Utility System; and

(e) so long as the District reasonably determines that there will be sufficient Current Water Utility System Revenues to make the transfers described in (a) through (c) above for the remainder of such Fiscal Year, for any lawful purpose of the District.

#### **Rate Covenant**

***Senior Obligations.*** The District has covenanted in the Senior Master Resolution to fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and the Debt Service for the then current Fiscal Year, and (ii) Net Water Utility System Revenues shall be at least 1.25 times the sum of all Debt Service and Net Water Utility System Revenues shall be at least 1.10 times the sum of all Debt Service on all Bonds and Contracts plus all debt service on all obligations subordinate to Bonds and Contracts; but, in any event such Net Water Utility System Revenues shall be sufficient in each Fiscal Year to make all of the allocations, transfers and payments to pay Debt Service on Bonds and Contracts and to replenish any reserve fund established with respect to such Bonds and Contracts. **Defined terms used in the foregoing rate covenant under the Senior Master Resolution shall have the meanings set forth Appendix C “— SUMMARY OF SENIOR MASTER RESOLUTION” and differ in certain respects from similar defined terms in the Parity Master Resolution.**

The rate covenant described above applies only to coverage of Debt Service of Senior Obligations and shall not be effective on and after the date no Senior Obligations remain outstanding.

***Parity Obligations.*** The District has covenanted under the Parity Master Resolution, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges for Water Service at the commencement of

each Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, are reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and the Debt Service for the then current Fiscal Year, and (ii) Net Water Utility System Revenues of at least 1.25 times the sum of all Debt Service.

The District may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the foregoing requirements.

So long as the District has complied with its the foregoing requirements, the failure of Current Water Utility System Revenues to meet the threshold in clause (i) of the second preceding paragraph or the failure of Net Water Utility System Revenues to meet the threshold in clause (ii) of the second preceding paragraph will not constitute a default or an event of default under the Parity Master Resolution.

#### **No Reserve Fund for the 2017 Bonds**

No reserve fund has been created with respect to the 2017 Bonds.

#### **Rate Stabilization Fund**

The Parity Master Resolution establishes a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust. The District has covenanted to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any Bonds or Contracts remain unpaid. Money transferred by the District to the Rate Stabilization Fund in accordance with the Parity Master Resolution will be held in the Rate Stabilization Fund and applied in accordance with the Parity Master Resolution.

All amounts on deposit in the Rate Stabilization Fund and the Rate Stabilization Fund are irrevocably pledged to the payment of the Bonds and Contracts, including the 2017 Bonds; provided that amounts on deposit in the Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted in the Parity Master Resolution. Such pledge constitutes a first lien on amounts on deposit in the Rate Stabilization Fund for the payment of Contracts and Bonds in accordance with the terms of the Parity Master Resolution.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Utility System Revenue Fund for application in accordance with the Parity Master Resolution. Amounts transferred from the Rate Stabilization Fund to the Water Utility System Revenue Fund during or within 270 days after the end of a Fiscal Year, may be taken into account as Water Utility System Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts and for the calculations described under “—Rate Covenant” above, to the extent provided in the definition of Water Utility System Revenues.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by generally accepted accounting principles applicable to governmental agencies such as the District to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See “Appendix A — AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”

Transfers from the Rate Stabilization Fund to the Water Utility System Revenue Fund are not included in Water Utility System Revenues under the Senior Master Resolution and are not taken into account for the calculations under the rate covenant in the Senior Master Resolution.

As of December 31, 2016, there was approximately \$19,973,809 on deposit in the Rate Stabilization Fund.

### **Special Purpose Funds**

The Parity Master Resolution authorizes the establishment of Special Purpose Funds. Amounts in Special Purpose Funds shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

All amounts on deposit in Special Purpose Funds and the Special Purpose Funds are irrevocably pledged to the payment of the Bonds and Contracts, including the 2017 Bonds, as provided in the Parity Master Resolution; provided that amounts on deposit in the Special Purpose Funds there may be apportioned for such purposes as are expressly permitted therein. Such pledge constitutes a first lien on amounts on deposit in the Special Purpose Funds for the payment of Contracts and Bonds in accordance with the terms of the Parity Master Resolution.

The District may withdraw all or any portion of the amounts on deposit in a Special Purpose Fund and transfer such amounts to the Water Utility System Revenue Fund upon a determination by resolution of the Board of Directors of the District substantially to the effect that (a) (i) non-routine expenditures resulting from extraordinary events, including but not limited to droughts and natural disasters, are reasonably expected to be incurred, and (ii) reduced Current Water Utility System Revenues have resulted from such an extraordinary event, (b) application of amounts on deposit in one or more Special Purpose Funds to the payment of such expenditures is financially prudent and necessary, and (c) the Board of Directors has adopted a budget amendment, if necessary, to reflect such expenditures and the transfer of such amounts from Special Purpose Funds to the Water Utility System Revenue Fund. Amounts transferred from Special Purpose Funds to the Water Utility System Revenue Fund during or within 270 days after the end of a Fiscal Year, may be taken into account as Current Water Utility System Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts and for the calculations described under “—Rate Covenant” above.

Transfers from any Special Purpose Fund to the Water Utility System Revenue Fund are not included in Water Utility System Revenues under the Senior Master Resolution and are not taken into account for the calculations under the rate covenant in the Senior Master Resolution.

The District has designated the Drought Reserve, the San Felipe Emergency Reserve, the Santa Clara Valley Advanced Water Purification Center Reserve and the Supplemental Water Supply Reserve as Special Purpose Funds. As of December 31, 2016, there was approximately \$22,055,014 on deposit in such Special Purpose Funds.

### **Additional Bonds and Contracts**

***No Additional Senior Obligations.*** The District has covenanted in the Parity Master Resolution that it will not issue or incur any additional Senior Obligations under the Senior Master Resolution, including but not limited to refunding obligations.

***Additional Parity Obligations.*** The District may at any time incur or issue additional Bonds or Contracts (that is, obligations the payments of which are payable from the Water Utility System Revenues on a parity with the 2017 Bonds), provided:

(a) The Net Water Utility System Revenues for the most recent audited Fiscal Year preceding the date of execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District, shall

have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have been payable on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have been payable had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(b) The estimated Net Water Utility System Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of an Authorized Officer of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Water Utility System Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of an Authorized Officer on file with the District, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds may be issued or Contracts may be executed to refund outstanding Bonds, Contracts or Senior Obligations if Average Annual Debt Service on the Bonds, Contracts and other outstanding Senior Obligations after the refunding is not greater than Average Annual Debt Service on the Bonds, Contracts and all Senior Obligations outstanding prior to the refunding.

***Subordinate Obligations.*** The District may incur obligations secured by a pledge of Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit in the Water Utility System Revenue Fund on a basis subordinate to the pledge of the Senior Master Resolution or payable therefrom on a basis subordinate to the pledge of the Parity Master Resolution securing the 2017 Bonds. The District currently has tax and revenue notes ("TRANS") outstanding in the amount of \$225,000,000 securing the Commercial Paper Certificates, Series A (Tax-Exempt) and Series B (Taxable) and the Revolving Certificates Series C (Tax-Exempt) and Series D (Taxable) (together, the "Commercial Paper Certificates"), which are payable from Net Water Utility System Revenues subordinate to the 2017 Bonds. As of [\_\_\_\_\_, 2017], the District [has \$\_\_\_\_\_] in Commercial Paper Certificates outstanding.

## **DEBT SERVICE SCHEDULE**

Set forth below is a schedule of debt service with respect to the 2017 Bonds and the schedule debt service of the Senior Obligations due in each annual period ending June 1 of the following years.

**Outstanding Debt Service Schedule<sup>(1)</sup>**  
**(As of April \_\_, 2017)**

<i>Fiscal Year Ending June 30</i>	<i>Senior Obligations<sup>(2)</sup></i>	<i>2017 Bonds</i>			<i>Other Parity Obligations<sup>(3)</sup></i>	<i>Total Parity Obligations</i>	<i>Total</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>			
2017	\$7,377,267.00				\$12,227,005.86		
2018	4,924,189.00				16,877,005.86		
2019	5,442,049.00				19,029,993.76		
2020	5,564,106.00				19,227,362.00		
2021	5,546,101.00				19,234,027.90		
2022	5,530,418.00				19,232,233.66		
2023	5,545,344.00				19,241,626.46		
2024	5,497,880.50				19,233,789.66		
2025	5,516,760.50				19,236,179.06		
2026	5,456,718.50				19,233,822.76		
2027	5,482,489.50				19,222,167.36		
2028	5,463,339.00				19,230,376.40		
2029	5,431,002.00				19,224,211.16		
2030	5,409,211.00				19,235,621.10		
2031	5,390,702.00				19,235,621.10		
2032	5,006,210.00				15,828,871.10		
2033	4,971,387.00				15,824,371.10		
2034	4,908,378.00				15,829,121.10		
2035	4,861,915.00				14,686,798.20		
2036	2,596,000.00				14,689,314.00		
2037	-				14,694,106.40		
2038	-				14,695,302.30		
2039	-				14,692,236.30		
2040	-				14,697,371.60		
2041	-				14,695,121.90		
2042	-				14,689,898.70		
2043	-				14,695,734.30		
2044	-				14,696,007.90		
2045	-				14,689,784.10		
2046	-				14,691,902.70		
<b>Total</b>	<b>\$105,921,467.00</b>				<b>\$502,716,985.80</b>		

<sup>(1)</sup> Totals may not add due to independent rounding. All amounts are reported on a cash basis.

<sup>(2)</sup> Includes scheduled debt service on the 2006B Bonds and the outstanding installment payments under the 2007 Installment Purchase Agreement. Excludes interest paid pursuant to the 2007 Installment Purchase Agreement on December 1, 2016 with respect to the 2007A Certificates, which is expected to be refunded from the proceeds of the 2017 Bonds.

<sup>(3)</sup> Includes scheduled debt service on the 2016 Bonds and the outstanding installment payments under the 2016 Installment Purchase Agreement.

## THE DISTRICT

### Organization, Purpose and Powers

The Santa Clara Valley Water District is a special district organized and existing in accordance with the Santa Clara Valley Water District Act, Chapter 1405 of Statutes 1951 of the State of California, as amended (the “Law”). The District is authorized to supply water and provide flood protection services in Santa Clara County, California (the “County”), which includes 15 cities/towns (Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Serena, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga and Sunnyvale). The District encompasses all of the territory within the County, one of the nine counties which make up the San Francisco Bay Area and constitutes a major portion of “Silicon Valley.”

The District has broad powers relating to the management of flood and storm waters within the County. The District is also authorized to import, store, treat and distribute water within its jurisdictional boundaries to provide water in sufficient quantity and quality for present and future beneficial use by the lands and population within the District.

The District has been providing flood protection measures since 1951. These measures include maintenance and construction of flood protection facilities. The District’s priority is to provide flood protection in a non-structural way, through coordination with the local land use agencies, resorting to using structural flood protection methods only as a last alternative. The level of protection that the District aims to provide as a matter of policy is protection from flood damage that would result from a one percent flood (the flood that has a one percent chance of occurring in any given year).

The District seeks to provide water supply of adequate quantity and quality to meet the desired quality of life in the community. To fulfill this mission, the District imports water into the County, manages two groundwater subbasins, and owns and operates three water treatment plants, an advanced water purification center, a state-of-the-art water quality laboratory, ten reservoirs, three pumping stations, a hydroelectric plant, 18 recharge facilities in six major recharge systems, and related distribution facilities.

The District wholesales water to water retailers as well as protects and augments groundwater for the benefit of multiple water retailers, mutual water companies and thousands of private well owners that pump groundwater. Water retailers then deliver water to the consumers in the County. The District receives revenue from groundwater charges for water pumped from areas receiving benefit from District groundwater management activities, from the sale of treated water and from the sale of nonpotable surface water and recycled water. See the caption “LITIGATION—Great Oaks Matter” for a discussion of certain litigation relating to the District’s imposition of charges on groundwater producers.

The District’s current contracts with its water retailers for the sale of treated water have a term of the greater of: (1) 70 years from the date of execution (the expiration dates of the current contracts range from January 2051 to September 2054) or (2) the date all loans and debt service for the construction of the District’s water treatment and distribution facilities have been paid. In the event the District terminates a contract due to a water retailer’s failure to cure a material breach (such as failure to remit payment), the District may pursue remedies to which it is entitled under applicable law, which may include recovery of amounts the District would have received if the retailer had not breached the contract and any other damages that are reasonably foreseeable from the water retailer’s breach. The District has not experienced any material delinquencies in the payment of amounts due from its water retailers.

Some of the water retailers within the District also receive supplies from the San Francisco Public Utilities Commission through the Bay Division Pipelines (“SFPUC” or “Hetch Hetchy”). Additional storage and supply is provided by San Jose Water Company, which owns and operates two small surface water reservoirs, Williams and Elsmar, and two small water treatment plants within the County. Some local

governmental agencies operate water reclamation projects. The District does not receive revenue from the sale of water from the SFPUC water source, San Jose Water Company local water sources or wastewater reclamation sources other than the Gilroy Reclamation Facility.

The sources of District water are the California State Water Project (“SWP”), the U.S. Bureau of Reclamation’s Central Valley Project (“CVP”), imported water purchases through water transfer and exchange agreements, District reservoirs, naturally recharged groundwater, and recycled water produced by the South County Regional Wastewater Authority. The District is one of the 29 contractors with the SWP and receives imported SWP water through the South Bay Aqueduct. The District also receives imported water through the San Felipe Division of the CVP. Both the SWP and the CVP water are transported to the District from the San Francisco Bay/Sacramento San Joaquin River Delta Estuary (“Bay-Delta” or “Delta”). Locally, the District owns and operates ten surface water reservoirs which collect runoff during the winter rains. The District also owns and operates the Silicon Valley Advanced Water Purification Center which has the ability to deliver up to 8 million gallons per day (MGD) of purified water.

The District operates a conjunctive use system in which the District recharges surface water, from the imported water sources and the local reservoirs, into the Santa Clara and Llagas groundwater subbasins to augment natural recharge. The District uses streams and ponds as recharge facilities. The groundwater subbasins serve as natural storage, conveyance, and treatment facilities.

The Law authorizes the District to exercise the power of eminent domain; to levy and collect taxes; to levy and collect a groundwater charge for the production of water from groundwater supplies benefited by District recharge activities; and to contract for the fixing, revision and collection of rates or other charges under contract for the delivery of treated water, use of facilities or property or provisions for service. The District may also issue bonds, borrow money and incur indebtedness. The District may also acquire property of any kind; enter into contracts; and adopt ordinances with the force of law to effectuate its purposes.

As provided under California law, the District receives its share of the County-wide 1% tax levied. A portion of the taxes received is used to pay maintenance and operations cost of the Water Utility System. While the remaining portion of the taxes received is available to the Flood Control System Obligations secured by revenues of the flood protection system facilities of the District, such proceeds are available to pay maintenance and operation costs of the Water Utility System after the annual payments on debt service on Flood Control System Obligations have been met.

## **Board of Directors and Management**

***Board of Directors.*** The District Board of Directors (the “Board”) is composed of seven members each elected from equally-divided districts drawn through a formal process. The purpose of the Board, on behalf of the County, is to protect the public health and safety and enhance the quality of living within the County by comprehensively managing water resources in a practical, cost-effective, and environmentally-sensitive manner. The Directors serve overlapping four-year terms, a structure created pursuant to the adoption of the Law. The current Directors are:

***John Varela (District 1):*** Mr. Varela was elected to the Board in November 2016. Mr. Varela is the current Chair of the Board. Mr. Varela has served as a member of the City Council and Mayor of the City of Morgan Hill and currently sits on the board for the Morgan Hill Chamber of Commerce. In addition, Mr. Varela is active in the Silicon Valley Chamber Coalition Regional Economic Development Initiative. Mr. Varela has experience as an entrepreneur in the solar/clean energy and bio-fuel industries. District 1 encompasses the South County cities of Morgan Hill and Gilroy; the community of San Martin, the Evergreen and Silver Creek neighborhoods of San Jose; parts of south San Jose; and hills east of San Jose and Milpitas.

***Barbara Keegan (District 2):*** Ms. Keegan was reelected to the Board in November 2016 to represent District 2. Ms. Keegan has extensive experience as a licensed civil engineer including over 19 years with the

City of San Jose's public works department and as City Engineer/Assistant Director of Public Works for the City of Sunnyvale. In addition to serving on the Board, Ms. Keegan serves on the boards of the North Willow Glen Neighborhood Association and the San Jose Arena Authority. Ms. Keegan holds a bachelor's and master's degree in civil engineering from San Jose State University. District 2 includes portions of the City of Jose and the City of Santa Clara.

*Richard P. Santos (District 3):* Mr. Santos became a member of the Board in 2000 and was reelected to the Board in November 2016 to represent District 3. Mr. Santos is the current Vice Chair of the Board. Mr. Santos retired as a Fire Captain from the San Jose Fire Department with 33 years of service. While at the San Jose Fire Department, Mr. Santos served for 12 years on the San Jose Police and Fire Retirement Board and was a labor representative of the San Jose Firefighters local union. He was then and is still very active as a volunteer for community services and has spearheaded several civic activity fundraiser projects. Mr. Santos received a bachelor's degree in public administration from Farelston and Nova Colleges and received associates degrees in political science and fire science. He also has a lifetime teaching credential from the California Community College system, where he taught fire science at Mission College. District 3 is in the northeastern portion of the county and includes the City of Milpitas, portions of San Jose (Berryessa area, the Alum Rock area north of McKee Road and the Alviso area) portions of Sunnyvale and Santa Clara.

*Linda J. LeZotte (District 4):* Ms. LeZotte first became a member of the Board in 2010 and served as Chair of the Board in 2012. Ms. LeZotte previously served for eight years as a member of the City Council of the City of San Jose and for six years as a San Jose Planning Commissioner. In addition, Ms. LeZotte chaired the Joint Venture Silicon Valley Sustainable Buildings Initiative, and served on the Bay Area Climate Collaborative-Green Building Group, and the Cities Association Green Building Collaborative. She currently serves on the Advisory Board of Sustainable Silicon Valley. Ms. Lezotte is an attorney with over 30 years of experience, specializing in the areas of land use, environmental and municipal law, and corporate development. District 4 includes the City of Campbell, portions of the Willow Glen and Cambrian communities, and North Almaden and Blossom Hill areas of San Jose.

*Nai Hsueh (District 5):* Ms. Hsueh was reelected to the Board in November 2016 to serve District 5. Ms. Hsueh has more than 25 years of experience working on various aspects of water resources issues, including previously serving as Chief Operating Officer, Capital Program Services of the District. During her tenure at the District, she first progressed through the engineering career path from Assistant Engineer to Senior Engineer to one of the District's Chief Operating Officers. In such capacity, Ms. Hsueh was responsible for managing and implementing the District's capital improvement program to support its water supply, flood protection and environmental stewardship missions. Ms. Hsueh is a registered civil engineer in California and received her bachelor's degree in agricultural engineering from National Taiwan University and her master's degree in hydraulic engineering from the University of Iowa. District 5 includes portions of Cupertino, San Jose, Saratoga and Sunnyvale.

*Tony Estremera (District 6):* Mr. Estremera began his tenure on the District Board in 1996. He is the Directing Attorney for the Santa Clara County Legal Aid Society. His government experience includes volunteering in both appointed and elected positions including the Santa Clara County Grand Jury, Santa Clara County Housing Task Force, Valley Medical Center Advisory Board, Santa Clara County Personnel Board, San Jose Municipal Stadium Task Force, (San Jose) Mayor's Committee on Minority Affairs and the San Jose/Evergreen Community College District Board of Trustees. Mr. Estremera received his law degree from the Boalt Hall School of Law, Berkeley. He is an active member of the State Bar of California and the Santa Clara County Bar Association. District 6 includes the North-Eastern portion of the City of San Jose (Alum Rock to the north and Monterey Road/Capital Expressway to the south).

*Gary Kremen (District 7):* Mr. Kremen was elected to the District Board in 2014. Mr. Kremen has over 30 years of experience in starting and mentoring companies, including Clean Power Finance and WaterSmart Software. Mr. Kremen teaches graduate level courses from time to time at Northwestern University on energy policy, is a member of the Foundation Board of University of California, Merced, and is



an advisor, grant proposal evaluator, and judge at Stanford University's TomKat Center for Sustainable Energy. Mr. Kremen has served as President of the Board of Directors of Purissima Hill Water District and as the Secretary of the Water Conservation Committee for Los Altos Hills. Mr. Kremen is a member of the Proposition 39, California Clean Energy Jobs Act Citizen's Oversight Board, appointed by the then-California State Controller, John Chiang. District 7 includes Palo Alto, Los Altos, Los Altos Hills, Mountain View, Monte Sereno, Los Gatos, and the southernmost portion of the San Jose.

***Management.*** The District is headed by a Chief Executive Officer, District Counsel, Chief Operating Officer – Water Utility Enterprise, Chief Operating Officer – Watersheds, Chief Operating Officer – Administration, Chief Financial Officer and Clerk of the Board.

On March 8, 2016, the District Board appointed Ms. Norma Camacho, Chief Operating Officer – Watersheds as Interim Chief Executive Officer. Ms. Camacho is expected to serve as Interim Chief Executive Officer until the Board selects a permanent Chief Executive Officer. As a result of such appointment, on March 15, 2016, the District announced that the position of Interim Chief Operating Officer, Watersheds, will be filled by Melanie Richardson, a Deputy Operating Officer, until further decision is taken by the Board with respect to such position. On December 13, 2016, the Board approved a consultant agreement with Korn Ferry to provide executive recruitment services for a national recruitment, evaluation and selection of a permanent Chief Executive Officer.

*Norma Camacho, Interim Chief Executive Officer.* Ms. Camacho joined the District in March 2012 and was the Chief Operating Officer for the District's Watersheds Operation before being appointed as the Interim Chief Executive Officer. She has more than 25 years of long-range planning, program development, finance, and capital projects experience. Most recently she was the director of the Ventura County Watershed Protection District, directing day-to-day operations of a 142-person organization with a budget of \$59,000,000. Prior to that position she served in the Ventura County Executive Office as deputy executive director of finance and budgets. Ms. Camacho holds a bachelor's degree in civil engineering (structural) from Stanford University. She is a member of the American Society of Civil Engineers and the American Public Works Association, and was recently vice-chair of the County Engineers Association of California Flood Control Committee.

*Susan Stanton, Chief Operating Officer - Administration.* Ms. Stanton joined the District in January 2017 as the Chief Operating Officer – Administration. Ms. Stanton has over 30 years of experience managing small and large cities, employing between 350 to 1,000 employees throughout the nation. She has managed various departments, including police, fire, public works, human resources, information technology, and finance. Ms. Stanton also has experience managing potable and reclaimed water systems, an advanced wastewater reclamation system, and an electric generation and distribution utility, during her various tenures as a city manager. Ms. Stanton has a Bachelor's degree in Political Science and a Master's in Public Administration, both from the University of Florida. She has also received her Senior Executive in State and Local Government Training from Harvard University's John F. Kennedy School of Government.

*James M. Fiedler, Chief Operating Officer – Water Utility Enterprise.* Mr. Fiedler is the Chief Operating Officer responsible for management of the District's Water Utility Enterprise. Responsibilities include leading the District's water policy development and program implementation of its water importation, surface reservoir operations, groundwater management, raw and treated water delivery, wholesale treated water, water recycling and water conservation programs. Mr. Fiedler has 35 years of engineering and management experience in the area of water supply and flood control, primarily with the District. His management and technical experience includes regional water resources, flood and environmental planning, design, construction, operations and maintenance of water supply and flood protection infrastructure. He is a registered engineer in California and received his bachelor's degree in civil engineering from Loyola Marymount University, Los Angeles, California and his master's degree in civil engineering from Stanford University. Mr. Fiedler has announced his intention to retire in May 2017.

*Melanie Richardson, Interim Chief Operating Officer – Watershed.* Ms. Richardson is the Interim Chief Operating Officer for Watersheds at the District. She has been with the District for 25 years in the following roles: Associate Civil Engineer, Assistant Operating Officer of Water Supply, Deputy Administrative Officer of Corporate Business Services, and most recently, the Deputy Operating Officer of Watersheds Design & Construction. She was appointed as Interim Chief Operating Officer for Watersheds effective August 15, 2016. Ms. Richardson is a registered Civil Engineer in California and has served as one of the two Designated Engineers for the District.

*Darin Taylor, Chief Financial Officer.* Mr. Taylor was hired as the District's Chief Financial Officer effective December 19, 2016, after 14 years as a senior project manager with the District. Mr. Taylor has more than 14 years of governmental financial planning and management experience with the District. Mr. Taylor holds a bachelor's degree in economics from Claremont McKenna College, and a master's degree in business administration from San Jose State University. Mr. Taylor is a Certified Public Financial Officer, a certification designated by the Government Finance Officers Association.

*Stan Yamamoto, District Counsel.* Mr. Yamamoto joined the District as District Counsel in February 2010. Mr. Yamamoto is a graduate of San Jose State University and earned his law degree at the University of Santa Clara School of Law. Mr. Yamamoto has more than 34 years of experience in the area of public law and has served as City Attorney for the cities of Redwood City, Riverside and Modesto, California.

*Michele L. King, CMC, Clerk of the Board.* Ms. King began service with the District in 2004 and has more than 12 years of experience in providing support to elected officials of special districts. As Clerk, Ms. King's responsibilities include ensuring that the District complies with regulations and deadlines for Board and committee meetings, agenda publications, Groundwater Production Charge Protests, Lobbyist Ordinance compliance, public record requests, and the Board, Board Advisory and Ad Hoc Committee, and Clerk of the Board annual budgets. Ms. King is a Certified Municipal Clerk and a member of the Northern California Clerks Association and the International Institute of Municipal Clerks.

***Employee Relations.*** The District has three funded positions assigned to the Labor Relations Unit. Employees and management engage in a cooperative relationship, meeting regularly to address problems of concern. Memoranda of Understanding (MOU's), or labor agreements, are entered into between the District and each of these bargaining units. The MOU's cover, among other things, the pension benefits that the District provides for eligible employees. See the caption "DISTRICT EMPLOYEE RELATIONS" below for a description of the District's pension plans.

## **Insurance**

***General Liability Insurance.*** Since January 1, 1987, the District has maintained a self-insurance program in connection with its general liability risks, including vehicular and non-vehicular loss exposures due to premises, operations, personal injury and product liability.

Under this program, the District is responsible for the first \$2,000,000 per occurrence for all General Liability claims. The District also purchases general liability insurance with limits of not less than \$50,000,000 per occurrence and aggregate in excess of its \$2,000,000 self-insured retention.

The District maintains a risk management information system to track claims, litigation and establish claims reserves which are used to derive self-insurance fund requirements. These funding requirements are reviewed by outside actuaries biannually.

***Property Appraisal and Insurance.*** A property appraisal and valuation of the District's buildings and contents was prepared in April 2006 for the period ending that date. The appraisal was in conformity with generally accepted appraisal practices for purposes of establishing insurable values and property records. The report provides current replacement costs for buildings and equipment in the event of a loss.

The District maintains blanket property insurance coverage for its buildings and equipment, covering all traditional perils, but excluding earth movement and risks that are usually covered by bonds. The current blanket limit for this coverage is \$400,000,000. There are sublimits for particular perils consistent with normal property policies and appropriate to District loss exposures. The District's dams are not insured.

The District does not currently carry flood or earthquake insurance.

**Workers' Compensation.** Since January 1, 1994, the District has maintained a self-insurance program in connection with its workers' compensation risks. Under this program, the District is responsible for the first \$1,000,000 per occurrence of any loss. The District also purchases workers' compensation insurance with statutory limits above this self-insured retention and employers' liability limits of \$2,000,000 per employee/accident.

The District contracts with a third party claims administrator to review, investigate, track, pay and set case reserves for workers' compensation claims. As with the general liability self-insurance program, these reserves are used to derive funding requirements. Actuarial study frequency and funding confidence levels are the same as described above for the general liability program.

In addition to the above, the District also purchases crime coverage up to \$1,000,000 per loss, including public employee dishonesty, including public officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$5,000 deductible for Board members and \$10,000 for non-Board members.

**Cyber Liability Insurance.** Since June 1, 2015, the District has maintained cyber liability insurance coverage in the amount of \$5,000,000 with a self-insured retention of \$50,000 per claim. The liability associated with cybercrime, unauthorized access and failure to protect sensitive information are mitigated by cyber security insurance.

Settled claims have not exceeded commercial insurance coverage in any of the past three Fiscal Years.

## **Budgeting Process**

The District's budget process uses a goal-driven approach that spans the planning, development, adoption and execution phases of the budget. These practices encourage development of organizational goals, and establishment of policies and plans to achieve these goals and policies. The guidelines used by the District in developing this formal budget process are the recommended budget practices for improved state and local government budgeting prepared by the National Advisory Council on State and Local Budgeting and the Government Finance Officers Association.

The Law requires that the budget be adopted prior to June 30 for any given year. The District develops an annual budget for all funds. The budget process includes project plan, long-term cost forecasting and annual budget development. After adoption by the Board, the District has authority to expend the appropriations for the given Fiscal Year. During the Fiscal Year, budget amendments and adjustments may be made to reflect changes in financial conditions, programs and/or authorizing laws that affect ongoing expenditures. The budget cycle is completed with the review and alignment of staff work plans to be consistent with the resource allocation made in the adopted budget.

[The current budget for Fiscal Year 2016-17 was approved by the Board on May 10, 2016. As of January 2017, the District Board had approved approximately \$11.6 million in aggregate budgetary amendments across District funds, including an approximately \$4.8 million increase to the operating expense for the Water Enterprise Fund budget.]

## **PAWS Report**

On February 24, 2017, the District released its Annual Report on the Protection and Augmentation of Water Supplies (the “2017 PAWS Report”), which provides an analysis of the District’s present and future water requirements and supply reliability, programs to promote reliability and an overview of the District’s future capital improvements, maintenance and operating requirements. The 2017 PAWS Report forms the basis on which the District proposed its maximum groundwater production and water charges for Fiscal Year 2017-18. See caption “Water Charge Setting Process” for more information with respect to the District’s rate-setting process. Copies of the 2017 PAWS Report may be obtained from the District’s website, however, the contents of the 2017 PAWS Report are not incorporated by reference herein.

## **DEBT STRUCTURE OF THE DISTRICT**

***Long-Term Indebtedness.*** The District’s long-term debt outstanding as of June 30, 2016, consisted of the following:

**SCHEDULE OF LONG-TERM INDEBTEDNESS**  
**(Dollars In Thousands)**  
**(as of June 30, 2016)**

<i>Type of Indebtedness</i>	<i>Final Maturity</i>	<i>Balance Outstanding</i>
Water Utility System Senior Obligations:		
Water Utility System Refunding Revenue Bonds, Taxable Series 2006B	2035	\$ 20,370
Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2007A and Taxable Series 2007B <sup>(1)</sup>	2037	<u>108,580</u>
Total Senior Water System Obligations		\$ 128,950
Water Utility System Parity Obligations:		
Water System Refunding Revenue Bonds, Series 2016A and Taxable Series 2016B	2046	\$ 181,530
Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2016C and Taxable Series 2016D	2029	<u>98,045</u>
Total Parity Water System Obligations		\$ 279,575
All Other Debt Not Secured by Water Utility System Revenues:		
1994 Installment Purchase Agreement <sup>(2)</sup>	2024	\$ 41,865
1995 Installment Purchase Agreement <sup>(3)</sup>	2030	<u>57,195</u>
Total Other Debt		<u>\$ 99,060</u>
Total Long-Term Indebtedness		<u>\$ 507,585</u>

<sup>(1)</sup> A portion of the proceeds of the 2017 Bonds, together with certain other moneys, will be applied to refund the outstanding 2007A Certificates.

<sup>(2)</sup> Installment payments under the Installment Purchase Agreement dated as of June 15, 1994, by and between the District and the Corporation secure the District's Refunding and Improvement Certificates of Participation Series 2012A (the "2012A Certificates") and Refunding and Improvement Certificates of Participation, Series 2017A (the "2017A Certificates"). Proceeds of the 2012A Certificates and 2017A Certificates were used to refinance the District's Flood Control System facilities.

<sup>(3)</sup> Installment payments under the Installment Purchase Agreement dated as of June 27, 1995, by and between the District and the Corporation secure the 2017A Certificates.

Source: District.

**Short-Term Indebtedness.** The District may issue from time to time TRANS to secure the District's Commercial Paper Certificates. The TRANS are payable from taxes, income, revenue, cash receipts and other moneys which are received by the Water Utility System of the District for Fiscal Year 2016-17 and which are lawfully available for the payment of current expenses and other obligations of the District. The obligation of the District to make payments of principal and interest on the TRANS is a general obligation of the District. The District has additionally pledged Net Water Utility System Revenues on a subordinate basis to Bonds and Contracts (as defined in the Parity Master Resolution), in accordance with the Parity Master Resolution.

The current TRANS in the amount of \$225 million are dated July 1, 2016 and mature on October 1, 2017. As of [\_\_\_\_\_, 2017], the District [has \$\_\_\_\_\_ in] Commercial Paper Certificates outstanding.

## WATER UTILITY SYSTEM

### Service Area

The District's service area encompasses all of Santa Clara County, one of nine counties that make up the San Francisco Bay area. The service area is approximately 1,330 square miles and constitutes a major portion of "Silicon Valley." According to the U.S. Census Bureau, the County's population increased by approximately 6.3 percent between 2010 and 2014 to a total of approximately 1,895,000. Of the approximately 370,000 acre-feet of water used in the County on average in a normal rainfall year, the District estimates that approximately 55 percent of water use in the County is residential, approximately 20 percent is commercial, approximately 10 percent is industrial, approximately 10 percent is agricultural, and approximately 5 percent is public water use. The 370,000 acre-feet of water referred to above includes treated water provided by the District, local groundwater pumped by the water retailers and individual well owners, water provided by the SFPUC, local surface water, and recycled water.

### Primary Sources of Revenues

**Water Charges.** Water charges are established by the Board and are not subject to regulation by the California Public Utilities Commission or by any other local, state or Federal agency. For a discussion of the applicability of certain substantive and procedural requirements of Article XIID to the California Constitution to the District's treated water rates see the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 218." In addition, see the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES" herein for a discussion of certain constitutional limitations applicable to certain rate setting authorities of the Board.

**Groundwater Charges.** The Board has the power to, and does, levy and collect a groundwater charge for the production of water from the groundwater supplies within zones of the District that will benefit from the recharge of under groundwater supplies or the distribution of imported water in such zones. The District has established two primary zones, one in the northern area of the county and one in the southern area. The District prepares an annual PAWS Report supporting the basis for the groundwater charges that are adopted. The charges are levied upon the production of groundwater from all water-producing facilities, whether public or private. A fixed and uniform rate per acre-foot is set for agriculture water, and another rate per acre-foot for all water other than agricultural water. See the caption "LITIGATION" herein for a discussion of certain litigation with respect to the District groundwater charges.

**Treated Water and Other Charges.** The groundwater charge per acre-foot for water other than agricultural water becomes the basic user charge per acre-foot for treated water delivered pursuant to the District's treated water delivery contracts. The contracts also provide for the imposition of a treated water surcharge which is annually set by the Board. Water which is purchased and delivered in addition to certain fixed or minimum deliveries under the contract is charged at a non-contract rate per acre-foot. Surface water deliveries of District water to users are charged at variants of these rates. In the southern portion of the County ("South County"), rates are charged for usage of recycled water produced by the South County Regional Wastewater Authority and sold by the District under a producer-wholesaler agreement.

**Water Charge Setting Process.** Each year, the Board establishes groundwater production charges for two zones of benefit in accordance with the Law. Zone W-2 refers to the northern area of the County and largely coincides with the Santa Clara Plain portion of the Santa Clara Groundwater Subbasin, while Zone W-5 refers to the southern area of the County and largely coincides with the Coyote Valley and the Llagas Subbasin. Although not required under the Law, the Board also sets surface water charges, recycled water charges, treated water surcharges and the amount of the SWP cost to be recouped thru the SWP tax, within the framework of the groundwater charge setting process. The Water Utility Taxing and Pricing Policy, Resolution 99-21 and legal requirements, guide staff in the development of the overall structure for such charges. The water charge setting process is conducted consistent with Proposition 218's requirements for

property-related fees for water services as detailed in Board Resolutions 12-10 and 12-11. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 218” below for description of the requirements under Proposition 218.

Under the Law, an annual PAWS report is to be filed with the Clerk of the Board on or before the first Tuesday in April. A noticed public hearing must be held on or before the fourth Tuesday in April. In addition, all well owners on record are notified of the public hearing at least 45 days in advance. Groundwater production charges must be determined for the ensuing fiscal year prior to July 1. For each zone of benefit, uniform groundwater production charges must be fixed per acre-foot for agricultural water and per acre-foot for all water other than agricultural water. The Law sets forth the allowable uses for the District’s groundwater production charges.

The Board may establish zones of benefit in accordance with the Law. The objective of establishing various groundwater charge zones is to recover costs for the benefits of the District activities to protect and augment groundwater supplies in the applicable zone. As provided for in the annual PAWS report, staff describes those benefits and costs which are apportioned to the zones of benefit by customer class.

**Water Revenue Zones W-2 and W-5.** The water charges listed in the following table are the historical agricultural and non-agricultural water charges for Zones W-2 and W-5. The treated water deliveries are all for municipal and industrial water use. The non-contract treated water may be available at the discretion of the District to encourage more treated water use and reduce groundwater pumping to maintain local aquifer storage. The water charges for the northern area of the County are higher than the southern area because the three water treatment plants and most of the distribution system service the northern area of the County. The southern area depends solely on groundwater and recycled water, rather than treated water.

#### **HISTORICAL WATER RATES (DOLLARS (\$) PER ACRE-FOOT)**

<i>Fiscal Year</i>	<i>Zone</i>	<i>Groundwater</i>		<i>Treated Water</i>		<i>Surface Water</i>		<i>Reclaimed Water</i>	
		<i>Non-Agricultural</i>	<i>Agricultural</i>	<i>Non-Contract</i>	<i>Contract</i>	<i>Non-Agricultural</i>	<i>Agricultural</i>	<i>Non-Agricultural</i>	<i>Agricultural</i>
2012-13	W-2	\$622.00	\$17.70	\$672.00	\$722.00	\$634.60	\$30.30	--	--
	W-5	295.00	17.70	--	--	307.60	30.30	\$275.00	\$41.50
2013-14	W-2	680.00	18.30	755.00	780.00	695.31	33.61	--	--
	W-5	305.00	18.30	--	--	320.31	33.61	285.00	42.10
2014-15 <sup>(1)</sup>	W-2	747.00	19.14	897.00	847.00	765.60	37.74	--	--
	W-5	319.00	19.14	--	--	337.60	37.74	299.00	42.94
2015-16 <sup>(1)</sup>	W-2	894.00	21.36	1,094.00	994.00	916.60	43.96	--	--
	W-5	356.00	21.36	--	--	378.60	43.96	336.00	45.16
2016-17	W-2	1,072.00	23.59	1,122.00	1,172.00	1,099.46	51.04	--	--
	W-5	393.00	23.59	--	--	420.46	51.04	373.00	47.38

<sup>(1)</sup> Due to lower surface water supplies, non-contract treated water rates were higher than contract rates in Fiscal Years 2014-15 and 2015-16 to incentivize retail customers to not take more water than their contract allotment.

Source: District.

**Future Rates and Charges.** The water charges listed in the following table are the projected agricultural and non-agricultural water charges by the District for Zones W-2 and W-5. [To be updated per final PAWS report]

**PROJECTED WATER RATES  
(DOLLARS PER ACRE-FOOT)**

<i>Fiscal Year</i>	<i>Zone</i>	<i>Groundwater</i>		<i>Treated Water</i>		<i>Surface Water</i>		<i>Reclaimed Water</i>	
		<i>Non- Agricultural</i>	<i>Agricultural</i>	<i>Non- Contract</i>	<i>Contract</i>	<i>Non- Agricultural</i>	<i>Agricultural</i>	<i>Non- Agricultural</i>	<i>Agricultural</i>
2017-18 <sup>(1)</sup>	W-2	\$1,178.00	\$25.09	\$1,228.00	\$1,278.00	\$1,211.36	\$58.45	--	--
	W-5	418.00	25.09	--	--	451.36	58.45	\$398.00	\$48.88
2018-19 <sup>(1)</sup>	W-2	1,306.00	26.53	1,356.00	1,406.00	1,340.83	61.36	--	--
	W-5	442.00	26.53	--	--	476.83	61.36	422.00	50.32
2019-20 <sup>(1)</sup>	W-2	1,449.00	28.03	1,499.00	1,549.00	1,485.36	64.39	--	--
	W-5	467.00	28.03	--	--	503.36	64.39	447.00	51.82
2020-21 <sup>(1)</sup>	W-2	1,607.00	29.59	1,657.00	1,707.00	1,644.96	67.55	--	--
	W-5	493.00	29.59	--	--	530.96	67.55	473.00	53.40
2021-22 <sup>(1)</sup>	W-2	1,782.00	31.27	1,832.00	1,882.00	1,821.63	70.90	--	--
	W-5	521.00	31.27	--	--	560.63	70.90	501.00	55.10

Source: District.

The projected water charges set forth above have not been approved by the Board and there can be no assurance that the water charges will be approved by the Board as currently projected.

***Historical Water Deliveries.*** The District records the volume of water delivered by the District. The following table presents a summary of historical water deliveries and the sources of water supply in acre-feet per year for the five most recent fiscal years.



**HISTORICAL WATER DELIVERIES AND SOURCES OF THE WATER DELIVERED**  
(In acre-feet per year)

**Deliveries**

<i>Fiscal Year Ending June 30</i>	<i>Municipal &amp; Industrial</i>	<i>Agriculture</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2012	241,402	24,695	266,098	5.98%
2013	249,420	28,255	277,676	4.35
2014	256,056	28,729	284,785	2.56
2015 <sup>(1)</sup>	211,050	25,700	236,750	(16.87)
2016 <sup>(1)</sup>	174,553	24,300	198,853	(16.01)

**Sources**

<i>Calendar Year</i>	<i>Local Surface Water<sup>(2)</sup></i>	<i>Central Valley Project<sup>(3)</sup></i>	<i>SFPUC Intertie<sup>(4)</sup></i>	<i>State Water Project<sup>(5)</sup></i>	<i>Other<sup>(6)</sup></i>	<i>Total</i>
2012 <sup>(7)</sup>	50,900	137,200	(1,700)	63,800	1,900	252,100
2013 <sup>(7)</sup>	45,300	111,800	600	78,600	2,000	238,300
2014 <sup>(7)</sup>	15,400	69,400	(60)	40,000	2,000	126,740
2015	40,400	49,600	(600)	65,800	2,400	157,600
2016 <sup>(8)</sup>	85,100	88,200	80	94,300	2,000	269,700

(1) Decrease primarily a result of State and locally mandated reductions in water use in response to drought conditions. See the caption "DISTRICT WATER SUPPLIES — California Drought and District Response."

(2) Reservoir inflows plus supplies from storage, which may include flows to the environment.

(3) Sum of all CVP imports, plus exchanges, sales, reschedules, adjustments, transfers, etc.

(4) Reflects the net difference between SFPUC water taken less water provided to SFPUC via the intertie.

(5) Sum of all SWP imports, plus Article 21, Buy, Sale, Reschedule, Pool A, etc.

(6) Includes recycled water produced by South County Regional Wastewater Authority.

(7) Declines from 2012 through 2014 are a result of dry hydrological conditions.

(8) [Calendar year 2016 amounts reflects estimates as of February 2017.]

Note: Table does not include natural groundwater infiltration, SFPUC managed water, South Bay Water Recycling, or SJWC local surface water. The District estimates that natural groundwater infiltration between 2012 and 2016 provided an average of approximately 46,000 acre-feet of water per year.

Source: District.

District water sources have been below normal since 2011 as a result of Statewide drought conditions. Drought conditions affect local surface water runoff as well as CVP and SWP allocations. The District has offset certain of the reductions in CVP and SWP allocations through exchanges, transfers, and other supplemental supplies. See the caption "DISTRICT WATER SUPPLIES — California Drought and District Response."

Differences in water deliveries and sources may vary significantly from one year to the next. Factors such as voluntary and mandatory water use reductions, hydrologic conditions, environmental conditions, new development, operations of the SWP and the CVP and the economy affect water delivery volume. Water source volume is generally affected by hydrology and State water regulations. During years of wet hydrological conditions, District deliveries may decrease as a result of decreased demand (i.e., for irrigation uses); however, sources of water may increase during such periods as a result of increased surface water runoff. Increased sources during years of wet hydrological conditions may be stored for delivery during years of dry hydrological conditions. The water stored in the groundwater subbasins managed by the District during years of wet hydrological conditions accounts for a substantial amount of the difference between the volume of

deliveries and the volume of sources in years of dry hydrological conditions. See the captions “DISTRICT FACILITIES – Groundwater Basin” and “SANTA CLARA COUNTY WATER SUPPLY.”

**Projected Water Deliveries and Sources of Water Delivered.** The following table projects water deliveries and sources of water delivered by the Water Utility System of the District for Fiscal Year 2016-17 and the next four fiscal years.

# **PROJECTED WATER DELIVERIES AND SOURCES OF WATER DELIVERED**

**(In acre-feet per year)**

<b>Deliveries</b>				
<b><i>Fiscal Year Ending June 30</i></b>	<b><i>Municipal &amp; Industrial</i></b>	<b><i>Agricultural</i></b>	<b><i>Total</i></b>	<b><i>% Increase/ Decrease</i></b>
2017 <sup>(1)</sup>	179,800	25,587	205,387	3.29%
2018 <sup>(1)</sup>	189,800	27,587	217,387	5.84
2019 <sup>(1)</sup>	198,800	27,587	226,387	4.14
2020 <sup>(1)</sup>	209,800	27,587	237,387	4.86
2021	221,800	27,587	249,387	5.06

<b>Sources</b>					
<b><i>Calendar Year</i></b>	<b><i>Local Surface Water</i></b>	<b><i>Central Valley Project</i></b>	<b><i>State Water Project</i></b>	<b><i>Other<sup>(3)</sup></i></b>	<b><i>Total</i></b>
2017 <sup>(1)</sup>	237,900	107,600	77,900	2,000	425,400
2018 <sup>(2)</sup>	78,600	109,600	61,400	2,000	251,600
2019 <sup>(2)</sup>	78,600	109,600	61,400	2,000	251,600
2020 <sup>(2)</sup>	78,600	109,600	61,400	2,600	252,200
2021 <sup>(2)</sup>	78,600	109,600	61,400	2,600	252,200

<sup>(1)</sup> Projected sources in Calendar Year 2017 and projected deliveries in Fiscal Year 2017 assumes median hydrologic year and a return to normal hydrologic conditions beginning in Calendar Year 2018.

<sup>(2)</sup> Calendar Years 2018 through 2021 CVP and SWP sources are based on average supplies identified in the 2015 Urban Water Management Plan, and are less than previous estimates included in the 2010 Urban Water Management Plan. The projected decrease is due to lower CVP and SWP projections by California’s Department of Water Resources and lower local surface water projections by the District as a result of incorporating additional instream flow requirements. CVP and SWP sources exclude carryover.

<sup>(3)</sup> Local Surface Water in Calendar Year 2017 includes flow to the environment.

<sup>(4)</sup> Other sources include recycled water produced by South County Regional Wastewater Authority (SCRWA).

Note: Table does not include natural groundwater infiltration, SFPUC managed water, recycled water produced by Palo Alto, Sunnyvale, or South Bay Water Recycling, or SJWC or Stanford local surface water. The District estimates that natural groundwater infiltration will provide an average of approximately 61,000 acre-feet of water per year.

Source: District.

The projected amounts in Fiscal Years 2016-17 and 2017-18 reflect a slight increase from Fiscal Year 2015-16 amounts, during which the District experienced its lowest water usage in the last five Fiscal Years. Projected deliveries in Fiscal Years 2018-19 and 2019-20 reflect on average a gradual return to a new normal water use projection of approximately 250,000 acre-feet per year.

As described above under the caption “— *Historical Water Deliveries*,” the water stored in the groundwater subbasins managed by the District during years of wet hydrological conditions accounts for a substantial amount of the difference between the volume of deliveries and the volume of sources in years of dry hydrological conditions.

**Historical Sales Revenues.** The following table shows the District’s historical water sales revenues for the last five fiscal years.

#### HISTORICAL SALES REVENUES

<i><b>Fiscal Year Ending June 30</b></i>	<i><b>Groundwater</b></i>	<i><b>Treated Water</b></i>	<i><b>Surface &amp; Recycled Water</b></i>	<i><b>Total</b></i>	<i><b>% Increase/ (Decrease)</b></i>
2012	\$48,030,000	\$92,904,000	\$849,000	\$141,783,000	16.84%
2013	62,084,000	92,359,000	1,275,000	155,718,000	9.83
2014	84,308,000	86,386,000	1,680,000	172,374,000	10.70
2015	77,095,000	76,799,000	925,000	154,819,000	(10.18)
2016	61,128,400	89,375,182	731,735	151,235,317	(2.31)

Source: District.

**Projected Sales Revenues.** The following table shows the annual water sales revenues projected by the District for Fiscal Year 2016-17 and the next four fiscal years. The projections reflect an assumption by District staff that the water charges will be increased in each fiscal year from 2016-17 through 2019-20 through the rate setting process described under the caption “—Primary Sources of Revenues” and the projected deliveries under the caption “—*Projected Water Deliveries and Sources of Water Delivered*” above. Such increases would be required to be approved by the District Board and there can be no assurance that such increases will be implemented as currently projected.

[To be updated per final PAWS report]

#### PROJECTED SALES REVENUES

<i><b>Fiscal Year Ending June 30</b></i>	<i><b>Groundwater</b></i>	<i><b>Treated Water</b></i>	<i><b>Surface &amp; Recycled Water</b></i>	<i><b>Total</b></i>	<i><b>% Increase/ (Decrease)</b></i>
2017	\$ 76,847,000	\$107,824,000	\$2,218,000	\$186,889,000	23.57%
2018	94,431,000	117,576,000	2,429,000	214,436,000	14.74
2019	115,035,000	129,352,000	2,658,000	247,045,000	15.21
2020	141,967,000	142,508,000	2,910,000	287,385,000	16.33
2021	174,931,000	157,044,000	3,186,000	335,161,000	16.62

Source: District.

**District Revenue Derived from Property Taxes.** The County levies a 1% property tax on behalf of all taxing agencies in the County, including the District. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIII A of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of “base” revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year’s growth in property value becomes part of each agency’s allocation in the following year.

California law exempts \$7,000 of the assessed valuation of an owner-occupied dwelling but this exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes which would have been payable on such exempt values is made up by the State.

Under AB 454 (Statutes of 1987, Chapter 921), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of AB 454 apply to all State-assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

From time to time legislation has been considered as part of the State budget to shift property tax revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts' shares of the countywide 1% ad valorem property tax, the share of the countywide 1% ad valorem property tax pledged to debt service by special districts, such as the District, was exempted. The 2004-05 State budget reallocated additional portions of the special districts' shares of the countywide 1% ad valorem property tax shifting a portion of the property tax revenues collected by the County from special districts to school districts. As a result of the 2004-05 State budget, the District lost approximately \$51,000,000 of property tax revenues, cumulatively, over Fiscal Years 2004-05 and 2005-06. Pursuant to the State fiscal year 2005 budget, such property tax revenues reverted to the District in Fiscal Year 2006-07.

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how 1% ad valorem property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in Fiscal Year 2009-10, the State is allowed to shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 28, 2009, the Governor of the State signed a revised State fiscal year 2010 budget which included a shift of approximately 8% of the 1% ad valorem property tax revenues (other than unitary taxes) from certain local agencies, including the District, to school districts and other governmental agencies. In June 2013, the District received the repayment of the Proposition 1A loan plus interest.

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues.

There can be no assurance that the property tax revenues the District currently expects to receive will not be reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future it could have a material adverse effect on the receipt of property tax revenue by the District. The District currently expects that existing reserves and the statutory authority to raise water rates may offset future property tax revenue losses.

As a result of the implementation of the tax distribution system commonly referred to as the “Teeter Plan” by the County and the participation by the District, the District receives 100% of its share of the 1% property tax levies without regard to delinquencies. There can be no assurance that the Teeter Plan or the participation of the District therein will be continued indefinitely.

The District determines the amount of one-percent ad valorem property tax allocated to the Water Utility System on a year-to-year basis. In Fiscal Year 2015-16, the District allocated approximately \$6,062,880 (approximately 7.5%) to the Water Utility System.

The table below sets forth the total amount of revenue received by the District from the District’s share of the one-percent *ad valorem* property taxes levied in the County in each of the last five Fiscal Years.

#### **District Share of 1% Property Tax Levy**

<i><b>Fiscal Year Ended June 30</b></i>	<i><b>District Share of 1% Levy</b></i>	<i><b>% Increase/ (Decrease)</b></i>
2012	\$57,507,000	1.93%
2013	65,811,000	14.44
2014	68,381,000	3.91
2015	74,700,000	9.24
2016	80,797,165	8.16

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Source: District.

Property taxes levied by the District to pay State Water Project contract costs are not pledged to the payment of the 2017 Bonds and are not included in the amounts shown above.

#### **SANTA CLARA COUNTY WATER SUPPLY**

The District derives its water supply from four main sources: (i) local natural recharge in the groundwater subbasins, (ii) local surface water from District reservoirs, (iii) water imported by the District through SWP, and (iv) water imported by the District through CVP. The District also sells a small amount of recycled water from the South County Regional Wastewater Authority’s Wastewater Treatment and Reclamation Facility (SCRWA Reclamation Facility), and delivers purified water from the SVAWPC.

The District receives revenue from the sale of treated water at its three water treatment plants, revenue from untreated surface water sales, a small amount of revenue from recycled water at the SCRWA Reclamation Facility, and revenue from a groundwater production charge. Some of the water retailers within the District also receive water supplies from the SFPUC. Also, San Jose Water Company owns and operates two small surface water reservoirs, Williams and Elsmar, and two small water treatment plants within the County. The District does not currently receive revenue from the sale of water from SFPUC, Williams and Elsmar Reservoir, and recycled water facilities other than the SCRWA Reclamation Facility. However, all the sources of supply contribute to water supply reliability in the County and, therefore, are considered together in this analysis.

## Summary Table of the County of Santa Clara's Water Supply

Approximately 45 percent of the County's water supply comes from local sources. Such sources are heavily dependent upon rainfall, runoff, and District operated recharge facilities. The remaining 55 percent comes through purchases from CVP and SWP (40%), as well as from the SFPUC (15%). The following table summarizes the County's sources of its water supply:

### SANTA CLARA COUNTY WATER SUPPLY (ACRE-FEET)

<i>Calendar Year</i>	<i>SWP</i>	<i>CVP</i>	<i>SFPUC</i>	<i>Recycled Water</i>	<i>Local Surface Water</i>	<i>Natural Groundwater Recharge</i>	<i>Total</i>
2012	63,800	137,200	52,000	17,000	54,000	52,000	376,000
2013	78,600	111,800	55,000	21,000	57,000	39,000	362,400
2014	40,000	69,400	47,000	22,000	46,000	53,000	277,400
2015	65,800	49,600	42,000	20,000	45,200	39,000	261,600
2016	94,300	88,200	43,000	19,000	92,600	47,000	384,100

Note: The sources of water supply listed in this table include sources that are not directly managed by the District, such as SFPUC and natural groundwater recharge. These non-District supplies contribute to the County's water supply and are important for overall water supply reliability in the District's service area. [2016 values shown are estimated.]

Source: District.

## Local Supplies

The County's local water supplies fall into two major components: (1) the major surface tributary drainage area yields; and (2) the natural groundwater basin recharge. These two components, when combined, represent the total local supply available to the County.

The availability of local surface water and natural groundwater recharge depends upon local rainfall. An analysis of the 125 years of rainfall data at Rainfall Station 86 in San Jose shows that the average (or mean) annual rainfall is approximately 14 inches. There is variability in rainfall, with many years of above normal rainfall and many years of below normal rainfall. The District stores water from wetter years for use during drier years.

## Surface Water

Local surface water is both streamflow and reservoir inflow. During years of especially high rainfall, not all surface flows can be captured in the reservoirs or put to beneficial use. In these years, there can be considerable local surface flows to the San Francisco Bay.

The District operates ten surface water reservoirs, with a total capacity of about 169,000 acre-feet, which generally provide seasonal storage for downstream releases to percolation facilities. Anderson Reservoir, the largest of the District's reservoirs, can provide carryover storage from one year to the next. Groundwater storage is also available in the county's two groundwater subbasins and is used for both seasonal and carryover storage.

The total amount of surface water flowing into the County does not necessarily represent local water supply yield. The yield of the major tributary drainage area is defined as that portion of the historical surface water that can, on a long-term basis, be put to beneficial use through surface diversions and/or groundwater recharge, considering the available storage, recharge, and conveyance capacities of the distribution facilities. The remaining water is released to San Francisco or Monterey Bays. Based on 2010 through 2014 data,

between 3,000 acre-feet and 125,000 acre-feet of water per year was released to the bays. The average release was about 35,000 acre-feet per year.

## **Groundwater Recharge**

Recharge to the groundwater subbasins consists of natural groundwater recharge and managed recharge with local surface and imported water. Natural groundwater recharge includes recharge from rainfall, net leakages from pipelines, seepage from the surrounding hills, seepage into and out of the basin, and net irrigation return flows to the groundwater subbasins. Managed recharge is controlled recharge that occurs in specific streams and in off-stream recharge facilities. The District uses local water conserved in surface water reservoirs and imported water from both the SWP and CVP for managed recharge.

## **Imported Supplies**

Although the residents of the County recognized the decreasing groundwater supplies and the threat of land surface subsidence in the 1920's, the need for supplemental imported water supplies became more apparent during the 1940's when an increasing population and a series of locally dry years combined to dramatically increase groundwater pumping.

To meet this growing water need, which continues at a slower pace today, the City and County of San Francisco first started delivering water in 1956 to municipalities in the northern area of the District. The SFPUC water supply continues to provide approximately 15 percent of water supply in the County; however, the District does not receive revenue for the Hetch Hetchy water supply.

The District then imported SWP water starting in 1965 and CVP water in 1987. The SWP water and CVP water are either treated in the District's water treatment plants or recharged in the groundwater subbasins. The recharge of SWP water contributed to the District's success in arresting land surface subsidence due to groundwater overdraft by 1969. Because the District recharges and manages the groundwater subbasins, the District collects a groundwater production charge when groundwater is pumped from the zones receiving benefit from District groundwater management activities. Treated water wholesaled by the District reduces the demand for groundwater which also serves to prevent further land surface subsidence.

## **State Water Project**

In 1961, the District contracted with the SWP (the "SWP Contract") for a new water supply. This imported supply normally provides water for groundwater recharge and for treatment at two District water treatment plants, the Rinconada and Penitencia WTPs, but can also be used to supply the Santa Teresa WTP. The SWP Contract provides for a maximum annual entitlement of 100,000 acre-feet of water from SWP, which became effective in 1961 and will remain effective through the project repayment period, or for seventy-five 75 years (2035), whichever period is longer. In certain years, the District can receive additional SWP water consisting of temporary flood flow in the Delta, or it can receive non-SWP water deliveries, neither of which count against the entitlement amount under the SWP Contract. As of December 31, 2016, the District had received delivery of approximately [3,546,000] acre feet of water through the SWP Contract. Based on a January 18, 2017 announcement by DWR, the District's current SWP allocation under its SWP Contract for 2017 is 60 percent of its maximum annual entitlement. The allocation for 2017 is subject to revision by DWR. See the caption "WATER UTILITY SYSTEM — Primary Sources of Revenues — *Historic Water Deliveries.*" SWP water deliveries began in 1967 and are transported to the District service area via the South Bay Aqueduct.

The SWP Contract requires the District to reimburse the State for capital costs (including interest thereon) and minimum operating, maintenance, power and replacement costs of the SWP transportation and conservation facilities. A property tax is levied by the District to pay the cost of this obligation. Such property taxes are not pledged to the payment of the 2017 Bonds and such costs are not Maintenance and Operation

Costs of the Water Utility System. The State re-estimates the District's total commitment for reimbursement of such costs annually.

DWR faces various challenges in the continued supply of imported water to the District and other member agencies. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated October 13, 2016, relating to its Central Valley Project Water System Revenue Bonds Series AW ("DWR's Water Supply Disclosure"). The District incorporates DWR's Water Supply Disclosure by specific reference in this Official Statement. DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the District does not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof.

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "Department of Water Resources Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. DWR has not entered into any contractual commitment with the District, the Trustee or the Owners of the 2017 Bonds to provide Department of Water Resources Information to the District or the Owners of the 2017 Bonds. The District has not incorporated by reference the information filed by DWR described above and neither the District nor the Purchaser assumes any responsibility for the accuracy of DWR Information.

DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR. DWR IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH DWR INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2017 BONDS UNDER RULE 15c2-12.

See the caption "FACTORS AFFECTING WATER SUPPLIES" for further information with respect to the SWP water deliveries.

### **Central Valley Project**

On June 7, 1977, the District entered into a contract (the "CVP Contract") with the United States Bureau of Reclamation ("USBR") for water service from the San Felipe Division of the CVP. The CVP contract provides for both agricultural and municipal and industrial ("M&I") water deliveries to the District up to a total contract amount of 152,500 acre-feet per year. The District's initial allocation for 2017 under the CVP Contract is expected to be announced in the spring of 2017. Such allocation for 2017 will be subject to revision by the USBR. See the caption "WATER UTILITY SYSTEM — Primary Sources of Revenues — *Historic Water Deliveries.*" In certain years, the District can receive additional CVP water consisting of temporary flood flow in the Delta which does not count against the contract amount. The District's CVP supplies provide surface water to the Santa Teresa WTP, Rinconada WTP, surface water customers, local reservoirs for storage, groundwater recharge, and can also be used to supply the Penitencia WTP. The CVP Contract specified initial water rates for agricultural and M&I water service and provides for periodic adjustment of the respective water rates in accordance with prevailing CVP water rate policies commencing in the years 1993 for the in-basin M&I rate component, 1996 for the agricultural O&M rate component and 2001 for the full agricultural water rate. The methodology of CVP water rate setting has historically recovered current year operating costs, and over 50 years, the applicable construction costs.



The District's initial CVP water rates were determined based upon a November 1974 CVP water rate policy and estimated construction costs of the San Felipe Division. The actual construction costs of the San Felipe Division were significantly higher than the estimates used in the initial rate calculation, and changes in the Federal Reclamation Law during the 1980's have led to the development of new CVP water rate policies. A new agricultural water rate policy was adopted in 1988 while the M&I water rate policy is still an interim policy.

The CVP Contract established a fixed rate for repayment of San Felipe Division facilities during the first 20 years of water deliveries (1987 through 2006) in recognition of the District's need to expand its local infrastructure to accept CVP water. The fixed rate provided for partial repayment of annual capital interest expense, and the cumulative shortfall was being tracked by the USBR as an alleged "operation and maintenance deficit," even though the District self-funds and performs San Felipe Division operation and maintenance. The District contested the USBR's accounting for project costs, and a settlement was achieved in March 2005. The settlement reduced the District's costs for CVP water by approximately \$5,000,000 per year.

In 2007 the District amended the CVP Contract to comply with the 1992 Central Valley Project Improvement Act, amongst other things. The 2007 Amendment further clarifies the District's role as the Operating Non-Federal Entity and provides for a fixed repayment schedule for the outstanding capital construction costs the San Felipe Division facilities.

The first water from the CVP was delivered in June 1987. In preparation for this source of supply, the District completed construction of raw water pipelines from Coyote Pumping Plant to Calero Reservoir and across south San Jose to deliver CVP water to Santa Teresa WTP, Guadalupe recharge facilities, Vasona Pumping Plant and Rinconada WTP. The 100 MGD Santa Teresa WTP was completed in 1989 to treat CVP and local reservoir water and serve the increasing water needs of the County.

See the caption "— FACTORS AFFECTING WATER SUPPLIES" for further information with respect to CVP water deliveries. See the caption "—CAPITAL IMPROVEMENT PROGRAM" for further information with respect to expansion of advanced water purification program for indirect potable reuse.

## **DISTRICT FACILITIES**

### **Local Reservoirs**

The District owns, operates, and maintains a County-wide water conservation and distribution system to convey water for recharge and treatment. Included are ten local surface water reservoirs, which conserve winter runoff for either managed recharge of the groundwater subbasins or treatment at the District's water treatment plants. Water from the Anderson/Coyote and the Almaden/Calero Reservoir systems can be delivered to the water treatment plants.

The following table lists the significant features of the District's reservoirs:

### SIGNIFICANT FEATURES OF DISTRICT RESERVOIRS

<i>Reservoir</i>	<i>Capacity (acre-feet)</i>	<i>DSOD Restricted Capacity (acre-feet)</i>	<i>Year Completed</i>	<i>Surface Area (acres)</i>	<i>Dam Height (ft)</i>
Almaden	1,586	1,472	1935	59	105
Anderson**	90,373	61,810	1950	1,244	240
Calero	9,934	4,585	1935	347	98
Chesbro*	7,945	7,945	1955	265	95
Coyote	23,244	12,382	1936	638	138
Guadalupe	3,415	2,218	1935	79	129
Lexington*	19,044	19,044	1952	404	195
Stevens Creek*	3,138	3,138	1935	92	120
Uvas*	9,835	9,835	1957	286	118
Vasona*	495	495	1935	58	30
<b>Total</b>	<b>169,009</b>	<b>122,924</b>		<b>3,472</b>	

Sources: SCVWD Urban Water Management Plan 2015 and Protection and Augmentation of Water Supplies Report, February 2017.

\*Indicates reservoirs that do not have dam safety operating restrictions.

\*\* An interim reservoir restriction is under review for Anderson Reservoir.

Source: District.

The District monitors, collects, and analyzes seepage and vertical and horizontal movement data monthly and reports the information to the California Department of Water Resources (DWR) Division of Safety of Dams (DSOD). DSOD has an annual dam inspection program. In addition, the District performs inspections of the entire Water Utility System every other month from a helicopter. The District also implements a comprehensive asset management program to track the condition of its facilities. Using this robust asset management system and the visual and data monitoring programs, the District determines and performs the maintenance or improvements needed at each dam.

Dam safety operating restrictions have been placed on Almaden, Anderson, Calero, Coyote, and Guadalupe reservoirs and have resulted in loss of about a quarter of the total surface storage capacity.

### Groundwater Subbasins

The District depends upon the local groundwater subbasins for natural water storage, conveyance, and treatment and they are an integral part of the District's conjunctive use system. The District manages the groundwater subbasins for both water supply and water quality.

Two major groundwater subbasins underlie the County: Santa Clara Subbasin and Llagas Groundwater Subbasin. The District further delineates Santa Clara Subbasin into two management areas: Santa Clara Plain and the Coyote Valley. These subbasins and their operational storage capacities are described below.

#### Santa Clara Subbasin – Santa Clara Plain

Santa Clara Plain, the northern portion of Santa Clara Subbasin, extends from the northern boundary of the County at the San Francisco Bay to Metcalf Road in the south. It is bounded on the west by the Santa Cruz Mountains and on the east by the Diablo Range. The subbasin is 22 miles long and 15 miles wide with a

surface area of 225 square miles. The northern and central area of the subbasin is underlain with a laterally extensive clay layer, resulting in confined aquifer conditions. The southern area and eastern and western edges are the unconfined area or forebay where the clay layer does not extend. The forebay is where the District recharges local and imported water. DWR published Bulletin Number 7 in June 1955 in which the storage volume is estimated at 1,900,000 acre-feet of water in Santa Clara Subbasin, including the Coyote Valley. However, subsidence may occur if groundwater elevations drop below subsidence threshold elevations for an extended period of time. As a result, the District estimates that the Santa Clara Plain has an operational storage capacity of approximately 350,000 acre-feet. The operational groundwater storage estimate does not reflect the total amount of available supply in the basin, which is substantially greater. The operational storage reflects current knowledge and modeling of the volume that can be withdrawn before increased risk of surface subsidence resuming or other negative consequences to portions of the basin, such as salt water intrusion and high groundwater level nuisance that impact structures located below ground.

### **Santa Clara Subbasin – Coyote Valley**

The Coyote Valley, the southern portion of Santa Clara Subbasin, extends from Metcalf Road in the north to Cochrane Road in the south. The subbasin is seven miles long and ranges in widths from half a mile to three miles. It has a surface area of approximately 15 square miles. The groundwater subbasin in Coyote Valley is unconfined and has no laterally extensive layers of clay. The estimated operational storage capacity for the Coyote Valley is between 23,000 and 33,000 acre-feet.

### **Llagas Subbasin**

The Llagas Subbasin extends from Cochrane Road in the north to the Pajaro River at the southern border of the County. This subbasin is approximately 15 miles long, three miles wide at the northern boundary and six miles wide along the Pajaro River. Its surface area is approximately 74 square miles. Laterally extensive clay layers are present in the central and southern portion of the subbasin, resulting in confined aquifer conditions. The District's groundwater recharge activities are primarily in the northern unconfined area, or forebay, of this subbasin. Bulletin Number 7 by DWR estimates the storage volume at 510,000 acre-feet of water. The District estimates that the operational storage capacity is between 152,000 and 165,000 acre-feet of water.

### **Managed Recharge Facilities**

The District owns and operates seven managed aquifer recharge systems. Within these systems, the District supplies off-stream recharge facilities and supplements natural flow in existing stream channels to recharge local and imported water into the groundwater subbasins. In 2016, it was estimated that the amount of managed recharge into the groundwater subbasins by the District was 148,000 acre-feet. The amount recharged in each year varies depending on hydrological conditions and the availability of surface water for recharge. As set forth in the District's 2016 Groundwater Management Plan, the long-term average is estimated at approximately 98,000 acre-feet per year. Significant features of these managed recharge systems appear in the following table.

## MANAGED RECHARGE SYSTEMS

<i>Recharge System</i>	<i>Number of Ponds</i>	<i>Pond Area (in acres)</i>	<i>Miles of Stream</i>	<i>Average Annual Recharge Quantity (acre-feet per year)*</i>
Westside	2	3	20	7,000
Los Gatos	27	71	8	16,000
Guadalupe	20	80	21	11,000
Penitencia	24	21	2	2,000
Coyote	2	40	17	17,000
Upper Llagas	21	25	10	10,000
Lower Llagas	<u>3</u>	<u>25</u>	<u>8</u>	<u>11,000</u>
<b>Total</b>	<b>99</b>	<b>265</b>	<b>86</b>	<b>74,000</b>

\* Average Annual Recharge Quantity is based generally on recharge averaged over calendar years 2011 through 2015. Calendar years 2014 and 2015 were exceptionally dry years with limited surface water available for recharge. As set forth in the District's 2016 Groundwater Management Plan, the long-term average managed recharge is estimated at approximately 98,000 acre-feet per year.

Source: District.

### Raw Water Conveyance System

The District uses several major pipelines to transport imported and locally conserved water to various locations for treatment and groundwater recharge. This conveyance system first meets the demands of critical stream flows/water treatment plants and then delivers the remaining water to recharge systems on an ability-to-convey basis. The major components of this conveyance system consist of the Central Pipeline, the Rinconada Force Main, the Almaden Valley Pipeline, the Calero Pipeline, and the Cross Valley Pipeline. Another facility, the Stevens Creek Pipeline, tees off of the Rinconada Force Main and conveys water to west side recharge facilities. The District also operates and maintains the San Felipe Division of the CVP which delivers imported water into the County. The San Felipe Division conveys water from the San Luis Reservoir through six miles of tunnels, two pumping plants, and 29 miles of pipe.

The District also owns and operates the Vasona Pumping Plant, with a total capacity of 1,200 horsepower, which is located at the juncture of the Central Pipeline, the Rinconada Force Main, and the Almaden Valley Pipeline. The Vasona Pumping Plant can boost the water pressure in any of these three pipes. The District also operates two pumping plants on the San Felipe Project: The Pacheco Pumping Plant and Coyote Pumping Plant, with a combined capacity 36,000 horsepower. In addition, the District owns the Anderson hydro-electric station with two turbine-generator units licensed through the Federal Energy Regulatory Commission capable of producing 450 kilowatts each. The power generated is sold to Pacific Gas and Electric Company pursuant to contract.

The table below sets forth each of the pipelines described above, its diameter and the year it was completed.

## PIPELINES

<i>Line</i>	<i>Diameter (in inches)</i>	<i>Year Completed</i>
Central Pipeline	66	1966
Rinconada Force Main	72	1967
Stevens Creek Pipeline	20-37	1971
Almaden Valley Pipeline	72-78	1981
Calero Pipeline	78	1990
Cross Valley Pipeline	78	1986
San Felipe Division	96-120	1987

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Source: District.

### Water Treatment and Water Purification

**General.** The District owns and operates three drinking water treatment plants (each, a “WTP”): Santa Teresa WTP, Penitencia WTP, and Rinconada WTP. The design capacities of the three drinking water treatment plants are 100 MGD, 40 MGD, and 80 MGD, respectively.

The District’s treated water system provides flexibility if one water treatment plant is shut down. Penitencia and Santa Teresa WTPs are both connected to East Pipeline. Santa Teresa WTP was designed to be capable of delivering treated water to the retail customers of both treatment plants. The water retailers receiving water from Santa Teresa WTP are able to use Penitencia water, the SFPUC Hetch Hetchy intertie and/or groundwater if Santa Teresa WTP is shut down. The water retailers served by Rinconada WTP can use groundwater or Hetch Hetchy water to replace Rinconada water during low flow season if the treatment plant is shut down. In general, the major water retailers within the County can acquire either Hetch Hetchy or groundwater to replace District treated water if necessary.

**Santa Teresa Water Treatment Plant.** First operated in 1989, Santa Teresa WTP is the largest of the District’s three treatment plants with the ability to treat and deliver up to 100 MGD. The plant is primarily supplied by imported water from the San Luis Reservoir, a key component of the federal CVP. In addition, the plant is also fed from the District’s local supplies at Anderson and Calero reservoirs.

The Santa Teresa WTP is a conventional treatment plant utilizing coagulation, flocculation, sedimentation, filtration, and disinfection. In spring of 2006, the District completed significant upgrades to the Santa Teresa WTP which were highlighted by the addition of ozone to the treatment process. Ozone is a strong disinfectant that creates less disinfection byproducts than chlorine. Disinfection byproducts at high levels can be a health concern. Drinking water from the plant serves most of the southern portion of the City of San Jose (Almaden Valley, Blossom Valley, Santa Teresa), supplying water to both residential and commercial users.

**Penitencia Water Treatment Plant.** First operated in 1974, the Penitencia WTP has the ability to treat and deliver up to 40 MGD. The South Bay Aqueduct, owned by DWR, provides most of the “raw” water to the Penitencia WTP. Water from the Sacramento-San Joaquin Delta is pumped into the California Aqueduct and then into the South Bay Aqueduct in Tracy. The Penitencia WTP is also capable of receiving local reservoir water or federal water, if necessary.

The Penitencia WTP is a conventional treatment plant utilizing coagulation, flocculation, sedimentation, filtration, and disinfection. In the summer of 2006, the District completed significant upgrades to the Penitencia WTP which were highlighted by the addition of ozone to the treatment process. This plant typically serves an area of the northeastern portion of the County in the City of San Jose, supplying safe drinking water to approximately 270,000 residential and commercial users in San Jose and Milpitas.

***Rinconada Water Treatment Plant.*** First operated in 1968, the Rinconada WTP is the oldest of the three surface water treatment plants in the District system. As the second largest of the District's treatment plants, the Rinconada WTP can treat and deliver up to 80 MGD. The Rinconada WTP draws water from the South Bay Aqueduct and from the San Luis Reservoir. The plant can also be supplied from the District's local Anderson and Calero reservoirs.

The Rinconada WTP differs from the two other plants in that the plant utilizes upflow clarifiers in place of the coagulation, flocculation, and sedimentation processes. The District is currently upgrading the Rinconada WTP to a 100 MGD conventional sedimentation plant with ozone disinfection.

Drinking water from Rinconada WTP serves both residential and commercial users in the west valley including the cities of Los Gatos, Santa Clara, Campbell, Sunnyvale, Cupertino, Mountain View, Los Altos, and Los Altos Hills.

***Silicon Valley Advanced Water Purification Center.*** The Silicon Valley Advanced Water Purification Center (SVAWPC) is District owned and operated. Commissioned in March 2014, the SVAWPC has the ability to deliver up to eight MGD of purified water. The SVAWPC is an advanced treatment facility that utilizes microfiltration, reverse osmosis and ultra-violet light disinfection processes that purify the water to near-distilled quality water. This purified water is delivered to the City of San Jose and blended with tertiary treated recycled water for use by South Bay Water Recycling's customers for irrigation and industrial uses that offset potable water supplies.

### **Treated Water Storage and Distribution System**

Treated water is stored in a clearwell at each of the three treatment plants and one reservoir at Rinconada WTP and then distributed to the District's retail customers by nine treated water pipelines. The total storage capacity is 30,000,000 gallons.

The following table depicts the District's water treatment facilities and treated water storage facilities and distribution systems:

#### **WATER TREATMENT AND STORAGE FACILITIES AND DISTRIBUTION SYSTEM**

<b><i>Treatment Plant</i></b>	<b><i>Storage Facility</i></b>	<b><i>Distribution System</i></b>
Rinconada Water Treatment Plant	Rinconada Clearwell Rinconada Reservoir	West Pipeline Santa Clara Distributary Sunnyvale Distributary Mountain View Distributary Campbell Distributary
Penitencia Water Treatment Plant	Penitencia Clearwell	East Pipeline Milpitas Pipeline
Santa Teresa Water Treatment Plant	Santa Teresa Clearwell	East Pipeline Snell Pipeline Graystone Pipeline

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Source: District.

## Seismic Considerations

Beginning in the late 1970's, the District conducted a series of studies that focused on evaluating the seismic performance of major facilities of the District. The studies provided the District with a detailed analysis of the predicted seismic performance of District dams. As a result of these studies, a seismic retrofit was completed in 1985 at Stevens Creek Dam to enable it to have acceptable predicted seismic performance, and a reservoir operation restriction was implemented at Guadalupe Dam. All the other dams were determined to have acceptable performance without modifications. Other studies resulted in seismic retrofitting programs at two of the older water treatment plants. These programs targeted the need to define necessary non-structural or minor structural improvements. The required improvements have been completed.

Additional studies completed in 1993 and 1994 defined the faults and fault systems most likely to generate destructive earthquakes, and the level of movement expected at the District's three water treatment plants from a major earthquake occurring on any of the nearby active faults. The San Andreas, Hayward, and Calaveras faults are the most likely sources of strong seismic activities. Other faults are also known to have a potential for earthquakes.

Beginning in the late 2000's, the District embarked on another series of studies to re-evaluate the seismic performance of major District dams in accordance with modern seismic design criteria. These studies are performed in cooperation with and reviewed by the DSOD. The seismic stability evaluations and results for the following dams have been completed to date:

### Summary of Recent Seismic Stability Evaluations of District Dams

<i>Dam</i>	<i>Year Study Completed</i>	<i>Result Summary</i>
Anderson	2011	Seismic retrofit of dam is required. Interim operating restriction of 45 ft. from crest of dam (32% storage capacity lost) implemented pending seismic retrofit project.
Almaden	2012	Embankment dam meets modern seismic design criteria. However, seismic retrofit of intake structure, spillway improvements, and dam raise required. Interim operating restriction of 10 ft from crest of dam (7% storage capacity lost) implemented pending capital improvements.
Calero	2012	Seismic retrofit of dam is required. Interim operating restriction of 25 ft. from crest of dam (54% storage capacity lost) implemented pending seismic retrofit project.
Guadalupe	2012	Seismic retrofit of dam is required. Interim operating restriction of 25 ft. from crest of dam (35% storage capacity lost) implemented pending seismic retrofit project.
Lenihan	2013	Embankment dam meets modern seismic design criteria. No restrictions necessary.
Stevens Creek	2013	Embankment dam meets modern seismic design criteria. No restrictions necessary.

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Source: District.

The seismic evaluations of Chesbro, Coyote, and Uvas Dams commenced in 2015 and are currently ongoing. The District's Water Utility Capital Division is currently working on the seismic retrofit of Anderson, Calero, and Guadalupe Dams; and on the capital improvements for Almaden Dam. District facilities have been and continue to be designed in accordance with applicable standards to withstand the effects of earthquakes with acceptable damage levels. Seismic upgrading has been implemented as noted above. Seismic loads are taken into account in the design of all facilities. Damage to District facilities in historic earthquakes has been modest (there has been damage to pipelines, water treatment plants, and dams) with no resulting injury or loss of life.

Earthquake effects on dams, pipelines and other water facilities are expected to vary depending upon the nature of the facility and the magnitude of the seismic forces (which depend upon a number of factors, including the energy released, proximity to the epicenter, duration of strong shaking, etc). In the design of new facilities, care is taken to avoid active faults, liquefaction areas and landslide terrain when feasible. Under some earthquake scenarios, significant damage is predicted for District raw and treated water pipelines. A project was completed in December 2007 to obtain adequate spare pipe which will reduce outage periods from seismic damage to pipelines. Studies are in progress to further evaluate ways of mitigating the damage and minimizing loss of water and impacts to level of service. Recent independent studies indicate that some District facilities might be subject to damage from fault displacement or moderate earthquakes on faults previously thought to be low-risk. The District conducts periodic engineering studies, inspections and maintenance of District facilities, including District dams, which informs the District's future planning and design work.

The District has established a program for inspecting its dams, and activating its Emergency Operations Center ("EOC"), immediately following a major (5.0 or greater on the Richter scale) earthquake occurring within 20 miles of District dams. The program provides for the self-deployment of trained District personnel to specific sites, the inspection and recording of any damage at those sites and the reporting of the status back to the EOC.

### **Water Distribution System**

The following illustration shows how all water distribution system components are utilized to serve the water demands of the County. In general, the District's water distribution system, in conjunction with the SFPUC, has the capacity to deliver the total projected water needs of the County.





## Water Usage

The District receives revenue from sales of treated water, non-potable surface water and reclaimed water, and from a groundwater production charge. The following charts list: treated water and groundwater usage in acre-feet, District receipts from water retail customers, and total usage of non-agricultural groundwater, agricultural groundwater, treated water, surface water, and reclaimed water. Water production refers to the total quantity of water pumped from the groundwater charge zone or delivered through pipelines to water retailers and individual water users.

The District's treated water and groundwater usage by water retailers and other accounts is listed below.

**TREATED WATER AND GROUNDWATER USAGE  
(ACRE-FEET)**

	<i>Fiscal Year 2014-15</i>			<i>Fiscal Year 2015-16</i>		
	<i>Groundwater</i>	<i>Treated Water</i>	<i>Total</i>	<i>Groundwater<sup>(2)</sup></i>	<i>Treated Water</i>	<i>Total</i>
<b>WATER RETAILERS</b>						
San Jose Water Company	56,907.81	54,701	111,608.81	35,111.45	55,930	91,041.45
Santa Clara, City of	13,362.13	3,378	16,740.13	9,852.37	4,366	14,218.37
California Water Service	5,270.67	6,516	11,786.67	2,187.02	7,338	9,525.02
San Jose, City of	1,252.62	11,691	12,943.62	838.85	10,029	10,867.85
Great Oaks Water Co	9,996.29	--	9,996.29	8,605.80	-	8,605.80
Sunnyvale, City of	1,163.38	7,523	8,686.38	150.63	6,562	6,712.63
Gilroy, City of	7,609.08	--	7,609.08	6,658.63	-	6,658.63
Morgan Hill, City of	6,804.11	--	6,804.11	5,784.25	-	5,784.25
Milpitas, City of	--	3,556	3,556.00	.74	3,468	3,468.74
Cupertino, City of	--	2,389	2,389.00	524.30	1,536	2,060.30
Mountain View City of	563.51	919	1,482.51	112.25	686	798.25
West San Martin Water Co	371.81	--	371.81	291.66	-	291.66
New Avenue Mutual Water	<u>31.51</u>	<u>--</u>	<u>31.51</u>	<u>0.22</u>	<u>-</u>	<u>0.22</u>
Subtotals Water Retailers	103,332.92	90,673	194,005.92	70,118.17	89,915	160,033.17
Other Groundwater Revenue Accounts	<u>41,249.08</u>	<u>0</u>	<u>41,249.08</u>	<u>38,244.33</u>	<u>0</u>	<u>38,244.33</u>
Total	144,582.00	90,673	235,255.00	108,352.50	89,915	198,277.50

**GROUNDWATER, TREATED WATER, SURFACE WATER  
AND RECYCLED WATER USAGE  
(ACRE-FEET)<sup>(1)</sup>**

<i>Fiscal Year Ended June 30</i>	<i>Groundwater</i>		<i>Treated Water</i>	<i>Surface Water</i>	<i>Recycled Water</i>	<i>Total</i>
	<i>Agricultural</i>	<i>Non-Agricultural</i>				
2012	23,539.95	100,118.58	138,977	2,767.43	695.31	266,098.27
2013	26,681.78	117,172.95	129,547	3,313.82	960.36	277,675.91
2014	26,984.55	141,796.96	111,551	3,558.39	893.54	284,784.44
2015	25,700.00	118,882.00	90,673	607.00	893.00	236,755.00
2016	25,379.70	82,982.80	89,915	967.07	2,152.75	201,397.32

<sup>(1)</sup> Certain water usage set forth above reflect adjustments made subsequent to the relevant Fiscal Year.

Source: District.

**DISTRICT RECEIPTS FROM WATER AGENCIES AND COMPANIES  
FOR TREATED WATER AND GROUNDWATER  
(DOLLARS)**

	<i>Fiscal Year 2014-15</i>			<i>Fiscal Year 2015-16</i>		
	<i>Groundwater</i>	<i>Treated Water</i>	<i>Total</i>	<i>Groundwater</i>	<i>Treated Water</i>	<i>Total</i>
<b>WATER RETAILERS</b>						
San Jose Water Company	\$ 42,480,561	\$ 46,331,662	\$ 88,812,223	\$ 31,378,362	\$ 55,574,744	\$ 86,953,106
Santa Clara, City of	9,981,511	2,861,200	12,842,711	8,808,019	4,353,919	13,161,938
San Jose, City of	810,042	9,901,862	10,711,904	570,994	9,969,194	10,540,188
California Water Service	3,937,190	5,518,823	9,456,013	1,955,196	7,293,930	9,249,126
Sunnyvale, City of	869,045	6,371,854	7,240,899	134,663	6,522,250	6,656,913
Great Oaks Water Co	5,753,015		5,753,015	5,540,057	-	5,540,057
Milpitas, City of		3,011,703	3,011,703	662	3,453,036	3,453,698
Gilroy, City of	2,427,297		2,427,297	2,370,472	-	2,370,472
Cupertino, City of	364,783	2,023,720	2,388,503	468,724	1,526,446	1,995,170
Morgan Hill, City of	2,170,511		2,170,511	2,059,193	-	2,059,193
Mountain View, City of	420,942	778,063	1,199,005	100,352	681,794	782,146
West San Martin Water Co	118,607		118,607	103,831	-	103,831
New Avenue Mutual Water	10,052		10,052	78	-	78
Subtotals Water Retailers	\$ 69,343,556	\$ 76,798,887	\$ 146,142,443	\$ 53,490,603	\$ 89,375,313	\$ 142,865,916
All Others	4,428,585	0	4,428,585	4,668,498	0	4,668,498
Individual groundwater customers	3,322,859	0	3,322,859	2,968,899	0	2,968,899
Total	\$ 77,095,000	\$ 76,798,887	\$ 153,893,887	\$ 61,128,000	\$ 89,375,313	\$ 150,503,313

Source: District.

**San Jose Water Company.** San Jose Water Company is the largest water retailer served by the District and currently provides water service to over 1,000,000 customers. San Jose Water Company is currently owned by SJW Corporation, a public traded company. For the fiscal year ended June 30, 2016, the District received \$86,953,106 in charges for treated water and groundwater from the San Jose Water Company consisting of approximately 58 percent of the water sales revenues of the District's Water Enterprise.

The principal business of the San Jose Water Company consists of the production, purchase, storage, purification, distribution and retail sale of water. The San Jose Water Company provides water service to customers in portions of the cities of Cupertino and San Jose and the cities of Campbell, Monte Sereno, Saratoga and the Town of Los Gatos, and adjacent unincorporated territory, all in the County.

San Jose Water Company and SJW Corporation are not obligors with respect to the 2017 Bonds. The 2017 Bonds are obligations of the District payable from the District's Net Water Utility System Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS," herein. References made herein to San Jose Water Company and SJW Corporation are for informational purposes only. The District makes no representations as to the accuracy or the adequacy of any of the filings of SJW Corporation with the Securities Exchange Commission (the "Commission") described below. The filings described below are strictly those of SJW Corporation and not of the District and such filings are not incorporated by reference herein.

SJW Corporation is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Commission. The Annual Report on Form 10-K (the "Form 10-K") for the year ended December 31, 2016, has been filed by SJW Corporation with the Commission. The Form 10-K and other annual and periodic reports of the SJW Corporation (including financial information) may be inspected and copied at the public reference facilities of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and the Securities Exchange Commission's regional offices.

## **FACTORS AFFECTING WATER SUPPLIES**

### **General**

The District has several sources of water supply that provide a great deal of flexibility in managing water supplies to meet the needs of the County.

Under normal water conditions, the District imports about half of its water supply under water supply contracts with the California SWP and the federal CVP and obtains the other half from local surface and groundwater supplies. Certain water retailers in the County also import water from the San Francisco Public Utilities Commission's Regional Water System, and have their own local surface water supplies and deliver recycled water.

The District completed its 2015 Urban Water Management Plan ("UWMP") on June 20, 2016 (District Resolution No. 16-50), pursuant to California Water Code Sections 10610 through 10657 (the Urban Water Management Planning Act). The Urban Water Management Planning Act requires urban water suppliers such as the District to review, update and adopt an UWMP at least every five years. The District's UWMP is prepared in coordination with water retailers (who also must prepare their own UWMPs), the County, and local cities and towns. The District's 2015 UWMP updates the District's water demand projections based upon increases in population and job growth to 2040 as projected by local water retailers. The 2015 UWMP also presents water supply projections and includes the District's Water Shortage Contingency Plan. Completion of the UWMP allows the District to remain eligible for state water bank assistance and for state grant funding.

A key finding of the UWMP is that the District must make significant investments to maintain and safeguard existing water supplies, infrastructure, and programs to ensure a reliable water supply into the future. These baseline investments are described in the District's 2012 Water Supply and Infrastructure Master Plan (the "2012 Plan"), which has three elements – secure existing supplies and infrastructure, optimize the use of existing supplies and infrastructure, and increase water recycling (including potable reuse) and conservation to meet future needs – in its strategy to provide a reliable water supply into the future.

Another key finding of the UWMP is that, in addition to baseline investments described in the 2012 Plan, additional investments will be necessary to achieve the District's water supply reliability level of service goal. The District is in the process of preparing the 2017 Water Supply Master Plan (the "2017 Plan"), with a target completion date in December 2017. The process of developing the 2017 Plan will involve evaluating groups of water supply projects and programs to achieve long-term water supply reliability targets. The preliminary lifecycle cost projections for the groups of water supply project and programs ranges from less than \$500 million to over \$3 billion. The impact of the implementation of the various groups of water supply projects and programs on the District will also be evaluated in the 2017 Plan. The objectives of the 2012 Plan have been incorporated into the District's Capital Improvement Program and the new objectives and projects in the completed 2017 Plan is expected to be incorporated into the Capital Improvement Program in the future. See the caption "CAPITAL IMPROVEMENT PROGRAM."

### **Endangered Species Act Issues**

The District's imported and local supplies are subject to regulatory restrictions due to implementation of the federal Endangered Species Act ("ESA"). The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the state and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and CVP, compounding the shortages created by the on-going drought at the time. In 1993, the United States Environmental Protection Agency (the "EPA") also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. It was these circumstances that led to the historic Bay-Delta Accord in 1994, in which the state and federal governments, along with urban, agricultural and

environmental interests, agreed to an interim set of ESA protection measures coupled with water supply certainty. The Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan, the Delta Plan and the California Water Fix (See the below caption “—California Water Policy Framework”) to develop a long-term solution for conflicts in the Bay-Delta.

**Delta Litigation.** Various legal challenges have been filed impacting the conveyance of water through the Delta by the California Department of Water Resources (“DWR”) via the SWP and by the United States Bureau of Reclamation (“Bureau”) via the CVP. These have included such cases as *Watershed Enforcers v. Broderick* (California Department of Fish and Game), et al. (Alameda County Superior Court, J. Smith, presiding) (the “Watershed Smelt Litigation”), which relates to the SWP; *Natural Resources Defense Council v. Kempthorne* (United States Department of the Interior) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Delta Smelt OCAP Litigation”) and *Pacific Coast Federation of Fisherman’s Association/Institute for Fisheries Resources v. Gutierrez* (United States Department of Commerce) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Salmon OCAP Litigation”), which relate to the coordinated operations of the CVP and SWP; and *State Water Contractors (“SWC”), San Luis and Delta Mendota Water Authority (“SLDMWA”), Westlands Water District (“WWD”), et al. v. California Department of Fish and Game* (Sacramento Superior Court) (“Longfin Smelt Litigation”), which also relates to the operations of the SWP.

The above-listed lawsuits constitute challenges to Biological Opinions (“BOs”) relating to the coordinated operations of the CVP and SWP; required permitting for “incidental take” related to the SWP; a decision to list a new species as threatened under the California Endangered Species Act (“CESA”), or other, similar grounds. The factual basis for these cases relate to claims of recent population declines of pelagic organisms, which include the delta smelt and longfin smelt, and certain salmon species, in and around the Delta. While there are other potential causes for the decline of these Delta fish, the BOs, permitting requirements, and listing decisions that underlie these cases have significantly curtailed SWP and CVP deliveries and threaten to further curtail them.

**Watershed Smelt Litigation.** On October 4, 2006, Watershed Enforcers, a nonprofit organization related to the California Sportfishing Protection Alliance, filed an action against DWR in the Alameda County Superior Court, alleging that DWR was illegally operating certain pumping facilities without obtaining a “take” permit under CESA. Kern County Water Agency (“KCWA”) and SWC, a non-profit association of twenty-seven public agencies, including the District, and others intervened as real-parties-in-interest in the action in support of DWR. The fish species at issue were endangered winter-run Chinook salmon, threatened Delta smelt and spring-run Chinook. The court determined that DWR did not have the required State permit to “take” protected fish species in the Delta, and, on April 17, 2007, issued a final order directing DWR to shut down its Delta export pumps in 60 days, unless it obtained a determination from the State Department of Fish and Game (“DFG”) that SWP operations are in compliance with CESA. Immediate appeals were filed, which stayed enforcement of such order. In July 2009, DWR obtained a Consistency Determination (the “CD”) from DFG providing CESA incidental take coverage and DWR, SWC and KCWA dismissed their appeals. Other parties continued to litigate the appeal on other issues, which have all been determined. The case is now closed.

**Delta Smelt OCAP Litigation.** In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 Operating Criteria and Plan (“2005 OCAP”) BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

The 2008 BO prepared by United States Fish and Wildlife Service (“FWS”) and delivered to the Bureau on December 15, 2008 appeared to create water supply impacts greater than those that had already resulted from the Delta Smelt OCAP Litigation court’s interim injunction. This led to the filing of five separate challenges to the 2008 BO in 2009 by SLDMWA, SWC, Metropolitan Water District of Southern California (“MWD”), Central Delta Water Agency, and the Coalition for a Sustainable Delta. The challenges were consolidated before Judge Wanger. On May 28, 2009, Judge Wanger granted the motion for preliminary injunction filed by plaintiffs SLDMWA and WWD, which was joined by SWC and the other plaintiffs, finding that plaintiffs were likely to prevail on their National Environmental Policy Act (“NEPA”) challenge to the 2008 BO. Thereafter, the plaintiffs filed motions for summary judgment, which Judge Wanger granted in part, determining that the Bureau must perform environmental review under NEPA prior to accepting and implementing the BO and its restrictive measures that would result in a further reduction in water deliveries from the SWP and CVP and other impacts.

On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the 2008 BO. The court found that some but not all of the restrictions on project operations contained in the 2008 BO were arbitrary, capricious and unlawful. On May 18, 2011, Judge Wanger issued a final amended judgment directing the FWS to complete a new draft biological opinion by October 1, 2011, and a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011 due date for a draft biological opinion to December 14, 2011. A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under NEPA. The federal defendants and environmental intervenors appealed the final judgment invalidating the 2008 BO to the U.S. Court of Appeals for the Ninth Circuit. SWP and CVP contractor plaintiffs cross-appealed from the final judgment. On March 13, 2014, the Ninth Circuit reversed the district court’s findings that portions of the BO failed to meet the requirements of the ESA and its regulations, but upheld the requirement that the Bureau was required to perform NEPA review. The U.S. Court of Appeals for the Ninth Circuit issued a mandate on September 16, 2014. Petitions for Writ of Certiorari were submitted to the U.S. Supreme Court; however, the Court decided not to hear the case. The District Court issued the Final Order on October 1, 2014.

The SWP and CVP have been operating under the 2008 BO since it was issued. Deliveries of water supply from the SWP and CVP are not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations.

*Salmon Operating Criteria and Plan Litigation.* In the Salmon Operating Criteria and Plan Litigation, the United States District Court for the Eastern District of California issued a summary judgment order invalidating a 2004 BO related to certain salmon species, steelhead, and other aquatic species, finding it unlawful and inadequate on a variety of legal grounds under the ESA, and holding that NEPA review was required. A new BO was released on June 4, 2009 (the “2009 BO”) by the National Marine Fisheries Services which contained new measures concerning complex habitat management schemes and studies which are likely to cause additional water supply impacts. As a result, seven separate actions challenging the 2009 BO were filed in the United States District Court for the Eastern District of California and assigned to Judge Wanger, including challenges by the SWC, MWD, and KCWA. The court consolidated the cases under the caption Consolidated Salmon Cases.

On May 25, 2010, the court granted the plaintiffs’ request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the salmon BO that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the salmon BO was flawed, and that some but not all of the project restrictions in the Salmon BO were arbitrary and capricious. On December 12, 2011, Judge O’Neill (who was assigned to this case following Judge Wanger’s retirement) issued a final judgment in the Consolidated Salmon Cases.

The final judgment remands the 2009 salmon BO to the National Marine Fisheries Service (“NMFS”), and directs that a new draft salmon BO be issued by October 1, 2014, and that a final BO be issued by March 1, 2017, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O’Neill approved a joint stipulation of the parties that specifies how to comply with one of the salmon BO restrictions that applies to water project operations in April and May of 2012. In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the U.S. Court of Appeals for the Ninth Circuit was held in September 2014, and on December 22, 2014, the Ninth Circuit reversed the district court decision and upheld the Salmon BO. The remand order related to the 2009 Salmon BO was rescinded. The Ninth Circuit issued a mandate on February 17, 2015. The district court issued the final order on May 5, 2015.

*Longfin Smelt Litigation.* The California Fish and Game Commission listed the longfin smelt as a threatened species under CESA in March 2009. On February 23, 2009, in anticipation of the listing action, the DFG issued a CESA section 2081 incidental take permit to DWR authorizing the incidental take of longfin smelt by the SWP. This permit authorizes continued operation of the SWP under the conditions specified in the section 2081 permit through December 31, 2018. SWC filed suit against the DFG on March 25, 2009, alleging that the export restrictions imposed by the section 2081 permit have no reasonable relationship to any harm to longfin smelt caused by SWP operations, are arbitrary and capricious and are not supported by the best available science. Such litigation was recently settled and dismissed.

*The SWP and CVP have been operating under the 2008 Delta Smelt BO and 2009 Salmon BO since they were issued. Deliveries of water supply from the SWP and CVP are not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations. The District believes that any future decision or order by a State or Federal court related to one or more of the above-described BOs and leading to adverse decisions reducing SWP or CVP supplies would not have a material impact on the District’s ability to pay debt service on the 2017 Bonds.*

## **California Water Policy Framework**

The District’s water supply under its contracts with the SWP and CVP is imported through the Bay-Delta. The Bay-Delta is the largest estuary on the west coast and supports more than 750 species of plants and wildlife. Water diverted and re-diverted from the Bay-Delta also provides water supply to more than two-thirds of the population in the state and to agriculture in the Central Valley and the San Felipe Division of the CVP. However, decades of competing demands have taken a toll on the Bay-Delta and today it no longer functions as a healthy ecosystem. Regulatory actions to protect threatened or endangered fisheries have reduced the reliability of Bay-Delta water supplies. During dry periods, water quality can be degraded, making it difficult and expensive to meet drinking water standards. In addition, the vulnerability of Delta levees to seismic and flooding failures threatens both the infrastructure and the quality of California’s water supply.

The State Water Resources Control Board (the “SWRCB”) is responsible for developing and modifying the Bay-Delta Water Quality Control Plan (“Bay-Delta Plan”), which establishes water quality control measures needed to provide reasonable protection of beneficial uses of water in the Bay-Delta watershed. The SWRCB also implements the Bay-Delta Plan through water rights and other measures and otherwise administers water rights in the Bay-Delta Watershed.

The SWRCB is in the process of developing and implementing updates to the Bay-Delta Plan and flow objectives for priority tributaries to the Bay-Delta to protect beneficial uses in the Bay-Delta watershed, which is expected to occur in phases. Phase 1 of this work involves updating San Joaquin River flow and southern Delta water quality requirements included in the Bay-Delta Plan. Phase 2 involves other comprehensive changes to the Bay-Delta Plan to protect beneficial uses not addressed in Phase 1 (i.e., Delta outflows, Sacramento River inflows, export limits, reverse flows, etc.). Phase 3 involves changes to water rights and other measures to implement changes to the Bay-Delta Plan from Phases 1 and 2.

On September 15, 2016, the SWRCB staff released a draft proposal for new flow requirements for the San Joaquin River's major tributaries, increasing flows for fish and wildlife. The proposal recommends increasing flow on the San Joaquin River and its tributaries to a range of 30 to 50 percent, with a starting point of 40 percent of unimpaired flow from February through June. Unimpaired flow represents the water production of a river basin, unaltered by upstream diversions, storage, or by export or import of water to or from other watersheds.

A hearing for receipt of oral comments on the draft proposal began on November 29, 2016 and concluded on January 3, 2017. [The SWRCB accepted written comments on the draft proposal through March 17, 2017.] After receipt of comments, the SWRCB will make any needed changes to the proposal and prepare written responses to comments along with a final draft proposal and final draft changes to the Bay-Delta Plan for consideration by the SWRCB. Changes to the Bay-Delta Plan must be approved by the SWRCB and the Office of Administrative Law before becoming effective. Phase 1 of the update is not expected to be completed until the summer of 2017.

On October 19, 2016, the SWRCB staff released a working draft Scientific Basis Report (the "SBR") for fisheries and flows in the Sacramento River and Bay-Delta. The SBR is the next step in the SWRCB's Phase 2 update of the Bay-Delta Plan. The draft SBR identifies the science that will be relied on in considering potential changes to the Bay-Delta Plan to enhance flows in and out of the Sacramento River basin and within the Bay-Delta to protect fish and wildlife. Once the SBR is finalized, an environmental document that analyzes possible effects of modified requirements for fish and wildlife protection on other beneficial uses of water, including alternatives and economic impacts, will also be developed as part of the process and will accompany any proposed changes to the plan in 2017.

On July 25, 2012, Governor Jerry Brown and Secretary of the Interior Ken Salazar announced key proposed elements to advance the Bay Delta Conservation Plan ("BDCP") planning process, including north Bay-Delta water diversion facilities with a total capacity of 9,000 cubic-feet per second ("cfs"), two tunnels sized to minimize energy use during operations and a "decision tree" process for unresolved operation criteria such as fall and spring outflows. The Draft BDCP and associated Draft Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") were completed on December 13, 2013. Preliminary cost estimates for the BDCP were approximately \$25.0 billion.

In 2016, the State separated the focus of the BDCP into two efforts: the California Eco Restore ("EcoRestore") Project and the California Water Fix. California EcoRestore aims to accelerate and implement a comprehensive suite of habitat restoration actions to support the long-term health of the Bay-Delta's native fish and wildlife. California Water Fix focuses on protecting the State's water supplies from climate change through water system upgrades that protect against the impacts of sea level rise and earthquakes while improving river flows and reducing entrainment for threatened fish species. The Bay-Delta diversion facilities previously proposed in the BDCP are now captured within the California Water Fix effort. The State released the Recirculated Draft Environmental Impact Report ("RDEIR")/Supplemental Draft Environmental Impact Statement ("SDEIS") on July 10, 2015, with comments due by August 31, 2015. On July 22, 2015, the comment period was extended to October 30, 2015. The RDEIR/SDEIS addresses the environmental impacts of the diversion facilities. The current estimated cost of the California Water Fix, including capital, operation and maintenance and monitoring costs over a 50 year period is approximately \$17.0 billion. There can be no assurance that such projected costs will not increase as a result of revisions to the project, increases in construction or other costs related thereto. Any changes could be material and impact the costs of the District's state and federal water supplies. The final Environmental Impact Report/Environmental Impact Statement for California Water Fix was released in late December 2016. A record of decision under the National Environmental Policy Act will be issued by the United States Bureau of Reclamation no sooner than 30 days after the EPA's Federal Register publication of the notice of availability. Certification of the EIR and final decision-making under the California Environmental Quality Act (CEQA) by DWR would not occur until after the 30-day Federal Register notice of availability period has passed.



The District has yet not decided whether to participate in the California Water Fix project. Participating in the California Water Fix project could result in material changes and impacts on the costs of the District's State and/or federal water supplies. Non participation could pose risks to the District's water supplies that result from climate change, sea level rise, and potential levee failure events, as well as greater reductions in supplies in response to potentially increasing regulatory restrictions. As a result, the District would need to undertake other water supply projects to offset impacts, which may require significant financial investments.

DWR and USBR have filed a petition with the SWRCB to change certain of their water rights as a result of the proposed California Water Fix project. On October 30, 2015, the SWRCB issued public notices on such petition and a public hearing with respect thereto. The notice of public hearing was revised on March 25, 2016 and May 11, 2016 to accommodate a change in the hearing schedule. The hearing is being conducted in two parts. The first part will address the potential impacts of the California Water Fix project on other legal users of water. The second part will focus on potential effects of the project on fish and wildlife and recreational uses and conditions that should be placed on any approval of the petition to protect those uses, including consideration of the appropriate Delta flow criteria for the California Water Fix project. The second part of the hearing is expected to begin once the CEQA, ESA and CESA processes are completed.

Part 1A of the hearing began on July 26, 2016. The evidentiary portion of Part 1A started on July 29, 2016, with DWR's and USBR's cases-in-chief, including direct testimony and associated cross-examination. Part 1B of the hearing began on October 20, 2016, with other parties' cases-in-chief, associated cross-examination and rebuttal for all of Part 1 of the hearing. On December 19, 2016, the hearing officers issued a ruling letter transmitting submittal deadlines for introducing Part 1 exhibits into evidence, filing and responding to objections to exhibits or testimony offered. Parties will have 30 days from the hearing officers' ruling on admissibility of Part 1 evidence to submit written rebuttal testimony and exhibits. [This ruling is estimated to be issued in February 2017.]

In 2009, the SLDMWA issued its \$50,000,000 Revenue Notes (DHCCP Development Project), Series 2009A (the "DHCCP Notes") to finance certain preliminary planning costs relating to the Delta Habitat Conservation and Conveyance Plan (DHCCP), which, together with the BDCP described above, are programs consisting of joint efforts by agencies of the federal government and the State and local agencies to fund and plan habitat conservation and water supply activities in the Delta. The District, along with certain other water agencies in the State, entered into contracts with SLDMWA in connection with the delivery of the DHCCP Notes pursuant to which the District was obligated to make certain payments which were applied to the pay debt service on the DHCCP Notes. The District has since paid off its share of such contractual payments with respect to the DHCCP Notes. As of [December 31, 2016], the District's allocated share of the unspent proceeds of the DHCCP Notes was approximately \$390,000. [The District has not made a formal decision as to the expenditure of such remaining unspent proceeds.]

### **Allocation of Water Deficiencies**

The District's SWP maximum annual contract amount of 100,000 acre-feet is entirely for municipal and industrial (M&I) use. The SWP Contract provides that water shortages will be shared equally among all SWP contractors based on relative contract amounts. These rules were established pursuant to a comprehensive set of contract amendments in 1994 (known collectively as the Monterey Amendment) that also gave contractors the right to establish groundwater banking and exchanges to meet dry year reliability needs. The District subsequently purchased rights to 350,000 acre-feet of groundwater banking capacity in a program operated by Semitropic Water Storage District in Kern County to enhance its dry-year water supply reliability.

The District's maximum annual CVP Contract amount of 152,500 acre-feet is currently allocated to both irrigation and M&I use, with an irrigation contract amount of 33,100 acre-feet and M&I allocations based on historic use. The contract provides flexibility to convert the entire amount to M&I use in future years. In

1994, the Bureau developed a M&I water shortage policy that gives M&I use a higher degree of protection than agricultural use in drought periods. The Bureau had implemented this policy as an Interim Policy since 1994. In November 2015, the Bureau finalized the policy and signed a Record of Decision, supported by the CVP Municipal and Industrial Water Shortage Policy Final Environmental Impact statement, specifying how Reclamation intends to allocate M&I water supplies during shortages. The policy generally provides a minimum of 75% of historic use to M&I contractors during times of shortage, with “historic use” calculated from average CVP water deliveries during the last three years of normal water deliveries, adjusted for growth. In 1997, the District entered into a 25-year renewable contract with the Bureau and agricultural contractors in the SLDMWA to further establish the reliability of its CVP M&I supplies (the “Water Reallocation Agreement”). Under the Water Reallocation Agreement, the District’s historic use is set at 130,000 acre-feet.

## **Water Banking**

The District’s 2012 Water Supply and Infrastructure Master Plan identified banking of excess supplies in wetter years as a central element in the preferred strategy for providing supplies needed in future dry years.

In May 1996, the Board took the first step in implementing the banking strategy when it approved an agreement with Semitropic Water Storage District to store 45,000 acre-feet of SWP water. In 1997, the Board approved a long-term agreement with Semitropic Water Storage District. Under the terms of this agreement, the total banking capacity available to the District until January 1, 2006 was 350,000 acre-feet. By that date, the District had to decide its permanent level of investment in Semitropic, and make any capital payment necessary to reach that level. On December 6, 2005, the Board approved moving forward with the remaining investment to secure said 350,000 acre-feet of storage capacity in the Semitropic Groundwater Banking Program. Staff completed the required contract amendment and made all necessary capital payments by January 1, 2006.

Over the past twenty years, the District has stored about 428,000 acre-feet of water in Semitropic Groundwater Banking Program and withdrawn about 220,000 acre-feet of supply, including 97,000 acre-feet over the last three years during a time when supplemental water supply has been limited. As of December 31, 2016, the District had approximately 190,339 acre-feet in storage. In the event of a major disruption in the Delta, failure of the Delta pumping plants or drought conditions, delivery of water from the Semitropic Groundwater Banking Program to the District would be significantly affected along with other imported water deliveries from the District’s SWP and CVP contracts. To the extent that SWP water may be conveyed through or is stored in San Luis Reservoir and is available, deliveries from the Semitropic Groundwater Banking Program could be accomplished through the San Felipe Division.

## **District’s Local Water Right Permit and Licenses**

On July of 1996, the Guadalupe Coyote Resources Conservation District (“GCRCD”) filed a complaint with the SWRCB alleging that the District violated California Fish and Game Code Sections 5901, 5935, and 5937, the common law public trust doctrine, the Porter-Cologne Water Quality Control Act, and California Water Code Section 100. GCRCD alleges that the District’s water supply operations impact Steelhead Trout, Chinook Salmon and other natural resources in or near the Coyote and Stevens Creeks, and the Guadalupe River and their respective tributaries. The complaint seeks to amend 14 of the District’s 17 local appropriative water right licenses and an appropriative water right permit to establish flow schedules sufficient for the protection of fish and wildlife resources and the development and implementation of a restoration plan.

In 1997, the District commenced settlement negotiations with GCRCD as well as with NMFS, FWS, California Department of Fish and Wildlife (“CDFW”), and other interested non-governmental non-profit organizations in an effort to resolve GCRCD’s complaint (Collectively referred to as the “Settlement Parties”). Settlement negotiations occurred through a District established process called the Fisheries and Aquatic Habitat Collaborative Effort (“FAHCE”). On May 27, 2003, a conditional settlement was initialed by the

Settlement Parties, which set forth a pathway to resolve the water rights complaint. This settlement agreement, entitled, Settlement Agreement Regarding Water Rights of the Santa Clara Valley Water District on Coyote, Guadalupe, and Stevens Creeks (“FAHCE Settlement Agreement”) committed the District to carrying out certain conditions precedent including completing an environmental review and obtaining state and federal regulatory approvals of certain District reservoir reoperations measures, scientific studies, and restoration measures (collectively referred to as the “FAHCE Restoration Program”), and amending the District’s challenged water rights and permit in substantial conformity to the FAHCE Settlement Agreement. Once the conditions precedent are completed, the FAHCE Settlement Agreement obligates the District to carry out the FAHCE Restoration Program. Although the District is not required to implement the FAHCE Restoration Program until the conditions precedent are completed, the District has implemented a number of the restoration measures for the protection of fish and wildlife resources with the expectation of receiving credit towards its restoration requirements under the FAHCE Settlement Agreement.

To date, the conditions precedent have not been completed. From the date the FAHCE Settlement Agreement was initiated in May of 2003 to 2014, the District actively pursued completion of the condition precedent of obtaining federal incidental take coverage of Steelhead Trout from NMFS under the ESA through a Habitat Conservation Plan. Because of past and likely ongoing protracted negotiations with NMFS, the District shifted its focus to complete the other conditions precedent specified in the FAHCE Settlement Agreement required for state regulatory approval. Once these other conditions precedent are completed, the District intends to carry out the FAHCE Restoration Program, while pursuing federal incidental take coverage of Steelhead Trout either through Section 7 or Section 10 of the ESA.

If the District is unsuccessful in implementing the FAHCE Settlement Agreement, GCRCD’s water rights complaint before the SWRCB would likely recommence, thus exposing the District to liability in excess of the costs it committed to under the FAHCE Settlement Agreement. Under the terms of the FAHCE Settlement Agreement, the District conditionally agreed to undertake restoration measures at a cost not to exceed \$42,000,000 for each three 10-year phase. A hearing before the SWRCB on GCRCD’s complaint could result in a ruling requiring increased environmental in-stream uses of the District’s local water rights and corresponding decreased water supply availability.

## **California Drought and Response**

***Governor’s Executive Orders.*** Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown (the “Governor”) proclaimed a drought emergency on January 17, 2014.

On April 1, 2015, Governor Brown issued an executive order (the “2015 Executive Order”) mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. In connection with such extension, the general framework of the regulations implementing the 2015 Executive Order were left intact, however, urban water suppliers are now provided credits and adjustments based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water.

On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB’s emergency water conservation regulations through the end of January 2017 (the “2016 Executive Order”). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the “2016 SWRCB Regulation”) that replaced its February 2, 2016 emergency regulation and extends through January 31, 2017. The 2016 SWRCB Regulation requires urban water suppliers, including retail water agencies within the District, to develop conservation standards based upon each urban water supplier’s specific circumstances and replaces the prior percentage reduction-based standard described above.

While the 2016 SWRCB Regulation does not require the District, as a wholesaler, to develop a conservation standard, the District was required to calculate the volume of water it expects it would deliver to each urban water supplier in the next three years under the assumptions set forth in the 2016 SWRCB Regulation and to post this calculation and the underlying analysis on a publicly-available webpage no later than June 15, 2016. On June 15, 2016, the District posted the report required by the 2016 SWRCB Regulation to the District's website.

The 2016 SWRCB Regulation as implemented applies to retail water agencies within the District. The major water retailers reduced water use by approximately 27% in 2016 (January through October, compared to the same time period in 2013). Continued reduction in water sales may adversely affect the District's projected operating results set forth under the caption "FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage." The District is obligated under the Parity Master Resolution to set rates and charges which are reasonably expected to provide Net Water Utility System Revenues at least to 1.25 times the sum of all Debt Service due in each Fiscal Year as more particularly described under the caption "SECURITY FOR THE 2017 BONDS—Rate Covenant."

***District Drought Response Actions and Impact.*** The District projects that it will be able to meet existing demands for imported water in Fiscal Years 2017-18 and 2018-19 even if dry conditions continue, provided retailers continue to achieve high levels of water savings. The District plans to continue to call for water use reductions, outreach to community and customers, operate the Water Waste Inspector program, provide water conservation rebates, retrieve water from the Semitropic Groundwater Banking Program, purchase supplemental water supplies, work with local agencies and retailers on water shortage contingency plans and ordinance development, consider and pursue potential legislation, and develop potable reuse to augment local water supplies.

## **QUALITY OF DISTRICT'S WATER**

### **Groundwater**

Groundwater in the County is generally of high quality. Water retailers within the County distribute groundwater directly to the consumer. Retailers typically do not have to treat water, other than disinfection. The retailers are responsible for monitoring and reporting the quality of water they serve.

The District has implemented numerous programs to protect groundwater quality. Each year, the District analyzes water quality data from approximately 300 wells (sampled by water retailers and the District) to assess current conditions, evaluate trends, and identify areas of special concern. Elevated nitrate concentrations in the southern portion of the County resulting from rural and agricultural land use pose an ongoing groundwater management challenge. The District continues to implement a comprehensive nitrate management program to monitor nitrate occurrence, reduce consumer exposure to nitrate in drinking water, and reduce nitrate loading. The District continues to promote a nitrate treatment system rebate program for residential well owners with high nitrate in their water. The District also promotes groundwater protection through workshops, groundwater fact sheets, and website information. The District's well construction and destruction programs ensure wells and other deep excavations are constructed, maintained, and destroyed such that they will not cause groundwater contamination.

The District also provides technical expertise and peer review to regulatory agencies such as the Regional Water Quality Control Board, the Department of Toxic Substances Control, and the EPA for cleanup sites and for the development of standards for groundwater protection. The District is continuing to support the Central Coast Regional Board's efforts to regulate perchlorate cleanup in the Llagas Subbasin. The District provides groundwater data, technical assistance, and logistical and technical support for Perchlorate Community Advisory Group meetings. In addition, staff is working closely with the Central Coast Regional Board, the County, and the cities of Morgan Hill and Gilroy to ensure that the Central Coast Regional Board's

long-term corrective action plan meets all of the community's interests for water supply and groundwater cleanup.

On November 22, 2016, the Board adopted the 2016 Groundwater Management Plan to comply with the Sustainable Groundwater Management Act. This plan will help the District continue to sustainably manage its groundwater resources and ensure their long-term viability.

## **Surface Water**

The District relies heavily on imported surface water from SWP, which is operated by DWR, and the CVP, operated by the USBR. Additionally, the District stores local surface water supplies in its own reservoirs. The District participates in statewide activities aimed at reducing contamination of imported supplies and implements programs to protect local supplies. Surveys of these supplies are conducted every five years, in accordance with state regulations, to ensure they are suitable drinking water sources.

The District's imported supplies from the SWP and the CVP are occasionally low in quality because of elevated levels of bromide and organic content. Since both the SWP and the CVP water is pumped out of the Bay-Delta Estuary, the quality of those supplies is affected by tidal influences, natural organic materials of the peat soil in the Delta and discharge from agricultural and urban runoff. Constituents such as bromide and organics are of concern to the District because they are disinfection by-product precursors.

## **Treated Water**

The District produces treated water that meets or exceeds all current requirements of the Safe Drinking Water Act ("SDWA") and the regulations of the SWRCB's Division of Drinking Water.

In recent years the EPA has enacted, and California has subsequently adopted, new drinking water regulations affecting the treatment of surface waters. These key regulations are the Interim Enhanced Surface Water Treatment Rule (IESWTR), the Long Term 1 and Long Term 2 Surface Water Treatment Rules (LT1 and LT2), and the Stage 1 and Stage 2 Disinfectant/Disinfection ByProducts Rules (DDBPR). The regulations were enacted in segments with the IESWTR and the DDBPR (Stage 1) going into effect by 2001 and the LT2 and DDBPR (Stage 2) becoming effective in January of 2006. In order to assure compliance with these regulations the District developed major capital improvement projects for its treatment plants. The projects are referred to as the Treated Water Improvement Project Stage 1 (TWIP1) and the Treated Water Improvement Project Stage 2 (TWIP2), and correspond to the grouping of the four regulations. The TWIP1 was implemented at all three of the District's drinking water treatment plants and completed in 2002. The TWIP2 was implemented at two treatment plants and was completed in 2006. The third plant is incorporating upgrades of the TWIP2 into a larger project known as the Reliability Improvement Project (RIP) that is targeted for completion in 2020.

The District's three water treatment plants: Santa Teresa WTP, Rinconada WTP, and Penitencia WTP, provide high-quality treated water to the residences and businesses in the County. Two of the treatment plants, Santa Teresa WTP and Penitencia WTP utilize a conventional treatment process of flocculation, sedimentation, filtration, and disinfection to provide high-quality water. As part of TWIP2, these two treatment plants added advanced treatment technologies, including ozone as the primary disinfectant, in order to continue ensuring high-quality drinking water that meets recent and future more stringent drinking water standards. The District brought ozone systems on-line at Santa Teresa WTP in January 2006 and at Penitencia WTP in July 2006. Construction of the comparable RIP project broke ground in July 2015 at the Rinconada WTP, the District's oldest treatment facility.

## **CAPITAL IMPROVEMENT PROGRAM**

### **Future Water Utility System Improvements**

The District currently expects to undertake approximately \$1.5 billion of improvements to the Water Utility System from Fiscal Years 2017-18 through 2021-22. Such improvements would be funded with approximately \$1.1 billion of additional debt issuance, and approximately \$400 million from other non-financing sources.

With regards to investments to expand its water supply portfolio, the District is currently evaluating the feasibility, timing, scope, cost, and delivery method for producing up to 45,000 acre-feet per year of purified water for potable reuse (the “Expedited Purified Water Program”). If undertaken, the Expedited Purified Water Program would be in addition to the 8 MGD of purified water currently produced by the SVAWPC for non-potable uses. Current estimates of the capital cost of the Expedited Purified Water Program range between \$600 million and \$1 billion. The District’s preliminary Capital Improvement Program for Fiscal Years 2017-18 through 2021-22 includes \$460 million to partially fund the design and construction of certain components of the Expedited Purified Water Program, which costs could result in annual expenditures as high as \$200 million over such five-year period. The District is currently in discussions with the City of San Jose with respect to various agreements that will impact the development of the Expedited Purified Water Program. The District can make no assurances as to the timing or scope of these agreements or whether such discussions will result in any formal agreements. In June 2016, the District pre-qualified entities for both progressive design-build and public-private partnership delivery methods of the Expedited Purified Water Program through a request for qualification process. Decisions that are currently expected to be made by the District Board in the next 12 months will determine the delivery method, scope, and costs of the Expedited Purified Water Program, and could significantly impact the level of necessary funding in the coming years.

## **FINANCIAL INFORMATION OF THE DISTRICT**

### **Financial Statements**

A copy of the most recent audited financial statements of the District prepared by District staff and audited by Vavrinek, Trine Day & Co., LLP, Palo Alto, California (the “Auditor”) is attached as Appendix A hereto (the “Financial Statements”). The Auditor letter concludes that the audited financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The District’s government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. Capital

assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting and distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund is the sale of water to outside customers and of the District's internal service funds are charges for services provided to internal departments. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Agency funds do not have a measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

See the Financial Statements attached hereto as Appendix A for a discussion of accounting practices of the District.

### **Historical and Projected Operating Results and Debt Service Coverage**

The following table summarizes the District's combined revenues and expenses relating to the Water Utility System recorded in Fiscal Year 2011-12 through Fiscal Year 2015-16. Historical results have been derived from the Financial Statements of the District but exclude certain non-cash items and include certain other adjustments.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District ("GAAP"). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See "APPENDIX A — AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016." Except as otherwise expressly noted herein, all financial information derived from the District's audited financial statement reflect the application of GAAP.

### **Fiscal Year 2015-16 Financial Highlights for the Water Enterprise Fund**

The following provides a summary of the financial position of the District's Water Enterprise fund at the end of Fiscal Year 2015-16:

- Net position of the Water Enterprise fund at the end of Fiscal Year 2015-16 was approximately \$632,500,000, an increase of approximately \$8,100,000 from Fiscal Year 2014-15.
- Operating revenues decreased by approximately \$3,800,000 or 0.5% from Fiscal Year 2014-15, still reflecting the drop in water consumption resulting from the District's drought related water conservation program.
- Operating expenses increased by \$8,900,000 from Fiscal Year 2014-15. Sources of supply accounted for \$5,700,000 or 64% of the total increase as the District continues to purchase water

at an increasing cost, as well as promote the water conservation rebate program throughout the valley in order to mitigate the effects of the drought.

- Net non-operating revenues decreased by \$2,100,000 from Fiscal Year 2014-15. While investment income and property taxes increased by approximately \$1,300,000 and \$456,000 from Fiscal Year 2014-15, respectively, interest and fiscal agent fees (which are non-cash items) were \$4,600,000 higher compared to Fiscal Year 2014-15 as a result of debt refunding.
- Water charges for services decreased by approximately \$3,600,000 million or 2.3% from Fiscal Year 2014-15. The decrease was due to conservation efforts made by users in response to the historic drought that California continues to experience.
- Capital grants and contributions increased \$2,300,000 or 275% due to higher reimbursement receipts from the Department of Water Resources (\$1,300,000) and City of Santa Clara (\$1 million).

For further information with respect to the District's operating results for Fiscal Year 2015-16, see "Appendix A — AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016."



**SANTA CLARA VALLEY WATER DISTRICT**  
**HISTORICAL OPERATING RESULTS & DEBT SERVICE COVERAGE**  
**FISCAL YEAR ENDING JUNE 30**  
**(Dollars in Thousands)<sup>(1)</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Water Utility System Revenues</b>					
Groundwater Charges	\$48,030	\$62,084	\$84,308	\$77,095	\$61,128
Treated Water Charges	92,904	92,359	86,386	76,799	89,375
Surface and Recycled Water Charges	849	1,275	1,680	925	732
Property Taxes <sup>(2)</sup>	4,289	4,711	5,104	5,634	6,095
Investment Income <sup>(3)</sup>	1,082	1,163	1,624	1,621	2,925
Operating Grants	1,111	980	1,232	2,149	2,074
Net Transfers In <sup>(4)</sup>	3,281	3,729	0	0	18,192
Net Transfers Out <sup>(5)</sup>	0	0	272	11,406	0
Other <sup>(6)</sup>	<u>3,203</u>	<u>4,765</u>	<u>2,233</u>	<u>1,879</u>	<u>1,883</u>
Total Revenues	\$154,750	\$171,066	\$182,295	\$154,696	\$182,404
<b>Maintenance and Operation Costs</b>					
Sources of Supply <sup>(7)</sup>	\$51,371	\$47,898	\$53,812	\$68,294	\$73,982
Water Treatment	28,281	30,287	31,843	29,941	34,044
Transmission and Distribution					
Raw Water	9,777	11,137	9,322	9,585	11,101
Treated Water	1,998	1,636	1,868	1,539	1,743
Administration and General <sup>(8)</sup>	<u>20,078</u>	<u>20,162</u>	<u>21,313</u>	<u>21,556</u>	<u>18,454</u>
Total Operating Expenses	\$111,505	\$111,120	\$118,158	\$130,915	\$139,324
<b>Net Water Utility System Revenues</b>	\$43,245	\$59,946	\$64,137	\$23,781	\$43,080
<b>Debt Service on Senior Obligations</b>					
Series 2006 Bonds	\$6,336	\$6,275	\$6,373	\$6,515	\$2,992
Series 2007 Installment Payments	6,437	7,893	7,751	7,981	6,621
DWR Loan <sup>(9)</sup>	<u>401</u>	<u>401</u>	<u>401</u>	<u>401</u>	<u>401</u>
Total Senior Debt Service	\$13,174	\$14,569	\$14,525	\$14,897	\$10,014
Transfers to (-)/from (+) Rate Stabilization Fund <sup>(10)</sup>	--	--	--	--	0
Transfers from Special Purpose Funds <sup>(10)</sup>	--	--	--	--	0
<b>Net Water Utility System Revenues Available for Parity Obligations Debt Service</b>	<b>\$30,071</b>	<b>\$45,377</b>	<b>\$49,612</b>	<b>\$8,884</b>	<b>\$33,066</b>
<b>Debt Service on Parity Obligations</b>					
2016 Bonds	--	--	--	--	\$1,448
2016 Installment Purchase Agreement	--	--	--	--	<u>624</u>
Total Parity Debt Service	--	--	--	--	<b>\$2,072</b>
<b>Parity Obligations Debt Service Coverage</b>	--	--	--	--	<b>15.96</b>
<b>Debt Service on Subordinate Obligations</b>					
Commercial Paper <sup>(11)</sup>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60</u>	<u>185</u>
<b>Total Debt Service on Senior, Parity and Subordinate Obligations</b>	<b>\$13,174</b>	<b>\$14,569</b>	<b>\$14,525</b>	<b>\$14,957</b>	<b>\$12,271</b>
<b>Revenues Remaining for Capital Improvements</b>	<b>\$30,071</b>	<b>\$45,377</b>	<b>\$49,612</b>	<b>\$8,824</b>	<b>\$30,809</b>
<b>Senior Debt Service Coverage</b>	3.28	4.11	4.42	1.60	4.30
<b>Senior, Parity and Subordinate Obligations Debt Service Coverage</b>	3.28	4.11	4.42	1.59	3.51

<sup>(1)</sup> Amounts rounded to nearest thousand.

(Footnotes continued on following page)

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- (2) Includes adjustments for homeowners' property tax relief and certain other property tax receipts not constituting Water Utility System Revenues.
- (3) Interest income includes market value adjustments per GAAP. Fiscal Year 2015-16 includes \$1,040,000 from the release of the guaranteed investment certificate held in the reserve fund for the Water Utility System Refunding Revenue Bonds, Series 2006A (the "2006A Bonds"), in connection with the refunding of 2006A Bonds from a portion of the proceeds of the Water System Refunding Revenue Bonds, Series 2016A.
- (4) Net Transfer In for Fiscal Year 2015-16 includes transfers in of approximately \$14,000,000 for Anderson Dam project from Safe, Clean Water Fund, approximately \$2,400,000 from the Watershed funds for sale of excess property, approximately \$3,200,000 from the Watersheds fund and approximately \$400,000 from the General Fund for the landscape rebate program, approximately \$1,200,000 from the Watershed funds for the open space credit, and approximately \$1,200,000 from the General Fund for the open space credit; offset against transfers out of approximately \$2,600,000 to the general fund for emergency drought response program and approximately \$1,700,000 to the State Water Project fund.
- (5) Net Transfer Out in Fiscal Year 2014-15 amount includes a transfer out of approximately \$13,200,000 to the general fund for the drought emergency response project and a transfer in of approximately \$1,880,000 from the general fund and watershed and stream stewardship fund relating to subsidies provided for agricultural rates and charges.
- (6) Includes rental income, reimbursements relating to the San Felipe Division, and adjustments for unrealized gains and losses on investments to comply with Governmental Accounting Standards Board Statement No. 31.
- (7) Increase in Fiscal Years 2014-15 and 2015-16 as result of supplemental water purchases. See the discussion under "— Fiscal Year 2015-16 Financial Highlights for the Water Enterprise Fund" above.
- (8) Excludes certain capital expenditures. Includes certain adjustments for OPEB costs and accrued compensated absences.
- (9) In February 2016, the District prepaid the outstanding balance of the DWR Loan from proceeds of Commercial Paper Certificates.
- (10) The Parity Master Resolution, adopted by the Board in February 2016, authorized the designation of the Rate Stabilization Fund and Special Purpose Funds. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS — Rate Stabilization Fund" and "— Special Purpose Funds."
- (11) Constitutes interest only on Commercial Paper Certificates. The District has pledged Net Water Utility System Revenues to the payment of TRANs on a subordinate basis to the 2017 Bonds, which TRANs support the Commercial Paper Certificates.

Source: District.

The property taxes levied by the District to pay costs under the SWP Contract are not included in Water Utility System Revenues and the SWP Contract costs are not included in Maintenance and Operations Costs.

### **Projected Operating Results and Debt Service Coverage**

The estimated projected operating results for the Water Utility System for Fiscal Year 2016-17 through Fiscal Year 2020-21 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the estimate of projected financial results of the District based upon the District's judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the chart below are material in the development of the financial projections of the District, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**SANTA CLARA VALLEY WATER DISTRICT**  
**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE**  
**FISCAL YEAR ENDING JUNE 30**  
**(Dollars in Thousands)<sup>(1)</sup>**

	<i>2016-17<sup>(2)</sup></i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>
<b>Water Utility System Revenues</b>					
Groundwater Charges <sup>(2)</sup>	\$ 76,847	\$ 94,431	\$ 115,035	\$ 141,967	\$ 174,931
Treated Water Charges <sup>(3)</sup>	107,824	117,576	129,352	142,508	157,044
Surface and Recycled Water Charges <sup>(4)</sup>	2,218	2,429	2,658	2,910	3,186
Property Taxes <sup>(5)</sup>	6,063	6,495	6,722	6,957	7,201
Investment Income <sup>(6)</sup>	629	735	911	1,230	1,587
Intergovernmental Services	3,428	1,924	1,796	1,815	1,830
Net Transfers In <sup>(7)</sup>	2,601	3,143	4,678	5,075	5,489
Net Transfers Out <sup>(8)</sup>	(3,925)	(9,609)	(1,043)	(4,688)	(3,845)
Other	<u>377</u>	<u>379</u>	<u>386</u>	<u>393</u>	<u>400</u>
Total Revenues	\$ 196,062	\$ 217,503	\$ 260,495	\$ 298,167	\$ 347,823
<b>Maintenance and Operation Costs</b>					
Sources Of Supply <sup>(9)</sup>	\$ 76,364	\$ 65,983	\$ 69,073	\$ 71,661	\$ 73,954
Water Treatment <sup>(10)</sup>	36,454	38,185	39,923	41,316	42,788
Transmission And Distribution <sup>(11)</sup>					
Raw Water	12,661	13,110	14,039	15,341	15,275
Treated Water	1,696	1,637	1,695	2,210	1,865
Administration and General	<u>23,851</u>	<u>26,192</u>	<u>27,270</u>	<u>27,992</u>	<u>29,100</u>
Total Operating Expenses	\$ 151,026	\$ 145,107	\$ 152,000	\$ 158,520	\$ 162,982
<b>Net Water Utility System Revenues</b>	<b>\$ 45,036</b>	<b>\$ 72,396</b>	<b>\$ 108,495</b>	<b>\$ 139,647</b>	<b>\$ 184,841</b>
<b>Debt Service on Senior Obligations</b>					
Series 2006B Bonds	\$ 1,777	\$ 1,781	\$ 1,778	\$ 1,778	\$ 1,781
2007 Installment Purchase Agreement	<u>7,221</u>	<u>2,778</u>	<u>3,306</u>	<u>3,786</u>	<u>3,765</u>
Total Senior Debt Service	\$ 8,998	\$ 4,559	\$ 5,084	\$ 5,564	\$ 5,546
Transfers to (-)/from (+) Rate Stabilization Fund	0	0	0	0	0
Transfers from Special Purpose Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Water Utility System Revenues Available for Parity Obligations Debt Service</b>	<b>\$ 36,038</b>	<b>\$ 67,837</b>	<b>\$ 103,411</b>	<b>\$ 134,083</b>	<b>\$ 179,295</b>
<b>Debt Service on Parity Obligations</b>					
2017 Bonds	--	\$ 4,708	\$ 4,725	\$ 4,718	\$ 4,731
2016 Bonds	\$ 8,545	8,545	8,545	8,545	8,545
2016 Installment Purchase Agreement	3,682	8,332	10,485	10,682	10,689
Future Debt Issuances <sup>(12)</sup>	<u>1,919</u>	<u>4,125</u>	<u>11,502</u>	<u>25,253</u>	<u>51,071</u>
Total Parity Debt Service	<b>\$14,146</b>	<b>\$ 25,710</b>	<b>\$ 35,257</b>	<b>\$ 49,198</b>	<b>\$ 75,036</b>
<b>Parity Obligations Debt Service Coverage</b>	2.55	2.64	2.93	2.73	2.39
<b>Debt Service on Subordinate Obligations</b>					
Commercial Paper <sup>(13)</sup>	\$ 1,553	\$ 4,730	\$ 3,671	\$ 4,909	\$ 5,428
<b>Total Debt Service on Senior, Parity and Subordinate Obligations</b>	<b>\$ 24,697</b>	<b>\$ 34,999</b>	<b>\$ 44,012</b>	<b>\$ 59,671</b>	<b>\$ 86,010</b>
<b>Revenues Remaining for Capital Improvements</b>	\$ 20,339	\$ 37,397	\$ 64,484	\$ 79,976	\$ 98,831
<b>Senior Debt Service Coverage</b>	5.01	15.88	21.34	25.10	33.33
<b>Senior, Parity and Subordinate Obligations Debt Service Coverage</b>	1.82	2.07	2.47	2.34	2.15

<sup>(1)</sup> Amounts rounded to nearest thousand.

(Footnotes continued on following page)

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- (2) Reflects adjusted budget amounts, including a downward adjustment in Groundwater Charges revenues due to a projected reduction in water usage in Fiscal Year 2016-17. Reflects compound annual growth rate of 22.8% per annum between Fiscal Year 2016-17 and Fiscal Year 2020-21.
- (3) Reflects compound annual growth rate of 10% per annum between Fiscal 2016-17 and Fiscal Year 2020-21. Assumes the water rates and charges set forth under the caption "PRIMARY SOURCES OF REVENUES — Water Charges."
- (4) Reflects compound annual growth rate of 9.5% per annum between Fiscal 2016-17 and Fiscal Year 2020-21. Assumes the water rates and charges set forth under the caption "PRIMARY SOURCES OF REVENUES — Water Charges."
- (5) Reflects compound annual growth rate of 4.4% per annum between Fiscal 2016-17 and Fiscal Year 2020-21. See footnote 2 to the Historical Operating Results & Debt Service Coverage table for information with respect to adjustments for homeowners' property tax relief and certain other property tax receipts.
- (6) Reflects projected interest earnings at a rate of 0.75% in Fiscal Year 2016-17 thru 2017-18, 1.0% in Fiscal Year 2018-19, 1.25% in Fiscal Year 2019-20 and 1.5% in Fiscal Year 2020-21. The projected interest earnings do not include any assumptions for market value adjustments.
- (7) Fiscal Years 2016-17 thru 2020-21 include projected transfers in from the Watershed Stream Stewardship Fund and the General Fund for the Open Space Credit, which helps subsidize agricultural water rates.
- (8) Fiscal Years 2016-17 through 2020-21 include projected transfers out for one-time capital costs of approximately \$13.4 million for the new headquarters operations building, and the Winfield Warehouse capital improvements and \$9.3 million in Fiscal Year 2017-18 for the Main/Madrone Pipeline Restoration project.
- (9) Fiscal Year 2017-18 includes \$1.35 million for projected costs related to the CVP portion of the California Water Fix project under the Sources of Supply cost category, which are projected to increase to \$1.86 million by Fiscal Year 2020-21. See the caption "FACTORS AFFECTING WATER SUPPLIES —California Water Policy Framework." Projected costs related to the California Water Fix project are subject to Board approval.
- (10) Reflects compound annual growth rate of 4.1% per annum between Fiscal 2016-17 and Fiscal Year 2020-21.
- (11) Reflects compound annual growth rate of 4.8% for raw water and 2.4% for treated water transmission and distribution per annum between Fiscal 2016-17 and Fiscal Year 2020-21.
- (12) Amounts include projected combination of projected amounts of Commercial Paper Certificates and long-term debt issuances estimated at \$128 million in Fiscal Year 2016-17, \$75 million in Fiscal Year 2017-18, \$91 million in Fiscal Year 2018-19, and \$341 million in Fiscal Year 2019-20; annual debt service calculated assuming an interest rate ranging between 4.4% and 7.0% per annum.
- (13) Interest only on Commercial Paper Certificates at an assumed rate of 2.0% per annum in Fiscal Year 2016-17, 3.5% per annum in Fiscal Year 2017-18, 5.0% per annum in Fiscal Year 2018-19, 6.3% per annum in Fiscal Year 2019-20 and thereafter, on projected outstanding Commercial Paper Certificates balance.

Source: District.

The property taxes levied by the District to pay costs under the SWP Contract are not included in Water Utility System Revenues and the SWP Contract costs are not included in Maintenance and Operations Costs.

## **DISTRICT EMPLOYEE RELATIONS**

### **Bargaining Units**

On August 26, 2014, the Board approved new multi-year memorandum of understanding agreements ("MOU's") between the District and the bargaining units. The agreements became effective on January 1, 2015 and expire on December 31, 2017. The current agreements include across the board salary adjustments of 3.0% in 2015, 2016 and 2017. Under the current MOU's, the District will continue to participate in the California Public Employment Retirement System ("CalPERS"), a cost sharing multiple-employer defined benefit plan operated on a statewide basis. The District's contract with CalPERS includes a three-tier benefit level: (1) benefits at the 2.5% of fiscal year compensation benefit level for every year of service for employees at age 55 ("2.5% @ 55") hired prior to March 19, 2012; (2) benefits at the 2% of fiscal year compensation benefit level for every year of service for employees at age 60 ("2% @ 60") hired on or after March 19, 2012 and before January 1, 2013, and (3) benefits at the 2% of fiscal year compensation benefit level for every year of service for employees at age 62 ("2.0% @ 62") hired on or after January 1, 2013 (See the caption "Employees Retirement Plan – Benefits Provided" below). During the term of the current MOU's: (1) employees participating in the 2.5% @ 55 tier will pay 50% of the normal cost as determined by CalPERS, with a minimum contribution of 8% and a maximum of 11%; (2) employees participating in the 2.0% @ 60

tier will pay 50% of the normal cost as determined by CalPERS, with a minimum contribution of 7% and a maximum of 10%; and (3) employees participating in the 2% @ 62 tier will pay 50% of the normal cost as determined by CalPERS, which is currently 6.75%. The foregoing deductions will be pre-tax.

Employees are eligible for the following retiree medical coverage: (1) employee hired on or after July 1, 1988 and prior to March 1, 2007 is eligible for (a) medical coverage for the employee with a minimum of 10 years (20,800 hours) of continuous District service, and (b) medical coverage for the employee plus one eligible dependent with a minimum of 15 years (31,200 hours) of continuous District service; and (2) employee hired on or after March 1, 2007 is eligible for (a) medical coverage for the employee with 15 years (31,200 hours) of continuous District service, and (b) medical coverage for the employee plus one eligible dependent with 20 years (41,600 hours) or more years of continuous District service.

### **Employees' Retirement Plan**

All qualified permanent and probationary employees are eligible to participate in the agent multiple-employer defined benefit pension plan (the "Plan") administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (<https://www.calpers.ca.gov/>).

**Benefits Provided.** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of CalPERS credited service, the member's benefit formula, age and average final compensation. Members with five years of total service are eligible to retire at age 50 (if enrolled in the 2.5% @ 55 or 2% @ 60 benefit formulas) or age 52 (if enrolled in the 2% @ 62 benefit formula) with statutorily reduced benefits for those members enrolled in the 2.5% @ 55 and 2.0% @ 60 retirement formulas. Members enrolled in the 2.0% @ 62 formula are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of CalPERS service credit. The death benefits are based on the members' eligibility to retire and consist of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit and the 1959 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

<i>Hire Date</i>	<i>Prior to 3/19/2012</i>	<i>3/19/2012 to 12/31/2012</i>	<i>On or After 1/1/2013</i>
Benefit formula	2.5% @ 55 (Classic CalPERS Members – Tier 1)	2% @ 60 (Classic CalPERS Members – Tier 2)	2% @ 62 (New-PEPRA-CalPERS Members – Tier 3)
Benefit vesting schedule	5 years' service	5 years' service	5 years' service
Benefit payments	monthly	monthly	monthly
Minimum Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation <sup>(1)</sup>	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0% + 1.09%*	7.0% + 2.09%*	6.75%
Required employer contribution rates <sup>(2)</sup>	21.147%	21.147 %	21.147%

\* Member additional contribution towards District's CalPERS cost in effect at June 30, 2016; See the caption "— Bargaining Units" above for a description of the maximum employee contributions per negotiated agreement with the bargaining units.

(1) With respect to the 2% @ 60 and 2% @ 62 benefit formulas, the monthly benefits earned as a percentage of eligible compensation increases at a rate set by CalPERS for each quarter worked beyond age 60. Members who first entered into CalPERS membership prior to January 1, 2013 and have less than a six (6) month cap between a CalPERS/Reciprocal employer are deemed "Classic" members. Members who first entered into CalPERS membership on or after January 1, 2013 or have more than a six (6) month cap between a CalPERS/Reciprocal employer are deemed "New-PEPRA" members.

(2) In August 2016, CalPERS released the actuarial valuation report of the District's pension plan as of June 30, 2015. The report includes projections of employer rates for Fiscal Years 2016-17 and 2017-18, which are 22.416% and 23.623%, respectively. See "— Contributions"

**Employees Covered.** At July 1, 2016, the following number of employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	444
Active employees	718

**Contributions.** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The table below provides a recent history of the required employer contributions for the Plan, as determined by the annual actuarial valuation, as well as the requirement employer contributions for Fiscal Years 2016-17 and 2017-18. The information below does not account for prepayments or benefit changes made during a fiscal year.

<i>Fiscal Year</i>	<i>Employer Normal Cost</i>	<i>Unfunded Rate</i>	<i>Total</i>
2012-13	9.798%	6.896%	16.694%
2013-14	10.251	7.498	17.749
2014-15	10.152	9.480	19.632
2015-16	10.197	10.950	21.147
2016-17	10.249	12.167	22.416
2017-18 <sup>(1)</sup>	9.985	13.638	23.623

<sup>(1)</sup> Beginning with Fiscal Year 2017-18, CalPERS will collect employer contributions toward the unfunded accrued liability as dollar amounts instead of a contribution rate. The District's estimated employer contribution for its unfunded liability in Fiscal Year 2017-18 is estimated to be \$11,525,929, which is approximately 13.638% of projected payroll.

Source: Miscellaneous Plan of the Santa Clara Valley Water District Annual Valuation Report as of June 30, 2015.

**Net Pension Liability.** The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The available net pension liability of the Plans was most recently measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions.** The total pension liabilities in the June 30, 2014 and June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2014	June 30, 2015
Measurement date	June 30, 2015	N/A <sup>(1)</sup>
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Discount rate	7.65% <sup>(2)</sup>	7.65% <sup>(2)</sup>
Inflation	2.75%	2.75%
Salary increases	Varies by entry age and service	Varies by entry age and service
Investment rate of return <sup>(3)</sup>	7.5%	7.5%
Mortality rate table <sup>(4)</sup>	Derived using CalPERS' membership data for all funds	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% unit purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.	Contract COLA up to 2.75% unit purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

<sup>(1)</sup> Measurement date pending Fiscal Year 2016-17 GASB 68 accounting valuation report, to be available by June 2017.

<sup>(2)</sup> The discount rate, net of pension plan investment expenses (including inflation), is 7.5%.

<sup>(3)</sup> Net of pension plan investment expenses, including inflation. In December 2016, CalPERS' board voted to reduce the assumed investment rate of return to 7% by 2020. See the caption "— Discount Rate" below.

<sup>(4)</sup> The mortality rate table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuarial Scale BB.

Source: Miscellaneous Plan of the Santa Clara Valley Water District Annual Valuation Report as of June 30, 2015 and as of June 30, 2014.

## Discount Rate

**General.** CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. In December 2016, CalPERS' board approved reductions in the assumed investment rate of return (also referred to as the discount rate) in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. Such reductions in the discount rate are expected to increase the District's required employer contributions as well as the District's unfunded accrued pension liability. See the caption "— Sensitivity of the Net Pension Liability to Changes in the Discount Rate" for the estimated effect of changes in the discount rate to the District's net pension liability.

The District does not expect such reductions in CalPERS' assumed discount rate and increases in its required payments CalPERS' which may result therefrom to have a material adverse impact on its ability to pay debt service on the 2017 Bonds. CalPERS may adjust the discount rate in the future, which adjustments will require action by CalPERS' board and proper stakeholder outreach.

**Changes in the Net Pension Liability.** The following table shows the changes in net pension liability recognized over the measurement period.

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability (c) = (a) – (b)</i>
Balance at 6/30/2015 <sup>(1)</sup>	\$ 657,757,127	\$ 508,241,424	\$ 149,515,703
Changes Recognized for the Measurement Period:			
Service Cost	13,735,953	--	13,735,953
Interest on Total Pension Liability	48,842,236	--	48,842,236
Different between Expected and Actual Experience	(184,479)	--	(184,479)
Changes of Assumptions	(12,079,891)	--	(12,079,891)
Contribution from Employer	--	15,157,939	(15,157,939)
Contribution from Employees	--	6,242,234	(6,242,234)
Net Investment Income	--	11,478,076	(11,478,076)
Benefit Payments, including Refunds of Employee Contribution	(27,800,233)	(27,800,232)	--
Administrative Expense	--	(566,550)	566,550
Net Changes During 2015-16	<u>22,513,586</u>	<u>4,511,466</u>	<u>18,002,120</u>
Balance at 6/30/2016 <sup>(1)</sup>	\$ 680,270,713	\$ 512,752,890	\$ 167,517,823

<sup>(1)</sup> The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the net pension liability of the District, calculated using the current discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<i>Discount Rate – 1% 6.65%</i>	<i>Current Discount 7.65%</i>	<i>Current Discount + 1% 8.65%</i>
Plan Net Pension Liability/(Assets)	\$259,734,951	\$167,517,823	\$91,158,808

Source: Santa Clara Valley Water District.

**Funding History.** The following table sets forth the schedule of funding progress in connection with the District's Plan.

<i>Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Actuarial Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
6/30/11	\$528,826,584	\$384,834,976	\$143,991,608	72.8%	\$80,604,447
6/30/12	565,851,333	384,890,385	180,960,948	68.0	76,988,604
6/30/13	595,102,821	433,484,413	161,618,408	72.8	75,617,324
6/30/14	657,572,648	507,409,049	150,163,599	77.2	75,737,603
6/30/15	689,570,070	511,968,421	177,601,649	74.2	77,343,360

Source: Miscellaneous Plan of the Santa Clara Valley Water District Annual Valuation Report as of June 30, 2015.



**Pension Plan Fiduciary Net Position.** Detailed information about the District's pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

**Pension Expenses and Deferred Outflow/Inflow of Resources.** For the year ended June 30, 2016, the District recognized pension expense of \$11,900,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
Pension contribution subsequent to measurement date	\$ 16,532,182	--
Change of assumptions		\$ (8,900,972)
Difference between actual and expected experience		(135,932)
Net differences between projected and actual earnings on plan investments	--	(4,369,267)
<b>Total</b>	<b>\$ 16,532,182</b>	<b>\$(13,406,171)</b>

Source: Santa Clara Valley Water District.

Approximately \$16,500,000 is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Measurement Period</i>	<i>Deferred Outflows/(Inflows) of Resources</i>
2015-16	\$ (6,484,114)
2016-17	(6,484,114)
2017-18	(5,838,619)
2018-19	<u>5,400,676</u>
<b>Total</b>	<b>\$ (13,406,171)</b>

Source: Santa Clara Valley Water District.

**Payable to the Pension Plan.** At June 30, 2016, the District reported a payable of \$167,500,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

For more information with respect to the District's Plan, see Note 11 to the District's audited financial statements attached hereto as Appendix A.

**Post-Employment Benefits.** The District provides post-employment health care benefits, in accordance with the negotiated MOUs with employee groups adopted by the Board for retired employees and/or their surviving dependents who meet the eligibility requirements and elect the option. As of June 30, 2016, there were 444 retirees and surviving dependents receiving such benefits.

The Governmental Accounting Standards Board published Statement No. 45 ("GASB 45"), requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions.

The District participates in the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund. On June 24, 2008, the Board approved the reallocation of \$17.7 million from its existing reserves for the initial prefunding of the unfunded liability as part of its multi-year financial planning strategy. Subsequent years' funding, pursuant to the annual budget approved by the Board,

would be phased in to gradually reach full funding of the ARC (as defined below) in order to limit its immediate impact on groundwater charge increases and the funding of core services within limited available revenues.

The District's annual OPEB cost is calculated based on the ARC of the employer, and the amount actuarially determined in accordance with the parameters of GASB No. 45. The annual required contribution ("ARC") represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The District expects to fund 100% of the ARC in Fiscal Year 2016-17.

The following table shows the components of the District's annual OPEB cost for Fiscal Year 2015-16, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan

Annual required contribution		\$ 10,311,304
Interest on net OPEB obligation		20,229
Adjustment to annual required contribution		<u>(18,991)</u>
Annual OPEB cost (expense)		10,312,542
Contributions made- Fiscal Year 2015-16 cost	\$ (10,312,542)	
Contributions made- Prior years' unfunded ARC	<u>(396,229)</u>	
Total Contributions made in Fiscal Year 2015-16		<u>(10,708,771)</u>
Increase (decrease) in Net OPEB obligations		(396,229)
Net OPEB obligation, June 30, 2015		<u>277,872</u>
Net OPEB obligation, June 30, 2016		\$ (118,357)

Source: Santa Clara Valley Water District.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the Fiscal Year ended June 30, 2014 through 2016 are summarized in the table below.

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
6/30/2014	\$11,174,939	149.30%	\$1,556,814
6/30/2015	11,122,509	111.50	277,872
6/30/2016	10,312,542	103.84	(118,357)

Source: Santa Clara Valley Water District.

As of July 1, 2015, the latest valuation date, the estimated funded status of the OPEB plan was as follows.

Actuarial accrued liability (AAL)	\$ 186,660,555
Actuarial value of plan assets	80,783,751
Unfunded actuarial accrued liability (UAAL)	105,876,804
Funded ratio (actuarial value of plan assets/AAL)	43.28%
Covered payroll	86,172,345
UAAL as a percentage of covered payroll	122.87%

Source: Santa Clara Valley Water District.

The July 1, 2015 actuarial valuation used the Entry Age Normal (EAN) cost method. The actuarial assumptions included a discount rate of 7.28% and a 3.25% inflation rate. Healthcare cost trend rates ranged from an initial rate range of 7% to 4.5%. The unfunded liability is being amortized as a percent of payroll over 30 years on a closed basis. The remaining years in the amortization period at June 30, 2016 was 22 years.

For more information with respect to the District's OPEB, see Note 12 to the District's audited financial statements attached hereto as Appendix A.

***Other Benefits.*** The District provides employer-paid benefits as follows: medical, dental, vision, basic life, and basic long-term disability. Employees may also purchase supplemental life, supplemental long-term disability, and accidental death and dismemberment.

The District has established a deferred compensation plan for employees wishing to defer part of their salaries. Under certain conditions, the District makes matching contributions. In the Fiscal Year ended June 30, 2016, the District contributed \$865,000 to the deferred compensation plan.

## **LITIGATION**

### **General**

No litigation is pending or, to the knowledge of the District, threatened, in any way questioning or affecting the validity or enforceability of the Senior Master Resolution, the Parity Master Resolution, the 2017 Bonds, the Certificates or the Indenture. Neither the creation, organization or existence of the District, nor the title of the present directors or officers of the District to their respective office is being contested. While the District has certain other ongoing litigation with respect to the Water Utility System, District Counsel does not believe such litigation is material to the finances or operation of the Water Utility System, except as described below under the caption "—Great Oaks Matter."

The District is engaged in routine litigation incidental to the conduct of its business. In the opinion of the District's District Counsel, the aggregate amounts recoverable against the District, taking into account insurance coverage, are not material.

### **Great Oaks Matter**

As a public entity and due to its size and its activities, at virtually all times, the District is a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. Such a case is Great Oaks Water Company v. Santa Clara Valley Water District, Santa Clara County Superior Court Case No. 105-CV-053142; Cal. Court of Appeals Nos. HO35260 and HO35885 (the "Great Oaks Case").

In 2005, Great Oaks Water Company (hereinafter "Great Oaks") filed an administrative claim alleging that the groundwater charges for 2005-06 violated the Law and sought a partial refund. After the claim was deemed denied, Great Oaks filed its lawsuit that subsequently included an allegation that the groundwater production charges violated Proposition 218, or Article XIII D of the state constitution because proceeds are used to fund projects and services that benefit the general public, not just ratepayers. Great Oaks demanded a partial refund as well as declaratory, injunctive and mandamus relief.

On February 3, 2010, the Honorable Kevin Murphy issued Judgment After Trial and decided that the District owes Great Oaks a refund of groundwater charges in the amount of \$4,623,096 plus interest at 7% per annum. The award of pre-judgment interest as of December 1, 2009, amounted to \$1,285,524. Judge Murphy also awarded post-judgment interest at the rate of \$886.62 per day until the date of the entry of judgment. Judge Murphy also decided that the District owes Great Oaks damages in the amount of \$1,306,830. Recovery of this damages amount is in the alternative to the award of refund described above. The District appealed this decision to the Sixth District Court of Appeals.

During the pendency of the appeal, in accordance with the requirements of GASB Statement No. 62, the District has recorded a liability in the amount of \$5,930,000, which includes the Judgment After Trial decision amount plus interest in fiscal year 2008-09. The District recorded \$160,000 in Fiscal Year 2009-

10, \$324,000 in Fiscal Year 2010-11, \$325,000 in Fiscal Year 2011-12, and \$324,000 in Fiscal Years 2012-13 and 2013-14 as liability for the post-judgment interest from January 1, 2010 through June 30, 2014 at the rate of \$886.62 per day. The total liability as of June 30, 2016 in the amount of \$7,386,000 is presented under the caption "Litigation Claim" in the Statement of Net position – Proprietary Funds in the District's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016.

On March 26, 2015, the California Court of Appeal for the Sixth Appellate District ("Court of Appeal") reversed in full the judgment of the trial court in the Great Oaks case. The Court of Appeal found that under Proposition 218 the District's groundwater charge is a "property-related fee," but also a fee for water service excepted from the voter ratification requirement. The Court of Appeal also found that the trial court erred when it found that the 2005-06 groundwater charges failed to satisfy the applicable procedural requirements. The Court of Appeal also reversed the trial court's finding that the District had failed to comply with the Law in setting the groundwater fee. The effect of the Court of Appeals decision is to reverse the refund the trial court had ordered the District to pay to Great Oaks, as well as reverse the awards of damages, pre-judgment interest, and certain other amounts. The Court of Appeal remanded the case to the trial court for proceedings consistent with its decision.

On April 10, 2015, the District and Great Oaks each filed their separate petitions for rehearing with the Court of Appeal, which were granted on April 24, 2015. On August 12, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case, leaving intact the substantive findings from its prior opinion. On August 27, 2015, Great Oaks again filed its petition for rehearing. On September 10, 2015, the Court of Appeal, without requiring any reply by the District, granted Great Oaks petition for rehearing. On December 8, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case.

Great Oaks has filed refund actions for subsequent years of annual groundwater charges, all of which are currently stayed (Santa Clara Superior Court Case Nos. 107-CV-087884; 108-CV-119465; 108-CV-123064; 109-CV-146018; 110-CV-178947; 111-CV-205462; 112-CV-228340; 113-CV-249349; 115-CV-281385; and 16-CV-292097).

Similar to the Great Oaks Case, Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa Golf Club have filed a refund action, Santa Clara Superior Court under Case No. 111-CV-195879. This action is currently stayed.

Other water retailers including San Jose Water Company, the cities of Morgan Hill, Gilroy and Santa Clara and the Los Altos Golf and Country Club, and Stanford University dispute the District's groundwater charges and have subsequently entered into tolling agreements with the District pending the final decision in the Great Oaks Case.

The District filed its petition for review in the California Supreme Court on January 19, 2016, and on March 23, 2016 review was granted. The District cannot predict the nature or extent of proceedings on remand, if any, at this time.

The District is currently reviewing its estimates of potential liability with respect to this case as well as other cases filed by Great Oaks and other plaintiffs or potential claimants which have either been stayed or are subject to tolling agreements. The District expects to update such estimates in connection with the preparation of its audited financial statements for the fiscal year ending June 30, 2017.

## CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

### Article XIII B

An initiative constitutional amendment entitled Limitations on Government Appropriations was approved by California voters on November 6, 1979. Under the amendment which added Article XIII B to the California Constitution ("Article XIII B"), State and local government agencies are subject to an annual limitation on certain appropriations. Appropriations subject to limitation consist of "tax revenues," State subventions and certain other funds (together herein referred to as "proceeds of taxes"). Article XIII B does not affect the appropriation of money excluded from the definition of "appropriations subject to limitation," such as debt service on indebtedness existing or authorized before January 1, 1979 or subsequently authorized by the voters and appropriations mandated by any court having proper jurisdiction. Article XIII B also excludes from limitation the appropriation of proceeds from regulatory licenses, user charges or other fees to the extent such proceeds equal "the costs reasonably borne by such entity in providing the regulations, product or service."

In general terms, Article XIII B provides that the appropriations limit will be based on certain 1978-79 expenditures and will be adjusted annually to reflect changes in cost of living, population and transfer of financial responsibility of providing services from one governmental unit to another. Article XIII B also provides that if an agency's revenues in any year exceed the amount which is appropriated by such agency in compliance with the provisions of Article XIII B, the excess must be returned during the next two fiscal years by revising tax rates or fee schedules. The District's revenues do not exceed any applicable appropriations limit.

### Proposition 218

**General.** An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

**Article XIII D.** Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed. The agency must then conduct a public hearing on the proposed fee or charge not less than 45 days from the notice. At the hearing, the agency must consider any protests from anticipated payers, and the proposed fee or charge may not be imposed or increased if written protests against it are filed by a majority of owners of the identified parcels. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest. Within 45 days of the public hearing, the agency must also hold an election and may not impose a new fee or charge, or increase an existing fee or charge, unless it is approved by a majority of the property owners subject to the fee or charge, or at the option of the agency, two-thirds vote of the electorate in the affected area. Under Article XIII D, however, majority approval by the property owners and the election requirement do not apply to fees or charges for sewer, water or refuse-collection services.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Second District Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for metered water, which had been held to be commodity charges related to consumption of the service, not property ownership. In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District* (S105078) upheld a Third District Court of Appeal decision that water connection fees were not property-related fees or charges subject to Article XIID while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in *Bighorn-Desert View Water Agency v. Beringson*, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard Jarvis Taxpayers Association v. City of Los Angeles* and rejected the Supreme Court's dicta in *Richmond et al. v. Shasta Community Services District*. On March 23, 2005, the California Fifth District Court of Appeal held in *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal. App. 4th 914 (2005) that an "in lieu" fee which is payable to the City of Fresno's general fund from its water utility and which is included in the city's water rate structure was invalid. In reaching its decision, the court concluded that the city's water rates were "property related" fees, governed by the limitations of Article XIID. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006 the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. The Court restated the dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing domestic water service through an existing connection were property related fees and charges under Article XIID.

The District and District counsel do not believe the District's wholesale water rates charged under its contracts with retail agencies are subject to the substantive and procedural requirements of Article XIID. For a discussion of litigation with respect to the application of Article XIID to the District's groundwater charges, see the caption "LITIGATION — Great Oaks Matter."

**Article XIIC.** Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms "local tax," "assignment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIIC included rates and fees charged for domestic water use. The Supreme Court noted, however, that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations of the public agency involved in the litigation. The District and its District Counsel do not believe that Article XIIC grants to the voters within the jurisdiction of the District the power to repeal or reduce wholesale rates and charges or groundwater charges in a manner which would be inconsistent with the statutory or contractual obligations of the legislative body of District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2017 Bonds. Remedies available to beneficial owners of the 2017 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2017 Bonds are subject to bankruptcy, insolvency, reorganization,

moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinions of Bond Counsel (the form of which is attached as Appendix E), will be similarly qualified.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

If the District groundwater charges are ultimately determined to be charges for property-related services, they will be governed by Article XIII D, and Proposition 26 will not apply. If, however, the District's charges are found not to be charges for property-related services, Proposition 26 may limit any groundwater charges found to have been imposed after November 2, 2010. The District believes that it did not "impose" any groundwater charge after November 2, 2010, as such term is used in Proposition 26. Moreover, the District believes that all groundwater charge rates adopted after November 2, 2010, satisfy the substantive limitations of Proposition 26. See the caption "— Proposition 218" above.

### **Future Initiatives**

Articles XIII B, XIII C and XIII D were adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

## **CERTAIN LIMITATIONS ON RIGHTS AND OBLIGATIONS**

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2017 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinions of Bond Counsel (the form of which is attached as Appendix E), will be similarly qualified.

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2017 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2017 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the 2017 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2017 Bonds to assure that interest on the 2017 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2017 Bonds. The District has covenanted to comply with all such requirements.

The amount by which a 2017 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2017 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2017 Bond Owner's basis in the applicable 2017 Bond (and the amount of tax-exempt interest received with respect to the 2017 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2017 Bond Owner realizing a taxable gain when a 2017 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2017 Bond to the Owner. Purchasers of the 2017 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2017 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2017 Bonds might be affected as a result of such an audit of the 2017 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2017 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2017 Bonds constituting interest or the market values of the 2017 Bonds.

It is possible that subsequent to the issuance of the 2017 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2017 Bonds or the market value of the 2017 Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the 2017 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2017 Bonds. No assurance can be given that subsequent to the issuance of the 2017 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2017 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2017 Bonds.



Bond Counsel's opinion with respect to the 2017 Bonds, respectively, may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2017 Bond constituting interest if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel have rendered opinions that interest on the 2017 Bonds constituting interest, respectively, are excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2017 Bonds and the accrual or receipt of interest on the 2017 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2017 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2017 Bonds.

## **RATINGS**

The District expects that Moody's Investors Service, Inc. ("Moody's") will assign the 2017 Bonds the rating of "\_\_\_\_" (\_\_\_\_ outlook) and that Fitch Ratings, Inc. ("Fitch") will assign the 2017 Bonds the rating of "\_\_\_\_" (\_\_\_\_ outlook). There is no assurance that any credit rating given to the 2017 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by Moody's and Fitch if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2017 Bonds. Such ratings reflect only the views of Moody's and Fitch, as the case may be, and an explanation of the significance of such ratings may be obtained from Moody's and Fitch, as the case may be. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

In providing a rating on the 2017 Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Parity Master Resolution. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

The District has covenanted in a Continuing Disclosure Agreement for the 2017 Bonds to file on EMMA, notices of any ratings changes on the 2017 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and Appendix F. Notwithstanding such covenant, information relating to ratings changes on the 2017 Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2017 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2017 Bonds after the initial issuance of the 2017 Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The District has covenanted in a Continuing Disclosure Agreement for the benefit of the holders and beneficial owners of the 2017 Bonds to provide certain financial information and operating data relating to the District by not later than each April 1, commencing April 1, 2018, to provide notices of the occurrence of certain enumerated events, and to provide notices of the occurrence of certain other enumerated events, if material. The Annual Reports and the notices of enumerated events will be filed by the District with the

Municipal Securities Rulemaking Board's Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report and the notice of material events with respect to the 2017 Bonds are set forth in Appendix F—"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Purchaser in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

Over the past five years, the District has been subject to obligations under various continuing disclosure certificates, including but not limited to the Refunding and Improvement Certificates of Participation Series 2003A, the 2006A Bonds, the 2006B Bonds, the 2007A Certificates, the 2007B Certificates, the 2016 Bonds, the 2016 Certificates and the Refunding and Improvement Certificates of Participation, Series 2004A, Refunding and Improvement Certificates of Participation, Series 2007A, and the Refunding and Improvement Certificates of Participation, Series 2012A executed and delivered to finance and refinance facilities of the District's Flood Control System (collectively, the "Prior Continuing Disclosure Undertakings"). Pursuant to the Prior Continuing Disclosure Undertakings, the District agreed to file its audited financial reports, certain operating data with respect to the Water Utility System and Flood Control System, as well as notices of certain enumerated events, if material.

The District believes that it is in compliance in all material respects with the Prior Continuing Disclosure Undertakings.

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the District's Debt Management Policy was updated to include disclosure procedures effective March 1, 2016 (the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the Treasury/Debt Officer is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the Disclosure Procedures has been provided to the Purchaser and is available from the Treasury/Debt Officer of the District at 5750 Almaden Expressway, San Jose, California Telephone: (408) 265-2600.

## **PURCHASE AND REOFFERING**

The 2017 Bonds were purchased at a competitive sale on \_\_\_\_\_, 2017 by \_\_\_\_\_, (the "Purchaser"), for an aggregate purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the 2017 Bonds plus a net original issue premium of \$\_\_\_\_\_ and less a Purchaser's discount of \$\_\_\_\_\_). The Notice of Sale provides that the Purchaser will purchase all of the 2017 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions in the Notice of Sale, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the cover of this Official Statement may be changed from time to time by the Purchaser. The Purchaser may offer and sell the 2017 Bonds to certain dealers (including dealers depositing the 2017 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Purchaser and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Purchaser and its affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the various course of their various business activities, the Purchaser and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Purchaser and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or

express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments

### **MUNICIPAL ADVISOR**

The District has retained Public Resources Advisory Group, Los Angeles, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2017 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Resources Advisory Group is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Municipal Advisor for the 2017 Bonds is contingent upon the issuance thereof.

### **CERTAIN LEGAL MATTERS**

Bond Counsel will render an opinion with respect to the 2017 Bonds substantially in the form set forth in Appendix E hereto. A copy of such opinion will be furnished to the Purchaser at the time of delivery of the 2017 Bonds. Certain legal matters will be passed upon for the District by Counsel to the District, Stan Yamamoto, Esq. and for the Trustee by its counsel. The payment of the fees of Bond Counsel is contingent upon the issuance of the 2017 Bonds. Bond Counsel expresses no opinion to the owners of the 2017 Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2017 Bonds and expressly disclaims any duty to advise the Owners of the 2017 Bonds as to matters related to this Official Statement.

Bond Counsel represents the District in connection with the issuance of the 2017 Bonds. Bond Counsel may represent the Purchaser from time-to-time on other financings and matters unrelated to the District or the 2017 Bonds. Bond Counsel does not represent the Purchaser or any other party with respect to the issuance of the 2017 Bonds other than the District.

### **MISCELLANEOUS**

This Official Statement has been duly approved, executed and delivered by the District. Copies of this Official Statement may be obtained from the Treasury/Debt Officer of the District at the address indicated on the inside cover page of this Official Statement.

The general purpose financial statements of the District, a summary of the principal legal documents related to the 2017 Bonds, information with respect to the book-entry only system relating to the 2017 Bonds, the form of opinion of Bond Counsel and the form of the proposed Continuing Disclosure Agreement are attached hereto as Appendices. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

The delivery of this Official Statement, including the Appendices and other information herein, has been duly authorized by the District.

**SANTA CLARA VALLEY WATER DISTRICT**

By: \_\_\_\_\_  
Interim Chief Executive Officer

Attest:

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Clerk of the Board of Directors

**APPENDIX A**  
**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

## **APPENDIX B**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS WITH RESPECT TO PARITY OBLIGATIONS**

*The following is a summary of certain provisions of the Parity Master Resolution and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.*

## **APPENDIX C**

### **SUMMARY OF SENIOR MASTER RESOLUTION**

*The following is a summary of certain provisions of the Senior Master Resolution which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Master Senior Resolution for a full and complete statement of the provisions thereof.*

## APPENDIX D

### BOOK-ENTRY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2017 Bonds (the "Obligations"), payment of principal, premium, if any, accreted value, if any, and interest on the Obligations to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Obligations and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation will be issued for each annual maturity of the Obligations, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no



knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligations documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

An Obligation Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to the Trustee. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE OBLIGATIONS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE OBLIGATIONS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## APPENDIX E

### FORM OF BOND COUNSEL OPINION

*Upon issuance of the 2017 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Closing Date]

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, California 95118

Re:     \$\_\_\_\_\_ Santa Clara Valley Water District Water System Refunding Revenue Bonds,  
          Series 2017A

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Santa Clara Valley Water District (the “District”) relative to the issuance of the \$\_\_\_\_\_ Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the “Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds are being issued in accordance with Resolution No. 16-10 adopted on February 23, 2016 by the Board of Directors of the District and an Indenture of Trust, dated as of March 1, 2017 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds mature on the dates and in the amounts referenced in the Indenture. The Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1.       The proceedings of the District show lawful authority for the issuance and sale of the Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2.       The obligation of the District to make the payments of principal of and interest on the Bonds from Net Water Utility System Revenues (as defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3.       Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an

adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## **APPENDIX F**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

*Upon issuance of the 2017 Bonds, the District proposes to enter into a Continuing Disclosure Agreement in substantially the following form:*

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## CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT dated \_\_\_\_\_, 2017 (the “Disclosure Agreement”) is executed and delivered by the Santa Clara Valley Water District (the “District”) and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 16-10 adopted by the Board of Directors of the District on February 23, 2016, as amended to the date hereof (the “Resolution”), Resolution No. \_\_\_\_ adopted by the Board of Directors of the District on March 14, 2017, and an Indenture of Trust, dated as of March 1, 2017, by and between the District and U.S. Bank National Association, as trustee (the “Indenture”). The District and Dissemination Agent, covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and U.S. Bank National Association, as Dissemination Agent, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture and the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Official Statement” shall mean the Official Statement relating to the Bonds dated \_\_\_\_\_, 2017.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each April 1, commencing with the report due on April 1, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) Not later than fifteen (15) Business Days prior to said due date each Annual Report, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send, or cause to be sent, a notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository, if any; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) If not included in the audited financial statements, any change of the financial information and operating data with respect to the District, for only the most recent fiscal year of the District then ended, as described in the following tables in the Official Statement:

(i) DEBT STRUCTURE OF THE DISTRICT — Schedule of Long-Term Indebtedness;



(ii) WATER UTILITY SYSTEM — Historical Water Rates (Dollars (\$) per Acre-Foot);

(iii) WATER UTILITY SYSTEM — Historic Sales Revenues; and

(iv) FINANCIAL INFORMATION OF THE DISTRICT — Santa Clara Valley Water District Historical Operating Results & Debt Service Coverage; provided however if such operating results and debt service coverage can be derived from the audited financial statements required to be filed in 4(a) above, failure to file a separate table under this section 4(b) shall not constitute a default hereunder.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been

assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file, or cause to be filed, a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(8) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with the Repository.

**SECTION 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give, or cause to be given, notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days' written notice to the District; provided, however, that such resignation will not become effective until the District has secured a successor Dissemination Agent in accordance with the terms of this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Owners or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. Notwithstanding the foregoing, no action may be undertaken by Owners or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of a Owners or Beneficial Owner of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

No Owners or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their

status as Owners or Beneficial Owners and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied duties or obligations shall be read into this Disclosure Agreement against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees provided to the District and all expenses, legal fees and costs of the Dissemination Agent made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent has no power to enforce the nonperformance on the part of the District.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2017

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: SANTA CLARA VALLEY WATER DISTRICT

Name of Obligations: SANTA CLARA VALLEY WATER DISTRICT WATER SYSTEM  
REFUNDING REVENUE BONDS, SERIES 2017A

Date of Issuance: \_\_\_\_\_, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement executed by the District on the date of execution and delivery of the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SANTA CLARA VALLEY WATER DISTRICT

By: [no signature required; form only]

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## ESCROW AGREEMENT (SERIES 2007A)

THIS ESCROW AGREEMENT (SERIES 2007A), dated as of March 1, 2017 (the "Agreement"), by and between the Santa Clara Valley Water District (the "District") and U.S. Bank National Association, Los Angeles, California, as escrow agent (the "Escrow Agent"), is entered into in accordance with Resolution No. 16-10 adopted on February 23, 2016 by the Board of Directors of the District, as amended to the date hereof (the "Resolution"), Resolution No. \_\_\_\_ adopted by the Board of Directors of the District on March 14, 2017, the Indenture of Trust dated as of March 1, 2017 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee"), and the Trust Agreement dated as of September 1, 2007 (the "2007A Trust Agreement"), by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "2007A Trustee"), to refund the District's outstanding Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2007A (the "2007A Certificates").

### WITNESSETH:

WHEREAS, the District previously authorized the execution and delivery of the 2007A Certificates pursuant to the 2007A Trust Agreement;

WHEREAS, the District has determined that a portion of the proceeds of the \$\_\_\_\_\_ aggregate principal amount of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the "Bonds") issued pursuant to the Resolution and the Indenture, will be used to provide the funds to pay on June 1, 2017, the regularly scheduled payments of interest and principal with respect to the 2007A Certificates, and to prepay on June 1, 2017 the principal with respect to the 2007A Certificates maturing on and after June 1, 2018, without premium (the "Prepayment Price"); and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2007A Trust Agreement), which moneys will be used to purchase securities as described on Schedule A hereto (the "Federal Securities"), which Federal Securities satisfy the criteria set forth in Section 10.01 of the 2007A Trust Agreement, provided the principal of and the interest on which when paid will provide money which, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, will be fully sufficient to pay and discharge the 2007A Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The Escrow Agent hereby acknowledges receipt of \$\_\_\_\_\_ from the Trustee from a portion of the net proceeds of the sale of the Bonds. The District hereby instructs the Escrow Agent to deposit the foregoing amount into the Escrow Fund established hereunder.

The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the "Escrow Fund" and to be applied solely as provided in this Agreement. The District

represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto, and to hold \$\_\_\_\_\_ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of \_\_\_\_\_ (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amount and at such time as, together with cash on deposit in the Escrow Fund, will be sufficient to pay the regularly scheduled payment of interest and principal with respect to the 2007A Certificates on June 1, 2017 and to pay on June 1, 2017 the Prepayment Price of the 2007A Certificates maturing on and after June 1, 2018.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay the regularly scheduled payment of interest and principal with respect to the 2007A Certificates on June 1, 2017, and to pay on June 1, 2017 the Prepayment Price of the 2007A Certificates maturing on and after June 1, 2018, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2007A Trust Agreement) or interest on the Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which is not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the 2007A Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the 2007A Certificates and that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2007A Trust Agreement) or interest with respect to the Bonds; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in



said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay the regularly scheduled payment of interest and principal with respect to the 2007A Certificates on June 1, 2017, and to pay on June 1, 2017 the Prepayment Price of the 2007A Certificates maturing on and after June 1, 2018. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of 2007A Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall on June 1, 2017, apply the amounts on deposit in the Escrow Fund to pay the regularly scheduled payment of interest and principal with respect to the 2007A Certificates, and to pay on June 1, 2017 the Prepayment Price of the 2007A Certificates maturing on and after June 1, 2018.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 3.04 and 10.01 of the 2007A Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent to give notice of prepayment and a notice of defeasance of the 2007A Certificates in accordance with Sections 3.04 and 10.01, respectively, of the 2007A Trust Agreement, as required to provide for the prepayment of the 2007A Certificates maturing on and after June 1, 2018 in accordance with this Section 5. The District further instructs the Escrow Agent to provide such notices of defeasance and prepayment to National Public Finance Guarantee Corporation, as the current insurer of the 2007A Certificates, in accordance with Section 11.14 of the 2007A Trust Agreement.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after June 1, 2017 shall be transferred by the Escrow Agent to the State of California (the "State") and shall be subject to the escheat laws of the State.

(d) Priority of Payments. The owners of the 2007A Certificates shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2007A Trust Agreement, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all agreements, covenants and other obligations of the District and the Corporation under the 2007A Trust Agreement to the owners of the 2007A Certificates under the 2007A Trust Agreement shall cease, terminate and become void and be discharged and satisfied. As provided in Section 9.1 of the Installment Purchase Agreement, dated as of September 1, 2007 (the "2007A Installment Purchase Agreement"), by and between the District and the Corporation, the obligations of the District under the 2007A Installment Purchase Agreement shall cease, terminate, become void and be discharged and satisfied.

SECTION 6. Application of Certain Terms of the 2007A Trust Agreement. All of the terms of the 2007A Trust Agreement relating to the making of payments of principal and interest with respect to the 2007A Certificates and relating to the exchange or transfer of the 2007A Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth

in Section 8.3 of the 2007A Trust Agreement relating to the resignation and removal and merger of the 2007A Trustee under the 2007A Trust Agreement are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the 2007A Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2007A Certificates or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with

counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the 2007A Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Law (as such term is defined in the 2007A Installment Purchase Agreement), or the 2007A Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2007A Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2007A Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2007A Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 17. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 18. Notice to District and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at U.S. Bank National Association, One California Street, Suite 2100, San Francisco, California 94111, Attention: Global Corporate Trust Services, Reference: Santa Clara Valley Water District, Series 2007A. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the District at Santa Clara Valley Water District, 5750 Almaden Expressway, San Jose, California 95118, Attention: Treasury/Debt Officer (or such other address as may have been filed in writing by the District with the Escrow Agent).

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date first above written.

SANTA CLARA VALLEY WATER DISTRICT

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Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Agent

By: \_\_\_\_\_  
Authorized Officer

## SCHEDULE A

### Federal Securities

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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## EXHIBIT A

### NOTICE OF PREPAYMENT

SANTA CLARA VALLEY WATER DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
(WATER UTILITY SYSTEM IMPROVEMENT PROJECTS), SERIES 2007A

BASE CUSIP NO. 80168F

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (the "Certificates") pursuant to the Trust Agreement, dated as of September 1, 2007 (the "2007A Trust Agreement"), by and among the Santa Clara Valley Water District (the "District"), the Santa Clara Valley Water District Public Facilities Financing Corporation and U.S. Bank National Association, as trustee (the "2007A Trustee"), that the Certificates set forth below in the aggregate principal amount of \$64,750,000 have been called for prepayment on June 1, 2017 (the "Prepayment Date").

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 1)</u>	<u>RATE</u>	<u>AMOUNT</u>	<u>PRICE</u>
KH8	2018	4.00%	\$1,945,000	100%
KJ4	2019	5.00	2,040,000	100
KK1	2020	5.00	2,135,000	100
KL9	2022	5.00	4,630,000	100
KM7	2024	4.75	5,085,000	100
KN5	2026	4.75	5,620,000	100
KP0	2029	4.75	9,475,000	100
KQ8	2037	5.00	33,820,000	100

The Certificates will be payable on the Prepayment Date at a prepayment price of 100% of the principal amount plus accrued interest to such date (the "Prepayment Price"). The Prepayment Price of the Certificates will become due and payable on the Prepayment Date. Interest with respect to the Certificates to be prepaid will cease to accrue on and after the Prepayment Date, and such Certificates will be surrendered to the 2007A Trustee.

All Certificates are required to be surrendered to the principal corporate office of the 2007A Trustee, on the Prepayment Date at the following location. If the Certificates are mailed, the use of registered, insured mail is recommended:

U.S. Bank National Association  
One California Street, Suite 2100  
San Francisco, California 94111  
Attention: Global Corporate Trust Services  
Reference: Santa Clara Valley Water District, Series 2007A

If the Owner of any Certificate subject to optional prepayment fails to deliver such Certificate to the 2007A Trustee on the Prepayment Date, such Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such Certificate shall have no rights in respect thereof

except to receive payment of the Prepayment Price from funds held by the 2007A Trustee for such payment.

A form W-9 must be submitted with the Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

DATED this \_\_\_\_ day of \_\_\_\_\_, 2017.



## EXHIBIT B

### NOTICE OF DEFEASANCE

SANTA CLARA VALLEY WATER DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
(WATER UTILITY SYSTEM IMPROVEMENT PROJECTS), SERIES 2007A

BASE CUSIP NO. 80168F

NOTICE IS HEREBY GIVEN to the owners of the above-captioned certificates of participation (the “2007A Certificates”) that the Santa Clara Valley Water District (the “District”), has deposited with U.S. Bank National Association, as trustee (the “2007A Trustee”) under the Trust Agreement, dated as of September 1, 2007 (the “2007A Trust Agreement”), by and among the District, the Santa Clara Valley Water District Public Facilities Financing Corporation (the “Corporation”) and the 2007A Trustee, cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on June 1, 2017 the regularly scheduled payment of interest and principal with respect to the 2007A Certificates, and to prepay on June 1, 2017, the principal with respect to the 2007A Certificates maturing on and after June 1, 2018.


The 2007A Certificates to be defeased are as follows:

<u>CUSIP</u>	<u>MATURITY</u> <u>(June 1)</u>	<u>RATE</u>	<u>AMOUNT</u>
KG0	2017	4.00%	\$1,860,000
KH8	2018	4.00	1,945,000
KJ4	2019	5.00	2,040,000
KK1	2020	5.00	2,135,000
KL9	2022	5.00	4,630,000
KM7	2024	4.75	5,085,000
KN5	2026	4.75	5,620,000
KP0	2029	4.75	9,475,000
KQ8	2037	5.00	33,820,000

In accordance with the 2007A Trust Agreement, the 2007A Certificates are deemed to have been paid in accordance with Section 10.01 thereof and the covenants, agreements and other obligations of the District and the Corporation under the 2007A Trust Agreement and the Installment Purchase Agreement, dated as of September 1, 2007, by and between the District and the Corporation, with respect to the Refunded 2007A Certificates shall thereupon cease, terminate and become void and be discharged and satisfied.

DATED this \_\_\_\_ day of \_\_\_\_, 2017.

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	<b>DEBT MANAGEMENT POLICY</b>	DOCUMENT NO.: Ad-3.7 REVISION: D EFFECTIVE DATE: 01/01/2017 PROCESS OWNER: Darin Taylor Page 1 of 28
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## I. POLICY STATEMENT

The Santa Clara Valley Water District (District) Debt Management Policy sets forth debt management objectives for the District, establishes overall parameters for issuing and administering the debt portfolio, and provides policy guidelines to decision makers.

Implementation of the Debt Management Policy will help to ensure that the District maintains a sound debt position and protects its credit quality, as well as maintain compliance with California Government Code section 8855 (i) which requires any issuer of public debt to certify with the California Debt and Investment Advisory Commission (CDIAC) that the issuer has adopted local debt policies concerning the use of debt and any proposed debt issuance is consistent with those policies as well as file certain annual reports with CDIAC by January 31 of each year (first report due by January 31, 2018).

Furthermore, the Debt Policy complies with District Board Governance Policy - Executive Limitation (EL-4.7) (Revision as of July 29, 2015) which states that the Board Appointed Officer shall:

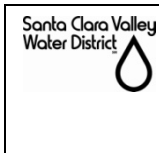
- 4.7 Not indebt the organization, except as provided in the District Act, and in an amount greater than can be repaid by certain, otherwise unencumbered, revenues within 90 days, or prior to the close of the fiscal year.
  - 4.7.1 Not issue debt (long or short-term obligations that are sold within the financial marketplace) that conflicts with the District Act or the legal authority of the District without Board authorization;
  - 4.7.2 Not issue debt without a demonstrated financial need;
  - 4.7.3 Meet debt repayment schedules and covenants of bond documents;
  - 4.7.4 Establish prudent District Debt Policies that are consistent with Board policies and provide guidance to employees in regards to administering the debt programs and agreements, including consideration for the appropriate level of debt for the District to carry and structuring debt repayment to address intergenerational benefits;
  - 4.7.5 Be consistent with the District's Debt Policies and any addendums when issuing debt;
  - 4.7.6 Maintain strong credit ratings and good investor relations.

### A. Legal Governing Principles

#### 1. *Governing Law*

##### i. **The District Act**

The District is a multi-purpose special district duly organized and validly existing under the Constitution and the laws of the State of California. The District Act, which created the District, is consulted when issuing debt for compliance.



# DEBT MANAGEMENT POLICY

DOCUMENT NO.: Ad-3.7  
REVISION: D  
EFFECTIVE DATE: 01/01/2017  
PROCESS OWNER: Darin Taylor

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ii. **California Law**

State law dictates certain requirements when issuing debt and certain statutes must be followed for any issuance or refunding.

iii. **Federal Tax law**

The District shall issue and manage debt in accordance with the limitations and constraints imposed by federal tax law to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, review of eligible projects, spend-down tests and arbitrage rebate limitations.

iv. **Governing Legal Documents**

The **Flood Control System Master Resolution** of the District, adopted on June 23, 1994 as Resolution 94-60 and subsequent amendments establishes the basic security structure of flood control related debt issued by the District. Key terms and conditions include, but are not limited to, the definition of pledged revenues, the rate covenant and the additional bonds test.

The **Water Utility System Master Resolution**, adopted June 23, 1994 as Resolution 94-58 and subsequent amendments (Resolution 06-80 adopted November 28, 2006), establishes the **senior lien** security structure for water utility related debt issued by the District.

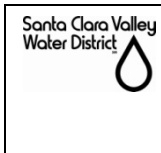
The **Water Utility Parity System Master Resolution**, adopted February 23, 2016 as Resolution 16-10 and subsequent amendments (Resolution 16-82 adopted December 13, 2016), establishes the **parity lien** security structure for water utility related debt issued by the District. The parity lien is **subordinate** to the senior lien per the Water Utility System Master Resolution, adopted June 23, 1994 as Resolution 94-58.

## 2. Permitted Debt Type

The District may legally issue both short-term and long-term debt, using the debt instruments described below. The Financial Services Division, in consultation with the District Counsel, Bond Counsel and Financial Advisors, shall determine the most appropriate instrument for a proposed bond sale.

i. **General Obligation Bonds**

The District is empowered, under its District Act, to levy taxes on all taxable property within its boundaries for the purpose of paying its voter approved general obligation bonds, subject to certain limitations in the District Act, the California Revenue and Taxation Code and the California Constitution. The District is authorized to sell general obligation bonds under Section 14 of the District Act, subject to the approval of a two-thirds (2/3) majority of those voters in a local election.



## DEBT MANAGEMENT POLICY

DOCUMENT NO.: Ad-3.7  
REVISION: D  
EFFECTIVE DATE: 01/01/2017  
PROCESS OWNER: Darin Taylor

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### ii. **Certificates of Participation**

Certificates of Participation (COPs) provide debt financing through a lease or installment sale agreement. The District's issuance of COPs is facilitated by the Santa Clara Valley Water District Public Facilities Financing Corporation, a California nonprofit benefit corporation that was created by the District specifically to serve as party to the installment sale agreements and contracts of indebtedness securing District COPs.

For the Water Utility, because the District cannot issue Revenue Bonds to acquire new facilities or improvements with a net lien pledge, the authority to execute and deliver an Installment Purchase Agreement which will secure the COPs to be executed and delivered by the Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) is provided in Section 5 of the District Act.

For the Watershed Funds, a two-thirds (2/3) majority vote of the ratepayers is necessary to levy benefit assessments which would secure the COPs.

### iii. **Commercial Paper**

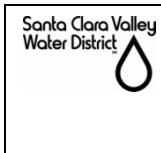
On December 17, 2002, the Board of Directors passed Resolutions 02-76 and 02-77 which authorized the execution and delivery of a taxable and tax-exempt Tax and Revenue Anticipation Notes ("TRANs") to support the Commercial Paper Program. Each fiscal year, the Board approves new resolutions for new TRANs to support the Commercial Paper Program. Voter approval is not required to issue commercial paper and the proceeds of commercial paper may be used for District purposes, including, but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of the District.

Commercial Paper is intended to be utilized as a short-term financing tool for bridge financing. The District will issue Commercial Paper in amounts up to the authorized limit with the intention of paying off the outstanding Commercial Paper debt when a long-bond is issued, or another source of revenue has been identified. Due to the quickness and ease of issuing Commercial Paper, it could be looked upon as "just-in-time" financing.

### iv. **Revenue Bonds**

The authority to issue Revenue Refunding Bonds is provided in Section 25.1 of the District Act and Sections 53580-53589.5 of the California Government code.

In the special election of November 6, 1984, voter approval was granted for revenue bonds only on a gross lien basis and only in accordance with certain limitations set forth in the Revenue Bond Law of 1941. On June 23, 1994, the District resolution 94-58 (Senior Master Resolution) included a variety of provisions intended to govern all future water revenue notes and other obligations, including a net lien requirement, which in effect superseded the 1986 Bond Resolution. Additionally, the pledge of 1% property taxes in the Senior Master Resolution is inconsistent with the Revenue Bond Act of 1941 which expressly prohibits the pledge of proceeds of taxation in Section 54478 of the Government



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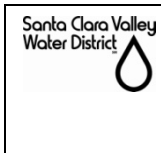
Code. Without an amendment to Section 25.2 (b) of the District Act to allow the District to issue water revenue bonds on a net lien basis and payable from all water utility revenues including the 1% property taxes, the District cannot issue Revenue Bonds without voter approval.

Refunding Revenue Bonds may be issued without voter approval. Staff should consult with Bond Counsel for further directions on this matter.

- v. **Assessment Bonds**  
The District is authorized to issue assessment bonds upon majority (>50%) voter approval. Such bonds are typically repaid from assessments collected within an assessment district. Assessments are levies of charges on real property to pay for projects or services that specifically benefit that parcel of property.
- vi. **Refunding Bonds**  
Refunding outstanding bonds that will provide a net economic benefit to the District is allowable within the federal tax law constraints.
- vii. **Loans, Letters of Credit, Lines of Credit**  
The District may from time to time borrow through a loan with a commercial bank, Letter of Credit, Lines of Credit with a commercial bank, state revolving loan program or other governmental agency. Each loan will have a specific purpose. Voter approval is not required for obtaining a loan if such loan is structured as a COP, TRAN, or other forms and issued in conjunction with the PFFC.

**3. Limitations of Debt Issuance**

- i. **Long Term Borrowing**  
Long term borrowing may be used to finance the acquisition or improvement of land, facilities or equipment for which it is appropriate to spread these costs over more than a one year budget. Long term borrowing may also be used to fund capitalized interest, cost of issuance, required reserves, and any other financing related costs which may be legally capitalized. Long-term borrowing shall not be used to fund operating costs. The maximum maturity may not exceed 40 years.
- ii. **Short Term Borrowing**  
Short-term borrowing, such as TRANS (tax and revenue anticipation notes), commercial paper and lines of credit, will be considered as an interim source of funding to be utilized when appropriate. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing related costs. TRANS and Commercial Paper may be used to fund operating costs when issued and retired in the same fiscal year.  
The short term borrowing authority set in Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act) provides a limit on short term debt (maturity of less than five years) of \$8,000,000 that can be borrowed under authority of that section. The District's commercial paper program, issued in accordance with the Government Code, is not subject to



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Section 25.6 of the District Act limit as opined by District Counsel and is issued in a transaction with the PFFC and others.

**B. Debt Issuance**

**1. *Debt Capacity***

The District will keep outstanding debt within the practical limits of the District’s debt rating, debt service coverage ratio constraints and any other applicable law.

The District shall assess the impact of a new debt issuance on the long-term affordability of all outstanding and planned debt issuance. Such analysis recognizes that the District has limited capacity for debt service in its budget, and that each newly issued financing will obligate the District to a series of payments until the bonds are repaid.

The District must not only evaluate the District as a whole, but specifically analyze debt capacity in relationship to issuances in the Watershed Funds, Water Utility Enterprise Division and the General Fund. Each Division has its own complexities, constraints and regulations; therefore, they must be analyzed separately and then as a whole.

**2. *Intergenerational Concerns***

The District will review the issuance in light of utilizing Pay-As-You-Go financing vs. Long-Term debt and impact each financing method has on intergenerational benefits.

**3. *Credit Quality***

The District seeks to obtain and maintain the highest possible credit ratings for all categories of short and long-term debt. Except for certain instruments, the District will not issue bonds or cause COPs to be executed and delivered that do not carry investment grade ratings (i.e. credit ratings below Baa3/BBB-/BBB- from Moody’s Investors Service, S&P Global and Fitch Ratings, respectively). Certain instruments, such as state loans or private placements, may not be rated.

Traditionally, the District has benefited from lower interest costs due to strong ratings and shall take any necessary steps to maintain favorable ratings.

Ratings may be obtained from Moody’s, S&P, Fitch, or other nationally recognized rating agencies. The District will always have at least one rating and when beneficial will request additional ratings for long term debt issuances that are publicly sold, whereas private placements may not require ratings.

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#### 4. Structural Features

##### i. Debt Repayment

Debt will be structured for a period consistent with a fair allocation of costs to current and future beneficiaries of the financed capital project. The District shall structure its debt issues so that the maturity of the debt issue is consistent with the economic or useful life of the capital project to be financed.

##### ii. Fixed Rate Debt / Variable Rate Debt

The District may at its discretion issue fixed rate debt or variable rate debt based upon District needs and market conditions. Fixed rate debt means that the coupon of the bond until its maturity remains fixed or the same as when issued. Variable rate debt means that the coupon will fluctuate throughout the life of the debt instrument. The variable rate may be based upon several indexes and which index will be determined at the time of issuance.

##### iii. Derivatives

A derivative product is a financial instrument which “derives” its own value from the value of another instrument, usually an underlying asset such as a stock, bond or an underlying reference such as an interest rate index. In certain circumstances these products can reduce borrowing costs, assist in managing interest rate risk, provide call flexibility, and smooth debt service expense. However, these products carry with them certain risks not faced in standard debt instruments. The Financial Services Division shall evaluate the use of derivative products on a case by case basis to determine whether the potential benefits are sufficient to offset any potential costs.

Some common forms of derivatives may be used to reduce the cost of borrowing; synthetically convert fixed rate debt to variable rate debt; synthetically convert variable rate debt to fixed rate debt; and provide protection against interest rate fluctuations (see section **1.E. Master Swap Policy** below for more information).

##### iv. Professional Assistance

The District shall utilize the services of independent municipal advisors when deemed appropriate by the CEO or his delegates. The District shall utilize the services of bond counsel on all debt financings. The CEO or his delegates shall have the authority to periodically select service providers necessary to meet legal requirements and minimize the District’s debt cost. Such services, depending on the type of financing, may include municipal advisory, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, printer and special tax consulting. The goal in selecting service providers, whether through a competitive process or sole-source selection, is to achieve an appropriate balance between service and cost. Procurement for service providers shall follow Executive Limitations Policy EL-5 Procurement, as amended from time to time. Per EL-5 Procurement (Rev July 29, 2015) the CEO is authorized to execute contracts for consultant services up to \$225,000; contracts exceeding this limit would require



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Board approval. The District Counsel has sole discretion in entering legal services contracts with no dollar limit.

**v. Method of Sale**

Except to the extent a competitive process is required by law, the CEO or his delegates shall be responsible for determining the appropriate way to offer any securities to investors. The District has used both competitive bidding and negotiated sales to sell its bonds. Also, available to the District is a private placement method. On a case by case basis the CEO or his delegates will decide as to the most effective method of sale.

For negotiated sale, any underwriters that are currently suspended by the California State Treasurer's Office from its negotiated underwriting pool may not participate in the District's negotiated sale, pending Board approval.

**vi. Maturity**

The District shall issue debt with an average life less than or equal to the average life of the assets being financed. The final maturity of the debt should be no longer than 40 years. Factors to be considered when determining the final maturity of debt include: the average life of the assets being financed, relative level of interest rates and the year-to-year differential in interest rates.

**vii. Maturity Structure**

The District's long-term debt may include serial and term bonds. Serial bonds have various maturity dates scheduled at regular intervals until the entire issue is retired. Term bonds have a long-term maturity date and are outstanding until the debt is retired. Other maturity structures may also be considered which can be demonstrated to be consistent with the objectives of the District's Debt Policy.

**viii. Credit Enhancement**

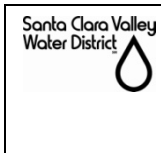
The District shall procure credit enhancement for a sale of bonds if the Financial Services Division, in consultation with the Municipal Advisor and the Underwriters, determines that it is cost effective to do so. Credit enhancement consists primarily of insuring the bonds over the life of their term.

**ix. Senior/Subordinate/Super-subordinate Lien**

The District may utilize a senior/subordinate/super-subordinate lien structure. The choice of lien will be determined based on such factors as overall cost of debt, impact on debt service, impact on water rates, marketing consideration and previous issuance bond documents. Senior debt has priority over subordinate debt which in turn has priority over super-subordinate debt. Subordinated or super-subordinate debt is repayable only after other debts with a higher claim have been satisfied (i.e. senior debt, subordinate debt).

**x. Redemption Features**

To preserve flexibility and refinancing opportunities, the District debt will generally be issued with call provisions which enable the District to retire the debt earlier or



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enable the refunding of the debt prior to maturity. The District may consider calls that are shorter than traditionally offered in the market and/or non-call debt when warranted by market conditions and opportunities. For each transaction, the District will evaluate the efficiency of call provisions alternatives.

- xi. **Coupon Structure**  
Debt may include par, discount, premium and capital appreciation bonds. Discount, premium, and capital appreciation bonds must be demonstrated to be advantageous relative to par bond structures. Debt issued at par means it is sold at its face value. Debt issued at discount means that the selling price is less than face value, or at a discount. Debt issued at a premium means it is sold at an amount higher than the face value. Capital appreciation bonds increase in value over the life of the bond.

C. **Communication and Disclosure**

1. ***Rating Agencies***

The District shall maintain its strong ratings through prudent fiscal management and consistent communications with the rating analysts. The Financial Services Division shall manage relationships with the rating analysts assigned to the District’s credit, using both informal and formal methods to disseminate information. Communication with the rating agencies shall include:

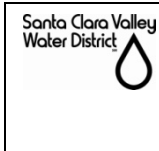
- Full disclosure, on an annual basis, of the financial condition of the District;
- A formal presentation when requested by the rating agencies, covering economic, financial, operational and other issues that impact the District’s credit;
- Timely disclosure of major financial events that impact the District’s credit;
- Timely dissemination of the Comprehensive Annual Financial Report, following its acceptance by the District’s Board of Directors;
- Full and timely distribution of any documents pertaining to the sale of bonds; and
- Periodic tours of the Water Utility Enterprise and Watershed operations as appropriate.

2. ***Bond Insurers***

The Financial Services Division shall manage relationships with the analyst at the bond insurers assigned to the District’s credit.

3. ***Disclosure Procedures***

The District shall comply with SEC regulations on disclosure, which require municipal debt issuers to provide specified financial and operating information at the time of new bond issuance (Official Statement) and during the life of the bonds (Continuing Disclosure Annual Report). **Refer to Attachment A – *Disclosure Procedures* for details.**



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**4. Trustee**

The Financial Services Division shall procure the services of a Trustee for the creation and maintenance of District debt funds. Such accounts include, but are not limited to:

- Escrow;
- Rebate;
- Debt Service;
- Cost of Issuance; and
- Reserve.

**D. Debt Administration**

**1 Investment of Bond Proceeds**

Investment of bond proceeds shall be consistent with federal tax requirements and with requirements contained in the governing bond documents. Additionally, they will be governed by policies and procedures specified in the District’s Investment Policy as approved by the Board of Directors.

**2 Record Retention and Disbursement of Bond Proceeds**

The IRS guideline for record retention is life of bonds plus 3 years. For refundings, the refunded bonds retention schedule is reset to match the refunding bonds retention schedule of life of refunding bonds plus 3 years. The District’s record retention policy is cancellation, redemption or maturity of the bonds plus 10 years (records series number RS-0538).

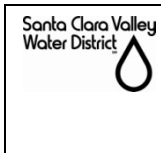
Frequency of Reimbursement/Claims preparation

The preparation of reimbursement claims must be coordinated with the Financial Planning unit to determine the allocation of taxable versus tax-exempt bond proceeds and the appropriate level of funding from bond proceeds versus District operating reserves. The review of reimbursement requirements may be performed on a quarterly basis to assess the appropriate amount and timing of reimbursement claims.

Reimbursement Period

In general, the reimbursement allocation is made not later than 18 months after the later of:

- a. The date the original expenditure is paid; or
- b. The date the project is placed in service or abandoned, but in no event more than 3 years after the original expenditure is paid.
- c. Special rule for long-term construction projects. For a construction project for which both the issuer and a licensed architect or engineer certify that at least 5 years is necessary to complete construction of the project, the maximum reimbursement period is changed from “3 years” to “5 years.”.



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**Refer to Attachment B– *Record Retention and Disbursement Guidelines* for details.**

**3 Arbitrage Compliance**

The Financial Service Division shall obtain a qualified firm to perform Arbitrage Rebate Calculations for all District bond issuances and prepare reports and necessary filing documents as necessary. Ninety percent (90%) of the Cumulative Rebate Liability (reduced by any applicable computation date credits) is required to be rebated to the United States Internal Revenue Service (IRS) no later than 60 days after the end of each fifth Bond/COP Year. Additionally, should the Bonds/COPs be retired on or prior to final maturity, 100% of the Cumulative Rebate Liability (reduced by any applicable computation date credits) as of such retirement date will become due and payable within 60 days.

**4 Debt Service**

The District shall fully budget all debt service obligations of the District. Utilizing the services of the Trustee, the District will make all debt service payments per the bond document schedule and shall not in any circumstance make the payment late. The interest and principal for commercial paper may be rolled into a new issue of commercial paper as part of the overall District financing plan. The commercial paper may also be budgeted to be fully paid off over a specified timeframe or it may be paid off with a bond issuance.

**E. Master Swap Policy**

The District currently has no swap transactions outstanding and has not entered any swap transactions in the last ten fiscal years. Any future swap transaction would require Board approval by resolution, and shall utilize the framework set forth in Attachment C – Swap Policy.

**II. PURPOSE**

The purpose of this Debt Management Policy is to assist the District in meeting the following objectives:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit ratings;
- Make full and timely repayment of debt;
- Maintain full and complete financial disclosure and reporting;
- Comply with the District Act;
- Ensure compliance with applicable State and Federal Laws.

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### III. SCOPE, ASSUMPTIONS & EXCEPTIONS

The Debt Management Policy governs debt issuance and administration activities of the District as defined in this policy.

### IV. ROLES & RESPONSIBILITIES

The Financial Services Division shall be responsible for managing and coordinating all activities related to the issuance and administration of debt. The Financial Services Division will work in partnership with the Capital Services Division and Watershed and Water Utility Enterprise Divisions to facilitate debt issuance and the management of outstanding debt.

The Investment Advisory Committee (consisting of Chief Operating Officer - Administration, Chief Financial Officer, Treasury/Debt Officer, District Counsel and Accounting Unit Manager) will meet quarterly or as needed to review and approve all staff policy guidelines.

The Board of Directors shall approve and authorize the issuance of debt, including refunding debt.

### V. REQUIREMENTS

In the issuance and management of debt, the District shall comply with all legal constraints and conditions imposed by federal, state or local law, including the District Act and any contractual covenants associated with the debt.

The issuance and management of debt is governed by Board Governance Policy No. EL-4.7 as adopted and amended by the Board of Directors of the Santa Clara Valley Water District.

The Investment Policy is included as an attachment to the Resolution Delegating Authority to Deposit and Invest Funds which is adopted by the Board of Directors annually.

### VI. ASSOCIATED FORMS & PROCEDURES

DOCUMENT TITLE/ID #	DOCUMENT LOCATION(S)
None	

### VII. DEFINITIONS


None

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## VIII. CHANGE HISTORY

DATE	REVISION	COMMENTS
3/29/2012	A	Supersedes 2008-03 with minor editorial corrections and includes the Addendum to District Debt Policy for the Master Swap Policy.
9/13/2012	B	Updated linkage to Board Governance
03/01/2016	C	Update the Debt Policy and add additional information in Attachments A and B
01/01/2017	D	Update the Debt Policy and add reference to California Government Code 8855 (i) and other modifications

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## Attachment A – Disclosure Procedures

### PURPOSE

The purpose of these Disclosure Procedures (the “Procedures”) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Santa Clara Valley Water District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

### BACKGROUND

The District from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively, “Obligations”) to fund or refund capital investments, other long-term programs and working capital needs. These Obligations may be issued directly by the District, on behalf of the District by the Santa Clara Valley Water District Public Facilities Financing Corporation or through joint powers agencies (collectively, the “Issuer”). In offering Obligations to the public, and at other times when making certain reports, the District and/or the Issuer (if other than the District) must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District and/or the Issuer (if other than the District) must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the context of the sale of securities, a fact is considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are issued, the two central disclosure documents which are prepared are typically a preliminary official statement (“POS”) and a final official statement (“OS”, and collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the District, including its financial condition as well as certain operating information of the water division, the watershed division or information with respect to other sources of security as applicable (“District Section”), and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

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## DISCLOSURE PROCESS

When the District determines to issue Obligations, the District's Treasury/Debt Officer will coordinate a Disclosure training and request the involved departments to commence preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. While the general format and content of the District Section does not normally change substantially from offering to offering, except as necessary to reflect major events, the District's Treasury/Debt Officer is responsible for reviewing and preparing or updating certain portions of the District Section which are within their particular area of knowledge. Once the Official Statement has been substantially updated, the entire Official Statement is shared with the Chief Executive Officer (CEO) (or Acting CEO/Interim CEO), Chief Administration Officer, Chief Financial Officer, Chief Operations Officer (Water Utility or Watershed, depending on the Obligation), and District Counsel for review and input. The officers of the District are requested to inform the financing team of any and all material changes that takes place up to and including the closing date of the transaction. for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement.

Members of the financing team, including the Bond Counsel and the District's Municipal Advisor with respect to the Obligations, assist staff in determining the materiality of any particular item, and in the development of specific language in the District Section. Members of the financing team also assist the District in the development of a "big picture" overview of the District's financial condition, included in the District section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the District.

The District's Treasury/Debt Officer or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes District officials, Bond Counsel, the District's Municipal Advisor, the underwriter of the Obligations, and the underwriter's counsel), and new drafts of the forepart of the Official Statement and the District Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among District staff and other members of the financing team to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

For negotiated sales, prior to distributing a POS to potential investors, there is typically a formal conference call which includes senior District staff involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter's counsel, during which the Official Statement is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the District's senior officials. This is referred to as a "due diligence" meeting.

A substantially final form of the POS is provided to the District Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board(s) of Directors which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with District Counsel and Bond Counsel.



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At the time the POS is posted for review by potential investors, senior District officials (and under certain circumstances the Issuer) execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the District Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior District officials (and under certain circumstances the Issuer) execute certificates stating that certain portions of the Official Statement, as of the date of each OS and as of the date of closing, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. District Counsel also provides an opinion letter (generally addressed to the underwriters) advising that information contained in the section of the Official Statement relating to the District and its operations (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. District Counsel does not opine to the underwriters to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

## DISTRICT SECTION

The information contained in the District Section is developed by personnel under the direction of the Treasury/Debt Officer. The Treasury/Debt Officer co-ordinates with Water Utility staff in the case of a water system financing or with Watershed staff in the case of a watershed system or Clean, Safe Water financing. The finance team assists as well in certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the District Section:

- District staff involved in the disclosure process is responsible for being familiar with its responsibilities under federal securities laws as described above.
- District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult District Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District should consider revisions to the Procedures.

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- The process of updating the District Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the District Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- The District must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the District, its operations and its finances.

## TRAINING

Periodic training for the staff involved in the preparation of the Official Statement (including the District Section) is coordinated by the finance team and the Treasury/Debt Officer. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the District Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the District Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

## ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance of Obligations, the District has entered into several contractual undertakings (“Continuing Disclosure Undertakings”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Undertakings. The District must comply with the specific requirements of each Continuing Disclosure Undertaking. The District’s Continuing Disclosure Undertakings generally require that the annual reports be filed by April 1 following the end of the District’s fiscal year, and event notices are generally required to be filed within 10 days of their occurrence.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Undertaking.

The Treasury/Debt Officer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Undertakings. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

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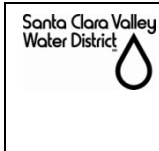
## Attachment B – Record Retention and Disbursement Guidelines

### Record Retention\*

1. Record retention schedule: The IRS guideline is life of bonds plus 3 years. For refundings, the refunded bonds retention schedule is reset to match the refunding bonds retention schedule of life of refunding bonds plus 3 years.<sup>†</sup> The District's record retention policy is cancellation, redemption or maturity of the bonds plus 10 years (records series number RS-0538).
2. The **District Treasury/Debt Officer** shall be responsible for retaining all documentation relating to the issuance and administration of bonds. Such records shall include, but not limited to the following:
  - a. Federal tax or information returns (e.g. Form 8038 series returns)
  - b. Annual Continuing Disclosure and Compliance Filings per the bond covenants which may contain Audited Financial Statements and other documents as specified
  - c. Bond transcripts, official statements and other offering documents
  - d. Trustee statements for your bond financings
  - e. Correspondence (letters, e-mails, faxes, etc.) for your bond financings
  - f. Reports of any prior IRS examinations of your entity or bond financings
  - g. Maintain records documenting the allocation of bond-financing proceeds to expenditures (e.g., allocation of bond proceeds to expenditures for the construction, renovation, or purchase of facilities you own and use in the performance of your public purpose)
  - h. Maintain records documenting the allocations of bond-financing proceeds to bond issuance costs
  - i. Maintain an asset list or schedule of all bond-financed facilities or equipment
  - j. Maintain depreciation schedules for bond-financed depreciable property?
  - k. Maintain records that track your purchases and sales of bond-financed assets?
  - l. Maintain records of trade or business activities by or with non-governmental entities or persons with respect to your bond-financed facilities?
  - m. Maintain copies of the following agreements when entered into with respect to your bond-financed property:
    - i. Management and other service agreements
    - ii. Research contracts
    - iii. Naming rights contracts
    - iv. Ownership documentation (e.g., deeds, mortgages)
    - v. Leases

\* Source: IRS Form 14002 Governmental Bond Financings Compliance Check Questionnaire.  
<http://www.irs.gov/pub/irs-tege/f14002.pdf>

<sup>†</sup> Tax Exempt Bond FAQs regarding Record Retention Requirements  
<http://www.irs.gov/taxexemptbond/article/0,,id=134435,00.html#6>



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- vi. Subleases
  - vii. Leasehold improvement contracts
  - viii. Joint venture arrangements
  - ix. Limited liability corporation arrangements
  - x. Partnership arrangements
  - n. The allocations and earnings and investments related to bond financings
  - o. Maintain records for investments of bond financing proceeds related to:
    - i. Investment contracts (e.g., guaranteed investment contracts)
    - ii. Credit enhancement transactions (e.g., bond insurance contracts)
    - iii. Financial derivatives (swaps, caps, etc.)
    - iv. Bidding of financial products
  - p. Maintain records of the following arbitrage documents related to bond financings:
    - i. Computations of bond yield
    - ii. Computation of rebate and yield reduction payments
    - iii. Form 8038-T, *Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate*
    - iv. Form 8038-R, *Request for Recovery of Overpayments Under Arbitrage Rebate Provisions*
    - v. Draw down schedules and expenditure requirements detailed in applicable tax certificates and schedules regarding yield restriction if applicable
3. The **Claims and Grants Reimbursement unit** shall be responsible retaining all documentation relating to the disbursement of bond proceeds. Such records shall include, but not limited to the following:
- a. Maintain copies of requisitions, draw schedules, draw requests, invoices, bills and cancelled checks related to bond proceeds spent during the construction period
  - b. Maintain copies of all contracts entered into for the construction, renovation or purchase of bond-financed facilities
  - c. Maintain records of expenditure reimbursements incurred prior to issuing bonds for facilities financed with bond proceeds

### Bond Reimbursement

1. Frequency of Reimbursement/Claims preparation –The preparation of reimbursement claims must be coordinated with the Financial Planning unit to determine the allocation of taxable versus tax-exempt bond proceeds and the appropriate level of funding from bond proceeds versus District operating reserves. The review of reimbursement requirements should be performed on a quarterly basis to assess the appropriate amount and timing of reimbursement claims.
2. Reimbursement period - In general, the reimbursement allocation is made not later than 18 months after the later of:
  - a. The date the original expenditure is paid; or

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- b. The date the project is placed in service or abandoned, but in no event more than 3 years after the original expenditure is paid.
  - c. Special rule for long-term construction projects. For a construction project for which both the issuer and a licensed architect or engineer certify that at least 5 years is necessary to complete construction of the project, the maximum reimbursement period is changed from “3 years” to “5 years.”.
- 3. Eligible project costs – In general, under the Internal Revenue Service’s regulations, only “**capitalizable**” expenditures are eligible for reimbursement for tax-exempt bond proceeds.

Reimbursement costs must be paid, for non-soft costs, no earlier than 60 days prior to adoption of the Reimbursement Resolution.

Table 1 below illustrates some general categorizations of eligible versus ineligible project costs.

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TABLE 1 General Guidelines for Eligible and Non-Eligible Expenditures of Tax-Exempt Bonds		
Type of Expense	General Guideline	Tax-Exempt Bonds Eligible?
Construction and Design Costs - General	The cost of constructing property must be capitalized. This includes certain ancillary costs which are directly related to the construction of the property, such as: amounts expended for architectural services, design costs, accounting fees related to the construction, direct and indirect compensation costs of employees whose services are used in the construction, construction supervision fees, and overhead directly attributable to the construction.	Yes
Compensation - General	As a general rule, compensation to employees (including fringe benefits) is an <b>operating expense</b> rather than a capital cost. Unless the employee's duties are clearly associated with a capital project, compensation may <b>not be capitalized</b> .	No
Compensation to outside contractors, architects, engineers, etc.	Such costs paid to third parties are treated as a cost of the capital asset and are capitalized.	Yes
Compensation to Employees exclusively involved with capital projects	Compensation (including the cost of fringe benefits) paid to employees (e.g., engineers, architects, project managers, etc.) who are directly involved in the construction and design of the project are treated as a cost of the capital asset and are capitalized.	Yes

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<b>TABLE 1 General Guidelines for Eligible and Non-Eligible Expenditures of Tax-Exempt Bonds</b>		
<b>Type of Expense</b>	<b>General Guideline</b>	<b>Tax-Exempt Bonds Eligible?</b>
Compensation of management employees who spend a portion of their time providing support services for capital projects	Certain employees (administrative staff, supervisors, attorneys, accountants, finance specialists, etc.) spend time on multiple assignments, including capital projects. Such employees are generally required to keep track of the time spent with respect to each assignment regardless of whether the project is financed by bonds or other funding sources. To the extent that such employees have clear documentation of the time spent on each assignment, compensation (including the cost of fringe benefits) paid to such employees which is attributable to work performed with respect to capital projects may be capitalized.	<b>Yes</b>
Indirect Overhead and Benefits (OMB A-87)	Indirect costs that are allocated as overhead (including cost of fringe benefits) is <b>not eligible</b> .	<b>No</b>
Rent - General	As a general rule, rent for office space is an operating expense rather than a capital cost. Unless the office space is specifically obtained to house only employees whose duties are clearly associated with a specific capital project, <b>rent should not be capitalized</b> . Any allocation of office space rent to capital costs and operating costs would, especially if such allocation has never been required for other business purposes, also be risky. Even if the space is specifically and exclusively associated with a capital project, if the rental is for a very short period of time, (e.g., the rental of a room for a single meeting), such rent should not be capitalized.	<b>No</b>
Longer-term Rent – space leased for a specific capital project	The rental cost of office space leased specifically for a particular capital project, and which will be rented for a substantial period of time (e.g., for the duration of the construction of the project) may be capitalized.	<b>Yes</b>

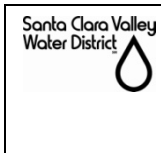
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<b>TABLE 1</b> <b>General Guidelines for Eligible and Non-Eligible Expenditures of Tax-Exempt Bonds</b>		
Type of Expense	General Guideline	Tax-Exempt Bonds Eligible?
Purchased Office Equipment	The cost of office equipment with a <b><u>useful life of more than one year</u></b> (e.g., computers, copiers, etc.) is capitalizable from a federal tax perspective. <b>To the extent such equipment is related to a specific tax-exempt eligible capital project</b> , these costs may be eligible for reimbursement from tax-exempt proceeds.	Yes
Office Supplies	The cost of office supplies (e.g., stationery, paper, pens and pencils, staples, etc.) is <b>not capitalizable</b> .	No
Training, Professional Development, Licensing	Such costs are <b>not capitalizable</b> even though they may have some future benefit. These costs must be capitalized only in the unusual circumstance where the training is intended primarily to obtain future benefits significantly beyond those traditionally associated with training provided in the ordinary course of the employer's trade or business (e.g., the costs of training employees to operate a new facility are akin to start-up costs of a new business).	No
Automobiles	The cost of an automobile with a useful life of more than one year is capitalizable from a federal tax perspective. To the extent such equipment is related to a specific tax—exempt eligible capital project, these costs may be eligible for reimbursement from tax-exempt proceeds.	Yes



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<b>TABLE 1</b> <b>General Guidelines for Eligible and Non-Eligible Expenditures of Tax-Exempt Bonds</b>		
Type of Expense	General Guideline	Tax-Exempt Bonds Eligible?
Meals and Refreshments	Such costs are <b>not capitalizable</b> , even if they are associated directly with a meeting relating to a capital asset.	No
Travel Costs	Travel costs (fuel, mileage, meals, lodging...etc) are eligible only for travel <b><u>directly</u></b> related to a specific tax-exempt eligible capital project	Yes
Repair and Maintenance	As a general rule, repair and maintenance for buildings, equipment and parts replacement is an operating expense and is <b>not eligible</b> for reimbursement from tax-exempt bond proceeds	No



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**Attachment C – Master Swap Policy**

Board approval of a Master Swap Resolution would authorize Santa Clara Valley Water District (SCVWD) to enter into swap transactions from time to time to better manage assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

The Master Resolution would authorize the execution of swaps related agreements, provides for security and payment provisions, and sets forth certain other provisions related to swap agreements between SCVWD and qualified swap-counterparties. In the event of a conflict between the terms of the Master Resolution and the terms of the Master Swap Policy, the terms and conditions of the Master Resolution shall control.

**1. Purpose**

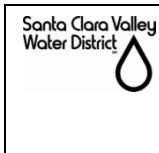
The incurring or carrying of obligations and management of investments SCVWD involves a variety of interest rate payments and other risks that a variety of financial instruments are available to offset, hedge, or reduce. It is the policy of SCVWD to utilize such financial instruments to better manage its assets and liabilities. SCVWD may execute interest rate swaps if the transaction can be expected to result in the following:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from SCVWD’s overall asset / liability balance.
- Result in a lower net cost of borrowing with respect to SCVWD’s debt or achieve a higher net rate of return on investments made in connection with, or incidental to the issuance, incurring, or carrying of SCVWD’s obligations or other SCVWD investments.
- Manage variable interest rate exposure consistent with prudent debt practices and guidelines approved by the Board.

SCVWD shall not enter into interest rate swaps for speculative purposes.

**2. Form of Swap Agreements**

Each interest rate swap executed by SCVWD shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement, including any schedules and confirmations that will be included in the District Resolution for the swap. The swap agreements between SCVWD and each qualified swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Treasury/Debt Officer, in consultation with the District Counsel, deems necessary or desirable.



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### 3. Transaction Approval

The approval guidelines for each authorized swap transaction shall be as set forth in the Master Resolution and in this Section 4. The District Board must approve any swap transaction.

### 4. Qualified Swap Counterparties

SCVWD may enter into interest rate swap transactions only with qualified swap counterparties. Qualified swap counterparties are identified in SCVWD's Board approved investment banking team. The composition of the approved swap counterparties will change from time to time as changes are made to SCVWD's investment banking team. Qualified swap counterparties must be rated at least "A1" or "A+". In addition, the counterparty must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market. Each counterparty shall have minimum capitalization of at least \$150 million.

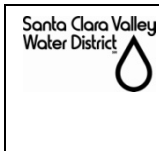
SCVWD may negotiate or competitively bid an interest rate swap transaction based on a review of the market impact to SCVWD of such competitive bid.

### 5. Termination Provisions

All swap transactions shall contain provisions granting SCVWD the right to optionally terminate a swap agreement at any time over the term of the agreement. In general, exercising the right to optionally terminate an agreement produces a benefit to SCVWD, either through receipt of a payment from a termination, or if a termination payment is made by SCVWD, in conjunction with a conversion to a more beneficial (desirable) debt obligation of SCVWD as determined by SCVWD. The Treasury/Debt Officer or the Ad Hoc Committee (comprised of: Chief Operating Officer-Administration, Chief Financial Officer, Treasury/Debt Officer, Accounting Unit Manager, and District Counsel's Office) as appropriate, in consultation with the Bond Counsel, shall determine if it is financially advantageous for SCVWD to terminate a swap agreement.

**Mandatory Termination:** A termination payment to or from SCVWD may be required in the event of termination of a swap agreement due to a default or a decrease in credit rating of either SCVWD or the counterparty. *It is the intent of SCVWD not to make a termination payment to a counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Treasury/Debt Officer shall evaluate whether it is financially advantageous for SCVWD to obtain a replacement counterparty to avoid making such termination payment.*

In the event of default by a counterparty whereby SCVWD would be required to make a termination payment, SCVWD will proceed as follows:



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- In order to mitigate the financial impact of making such payment at the time such payment is due; SCVWD will seek to replace the terms of the terminated transaction with a replacement counterparty. The new or replacement counterparty will make an upfront payment to SCVWD in an amount that would offset the payment obligation of SCVWD to the original counterparty.
- If a satisfactory agreement with a replacement counterparty is not reached, SCVWD will be required to make a swap termination payment to the original defaulting counterparty. Funds for such payment shall be made from available monies. The Debt/Treasury Officer shall report any such termination payments to the Board at the next Board meeting.

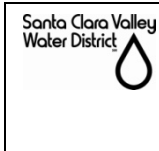
### **6. *Term and Notional Amount of Swap Agreement***

SCVWD shall determine the appropriate term for an interest rate swap agreement on a case by case basis. The slope of the swap curve, the marginal change in swap rates from year to year along the swap curve, and the impact that the term of the swap has on the overall exposure of SCVWD shall be considered in determining the appropriate term of any swap agreement. In connection with the issuance or carrying of bonds, the term of a swap agreement between SCVWD and a qualified swap counterparty shall not extend beyond the final maturity date of existing debt of SCVWD, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds. At no time shall the total notional amount of all swaps exceed the total amount of outstanding water revenue bonds.

### **7. *Swap Counterparty Exposure Limits***

In order to diversify SCVWD's counterparty risk, and to limit SCVWD's credit exposure to any one counterparty, limits will be established for each counterparty based upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing swap transaction. The risk measure will be calculated based upon the mark-to-market sensitivity of each transaction to an assumed shift in interest rates. Assuming a 25 basis point movement in the swap rate, the maximum net exposure (termination payment) per counterparty shall not exceed \$5 million.

The maximum net exposure limitations establish guidelines with respect to whether SCVWD should enter into an additional swap agreement with an existing counterparty. For example, assume SCVWD executed a 30-year \$100 million notional amount swap. If the yield curve moved 25 basis points, SCVWD would likely have market exposure to that swap counterparty (i.e. in order to terminate the swap SCVWD would have to make a payment of possibly \$3.0 million). If such event occurred, the Treasury/Debt Officer would evaluate whether it is prudent and advisable to enter into additional swap transactions with such counterparties in order to mitigate the exposure to such counterparty.



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The calculation of net interest rate sensitivity per counterparty will take into consideration multiple transactions, some of which may offset market interest rate risk thereby reducing overall exposure to SCVWD. In addition, additional exposure provisions are as follows:

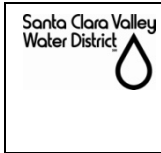
- The sum total notional amount per swap counterparty may not exceed 25 percent of SCVWD's total revenue bond indebtedness.
- The appropriate collateral amount will be determined on a case by case basis, and approved by the Treasury/Debt Officer in consultation with the District Counsel.

If the sensitivity limit is exceeded by a counterparty, SCVWD shall conduct a review of the exposure sensitivity limit calculation of the counterparty. The Treasury/Debt Officer shall evaluate appropriate strategies in consultation with the Office of the District Counsel to mitigate this exposure.

### **8. Collateral Requirements**

As part of any swap agreement, SCVWD shall require collateralization or other credit enhancement to secure any or all swap payment obligations. As appropriate, the Treasury/Debt Officer, in consultation with the District Counsel may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- Each counterparty to SCVWD may be required to post collateral if the credit rating of the counterparty or parent falls below the "A1" or "A+" minimum rating. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the collateral support agreement to each swap agreement with SCVWD.
- Collateral shall consist of cash, U.S. Treasury securities and U.S. Agency securities.
- Collateral shall be deposited with a third party trustee, or as mutually agreed upon between SCVWD and each counterparty.
- A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty.
- The market value of the collateral shall be determined on at least a monthly basis.
- SCVWD will determine reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.



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- The Treasury/Debt Officer shall determine on a case by case basis whether other forms of credit enhancement are more beneficial to SCVWD.

### 9. Reporting Requirements

A written report providing the status of all interest rate swap agreements will be provided to the Board of Directors at least on a quarterly basis and shall include the following information:

- Highlights of all material changes to swap agreements or new swap agreements entered into by SCVWD since the last report.
- Market value of each of SCVWD's interest rate swap agreements.
- The net impact to SCVWD of a 25 basis point movement (up or down) with the appropriate swap index or curve.
- For each counterparty, SCVWD shall provide the total notional amount position, the average life of each swap agreement, the available capacity to enter into a swap transaction, and the remaining term of each swap agreement.
- The credit rating of each swap counterparty and credit enhancer insuring swap payments, if any.
- Actual collateral posting by swap counterparty, if any, per swap agreement and in total by swap counterparty.
- A summary of each swap agreement, including but not limited to the type of swap, the rates paid by SCVWD and received by SCVWD, and other terms.
- Information concerning any default by a swap counterparty to SCVWD, and the results of the default, including but not limited to the financial impact to SCVWD, if any.
- A summary of any planned swap transactions and the impact of such swap transactions on SCVWD.
- A summary of any swap agreements that were terminated.

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**File No.:** 16-0751

**Agenda Date:** 3/14/2017

**Item No.:** 3.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Resolution Authorizing Conveyance of Real Property with PREG Western Tropicana on Permanente Creek at W. El Camino Real (Mountain View) (District 7).

### **RECOMMENDATION:**

- A. Adopt the Resolution APPROVING THE EXCHANGE OF REAL PROPERTY WITH PREG WESTERN TROPICANA;
- B. Authorize the Interim Chief Executive Officer to execute the Real Property Easement Exchange Agreement With PREG Western Tropicana for the exchange of real property over the Permanente Creek box culvert pursuant to Section 31 of the District Act; and
- C. Authorize the Interim Chief Executive Officer to execute and deliver the Quitclaim Deed to PREG Western Tropicana (Real Estate File 1024-1.3) and accept in exchange the new Easement Deed from PREG Western Tropicana (Real Estate File 1024-170).

### **SUMMARY:**

PREG Western Tropicana (Developer) has the City of Mountain View's approval to construct a 166-unit apartment project in two 4-story buildings on a redevelopment site consisting of four parcels totaling 2.6 acres. The site is located adjacent to the District's Permanente Creek box culvert at 1616 -1620 West El Camino Real, Mountain View, CA (Attachment 1). Based on recent excavations and site surveys, the Developer has determined that the District's existing maintenance and flood control easement for the box culvert is not coincident with the facility. As such, the Developer has offered to dedicate a new easement over the culvert in order to perfect the District's existing easement. In exchange for the new easement the District would quitclaim the existing easement to the Developer. The new easement will include the entirety of the culvert and provide the District with complete access to the box culvert during routine and emergency maintenance operations for flood protection.

In 2013, the District completed a similar easement exchange with the Developer covering the east side of the Permanente Creek box culvert on the site. That easement exchange was approved by the Board of Directors on November 12, 2013 (Agenda Item 3.2).

A Phase I Hazardous Substance Liability Assessment (HSLA) was completed by the consultant for

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the Developer in September 2011 and a supplemental soils report was completed in July 2014. Based on the investigations, no evidence of hazardous material was found at the site. Since the HSLA was completed the site has been covered with asphalt pavement to accommodate tenant parking for the apartments.

**FINANCIAL IMPACT:**

An independent appraisal was completed for both easements in May 2016. The existing District easement contains 3,756 square feet (SF) and has an appraised value of \$7,500. The new easement from PREG Western Tropicana contains 3,482 SF and has an appraised value of \$7,000. The Developer has agreed to pay the \$500 difference in valuation for the District's easement. District's staff time to prepare and process this exchange will be invoiced to the Developer.

**CEQA:**

The California Environmental Quality Act Guidelines Section 15378 defines a project as "the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment." The District currently has a maintenance easement over the box culvert and can perform maintenance as needed. The proposed activity merely perfects the location of the easement over the facility. There will be no change to the physical environment and no change to how the District maintains the facility. With no change in the condition or use of the property, there will be no direct or indirect change to the environment; and the exchange of real property rights are therefore not considered a 'project' under CEQA.

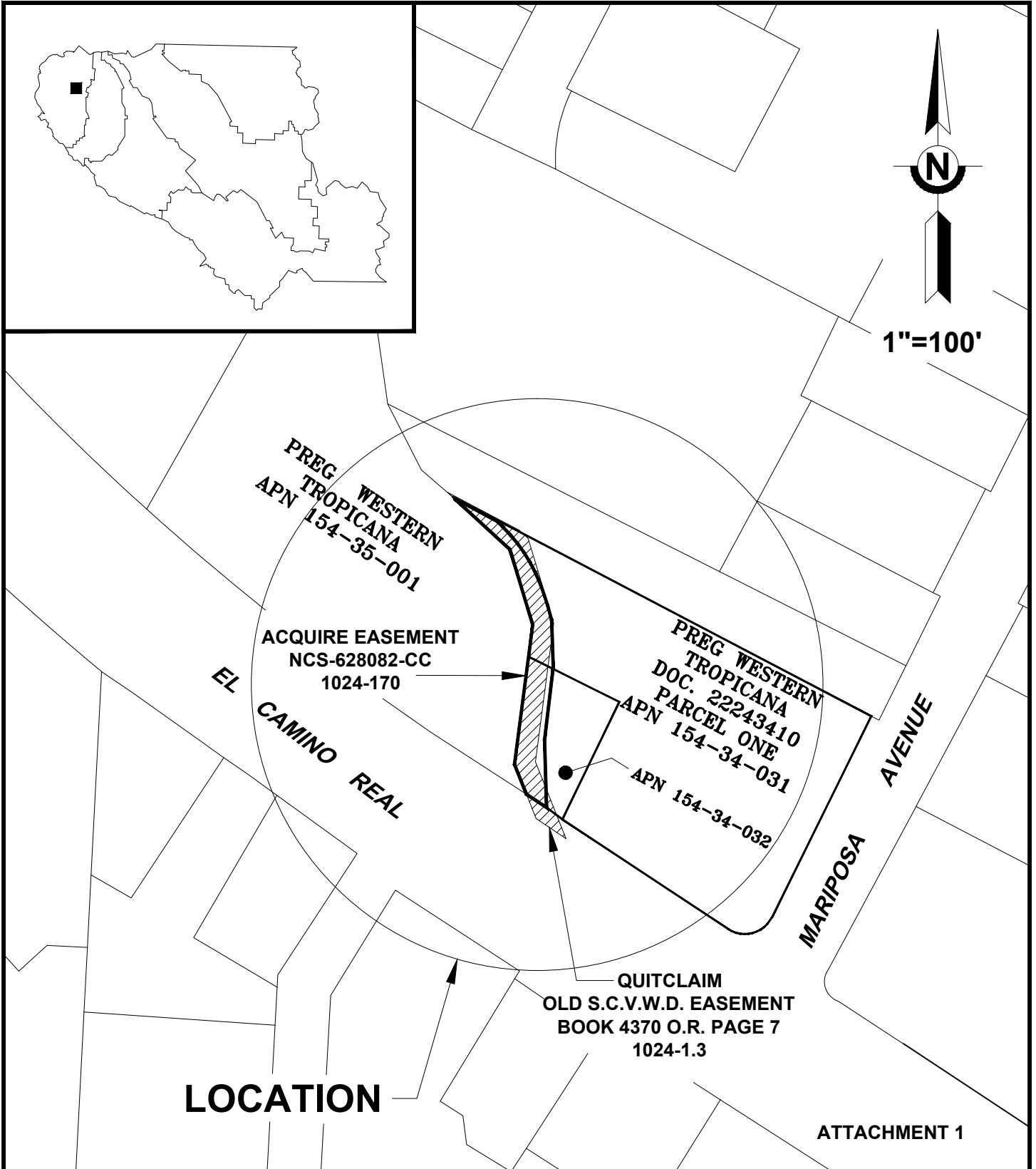
**ATTACHMENTS:**


Attachment 1: Location Map  
Attachment 2: Resolution

**UNCLASSIFIED MANAGER:**

Vincent Gin, 408-630-2633





LOWER PENINSULA WATERSHED		PERMANENTE CREEK	
<b>Santa Clara Valley Water District</b> 	<b>PREG WESTERN TROPICANA</b> 1616-1620 W EL CAMINO REAL MOUNTAIN VIEW, CA 94040	PROJ.NO.	1024
		FILE NO.	170, 1.3
		APN	154-34-031 & 032
		DRAWN	BDQ
		DATE	07/20/16

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**BOARD OF DIRECTORS**  
**SANTA CLARA VALLEY WATER DISTRICT**  
**RESOLUTION NO. 17-**

**APPROVING THE EXCHANGE OF REAL PROPERTY WITH PREG WESTERN TROPICANA**

WHEREAS, Section 31 of the District Act authorizes the Board by majority vote to exchange real property of equal value with any person, firm, or corporation where the real property to be exchanged is not required for District use and the property to be acquired is required for District use;

WHEREAS, PREG Western Tropicana, a California limited partnership (the "Developer"), intends to construct a 166-unit apartment project in two 4-story buildings on a 2.6 acre site adjacent to the District's Permanente Creek box culvert facility located at 1616-1620 West El Camino Real, Mountain View, California;

WHEREAS, recent excavations and site surveys performed by the Developer demonstrate that the Santa Clara Valley Water District's ("District") existing maintenance and flood protection easement is not correctly aligned along and over the box culvert facility;

WHEREAS, the Developer has offered to provide a flood protection easement over certain real property, described and depicted in the Easement Deed attached hereto and incorporated herein as Exhibit 1, to facilitate the correct flood protection easement alignment for the District's box culvert facility;

WHEREAS, in exchange for the correct flood protection easement alignment, the District would quitclaim the existing and incorrect easement, described and depicted in the Quitclaim Deed attached hereto and incorporated herein as Exhibit 2, to the Developer;

WHEREAS, the appraised value of the Developer's easement is \$7,000, and the appraised value of the District's easement is \$7,500;

WHEREAS, the Developer is willing to convey 3,482 square feet (SF) to the District of the correct easement right, and in exchange the District is willing to convey 3,756 SF of the existing and incorrect easement to the Developer;

WHEREAS, the 3,482 SF of new and correct easement will provide the District with complete access to the box culvert facility during routine and emergency maintenance operations or flood protection;

WHEREAS, the 3,756 SF of existing and incorrect easement is no longer necessary for District uses and purposes.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District does hereby find that:

1. The interest in real property to be acquired from the Developer is described in the Easement Deed, attached hereto as "Exhibit 1" and incorporated herein, and is required to achieve the correct easement alignment for District operations and maintenance of its box culvert facility.

2. The interest in real property of the District to be conveyed is described in the Quitclaim Deed, attached hereto as "Exhibit 2" and incorporated herein, and is no longer required for District operations and maintenance purposes due to the incorrect alignment of the easement along and over the District's box culvert facility.
3. The easement rights to be exchanged are of roughly equal value, though the property to be conveyed by the District is of slightly greater value.
4. Since the property to be conveyed by the District is of slightly greater value, the Developer will pay the District \$500, the difference in value between the two easement rights.
5. The proposed exchange of real property is approved and consistent with the requirements of the District Act.
6. The Chair of the Board is authorized to sign this resolution.
7. The Interim Chief Executive Officer (Interim CEO) is hereby authorized to execute the REAL PROPERTY EASEMENT EXCHANGE AGREEMENT WITH PREG WESTERN TROPICANA, attached hereto as "Exhibit 3", between the Developer and the District.
8. The Interim CEO, is hereby authorized to accept the real property described in the Easement Deed attached as "Exhibit 1" from the Developer.
9. The Interim CEO is hereby authorized to execute and deliver the Quitclaim Deed attached as "Exhibit 2" to the Developer.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on \_\_\_\_\_, 2017:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
JOHN L. VARELA  
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC

\_\_\_\_\_  
Clerk/Board of Directors

“EXHIBIT 1”

RECORD WITHOUT FEE UNDER SECTION 6103  
GOVERNMENT CODE OF THE STATE OF CALIFORNIA

AFTER RECORDING RETURN TO:  
REAL ESTATE SERVICES UNIT  
SANTA CLARA VALLEY WATER DISTRICT  
5750 ALMADEN EXPRESSWAY  
SAN JOSE, CALIFORNIA 95118

---

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APN: 154-34-031, 154-34-032

DOCUMENT NO.: 1024-170

## EASEMENT DEED

**PREG WESTERN TROPICANA, a California limited partnership**, hereinafter “Grantor,” do(es) hereby grant, convey and dedicate to the **SANTA CLARA VALLEY WATER DISTRICT**, a Special District, created by the California Legislature (District), an easement for water management and/or storm water drainage purposes in, upon, over, and across that certain real property in the City of Mountain View, County of Santa Clara, State of California, described as:

See Exhibit “**A**” and “**B**” attached hereto and made a part hereof.

**DOCUMENT NO.: 1024-170**

**DOCUMENT NO.: 1024-170**

**ALL-PURPOSE ACKNOWLEDGMENT**

CIVIL CODE §1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }  
COUNTY OF SANTA CLARA } SS

On this \_\_\_\_ day of \_\_\_\_\_, in the year 20\_\_, before me \_\_\_\_\_,

Notary Public, personally appeared \_\_\_\_\_  
Name(s) of Signer(s)

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.

\_\_\_\_\_  
Notary Public in and for said County and State

**CAPACITY CLAIMED BY SIGNER**

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

☐ Individual

☐ Trustee(s)

☐ Corporate Officer(s): \_\_\_\_\_

☐ Guardian/Conservator

☐ Partner(s) ☐ Limited ☐ General

☐ Other: \_\_\_\_\_

☐ Attorney-In-Fact \_\_\_\_\_

Signer is Representing (Name of Person(s) or Entity(ies))

“EXHIBIT 1”

**DOCUMENT NO.: 1024-170**

---

**CERTIFICATE OF CONSENT AND ACCEPTANCE**

This is to certify that the interest in real property conveyed by the attached Deed or Grant to the Santa Clara Valley Water District, also referred to herein as the Grantee, is hereby accepted by the undersigned duly authorized agent on behalf of the Board of Directors of said Santa Clara Valley Water District, pursuant to authority conferred by Resolution No. 14-79 of said Board of Directors adopted on the 9<sup>th</sup> day of September 2014, and the Grantee consents to recordation thereof by its said duly authorized agent.

Dated: \_\_\_\_\_, 20\_\_

Santa Clara Valley Water District

By: \_\_\_\_\_  
 Chief Executive Officer/Clerk of the Board of Directors  
 (Strike out inapplicable one)



## EXHIBIT "A"

### SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway  
San Jose, CA 95118

Original By: BQ  
Date: 7/08/2016

Revised By:  
Revision Date:

PROJECT: PERMANENTE CREEK  
PROPERTY: PREG WESTERN TROPICANA

APN: 154-34-031 & 032  
RESU File No.: 1024-170

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, BEING A PORTION OF THAT CERTAIN PARCEL OF LAND SHOWN AS MONTE VISTA PROPERTY INVESTMENTS, LLC ON THAT CERTAIN RECORD OF SURVEY FILED ON JUNE 27, 2013 IN BOOK 862 OF MAPS AT PAGE 29, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

**COMMENCING** AT THE MOST SOUTHWESTERLY CORNER OF SAID PARCEL;

THENCE ALONG THE GENERAL WESTERLY LINE OF SAID PARCEL, NORTH 23°44'52" WEST, 17.58 FEET TO A POINT ON A LINE WHICH LIES 10.00 FEET NORTHEASTERLY OF AND PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID PARCEL, SAID POINT ALSO BEING THE **POINT OF BEGINNING**;

THENCE CONTINUING ALONG SAID GENERAL WESTERLY LINE, THE FOLLOWING FOUR (4) COURSES:

- 1.) NORTH 23°44'52" WEST, 23.42 FEET;
- 2.) NORTH 05°26'08" EAST, 102.65 FEET;
- 3.) NORTH 18°44'52" WEST, 57.43 FEET;
- 4.) NORTH 49°30'52" WEST, 55.53 FEET TO THE MOST NORTHERLY CORNER OF SAID PARCEL;

THENCE ALONG THE NORTHEASTERLY LINE OF SAID PARCEL, SOUTH 63°51'00" EAST, 35.77 FEET;

THENCE LEAVING SAID NORTHEASTERLY LINE, SOUTH 47°24'09" EAST, 5.29 FEET TO THE BEGINNING OF A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 121.67 FEET;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 27°49'44", AN ARC LENGTH OF 59.10 FEET;

THENCE SOUTH 19°34'25" EAST, 8.27 FEET TO THE BEGINNING OF A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 121.67 FEET;

THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 03°49'53", AN ARC LENGTH OF 8.14 FEET;

**EXHIBIT "A"**  
**(continued)**

THENCE SOUTH 19°10'27" EAST, 2.52 FEET;

THENCE SOUTH 03°54'46" EAST, 34.74 FEET;

THENCE SOUTH 04°47'22" WEST, 53.41 FEET;

THENCE SOUTH 03°49'10" EAST, 49.54 FEET TO A POINT ON A LINE WHICH LIES 10.00 FEET NORTHEASTERLY OF AND PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID PARCEL;

THENCE ALONG SAID LINE PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID PARCEL, NORTH 58°25'37" WEST, 17.80 FEET TO THE **POINT OF BEGINNING**.

CONTAINING 3,483 SQUARE FEET OF LAND, MORE OR LESS.

**EXHIBIT "B"** ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

**BASIS OF BEARING:**

BEARINGS AND DISTANCES ARE BASED ON AND IDENTICAL TO THAT CERTAIN RECORD OF SURVEY FILED IN BOOK 862 OF MAPS AT PAGE 29, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY.

**SURVEYOR'S STATEMENT:**

THE DESCRIPTION WAS PREPARED BY ME OR UNDER MY DIRECTION IN CONFORMANCE WITH THE REQUIREMENTS OF THE LAND SURVEYOR'S ACT.

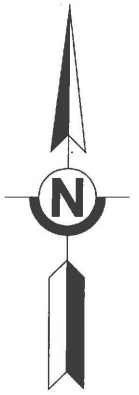
  
\_\_\_\_\_  
GISELA SILKE JOBST, L9169

08-02-2016  
Date



# EXHIBIT "B"

**HULLMAN**  
**DOC. 14877482**  
**APN 154-34-030**



LINE TABLE		
LINE #	BEARING	DISTANCE
L1	N23°44'52"W	17.58'
L2	N23°44'52"W	23.42'
L3	S63°51'00"E	35.77'
L4	S47°24'09"E	5.29'
L5	S19°34'25"E	8.27'
L6	S19°10'27"E	2.52'
L7	S03°54'46"E	34.74'
L8	N58°25'37"W	17.80'

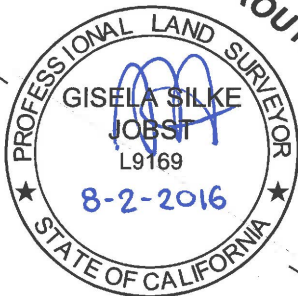
**PREG WESTERN TROPICANA**  
**DOC. 21495242**  
**APN 154-35-001**

**ROS 862 M 29**  
**MONTE VISTA PROPERTY**  
**INVESTMENTS, LLC**

**PREG WESTERN**  
**TROPICANA**  
**DOC. 22243410**  
**APN 154-34-031 & 32**

10' EASEMENT  
(BOOK 7552 O.R. 602)

**EL CAMINO REAL**  
**STATE ROUTE 82**



APN ASSESSOR'S PARCEL NUMBER P.O.B.  
POINT OF BEGINNING  
P.O.C. POINT OF COMMENCEMENT

**Santa Clara Valley Water District**

SCALE: 1" = 30'

PROJ. NO.	1024
FILE NO.	170
APN	154-34-031 & 032
TITLE REPORT NO.	NCS-628082-CC
DRAWN	BDQ
DATE	6/13/2016

REV.	BY	DATE	DESCRIPTION
1			
2			

SCWWD S:\REQUESTS\PERMANENTE CREEK\2016\_170\170 MAUTOCAD\CURRENT\1024\_170 Plat.dwg

**“EXHIBIT 2”**

RECORD WITHOUT FEE UNDER SECTION 6103  
GOVERNMENT CODE OF THE STATE OF CALIFORNIA

AFTER RECORDING RETURN TO:  
REAL ESTATE SERVICES UNIT  
SANTA CLARA VALLEY WATER DISTRICT  
5750 ALMADEN EXPRESSWAY  
SAN JOSE, CALIFORNIA 95118

SPACE ABOVE THIS LINE FOR RECORDER'S USE

---

APN: 154-34-031, 154-34-032

DOCUMENT NO.: 1024-1.3

## QUITCLAIM DEED

**SANTA CLARA VALLEY WATER DISTRICT**, a Special District, created by the California Legislature (District), hereinafter “Grantor,” does hereby release and quitclaim to **PREG WESTERN TROPICANA, a California limited partnership** all that real property in the City of Mountain View, County of Santa Clara, State of California, described as:

See Exhibit “**A**” and “**B**” attached hereto and made a part hereof.

Dated this                      day of                      , 20

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Norma J. Camacho  
Interim Chief Executive Officer

ATTEST:

By: \_\_\_\_\_  
Michele L. King  
Clerk/Board of Directors

## EXHIBIT "A"

### SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway

San Jose, CA 95118

Original By: BQ  
Date: 7/08/2016

Revised By:  
Revision Date:

PROJECT: PERMANENTE CREEK  
PROPERTY: PREG WESTERN TROPICANA

APN: 154-34-031 & 032  
RESU File No.: 1024-1.3

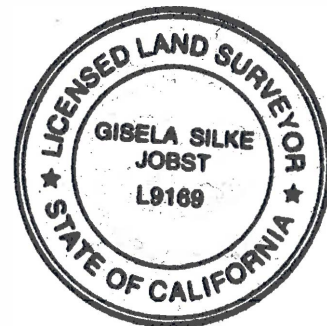
ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, BEING A PORTION OF THE LANDS DESCRIBED IN THAT CERTAIN QUIT CLAIM DEED RECORDED ON APRIL 1, 1959 IN BOOK 4370 AT PAGE 7 OF OFFICIAL RECORDS, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY, WHICH LIES WITHIN THE LANDS OF PREG WESTERN TROPICANA, SAID LANDS BEING DESCRIBED IN THAT CERTAIN GRANT DEED RECORDED AS DOCUMENT NUMBER 22243410 OF OFFICIAL RECORDS, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY.

#### SURVEYOR'S STATEMENT:

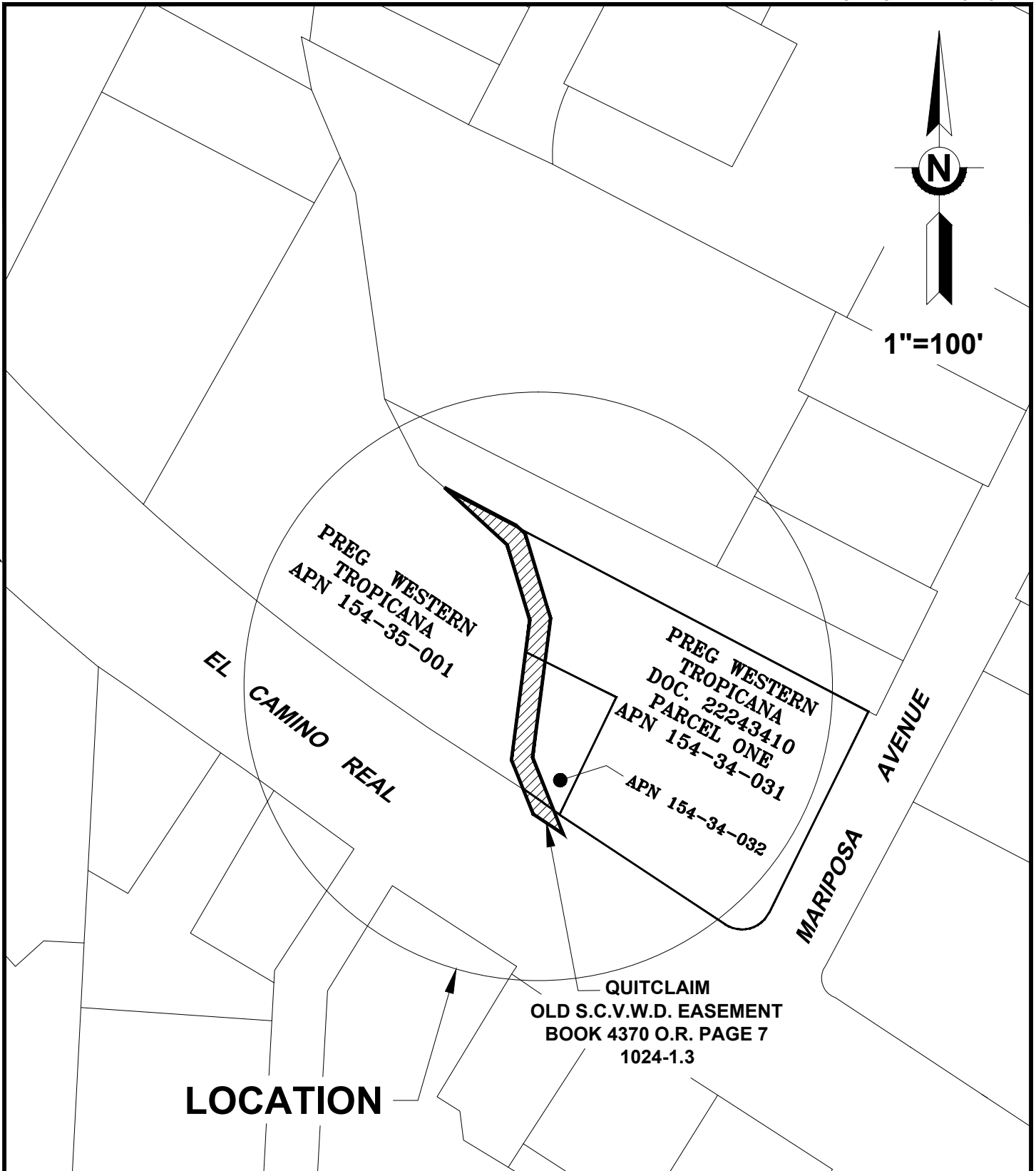
THE DESCRIPTION WAS PREPARED BY ME OR UNDER MY DIRECTION IN CONFORMANCE WITH THE REQUIREMENTS OF THE LAND SURVEYOR'S ACT.


  
\_\_\_\_\_  
GISELA SILKE JOBST, L9169

8-2-2016  
\_\_\_\_\_  
Date



# EXHIBIT "B"



LOWER PENINSULA WATERSHED		PERMANENTE CREEK	
<b>Santa Clara Valley Water District</b> 	<b>PREG WESTERN TROPICANA</b> 1616-1620 W EL CAMINO REAL MOUNTAIN VIEW, CA 94040	PROJ.NO.	1024
		FILE NO.	1.3
		APN	154-34-031 & 032
		DRAWN	BDQ
		DATE	08/30/2016

**“EXHIBIT 2”**

**DOCUMENT NO.: 1024-1.3**

**ALL-PURPOSE ACKNOWLEDGMENT**

CIVIL CODE §1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }  
COUNTY OF SANTA CLARA } SS

On this \_\_\_\_ day of \_\_\_\_\_, in the year 20\_\_, before me \_\_\_\_\_,

Notary Public, personally appeared \_\_\_\_\_  
Name(s) of Signer(s)

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.

\_\_\_\_\_  
Notary Public in and for said County and State

**CAPACITY CLAIMED BY SIGNER**

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

☐ Individual

☐ Trustee(s)

☐ Corporate Officer(s): \_\_\_\_\_

☐ Guardian/Conservator

☐ Partner(s)   ☐ Limited   ☐ General

☐ Other: \_\_\_\_\_

☐ Attorney-In-Fact: \_\_\_\_\_

Signer is Representing (Name of Person(s) or Entity(ies))

\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT 3****REAL PROPERTY EASEMENT EXCHANGE AGREEMENT  
WITH PREG WESTERN TROPICANA**

This REAL PROPERTY EASEMENT EXCHANGE AGREEMENT (**Exchange Agreement**) is entered into by and between the Santa Clara Valley Water District, a special district organized and existing under the laws of the State of California (**District**), and PREG Western Tropicana, a California limited partnership (**Developer**) with respect to the following:

**RECITALS**

- A. District currently possess easement rights to approximately 3,756 square feet on, over, under and upon real property located at 1616-1620 El Camino Real West in the City of Mountain View within Santa Clara County on the eastern portion of Assessor's Parcel Number 154-34-031 and the southern portion of Assessor Parcel Number 154-34-032, described in **Exhibit 1** attached hereto and incorporated herein by reference (**Existing District Easement**).
- B. Developer owns fee title to Assessor Parcel Numbers 154-34-031 & 032, which includes the District's existing easement for the Permanente Creek box culvert, a subsurface drainage facility that bisects the site. While completing their due diligence, Developer determined that the Existing District Easement was not correctly aligned over the facility. Developer has proposed to perfect the Permanente Creek box culvert right of way by dedicating a new easement containing 3,482 square feet identified as District parcel 1024-170 and legally described in **Exhibit 2**, attached hereto and incorporated herein by reference (**New Easement**). For purposes of this Real Property Exchange Agreement, the Existing District Easement and the New Easement may be referred to individually or collectively as the **Easement Exchange**.
- C. District and Developer desire to exchange the Existing District Easement for the New Easement located across the site as shown in **Exhibit 3**.
- D. District is authorized to convey or exchange real property pursuant to Section 31 of the Santa Clara Valley Water District Act - California Water Code, Appendix Chapter 60.

**NOW, THEREFORE**, in consideration of the foregoing and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, District and Developer agree to the exchange of properties on the terms and conditions set forth below:

**AGREEMENT**

Mutual Conveyances: District agrees to Quit Claim the Existing District Easement with no monetary payment to Developer, and Developer agrees to dedicate the New Easement with a five hundred dollar (\$500) monetary payment to District on the terms and conditions set forth in this Exchange Agreement. This shall constitute full and final consideration for the exchange.



**EXHIBIT 3**

1. District Easement. The parties agree the value of the District Easement to be Quit Claimed to Developer, consisting of ingress/egress rights and the ability to maintain the Permanente Creek box culvert is \$7,500 as determined by an appraisal prepared by Carneghi-Nakasako Associates, with an appraisal valuation date of May 9, 2016 ("CNA appraisal") commissioned by District. The parties further agree that the value of the new easement on the Developer's property to be conveyed to District is \$7,000 as determined by an appraisal prepared by Carneghi-Nakasako Associates with a valuation date of May 9, 2016 and commissioned by District.

<b>Easement</b>	<b>District Easement RE File 1024-1.3</b>	<b>PREG Western Tropicana Easement RE File 1024-170</b>
Values	\$7,500	\$7,000

(a) Condition of Title. The Developer shall convey to District the New Easement over, under, upon and across the property free of all other easements, licenses, and other non-monetary encumbrances. Developer shall convey the New Easement to District free of all mortgages, deeds of trust, mechanic liens, and all other monetary liens that materially interfere with the District exercising of its easement rights.

(b) No New Encumbrances. Developer shall not, after full execution of this Exchange Agreement, cause or permit any new liens, covenants, conditions, restrictions, easements or any other matter to encumber the portion of Developer's property located within the area of the easement to be conveyed to District by record or otherwise except for matters which do not materially interfere with the District's exercise of its easement rights.

2. Real Property Taxes. Real property taxes and assessments, if any, on the Easement Exchange shall be prorated with each party responsible for paying property taxes and assessments, including any and all interest and penalties on their respective property up to the date of recordation of the grant deed and quitclaim deed to the respective party.

3. Utilization of Easement. Should District determine that the Permanente Creek box culvert needs routine repairs, District shall endeavor to provide prior written notice a minimum of 30 days in advance to Developer. Should repairs be necessary due to an emergency situation or due to urgent unforeseen circumstances the District shall endeavor to notify the owner of the property within 24-hours. No monetary compensation shall be required by the Developer, its successors and assigns, or on-site tenants from the District for exercising the right to enter, excavate and repair the culvert.

4. Representations and Warranties. Each party, on behalf of itself and the Exchange Property it currently owns or has easement rights upon, makes the following representations and warranties:

**EXHIBIT 3**

(a) Authority. Each party represents and warrants, as of the date of execution of this Exchange Agreement (i) that it has full legal right, power and authority to execute and fully perform its obligations under this Exchange Agreement and (ii) that the persons executing this Exchange Agreement and other documents required hereunder are authorized to do so.

(b) Indemnification. District shall indemnify, defend, and hold harmless Developer and its officers, employees and agents from and against any and all claims, liabilities, losses, damages, suits, actions, expenses, and demands of any kind or nature, resulting from or arising out of any breach by the District of their representations, warranties or covenants contained in this agreement, except to the extent such loss or damage is caused by or arises out of a breach by or the negligence or willful misconduct of Developer, its officers, employees or agents.

Developer shall indemnify, defend, and hold harmless District and its officers, employees and agents from and against any and all claims, liabilities, losses, damages, suits, actions, expenses, and demands of any kind or nature, resulting from or arising out of any breach by the Developer of their representations, warranties or covenants contained in this agreement, except to the extent such loss or damage is caused by or arises out of a breach by or the negligence or willful misconduct of District, its officers, employees or agents.

(c) Real Estate Commissions. District is under no obligation or liability to pay any such commission or compensation to any broker or finder arising from, related to, or in connection with this transaction.

(d) Survival of Representations and Warranties. The representations and warranties given by the parties in this Section 4, and all obligations under this Exchange Agreement shall survive the delivery of the grant deeds to each party.

5. Conditions to Effectiveness. This Exchange Agreement shall not be binding or effective against District until the District's governing board has adopted a resolution that approves this Exchange Agreement.

6. Possession. Possession of each Easement Exchange shall be delivered within 10 calendar days after recordation of the grant deed and quitclaim deed.

7. General Provisions.

(a) Counterparts. This Exchange Agreement may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one Exchange Agreement after each party has signed such a counterpart.

(b) Entire Exchange Agreement. This Exchange Agreement, together with all exhibits attached hereto, constitutes the entire Exchange Agreement between the parties with respect to the Easement Exchange.

**EXHIBIT 3**

(c) Further Assurances. The parties agree to perform such further acts and to execute and deliver such additional documents and instruments as may be reasonably required in order to carry out the provisions of this Exchange Agreement and the intentions of the parties.

(d) Governing Law/Venue. This Exchange Agreement shall be governed, interpreted, construed and enforced in accordance with the laws of the State of California. Any action brought to enforce this Exchange Agreement shall be initiated in the County of Santa Clara, California.

(e) Modification Waiver. No modification, waiver, amendment or discharge of this Exchange Agreement shall be valid unless the same is in writing and signed by both parties.

(f) Severability. If any term, provision, covenant or condition of this Exchange Agreement is held to be invalid, void or otherwise unenforceable, to any extent, by any court of competent jurisdiction, the remainder of this Exchange Agreement shall not be affected thereby, and each remaining term, provision, covenant or condition of this Exchange Agreement shall be valid and enforceable to the fullest extent permitted by law.

(g) Successors. All terms of this Exchange Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective heirs, legal representatives, successors, and assigns.

(h) Effective Date. The Effective Date of this Exchange Agreement shall be the date upon which approval has been granted by the District governing board as described in Section 5 above.

District has executed this agreement as of:

Approval Date: \_\_\_\_\_

**SANTA CLARA VALLEY WATER DISTRICT**

**PREG WESTERN TROPICANA  
a California Limited Partnership**

By: \_\_\_\_\_

Norma J. Camacho  
Interim Chief Executive Officer

By: SUNSET RIDGE DEVELOPMENT CO.  
INC., a California corporation, its general partner

By: \_\_\_\_\_  
Jonathan Moss, Vice President

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

Michele King  
Clerk Board of Directors

## EXHIBIT "1"

### SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway

San Jose, CA 95118

Original By: BQ  
Date: 7/08/2016

Revised By:  
Revision Date:

PROJECT: PERMANENTE CREEK  
PROPERTY: PREG WESTERN TROPICANA

APN: 154-34-031 & 032  
RESU File No.: 1024-1.3

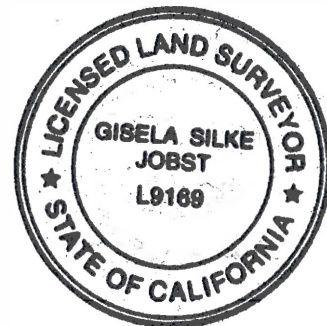
ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, BEING A PORTION OF THE LANDS DESCRIBED IN THAT CERTAIN QUIT CLAIM DEED RECORDED ON APRIL 1, 1959 IN BOOK 4370 AT PAGE 7 OF OFFICIAL RECORDS, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY, WHICH LIES WITHIN THE LANDS OF PREG WESTERN TROPICANA, SAID LANDS BEING DESCRIBED IN THAT CERTAIN GRANT DEED RECORDED AS DOCUMENT NUMBER 22243410 OF OFFICIAL RECORDS, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY.

#### SURVEYOR'S STATEMENT:

THE DESCRIPTION WAS PREPARED BY ME OR UNDER MY DIRECTION IN CONFORMANCE WITH THE REQUIREMENTS OF THE LAND SURVEYOR'S ACT.

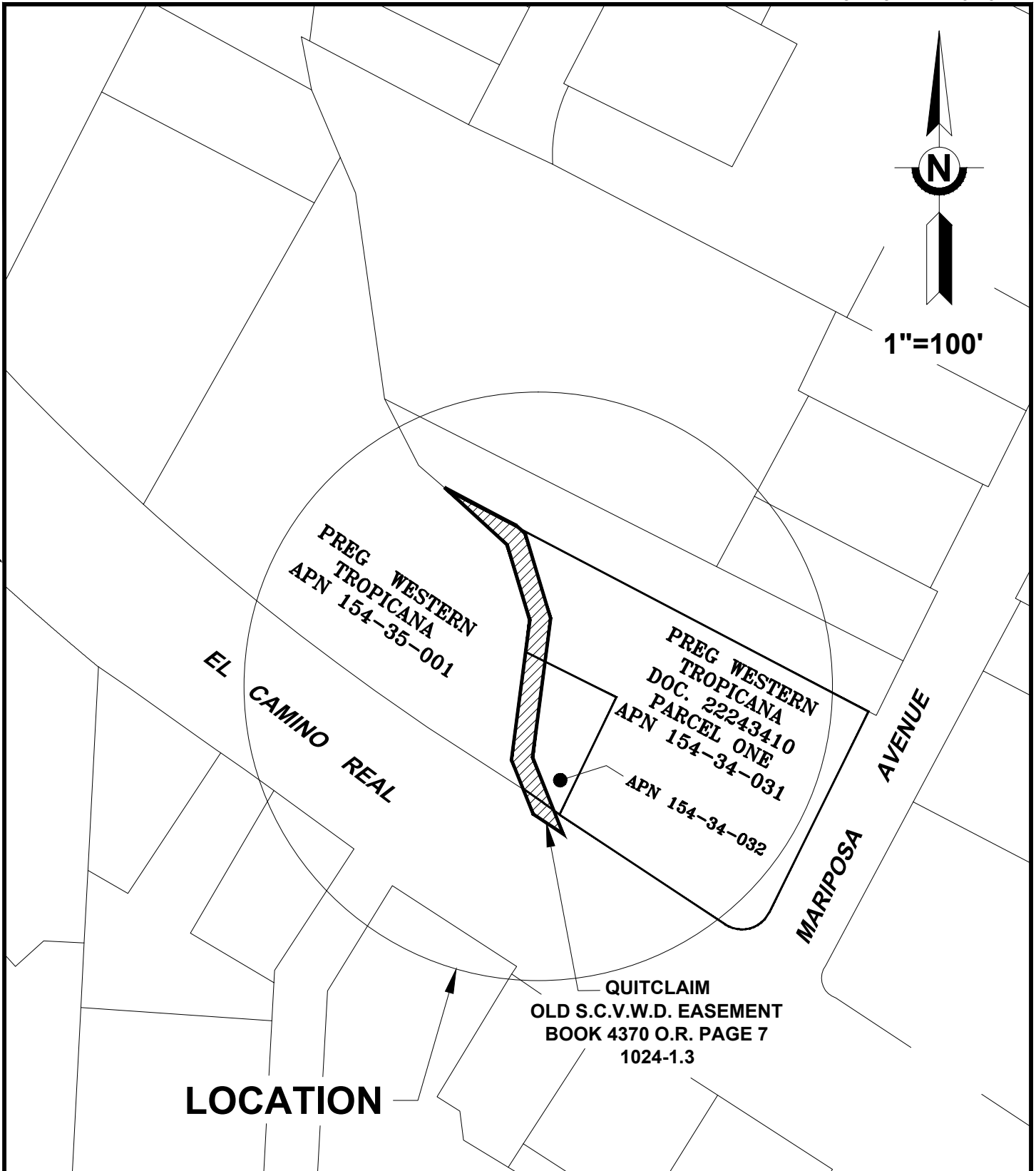
  
\_\_\_\_\_  
GISELA SILKE JOBST, L9169


8-2-2016  
\_\_\_\_\_  
Date



SHEET 1 OF 2

# EXHIBIT "1"



LOWER PENINSULA WATERSHED		PERMANENTE CREEK	
<b>Santa Clara Valley Water District</b> 	<b>PREG WESTERN TROPICANA</b> 1616-1620 W EL CAMINO REAL MOUNTAIN VIEW, CA 94040	PROJ.NO.	1024
		FILE NO.	1.3
		APN	154-34-031 & 032
		DRAWN	BDQ
		DATE	08/30/2016

## EXHIBIT “2”

### SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway  
San Jose, CA 95118

Original By: BQ  
Date: 7/08/2016

Revised By:  
Revision Date:

PROJECT: PERMANENTE CREEK  
PROPERTY: PREG WESTERN TROPICANA

APN: 154-34-031 & 032  
RESU File No.: 1024-170

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, BEING A PORTION OF THAT CERTAIN PARCEL OF LAND SHOWN AS MONTE VISTA PROPERTY INVESTMENTS, LLC ON THAT CERTAIN RECORD OF SURVEY FILED ON JUNE 27, 2013 IN BOOK 862 OF MAPS AT PAGE 29, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

**COMMENCING** AT THE MOST SOUTHWESTERLY CORNER OF SAID PARCEL;

THENCE ALONG THE GENERAL WESTERLY LINE OF SAID PARCEL, NORTH 23°44'52" WEST, 17.58 FEET TO A POINT ON A LINE WHICH LIES 10.00 FEET NORTHEASTERLY OF AND PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID PARCEL, SAID POINT ALSO BEING THE **POINT OF BEGINNING**;

THENCE CONTINUING ALONG SAID GENERAL WESTERLY LINE, THE FOLLOWING FOUR (4) COURSES:

- 1.) NORTH 23°44'52" WEST, 23.42 FEET;
- 2.) NORTH 05°26'08" EAST, 102.65 FEET;
- 3.) NORTH 18°44'52" WEST, 57.43 FEET;
- 4.) NORTH 49°30'52" WEST, 55.53 FEET TO THE MOST NORTHERLY CORNER OF SAID PARCEL;

THENCE ALONG THE NORTHEASTERLY LINE OF SAID PARCEL, SOUTH 63°51'00" EAST, 35.77 FEET;

THENCE LEAVING SAID NORTHEASTERLY LINE, SOUTH 47°24'09" EAST, 5.29 FEET TO THE BEGINNING OF A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 121.67 FEET;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 27°49'44", AN ARC LENGTH OF 59.10 FEET;

THENCE SOUTH 19°34'25" EAST, 8.27 FEET TO THE BEGINNING OF A CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 121.67 FEET;

THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 03°49'53", AN ARC LENGTH OF 8.14 FEET;

**EXHIBIT "2"**  
**(continued)**

THENCE SOUTH 19°10'27" EAST, 2.52 FEET;

THENCE SOUTH 03°54'46" EAST, 34.74 FEET;

THENCE SOUTH 04°47'22" WEST, 53.41 FEET;

THENCE SOUTH 03°49'10" EAST, 49.54 FEET TO A POINT ON A LINE WHICH LIES 10.00 FEET NORTHEASTERLY OF AND PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID PARCEL;

THENCE ALONG SAID LINE PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID PARCEL, NORTH 58°25'37" WEST, 17.80 FEET TO THE **POINT OF BEGINNING**.

CONTAINING 3,483 SQUARE FEET OF LAND, MORE OR LESS.

**EXHIBIT "B"** ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

**BASIS OF BEARING:**

BEARINGS AND DISTANCES ARE BASED ON AND IDENTICAL TO THAT CERTAIN RECORD OF SURVEY FILED IN BOOK 862 OF MAPS AT PAGE 29, IN THE OFFICE OF THE RECORDER, SANTA CLARA COUNTY.

**SURVEYOR'S STATEMENT:**

THE DESCRIPTION WAS PREPARED BY ME OR UNDER MY DIRECTION IN CONFORMANCE WITH THE REQUIREMENTS OF THE LAND SURVEYOR'S ACT.

  
\_\_\_\_\_  
GISELA SILKE JOBST, L9169

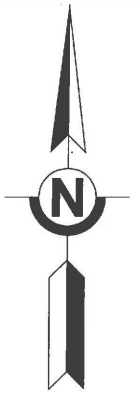
08-02-2016  
Date



# EXHIBIT "2"

Resolution No. 17-  
PREG WESTERN TOPICANA

**HULLMAN**  
DOC. 14877482  
APN 154-34-030

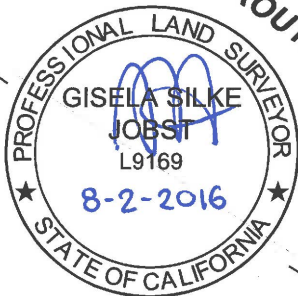


LINE TABLE		
LINE #	BEARING	DISTANCE
L1	N23°44'52"W	17.58'
L2	N23°44'52"W	23.42'
L3	S63°51'00"E	35.77'
L4	S47°24'09"E	5.29'
L5	S19°34'25"E	8.27'
L6	S19°10'27"E	2.52'
L7	S03°54'46"E	34.74'
L8	N58°25'37"W	17.80'

**PREG WESTERN TROPICANA**  
DOC. 21495242  
APN 154-35-001

**ROS 862 M 29**  
**MONTE VISTA PROPERTY**  
**INVESTMENTS, LLC**

**PREG WESTERN**  
**TROPICANA**  
DOC. 22243410  
APN 154-34-031 & 32



**EL CAMINO REAL**  
**STATE ROUTE 82**

APN ASSESSOR'S PARCEL NUMBER P.O.B.  
POINT OF BEGINNING  
P.O.C. POINT OF COMMENCEMENT

**Santa Clara Valley Water District**

SCALE: 1" = 30'

PROJ. NO.	1024
FILE NO.	170
APN	154-34-031 & 032
TITLE REPORT NO.	NCS-628082-CC
DRAWN	BDQ
DATE	6/13/2016

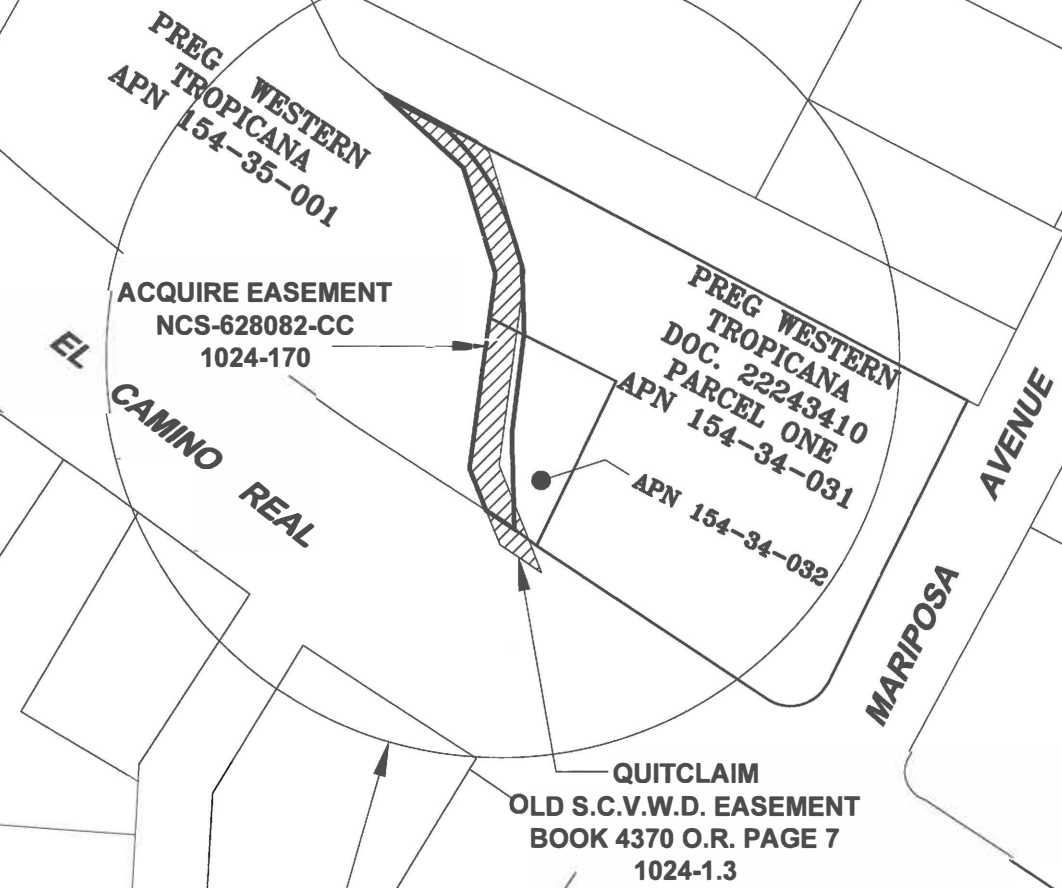
REV.	BY	DATE	DESCRIPTION
1			
2			



**EXHIBIT "3"**



1"=100'



**LOCATION**

LOWER PENINSULA WATERSHED



PREG WESTERN TROPICANA  
1616-1620 W EL CAMINO REAL  
MOUNTAIN VIEW, CA 94040

PRO JNO.	1024
FILE NO.	170, 1. 3
APN	154-34-031 & 032
DRAWN	BDQ
DATE	07/20/16

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**File No.:** 17-0095

**Agenda Date:** 3/14/2017

**Item No.:** 3.2.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Resolution Declaring March 21-28, 2017, as a Week of Public Service in Honor of César Chávez.

### **RECOMMENDATION:**

- A. Recognize and observe March 21-28, 2017, as a week of public service in honor of César Chávez; and
- B. Adopt the resolution DECLARING MARCH 21-28, 2017, AS A WEEK OF PUBLIC SERVICE IN HONOR OF CESAR CHAVEZ.

### **SUMMARY:**

Each year, Californians celebrate the life and work of César Chávez, an American farm worker, labor leader, and civil rights activist, who, with Dolores Huerta, co-founded the National Farm Workers Association (later the United Farm Workers union, [UFW]). On Friday, March 31, 2017, California will observe the day as the official state holiday for commemorating his contributions.

Celebrating his legacy gives us all the opportunity to reflect upon the values that César Chávez applied in his work: service to others, sacrifice, self-determination, non-violence, innovation, environmental protection, and community. Chávez and UFW achieved the following:

- The first collective bargaining agreement between farm workers and growers in the continental United States.
- The first union contracts requiring rest periods, clean drinking water, hand washing facilities, and protective clothing against pesticide exposure.
- The first ban on pesticide spraying while workers were in the fields.
- The first ban on DDT (dichloro-diphenyl-trichloroethane) and other dangerous pesticides.
- The first and only performing pension plan for retired farm workers.

In recognition of the life and work of César Chávez, the District's Employee Resource Group,

Organization for Latino Affairs (OLA) will be focused on educating and promoting his legacy to the District employees through an array of blogs and news articles throughout the month of March.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Resolution

**UNCLASSIFIED MANAGER:**

Norma Camacho, 408-630-2084

**BOARD OF DIRECTORS  
SANTA CLARA VALLEY WATER DISTRICT**

**RESOLUTION NO. 17-**

**DECLARING MARCH 21 TO MARCH 28, 2017, AS A WEEK OF PUBLIC SERVICE  
IN HONOR OF CÉSAR CHÁVEZ**

WHEREAS, César Chávez recognized that for many people, spanning many generations and many ethnicities, the path to a better life frequently begins in the fields. For many farm workers, the American Dream means a life of self-sacrifice, hard work, and perseverance; and

WHEREAS, in San Jose, César Chávez was introduced to the social teachings of the Catholic Church and trained in community organizing strategies and tactics. César Chávez and Fred Ross, an organizer for the Community Service Organization (CSO), established CSO chapters across California and Arizona during the 1950s, helping Latinos register to vote, pushing for basic public services and infrastructure in the barrios, peacefully battling police brutality and racial discrimination, and creating the most effective Latino civil rights group of its era; and

WHEREAS, in 1965, in a partnership with a union of Filipino American farm workers, César Chávez organized a major strike against grape growers in California. The following year César Chávez led an unprecedented 340-mile march, from Delano to Sacramento that placed the farm workers' plight before the conscience of the American people. Supporters carried slogans with the words "HUELGA" (strike) and "VIVA LA CAUSA" (long live our cause), advocating for improved compensation and labor conditions. Later efforts resulted in the enactment of California's historic Agricultural Labor Relations Act of 1975, the first and still the only law in the nation to "encourage and protect" the right of farm workers to organize and bargain with their employers; and

WHEREAS, César Chávez successfully increased public awareness of farm worker working conditions. To many Californians the farm workers' struggles are an issue from the past, a belief reflected by the fact that farm worker suffering typically takes place in remote areas far from cities, thereby rendering farm workers invisible to our society. The fruits and vegetables that we enjoy in our daily lives are produced by farm workers who often endure long hours of backbreaking work and still face challenges such as inadequate enforcement of pesticide, safety, and labor protection laws in the fields; and

WHEREAS, through countless strikes, boycotts, marches, and fasts that produced many victories and some defeats, César Chávez never stopped his peaceful battles on behalf of the farm workers with whom he shared his life. His dedication to his work earned him the respect of some of our greatest political and civil rights leaders, including Senator Robert Kennedy, Dr. Martin Luther King Jr., and Reverend Jesse Jackson. César Chávez's motto in life, "Sí Se Puede!" or "Yes We Can!" has served as an inspiration not only for Latinos, but for working Americans of all walks of life.

THEREFORE, BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District hereby recognizes March 21 to March 28, 2017, as a week of public service in honor of César Chávez.

SANTA CLARA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
John L. Varela  
Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC

\_\_\_\_\_  
Clerk/Board of Directors

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**File No.:** 17-0038

**Agenda Date:** 3/14/2017

**Item No.:** 3.3.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Board of Directors' Quarterly Expense Report for the Quarter Ending December 31, 2016.

### **RECOMMENDATION:**

- A. Review the Board of Directors' Quarterly Expense Report for the Quarter Ending December 31, 2016; and
- B. Approve the report, if the reimbursements comply with Board Policy.

### **SUMMARY:**

The Board of Directors' Expense Report is submitted on a quarterly basis to the Board for review and public disclosure. According to the Governance Policies of the Board GP-10.4, a quarterly report of the per diem and expense reimbursements of each Board member shall be placed on an open session Board meeting agenda for review and a determination by the Board whether the reimbursements comply with the Board's reimbursement policies adopted pursuant to Section 53232.3 of the Government Code. Only expenses in compliance with those policies may be reimbursed by the District.

### **FINANCIAL IMPACT:**

The reimbursements sought are within the 2016/17 Directors' budget.

### **CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

### **ATTACHMENTS:**

Attachment 1: Quarterly Expense Report, Quarter Ending 123116

### **UNCLASSIFIED MANAGER:**

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**File No.:** 17-0038

**Agenda Date:** 3/14/2017  
**Item No.:** 3.3.

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Darin Taylor, 408-630-3068



# BOARD OF DIRECTORS' QUARTERLY EXPENSE REPORT

FOR THE QUARTER ENDING 12/31/16


Santa Clara Valley Water District 

**Santa Clara Valley Water District  
Board of Directors' Expenses  
For the Quarter Ending 12/31/16  
Summary  
(Unaudited ~ for Board of Directors' review)**

	Gross <sup>1</sup> Fee	Mileage <sup>2</sup>	Board <sup>3</sup> Approved	Board <sup>4</sup> Allocated	Communications <sup>5</sup> Charges	Total Current Expenses	Total Expenses Fiscal Year 2017
Tony Estremera	\$ 7,098.78	\$ 153.36	\$ 1,502.54	\$ -	\$ -	\$ 8,754.68	\$ 18,081.98
Nai Hsueh	6,825.75	-	2,311.51	-	-	\$ 9,137.26	\$ 17,485.83
Barbara Keegan	6,279.69	194.40	-	-	-	\$ 6,474.09	\$ 15,582.78
Gary Kremen	8,190.90	158.76	-	-	-	\$ 8,349.66	\$ 17,414.37
Linda LeZotte	7,917.87	238.68	25.00	-	-	\$ 8,181.55	\$ 14,735.55
Richard Santos	8,190.90	912.60	75.77	-	222.91	\$ 9,402.18	\$ 18,949.52
John Varela	8,190.90	914.76	36.00	-	-	\$ 9,141.66	\$ 18,481.12
Total	<u>\$ 52,694.79</u>	<u>\$ 2,572.56</u>	<u>\$ 3,950.82</u>	<u>\$ -</u>	<u>\$ 222.91</u>	<u>\$ 59,441.08</u>	<u>\$ 120,731.15</u>

  
Prepared by Fanny Chan, Accountant II

2/1/17  
Date

  
Reviewed by Gloria Del Rosario, Financial Services Unit Manager

2/2/17  
Date

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: TONY ESTREMER**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
10/4/16	1. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	\$273.03	\$7.56				\$280.59
10/5/16	1. Meeting w/ District Interim CEO	273.03	7.56				280.59
10/10/16	1. 2016 California Special Districts Association Annual Conference at Sheraton San Diego Hotel	273.03	-				273.03
10/11/16	1. 2016 California Special Districts Association Annual Conference at Sheraton San Diego Hotel	273.03	-				273.03
10/12/16	1. 2016 California Special Districts Association Annual Conference at Sheraton San Diego Hotel	273.03	-				273.03
10/13/16	1. 2016 California Special Districts Association Annual Conference at Sheraton San Diego Hotel	273.03	-				273.03
10/10-10/13	Air Fare	-	-	\$117.96			117.96
10/10-10/13	Car Rental	-	-	133.39			133.39
10/10-10/13	Lodging (3 Nights)	-	-	605.19			605.19
10/10-10/14	Registration Fee	-	-	630.00			630.00
10/17/16	1. CIP Ad Hoc Committee Meeting, Dist HQ	273.03	7.56				280.59
	2. Environmental & Water Resources Committee Meeting, Dist HQ	-	7.56				7.56
10/18/16	1. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	7.56				280.59
10/19/16	1. Meeting w/ District Interim CEO	273.03	7.56				280.59
10/25/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	7.56				280.59
10/26/16	* 1. Board Audit Committee Meeting - Written Evaluation Review for Board Independent Auditor	-	7.56				7.56
10/27/16	* 1. Successor Agency to the City of San Jose RDA Meeting at SJ City Hall Council Chambers	-	-				-
10/28/16	* 1. La Raza Roundtable Meeting at Center for Training and Careers, San Jose	-	9.72				9.72
	* Exceeded 10 Meetings in October						
11/1/16	1. Board Audit Committee Mtg - Oral Interviews for Board Independent Auditor	273.03	7.56				280.59
11/8/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	7.56				280.59
11/9/16	1. Recycled Water Committee Meeting, Dist HQ	273.03	7.56				280.59
11/10/16	1. Successor Agency to the City of San Jose RDA Meeting at SJ City Hall Council Chambers	273.03	-				273.03
11/18/16	1. Meeting w/ Director Kremen	273.03	-				273.03
11/21/16	1. Meeting w/ District Interim CEO	273.03	7.56				280.59
11/22/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	7.56				280.59
12/5/16	1. Santa Clara County Special Districts Association, Dist HQ	273.03	7.56				280.59
12/6/16	1. AB1234 Ethics On-Line Training	273.03	-				273.03
12/7/16	1. Meeting w/ District Interim CEO	273.03	7.56				280.59
12/8/16	1. Successor Agency to the City of San Jose RDA Meeting at SJ City Hall Council Chambers	273.03	-				273.03
12/13/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	7.56				280.59
12/15/16	1. CIP Ad Hoc Committee Meeting, Dist HQ	273.03	7.56				280.59
12/21/16	1. Mtg w/ Dir. Santos, District Interim CEO & Diversity and Inclusion Program Administrator	273.03	7.56				280.59
12/22/16	1. Mtg w/ District Interim CEO	273.03	7.56				280.59
12/29/16	1. Lunch Mtg w/ Dir. Varela & Dir. Santos in Old City Hall Restaurant, Gilroy (Re: 2017 Forecast)	-	-				-
	Share of Lunch Expenses - Paid by Dir. Varela	-	-	16.00			16.00
12/30/16	1. Mtg w/ Richard McMurtry	273.03	-				273.03
		<b>\$7,098.78</b>	<b>\$153.36</b>	<b>\$1,502.54</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$8,754.68</b>

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

Attachment 1

Page 3 of 13

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: NAI HSUEH**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
10/3/16	1. Agricultural Water Advisory Committee Meeting, Dist HQ	\$273.03	-				\$273.03
10/4/16	1. Landscape Committee Meeting, Dist HQ	-	-				-
	2. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	273.03	-				273.03
10/5/16	1. One on One Meeting w/ District Interim CEO	273.03	-				273.03
10/6/16	1. Presentation at Cupertino Parks and Recreation Commission (Re: Permanente Creek)	273.03	-				273.03
10/11/16	1. Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
10/12/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	-				273.03
10/17/16	1. CIP Ad Hoc Committee Meeting, Dist HQ	273.03	-				273.03
	2. Environmental & Water Resources Committee Meeting, Dist HQ	-	-				-
10/18/16	1. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	-				273.03
10/19/16	1. Board Policy and Planning Committee Meeting, Dist HQ	273.03	-				273.03
10/25/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
11/1/16	1. Landscape Advisory Committee Meeting, Dist HQ	273.03	-				273.03
11/2/16	1. Board Policy and Planning Committee Meeting, Dist HQ	273.03	-				273.03
11/8/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
11/10/16	1. Preconstruction Public Meeting in Cupertino for Rancho San Antonio Park Detention Basin	273.03	-				273.03
11/14/16	1. Washington DC Fall Trip	273.03	-				273.03
11/15/16	1. Washington DC Fall Trip	273.03	-				273.03
11/16/16	1. Washington DC Fall Trip	273.03	-				273.03
11/17/16	1. Washington DC Fall Trip	273.03	-				273.03
1/13-11/17	Air Fare (Included \$103.73 Preferred Seating & \$25 Phone Ticketing Service)	-	-	\$720.93			720.93
1/14-11/17	Meals Per Diem	-	-	70.00			70.00
1/13-11/17	Lodging (4 Nights)	-	-	1,520.58			1,520.58
11/22/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
11/28/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	-				273.03
12/6/16	1. AB1234 Ethics Training, Dist HQ	273.03	-				273.03
	2. Constituent Meeting on Water Rates Process, Dist HQ	-	-				-
12/7/16	1. Board Policy and Planning Committee Meeting, Dist HQ	273.03	-				273.03
12/9/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	-				273.03
12/13/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
12/15/16	1. CIP Ad Hoc Committee Meeting, Dist HQ	273.03	-				273.03
		<b>\$6,825.75</b>	<b>\$0.00</b>	<b>\$2,311.51</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$9,137.26</b>

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: BARBARA KEEGAN**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
10/4/16	1. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	\$273.03	\$8.64				\$281.67
10/11/16	1. Meeting w/ District Interim CEO	-	-				-
	2. Tuesday Regular Board Meeting, Dist HQ	273.03	8.64				281.67
10/13/16	1. OLA Hispanic Heritage Month Celebration Event, Dist HQ	-	-				-
10/14/16	1. Record Welcome Message for Silicon Valley Advanced Water Purification Center	273.03	8.64				281.67
10/18/16	1. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	8.64				281.67
10/19/16	1. Santa Clara County Water Retailers Quarterly Meeting, Dist HQ	273.03	8.64				281.67
	2. Board Policy and Planning Committee Meeting, Dist HQ	-	-				-
10/24/16	1. Meeting w/ District COB	-	-				-
	2. Meeting w/ District Interim CEO	273.03	8.64				281.67
10/25/16	1. BDCP Ad Hoc Committee Meeting, Dist HQ	-	8.64				8.64
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
10/26/16	1. Board Audit Committee Meeting - Written Evaluation Review for Board Independent Auditor	273.03	8.64				281.67
	2. Santa Clara Valley Water Commission Meeting, Dist HQ	-	-				-
10/27/16	1. 2016 Winter Emergency Operations and Preparedness Workshop, Dist HQ	273.03	8.64				281.67
11/1/16	1. Transgender Awareness Week - Kick Off Flag Raising, Dist HQ	-	-				-
	2. Board Audit Committee Mtg - Oral Interviews for Board Independent Auditor	273.03	8.64				281.67
11/2/16	1. Board Policy and Planning Committee Meeting, Dist HQ	273.03	8.64				281.67
11/7/16	1. Meeting w/ District COB	-	-				-
	2. Meeting w/ District Interim CEO	273.03	8.64				281.67
11/8/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	8.64				281.67
11/9/16	1. Recycled Water Committee Meeting, Dist HQ	273.03	8.64				281.67
11/22/16	1. Mtg w/ Santa Clara Mayor & City Manager at Santa Clara City Hall	-	8.64				8.64
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	8.64				281.67
11/30/16	1. Sustainable Silicon Valley Winter Workshop Panel Conference Call	273.03	-				273.03
12/1/17	1. Sustainable Silicon Valley Winter Workshop Prep Meeting w/ Staff, Dist HQ	273.03	-				273.03
12/2/16	1. Sustainable Silicon Valley Winter Water Workshop: Collaboration and Connection, Google Campus	273.03	12.96				285.99
12/5/16	1. Water Management Interview w/ Dongjin Lim-Korea Business TV, Dist HQ	273.03	8.64				281.67
12/6/16	1. AB1234 Ethics Training, Dist HQ	273.03	8.64				281.67
12/12/16	1. Potential WaterFix Presentation by District Staff, Dist HQ	273.03	8.64				281.67
	2. Meeting w/ District COB	-	-				-
	3. Meeting w/ District Interim CEO	-	-				-
12/13/16	1. Joint Recycled Water Committee Meeting at Palo Alto	-	-				-
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	8.64				281.67
12/19/16	1. Meeting w/ District COB	-	-				-
	2. Meeting w/ District Interim CEO	273.03	8.64				281.67
		<b>\$6,279.69</b>	<b>\$194.40</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$6,474.09</b>

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: GARY KREMEN**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
10/3/16	1. Sustainable Conversation Water Event	\$273.03	-				\$273.03
10/4/16	1. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	273.03	\$22.68				295.71
10/6/16	1. SLDMWA Board Meeting, Los Banos	273.03	-				273.03
10/11/16	1. Meeting w/ District Interim CEO	-	-				-
	2. Tuesday Regular Board Meeting, Dist HQ	273.03	22.68				295.71
10/16/16	1. Matadero Creek Issues Meeting w/ C. Gillis and C. Alias	273.03	-				273.03
10/18/16	1. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	22.68				295.71
10/20/16	1. Update Presentation to Los Altos Hills Town Council	273.03	-				273.03
10/22/16	1. San Francisquito Creek JPA - Board Retreat/Study Session at Menlo Park Recreation Center	273.03	-				273.03
10/25/16	1. BDCP Ad Hoc Committee Meeting, Dist HQ	-	-				-
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	22.68				295.71
10/27/16	1. "American Meadow - The Original Lawn" Talk by John Greenlee, Los Altos Library	273.03	-				273.03
11/1/16	1. Meeting w/ District Interim CEO (Re: District Act)	-	-				-
	2. Board Audit Committee Meeting, Dist HQ (Re: Oral Interviews for Board Independent Auditor)	273.03	-				273.03
11/3/16	1. SLDMWA DHCCP Committee Meeting	-	-				-
	2. Mtg w/ Constituent (Re: Discuss Water Quality Complaint)	273.03	-				273.03
11/4/16	1. Mtg w/ Dist Staff C. Kwok & Work on SLDMWA Email	273.03	-				273.03
11/8/16	1. Meeting w/ District Interim CEO	-	-				-
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	22.68				295.71
11/9/16	1. Meeting w/ District HR Director Anil Comelo	-	-				-
	2. Recycled Water Committee Meeting, Dist HQ	273.03	-				273.03
11/10/16	1. SLDMWA Board Meeting, Los Banos	273.03	-				273.03
11/15/16	1. District Work - Emails SFCJPA, DHCCP, Others	273.03	-				273.03
11/18/16	1. Offsite Mtg w/ Director Estremera ; B Page Conference Call	273.03	-				273.03
11/21/16	1. Mtg w/ Mountain View J. McAlister City Council & Others	273.03	-				273.03
11/22/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	22.68				295.71
11/30/16	* 1. Phone Calls w/ R. Callender & N. Camacho & Dir. Santos	-	-				-
	* Exceeded 10 Meetings in November						
12/1/16	1. WaterNow Alliance Email, Phone Call w/ R. Callender, Other Communications & Scheduling	273.03	-				273.03
12/2/16	1. Sustainable Silicon Valley Winter Water Workshop: Collaboration and Connection, Google Campus	273.03	-				273.03
12/5/16	1. DHCCP Steering Committee Meeting at SLDMWA Board Room, Los Banos	273.03	-				273.03
12/6/16	1. Constituent Meeting on Water Rates Process, Dist HQ	273.03	-				273.03
	2. Phone Conference Briefing for San Luis Delta Mendota Water Authority Monthly Bd Meeting	-	-				-

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: GARY KREMEN**

MEETING		GROSS		BOARD	BOARD	COMMUNICATIONS	
DATE	PURPOSE / LOCATION OF MEETING	FEE <sup>1</sup>	MILEAGE <sup>2</sup>	APPROVED <sup>3</sup>	ALLOCATED <sup>4</sup>	CHARGES <sup>5</sup>	TOTALS
12/7/16	1. Permanente Creek Flood Protection Proj: Preconstruction Public Mtg - McKelvey Park Flood Detention	273.03	-				273.03
12/8/16	1. SLDMWA Board Meeting, Los Banos	273.03	-				273.03
	2. Pacheco Reservoir Exploratory Ad Hoc Committee Mtg at San Benito County Water District	-	-				-
	3. San Felipe Division Reach One Committee Mtg at San Benito County Water District	-	-				-
12/13/16	1. Joint Recycled Water Committee Meeting at Palo Alto	-	-				-
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	22.68				295.71
12/15/16	1. San Francisquito Creek Joint Powers Authority Bd Mtg at City of Palo Alto Community Mtg Rm	273.03	-				273.03
12/20/16	1. SFCJPA - Special Meeting	273.03	-				273.03
12/29/16	1. Analysis & Craftbug Email on Rate Payers in Person Mtg Requests on Rates	273.03	-				273.03
12/30/16	* 1. Offsite Mtg w/ Garth Hall & Potential Water Bank Partner - Buena Vista Water District	-	-				-
	* Exceeded 10 Meetings in December						
		<b>\$8,190.90</b>	<b>\$158.76</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$8,349.66</b>

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: Linda LeZotte**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
10/3/16	1. Meeting w/ District Interim CEO	\$273.03	\$4.86				\$277.89
10/4/16	1. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	273.03	-				273.03
10/5/16	1. LAFCO Meeting at County Government Center, 70 West Hedding Street, San Jose	273.03	7.02				280.05
10/11/16	1. Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
10/12/16	1. Meeting w/ Board Support Staff	-	4.86				4.86
	2. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	-				273.03
10/13/16	1. OLA Hispanic Heritage Month Celebration Event, Dist HQ	-	4.86				4.86
10/17/16	1. LAFCO Special Meeting at 70 West Hedding Street, San Jose	273.03	7.02				280.05
10/18/16	1. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	-				273.03
10/24/16	1. Meeting w/ District Interim CEO	273.03	4.86				277.89
10/25/16	1. Attended District Pink Day Photo Shoot - Cancer Awareness Event	-	4.86				4.86
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
10/26/16	1. SC Valley Recycling and Waste Reduction Commission Mtg at County Government Center, SJ	273.03	7.02				280.05
11/1/16	1. Attended District Transgender Awareness Flag Raising Event	-	4.86				4.86
11/7/16	1. Meeting w/ District Interim CEO	273.03	4.86				277.89
11/8/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
11/9/16	1. Meeting w/ District HR Deputy Officer Anil Comelo	273.03	4.86				277.89
11/15/16	1. Meeting w/ District Diversity and Inclusion Program Director Salam Baqleh	273.03	4.86				277.89
11/16/16	1. AB1234 Ethics Training at Santa Clara County Office at 70 W. Hedding Street, San Jose	273.03	7.02				280.05
	Training Fee	-	-	\$25.00			25.00
11/17/16	1. Santa Clara Valley Habitat JPA Implementation Board Mtg at Morgan Hill City Council Chambers	273.03	23.22				296.25
11/21/16	1. Meeting w/ District Interim CEO	273.03	4.86				277.89
11/22/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
11/28/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	4.86				277.89
12/2/16	1. Sustainable Silicon Valley Winter Water Workshop: Collaboration and Connection, Google Campus	273.03	18.36				291.39
12/7/16	1. LAFCO Meeting at County Government Center, 70 West Hedding, San Jose	273.03	7.02				280.05
12/9/16	1. Special Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	4.86				277.89
	2. Bay Planning Coalition Annual Luncheon at St. Francis Yacht Club, San Francisco	-	62.64				62.64
12/12/16	1. Meeting w/ District Interim CEO	273.03	4.86				277.89
	2. City of Campbell Swearing In of Mayor and Council	-	-				-
12/13/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	-				273.03
12/15/16	1. Briefing on Lake Almaden, Dist HQ	273.03	4.86				277.89
12/19/16	1. Meeting w/ Chief Operating Officer Jim Fiedler	273.03	4.86				277.89
12/22/16	1. Meeting w/ Deputy Operating Officer Garth Hall	273.03	4.86				277.89
12/27/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	4.86				277.89
12/28/16	1. Mtg w/ Chief of Staff to Assemblymember Evan Low (Re: Water Rates & Constituents)	273.03	11.88				284.91
12/30/16 *	1. Meeting w/ District Interim CEO	-	4.86				4.86
	* Exceeded 10 Meetings in December						
		<b>\$7,917.87</b>	<b>\$238.68</b>	<b>\$25.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$8,181.55</b>

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.



**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: RICHARD SANTOS**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
9/28/16	# 2017 Day Planner Refill Pack Purchased from Priority Management Co	-	-	\$29.77			\$29.77
10/1/16	1. Bob McGuire Park Ribbon Cutting and Sal Cracolice Recreation Facility Dedication Ceremony	-	\$8.64				8.64
10/3/16	1. Agricultural Water Advisory Committee Meeting, Dist HQ	\$273.03	19.44				292.47
10/4/16	1. Landscape Committee Meeting, Dist HQ	-	19.44				19.44
	2. Briefing for SCRWA Board Meeting & SLDMWA Board Meeting	-	-				-
	3. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	273.03	19.44				292.47
10/5/16	1. SCRWA Board Meeting at 1500 Southside Drive, Gilroy, CA	273.03	43.20				316.23
	2. River Oaks Neighborhood Association Meeting	-	10.80				10.80
10/9/16	1. Day on the Bay Event at Alviso Marina County Park	-	12.96				12.96
10/10/16	1. Berryessa Citizens Advisory Council Meeting at Berryessa Community Center	-	1.08				1.08
10/11/16	1. Milpitas Chamber of Commerce Business Breakfast Event at Milpitas Senior Center	-	8.64				8.64
	Breakfast Event Fees	-	-	15.00			15.00
	2. District Employee Resource Group Ability Awareness Event	-	-				-
	3. Landscape Sub-Committee Meeting, Dist HQ	-	19.44				19.44
	4. Tuesday Regular Board Meeting, Dist HQ	273.03	19.44				292.47
10/12/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	19.44				292.47
	2. Alviso Neighborhood Group Meeting at Alviso Community Library	-	12.96				12.96
	AT&T U-verse Internet Service Charge - Bill Cycle Date 9/1/16 - 9/30/16	-	-			\$37.14	37.14
10/13/16	1. OLA Hispanic Heritage Month Celebration Event, Dist HQ	-	19.44				19.44
	2. Santa Clara County Cities Association Meeting at Sunnyvale City Hall	-	15.12				15.12
10/14/16	1. Alviso Tour and Presentation to SJSU Students of Environmental Studies	-	12.96				12.96
10/17/16	1. Berryessa Citizens Advisory Council Board Meeting at Berryessa Union School District Office	-	1.08				1.08
10/18/16	1. Mtg w/ District Employees Association	-	-				-
	2. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	19.44				292.47
10/19/16	1. PRWFPA Legislative Conference Agenda Review, Dist HQ	-	-				-
	2. Meeting w/ District Interim CEO	273.03	19.44				292.47
10/20/16	1. Berryessa Business Association Meeting	-	1.08				1.08
10/25/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	19.44				292.47
10/26/16	1. PRWFPA - 2016 Legislative Conference at Watsonville Civic Center	273.03	62.64				335.67
10/27/16	1. 2016 Winter Emergency Operations and Preparedness Workshop, Dist HQ	273.03	19.44				292.47
10/28/16	1. Tour of Alviso and Mtg w/ SJ Director of Public Works (Re: Flooding Issues)	-	12.96				12.96
	2. La Raza Roundtable Meeting at Center for Training and Careers, San Jose	-	10.80				10.80
10/29/16	1. Visited Lower Berryessa Creek Flooded Area in Milpitas & Discussion w/ Resident & City Manager	-	8.64				8.64
10/30/16	1. Visited Lower Berryessa Creek Flooded Area in Milpitas & Interviewed Resident	-	8.64				8.64
	Fax Line - Plans & Service Chg - Billing Date 10/19/16	-	-			43.21	43.21

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2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: RICHARD SANTOS**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
11/1/16	1. Landscape Advisory Committee Meeting, Dist HQ	273.03	19.44				292.47
	2. Welcome US-China Exchange Council, Dist HQ	-	-				-
	3. Briefing for South County Regional Wastewater Authority Monthly Board Meeting, Dist HQ	-	-				-
	4. Transgender Awareness Week - Kick Off Flag Raising, Dist HQ	-	-				-
11/2/16	1. SCRWA Board Meeting at 1500 Southside Drive, Gilroy	273.03	43.20				316.23
	2. Landscape Sub-Committee Meeting on Design/Maintenance/Irrigation, Dist HQ	-	19.44				19.44
11/5/16	1. Mtg w/ Milpitas Residents (Re: Flooding Issues at 130 Edgewater Drive, Milpitas)	273.03	8.64				281.67
11/8/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	19.44				292.47
11/9/16	1. Alviso Neighborhood Group Meeting at Alviso Library	-	12.96				12.96
11/10/16	1. Lower Berryessa Creek Flood Protection Project Briefing for 11/18 Community Mtg w/ Beresford HOA	-	19.44				19.44
	2. Veteran's Day Celebration Event, Dist HQ	-	-				-
	3. SCC Emergency Operational Area Council Mtg at SCC Sheriff's Auditorium, San Jose	273.03	8.64				281.67
11/14/16	1. District Staff Presentation at Berryessa Citizens Advisory Council Meeting	273.03	1.08				274.11
11/16/16	1. Conference Call - Pajaro River Watershed Flood Prevention Authority Board Meeting	-	-				-
	2. AB1234 Ethics Training at Isaac Newton Senter, County Building, 70 W. Hedding Street, SJ	273.03	8.64				281.67
	Parking Fee	-	-	15.00			15.00
11/17/16	1. Berryessa Business Association Meeting	-	1.08				1.08
11/18/16	1. Alviso Tour w/ City of San Jose Dept of Transportation (Re: Flood Issues)	-	12.96				12.96
	2. Thompson Creek Trail Groundbreaking Ceremony, San Jose	-	10.80				10.80
	3. Beresford HOA Community Mtg at Milpitas (Re: Lower Berryessa Creek Flood Protection Project)	273.03	8.64				281.67
11/22/16	1. Mtg w/ Santa Clara Mayor & City Manager at Santa Clara City Hall	273.03	12.96				285.99
	2. Mtg w/ District Employees Association Officials	-	-				-
	3. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	-	19.44				19.44
11/23/16	1. Mtg w/ Dist Staff to Prepare for Milpitas Residents on Lower Berryessa Creek Flood Protection Project	273.03	19.44				292.47
	AT&T U-verse Internet Service Charge - Bill Cycle Date 10/1/16 - 10/31/16	-	-			49.64	49.64
11/28/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	-	19.44				19.44
	Fax Line - Plans & Service Chg - Billing Date 11/19/16	-	-			43.28	43.28
12/2/16	1. Sustainable Silicon Valley Winter Water Workshop: Collaboration and Connection, Google Campus	273.03	34.56				307.59
12/6/16	1. SCVWD Landscape Committee Meeting at SVAWPC, San Jose	273.03	12.96				285.99
12/7/16	1. TV Channel 2 Homeless Interview at Ridder Park Drive, San Jose	-	5.40				5.40
	2. Water Issue Presentation to River Oaks Neighborhood Associations, San Jose	273.03	11.88				284.91
12/8/16	1. SLDMWA Board Meeting, Los Banos	273.03	19.44				292.47
	2. Pacheco Reservoir Exploratory Ad Hoc Committee Mtg at San Benito County Water District	-	-				-
	3. San Felipe Division Reach One Committee Mtg at San Benito County Water District	-	-				-
	4. Mtg w/ District Deputy Officer Chris Elias (Re: Diversity Issue)	-	-				-

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: RICHARD SANTOS**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
12/9/16	1. Special Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	19.44				292.47
	AT&T U-verse Internet Service Charge - Bill Cycle Date 11/1/16 - 11/30/16	-	-			49.64	49.64
12/20/16	1. Mtg w/ District Employees Association	-	-				-
	2. Briefing on Lower Berryessa Creek Flood Protection Project in Milpitas	273.03	19.44				292.47
12/21/16	1. Mtg w/ Dir. Estremera, District Interim CEO & Diversity and Inclusion Program Administrator	273.03	19.44				292.47
12/22/16	1. Meeting w/ District Interim CEO	273.03	19.44				292.47
12/23/16	1. Legal Service Meeting w/ Legal Counsel Stan Yamamoto	273.03	19.44				292.47
	2. Dist Staff Briefing on Alviso Pump Station and Flood Preparation	-	-				-
12/27/16	1. Water Conservation and Demand Management Committee Meeting, Dist HQ	273.03	19.44				292.47
12/29/16	1. Lunch Mtg w/ Dir. Estremera & Dir. Varela in Old City Hall Restaurant, Gilroy (Re: 2017 Forecast)	-	-				-
	Share of Lunch Expenses - Paid by Dir. Varela	-	-	16.00			16.00
<b>TOTALS</b>		<b>\$8,190.90</b>	<b>\$912.60</b>	<b>\$75.77</b>	<b>\$0.00</b>	<b>\$222.91</b>	<b>\$9,402.18</b>

*Note: # Data Submitted on District Payment to Priority Management Co Dated 9/28/16 and Not Reported on Quarter Ending 9/30/16*

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: JOHN VARELA**

MEETING DATE	PURPOSE / LOCATION OF MEETING	GROSS FEE <sup>1</sup>	MILEAGE <sup>2</sup>	BOARD APPROVED <sup>3</sup>	BOARD ALLOCATED <sup>4</sup>	COMMUNICATIONS CHARGES <sup>5</sup>	TOTALS
10/3/16	1. Agriculture Water Agency Advisory Committee Meeting, Dist HQ	\$273.03	\$23.76				\$296.79
10/4/16	1. Santa Clara County Farm Bureau Meeting	-	2.70				2.70
	2. Special Board Meeting, Dist HQ (Re: Board Strategic Direction and Priorities)	273.03	23.76				296.79
10/5/16	1. SCRWA Board Meeting at 1500 Southside Drive, Gilroy, CA	273.03	16.20				289.23
10/6/16	1. SLDMWA Board Meeting, Los Banos	273.03	64.80				337.83
10/9/16	1. Day on the Bay Event at Alviso Marina County Park	273.03	38.88				311.91
10/11/16	1. Tuesday Regular Board Meeting, Dist HQ	273.03	23.76				296.79
10/13/16	1. OLA Hispanic Heritage Month Celebration Event, Dist HQ	273.03	23.76				296.79
10/17/16	1. CIP Ad Hoc Committee Meeting, Dist HQ	273.03	23.76				296.79
10/18/16	1. Special Board Meeting, Dist HQ (Re: Riparian Ordinance / Encroachment Process)	273.03	23.76				296.79
10/19/16	1. Board Policy and Planning Committee Meeting, Dist HQ	273.03	23.76				296.79
10/21/16 *	1. Briefing w/ District Interim CEO	-	-				-
10/25/16 *	1. BDCP Ad Hoc Committee Meeting, Dist HQ	-	23.76				23.76
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	-	-				-
10/26/16 *	1. PRWFPA - 2016 Legislative Conference at Watsonville Civic Center	-	35.64				35.64
10/27/16 *	1. Mtg w/ Silicon Valley Council of Nonprofits, San Jose	-	28.08				28.08
	* Exceeded 10 Meetings in October						
11/1/16	1. Santa Clara County Farm Bureau Board of Directors Meeting at Morgan Hill	273.03	2.70				275.73
11/2/16	1. SCRWA Board Meeting at 1500 Southside Drive, Gilroy	273.03	8.10				281.13
	2. Board Policy and Planning Committee Meeting, Dist HQ	-	31.86				31.86
11/3/16	1. Morgan Hill Chamber of Commerce Breakfast Event	-	3.78				3.78
	Breakfast Event Fees	-	-	\$10.00			10.00
11/4/16	1. Upper Llagas Creek City of Morgan Hill Elected Officials Meeting	273.03	3.78				276.81
11/7/16	1. Silicon Valley Chamber of Commerce Coalition at Santa Clara Convention Center	273.03	34.02				307.05
11/8/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	23.76				296.79
11/10/16	1. SLDMWA Board Meeting, Los Banos	273.03	64.80				337.83
11/16/16	1. Morgan Hill Chamber of Commerce Board Meeting	273.03	2.70				275.73
11/17/16	1. SJ/SV Chamber of Commerce Breakfast Event w/ Mayor Sam Liccardo at Silicon Valley Capital Club	273.03	27.00				300.03
	2. Santa Clara Valley Habitat JPA Implementation Board Mtg at Morgan Hill City Council Chambers	-	2.70				2.70
11/18/16	1. Thompson Creek Trail Groundbreaking Ceremony, San Jose	273.03	23.22				296.25
11/22/16	1. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	23.76				296.79
12/1/16	1. Morgan Hill Chamber of Commerce Breakfast Event	273.03	2.70				275.73
	Breakfast Event Fees	-	-	10.00			10.00
12/2/16	1. Sustainable Silicon Valley Winter Water Workshop: Collaboration and Connection, Google Campus	273.03	37.80				310.83
12/6/16	1. Mtg at Mariani Farm, Morgan Hill (Re: Half Road Pipeline Property Issue)	273.03	5.40				278.43
12/7/16	1. Board Policy and Planning Committee Meeting, Dist HQ	273.03	23.76				296.79
	2. Safe Clean Water Independent Monitoring Committee (IMC) Meeting, Dist HQ	-	-				-

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

**SANTA CLARA VALLEY WATER DISTRICT  
BOARD OF DIRECTOR'S COMPENSATION  
For the Quarter Ending 12/31/16  
(Unaudited ~ for Board of Directors review)**

**DIRECTOR: JOHN VARELA**

<b>MEETING</b>		<b>GROSS</b>		<b>BOARD</b>	<b>BOARD</b>	<b>COMMUNICATIONS</b>	
<b>DATE</b>	<b>PURPOSE / LOCATION OF MEETING</b>	<b>FEE<sup>1</sup></b>	<b>MILEAGE<sup>2</sup></b>	<b>APPROVED<sup>3</sup></b>	<b>ALLOCATED<sup>4</sup></b>	<b>CHARGES<sup>5</sup></b>	<b>TOTALS</b>
12/8/16	1. SLDMWA Board Meeting, Los Banos	273.03	64.80				337.83
	2. Pacheco Reservoir Exploratory Ad Hoc Committee Mtg at San Benito County Water District	-	-				-
	3. San Felipe Division Reach One Committee Mtg at San Benito County Water District	-	-				-
12/9/16	1. Gilroy Chamber of Commerce GRC Meeting	273.03	4.86				277.89
12/10/16	1. Attended Santa Visits Alviso Event w/ Dir. Santos	-	35.64				35.64
12/12/16	1. Potential WaterFix Presentation by District Staff, Dist HQ	273.03	23.76				296.79
12/13/16	1. ABE Holiday Potluck, Dist HQ	-	-				-
	2. Closed Session Meeting & Tuesday Regular Board Meeting, Dist HQ	273.03	23.76				296.79
12/14/16	1. OLA Holiday Potluck, Dist HQ	-	23.76				23.76
12/15/16	1. CIP Ad Hoc Committee Meeting, Dist HQ	273.03	23.76				296.79
12/16/16	1. Joint Recycled Water Advisory Committee Mtg, Morgan Hill	273.03	2.70				275.73
12/21/16 *	1. Mtg w/ Constituent Rocke Garcia (Re: Lake Silveira Proposed Development Project in Morgan Hill)	-	2.70				2.70
12/29/16 *	1. Lunch Mtg w/ Dir. Estremera & Dir. Santos in Old City Hall Restaurant, Gilroy (Re: 2017 Forecast)	-	10.80				10.80
	Lunch Expenses	-	-	48.00			48.00
	Lunch Exp Allocated to Dir. Estremera & Dir. Santos	-	-	(32.00)			(32.00)
* Exceeded 10 Meetings in December							
		<b>\$8,190.90</b>	<b>\$914.76</b>	<b>\$36.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$9,141.66</b>

1-Compensation for attending meetings, limited to 10 per month.

2-Reimbursement for mileage @ \$0.54/mile.

3-Per GP-10.6.3.

4-Annual fiscal year limit of \$250 per Director per Board Resolution 11-73.

5-Per GP-10.7.

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**File No.:** 17-0089

**Agenda Date:** 3/14/2017  
**Item No.:** 3.4.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Reduction of Construction Contract Retention for the Lower Silver Creek Flood Protection and Creek Restoration Project, Reach 6B, Robert A. Bothman, Inc., Contractor, Project No. 40264008, Contract No. C0594 (San Jose) (District 6).

### **RECOMMENDATION:**

Authorize reducing the current construction contract retention of ten percent (10%) to five percent (5%), consistent with the minimum amount required by the California Public Contract Code.

### **SUMMARY:**

The Board awarded the subject contract to Robert A. Bothman, Inc. in the amount of \$12,677,594 on June 10, 2014. The improvement phase of the Project is approximately 80 percent complete and is scheduled for completion in Fall 2017. A three-year plant establishment maintenance phase will follow and is allocated approximately 1.0% of the total contract price. A reduction to the construction contract retention is recommended since substantially complex work is complete and the remaining work is of minimal risk, consisting of some civil installation scope and maintaining revegetation plantings. Taking this recommended action is consistent with statutory requirements.

### ***Project Background***

The objective of the Lower Silver Creek Flood Protection and Creek Restoration Project, Reach 6B (Project) is to convey the 1-percent chance of flood flows and improve stream habitat values. The Project reach is between Moss Point Drive and Cunningham Avenue, approximately 2,700 feet in length. This Project is the final portion of the Lower Silver Creek, Reaches 4-6 project that the District partners with the Natural Resources Conservation Service to construct improvements along 2.3 miles of the creek. Completion of this Project, together with future improvements planned by the District's Lake Cunningham project, will provide flood protection for a total of 3,800 parcels in the surrounding area.

This Project includes construction of floodwalls, retaining walls, maintenance access ramps and roads, channel widening, sediment removal, utility relocations and modifications, and revegetation. Project elements completed to date include 100 percent of all floodwalls along the Project length, approximately 50 percent of channel widening and maintenance roads, and sediment removal. The remaining 20 percent of the improvement work includes final channel widening and maintenance

roads, and one retaining wall and maintenance ramp. Construction of the Project was originally anticipated to be completed in two construction seasons. However, due to a number of unforeseen conditions, including buried objects, soft soil conditions and utility conflicts, construction has extended into a third construction season. A contract change order has been executed to extend the contract, which includes final compensation to the Contractor for impacts associated with Project delays to date.

### ***Construction Contract Retention***

The California Public Contract Code requires public entities to withhold no less than five percent (5%) contract retention for public works construction contracts. Additionally, the code limits retention amounts to a maximum of 5% unless the governing body finds the proposed project is 'substantially complex' and requires contract retention greater than 5%. On March 25, 2014, the Board found that the Project was substantially complex and required construction contract retention of ten percent (10%). The District is currently withholding this amount.

The determination that the Project was 'substantially complex' was due to risks associated with the construction of cast-in-drilled-hole (CIDH) piers, which support floodwalls along the length of the Project. The Contractor has completed construction of all the CIDH piers and associated floodwalls on the Project. Since the work related to CIDH piers is complete, the circumstances supporting 10% retention no longer exist. Photographs of construction progress, including completed floodwalls, are included in Attachment 1.

The purpose of staff's recommendation to reduce retention at this time is to allow for release of half (approximately \$526,480) of the total retention now instead of the contractor waiting until after the District accepts the Project to receive the full 10% of the contract price withheld. The District would continue to withhold 5% until 35 days after the Project is accepted by the Board and the Notice of Completion is recorded, subject to any withholds required by law or the contract. Taking this recommended action is consistent with statutory requirements.

### ***Previous Board Actions***

On March 25, 2014, the Board approved the plans and specifications and authorized advertisement for bids for the construction of the Project. Additionally, the Board found that the Project was substantially complex and required a construction contract retention of ten percent (10%).

On June 6, 2014, the Board awarded the subject contract to Robert A. Bothman, Inc. in the amount of \$12,677,594 and approved a contingency fund of \$1,267,760. The Board authorized the Chief Executive Officer (CEO) or designee to approve individual change orders up to the total amount of the contingency, with the Engineering Unit Manager and Deputy Operating Officer to approve individual changes up to \$30,000 and \$50,000 respectively.

### ***Contract Change Orders***

A total of seven (7) staff and CEO-approved contract change orders totaling \$1,132,917.79 have



been executed to date for this contract to address various issues, including unforeseen site conditions, unforeseen utility conflicts, District-requested changes, design clarifications, and delay impacts. The original contract amount of \$12,677,594 has been increased by \$1,132,917.79 to \$13,810,511.79, an increase of approximately 9 percent.

**FINANCIAL IMPACT:**

The recommendation does not result in a financial impact. The approved action reduces the contract retention of 10% (\$1,052,960) to 5% (\$526,480) from funds due to Robert A. Bothman, Inc. upon completion and acceptance of the contract.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Construction Progress Photos

**UNCLASSIFIED MANAGER:**

Katherine Oven, 408-630-3126

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# Lower Silver Creek Flood Protection and Creek Restoration Project, Reach 6B

Reduction of Construction Contract Retention

March 14, 2017



# Lower Silver Creek, Reach 6B

## Construction Photos



**Looking downstream from Cunningham Avenue**

- Floodwalls complete
- Channel 90% complete

**Santa Clara Valley  
Water District**

Attachment 1  
Page 2 of 5





# Lower Silver Creek, Reach 6B

## Construction Photos



**Looking downstream from Ocala Avenue**

- Floodwalls complete
- Channel 50% complete

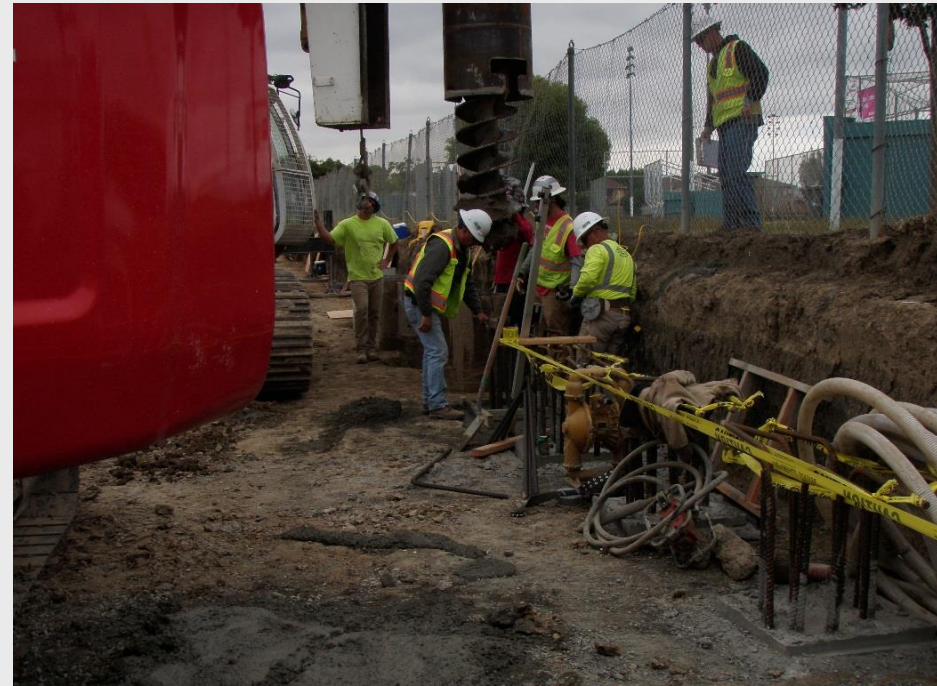
**Santa Clara Valley  
Water District**



Attachment 1  
Page 3 of 5

# Lower Silver Creek, Reach 6B

## Construction Photos



### Cast-in-drilled-hole (CIDH) Pile Construction

- CIDH piles complete

Santa Clara Valley  
Water District



Attachment 1  
Page 4 of 5



# Lower Silver Creek, Reach 6B

## Construction Photos



Floodwall

Cast-in-drilled-hole  
Piles under floodwall  
(CIDH Piles)

### Sample Floodwall: upstream Ocala Avenue

- Floodwall construction along entire project is complete

Santa Clara Valley  
Water District



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**File No.:** 17-0148

**Agenda Date:** 3/14/2017

**Item No.:** \*3.5.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

CEO Bulletins for the Weeks of February 24 Through March 2, and March 3-9, 2017.

### **RECOMMENDATION:**

Accept the CEO Bulletins.

### **SUMMARY:**

The CEO Bulletin is a weekly communication for the CEO, to the Board of Directors, assuring compliance with Executive Limitations Policy EL-7: The BAOs inform and support the Board in its work. Further, a BAO shall: Inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established. Report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

CEO Bulletins are produced and distributed to the Board weekly as informational items, and then placed on the bimonthly, regular Board meeting agendas to allow opportunity for Board discussion on any of the matters contained therein.

### **FINANCIAL IMPACT:**

There is no financial impact associated with this item.

### **CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

### **ATTACHMENTS:**

Attachment 1: 030217 CEO Bulletin

\*Attachment 2: 030917 CEO Bulletin

### **UNCLASSIFIED MANAGER:**

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**File No.:** 17-0148

**Agenda Date:** 3/14/2017  
**Item No.:** \*3.5.

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Norma Camacho, 408-630-2084

To: Board of Directors  
From: Norma J. Camacho, Interim CEO

## Chief Executive Officer Bulletin Week of February 24 – March 2, 2017

### Board Executive Limitation Policy EL-7:

*The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.*

Page	IN THIS ISSUE
<a href="#">1</a>	Reallocation of \$3M in Proposition 84 San Francisco Bay Integrated Regional Water Management Plan 2015 Implementation Grant Funding to the San Francisquito Creek Flood Protection Project
<a href="#">2</a>	Report of Non-Compliance with Executive Limitation (EL) Policy EL 6.7.1.4: Quarterly Summary of Properties.

### Reallocation of \$3M in Proposition 84 San Francisco Bay Integrated Regional Water Management Plan 2015 Implementation Grant Funding to the San Francisquito Creek Flood Protection Project

Upon review of recent seismic studies completed for Anderson Dam, the water district determined that the Anderson Dam Seismic Retrofit Project (ADSRP) will undergo a significant change in design approach and, as a result, its revised the Project construction schedule makes it ineligible to utilize \$4.05M in Proposition 84 grant funding previously committed through the Integrated Regional Water Management Plan (IRWMP). The water district proposed to the IRWMP Planning and Process Subcommittee (PnP), and ultimately to its Coordinating Committee (CC), that the grant funding be reallocated to the San Francisquito Flood Protection Project (SF Creek Project).

The water district considered other water district projects with similar benefits to the ADSRP, particularly water supply benefits, but none of the projects are ready for implementation. The water district considered other projects with benefits to the South Bay region. One of the important considerations for choosing the ADSRP for the grant application was that it would ensure the Bay Area IRWMP Coordinating Committee's agreements regarding the geographic distribution of funding are met. In reallocating the funds to the SF Creek Project, the water district is still able to ensure the broad geographic distribution of funding, while at the same time, provide a benefit to the West region, as SF Creek is the dividing line between Santa Clara and San Mateo counties.

The SF Creek Project was also awarded approximately \$1.04M in Proposition 84 grant funds through the IRWMP 2015 Implementation Grant and was ranked 4th of the 45 projects considered during the application process. After the grant was awarded, Project costs escalated because an additional year of construction was added to the schedule. This resulted from increased restrictions by the environmental permitting agencies upon the discovery of nesting sites of Ridgeway Rails, an endangered species. In addition, approximately \$4M in unanticipated project costs have been identified

While the SF Creek Project demonstrated the need for additional funding and met the geographic distribution requirements, other projects under the IRWMP were identified as needing additional funding as well. Of those projects, the City of East Palo Alto requested funding for construction of a new treatment system for the existing Gloria Way Well, which would increase water supply by 225 acre feet per year to the Disadvantaged Community and address the California Department of Water Resources Human Right to Water Policy. The city had received approximately \$1.5M in Proposition 84 grant funding for this project, but the lowest responsive bid came in \$1M over the Engineer's Estimate. The city also requested an additional \$3M to fund construction of a new Well project.

Following the presentation of the projects to the PnP, the City of East Palo Alto and the water district had a separate discussion about the benefits and needs of the projects; both of which benefit the city, focus on life safety issues, and are under construction or have active construction bids. As a result of that discussion, the city amended its request for reallocation of grant funding to support a funding allocation that would award \$1.05M to the city's Gloria Way Well Project and \$3M to the water district's SF Creek Project. This amended request was presented to the CC and the water district expressed its support. The CC agreed to reallocate the \$4.05M Anderson Dam grant as follows:

\$3M to the water district for the SF Creek Project

\$1.05M to the City of East Palo Alto for the Gloria Way Well Project

For further information, please contact Melanie Richardson at (408) 630-2035.

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#### **Report of Non-Compliance with Executive Limitations (EL) Policy EL 6.7.1.4: Quarterly Summary of Properties**

This is to report to the Board a non-compliance with Executive Limitations Policy 6.7.1.4 regarding Real Property and associated quarterly reporting to the Board.

The acquisition of property rights is necessary to fulfill the water district's mission of providing Silicon Valley safe, clean water for a healthy life, environment, and economy. This is achieved through watershed stewardship and comprehensive management of water resources in a cost effective, and environmentally sensitive manner for current and future generations.

EL 6.7.1.4 requires that the Real Estate Service Unit provide the Board a quarterly summary of properties that have been acquired under EL- 6.7.1, in which the purchase price does not exceed \$500,000, and include the respective statutory offer of just compensation (the fair market value or a property interest determined by an independent certified appraiser) and final negotiated values that will be reported to the Board.

This item was not completed on time due to the extraordinary workload by the Real Estate Unit to acquire over 600 active acquisitions and retrieve real estate transaction data.

A full report of all quarters for Fiscal Year 2016 will be submitted in the March 10, 2017, Non-Agenda package.

The Real Estate Service Unit is also re-evaluating the current process to expedite Board reporting of acquisitions. This may include recommending a new reporting frequency for Board approval of a revised Board policy.

For further information, please contact Ngoc Nguyen at (408) 630-2632.

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To: Board of Directors  
From: Norma J. Camacho, Interim CEO

## Chief Executive Officer Bulletin

Week of March 3 – March 9, 2017

*The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.*

Page	IN THIS ISSUE
<a href="#"><u>2</u></a>	<b>Youth Career Engagement Tour - Association of Black Employees Black History Month Commemoration</b>
<a href="#"><u>2</u></a>	<b><u>Director Keegan</u></b> After storm season is over, staff to review our rule curve in terms of discharge to see if they still serve us well. R-17-0003
<a href="#"><u>2</u></a>	<b><u>Director Hsueh</u></b> Look at how our Flood Protection projects performed during recent storms to protect properties. If a project hasn't been completed, investigate what impact the storms had on the community. R-17-0004
<a href="#"><u>3</u></a>	<b><u>Director Estremera</u></b> Staff to prepare a response to Ms. Geotze's handout and questions on Fluoride presented during public comment at the February 14, Board meeting. <a href="#"><u>(See X:\Conformed Board Agenda Items\2017 Board Meetings\021417 Mtg\ Handout 2.6-A)</u></a> R-17-0005

### **Youth Career Engagement Tour - Association of Black Employees Black History Month Commemoration**

On Thursday, February 23, 2017, the water district hosted a tour for students from the Greene Scholars Program and the water district's Youth Stewardship Commission.

The Greene Scholars Program promotes Science Technology Engineering Math careers among African American youth and assists youth with successfully completing higher education in Science Technology Engineering Math. The Youth Stewardship Commission provides high school students from our county with a unique opportunity to explore water industry careers and learn about current water issues from an inside perspective.

Several water district employee workgroups collaborated to help make the day a great success for these students. Students visited the Santa Teresa Water Treatment Plant, Water Quality Lab, Alamitos outdoor classroom, and ended their day with the Silicon Valley Advanced Water Purification Center.

The students were engaged and are now knowledgeable about where their water comes from, water quality, groundwater, water treatment, purified water, and careers in the water industry.

Photos from the tour are located at the following link: <https://fta.valleywater.org/fl/9JDFbW006A>

For further information, please contact Chris Elias at (408) 630-2379.

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### **Director Keegan**

**After storm season is over, staff to review our rule curve in terms of discharge to see if they still serve us well.**

**R-17-0003**

A review of the rule curves will begin when the storm season is over and a response will be provided by May 31, 2017.

For further information, please contact Garth Hall at (408) 630-2750.

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### **Director Hsueh**

**Look at how our Flood Protection projects performed during recent storms to protect properties. If a project hasn't been completed, investigate what impact the storms had on the community.**

**R-17-0004**

Additional time is required to complete a thorough review of projects and properties. It is expected that this will be completed and a response provided no later than March 30, 2017.

For further information, please contact Ngoc Nguyen at (408) 630-2632.

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**Director Estremera**

**Staff to prepare a response to Ms. Goetze's handout and questions on Fluoride presented during public comments at the February 14, Board meeting ([See X:\Conformed Board Agenda Items\2017 Board Meetings\021417 Mtg\ Handout 2.6-A](#))**

**R-17-0005**

Ms. Goetze's handout at the February 14, 2017, Board meeting consists mostly of statements about "Why are Chinese products born to be bad?". It was determined that there were two questions embedded among the statements.

*Question 1: Is it true your fluoride now is from China?*

Answer: In April 2016, Ms. Goetze inquired about whether the fluoride additive would be a product manufactured in China. At the time, the water district had not selected a supplier through its competitive process and responded that although the country of origin could not be confirmed, the water district's quality assurance includes ensuring that the chemicals used in the water district's treatment processes, also referred to as treatment additives, are safe. All chemicals used in the water treatment process, including the fluoride additive, fluorosilicic acid, must meet standards established by the National Sanitation Foundation International (NSF). NSF is a non-profit non-governmental organization that develops product standards and tests and certifies products and individual manufacturing facilities globally to ensure compliance with their standards.

For drinking water treatment additives, the standard requirements are established using health-effects criteria. For this reason, the state of California requires that all water treatment chemicals be certified for compliance with NSF/ANSI Standard 60 (NSF 60). More information about the certification process can be found at <http://www.nsf.org/services/by-industry/water-wastewater/water-treatment-chemicals/nsf-ansi-standard-60>.

It was also determined that "What chemical will SCVWD be using to fluoridate its supplies?" to be a question that could be of interest to members of the public. This question and the answer to the question have been posted on the water district's Fluoridation webpage since 2013 (Question #9). The answer states in part that fluorosilicic acid is the most commonly used fluoride additive by large water systems and is approved for use by the State Water Resources Control Board's Division of Drinking water, and that the selected fluorosilicic acid will be a NSF 60 certified product.

The water district now has a fluorosilicic acid supplier, Brenntag Pacific, who responded to water district staff that the fluorosilicic acid they supply is manufactured in the United States.

*Question 2: "Which of these 4 steps tests the fluoride before you put it in water? Do you only test afterwards.? All drugs tell consumers its risks. Why won't you?"*

Answer: The handout did not have any specifics about what Ms. Goetze meant by 4 steps of testing. However, because water district staff had received numerous questions and statements from Ms. Goetze over the years, staff believes these questions were about the safety of fluorosilicic acid and the testing that the water district would undertake to ensure the quality of the fluorosilicic acid and our drinking water with the addition of fluorosilicic acid.

Testing to ensure the quality of fluorosilicic acid used by the water district in the water treatment

process has been addressed above. As for the quality of drinking water with the addition of fluorosilicic acid, the water district ensures the safety of drinking water through rigorous testing. Monthly and annual water quality reports that the water district submits to the drinking water regulator, the State Water Resources Control Board's Division of Drinking Water, are available on the water district's website at:

<http://www.valleywater.org/services/WaterQualityReports.aspx>.

Drinking water test results, since implementation of fluoridation for eastern Santa Clara County in December 2016, indicate that arsenic and lead levels remain analytically non-detectable.

The water district's corrosion control program continues to be effective with the addition of a corrosion inhibitor and pH adjustment to prevent pipes and plumbing systems from corroding and leaching lead (or copper) into the drinking water.

The water district has created and maintained a fluoridation webpage since 2009: <http://www.valleywater.org/EkContent.aspx?id=1868&terms=fluoridation>

The fluoridation webpage was last updated in September 2016 and includes:

- Responses to 19 frequently asked questions about community water fluoridation.
- A fact sheet on fluoridation in English, Spanish, Chinese, and Vietnamese.
- Links to the American Dental Association and U.S. Centers for Disease Control and Prevention, two national health service organizations with information on fluoride and fluoridation.
- Santa Clara County specific fluoridation information from the Santa Clara County Health Officer and retailers.
- Additional helpful sources of information about community water fluoridation.

For further information, please contact Angela Cheung at (408) 630-2735.

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**File No.:** 17-0088

**Agenda Date:** 3/14/2017

**Item No.:** 3.6.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Approval of Minutes.

### **RECOMMENDATION:**

Approve the minutes.

### **SUMMARY:**

In accordance with the Ralph M. Brown Act, a summary of Board discussions, and details of all actions taken by the Board, during all open and public Board of Directors meetings, is transcribed and submitted to the Board for review and approval.

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

### **FINANCIAL IMPACT:**

There is no financial impact associated with this item.

### **CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

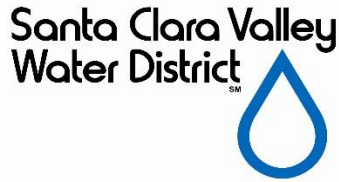
### **ATTACHMENTS:**

- Attachment 1: 011717 Special Joint Meeting Minutes
- Attachment 2: 012417 Regular Meeting Minutes
- Attachment 3: 013117 Special Meeting Minutes
- Attachment 4: 021417 Regular Meeting Minutes

### **UNCLASSIFIED MANAGER:**

Michele King, 408-630-2711

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BOARD OF DIRECTORS MEETING

# MINUTES

**JOINT MEETING OF THE SANTA CLARA VALLEY WATER DISTRICT  
AND SANTA CLARA VALLEY OPEN SPACE AUTHORITY  
BOARDS OF DIRECTORS  
TUESDAY, JANUARY 17, 2017  
5:00 PM**

(Paragraph numbers coincide with agenda item numbers)

**5:00 PM**

A joint Board and staff dinner event was held at 5:00 p.m. No minutes were transcribed during the dinner event.

**TIME CERTAIN:**

**6:00 PM**

**1. CALL TO ORDER:**

A Special Joint Meeting of the Santa Clara Valley Water District (District) and Santa Clara Valley Open Space Authority (OSA) Boards of Directors was called to order at 6:00 p.m., in the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

**1.1. Roll Call.**

District Board members in attendance were Tony Estremera, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh, constituting a quorum of the District Board.

District Director Kremen arrived as noted below.

District Chairperson Varela was excused from attending.

OSA Board members in attendance were Alex Kennett, Mike Flaughter, Sequoia Hall, Dorsey Moore, Virginia Holtz, Mike Potter, and Calvin Gill, constituting a quorum of the OSA Board.

District staff members in attendance were N. Camacho, Interim Chief Executive Officer (Interim CEO), S. Yamamoto, District Counsel, M. King, Clerk/Board of Directors, R. Callender, A. Cheung, A. Comelo, C. Elias, J. Fiedler, V. Gin, G. Hall, and M. Richardson.

OSA staff members in attendance were A. Mackenzie, General Manager, M. Freeman, Assistant General Manager, M. Landgraf, L. Monack, D. Plunkett, and J. Smith.

1.2. Pledge of Allegiance/National Anthem.

District Vice Chairperson Santos led all present in reciting the Pledge of Allegiance.

1.3. Welcome Remarks and Introductions.

OSA Chairperson Moore and District Vice Chairperson Santos provided brief opening comments.

Ms. Norma Camacho, District Interim Chief Executive Officer, and Ms. Andrea Mackenzie, OSA General Manager, provided a brief introduction of the District and OSA's purpose and functions.

Director Kremen arrived.

**2. REGULAR AGENDA:**

2.1. Presentation and Discussion on the District's and Authority's Missions, Goals, Functions; and Opportunities and Constraints for District and Authority Collaboration.

Recommendation: That the District and Authority Boards receive and discuss information on the District's and Authority's respective missions, goals, and functions, as well as opportunities and constraints for District and Authority collaboration.

Ms. Mackenzie, and Ms. Camacho, reviewed the information on this item, per the attached Board Agenda Memorandum.

Ms. Monika Gardias, San Jose resident, expressed concern regarding invasive plant species and crime along Los Gatos creek.

A summary of the joint Boards' discussions is contained in the attached flip chart notes.

The joint Boards noted the information without formal action.

2.2. Presentation and Discussion on the District and Authority's Major Initiatives, including: the Authority's Santa Clara Valley Greenprint, Regional Conservation Investment Strategy, and Climate and Agricultural Protection Plan; the District's One Water Plan and Water Supply Master Plan.

- Recommendation:
- A. That the District Board endorse the Water Resources Goal and Guiding Principles outlined in the Authority's Santa Clara Valley Greenprint, in light of the District's Ends Policies and associated legislative guiding principles related to water supplies, flood protection, and environmental resources;
  - B. That the District Board support exploration of conservation and mitigation planning tools that can benefit large-scale conservation efforts and help streamline infrastructure project permitting via mitigation site identification;
  - C. That District staff continue participating in both the Authority's Regional Conservation Investment Strategy and Climate and Agricultural Protection Plan planning processes, and provide progress reports back to the District Board along with any potential actions;
  - D. That the Authority Board direct Authority staff to bring a Resolution endorsing the concept of integrated water resource management, such as through the One Water Plan, back to the Authority Board at the next regular Authority Board meeting; and
  - E. That Authority staff continue working with District staff to provide input on both the District's Water Supply Master Plan and One Water Plan, and with the District's Coyote Valley team as part of the District-Authority partnership established by the Memorandum of Understanding, and report back to the Authority Board with any potential actions.

Mr. Matt Freeman, OSA Assistant General Manager, Mr. Brian Mendenhall, District Project Manager, and Ms. Tracy Hemmeter, District Senior Project Manager, reviewed the information on this item, per the attached Board Agenda Memorandum.

A summary of the joint Boards' discussions is contained in the attached flip chart notes.

Motion: That the District Board approve Recommendations A., B., and C., as contained in the attached Board Agenda Memorandum.

Move to Approve: Linda J. LeZotte  
Second: Tony Estremera  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Absent: John L. Varela  
Summary: 6 Yeas; 0 Nays; 0 Abstains; 1 Absent.

Motion: That the OSA Board approve Recommendations D. and E., as contained in the attached Board Agenda Memorandum.

Move to Approve: Virginia Holtz

Second: Alex Kennett

Yeas: Alex Kennett, Mike Flaughter, Sequoia Hall, Dorsey Moore, Virginia Holtz, Mike Potter, Calvin Gill

Nays: None

Abstains: None

Absent: None

Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

2.3. Presentation and Discussion on the District and Authority's Potential for Collaboration in the Coyote Valley.

- Recommendation:
- A. That the District and Authority Boards reaffirm their commitment to collaboration per the formal Memorandum of Understanding between both agencies (referenced in Item 2.1), with a focus on current and planned efforts in Coyote Valley; and
  - B. That District and Authority staff continue working together collaboratively on Coyote Valley studies, planning, and other efforts, and report back to the respective Boards with any potential actions resulting from the collaboration.

Mr. Jake Smith, OSA Conservation GIS Coordinator, and Mr. Mendenhall reviewed the information on this item, per the attached Board Agenda Memorandum.

The Honorable Brian Schmidt, former SCVWD District 7 Director, representing the Greenbelt Alliance, encouraged City of San Jose participation in future joint District and OSA Board meetings, and expressed concern regarding ground water contamination and offered assistance to develop water contamination tests.

Vice Chairperson Santos acknowledged receipt of the attached letter from Mr. William B. Baron, Brandenburg Properties and The Sobrato Organization, identified as Handout 2.3-A herein, copies of the Handout were distributed to the joint Boards and made available to the public.

A summary of the joint Boards' discussions is contained in the attached flip chart notes.



Motion: That the District Board approve Recommendations A. and B., as contained in the attached Board Agenda Memorandum.

Move to Approve: Gary Kremen  
Second: Tony Estremera  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Absent: John L. Varela  
Summary: 6 Yeas; 0 Nays; 0 Abstains; 1 Absent.

Motion: That the OSA Board approve Recommendations A. and B., as contained in the attached Board Agenda Memorandum.

Move to Approve: Mike Potter  
Second: Virginia Holtz  
Yeas: Alex Kennett, Mike Flaughter, Sequoia Hall, Dorsey Moore, Virginia Holtz, Mike Potter, Calvin Gill  
Nays: None  
Abstains: None  
Absent: None  
Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

2.4. Presentation and Discussion on the District and Authority's Potential for Collaboration in the Wake of the Loma Fire, Regarding Watershed Management.

Recommendation: That District and Authority staff to report back to their Boards, respectively, with a progress report and any potential future actions, if necessary.

Director Kremen left the meeting and did not return.

Ms. Donna Plunkett, OSA, reviewed the information on this item, per the attached Board Agenda Memorandum.

A summary of the joint Boards' discussions is contained in the attached flip chart notes.

Motion: That the District Board approve directing staff to report back to their Boards, respectively, with a progress report and any potential future actions, if necessary.

Move to Approve: Linda J. LeZotte  
Second: Nai Hsueh  
Yeas: Tony Estremera, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Absent: Gary Kremen, John L. Varela

Summary:	5 Yeas; 0 Nays; 0 Abstains; 2 Absent.
Motion:	That the OSA Board approve directing staff to report back to their Boards, respectively, with a progress report and any potential future actions, if necessary.
Move to Approve:	Alex Kennett
Second:	Sequoia Hall
Yeas:	Alex Kennett, Mike Flaughter, Sequoia Hall, Dorsey Moore, Virginia Holtz, Mike Potter, Calvin Gill
Nays:	None
Abstains:	None
Absent:	None
Summary:	7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

### 3. ADJOURN:

#### 3.1. Time Open for Public Comment on any Item not on the Agenda.

OSA Chairperson Moore and District Vice Chairperson Santos declared time open for public comment on any item not on the agenda.

There was no one present who wished to speak.

#### 3.2. Clerk Review and Clarification of Board Requests.

Ms. Michele King, District Clerk/Board of Directors, confirmed that there were no new Board member requests.

#### 3.3. Adjourn to Regular Meeting and Closed Session at 4:00 p.m., on January 24, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

District Vice Chairperson Santos and OSA Chairperson Moore adjourned the meeting at 8:15 p.m., the District's next Regular Meeting and Closed Session will occur at 4:00 p.m., on January 24, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

Michele L. King, CMC  
Clerk/Board of Directors

Approved:

Date: 03/14/2017

**Joint Meeting of the**  
**Santa Clara Valley Water District Board of Directors**  
**and the**  
**Santa Clara Valley Open Space Authority Board of Directors**

**January 17, 2017**

**FLIP CHART NOTES**

**BOARDS DISCUSSION**

*Item 2.2: Presentation and Discussion on the District's and Authority's Major Initiatives, including: the Authority's Santa Clara Valley Greenprint, Regional Conservation Investment Strategy (RCIS), and Climate and Agricultural Protection Plan (CAPP); the District's One Water Plan and Water Supply Master Plan.*

- Director Linda LeZotte
  - Recycled water – great stuff but comes down to politicians sending message.
  - CAPP – appreciate regional effort.
  - RCIS – tremendous, congratulations, looking forward to working with you.
- Director Tony Estremera
  - Sustain low water rates for retailers.
  - Beneficial to all of us to look at variables, water rates significant investment.
  - Open space devoted to Ag, productive, consider substituting role to mountain open space.
  - Alternatives to accomplish open space.
- Director Gary Kremen
  - Open space credit growth going up – Board policy on agricultural land policy.
  - Work together open space credit.
- Director Tony Estremera
  - Pursue mitigation credit from regulators in making these investments.
  - Incorporate protection of the deed.
  - Regulators – give sense greater open mind than in the past, start engaging in new ways of thinking.
- Interim CEO Norma Camacho
  - Look at ag purchases to help us in drought times and preserving areas.
  - Ag land flooding, acquire properties.
- Vice-Chair Richard Santos
  - Recommendations – bring language back to Boards.

*Item 2.3: Presentation and Discussion on the District and Authority's Potential for Collaboration in the Coyote Valley.*

- Director Linda LeZotte
  - Important we invite City of San Jose or create a sub-group of directors.
  - Open Space Authority, District, City of San Jose – Ad Hoc Committee?
- Director Barbara Keegan
  - Support, recommendations – staff get together and develop programmatic way to endorse.
  - Define what we want to accomplish.
- Director Tony Estremera
  - Motion covers but come back with recommendations.
- Interim CEO Norma Camacho
  - Suggestion we present findings to water commission to receive input.

*Item 2.4: Presentation and Discussion on the District and Authority's Potential for Collaboration in the Wake of the Loma Fire, Regarding Watershed Management.*

- Interim CEO Norma Camacho
  - Lobby for Public Law 566 program during trip to D.C.



BOARD OF DIRECTORS MEETING

# MINUTES

REGULAR MEETING  
TUESDAY, JANUARY 24, 2017  
4:00 PM

(Paragraph numbers coincide with agenda item numbers)

**1. CALL TO ORDER:**

A Regular Meeting and Closed Session of the Santa Clara Valley Water District Board of Directors was called to order in the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California, at 4:00 p.m.

**1.1. Roll Call.**

Board members in attendance were Tony Estremera, Gary Kremen, Barbara Keegan, and Richard Santos, constituting a quorum of the Board.

Staff members in attendance were N. Camacho, Interim Chief Executive Officer (Interim CEO), S. Yamamoto, District Counsel, M. King, Clerk/Board of Directors, R. Callender, A. Cheung, A. Comelo, J. Fiedler, V. Gin, C. Hakes, G. Hall, B. Hopper, L. Orta, K. Oven, M. Richardson, D. Taylor, and S. Tippetts.

Chairperson Varela was excused from attending.

Vice Chairperson Santos facilitated the meeting.

Directors Hsueh and LeZotte arrived as noted below.

Vice Chairperson Santos announced that the Board would adjourn to Closed Session for consideration of Item 1.2.

**4:00 PM**

**1.2. CLOSED SESSION**

Pursuant to Government Code 54957

Public Employment

Title of employee being reviewed - Chief Executive Officer

Directors Hsueh and LeZotte arrived during Closed Session.

## 2. TIME CERTAIN:

### 6:00 PM

Upon return to Open Session, the same Board members, including Directors Hsueh and LeZotte, but excluding Chairperson Varela, and staff were present.

#### 2.1. District Counsel Report.

Ms. Michele King, Clerk/Board of Directors, reported that the Board met in Closed Session with all members present, including Chairperson Varela via telephone, and gave direction to staff.

#### 2.2. Pledge of Allegiance/National Anthem.

Ms. Glenna Brambill, Management Analyst II, performed God Bless America.

#### 2.3. Orders of the Day.

Vice Chairperson Santos confirmed that there were no changes to the Orders of the Day.

#### 2.4. Time Open for Public Comment on any Item not on the Agenda.

Mr. Bassam Kassab, San Jose resident, acknowledged the Board's adoption of Resolution 10-42, banning travel to the state of Arizona, and requested that the Board consider adopting a resolution banning travel to the states of Kansas, Mississippi, North Carolina, and Tennessee based on gender equality issues.

Vice Chairperson Santos requested that staff prepare an agenda item for Board consideration to restrict use of District funds for District business travel to the states of Kansas, Mississippi, North Carolina, and Tennessee, due to recent laws passed that discriminate against sexual orientation, gender identity, and gender expression. (Board Member Request R-17-0002)

#### 2.5. Santa Clara Valley Water District Government Relations Program Update and Legislative Outlook.

- Recommendation:
- A. Receive information on the 2016 Santa Clara Valley Water District (District) Government Relations Advocacy and Stakeholder Engagement Program; and
  - B. Provide input on current and future challenges, goals and accomplishments since the last presentation to the Board of Directors.

Mr. Rick Callender, Deputy Administrative Officer, reviewed the information on this item, per the attached Board Agenda Memorandum.

The Board noted the information without formal action.

### **3. CONSENT CALENDAR:**

Vice Chairperson Santos moved the agenda to Item 3.5.

- 3.5. Adopt Plans and Specifications and Authorize Advertisement for Bids for the Installation of Cathodic Protection Rectifiers and Deep-Well Anodes on the Pacheco Conduit, Project No. 91214010.

- Recommendation:
- A. Adopt Plans and Specifications and Authorize Advertisement for Bids for the Installation of Cathodic Protection Rectifiers and Deep-Well Anodes on the Pacheco Conduit per the Notice to Bidders; and
  - B. Authorize the Designated Engineer to issue addenda, as necessary, during the bidding process.

The Board continued Item 3.5 to a future meeting.

Vice Chairperson Santos returned the agenda to the Consent Calendar where the Board considered Consent Calendar Items 3.1 through 3.4, and 3.6 under one motion.

- 3.1. Resolution Authorizing the Conveyance of Real Estate Property to the City of Morgan Hill (District 1).

- Recommendation:
- A. Adopt the Resolution AUTHORIZING CONVEYANCE OF REAL PROPERTY RIGHTS TO THE CITY OF MORGAN HILL, by a majority vote;
  - B. Approve and authorize the Interim Chief Executive Officer (Interim CEO) to execute the Agreement For Purchase and Sale Of Real Property From the Santa Clara Valley Water District to the City Of Morgan Hill for the conveyance of District real property referred to as APN 767-07-042 and APN 767-08-003 based upon the terms and conditions as set forth in the Agreement, per Section 31 of the District Act; and
  - C. Approve and authorize the Interim CEO to execute the Grant Deeds for the conveyance of property rights referred to as APN 767-07-042 and APN 767-08-003 (District Real Estate File No. 5012-145.1 and 5012-83.1).

- 3.2. Resolution Rescinding Resolution No. 16-67 and Authorizing the Interim Chief Executive Officer to Execute a Grant Agreement with the State Water Resources Control Board for a Stormwater Grant Under Proposition 1 for the Stormwater Resources Plan for the Santa Clara Basin in Santa Clara County.

Recommendation: Adopt a RESOLUTION RESCINDING RESOLUTION NO. 16-67 AND AUTHORIZING THE INTERIM CHIEF EXECUTIVE OFFICER TO EXECUTE A GRANT AGREEMENT WITH THE STATE WATER RESOURCES CONTROL BOARD FOR A STORM WATER GRANT UNDER PROPOSITION 1 FOR THE STORMWATER RESOURCE PLAN FOR THE SANTA CLARA BASIN IN SANTA CLARA COUNTY.

- 3.3. Resolution Commemorating February 2017 as Black History Month.

Recommendation: Adopt the Resolution COMMEMORATING FEBRUARY 2017 AS BLACK HISTORY MONTH.

- 3.4. Budget Adjustment in the Amount of \$988,000 from the Budget of the West Branch Llagas Creek Animal Damage Repair Project, Project No. 50314001 (Morgan Hill) (District 1), to the El Camino Storm Drain Erosion Project, Project No. 20374002 (Sunnyvale) (District 5).

Recommendation: A. Approve addition of the El Camino Storm Drain Erosion Repair Project, Project No. 20374002, to the Erosion Repair Program in the Fiscal Year 2017-2021 Capital Improvement Program (CIP);

B. Approve a budget adjustment in the amount of \$988,000, transferring all unspent funds from the West Branch Llagas Creek Animal Damage Repair Project, Project No. 50314001 (Morgan Hill) (District 1) to the El Camino Storm Drain Erosion Repair Project (Project); and

C. Approve removal of the West Branch Llagas Creek Animal Damage Repair Project from the Erosion Repair Program for Fiscal Year 2017 in the Fiscal Year 2017-2021 Capital Improvement Program (CIP).



3.6. CEO Bulletins for the Weeks of January 6-12, and 13-19, 2017.

Recommendation: Accept the CEO Bulletins.

Motion: Approve Consent Calendar Items 3.1 through 3.4, and 3.6, under one motion, as follows: adopt Resolution No. 17-05, AUTHORIZING CONVEYANCE OF REAL PROPERTY RIGHTS TO THE CITY OF MORGAN HILL, by roll call vote, as contained in Item 3.1; adopt Resolution No. 17-06, RESOLUTION RESCINDING RESOLUTION NO. 16-67 AND AUTHORIZING THE INTERIM CHIEF EXECUTIVE OFFICER TO EXECUTE A GRANT AGREEMENT WITH THE STATE WATER RESOURCES CONTROL BOARD FOR A STORM WATER GRANT UNDER PROPOSITION 1 FOR THE STORMWATER RESOURCE PLAN FOR THE SANTA CLARA BASIN IN SANTA CLARA COUNTY, by roll call vote, as contained in Item 3.2; adopt Resolution No. 17-07, COMMEMORATING FEBRUARY 2017 AS BLACK HISTORY MONTH, by roll call vote, as contained in Item 3.3; approve addition of the El Camino Storm Drain Erosion Repair Project, Project No. 20374002, to the Erosion Repair Program in the Fiscal Year 2017-2021 Capital Improvement Program, approve a budget adjustment in the amount of \$988,000, and approve removal of the West Branch Llagas Creek Animal Damage Repair Project from the Erosion Repair Program for Fiscal Year 2017 in the Fiscal Year 2017-2021 Capital Improvement Program, as contained in Item 3.4; and accept the CEO Bulletins, as contained in Item 3.6.

Move to Approve: Barbara Keegan  
Second: Linda J. LeZotte  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: John L. Varela  
Summary: 6 Yeas; 0 Nays; 0 Abstains; 1 Absent.

Vice Chairperson Santos moved the agenda to Item 5.1.

## REGULAR AGENDA:

### 5. WATER UTILITY ENTERPRISE:

#### 5.1. Update on 2016 Water Supply and Drought Response and Initial 2017 Outlook Scenarios.

- Recommendation:
- A. Receive, review, and discuss updated information on 2016 water supply and drought response and initial 2017 Outlook Scenarios; and
  - B. Consider, discuss, and provide direction to staff on the following water use reduction options appropriate through June 30, 2017, including:
    - i. Adopting a new resolution calling for water use reduction from 2013 that may range from 5 percent to 20 percent that recommends the retail water agencies, local municipalities, and the County of Santa Clara implement voluntary measures needed to achieve the target; OR
    - ii. Continuing the existing Resolution 16-55 (Attachment 3) that includes a call for 20 percent, a three day per week watering restriction, and recommends the retail water agencies, local municipalities, and the County of Santa Clara implement mandatory measures as needed to reach the target; OR
    - iii. Taking necessary steps to implement alternative water use reduction actions deemed appropriate based on the current water supply conditions and outlook scenarios.

Mr. Garth Hall, Deputy Operating Officer, reviewed the information on this item, per the attached Board Agenda Memorandum and presented the information contained in Supplemental Attachment 1, Slides 1-10 and 13, and Mr. Jerry De La Piedra, Water Supply Plan and Conservation Manager, presented information on Slides 11-12.

Three statements expressing support for suspension of water use restrictions were received from Mr. Anthony Eulo, City of Morgan Hill, Ms. Mary Joe Townsend, Campbell resident, and Mr. Tim Guster, Great Oaks Water Company.

Mr. Pat Kerns, Los Gatos resident, expressed opposition to regulating water use in the Town of Los Gatos.

Motion: Approve revising Resolution 16-55 to maintain the 20 percent water reduction and previously identified watering restrictions, remove implementation of mandatory measures, and incorporate in a numerated list the State's current prohibitions and language that allows for enactment of any future State amended prohibitions; and direct staff to bring back a revised resolution at the January 31, 2017 Special meeting.

Move to Approve: Tony Estremera  
Second: Linda J. LeZotte  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: John L. Varela  
Summary: 6 Yeas; 0 Nays; 0 Abstains; 1 Absent.

Vice Chairperson Santos returned the agenda to Item 4.1.

**6. WATERSHEDS: None.**

**4. BOARD OF DIRECTORS:**

**4.1. Fiscal Year 2017 Board Policy Planning and Performance Monitoring Calendar.**

Recommendation: Review and revise the Fiscal Year 2017 Board Policy Planning and Performance Monitoring Calendar.

Ms. King reviewed the information on this item, per the attached Board Agenda Memorandum.

The Board noted the information without formal action.

**4.2. Board Committee Reports.**

There were no Board Committee Reports.

**5.2. Budget Adjustment in the amount of \$3,356,000 for the Rinconada Water Treatment Plant Residuals Management Project, Project No. 93294051, (Los Gatos), (District 7).**

Recommendation: Approve a budget adjustment in the amount of \$3,356,000 from the Water Utility Operating and Capital Reserve to the Fiscal Year 2016-17 Project budget.

Mr. Christopher Hakes, Assistant Officer, reviewed the information on this item, per the attached Board Agenda Memorandum

Move to Approve: Barbara Keegan  
Second: Nai Hsueh  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: John L. Varela  
Summary: 6 Yeas; 0 Nays; 0 Abstains; 1 Absent.

## **7. CHIEF EXECUTIVE OFFICER:**

### **7.1. Board Confirmation of New Chief Operating Officer of Administrative Services.**

Recommendation: Confirm the appointment of Susan Stanton as the new Chief Operating Officer of Administrative Services for the Santa Clara Valley Water District.

Ms. Norma Camacho, Interim Chief Executive Officer, reviewed the information on this item, per the attached Board Agenda Memorandum.

Move to Approve: Tony Estremera  
Second: Gary Kremen  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: John L. Varela  
Summary: 6 Yeas; 0 Nays; 0 Abstains; 1 Absent.

### **7.2. Chief Executive Officer Report.**

Mr. Dale Jacques, Emergency and Security Manager, distributed the attached Storm Report identified as Handout 7.2-A herein. Copies of the Handout were distributed to the Board and made available to the public.

Mr. Jim Fiedler, Chief Operating Officer, reported on recent storm activity impacts on reservoir levels and associated water release schedules.

Ms. Angela Cheung, Deputy Operating Officer, announced a scheduled shutdown of the Rinconada Water Treatment Plant (RWTP) in preparation for construction on the RWTP Reliability Improvement Project, and confirmed that retailers were notified in advance.

Ms. Melanie Richardson, Interim Chief Operating Officer, reported having met with City of San Jose staff, discussed the upcoming City of San Jose Sustainability Study Session and Design Build Open House events, and confirmed the next Joint Meeting with the City of San Jose and the District was tentatively scheduled for April 28, 2017, at the District Headquarters Building Boardroom.

**8. ADMINISTRATION:**

None.

**9. DISTRICT COUNSEL:**

None.

**10. ADJOURN:**

**10.1. Board Member Reports/Announcements.**

Director LeZotte reported attending the National Water Rates Institute annual meeting, several Water Rates meetings with constituents, and a Santa Clara Valley Joint Powers Authority Board meeting.

Director Estremera reported attending the Successor Agency to the City of San Jose Redevelopment Agency meeting, and an Environmental and Water Resources Committee meeting.

Director Hsueh reported attending Landscape and Agricultural Water Advisory Committee meetings, the aforementioned Environmental and Water Resources Committee meeting, and a Groundbreaking Event for Permanente Creek.

Director Hsueh requested that staff prepare for the Chairperson's signature, thank you letters to water retailers, commending them on their efforts to meet 20 percent conservation goals (Board Member Request R-17-0001).

Director Kremen reported attending a San Luis Delta Mendota Water Authority Board meeting, and the aforementioned Groundbreaking Event for Permanente Creek.

Vice Chairperson Santos reported attending a Regional Water Quality Control Board Hearing, and the aforementioned San Luis Delta Mendota Water Authority Board meeting.

**10.2. Clerk Review and Clarification of Board Requests.**

Ms. King read the new Board member requests into the record.

- 10.3. Adjourn to Special Meeting at 12:00 p.m., on January 31, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

The Board noted that since publication of the agenda the schedule for the next meeting had changed from 12:00 p.m. to 1:00 p.m. on January 31, 2017.

Vice Chairperson Santos adjourned the meeting at 8:15 p.m., to the Special Meeting at 1:00 p.m., on January 31, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

Michele L. King, CMC  
Clerk/Board of Directors

Approved:

Date: 03/14/2017



BOARD OF DIRECTORS MEETING

# MINUTES

**SPECIAL MEETING  
TUESDAY, JANUARY 31, 2017  
1:00 PM**

(Paragraph numbers coincide with agenda item numbers)

A special meeting of the Santa Clara Valley Water District Board of Directors was called to order in the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California, at 1:00 p.m.

**1. CALL TO ORDER:**

1.1. Roll Call.

Board members in attendance were Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, and Nai Hsueh, constituting a quorum of the Board.

Staff members in attendance were N. Camacho, Interim Chief Executive Officer (Interim CEO), M. King, Clerk/Board of Directors, R. Chan, C. Elias, J. Fiedler, V. Gin, G. Hall, C. Kao, K. Oven, M. Richardson, S. Stanton, and S. Tikekar. Senior Assistant District Counsel A. Fulcher represented District Counsel S. Yamamoto.

1.2. Pledge of Allegiance/National Anthem.

Ms. Glenna Brambill, Senior Management Analyst, performed "America the Beautiful."

1.3. Time Open for Public Comment on any Item not on the Agenda.

Chairperson Varela declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

## **2. TIME CERTAIN:**

**1:00 PM**

### **2.1. Update on the 2017 Water Supply Master Plan and Potential Storage Options.**

- Recommendation:
- A. Receive information on the updated long-term water supply outlook;
  - B. Receive and discuss risk assessment results;
  - C. Discuss the level of service goal;
  - D. Receive and discuss information on preliminary project and portfolio analyses; and
  - E. Receive and discuss information on potential storage options.

Mr. Gerald De La Piedra, Water Supply Planning and Conservation Manager, reviewed the information on this item, per the attached Board Agenda Memorandum, and Ms. Tracy Hemmeter, Senior Project Manager, reviewed the attached presentation materials.

Ms. Hemmeter confirmed that Attachment 5, Page 26, would be revised to include the Uvas Reservoir to Santa Clara Conduit connector pipeline.

A summary of the Board's discussion is contained in the attached flip chart notes. Mr. Stan Williams, Poseidon Water, expressed support for maintaining a diversified water supply portfolio and for the District's recycled water use goals. He encouraged increased discussion on the District's level of service goals, and submitted the attached materials identified as Handout 2.1-A herein. Copies of the Handout were distributed to the Board and made available to the public.

Ms. Katja Irvin, Sierra Club, expressed concern with the following components of the Water Supply Master Plan: cost and yield models for the California WaterFix; potential over-estimation in Sites Reservoir analysis; inconsistency in demand and conservation trending vs. baseline analyses; an absence of per acre foot cost variations between small and large projects; and yield estimates for storm water capture.

Ms. Libby Lucas, Los Altos resident, expressed concern with the impacts of quarry activities on the northern portion of the Santa Clara Valley Aquifer and requested that the Board direct staff to investigate water quality from Cal Water wells.

Chairperson Varela acknowledged receipt of the attached e-mail from Director Kremen, identified as Handout 2.1-B herein. Copies of the Handout were distributed to the Board and made available to the public.

The Board noted the information, without formal action.



2.2. Potential Expansion of Pacheco Reservoir and/or Anderson Reservoir, Proposition 1 Funding Opportunity, and Potential Single Source Consultant Agreement.

- Recommendation:
- A. Receive information on and discuss the merits of expanding Pacheco Reservoir and/or Anderson Reservoir;
  - B. Discuss the merits of preparing a Proposition 1 funding application for one or both of these projects;
  - C. Provide direction to staff to continue to evaluate Anderson Reservoir expansion as part of the 2017 Water Supply Master Plan update but not to proceed with studies or Proposition 1 application to expand the reservoir at this time; and
  - D. Authorize the Interim CEO to negotiate and execute a single source agreement with a consultant for up to \$900,000 to prepare a Proposition 1 funding application for Pacheco Reservoir.

Ms. Cindy Kao, Imported Water Manager, reviewed the information on this item, per the attached Board Agenda Memorandum and reviewed the materials contained in Attachment 3.

Motion: Authorize Directors Kremen and Santos, and Chairperson Varela, to meet with the Boards of the Pacheco Pass Water District (PPWD) and the San Benito County Water District (SBCWD) to discuss opportunities for partnerships on the possible expansion of Pacheco Reservoir; authorize staff to continue with negotiations on the single-source consultant contract for Proposition 1 application; and direct staff to return to the Board when appropriate, after meetings with the PPWD and SBCWD Boards have been held.

Move to Authorize: Tony Estremera  
Second: Richard Santos

Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: None  
Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

2.3. Resolution Calling for a Water Use Reduction Target Equal to 20 Percent of 2013 Water Use.

Recommendation: Adopt the Resolution CALLING FOR A 20 PERCENT WATER USE REDUCTION TARGET AND A RESTRICTION ON OUTDOOR WATERING OF ORNAMENTAL LANDSCAPES OR LAWNS WITH POTABLE WATER TO A MAXIMUM OF THREE DAYS A WEEK; FURTHER, SUPPORTING LOCAL ENFORCEMENT OF THE WATER WASTE PROHIBITIONS CURRENTLY IN EFFECT BY THE STATE WATER RESOURCES CONTROL BOARD, OR AS MAY BE AMENDED.

Ms. Mary Robertson, of undisclosed residency, thanked the Board for the District's efforts to promote conservation during the drought, and expressed support for adoption of the proposed resolution. She discussed California Water Service's water conservation incentives as a model for managing implementation of conservation measures; encouraged a District outreach message expressing appreciation to water users for their conservation efforts; and expressed support for inclusion of multi-family, high density, and industrial water users in future conservation-related surcharges.

Motion: Adopt Resolution No. 17-08, CALLING FOR A 20 PERCENT WATER USE REDUCTION TARGET AND A RESTRICTION ON OUTDOOR WATERING OF ORNAMENTAL LANDSCAPES OR LAWNS WITH POTABLE WATER TO A MAXIMUM OF THREE DAYS A WEEK; FURTHER, SUPPORTING LOCAL ENFORCEMENT OF THE WATER WASTE PROHIBITIONS CURRENTLY IN EFFECT BY THE STATE WATER RESOURCES CONTROL BOARD, OR AS MAY BE AMENDED, by roll call vote, and direct staff to prepare a written response to issues raised in the comment letters contained in Handout 2.3-A.

Move to Adopt: Richard Santos  
Second: Linda J. LeZotte

Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, Nai Hsueh

Nays: None

Abstains: None

Recuses: None

Absent: None

Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

**3. ADJOURN:**

**3.1. Clerk Review and Clarification of Board Requests.**

Ms. Michele King, Clerk/Board of Directors, confirmed that there were no new Board Member Requests.

**3.2. Adjourn to 5:00 p.m. Closed Session and 6:00 p.m. Regular Meeting, on February 14, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.**

Chairperson Varela adjourned the meeting at 3:45 p.m., to the 5:00 p.m. Closed Session and 6:00 p.m. Regular meeting on February 14, 2017, in the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

Michele L. King, CMC  
Clerk/Board of Directors

Approved:

Date: 03/14/2017

**Santa Clara Valley Water District  
Special Board Meeting**

January 31, 2017

**FLIP CHART NOTES**

**Agenda Item 2.1  
Update on the 2017 Water Supply Master Plan  
and Potential Storage Options**

- Staff is to show costs in billions, where applicable, in future presentations. (L. LeZotte) (*Reference Attachment 5, Page 20*)
- Staff is to include incentives to water retailers for identifying and fixing leaks in their distribution system in future presentations. (G. Kremen) (*Reference Attachment 5, Page 19*)
- Staff is to further break-out the various programs that are included in Conservation and Demand Management in future presentations. (N. Hsueh) (*Reference Attachment 5, Page 19*)
- Staff is to investigate opportunities to add additional water recharge facilities downstream of Uvas Reservoir. (G. Kremen)
- Staff is to consider purchasing water storage rights from other agencies, such as those with excess storage. (G. Kremen)
- Staff is to come back at the next update with more detail on the various projects being considered (e.g., instead of a range for storm water, include information on specific projects). (G. Kremen)
- Staff is to investigate the District's ability to use impact fees. (T. Estremera)
- Staff is to come back with the results of surveying the community and water retailers regarding level of service during the next presentation to the Board. (G. Kremen)
- Staff is to investigate methods of increasing drought-response commercial and industrial water conservation efforts in the future. (L. LeZotte)
- Staff is to consider flood protection benefits of storm water capture. (R. Santos)
- Staff is to consider how demand hardening may impact the region's ability to meet future calls for water savings. (G. Kremen)
- Staff to consider how the future scenarios will be affected if the baseline is not implemented. (N. Hsueh)
- Staff to investigate if small, low-cost projects can fill the gaps to avoid significant rate hikes. (G. Kremen)

**Agenda Item 2.2**  
**Potential Expansion of Pacheco Reservoir and/or Anderson Reservoir, Proposition 1**  
**Funding Opportunity, and Potential Single Source Consultant Agreement**

- Vice-Chair Santos
  - Inquired about participation in this effort/project by Pacheco Pass Water District (PPWD) and San Benito Water District (SBWD).
  - Sees the potential benefit of this project. We must invest the District's money wisely, with the most bang for our buck. We need to keep sight of the future possibilities as well.
- Director Estremera
  - Concerns about ownership of the Reservoir expressed, must be addressed.
  - Questioned if we are looking at Pacheco expansion in addition to other storage or instead of?
  - Suggests that the PPWD Board be contacted to inquire about their interest and willingness for some partnership/participation/cooperation.
  - Moved that Chair Varela, Vice-Chair Santos and Director Kremen, the three SCVWD board members who have already met the PPWD board members, meet with them again (also with SBWD board members) to discuss this possible expansion and Prop 1 funding project and report back to the full board.
  - Concurrently with the above, staff should negotiate, but not execute, a single source consultant agreement to prepare the Prop 1 funding application.
  - The consultant agreement should come before the full board for approval.
- Director Hsueh
  - Hesitant to support spending \$900K even if it might bring funding down the road.
- Chair Varela
  - However, it may be worth exploring to have a local future water supply, it may afford long-term benefits.
  - Partnering with smaller districts can be beneficial in many ways.
- Director Kremen
  - Disappointed that no one has spoken to PPWD board members since they were elected to introduce the idea of doing this project with them yet.
  - Disappointed staff has not already developed other partnerships for expanding Pacheco.
- Chair Keegan
  - Concerns that Pacheco is a facility with deficiencies, a new Board with limited funds. Feels we are gambling nearly \$1M on a high-risk option with fewer upsides as other options.
  - Concerns that the PPWD is inexperienced in this sort of thing and may not be able to work with us in a timely fashion to meet the Prop 1 funding filing deadlines.
  - Staff should come back at the 2<sup>nd</sup> February board meeting (2/28) with the consultant agreement. There will be a lot of work that will need to be done by the consultants, so we need to be quick.

- Director LeZotte
  - A Pacheco Reservoir expansion is already in our Master Plan and is confused. Asked Director Estremera and Kremen for clarification of their proposals.
  - Ensure that the consultant contract can be ended at any time, terminated at our convenience.



BOARD OF DIRECTORS MEETING

# MINUTES

**4PM CLOSED SESSION & 6PM REGULAR MEETING  
TUESDAY, FEBRUARY 14, 2017  
4:00 PM**

(Paragraph numbers coincide with agenda item numbers)

A Closed Session and Regular Meeting of the Santa Clara Valley Water District Board of Directors was called to order at 4:00 p.m. on February 14, 2017, in the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

**1. CALL TO ORDER:**

1.1. Roll Call.

Board members in attendance were Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, and Nai Hsueh, constituting a quorum of the Board.

Director Estremera arrived as noted below.

Staff members in attendance were N. Camacho, Interim Chief Executive Officer (Interim CEO), S. Yamamoto, District Counsel, M. King, Clerk/Board of Directors, M. Baratz, J. Brosnan, R. Callender, A. Cheung, A. Comelo, C. Elias, J. Fielder, V. Gin, G. Hall, D. Jacques, K. Oven, M. Richardson, S. Stanton, D. Taylor, and S. Tikekar.

**2. TIME CERTAIN:**

Chairperson Varela announced that the Board would adjourn to Closed Session for consideration of Items 2.1 and 2.2.

Director Estremera arrived.

**4:00 PM**

2.1. CLOSED SESSION

CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code Section 54957.6(a):

Agency Designated Representatives: Norma Camacho, Susan Stanton, Anil Comelo, Michael Baratz, and Laura Harbert

Employee Organizations: Employees Association, Engineers Society, Professional Managers Association

2.2. CLOSED SESSION  
PUBLIC EMPLOYEE PERFORMANCE EVALUATION  
Pursuant to Government Code Section 54957(b)(1)  
Title: Interim Chief Executive Officer

Upon return to Open Session, the same Board members, including Director Estremera, and staff were present.

**6:00 PM**

2.3. District Counsel's Report.

Mr. Stan Yamamoto, District Counsel, reported that the Board met in Closed Session with all members present, and gave direction to staff.

2.4. Pledge of Allegiance/National Anthem.

Chairperson Varela led all present in reciting the Pledge of Allegiance.

2.5. Orders of the Day.

Chairperson Varela confirmed that there were no changes to the Orders of the Day.

2.6. Time Open for Public Comment on any Item not on the Agenda.

Ms. Arlene Goetze, No Toxins for Children, requested information on the origin and chemical composition of fluoride used at District treatment plants, expressed opposition to fluoridation of drinking water, and submitted the attached materials identified as Handout 2.6-A herein. Copies of the Handout were distributed to the Board and made available to the public.

Ms. Katherine Cushing, San Jose State University (SJSU), advised the Board that she was in attendance with students from the SJSU Environmental Studies Department to allow students the opportunity to observe the Board, and expressed appreciation for the clarity of the Board's agenda.

Director Estremera requested that staff prepare a response to the questions raised by Ms. Goetze in Handout 2.6-A (Board Member Request No. R-17-0005).

2.7. State of the District.

Chairperson Varela read into the record the attached State of the District address, identified as Handout 2.7-A herein. Copies of the statement were distributed to the Board and made available to the public.

**3. CONSENT CALENDAR:**

Director LeZotte requested that Item 3.1 be removed from the Consent Calendar for individual consideration.



- 3.1. Resolution Setting Time and Place of Regular Meetings of the Santa Clara Valley Water District Board of Directors.

Recommendation: Adopt the RESOLUTION SETTING TIME AND PLACE OF MEETINGS OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT AND RESCINDING RESOLUTION NO. 16-01.

Director LeZotte requested that the resolution be amended to indicate that the revised Board meeting schedule would be effective for a six month trial period.

Chairperson Varela returned Item 3.1 to the Consent Calendar, and the Board considered Consent Calendar Items 3.1 through 3.6 under one motion.

- 3.1. Resolution Setting Time and Place of Regular Meetings of the Santa Clara Valley Water District Board of Directors.

Recommendation: Adopt the RESOLUTION SETTING TIME AND PLACE OF MEETINGS OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT AND RESCINDING RESOLUTION NO. 16-01.

- 3.2. Resolution Setting Time and Place of Public Hearing for the April 11, 2017 Report on Activities in Protection and Augmentation of Water Supplies of District - 2017.

Recommendation: A. Adopt the Resolution CALLING A PUBLIC HEARING TO CONSIDER COMMENTS FROM MEMBERS OF THE PUBLIC ON THE REPORT ON THE ACTIVITIES IN THE PROTECTION AND AUGMENTATION OF THE WATER SUPPLIES OF THE DISTRICT, 2017; and  
B. Set time and place for public hearing to occur on April 11, 2017 at 1:00 p.m., at the Santa Clara Valley Water District Board Room, 5700 Almaden Expressway, San Jose, CA 95118.

- 3.3. Membership Nominations for Committee Appointments and Re-Appointments to the Agricultural Water Advisory Committee, the Environmental and Water Resources Committee, and the Safe, Clean Water Independent Monitoring Committee.

Recommendation: Consider the membership appointments to the Agricultural Water Advisory Committee, the Environmental and Water Resources Committee (EWRC), and the Safe, Clean Water Independent Monitoring Committee (SCW IMC).

- 3.4. Semi-Annual Lobbyist Activity Report for the Period July 1, 2016 through December 31, 2016.

Recommendation: Receive the Semi-Annual Lobbyist Activity Report for the period July 1, 2016 through December 31, 2016.

- 3.5. CEO Bulletins for the Weeks of January 20-26, January 27 - February 2, and February 3 - 9, 2017.

Recommendation: Accept the CEO Bulletins.

- 3.6. Approval of Minutes.

Recommendation: Approve the minutes.

Motion: Approve Consent Calendar Items 3.1 through 3.6 under one motion, as follows: adopt Resolution No. 17-09, SETTING TIME AND PLACE OF MEETINGS OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT AND RESCINDING RESOLUTION NO. 16-01, by roll call vote, as amended in Item 3.1; adopt Resolution No. 17-10, CALLING A PUBLIC HEARING TO CONSIDER COMMENTS FROM MEMBERS OF THE PUBLIC ON THE REPORT ON THE ACTIVITIES IN THE PROTECTION AND AUGMENTATION OF THE WATER SUPPLIES OF THE DISTRICT, 2017, by roll call vote and set time and place for public hearing to occur on April 11, 2017 at 1:00 p.m., as contained in Item 3.2; approve the membership appointments to the Agricultural Water Advisory Committee, the EWRC, and the SCW IMC, as contained in Item 3.3; receive the Semi-Annual Lobbyist Activity Report, as contained in Item 3.4; accept the CEO Bulletins, as contained in Item 3.5; and approve the minutes, as contained in Item 3.6.

Move to Approve: Richard Santos

Second: Gary Kremen

Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, Nai Hsueh

Nays: None

Abstains: None

Recuses: None

Absent: None

Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

## **REGULAR AGENDA:**

### **4. BOARD OF DIRECTORS:**

- 4.1. Review of 2017 Board Committee Appointments (Continued From January 10, 2017).

Recommendation: A. Review and approve the 2017 committee appointments as submitted by Board Chair in Supplemental Attachment 1; and

B. Appoint new Board Committee Representatives, as necessary.

Motion: Approve the 2017 committee appointments proposed by Chairperson Varela, as contained in Supplemental Attachment 1.

Move to Approve: Richard Santos  
Second: Gary Kremen

Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, Nai Hsueh

Nays: None

Abstains: None

Recuses: None

Absent: None

Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

#### 4.2. Board Committee Reports.

Director Hsueh reviewed the information contained in Handout 4.2-A, Director Estremera reviewed the information contained in Handout 4.2-B, and Chairperson Varela acknowledged receipt of the attached email from Ms. Lori Morris, Landscape Committee Chair, identified as Handout 4.2-C, herein. Copies of the Handouts were distributed to the Board and made available to the public.

The Board noted the information without formal action.

#### 4.3. Board of Directors Fiscal Year 2018 Budget Message.

Recommendation: Review and adopt the Board Policy and Planning Committee's recommended Board Fiscal Year 2018 Budget Message.

Ms. Michele King, Clerk/Board of Directors, reviewed the information on this item, per the attached Board Agenda Memorandum; and Chairperson Varela acknowledged receipt of the attached email from Ms. Katja Irvin, Sierra Club Loma Prieta Chapter, identified as Handout 4.3-A herein. Copies of the Handout were distributed to the Board and made available to the public.

Motion: Adopt the Board Policy and Planning Committee's recommended Board Fiscal Year 2018 Budget Message, and direct staff to revise the Fiscal Year 2018 Budget Message before publication to ensure it reflects the Board's narrative, and not the Committee's.

Move to Adopt : Richard Santos  
Second: Tony Estremera

Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: None  
Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

## **5. WATER UTILITY ENTERPRISE:**

### **5.1. Sustainable Groundwater Management Act Compliance for Groundwater Basins Overlapping with San Benito County.**

Recommendation: A. Receive information on Sustainable Groundwater Management Act (SGMA) compliance options for groundwater basins overlapping with San Benito County; and  
B. Provide direction to staff on which compliance option to pursue for the overlapping groundwater basins described under Recommendation A.

Ms. Vanessa De La Piedra, Groundwater Management Manager, reviewed the information on this item, per the attached Board Agenda Memorandum.

Motion: Approve authorizing staff to take action for the District to become the groundwater sustainability agency for the overlapping groundwater basins between Santa Clara and San Benito Counties, as contained in the attached Board Agenda Memorandum, Pages 3 through 4, Option 1.

Move to Approve: Nai Hsueh  
Second: Tony Estremera  
Yeas: Tony Estremera, Gary Kremen, Linda J. LeZotte, Barbara Keegan, Richard Santos, John L. Varela, Nai Hsueh  
Nays: None  
Abstains: None  
Recuses: None  
Absent: None  
Summary: 7 Yeas; 0 Nays; 0 Abstains; 0 Absent.

## **6. WATERSHEDS:**

None.

## **7. CHIEF EXECUTIVE OFFICER:**

### **7.1. Chief Executive Officer Report.**

Mr. Chris Elias, Deputy Administrative Officer, reported on staff participation in recent news interviews.

Ms. Angela Cheung, Deputy Operating Officer, reported on the schedule of upcoming Rinconada Water Treatment Plant shutdowns.

Mr. Garth Hall, Deputy Operating Officer, provided an overview of events leading to the evacuation of Oroville and surrounding areas and efforts to repair the Oroville Reservoir emergency spillway and reduce the reservoir level. He confirmed that issues at Oroville Reservoir would have minimal impact on District water supply.

Mr. Jim Fiedler, Chief Operating Officer, Water Utilities, reported that Oroville Reservoir evacuation orders had been lifted.

Mr. Hemang Desai, Engineering Unit Manager, Dam Safety Program, confirmed that the Division of Dam Safety (DOSD), Federal Energy Regulatory Commission (FERC), and various consultants regularly participated in the annual inspections of District dams and spillways. He confirmed that during 2016 inspections, all District dams and spillways were found to be in good condition with no repairs needed, and that all reservoir spill activity was closely monitored by staff. He reported that Anderson Dam had undergone three formal DSOD, FERC, and independent consultant inspections in 2016, all finding its spillway to be in good operating condition.

Ms. Katherine Oven, Deputy Operating Officer, confirmed that staff regularly engaged regulatory agencies in processes and discussions pertaining to District dams and spillways, and duly considered any recommendations and feedback they received.

Ms. Melanie Richardson, Chief Operating Officer, Watersheds, distributed the attached Storm Report identified as Handout 7.1-A herein. Copies of the Handout were distributed to the Board and made available to the public.

Director Keegan requested that staff come back after the storm season with information on the District's spillway and reservoir discharge rules and/or practices, and whether these are effective (Board Member Request No. R-17-0003).

Director Hsueh requested that staff investigate the how recently completed flood protection projects performed during storm events, and what damages would have occurred if those projects had not been done (Board Member Request No. R-17-0004).

**8. ADMINISTRATION:**

None.

**9. DISTRICT COUNSEL:**

None.

**10. ADJOURN:**

**10.1. Board Member Reports/Announcements.**

Director Keegan reported attending a Santa Clara Valley Water Commission meeting, a Safe, Clean Water Independent Monitoring Committee meeting, a special Board meeting, a Board Policy and Planning Committee meeting, a Board Audit Committee meeting, a Santa Clara City Council meeting, a meeting with a constituent, and a meeting with staff.

Director Santos reported attending a Landscape Committee meeting, a San Luis Delta Mendota Water Authority (SLDMWA) meeting, a South County Recycled Water Authority (SCRWA) meeting, a Berryessa Citizen's Advisory Council meeting, and various meetings with staff.

Chairperson Varela reported attending the aforementioned SLDMWA, SCRWA, Board Planning Policy Committee, and special Board meetings, a Santa Clara County Farm Bureau meeting, a Cunningham Lake Improvement Project meeting, and a Gilroy Chamber of Commerce meeting, and reported participating in a conference call with Board members from the Pajaro River Watershed Flood Prevention Authority.

Director Estremera reported attending a meeting with staff, a Board Audit Committee meeting, a Santa Clara County State of the County event, a City of San Jose Successor to the Redevelopment Agency meeting, and the aforementioned special Board meeting.

Director Hsueh reported attending an Environmental Water Resources Committee meeting.

Director Kremen reported attending the aforementioned SLDMWA meeting.

**10.2. Clerk Review and Clarification of Board Requests.**

Ms. King read the new Board Member Requests into the record.

**10.3. Adjourn to 6:00 p.m. Regular Meeting on February 28, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.**

Chairperson Varela adjourned the meeting at 7:20 p.m., in memory of Mr. George Malekos, Project Assistant in the District's Community Projects Review Unit, to the next regularly scheduled meeting at 6:00 p.m. on February 28, 2017, in the District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

Michele L. King, CMC  
Clerk/Board of Directors

Approved:

Date: 03/14/2017

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**File No.:** 17-0147

**Agenda Date:** 3/14/2017  
**Item No.:** \*4.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Recommendation from the Pacheco Reservoir Exploratory Ad Hoc Committee to Authorize the Interim CEO to execute the Principles of Agreement - Submittal of Proposition 1 Application and Joint Investigation of Pacheco Reservoir Expansion.

### **RECOMMENDATION:**

The Pacheco Reservoir Exploratory Ad Hoc Committee recommends that the Board authorize the Interim CEO to execute the Principles of Agreement - Submittal of Proposition 1 Application and Joint Investigation of Pacheco Reservoir Expansion

### **SUMMARY:**

On February 23, 2017, the Board's Pacheco Reservoir Exploratory Ad Hoc Committee (Committee) met with board members of the Pacheco Pass Water District (Pacheco Pass) and San Benito County Water District (San Benito) regarding the potential enlargement of Pacheco Reservoir and application for funding from the State's Proposition 1 Water Storage Investment Program for the reservoir enlargement project.

Further, at its regular meeting on February 28, 2017, the Board authorized the Interim CEO to execute a single source consultant agreement to prepare a Proposition 1 funding application for Pacheco Reservoir expansion.

In the February 23 Committee meeting, draft principles of agreement among Pacheco Pass, San Benito, and the District were presented and discussed. The principles provide for commitments among the parties for coordination, communication and support to prepare and submit an application for Proposition 1 funding. Representatives of Pacheco Pass and San Benito executed this document on February 27, 2017 (Attachment 1). The Committee recommends that the Board authorize the Interim CEO to execute these principles.

### **FINANCIAL IMPACT:**

This item includes an anticipated reimbursement by San Benito to the District not to exceed \$45,000, or 5% of the cost of the consultant agreement, not to exceed \$900,000 in project 60042001 for preparing a Proposition 1 funding application.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect change in the physical environment.

**ATTACHMENTS:**

Attachment 1: Principles of Agreement

**UNCLASSIFIED MANAGER:**

Garth Hall, 408-630-2750

**Principles of Agreement**  
**Submittal of Proposition 1 Application**  
**and**  
**Joint Investigation of Pacheco Reservoir Expansion**

**Parties:** The parties to this Principles of Agreement ("Agreement") are Pacheco Pass Water District ("Pacheco Pass"), San Benito County Water District ("San Benito") and Santa Clara Valley Water District ("Santa Clara"), each referred to hereafter as "Party" or collectively as "Parties".

**1) Interests of the Parties:**

- a) San Benito and Santa Clara are seeking alternatives that will improve the reliability of their respective water supplies in dry years and the ability to manage their water supply, water quality, and operational risks.
- b) Pacheco Pass seeks to preserve the continued operational benefits it receives from Pacheco Dam and Reservoir, including groundwater recharge in Pacheco Creek upstream of the Highway 156 crossing.
- c) Pacheco Pass and San Benito seek a reduction of flood risk downstream of North Fork Dam and Pacheco Reservoir ("Pacheco Dam and Reservoir").
- d) Pacheco Pass seeks to limit future liability regarding the operation and maintenance of Pacheco Dam and Reservoir.
- e) The Parties are interested in improving ecosystem conditions in the Sacramento/San Joaquin Bay Delta, local creeks and the Monterey Bay.
- f) The Parties are interested in submitting a Proposition 1 Water Storage Investment Program funding application (Proposition 1 Funding Application) to the California Water Commission to help fund the potential expansion of Pacheco Dam and Reservoir that will allow achievement of their respective interests.

**2) Purposes of the Agreement:** The purposes of this Agreement are to (i) establish commitments for coordination and participation to evaluate the potential expansion of Pacheco Dam and Reservoir; (ii) coordinate efforts to prepare and submit a Proposition 1 Funding Application; (iii) establish options for Santa Clara (or Santa Clara and San Benito jointly) to acquire fee title to Pacheco Dam and Reservoir, or to acquire a possessory interest of Pacheco Dam and Reservoir via a long-term lease or other arrangement, which would enable the expansion of Pacheco Dam and Reservoir, and thereafter, its operation to meet the Parties' respective interests; and (iv) establish commitments to explore other mutually beneficial activities.

**3) Term and Termination of Agreement:** This Agreement becomes effective when signed by all the Parties, and expires three (3) years thereafter. Any Party may terminate this Agreement by providing at least thirty (30) days prior written notice.

**4) Coordination:**

- a) The Parties will: (i) coordinate efforts to develop and submit a Proposition 1 Funding Application; (ii) keep each other informed of progress; and (iii) make their related work products available for each Party's review.
- b) The Parties will seek input from other potential partners and stakeholders on the range of issues that may be studied, on participation in workgroups to carry out investigations, and on review of work products.

- c) Pacheco Pass will provide a formal resolution from its board of directors and/or other assurances required by the California Water Commission to ensure that Pacheco Dam and Reservoir is available to support the Proposition 1 Funding Application.
- d) The Parties shall develop and execute a comprehensive cost sharing agreement that specifies each Party's rights, interests and obligations regarding any potential expansion of Pacheco Dam and Reservoir.
- e) The Parties agree that feasible alternatives to expand Pacheco Dam and Reservoir: (i) must maintain operational benefits for Pacheco Pass, including groundwater recharge in Pacheco Creek upstream of the Highway 156 crossing, at least equal to the magnitude of recharge that would have existed absent expansion of the Pacheco Dam and Reservoir; (ii) will provide water supply benefits acceptable to Santa Clara and San Benito; and (iii) will include operations to improve the ecosystem and/or fishery benefits in both the Sacramento-San Joaquin Delta and local creeks.

**5) Access for Investigations:**

- a) Pacheco Pass will provide access to the existing Pacheco Dam and Reservoir and adjacent property that it owns or has rights of entry for the purpose of investigating structural, geologic, environmental and other aspects of proposed alternatives.
- b) Pacheco Pass will facilitate, to the extent they are able, access to property in the watershed owned by others, as necessary to carry out investigations.
- c) Pacheco Pass will provide access to any relevant records that may assist with the evaluation of alternatives, including records of Pacheco Dam and Reservoir operations and maintenance and diversions in the watershed.
- d) Santa Clara and San Benito will each provide any relevant records or previous studies that may assist with evaluation of alternatives, including records of San Felipe Division operation and maintenance and diversions in the watershed.

**6) Cost Sharing of Consultant Contracts:** Santa Clara and San Benito shall share in the cost of consulting services up to \$900,000 to prepare the Proposition 1 Funding Application at the following ratios:

- Santa Clara: 95%
- San Benito: 5%

**Agreed:**

**PACHECO PASS WATER DISTRICT**

By: Jack O'Call

Date: 2/27/17

Name/Title: Board President

**SAN BENITO COUNTY WATER DISTRICT**

By: [Signature]

Date: 2/21/17

Name/Title: Jeff Cattaneo, District Manager

**SANTA CLARA VALLEY WATER DISTRICT**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Name/Title: Norma J. Camacho, Interim Chief Executive Officer

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**File No.:** 17-0087

**Agenda Date:** 3/14/2017

**Item No.:** 5.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Review and Confirm Proposed Principles Related to California WaterFix.

### **RECOMMENDATION:**

- A. Review and confirm proposed Principles related to the California WaterFix; and
- B. Receive and discuss updated information on the California WaterFix.

### **SUMMARY:**

This item provides for Board discussion of proposed principles to guide the District's participation in discussions, negotiations, and messaging regarding the California WaterFix (CWF). The principles are provided in Attachment 1.

Per Governance Process Policies GP-2.2 and GP-3.2, the Board is charged with producing broad written policies that reflect the Board's values and perspectives.

On May 13, 2008, the Board reviewed and confirmed CEO Interpretations of Board policy related to a long-term Delta solution. The State's approach to long-term Delta solutions has evolved since that time, including a shift from developing the comprehensive conservation strategy originally contemplated by the Bay Delta Conservation Plan to the more focused CWF and California EcoRestore projects. Over the course of this year, staff will be engaged in administrative processes, discussions and negotiations with state and federal agencies, State Water Project (SWP) and federal Central Valley Project (CVP) contractors, and other stakeholders regarding the State's proposed CWF project. Principles are proposed to help ensure a consistent representation of the District's interests.

Staff has drawn from the following sources to develop draft principles:

- 1) Santa Clara Valley Water District Policy Statement before the State Water Resources Control Board on July 21, 2016 (Attachment 2); and
- 2) Board Policy and CEO Interpretations Related to the Imported Water Program (Attachment 3).

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3) August 16, 2016 Resolution of the Board of Supervisors of the County of Santa Clara Expressing its interests in the Bay Delta Estuary Planning Process (Attachment 4);

This agenda item also provides an update on the CWF project planning and permitting processes including the status of the following:

- A. Environmental Impact Report/Environmental Impact Statement (EIR/S),
- B. Biological Opinions under the Federal Endangered Species Act
- C. 2081(b) Permit under the California Endangered Species Act
- D. Petition for Change in Point of Diversion from the State Water Resources Control Board
- E. Cost Allocation Discussions and Negotiations
- F. Adaptive Management Program Development
- G. Next Steps and California WaterFix Principles
- H. Project Schedule

**BACKGROUND:**

Santa Clara County relies on imported water to meet, on average, 55 percent of its water needs, with 40 percent conveyed through the Sacramento-San Joaquin Delta by the SWP and CVP, and 15% diverted upstream of the Delta by the San Francisco Public Utility Commission's Hetch-Hetchy project.

The District's SWP and CVP water supplies, together, are a critical component of the District's water supply portfolio, providing the majority of water supply to the District's three drinking water treatment plants, serving to recharge the county's local groundwater basin to help meet pumping demands while minimizing risk of permanent land subsidence, and protecting local surface and groundwater reserves. The District's SWP and CVP supplies offer additional flexibility in that these supplies may be stored in facilities outside of the county, including the groundwater bank managed by Semitropic Water Storage District (Semitropic bank), for District withdrawal during dry periods. The Semitropic bank has proven to be a valuable resource, providing over 120,000 acre-feet (AF) of critical dry year supply to the county over the past three drought years; however, supplies from the Semitropic bank are conveyed to the District through the Delta, and the reliability of the bank is linked to the reliability of the Delta.

The District's imported water supplies are at risk from several factors including increased salinity intrusion due to climate change and sea level rise, and seismic threats to the fragile Delta levee system. In addition, the Delta ecosystem no longer supports healthy populations of several native fish species which has resulted in increasing regulatory restrictions on SWP and CVP operations to protect fish and water quality. To reduce these risks, the District joined other public water agencies



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since 2006 to support the State's planning efforts for the Bay Delta Conservation Plan, and is now evaluating the potential benefits and costs of the CWF consistent with Board Policy and CEO direction (Attachment 4).

The CWF would provide an alternative conveyance pathway for moving water from the north Delta to the existing pumping plants in the South Delta.

Currently, the SWP and CVP pumps are in an area in the southern Delta that is subject to tidal flows. Operation of the SWP and CVP pumps often cause the reverse flows to be significantly stronger than the positive, downstream flows towards San Francisco Bay. Many believe that this increase in reverse flows confuses migrating fish like salmon and steelhead, and draws smaller, poorer swimming fish like Delta Smelt, toward the pumps and into the south Delta where habitat conditions are less hospitable.

In addition, because of the location of the existing pumps in the tidal portion of the Delta where the rivers naturally ebb and flow, they cannot be effectively screened to prevent fish from becoming pulled into them. The CWF would include installation of state-of-the-art fish screens on the new intakes.

The water diverted through the new intakes would be delivered to the existing pumps in the southern Delta. Total exports would be limited to the existing capacity of those pumps. Total average annual exports are not anticipated to be greater than current levels.

The location of the proposed CWF intakes in the north Delta, where water quality is better and intakes are farther away from the Bay, would enable selection of river water that has not mixed with ocean water, as occurs to a limited degree today in the south Delta and is expected to occur increasingly in the future with sea level rise. In addition, the proposed CWF tunnels would be designed to withstand seismic events. Having an alternative conveyance pathway is expected to increase the operational flexibility of the State and federal projects to address future risks and reduce impacts on protected fish species.

On July 12, 2016, staff presented an updated preliminary CWF business case to the Board, based on information available at that time. The analysis estimated a range of potential District costs and water supply benefits of the project relative to other potential District investment options. Since that time, progress has been made on the District's Water Supply Master Plan, which is evaluating combinations of various water supply projects to meet the District's future water supply needs. An update on the plan was provided to the Board on January 31, 2017.

## **CALIFORNIA WATERFIX UPDATE**

The State is working to complete the environmental documentation and secure permits for the CWF project, as well as develop an adaptive management approach to guide future refinements to regulations. State and federal agencies, along with public water agencies, are also discussing various options for sharing costs. Key efforts are briefly summarized below.

### **A. Environmental Impact Report/Environmental Impact Statement (EIR/EIS)**

On December 22, 2016, the California Department of Water Resources (DWR) and U.S. Bureau of Reclamation (Reclamation) released the Final Environmental Impact Report/Environmental Impact Statement (Final EIR/EIS) for the Bay Delta Conservation Plan which identified the CWF as the preferred alternative. If the District considers whether to fund a portion of the project cost, such approval would be considered a discretionary authority placing the District in the role of a CEQA responsible agency. As a responsible agency, the District would be required to consider the environmental effects before deciding whether or how to approve the project, to make findings with respect to each significant impact and adopt a statement of overriding considerations, if needed, and to file a Notice of Determination with the county clerks in the counties in which the project is located. Reclamation and DWR plan to issue their Record of Decision and Notice of Determination, respectively, in March 2017. Staff will prepare any necessary findings and statement of overriding considerations and provide them to the Board for its considerations and adoption when making a decision on the project later this summer. The Final EIR/EIS can be downloaded from the following website:

<http://baydeltaconservationplan.com/FinalEIREIS.aspx>.

### **B. Biological Opinions under the Federal Endangered Species Act**

On July 29, 2016, DWR and Reclamation requested formal consultation by the National Marine Fisheries Service (NMFS) and U.S. Fish and Wildlife Service (USFWS) under Section 7 of the Endangered Species Act. During the consultation, the fish and wildlife agencies conduct their own assessment of potential impacts on listed species and develop Biological Opinions as to whether the project is likely to jeopardize the continued existence of listed species or result in the destruction or adverse modification of critical habitat. NMFS and USFWS released partial drafts of their analyses in mid-December 2016 for review by an independent panel of scientists. The partial drafts only included analyses of potential impacts of the separate project components, and did not roll up the potential benefits and impacts into opinions on the entire proposed project. Final Biological Opinions are expected in March 2017. The partial draft analyses can be downloaded from the following website:

[<http://www.westcoast.fisheries.noaa.gov/central\\_valley/WaterFix/WaterFixReviewBiOp.html>](http://www.westcoast.fisheries.noaa.gov/central_valley/WaterFix/WaterFixReviewBiOp.html)

### **C. 2081(b) Permit under the California Endangered Species Act**

DWR submitted an Incidental Take Permit application to California Department of Fish and Wildlife (CDFW) on October 5, 2016. CDFW is reviewing the application materials to assess potential impacts on the state-listed Longfin Smelt under Fish and Game Code sections 2081(b) and (c) of the California Endangered Species Act. The application materials were also reviewed by an independent panel of scientists who issued a draft report in January 2017. A final report from the independent panel is expected in mid-February and a 2081(b) permit is expected in March of 2017. The draft

science panel review and application materials can be downloaded from the following website:

[<http://www.westcoast.fisheries.noaa.gov/central\\_valley/WaterFix/CaliforniaWaterFixBiopReviewPhase2A.html>](http://www.westcoast.fisheries.noaa.gov/central_valley/WaterFix/CaliforniaWaterFixBiopReviewPhase2A.html)

#### **D. Petition for Change in Point of Diversion from the State Water Resources Control Board**

In order to divert water from the Sacramento River at the CWF proposed intakes, DWR and Reclamation must obtain a change in their water rights permits from the State Water Resources Control Board (State Water Board). DWR and Reclamation submitted a petition for change in their point of diversion on August 26, 2015, which launched a lengthy and complex review process by the State Water Board. The State Water Board is conducting the evidentiary hearing in two parts, with the first part focused on effects of the project on legal users of water and the second part addressing effects of the project on fish and wildlife, including appropriate Delta flow criteria. Part 1 of the State Water Board hearing began on July 26, 2016. The parties have completed their cases in chief and the next stage of Part 1 is for the State Water Board to receive and hear rebuttal testimony and exhibits. Rebuttal for Part 1 of the hearing is scheduled to commence on April 25, 2017, and continue, if needed, until August 10, 2017.

Part 2 of the hearing, addressing project impacts on fish and wildlife, is estimated to begin in June 2017, after DWR and Reclamation complete their environmental review of the project under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), and obtain approvals under the California and federal Endangered Species Acts. The State Water Board is not expected to issue a decision until sometime in 2018.

#### **E. Adaptive Management Program Development**

DWR, Reclamation, NMFS, USFWS and CDFW (collectively, “5-Agencies”) continue to develop and refine an adaptive management program for the CWF that will evaluate the latest science and monitoring data and potentially adjust regulatory criteria accordingly. A draft framework was submitted to the independent panel of scientists for review with the 2081(b) permit application. The framework and draft panel review can be downloaded from the following website:

[<http://www.westcoast.fisheries.noaa.gov/central\\_valley/WaterFix/CaliforniaWaterFixBiopReviewPhase2A.html>](http://www.westcoast.fisheries.noaa.gov/central_valley/WaterFix/CaliforniaWaterFixBiopReviewPhase2A.html)

#### **F. Cost Allocation Discussions and Negotiations**

The portion of the cost of the CWF to be borne by the District will depend in part on negotiations to determine how the costs for the project will be shared among the SWP and CVP contractors. Discussions are ongoing. Several options have been considered, including (1) opt-out proposals, in which costs are initially allocated to all contractors but contractors would be allowed to opt out and receive reimbursement for their share of costs by transferring their share of any incremental water supply benefit the project may provide, and (2) opt-in proposals, in which contractors have a choice

as to whether or not to participate in the project.

Alternatives are still being defined, and associated issues are being explored. It will likely be several months before a full proposal is finalized.

### **G. Next Steps and Proposed District California WaterFix Principles**

In the coming months, numerous agreements will be negotiated between state and federal agencies and potential participating water agencies that will address the following issues:

1. Allocation of water supplies between the SWP and CVP and amongst participating water agencies
2. Allocation of CWF project costs
3. Project planning, design and construction oversight
4. Project planning, design and construction management
5. Project funding and financing
6. Adaptive management structure and funding

The District has not yet made a decision on whether or not to participate in the CWF. The final form of the above agreements will influence whether the costs, benefits, and assurances support a Board decision to participate (and at what level). The principles in Attachment 1 may provide guidance to staff who participate in these discussions and negotiations.

To guide District staff in achieving desirable outcomes that would present the best possible case for the Board's consideration as to whether the District should participate in the CWF, the CEO will complete negotiations and execute a single-source agreement with a consultant that has expertise negotiating agreements involving multiple public agency participation in multi-billion dollar projects.

### **H. Project Schedule**

The project schedule is provided as Attachment 5.

### **FINANCIAL IMPACT:**

There is no financial impact associated with this item.

### **CEQA:**

The recommended action is a ministerial action and thus is not subject to the requirements of CEQA.

**ATTACHMENTS:**

Attachment 01: Draft California WaterFix Principles  
Attachment 02: SCVWD Policy Statement to State Water Board  
Attachment 03: Board Policy and CEO Interpretations  
Attachment 04: Board of Supervisors Resolution  
Attachment 05: Board Communication Schedule  
Attachment 06: PowerPoint

**UNCLASSIFIED MANAGER:**

Garth Hall, 408-630-2750

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**Santa Clara Valley Water District Draft Principles**  
**California Water Fix**  
March 14, 2017

**Principles:**

**1. General**

- a. The quality of life and economy for the Silicon Valley would not be possible without imported water.<sup>1</sup>
- b. The District's desired outcome is a cost-effective, comprehensive and reliable long-term solution for the Delta that meets the water supply, water supply reliability, and water quality needs of Santa Clara County, while balancing other beneficial uses and providing a sustainable Delta ecosystem.<sup>1</sup>
- c. The Delta solution should achieve the coequal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem, all in a manner that protects and enhances the unique cultural, recreational, natural resource, and agricultural values of the Delta as an evolving place.<sup>2</sup>
- d. The District will work to ensure water quality will support all beneficial uses, including recreation, fishing, drinking water.<sup>3</sup>
- e. Governance structures and operating agreements related to the long-term Delta solution must provide the ability to protect the value of the District's imported water assets, including water supply and banking contracts.<sup>2</sup>
- f. The board will evaluate not only ecosystem and water supply benefits, but also whether the balance of the CWF's costs and benefits weighs in favor of the District's customers and ratepayers.<sup>1</sup>
- g. Continuing to rely on the existing system of through-Delta conveyance for the County's imported water supplies is not sustainable. Many factors affect species' health in the Delta, and the Delta is also threatened by continuing land subsidence, seismic risk, and effects of climate change.<sup>3</sup>

**2. Water supply reliability**

- a. Continuing to rely solely on existing through-Delta conveyance for the District's imported water supplies is not acceptable because of the instability of existing Delta levees, underlying seismic risks, increasing threats of altered hydrology and sea level rise due to climate change, and ongoing regulatory uncertainty and concerns over the environmental health of the Delta.<sup>2</sup>
- b. The Delta and its watershed has played a significant role in recharging the County's groundwater basin, protecting against further land subsidence, and providing for the well-being of the citizens of Santa Clara County.<sup>3</sup>
- c. Any participation in the CWF would be part of a comprehensive plan that includes sustainable approaches for improved water supply, water quality, and reliability through increased regional self-sufficiency. Methods include increased conservation, water use

efficiency, recycling and reuse, conjunctive use of groundwater, and other approaches to contribute to reducing reliance on the Delta, including the Bay Area Regional Reliability (BARR) effort.<sup>3</sup>

- d. Substantial local investments in water use efficiency and conservation, recycled water and groundwater management are essential but cannot cost-effectively replace imported water.<sup>1</sup>

### **3. *Environmental protection***

- a. The long-term Delta solution should promote a resilient Delta ecosystem by basing all actions on sound science and addressing the full range of environmental stressors, including toxics, invasive species, and all watershed diverters. (also from District's Board Policies and CEO Interpretations)<sup>3</sup>
- b. The CWF should not be viewed as the single solution to the Delta's troubles but instead should be viewed as an important part of a comprehensive solution.<sup>1</sup>
- c. The District supports environmental restoration and protection, including the State's EcoRestore program, and other programs that will improve the overall Delta ecosystem.<sup>1</sup>
- d. Protection and restoration of a healthy sustainable Bay-Delta Estuary includes improvements in habitat, water quality, flows, and water supply to support fisheries, wildlife, and a resilient ecosystem.<sup>3</sup>
- e. Restoration of native habitat to protect endangered fish, wildlife and plant species is needed to improve the ecological functions of the Bay Delta Estuary.<sup>3</sup>
- f. Restoration of more natural flow patterns within the Delta and bay would support robust fish and wildlife populations and their habitat.<sup>3</sup>
- g. Measures should be taken to control and reduce invasive species that impair the health of the Delta ecosystem.<sup>3</sup>

### **4. *Costs and financing***

- a. Costs of the long-term Delta solution should be allocated equitably.<sup>2</sup>
- b. The District favors a flexible approach to cost allocation that maximizes the opportunity for discretionary allocations of cost based on incremental benefits.<sup>2</sup>
- c. The District supports full public disclosure of costs of all proposed solutions.<sup>3</sup>
- d. The District's investment decisions will protect the economic viability of industry, recreation, tourism, fisheries, and agriculture, and the vitality of the County.<sup>3</sup>

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<sup>1</sup> Derived from the District 7/21/16 policy statement before the state Water Resources Control Board

<sup>2</sup> Derived from Board Policy and CEO Interpretations

<sup>3</sup> Derived from the 8/16/16 Resolution of the Board of Supervisors of the County of Santa Clara Expressing its Interests in the Bay Delta Estuary Planning Process



Via E-mail: [CWFhearing@waterboards.ca.gov](mailto:CWFhearing@waterboards.ca.gov)

July 21, 2016

Ms. Felicia Marcus, California WaterFix Co-Hearing Officer  
Ms. Tam Doduc, California WaterFix Co-Hearing Officer  
State Water Resources Control Board  
P.O. Box 100  
Sacramento, CA 95812-0100

Subject: California WaterFix Hearing Policy Statement

Dear Ms. Marcus and Ms. Doduc:

The Santa Clara Valley Water District (District) is pleased to provide the following policy statement on the California WaterFix Hearing.

The District is the primary wholesale water supply agency for Santa Clara County, serving close to two million residents and the vital high-tech economy of "Silicon Valley". On average, more than half of the County's annual water supply is imported from the Bay-Delta watershed through the State Water Project (SWP), the federal Central Valley Project (CVP), and the San Francisco Public Utilities Commission's Hetch-Hetchy project. The District's Water Master Plan includes substantial local investments in water use efficiency and conservation, recycled water, and groundwater management. However, these measures alone will not replace imported water, nor avoid future water shortages. As such, ensuring the reliability of the County's water supply depends on protecting and restoring the Delta as the hub of the state's major water supply projects. Consequently, the District maintains a high level of engagement with respect to Bay-Delta processes, and is particularly interested in the WaterFix project and the petition before the State Water Resources Control Board (State Water Board).

Since 2006, the District has joined other public water agencies to participate in the State's planning efforts for the Bay Delta Conservation Plan, and now the California WaterFix. Without a long-term, comprehensive solution, Delta species will continue to decline and our water supplies will remain highly vulnerable to climate change, sea level rise, and levee instability. We are particularly seeking a comprehensive solution that addresses all factors, flow and non-flow, currently affecting the Delta. The District supports environmental restoration and protection, including the State's EcoRestore program, and any other programs or actions that will improve the overall Delta ecosystem. The District's desired outcome is a cost-effective, comprehensive and reliable long-term solution for the Delta that meets the water supply, water supply reliability and water quality needs of Santa Clara County, while balancing other beneficial uses and providing a sustainable Delta ecosystem.

The District's Board of Directors continues to evaluate the WaterFix and is considering not only ecosystem and water supply benefits, but also whether the balance of the WaterFix's costs and benefits weighs in favor of the District's customers and ratepayers. Processes, such as this

Ms. Felicia Marcus  
Ms. Tam Doduc  
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July 21, 2016

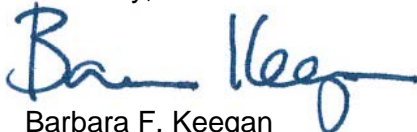
hearing, play a critical role in helping to define the merits of the WaterFix, and determining whether the project is indeed viable.

To that end, the District urges the State Water Board to consider the following points when weighing the arguments and evidence that will be presented during this hearing, and making a decision on the petition:

1. The WaterFix should not be viewed as the single solution to the Delta's troubles. Instead, it should be viewed as an important part of a comprehensive solution. It is a proposed fix to the water conveyance system that has long been considered unsustainable. Thus, from a public interest perspective, the question is not whether the WaterFix can solve all the problems, but whether it can help alleviate some of the problems and contribute to a comprehensive solution that will achieve the State's coequal goals of protecting, restoring, and enhancing the Delta ecosystem, and providing a more reliable water supply for California .
2. The State Water Board plays a critical role in determining whether the project can ultimately proceed. The Board's decision will affect whether the costs and benefits of the project will make sense for the water agencies that may be paying for it.
3. The quality of life and economy for the people and businesses of Silicon Valley would not be possible without imported water. Since the 1960s, imported water has helped meet the needs of growing communities, built groundwater reserves, prevented saltwater intrusion and halted land subsidence. Water exported through the Delta is critically important not only to southern California and agriculture in the Central Valley, but also to the communities and businesses of Santa Clara County.

The WaterFix has the potential to help improve the environmental health of the Delta and bolster the reliability of the state and federal water projects, which provide tremendous benefits to our region. The District is exploring alternative investments including the WaterFix to improve Santa Clara County's supply reliability and supports the State Water Board's consideration of the WaterFix petition in the context of the broad range of stressors affecting the Delta ecosystem, and in recognition of the need to balance beneficial uses. The State Water Board's decisions will be important in framing the potential effectiveness of the WaterFix as the District looks to make investment decisions that will secure our water supply and benefit our region for generations to come.

Sincerely,



Barbara F. Keegan  
Chair/Board of Directors

cc: Board of Directors (7)  
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## **Board Policy and CEO Interpretations Related to the Imported Water Program**

Board Governance Policy provides the following guidance for implementing the Imported Water Program

### *Global Policy*

GP-1: The purpose of the Board, on behalf of the people of Santa Clara County, is to see to it that the District provides Silicon Valley safe, clean water for a healthy life, environment, and economy.

### *Ends Policies*

E-2: There is a reliable, clean water supply for current and future generations

#### Strategies:

*S 2.4. Develop water supplies designed to meet at least 100 percent of average annual water demand identified in the District's Urban Water Management Plan during non-drought years and at least 90 percent of average annual water demand in drought years.*

*S 2.5. Engage, educate, and advocate with federal, state, regional and local agencies, and the water retailers on the delivery of a reliable and clean water supply.*

- E-2.1: Current and future water supply for municipalities, industries, agriculture and the environment is reliable.
  - E-2.1.3: Protect, maintain and develop imported water.

#### Outcome Measures:

*OM 2.1.3.a. 100% of imported water identified in annual operations plan delivered to County to meet annual water needs.*

#### Strategies:

S.2.1.3.1: Develop and maintain imported water contracts and water management partnerships.

S.2.1.3.2: Aggressively pursue the Delta solution to achieve the coequal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem, all in a manner that protects and enhances the unique cultural, recreational, natural resource, and agricultural values of the Delta as an evolving place.

CEO Direction:

D 2.1.3.2.a. The District's desired outcome is a cost-effective, comprehensive, long-term solution for the Delta that meets the water supply, water supply reliability, and water quality needs of Santa Clara County while balancing other beneficial uses and providing a sustainable Delta ecosystem.

D 2.1.3.2.b. The District supports moving forward with environmental review and feasibility studies for a long-term Delta solution, including analyses of a dual Delta conveyance and a full range of isolated facility sizes.

D 2.1.3.2.c. Continuing to rely solely on existing through-Delta conveyance for the District's imported water supplies is not acceptable because of the instability of existing Delta levees, underlying seismic risks, increasing threats of altered hydrology and sea level rise due to climate change, and ongoing regulatory uncertainty and concerns over the environmental health of the Delta.

D.2.1.3.2.d. The long-term Delta solution should promote a resilient Delta ecosystem by basing all actions on sound science and addressing the full range of environmental stressors, including toxics, invasive species, and all watershed diverters.

*Executive Limitations*

EL-4: Financial planning for any fiscal year shall be aligned with the Board's Ends, not risk fiscal jeopardy, and be derived from a multi-year plan. With respect to the actual, ongoing financial condition and activities, the BAOs shall provide for the development of fiscal sustainability.

- EL-4.2: The Board Appointed Officer shall "spend in ways that are cost-efficient."
  - I-EL-4.2.a. Costs of the long-term Delta solution should be allocated equitably.
  - I-EL-4.2.b. The District favors a flexible approach to cost allocation that maximizes the opportunity for discretionary allocations of cost based on incremental benefits.

EL-5: With respect to purchasing and contract activities, use a fair, open and expeditious process and stay within the Board's authorized expenditures.

- EL-5.1: A BAO shall not make a single purchase, contract, 3rd party claim settlement of liability, or any other financial commitments in amounts greater than the following, unless authorized by the Board:
  - EL-5.1.6.: For Imported Water Management Contracts—No limit; the CEO will inform the Board on a timely basis of Imported Water Management Contracts executed.

- EL-5.3: A BAO shall not make a single purchase, contract, or any other financial commitment without a competitive procurement process, unless authorized by the Board or one of the following exemptions is applicable:
  - EL-5.3.3.: Financial commitments resulting from imported water management agreements, so long as the CEO informs the Board of the commitment on a timely basis.

EL-6: The BAOs shall protect and adequately maintain corporate assets.

- EL-6.5: Protect water rights and rights of way.
  - I-EL-6.5.b.: Meet all water contract terms and conditions, and take action as needed to protect and preserve water contract rights and benefits.
    - I-EL-6.5.b.i.: Governance structures and operating agreements related to the long-term Delta solution must provide the ability to protect the value of the District's imported water assets, including water supply and banking contracts.

EL-7: The BAOs shall inform and support the Board in its work.

- EL-7.3.: Inform the Board of the intent to undertake negotiation of any imported water management agreement connected with proposed land development or involving a private or non-governmental party and keep the Board informed of imported water management activities on an ongoing basis.
  - I-EL-7.3.a.: Provide at least quarterly updates to the Board on imported water management activities, including forecasts of water transfers or other imported water management agreements, and provide confirmation of executed agreements within one month of completion.
- EL-7.4: Marshal for the Board as many employee and external points of view, issues and options as needed for fully informed Board choices.
  - I-EL-7.4.a.: Notify public of Board meetings, workshops, and committees.

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**RESOLUTION NO. BOS-2016-130**

**RESOLUTION OF THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CLARA  
EXPRESSING ITS INTERESTS IN THE BAY-DELTA ESTUARY PLANNING  
PROCESS**

**WHEREAS**, at 1,600 square miles, the San Francisco Bay-Delta Estuary is the largest estuary on the West Coast and drains nearly 40 percent of California's land area, provides a portion of drinking water to nearly two-thirds of the state's population, and supplies irrigation water to four million acres of farmland; and

**WHEREAS**, although significantly altered since 1850, the Estuary still supports hundreds of fish, wildlife, and plant species, many found nowhere else on Earth: almost two-thirds of the state's salmon travel through the Estuary as young fish and return to spawn as adults; almost half of the migratory birds on the Pacific Flyway pass by the Golden Gate or stop in San Francisco Bay's remaining wetlands; and

**WHEREAS**, over the last 150 years, the Delta has been altered by a system of manmade levees, reservoirs, and dredged waterways constructed to support farming and urban development and to provide flood protection for local towns and cities, eliminating 98% of the wetlands that used to exist there. The natural flows in the Delta also are altered by upstream and in-delta diversions, including operation of the State Water Project (SWP) and Central Valley Project (CVP), which deliver water to millions of Californians. Many other factors affect species' health in the Delta, including water quality issues; nonnative species; illegal fishing; and smaller, local water diversions. The Delta is also threatened by continuing land subsidence, seismic risk, and effects of climate change; and

**WHEREAS**, on average, approximately half of the watershed's runoff is diverted for consumptive uses such as drinking water and agriculture, and approximately half flows out of the Delta for fish and wildlife benefits, recreation, salinity control, water quality, and other non-consumptive uses; and

**WHEREAS**, federal and state regulatory agencies have commented on the importance of adequate freshwater flows to the health of the San Francisco Bay-Delta system, and there is concern in the scientific community that existing flow standards may not sufficiently protect several native fish species; and

**WHEREAS**, the San Francisco Bay and the Sacramento-San Joaquin River Delta are at risk from many factors, and the state and federal governments have proposed large-scale changes to address these factors. Proposed changes include new water conveyance through and around the Delta to address statewide water supply needs; habitat restoration and other improvements to the Bay-Delta ecosystem to address declining ecosystem health and fish populations; changes to land use authority within the Delta; and changes to water use, allocations, and management; and

**WHEREAS**, the San Francisco Bay-Delta Estuary, as a world-class destination and a desirable place to live, helps to power the economic engine of the San Francisco Bay Area, including Santa Clara County, home to Silicon Valley and one of the best-performing metro economies in the United States; and

**WHEREAS**, permanent land surface subsidence of up to 13 feet in San Jose from 1915 to 1970 due to groundwater overdraft was effectively halted by improved water management, including the use of imported water from the Delta and Delta watershed for treated surface water deliveries and groundwater recharge; and

**WHEREAS**, since the 1960s Santa Clara County has relied upon the Santa Clara Valley Water District (District) to import water from the Bay-Delta Estuary and water diverted upstream of the Delta to meet the water supply needs of the County. Imported water has helped manage the County's groundwater basins and reduce the threat of land surface subsidence and salt water intrusion; and

**WHEREAS**, in a 2010 survey, 92% of Bay Area voters agreed "It is important for the region's economy to have a clean, healthy and vibrant San Francisco Bay." The Bay is the globally recognized symbol of our region, and its health reflects on our region's capacities, values, and vibrancy; and

**WHEREAS**, the Delta Reform Act passed by the State Legislature in 2009 calls for the coequal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem. As part of the Delta Reform Act, state policy orders each region that depends on water from the Delta watershed to improve its regional self-reliance; and

**WHEREAS**, Santa Clara County is becoming a Bay Area leader in water conservation policies and practices. The County has increased its use of recycled water for irrigation and cooling purposes significantly and has plans to further increase recycled water use. The County's commitment to a sustainable community is reflected in its practices and public policy, programs and services, including adoption of an ordinance establishing permanent and mandatory water waste and conservation measures for unincorporated areas, and a new water-conscious landscaping policy for county-owned properties. The County has also acted aggressively to reduce residential and business water use in response to the current drought; these actions all serve to help reduce reliance on the Delta; and

**WHEREAS**, the District has implemented water conservation programs, progressive water shortage contingency planning, and a Water Wise House Call program, and has demonstrated an increasing commitment to water efficiency and reuse through the completion and expansion of the Silicon Valley Advanced Water Purification Center in partnership with the San Jose/Santa Clara Regional Wastewater Facility. These programs will aid the county in its growing efforts to reduce its reliance on imported water through the expanded use of recycled and purified water, as well as reducing the amount of wastewater released to the Bay; and

**WHEREAS**, continuing to rely on the existing system of through-Delta conveyance for the County's imported water supplies is not sustainable, and various planning processes are working toward the restoration of important species and habitat, and a more resilient, reliable,



sustainably managed water resources system (water supply, water quality, flood protection and the environment) that can better withstand inevitable and unforeseen pressures in the coming decades; and

**WHEREAS**, the vulnerability of Santa Clara County's Bay shoreline to sea level rise and flooding has been identified by the U.S. Army Corps of Engineers and others; wetlands restoration efforts such as the South Bay Salt Pond Restoration Project and South San Francisco Bay Shoreline Study can provide flood and storm protection to shoreline businesses and residents, reduce vulnerability to sea level rise, sequester carbon, and provide habitat benefits to fish and wildlife and water quality improvements to the Bay. These efforts are benefited by inflows from the Delta, the ocean, and local watersheds, and

**WHEREAS**, the long-term Delta solution should promote a resilient Delta ecosystem by basing all actions on sound science and addressing the full range of environmental stressors, including toxics, flows, invasive species, and all watershed diverters; and

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Supervisors of the County Santa Clara, State of California, that the County hereby acknowledges the Santa Clara Valley Water District's lead role for the County in the planning processes that will affect the San Francisco Bay-Delta Estuary and urges that as part of any solution or conclusions reached in critical Bay-Delta planning and regulatory processes, the following principles be applied:

- **Healthy Bay-Delta Estuary.** Recognize that protection and restoration of a healthy, sustainable Bay-Delta Estuary includes improvements in habitat, water quality, flows, and water supply, to support fisheries, wildlife, and a resilient ecosystem.
- **Habitat Restoration.** Provide for the restoration of native habitat to protect endangered fish, wildlife, and plant species, and to improve the ecological functions of the Bay-Delta Estuary as a whole.
- **Flow Patterns.** Ensure restoration of more natural flow patterns within the Delta and San Francisco Bay to support robust fish and wildlife populations and their required habitat.
- **Water Quality.** Ensure water quality conditions that meet Federal and State water quality standards that will support all beneficial uses, including recreational water sports/activities, fishing, drinking water, and Bay and Delta agriculture.
- **Invasive Species.** Take measures to control and reduce invasive species that impair the health of the Bay-Delta Estuary ecosystem.
- **Sacramento-San Joaquin River and Delta Water Supply.** Recognize the significant role that Sacramento-San Joaquin River and Delta watershed water supply sources have played to date in groundwater recharge efforts and the economic well-being of the citizens of Santa Clara County, including protection against further land subsidence.
- **Regional Self-Sufficiency.** Incorporate sustainable approaches for improved water supply, water quality and reliability through increased regional self-sufficiency. Methods such as increased conservation and water use efficiency, recycling and reuse, conjunctive use of groundwater, and other methods appropriate for the region help increase regional self-sufficiency and contribute to the statewide priority of reducing reliance on the Delta.

- **Bay Area Communities.** Protect the economic viability of industry, recreation, tourism, fisheries, and agriculture, and the ongoing vitality of communities throughout the counties encompassing the greater San Francisco Bay-Delta ecosystem.
- **Full Financial Disclosure.** Support full public disclosure of the costs of all proposed solutions, including the multi-decade costs of restoring habitat and establishing new or modified water management facilities in the Bay-Delta. Disclosure should also include a cost-benefit analysis of any proposed project that covers all affected geographic areas.
- **Fair Representation.** Represent local and affected governments in any planning efforts for the Delta.
- **Flood Protection.** Support funding and implementation of urban and non-urban flood protection, at the appropriate level of protection, through rehabilitation and restoration of wetlands wherever feasible, and the improvement and maintenance of flood control levees and structures where necessary.

**PASSED AND ADOPTED** by the Board of Supervisors of the County of Santa Clara, State of California, on August 30, 2016, by the following vote:

AYES: - **CHAVEZ, CORTESE, SIMITIAN, WASSERMAN, YEAGER**

NOES: **NONE**

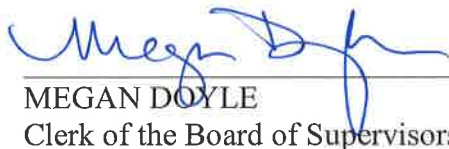
ABSENT: **NONE**

ABSTAIN: **NONE**



DAVE CORTESE, President  
Board of Supervisors

ATTEST:



MEGAN DOYLE  
Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGALITY:



8/16/2016  
ELIZABETH G. PIANCA  
Lead Deputy County Counsel

# Board communications on California WaterFix within context of larger water supply planning process

## KEY

Water Master Plan Update

CA WaterFix (CWF) Update

Today's Meeting

Final EIR/EIS  
Mar 2017

BiOp  
2081(b)  
ROD/NOD  
Apr 2017

JPA Agreement  
DCE Agreement

Potential  
SCVWD Decisions

SWRCB CWF CPOD Approval  
Spring 2018

2017 →

2018

**Board Workshop (May):**  
Updated business case  
analysis for CA WaterFix

**Board Meeting (Apr):**  
Water Master Plan Update:  
-Discussion on portfolios  
and level of service goal

**Board Meeting (Jun/Jul):**  
Water Master Plan Update:  
-Recommended portfolio

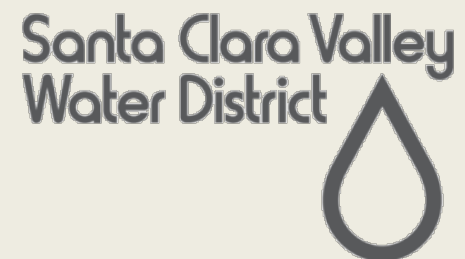
**Board Meeting (Jun/Jul):**  
Potential Board Decisions on  
-Participation  
-Design Construction  
Enterprise  
-Joint Power Authority  
-Interim Funding  
-CEQA findings

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# Review and Confirm Proposed Principles Related to California WaterFix

March 14, 2017



# Board consideration/action on California WaterFix within context of larger water supply planning process

## KEY

Water Master Plan Update

CA WaterFix (CWF) Update

Today's Meeting

Final EIR/EIS  
Mar 2017

BiOp  
2081(b)  
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JPA Agreement  
DCE Agreement

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-Recommended portfolio

**Board Meeting (Jun/Jul):**  
Potential Board Decisions on  
-Participation  
-Design Construction  
Enterprise  
-Joint Power Authority  
-Interim Funding

# Draft Principles for District Participation in the California WaterFix

# 1. General

- A. The quality of life and economy for the Silicon Valley would not be possible without imported water.
- B. The District's desired outcome is a cost-effective, comprehensive and reliable long-term solution for the Delta that meets the water supply, water supply reliability, and water quality needs of Santa Clara County, while balancing other beneficial uses and providing a sustainable Delta ecosystem.
- C. The Delta solution should achieve the coequal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem, all in a manner that protects and enhances the unique cultural, recreational, natural resource, and agricultural values of the Delta as an evolving place.
- D. The District will work to ensure water quality will support all beneficial uses, including recreation, fishing, drinking water.



# 1. General (cont'd)

- E. Governance structures and operating agreements related to the long-term Delta solution must provide the ability to protect the value of the District's imported water assets, including water supply and banking contracts.
- F. The board will evaluate not only ecosystem and water supply benefits, but also whether the balance of the CWF's costs and benefits weighs in favor of the District's customers and ratepayers.
- G. Continuing to rely on the existing system of through-Delta conveyance for the County's imported water supplies is not sustainable. Many factors affect species' health in the Delta, and the Delta is also threatened by continuing land subsidence, seismic risk, and effects of climate change.

## 2. Water Supply Reliability

- A. Continuing to rely solely on existing through-Delta conveyance for the District's imported water supplies is not acceptable because of the instability of existing Delta levees, underlying seismic risks, increasing threats of altered hydrology and sea level rise due to climate change, and ongoing regulatory uncertainty and concerns over the environmental health of the Delta.
- B. The Delta and its watershed has played a significant role in recharging the County's groundwater basin, protecting against further land subsidence, and providing for the well-being of the citizens of Santa Clara County.
- C. Any participation in the CWF would be part of a comprehensive plan that includes sustainable approaches for improved water supply, water quality, and reliability through increased regional self-sufficiency. Methods include increased conservation, water use efficiency, recycling and reuse, conjunctive use of groundwater, and other approaches to contribute to reducing reliance on the Delta, including the Bay Area Regional Reliability (BARR) effort.
- D. Substantial local investments in water use efficiency and conservation, recycled water and groundwater management are essential but cannot cost-effectively replace imported water.

### 3. Environmental Protection

- A. The long-term Delta solution should promote a resilient Delta ecosystem by basing all actions on sound science and addressing the full range of environmental stressors, including toxics, invasive species, and all watershed diverters.
- B. The CWF should not be viewed as the single solution to the Delta's troubles but instead should be viewed as an important part of a comprehensive solution.
- C. The District supports environmental restoration and protection, including the State's EcoRestore program, and other programs that will improve the overall Delta ecosystem.
- D. Protection and restoration of a healthy sustainable Bay-Delta Estuary includes improvements in habitat, water quality, flows, and water supply to support fisheries, wildlife, and a resilient ecosystem(BARR) effort.

### 3. Environmental Protection (cont'd)

- E. Restoration of native habitat to protect endangered fish, wildlife and plant species is needed to improve the ecological functions of the Bay Delta Estuary.
- F. Restoration of more natural flow patterns within the Delta and bay would support robust fish and wildlife populations and their habitat.
- G. Measures should be taken to control and reduce invasive species that impair the health of the Delta ecosystem.

## 4. Costs and Financing

- A. Costs of the long-term Delta solution should be allocated equitably.
- B. The District favors a flexible approach to cost allocation that maximizes the opportunity for discretionary allocations of cost based on incremental benefits.
- C. The District supports full public disclosure of costs of all proposed solutions
- D. The District's investment decisions will protect the economic viability of industry, recreation, tourism, fisheries, and agriculture, and the vitality of the County.

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**File No.:** 17-0105

**Agenda Date:** 3/14/2017

**Item No.:** 5.2.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Sites Project Authority's Amended and Restated Phase 1 Reservoir Project Agreement.

### **RECOMMENDATION:**

Authorize the CEO to execute the Sites Project Authority's Amended and Restated Phase 1 Reservoir Project Agreement and to pay the Sites Joint Power Authority \$913,146 towards the current phase of the Sites Reservoir Project expenditures.

### **SUMMARY:**

At the District's July 26, 2016 Board meeting, the Board approved staff's request to submit a Proposal to participate in the Sites Reservoir Project (Project). Staff submitted a Proposal to the Sites Joint Power Authority (Sites JPA) on July 28, 2016. The Proposal obligated the District to negotiate in good faith towards an Amended and Restated Phase 1 Reservoir Project Agreement (Project Agreement) with the Sites JPA. In accordance with the Project Agreement the District is required to make a specified financial contribution to the current phase (Phase 1) of the Project. Phase 1 consists of preparing the Project Proposition 1 Water System Investment Program (WSIP) application and EIR/EIS development. The Project Agreement and the accompanying financial contribution is the subject of the recommendation for Board approval.

The Project Agreement allows the District to join the Project Agreement Committee and become part of the team implementing the Project. It also commits the District to financial participation in the amount of \$913,146 through the Phase 1 of Project development. Should the District desire to participate in further phases of the Project future agreements with the Sites JPA would need to be negotiated and executed.

The Project Agreement: 1) specifies how costs will be allocated and votes weighed during Phase 1, 2) clarifies purpose and responsibilities, and 3) identifies tasks needed to complete studies for submittal of a Proposition 1 WSIP application. At the request of District staff, revisions were made to provide early participants a first right to the benefits of the Project, which will be determined in later phases of analysis. Rights to contract for the Project's water supply and storage capacity will be commensurate with the members' participation and financial contributions. In addition, those members that submitted a proposal to participate before August 1, 2016, which includes the District,

shall be granted such rights prior to those becoming members after that date.

The Project Agreement also incorporates the counteroffers provided by the Sites JPA in response to proposals for participation submitted by other potential partners. The counteroffer essentially provides the District with a 7% participation level and a 6.6% weighted voting percentage in Phase 1, which advances work to secure funding from the Proposition 1 WSIP. The participation level and voting percentage may change if members withdraw or new members join.

Currently there are a total of 28 agencies who have executed or are planning to execute the Project Agreement with the Sites JPA. In addition to the District, eight are State Water Contractors located south of the Delta. Westlands Water District is the only CVP contractor south of the Delta, besides the District, that is participating. The Metropolitan Water District of Southern California did not initially submit a proposal to participate in the Project, but has now expressed a desire to sign the Project Agreement and join the Project Agreement Committee. The Committee is discussing how to provide for participation of new members.

A participant may withdraw from the Project Agreement with 30 days' notice. Doing so would obligate the withdrawing member to pay for its share of all costs incurred or approved for expenditure prior to the date of the written notice of withdrawal.

The Amended and Restated Phase 1 Reservoir Project Agreement and associated exhibits are contained in Attachments 1 through 5.

### ***Background***

The Sites JPA was formed in August 2010. Its mission is to be a proponent and facilitator to design, potentially acquire, construct, manage, govern and operate Sites Reservoir and associated facilities. In November 2014, California voters passed Proposition 1, which dedicated \$2.7 billion in investments for water storage projects. In response, Sites JPA began mobilizing its efforts to prepare an application for funding. In November of 2015, consultants were retained by the Sites JPA to support the application process. A solicitation to participate in the development of the Project was extended to non-local water agencies, including the District, in May 2016. District staff reviewed the solicitation and provided an informational memorandum to the Board at its July 12, 2016 meeting. After further evaluation, staff submitted a recommendation to the Board at its July 26, 2016 meeting to request a 24,000 AF share of estimated 250,000 AF yield being offered, with the understanding that the actual yield and water share to be offered may be different pending further analysis and refinement. Based on the Board's direction staff submitted a Proposal to the Sites JPA on July 28, 2016. (Attachment 6)

### ***Update since the July 26, 2016 Board meeting***

The Sites JPA received proposals from applicants requesting, in aggregate, 377,411 AF of water, far exceeding the 250,000 AF of Class 1 water that was estimated to be available for water supply benefits. Because the actual project yield is uncertain, requested and offered water amounts were used as a surrogate to determine project participation levels. Water amounts are categorized as



Class 1 water (anticipated supply set aside for water supply yield) and Class 2 water, which is additional yield that could become available if water that is set aside for public benefits, such as fishery protection, is later redirected to support water supply yield. The Sites JPA provided potential partners counteroffers that granted 100% of requests for Class 1 water to north-of-Delta participants and 56.9% of requests for Class 1 by south-of-Delta participants, as shown in Attachment 7.

The District was offered 13,656 AF of Class 1 water and 10,344 AF of Class 2 water, which together translates to a 7% participation level in the Project. This further translates into a weighted voting percentage of 6.61% for the District's participation in the Project Agreement Committee. A summary of participation percentages of members is shown in Attachment 2.

Several private water companies, including California Water Service, requested Class 1 water; however, because private entities are not eligible to participate in the Project if it receives State funding, these companies were provided a tentative offer of Class 2 water.

The prospective Project Agreement Committee members have met several times to review and discuss environmental work, operations, budget, schedule and work plan. The District's Deputy Operating Officer of the Water Supply Division, Imported Water Manager, and Imported Water Senior Engineer have participated in these discussions.

The Project is envisioned to progress in five phases: :

- Phase 1 - Proposition 1 application and EIR/EIS development.
- Phase 2 - EIR/EIS completion and predesign.
- Phase 3 - Permits, land and right of way acquisition, and final design.
- Phase 4 - Construction
- Phase 5 - Transfer to operations.

Since July 2016, staff has reviewed the available Sites modeling studies in more detail. These studies indicate that the project could provide additional water supply to the District, especially during critical and dry years; however, the Sites modeling studies are outdated and are in the process of being updated by consultants to the Sites JPA. Other potential benefits that have yet to be fully evaluated could include additional storage opportunities for transfer supplies or unused SWP and CVP supplies. Additional work is needed to confirm and quantify these possible benefits.

### ***Project Agreement***

The Project Agreement provides for the following:

- Specification of participation percentages and voting percentages of Project Agreement

Committee Members;

- Assurance that those participants, including the District, who submitted a proposal to participate by August 1, 2016, will have a first right, commensurate with participation level and financial contribution to the project, to contract for a share of any water supply that is developed by the project;
- Implementation of tasks to (1) advance the studies needed to submit an application to the California Water Commission for funding under the Proposition 1 Water Storage Investment Program, and (2) negotiate the funding agreement and contracts to establish public benefits;
- Definition of the budget approval and management process;
- Delineation of responsibilities and authorities of the Sites JPA and Project Agreement Committee during Phase 1 of the project.

The Project Agreement incorporates comments and exceptions submitted by potential project participants and reviewed by their legal counsel during the onboarding process. A summary of changes is contained in Attachment 8.

### ***Costs and Funding***

#### ***Phase 1 Costs***

The estimated cost to conduct the studies needed to complete the application process for Phase 1 has increased from \$7.2 million to \$15.1 million. This is due to the shifting of environmental work from Phase 2 into Phase 1, more stringent modeling requirements, and a six month extension of Phase 1. However, because the number of prospective participants requesting a share in the Project is significantly greater than previously anticipated, the anticipated revenue stream has increased, and the District's anticipated cost of participation in Phase 1 has decreased from \$1.44 million, as presented to the Board on July 26, 2016, to the updated amount of \$913,146.

An initial payment of \$618,304 will be invoiced to the District upon execution of the Project Agreement. A cash call for the remaining \$294,842 is expected in the third quarter of 2017. A revenue table showing initial and final payment of Phase 1 work for all Project participants is contained in Attachment 7.

#### ***Total Project Cost***

The latest cost estimate for constructing Sites Reservoir is \$4.7 billion, expressed in 2015 dollars. This value includes environmental mitigation costs. If the District maintains a 7% participation level in the project, the District's share of total costs for constructing the reservoir could be roughly \$230 million (in 2015 dollars).

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**Governance Structure**

The Sites JPA created a dual governance structure for Phase 1 consisting of the Sites JPA and a Project Agreement Committee. The Sites JPA is the local sponsor comprised of local water purveyors and county governments in Glenn and Colusa counties; the Project Agreement Committee is comprised of both local and non-local entities that provide financing and management of the Phase 1 work products.

As described in the Sites JPA agreement (Attachment 9) and bylaws (Attachment 5), the Sites JPA will be the applicant for Proposition 1 funding and will manage compliance with the terms and conditions of the award. It will also have the authority to enter into contracts for consultant services, perform studies, acquire property and rights of way, apply for permits and funding, and issue revenue bonds. The Sites JPA can also delegate authority to project agreement committees and other advisory groups. Since July 2016, membership in the Sites JPA has increased from 10 to 13 members.

The Project Agreement Committee will make decisions regarding scope of work, budget, and schedule for Phase 1, as well as review and comment on the work of consultants. The Project Agreement Committee will also ensure that there are sufficient reserves to maintain positive cash flow.

The current on-boarding process is expected to increase the number of Project Agreement Committee members, including the District, from 13 to 28. If the District executes the Project Agreement, the District will become a member of the Project Agreement Committee. The District's Imported water manager as proposed to serve as the District's representative on the committee. Each Project Agreement Committee member will have voting privileges prorated to its level of participation. The participation and voting percentages for each Project Agreement Committee member are shown in Attachment 2.

The dual governance structure developed for Phase 1 may change in subsequent phases.

Ad hoc working groups, consisting of Project Agreement Committee members have been formed in the following areas:

- Finance
- Permitting Strategy
- Operations

- Power
- Engineering
- Land Acquisition

### ***CEQA Analysis for Sites Project***

DWR conducted a Preliminary Administrative Draft Environmental Impact Report in 2014. It was provided as an informational update to decision makers and stakeholders on the status of the proposed reservoir and was not reviewed or approved for adequacy in meeting CEQA or NEPA standards. The current CEQA effort will utilize much of this work and will incorporate an additional alternative and the more stringent climate change scenarios that are required to be analyzed as part of the Proposition 1 application process.

### **FINANCIAL IMPACT:**

An initial payment of \$618,304 is required upon execution of the Project Agreement. An additional payment of \$294,842 is expected in the third quarter of 2017. The total payment expected is \$913,146. There is a strong likelihood that an opportunity will become available for the District to convert 1,428 acre feet of Class 2 water to Class 1 water. If that occurs, an additional payment of \$34,629 would be required. Funds are available in the Imported Water Unit budget for FY 2017.

If the District participates and then later withdraws from the Project Agreement, its financial obligation would only extend to the portion of payment covering its share of all costs incurred or approved for expenditure prior to the date of the written notice of withdrawal.

### **CEQA:**

The recommended action is to conduct studies and prepare a grant application; the action therefore does not constitute a project under CEQA since it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

### **ATTACHMENTS:**

- Attachment 1: Sites Phase 1 Agreement
- Attachment 2: Exhibit A1
- Attachment 3: Exhibit B
- Attachment 4: Exhibit C
- Attachment 5: Bylaws of the Sites JPA
- Attachment 6: Proposal to Participate
- Attachment 7: Estimated Revenue Table
- Attachment 8: Revisions to Sites Phase 1 Agreement

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**File No.:** 17-0105

**Agenda Date:** 3/14/2017  
**Item No.:** 5.2.

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Attachment 9: Amended Sites JPA Agreement  
Attachment 10: PowerPoint

**UNCLASSIFIED MANAGER:**  
Garth Hall, 408-630-2750

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**SITES PROJECT AUTHORITY'S  
AMENDED AND RESTATED  
PHASE 1 RESERVOIR PROJECT AGREEMENT**

THIS AMENDED AND RESTATED PHASE 1 RESERVOIR PROJECT AGREEMENT (the "**Project Agreement**") is made effective as of November 21, 2016, by and among (a) the Sites Project Authority (the "**Authority**") and (b) certain Members and/or Non-Member Participating Parties, listed on the attached **Exhibit A1** (collectively the "**Project Agreement Members**"), and is made with reference to the following facts:

**RECITALS**

A. Various public agencies in the Sacramento River Watershed, including certain Project Agreement Members, entered into the Modified Third Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement, dated December 21, 2015 (the "**Joint Powers Agreement**"), pursuant to which they formed the Authority to develop the Sites Reservoir Project, which is contained in the CalFed Bay-Delta program Programmatic Record of Decision, August 28, 2000. The Joint Powers Agreement provides a mechanism for "Project Agreements" (as defined in the Joint Powers Agreement) to undertake specific work activities for the development of the Sites Reservoir Project. On December 21, 2015, the Authority's Board of Directors ("Board") also adopted Bylaws for Phase 1 of the Sites Reservoir Project ("**Bylaws**"), which were amended on December 21, 2015, and which also address Project Agreements and their management through Reservoir Project Committees.

B. On April 11, 2016, certain Authority Members of the Authority entered into the PHASE 1 RESERVOIR PROJECT AGREEMENT. Thereafter, the Authority undertook a process to allow for additional Members and Non-Members Participating Parties to become part of the Phase 1 Reservoir Project Agreement, and in certain instances, consistent with the Bylaws, to become Authority Members. The deadline for such additional participation in the Project was August 1, 2016. This AMENDED AND RESTATED PHASE 1 RESERVOIR PROJECT AGREEMENT, provides for the addition of certain Project Agreement Members who have asked to be a party to this Project Agreement and their addition to the PHASE 1 RESERVOIR PROJECT AGREEMENT has been approved pursuant to Section 9 of the original PHASE 1 RESERVOIR PROJECT AGREEMENT by the then Project Agreement Members and the affirmative vote of at least 75% of the total number of Directors of the Authority.

C. The Project Agreement Members wish to undertake the Project described on the attached **Exhibit B** (the "**Phase 1 Reservoir Project Agreement Requirements**") in the name of the Authority and in accordance with the Authority's stated Mission as set forth in the fourth Recital of the Joint Powers Agreement. The Project Agreement Members are entering into this Agreement to satisfy the requirements of Article VI of the Joint Powers Agreement. **Exhibit B** defines the Project (herein called the "Project"), including principles to aid in decision-making, the scope of work, budget targets, Phase 1 milestone schedule, approved consultant scopes of work and estimated fees, and related items necessary to complete Phase 1.

D. All members of the Authority have also been given the opportunity to enter into this Project Agreement. The form of this Project Agreement was determined to be consistent with the Joint Powers Agreement and the Bylaws and approved by the Authority's Board of Directors on November 21, 2016.

E. The Authority and the Project Agreement Members acknowledge that one of the Authority's goals, in addition to providing environmental benefits, is to develop and make both a water supply and storage capacity available to water purveyors and landowners within the Sacramento River watershed, and in other areas of California, who are willing to purchase either or both a water supply and storage capacity from the Sites Reservoir Project, and that the Project Agreement Members should have a preference to the water supply or storage capacity.

## **AGREEMENT**

THEREFORE, in consideration of the facts recited above and of the covenants, terms and conditions set forth herein, the parties agree as follows:

### **Section 1      Purpose:**

The purpose of this Project Agreement is to permit the Project Agreement Members to undertake the Project in the name of the Authority consistent with the Joint Powers Agreement. The activities undertaken to carry out the purposes of this Project Agreement shall be those, and only those, authorized by the Reservoir Project Committee (the "**Committee**", defined in Section 2 of this Project Agreement) in accordance with this Project Agreement, the Joint Powers Agreement and its Bylaws. Without limiting in any way the scope of the activities that may be undertaken under this Project Agreement, such activities shall include funding Authority actions and obligations undertaken to carry out the directions of the Committee. Notwithstanding any other



provision of this Project Agreement, no activity undertaken pursuant to this Project Agreement shall conflict with the terms of the Joint Powers Agreement or the Bylaws, nor shall this Project Agreement be construed in any way as creating an entity that is separate and apart from the Authority.

## **Section 2      Reservoir Project Committee:**

(a) Committee Membership. The business of the Project Agreement Members under this Project Agreement shall be conducted by a Committee consisting of one member appointed by each Project Agreement Member. Appointment of each member of the Committee shall be by action of the governing body of the Project Agreement Member appointing such member, and shall be effective upon the appointment date as communicated in writing to the Authority. Project Agreement Members may also appoint one or more alternate Committee members, which alternate(s) shall assume the duties of the Committee member in case of absence or unavailability of such member. Project Agreement Members may also appoint an alternate Committee member from a different Project Agreement Member for convenience in attending Committee meetings, who may cast votes for such Project Committee Members, provided that no person shall represent more than five other Project Committee Members and more than 20% of the weighted vote as provided in Subsection 2(g) at any given meeting. In order to serve as an alternate Committee member, a written evidence of such designation shall be filed with the Committee Secretary. Each member and alternate member shall serve on the Committee from the date of appointment by the governing body of the Project Agreement Member he/she represents and at the pleasure of such governing body.

(b) Officers. The Committee shall select from among its members a Chairperson, who shall annually act as presiding officer, and a Vice Chairperson, to serve in the absence of the Chairperson. There also shall be selected a Secretary, who may, but need not be, a member of the Committee and a Treasurer. All elected officers shall be elected and remain in office at the pleasure of the Committee, upon the affirmative vote of at least a majority of the total weighted vote as provided at Subsection 2(g);

(c) Treasurer. The Authority Treasurer shall serve as the Committee's Treasurer and shall act as the Committee's liaison to the Authority's General Manager and Authority Board on financial matters affecting the Committee. The Treasurer shall prepare and provide regular financial reports to the Committee as determined by the Committee.

(d) General Manager. The Authority's General Manager shall (1)

serve as the Project Director responsible for advancing the Sites Reservoir Project, (2) be a non-voting member of the Committee, (3) ensure coordination of outreach and engagement activities between the Authority and Committee, , and (4) convene, on an as needed basis, legal representatives from the Project Agreement Members and Authority Members to advise the General Manager on legal matters that will be reported to the Committee and Authority on a timely basis.

(e) Meetings. The Chairperson of the Committee or a majority of a quorum of the members of the Committee are authorized to call meetings of the Committee as necessary and appropriate to conduct its business under this Project Agreement. All such meetings shall be open to the public and subject to the requirements set forth in the Ralph M. Brown Act (Government Code Sections 54950 et seq.).

(f) Quorum. A majority of the Reservoir Project Committee members based on the weighted vote provided in Subsection 2(g) shall constitute a quorum of the Committee.

(g) Voting. Notwithstanding any provisions of the Bylaws that might be construed otherwise, for purposes of this Project Agreement, the voting rights of each Project Agreement Member shall be determined as follows:

(i) an equal number of voting shares for each Project Agreement Member participating in Class 1 and/or Class 2 as defined at **Exhibit A1**, that being for each Project Agreement Member, 1 divided by the total number of Project Agreement Members, multiplied by 50%; plus

(ii) an additional number of voting shares for each Project Agreement Member participating in Class 1 and/or Class 2, equal to its respective participating percentage described at Section 4 and defined at **Exhibit A1**, multiplied by 50%, using the version of Exhibit A in effect at the time the Committee votes.

The resulting weighted total of all voting shares shall equal 100. An Example of this weighted voting incorporating the formulas for determining participating percentages is attached at **Exhibit A2**.

(h) Decision-making Thresholds. In accordance with Section 5.7 of the Bylaws, for purposes of this Project Agreement, approval by the Committee for material and non-material changes shall be as follows: for actions other than Material Change Items, action of the Committee shall be taken upon the

affirmative vote of at least a majority of the total weighted vote as provided in Subsection 2(g); for Material Change Items, action shall be taken upon the affirmative vote of at least 75% of the total weighted vote as provided at Subsection 2(g).

(i) Delegation of Authority/Powers and Limitations Thereon. Subject to the direction of the governing bodies of the Project Agreement Members, the Committee shall undertake all actions necessary for carrying out this Project Agreement, including but not limited to setting policy for the Project Agreement Members acting under this Project Agreement with respect to the Project; recommending actions to be undertaken in the name of the Authority under this Project Agreement; determining the basis for calculation of the participation percentages for each fiscal year, and the timing required for payments of obligations hereunder; authorizing expenditure of funds collected under this Project Agreement within the parameters of the approved work plan and budget; and such other actions as shall be reasonably necessary or convenient to carry out the purposes of this Project Agreement. This Section 2(i) is subject to any and all limitations set forth in the Joint Powers Agreement and Bylaws, including but not limited to, any action that constitutes a material change as defined at Section 12.3 of the Bylaws requiring the approval of both the Committee and the Authority Board, and actions specified in Section 10 of the Bylaws which remain exclusively with the Authority Board.

### **Section 3      Funding:**

(a) Budget. The Committee shall, in cooperation with the Authority's Board, provide and approve both a fiscal year operating budget and reestablish the Phase 1 budget target, annually or more frequently as needed. On September 21, 2015, the Board approved both a fiscal year 2015 operating budget and Phase 1 budget target. Then, on November 11, 2015 the Board approved the fiscal year 2016 operating budget and reaffirmed the Phase 1 budget target for planned work by both the Authority and being delegated to the Committee under the original PHASE 1 RESERVOIR PROJECT AGREEMENT. An amended Phase 1 Work Plan, including annuals budgets, dated November 14, 2016, is attached at **Exhibit B**, along with the budget approval process and requirements. The Project Agreement Members shall contribute their respective pro-rata share of the budgeted sums in accordance with Section 4 of this Project Agreement.

(b) Fiscal Responsibilities. **Exhibit B** specifies the Authority's requirements regarding the fiscal responsibilities of the Committee.

(c) Allocation of Obligations. Should the Project Agreement Members acting collectively under this Project Agreement enter into any contract or other voluntary obligation, such contract or obligation shall be in the name of the Authority; provided, that all financial obligations thereunder shall be satisfied solely with funds provided under this Project Agreement and in accordance with Section 6.

(d) Allocation of Project Agreement Expenses. The Project Agreement Members agree that all Agreement expenses incurred by them and/or by the Authority under this Project Agreement are the costs of the Project Agreement Members and not of the Authority or the Members of the Authority that do not execute this Project Agreement, and shall be paid by the Project Agreement Members; provided, however, that this Section shall not preclude the Project Agreement Members from accepting voluntary contributions and/or Authority Board's pre-approval of in-kind services from other Authority Members, or Project Agreement Members, and applying such contributions to the purposes hereof. The Project Agreement Members further agree to pay that share of any Authority costs reasonably determined by the Authority's Board to have been incurred by the Authority to administer this Project Agreement. Before the Authority's costs of administering this Project Agreement become payable, the Authority will provide its calculation of such costs to the Committee, which will have the right to audit those costs and provide comments on the calculation to the Authority Board. The Authority Board shall consider the Committee's comments, if any, including the results of any such audit, in a public meeting before the Authority Board approves a final invoice for such costs.

#### **Section 4      Participation Percentages:**

Each Project Agreement Member shall pay that share of costs for activities undertaken pursuant to this Project Agreement, whether undertaken in the name of the Authority or otherwise, equal to such Project Agreement Member participation percentage as established in this Section 4. The initial participation percentages of the Project Agreement Member are set forth at the attached **Exhibit A1**. These initial participation percentages are for the purpose of establishing the Reservoir Project Agreement Members respective responsibilities for start-up costs and other amounts contained in the approved Fiscal year budget and Phase 1 budget target, which is defined as the "Reservoir Total" on **Exhibit B**. The participation percentages of each Project Agreement Member will be modified by the Committee from time to time as the result of the admission of a new Project Agreement Member to this Project Agreement or the withdrawal of a Project Agreement Member, and **Exhibit A1** shall be amended to reflect all such changes. Such amended **Exhibit A1** shall, upon approval by the Committee,

be attached hereto and upon attachment, shall supersede all prior versions of **Exhibit A1** without the requirement of further amendment of this Project Agreement.

## **Section 5. Future Development of the Sites Reservoir Project:**

(a) The Project Agreement Members acknowledge that the Sites Reservoir Project is still in the conceptual stage and there are no assurances that the Reservoir will be constructed or that any water supplies will be developed as a result of this Project Agreement. Exhibit B includes a partial list of some of the risks and uncertainties that underlie the lack of assurances. The Project Agreement Members therefore recognize that they are not acquiring any interest in the Sites Reservoir Project other than their interest in the specific materials that will be produced by the Project defined on Exhibit B, and that they are not acquiring under this Project Agreement any interest in any future water supply or access to any other services from the Sites Reservoir Project except as provided hereunder.

(b) Without limiting the foregoing, any Project Agreement Member that elects to continue participating in the development, financing, and construction of the Sites Reservoir Project to the time when the Authority offers contracts for a water supply or other services, will be afforded a first right, commensurate with that Member's participation and financial contribution to the Sites Reservoir Project, to contract for a share of any water supply that is developed, and for storage capacity that may be available from the Sites Reservoir Project. In any successor Phase agreements, Project Agreement Members who are parties to this Project Agreement that submitted a proposal to participate before August 1, 2016, shall be granted rights to such share of water supply and storage capacity prior to those becoming parties after that date. The Authority and the Project Agreement Members will cooperate on the drafting of provisions in the water supply contract that will allow a Project Agreement Member or other eligible entity that commits to purchase a Sites Reservoir Project water supply to transfer water that the entity may not need from time to time on terms and conditions acceptable to the entity.

## **Section 6 Indemnity and Contribution:**

(a) Each Project Agreement Member, including Authority Members acting in their capacity as Project Agreement Members and notwithstanding Section 5.9 of the Agreement, shall indemnify, defend and hold the Authority and other Project Agreement Members harmless from and against any liability, cause of action or damage (a "**Cost**") arising out of the performance of this Project

Agreement in excess of the amount of such Cost multiplied by each Project Agreement Member's participation percentage (defined in Section 4). Notwithstanding the foregoing, to the extent any such liability is caused by the negligent or intentional act or omission of a Project Agreement Member, such Project Agreement Member shall bear such liability.

(b) The Project Agreement Members shall indemnify, defend and hold the Authority and the members of the Authority that do not execute this Project Agreement harmless from and against any liabilities, costs or expenses of any kind arising as a result of the activities described in or undertaken pursuant to this Project Agreement. All assets, rights, benefits, debts, liabilities and obligations attributable to activities undertaken under this Project Agreement shall be assets, rights, benefits, debts, liabilities and obligations solely of the Project Agreement Members in accordance with the terms hereof, and shall not be the assets, rights, benefits, debts, liabilities and obligations of the Authority or of those members of the Authority that have not executed this Project Agreement. Members of the Authority not electing to participate in the Project Agreement shall have no rights, benefits, debts, liabilities or obligations attributable to the Project Agreement.

## **Section 7      Term:**

This Project Agreement shall take effect on the date it is executed by at least two members of the Authority and shall remain in full force and effect until this Project Agreement is amended, rescinded or terminated by the Reservoir Project Committee, or completion of Phase 1 as defined at **Exhibit B**. Notwithstanding the foregoing, upon the expiration of the Joint Powers Agreement, this Project Agreement shall terminate and all uncommitted funds contributed by each Project Agreement Member shall be returned in proportion to the contributions made by each.

## **Section 8      Withdrawal From Further Participation:**

To withdraw from this Project Agreement, a Project Agreement Member shall give the Authority and other Project Agreement Members written notice of such withdrawal not less than 30 days prior to the withdrawal date. As of the withdrawal date, all rights of participation in this Project Agreement shall cease for the withdrawing Project Agreement Member. The financial obligation as prescribed in the Bylaws' Section 5.10 in effect on the withdrawal date, shall consist of the withdrawing Member's share of the following costs: (a) payment of its share of all non-contract costs incurred prior to the date of the written notice of withdrawal, and (b) those contract costs associated with funds approved

in either contract amendments or task orders that were approved prior to the date of the written notice of withdrawal for which the contractor's work extends beyond the withdrawal date. However, a withdrawing member shall have no liability for any change order or extensions of any contractor's work that the remaining Members agree to after the withdrawing Member provides written notice of withdrawal. Withdrawal from this Project Agreement shall not to be considered a Material Change and shall not be subject to the Dispute Resolution process provided for in Section 12.3.5 of the Bylaws.

## **Section 9      Admission of New Project Agreement Members:**

Additional Members of the Authority and Non-Member Participating Parties may become Project Agreement Members upon the affirmative vote of at least 75% of the total weighted vote as provided at Subsection 2(g) of the then-current Project Agreement Members and the affirmative vote of at least 75% of the total number of Directors of the Authority, and upon such conditions as are fixed by such Project Agreement Members.

## **Section 10      Amendments:**

This Project Agreement may be amended only by a writing executed by at least 75% of the total weighted vote as provided in Subsection 2(g) of the then-current Reservoir Project Committee members.

## **Section 11      Assignment; Binding on Successors:**

Except as otherwise provided in this Project Agreement, the rights and duties of the Project Agreement Members may not be assigned or delegated without the written consent of the other Project Agreement Members and the Authority. Any attempt to assign or delegate such rights or duties in contravention of this Project Agreement shall be null and void. Project Agreement Members may assign and delegate their rights and duties under this Project Agreement to other Project Agreement Members, and they may assign, sell, trade, or exchange all or a fraction of the potential benefits (e.g. acre-feet of water supply., megawatt-hours of power) they expect to receive through their participation in this Project Agreement consistent with the Re-balancing process and provisions set forth in Section 14.3.2 of the Bylaws. Any approved assignment or delegation shall be consistent with the terms of any contracts, resolutions, indemnities and other obligations of the Authority then in effect. This Project Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Authority and the Project Agreement Members.

**Section 12     Counterparts:**

This Project Agreement may be executed by the Authority and the Project Agreement Members in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Facsimile and electronic signatures shall be binding for all purposes.

**Section 13     Severability:**

If one or more clauses, sentences, paragraphs or provisions of this Project Agreement shall be held to be unlawful, invalid or unenforceable, the remainder of the Project Agreement shall not be affected thereby.

**Section 14     Notices:**

Notices authorized or required to be given under this Project Agreement shall be in writing and shall be deemed to have been given when mailed, postage prepaid, or delivered during working hours, to the addresses set forth **Exhibit C ("Notifications")**, or to such other address as a Project Agreement Member may provide to the Authority and other Project Agreement Members from time to time.

IN WITNESS WHEREOF, the Authority and Project Agreement Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: \_\_\_\_\_ SITES PROJECT AUTHORITY BOARD  
REPRESENTATIVE

By: \_\_\_\_\_

Dated: \_\_\_\_\_  
(Authority & Project Agreement Member)

By: \_\_\_\_\_



**EXHIBIT A1:**  
**PHASE 1 RESERVOIR PROJECT AGREEMENT -**  
**PARTICIPATION AMOUNTS AND PERCENTAGES**

<u>Revision</u>	<u>Effective Date</u>	<u>Status or Authorizing Action</u>
2	2016 Nov 21	Approved by Authority to expand participation based on the this Exhibit A1.

Reservoir Project Agreement Participant	Class 1 (acre-ft.)	Class 2 (acre-ft.)	Participation Percentage <sup>1</sup>	Participant's Actual Weighted Vote <sup>2</sup>
American Canyon, City of	2,000.0		0.58%	0.64%
Antelope Valley-East Kern WA	1,138.0	862.0	0.58%	0.55%
Castaic Lake WA	2,844.9	2,155.1	1.46%	1.38%
Coachella Valley WD	15,078.0	11,422.0	7.74%	7.30%
Colusa County	10,000.0		2.92%	3.20%
Colusa County WD	32,111.0		9.38%	10.28%
Carter MWC		1,000.0	0.29%	0.22%
Desert WA	3,698.4	2,801.6	1.90%	1.79%
Garden Highway MWC		4,000.0	1.17%	0.87%
Glenn-Colusa ID	20,000.0		5.84%	6.40%
Orland-Artois WD	20,000.0		5.84%	6.40%
Pacific Resources MWC		10,000.0	2.92%	2.16%
Reclamation District 108	20,000.0		5.84%	6.40%
Reclamation District 2035	10,000.0	5,000.0	4.38%	4.28%
San Bernardino Municipal WD	17,069.4	12,930.6	8.76%	8.26%
San Geronio Pass WA	7,965.7	6,034.3	4.09%	3.85%
Santa Clara Valley WD	13,655.5	10,344.5	7.01%	6.61%
TC6: 4M WD	500.0		0.15%	0.16%

1 Percentage is based on the total amount of Class 1 + Class 2 water.

2 Percentage is based on the different participation factors applied to Class 1 and Class 2 water, respectively.

### **EXHIBIT A1:**

Reservoir Project Agreement Participant	Class 1 (acre-ft.)	Class 2 (acre-ft.)	Participation Percentage <sup>1</sup>	Participant's Actual Weighted Vote <sup>2</sup>
TC6: Cortina WD	300.0		0.09%	0.10%
TC6: Davis WD	2,000.0		0.58%	0.64%
TC6: Dunnigan WD	5,000.0		1.46%	1.60%
TC6: LaGrande WD	1,000.0		0.29%	0.32%
TC6: Proberta WD	3,000.0		0.88%	0.96%
Western Canal Water District	3,500.0		1.02%	1.12%
Westlands WD	11,379.6	8,620.4	5.84%	5.51%
Westside WD	25,000.0		7.30%	8.00%
Wheeler Ridge-Maricopa WSD	11,379.6	8,620.4	5.84%	5.51%
Zone 7 WA	11,379.6	8,620.4	5.84%	5.51%
<b>Total</b>	<b>250,000.</b>	<b>92,411</b>	<b>100%</b>	<b>100%</b>
<b>Maximum Available<sup>3</sup></b>	<b>250,000.</b>	<b>170,000</b>		

<sup>3</sup> Amount is based on (a) operating assumptions from prior DWR studies for their Alternative C (i.e. the large reservoir with 3 Sacramento River points of diversion and operated to maximize SWP benefits while not adversely affecting current CVP operations). The Authority's recommended assumptions (e.g. include a 130,000 acre-ft. of water demand in the west side of the Sacramento Valley) will produce new results which, when combined with the decision related to the application for Prop 1 Chapter 8 (i.e. State can fund up to 50% of Project's development costs) will likely affect the Maximum Available.

## **EXHIBIT A1:**

### **Method Used to Define Participation Percentages:**

#### **Participation Factors:** (Refer to Figures 1 and 2)

The Participating Percentages reflect the decision-making contribution of each Project Agreement Member and Non-Member Participating Party via the use of weighting factors, the sum of which totals 100%, exactly.

- A. Each Project Agreement Member and Non-Member Participating Party has a membership weighting factor equal to 50%.
- B. The remaining 50% is allocated between the Class 1 and Class 2 water benefits, which are described as follows:

Class 1: 50% of the expected annualized yield that would be allocated to the Project Agreement Members represents Class 1 water benefits ("Class 1"). Class 1 water represents the amount of water that would not be made available for Proposition 1, Chapter 8-eligible public benefits assuming the CA Water Commission elects to participate in the Project up to the maximum amount allowed by Proposition 1, Chapter 8, which is 50% of the total Project's development costs.

Class 2: Depending upon decisions by the CA Water Commission (and/or jointly by the Authority and Reservoir Project Agreement Committee) and potentially the federal government, some of the remaining 50% could become available for non-Proposition 1, Chapter 8 uses. For Phase 1, the maximum amount of this additional water, which is referred to as "Class 2" water benefit, is approximately 35% of the total. The remaining 15% is currently not available for potential non-Proposition 1, Chapter 8 uses and it represents the differential amount of long-term annualized water produced should Sites Reservoir be downsized from 1.8 MAF to 1.3 MAF.

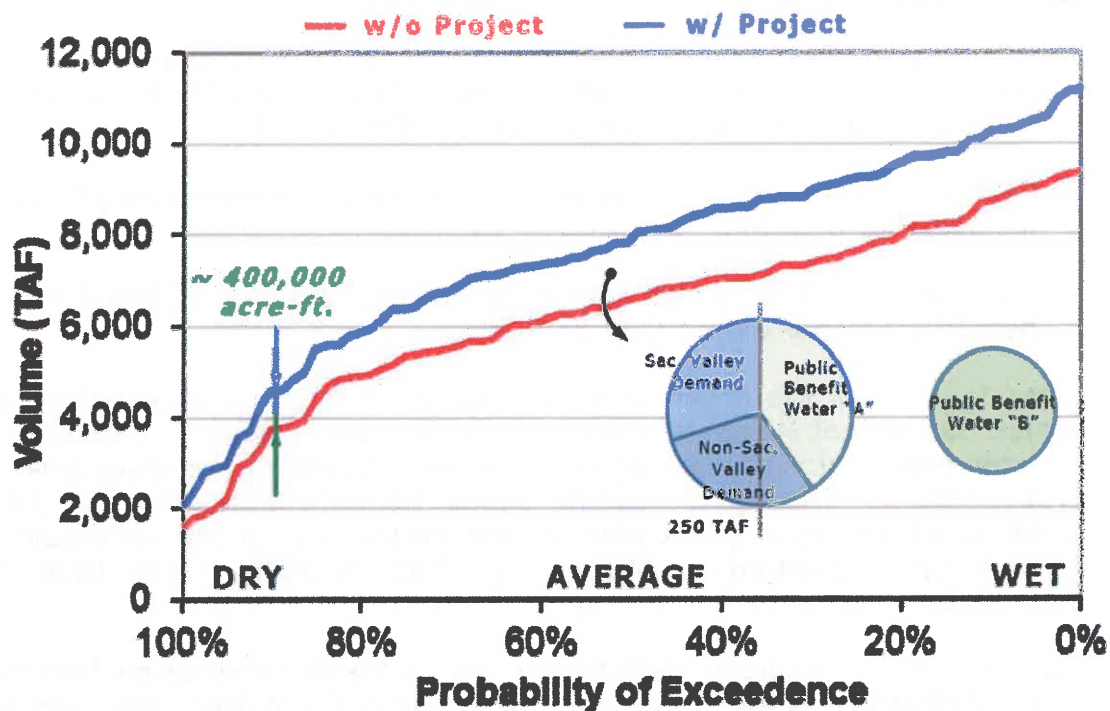
Weighting Factors: The combined total of all weighting factors totals 50, exactly. The Class 1 water benefit is the most certain relative to the Class 2 water benefit. To participate in Class 2 water benefits, the Member also needs to be participating in Class 1 water benefits. The weighing factors, totaling 50%, are allocated as follows:

Class 1: 40%, applied to the amount of Class 1 water Members are using as their Phase 1 level of participation.

Class 2: 10% applied to the amount of Class 2 water Project Agreement Members and Non-Member Participating Parties are using as their Phase 1 level of participation.

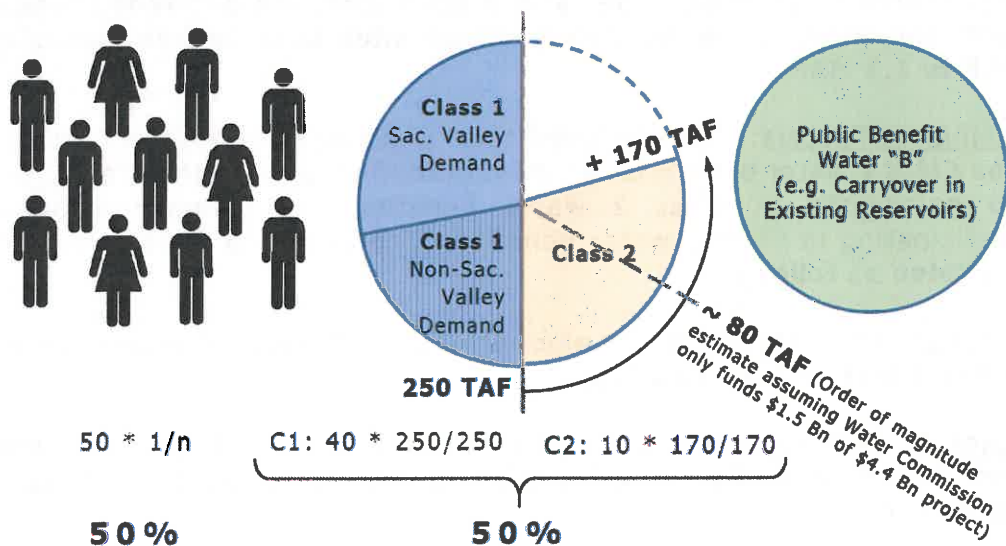
## EXHIBIT A1:

**Figure 1:** Illustration of the two types of water produced from the Project with its operations integrated with the CVP and SWP.



**Figure 2:** Weighted voting based on Classes of water produced

When all votes are cast, total = 100%



Assumptions: 28 Project Agreement Members participating in a combination of both Class 1 and/or Class 2 water benefits, such that 100% of the Class 1 water has been allocated (i.e. 250,000 acre-ft) and for Class 2 water benefits, only 92,411 acre-ft. out of 170,000 acre-ft. available has been allocated.

Member A: Participation consists solely of "X" = 3,000 acre-ft./year of Class 1 water.

Member B: Participation consists solely of "X" = 20,000 acre-ft./year of Class 1 water.

Member C: Participation consists of "X" = 10,000 acre-ft./year of Class 1 and "Y" = 6,000 acre-ft./year of Class 2 water benefits.

Member D: Participation consists of "Y" = 2,000 acre-ft./year of Class 2 water benefits.

The **Class 1** weighting factor ( $WF_1$ ) is **40** & the **Class 2** weighting factor ( $WF_2$ ) is **10**.

[NOTE: The following table is a complete revision, so redline-strikethrough formatting has not been applied]

Formula	Member:	A	B	C	D
$1/28 * 50$		1.79	1.79	1.79	1.79
Class 1 = $(X/250,000)*WF_1$		0.48	3.20	1.60	0.0
Class 2 = $(Y/92,411)*WF_2$				0.65	0.21
Weight of Member's Vote		2.27	4.99	4.03	2.00

Total needed for approval:

- Simple Majority = 50
- Material Change = 75



## **EXHIBIT B: PHASE 1**

### **RESERVOIR PROJECT AGREEMENT REQUIREMENTS**

#### **General Requirements:**

The Sites Project Authority (the "**Authority**") intends to implement the Sites Reservoir Project in accordance with the Agreement and Bylaws, which, in part, include the creation of one of more Project Agreement Committees (a "**Committee**") to perform project-specific activities. These documents also include the Authority's Mission with project-specific powers and/or authorities set forth in the Bylaws, Section 10.

As stated in the Phase 1 Reservoir Project Agreement, the Reservoir Committee is comprised of certain Members and/or Non-Member Participating Parties, listed on the attached Exhibit A1 (collectively the "Project Agreement Members").

Restatement of Mission: "to be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the state's water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta".

The Authority's Bylaws augment its Mission statement through the establishment of its vision statement and values the Authority expects all Project Agreement Members to subscribe to in pursuing the Project Goals.

Primary Project Goal: Maximize both water supply and water supply reliability for (1) the Project Agreement Members and (2) the public benefits – specifically ecosystem and water quality – as defined in Proposition 1, Chapter 8 (2014) in a manner that:

- a. Is both technically and environmentally permitable (e.g. DSOD, FERC, CEQA/NEPA, CESA/ESA, Clean Water Act);
- b. Is economically and financially viable; having a high return on investment for both the Members and public benefits when measured on both an up-front capital cost (i.e. today) and on a long-term life cycle analysis (i.e. a future set of conditions);
- c. Is in accordance with existing (and likely new) water rights and area of origin statutes while acknowledging the leadership value provided by the Authority on behalf of the Sacramento Valley to develop the Project;

- d. Continues to pursue a strategy to minimize existing land uses, and post-construction maximizes the amount of land that can be returned or sold for non-Project uses;
- e. Can be integrated into the operations of the CVP and SWP while allowing (1) the Project Agreement Members and Non-Member Participating Parties and (2) both the California Water Commission (the "**CWC**") and public agencies contracting for the public benefits (i.e. DFW, DWR, and SWRCB) to have sufficient control to ensure the investment goals are achieved;
- f. Can adapt its operations in response to an uncertain future; affecting both water supply reliability for agricultural and urban uses as well as for the ecosystem in the Sacramento Valley watershed and in the Delta for the benefit of native species;
- g. Can provide flexible hydroelectric power generation that supports the integration of renewable energy sources being developed in response to the State's renewable energy and greenhouse gas reduction goals;
- h. Prudently manages risk by allocating risk to the entity in the best position to effectively manage the risk;
- i. If deemed economically viable without causing a delay to completion of the Project, can contribute to the State meeting its renewable energy goals; and
- j. Includes as a contingency plan or last ditch effort, the ability to pursue the Project solely by the Authority and Project Agreement Members should the Authority determine that the Project is still economically and financially viable, yet contracts for public benefits and/or public funding are not viable or in the best interest of the Authority or Project Agreement Members.

Secondary Project Goals include:

- a. Providing incremental flood damage reduction opportunities;
- b. Developing additional recreation opportunities;

To accomplish this goal, the Authority believes that those working at all levels of this Project should conduct themselves in accordance with the Authority's values, which are restated as follows:

- a. Transact all business in an open and honest manner;
- b. Communicate effectively;
- c. Build trust and confidence – both internally and externally;
- d. Be a respectful community partner;



- e. Make decisions that are fiscally prudent with a focus on creating value, in part, by evaluating the potential impact to the target cost/acre-ft.; and
- f. Utilize best-in-class processes and procedures - especially in the development of project controls and in both the management of risk and ensuring appropriate levels of quality.

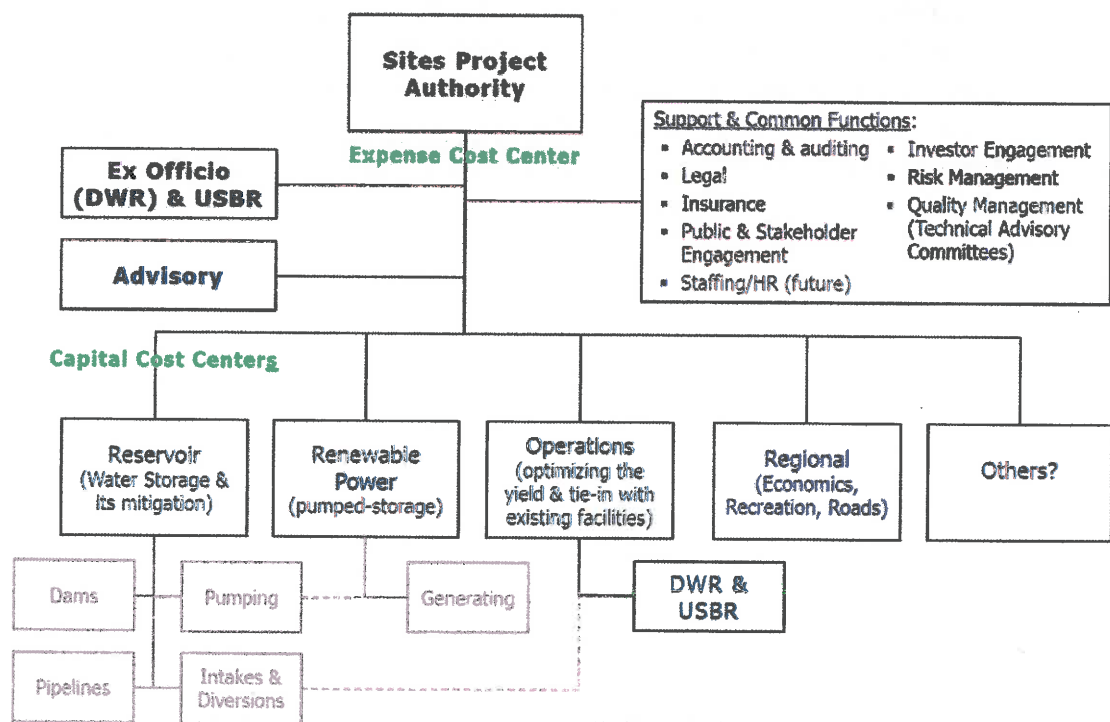
Finally, the Authority anticipates that with the development of any subsequent Phase-level Project Agreements the delegations and responsibilities to the Committee will be revisited to reflect the decision-making requirements needed to further advance the Sites Reservoir Project.

### Specific Requirements:

#### 1. Governance:

- 1.1. The Project has been organized to comply with the requirements of Proposition 1, Chapter 8, with the cost centers consolidated such that the Reservoir Project Agreement includes the Storage, Power and Operations cost centers and the Authority also includes the Regional cost center.

Figure 1: Project-level Organization



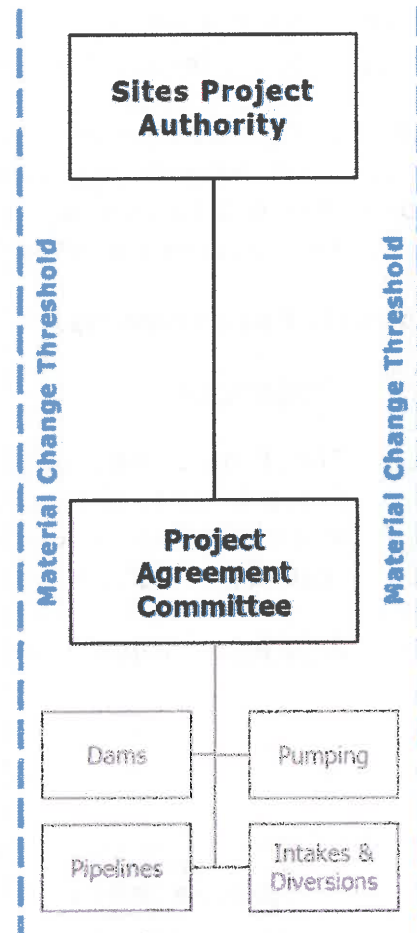
2015 November

**NOTE:** a Project Agreement will be executed for each capital cost center

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**Figure 2: Phase 1  
Organization Chart**

- 1.2. For Phase 1 only those authorities specified in this Exhibit B are hereby delegated to the Project Agreement Members. Additional delegations (or rescissions) require execution of an amendment to this Exhibit.
- 1.3. **Material Change Thresholds:** Unless otherwise specified below, the thresholds established in the Bylaws, Section 12 apply.
- 1.4. Each Project Agreement Member shall ensure that its representative to the Committee has been delegated the responsibility by its governing board to make policy-level decisions.
- 1.5. The Committee can form its own subcommittees including ad-hoc committees with the resulting recommendations and/or work products reported up through the Committee and then to the Authority.



## 2. Communications Management:

- 2.1. Communications, both internal and external, should be viewed as a joint responsibility involving all Project Agreement Members. Furthermore, the Authority encourages the dissemination of accurate project data and information to anyone expressing an interest in the Project, regardless of their opinion towards the Project.
- 2.2. External Communications: The Authority retains the lead responsibility for developing the overall strategy, messaging, brand development and related functions with the Project Agreement Committee providing input and support.
  - 2.2.1. Elected Officials, Public Agencies & Utilities: The Authority shall decide how best to engage external interests, including elected officials, interested federal, state and local entities, the public, and non-governmental organizations. The Authority has the final determination regarding representation from the Project, which may include any Project Agreement Member. Should an activity, such as a meeting, occur where the Project is not on the agenda, yet the Project becomes a discussion topic, the Project Agreement Member in attendance shall, in a timely manner, provide a summary of the Project-related discussions to the Authority.
  - 2.2.2. New Members: The Authority has the sole responsibility to negotiate Project participation requirements and will use the templates developed and used to contract with prior Members as the basis for negotiating. However, members of the Committee are encouraged to identify prospective members and to work with the Authority to expand membership. A Project Agreement Member who has communications with a prospective member shall, in a timely manner, provide a summary of the communication to the Authority.
  - 2.2.3. Landowners: For property owners or tenants whose property may be within the lands identified for construction and/or long term Project operations, a Project Agreement Member contacted shall, in a timely manner, provide a summary of the Project-related contact to the Authority.
  - 2.2.4. All Other: Requests for information regarding the Project will come from across the spectrum. A Project Agreement Member contacted or providing project data and information should use its judgement regarding notifying either the Committee and/or Authority.

- 2.2.5. Nothing in this Section 2 shall constrain a public agency Member's authority to communicate with its customers and landowners on matters concerning the Project or this Agreement.

3. Personnel (Staffing) Management:

- 3.1. Only the Authority is authorized to hire personnel. If it believes there is a need, the Project Agreement Committee may recommend the hiring of additional staff to the Authority Board. The recommendation will be in writing with justification of the need and a proposal for funding the additional position. The Authority Board will consider the Committee's recommendation at its next regular meeting or at a special meeting called for the purpose of considering the recommendation.
- 3.2. Project Agreement Members can, with Authority's approval, provide in-kind services, especially in areas where specialized expertise is needed. Where such assignments are approved, the personnel shall be considered to serve as project staff reporting directly to the General Manager. Any work products developed under such an assignment are deemed to be the intellectual property of the Authority and shall not be distributed without the General Manager's or the Authority's delegated representative's consent.

4. Procurement (Contracting) Management:

- 4.1. Only the Authority is authorized to enter into contracts or agreements. If it believes there is a need, the Project Agreement Committee may recommend the procurement of additional services or equipment to the Authority Board. The recommendation will be in writing with justification of the need and a proposal for funding the additional services or equipment. The Authority Board will consider the Project Agreement Committee's recommendation at its next regular meeting or at a special meeting called for the purpose of considering the recommendation.
- 4.2. Direction to consultants and contractors shall be provided through the Authority's General Manager, unless the General Manager has delegated such responsibility to staff or in writing to a management representative from either a Project Agreement Member.
- 4.3. The Phase 1 work plan anticipates that at least the following services will need to be obtained: Financial advisor, Public Engagement (aka outreach), CEQA legal expertise, water rights expertise, project controls, document management.

- 4.4. For Proposition 1, Chapter 8, agreements are also required with the CWC for funding and with state agencies (i.e., DFW, DWR, SWRCB) for public benefits. The work plan is predicated on the prerequisite work being performed under the management of the Project Agreement Committee for the Authority's use in negotiating and potential execution of such agreements. For these processes, the Authority intends to convene an ad-hoc committee - for each such agreement that is comprised of both Authority and Project Agreement Committee Members.
- 4.5. Should the Project Agreement Committee or Authority decide to pursue other agreements either under Proposition 1, or another state or federally-sponsored program, the Authority intends to convene an ad-hoc committee for each agreement that is comprised of both Authority and Project Agreement Committee Members.
- 4.6. Task Orders and Invoices: For work managed by the Project Agreement Committee, the Project Agreement Committee shall approve each task order and associated invoices for work performed before the Authority will approve any Payment of Claims.
- 4.7. Change Orders: Proposed change orders that are within the material change thresholds only require Project Agreement Committee approval. However, the Authority retains the authority to execute any contract amendments. Proposed change orders that are deemed to exceed the material change thresholds require approval of both the Project Agreement Committee and the Authority before the Authority can proceed with executing such change orders. For either situation, the Authority or the Project Agreement Committee may invoke the dispute resolution process.

## 5. Scope Management:

- 5.1. Phase 1 Work Plan: The scope of work for the Project Agreement is summarized in Attachment 1 to this Exhibit B. The Authority approved the phase-level plan on 2015 September 21, which occurred well in advance of the CWC having defined both the application and selection requirements. On \_\_\_\_\_, with the Project Agreement Committee's concurrence, the Authority approved an amended Phase 1 Work Plan, which is summarized in an amended Exhibit B. Most of the effort is to (1) advance the studies needed to submit an application to the CWC for potential State of California cost-share in exchange for providing qualifying public benefits and (2) negotiate the funding agreement and contracts for public the benefits. The 3 primary activities include:

Operations: Planning level studies related to the operation of the reservoir and ancillary facilities to provide both direct and indirect water supply and water supply reliability for both water users and Proposition 1, Chapter 8-defined public benefits. These results will (a) be included in updated environmental document, (b) aid in bringing in additional Members and/or Non-Member Participating Parties, and (c) aid in negotiating contracts for the Proposition 1, Chapter 8-defined public benefits. The scope and cost-certainty of the elements in the work plan are highly dependent upon the CWC's process, which is being developed as regulations.

Storage: Planning level studies related to the design and construction of the reservoir and ancillary facilities. Activities include incorporation of changes to minimize land use impacts, update the environmental analysis associated with the changes, advance grid interconnection studies and key facility siting studies for inclusion into the environmental document, preparation of a publicly available draft environmental document meeting CWC requirements, and preparation of a feasibility study also meeting the CWC's requirements. The scope and cost-certainty of the elements in the work plan are fairly well known with the exception of USBR's congressional mandate to produce a Feasibility Report.

Power: The potential inclusion of pumped-storage to provide renewable energy and to integrate with other renewable energy sources such as solar and wind to aid the State in achieving the renewable energy goals. The scope and cost-certainty of the elements in the work plan are highly dependent upon the future electricity market conditions and process to obtain hydropower licenses.

5.2. Consultant Scopes of Work: The Authority has executed professional services contracts to support the preparation of an application to the CWC by advancing details related to the Project's scope and feasibility, ability to provide Proposition 1, Chapter 8-defined public benefits, and advance the environmental document. The respective documents are referred to as:

- Ch2m: Proposition 1 EIR/EIS and Feasibility Study Assistance to Support Sites Project Authority (SPA) Application to California Water Commission Scope of Work, which was executed on Nov 2, 2015.
- AECOM: Scope of Work and Fee Estimate, Sites Reservoir Feasibility Report, which was executed on Nov 2, 2015.
- LWA: Scope of Work and Fee Estimate to prepare a Project Funding Policy and preparation of the Cost Development Model, which was executed on Oct 16, 2016.

5.3. Project Development Plans: The development of Project-level management plans is currently not included in the approved Phase 1 work plan. The timing to prepare these plans is dependent upon the priorities of the Project Agreement Committee Members. It is anticipated that the budget and priority to prepare these plans will, in part, be dependent upon the addition of new members. At any time, the Project Agreement Committee or the Authority can decide to amend both the annual operating and Phase-level budget to seek approval to proceed. The development of the following plans shall be a joint effort between the Authority and the Committee:

- 5.3.1. Project Management & Integration Plan: The initial plan should be the development of a project-level work breakdown structure and to document processes being developed to manage the Project to identify areas for improvement.
- 5.3.2. Communications Management Plan: Elements of this plan should include, but are not limited to, how best to conduct outreach to Members, stakeholders and the public, compile the various communications, especially those related to advancing the Project (e.g. obtain permits and negotiate with landowners).
- 5.3.3. Staffing Management Plan: The initial plan should focus on how to account for and encourage the use of in-kind services provided by Project Agreement Members.

- 5.3.4. Procurement Management Plan: The initial plan should focus on (a) construction packaging and delivery methods to aid in developing the Prospectus Model and (b) contracts to provide public benefits.
- 5.3.5. Scope Management Plan: The initial plan should develop a process to manage potential changes in scope.
- 5.3.6. Schedule Management Plan: The initial plan should document processes being developed to manage the Project to identify areas for improvement.
- 5.3.7. Cost Management Plan: The initial plan should document processes being developed to manage the Project to identify areas for improvement.
- 5.3.8. Quality Management Plan: Absent a plan, the fundamental requirement is to ensure that services are being provided and work products provided meet the applicable standard of care for the industry or function (e.g. engineering, planning).
- 5.3.9. Risk Management Plan: The initial plan should focus on the more-strategic risks and to develop actions to mitigate the risk. Subsequent versions need to include the development of a risk register with assignment of risk to the applicable stakeholders.
- 5.3.10. Document Management Plan: The initial plan should focus on retention and retrieval of documents and processes to respond to requests for information as required by statute.
- 6. Schedule Management: An executive, project-level schedule plan that outlines the major tasks to be completed in each phase is included as Attachment 2 to this Exhibit B.
- 7. Cost Management:
  - 7.1. The cost management requirements defined in Bylaw Section 14 shall also apply to the Project Agreement Committee.
  - 7.2. Work Plan and Budget delegation to the Committee: **Table 1** defines the portion of the Phase 1 work plan that is associated with the work the Project Agreement Committee will manage going forward and will work with the Authority to maintain an updated Phase 1 budget target. The budget is based on the estimated time that costs would become committed (e.g.



by approval of consultant task orders). This budget is being converted into an incurred cash flow to manage the work to maintain a positive monthly cash flow projection. For this Project, any funds unspent at the end of the fiscal year are added to the subsequent fiscal year's approved budget. At the end of Phase 1, any unspent funds will either be redistributed to the Project Agreement Members in accordance with their participation percentage and/or applied towards the work plan for the next Phase with the Member's approval.

Table 1: Phase 1 Budget Transfer to the Committee:

<b>Cost Center</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Total</b>
Status:	Adjusted	Forecast	Forecast	Forecast	Forecast
Operations	\$ -	\$ 241,520	\$ 326,300	\$ 44,280	\$ 612,100
Power	\$ 906	\$ -	\$ 595,133	\$ 390,140	\$ 986,179
Water	\$ 116,475	\$ 2,664,686	\$ 8,139,969	\$ 2,603,441	\$ 13,524,571
<b>Budget Total</b>	<b>\$ 117,381</b>	<b>\$ 2,906,206</b>	<b>\$ 9,061,402</b>	<b>\$3,037,861</b>	<b>\$ 15,122,850</b>

7.3. Budget Approval Process: As the Project Agreement Committee's work plan is adjusted, the Project Agreement Committee will forecast both an estimated cost at the end of each fiscal year and at the end of Phase 1. The work plan shall be maintained to serve as the basis for preparing a fiscal year's operating budget and revised Phase 1 budget target. The Project Agreement Committee and Authority shall cooperate on the development of each fiscal year budget to ensure the scope and effort of shared activities (e.g. engagement) align and to ensure adequate reserves are maintained and resource plans are in place to ensure adequate staffing levels can be committed to perform the work. At least 2 months prior to the end of each fiscal year, the Project Agreement Committee shall adopt a fiscal year operating budget and revised Phase 1 budget target and present them to the Authority. The Authority shall incorporate them along with budgets developed by other Project Agreement Committees (as appropriate) to approve at the project-level (1) a fiscal year operating budget and (2) a Phase 1 budget target. Should this process result in changes in the total funding amount listed in Table 1 above or Attachment 1 of Exhibit B, Attachment 1 of Exhibit B will be amended by written acknowledgement of each of the Project Agreement Members, which will supersede the amounts shown in Table 1 and Attachment 1 of Exhibit B to calculate each Members funding contribution, which is based on both the Participant's Percentage and Actual Weighted Vote (refer to Agreement, Exhibit A1).

7.4. Budget or Funding Transfers:

- 7.4.1. Transfers or reprioritizations within approved work plan and budget: Either Project Agreement Committee or Authority may unilaterally move work and/or budget amounts between line-items, add, or subtract budget amounts relative to its approved fiscal year budget, provided that the changes do not create a material change or do not require the other party (Authority or Project Agreement Committee) to have to revise its respective work plan and budget. When changes require both parties to adjust their work plans and/or budgets, no changes can be implemented until it has been approved by both the Project Agreement Committee and Authority.
- 7.4.2. Transfers or reprioritizations between Project Agreement Committees and/or Authority: Transfers between the Project Agreement Committee's and Authority's budgets are permitted so long as the associated funding obligations are also adjusted to reflect the transfer of funds from one party to other party, which shall require the approval of both parties before any changes can be implemented.
- 7.5. Reporting: The Project Agreement Committee and Authority shall endeavor to maintain a transparent approach to managing costs through the services of a shared Treasurer and project accountant. Both parties agree to provide timely cost data to the Treasurer and to work diligently to resolve any discrepancies in an expeditious manner. The Treasurer shall provide timely reporting to both the Authority and Project Agreement Committee.
- 7.6. Auditing: The Authority shall ensure that the Project costs are audited annually and the results are shared with the Project Agreement Committee.
- 7.7. Accounts Receivable and Payable: The Project Agreement Committee and Authority agree to utilize a common software platform and processes (e.g. common fiscal year) to ensure timely collection and payment. Should the Authority's auditor determine that corrections are required to comply with the Agreement, bylaws and/or Generally Accepted Accounting Principles, both parties shall work diligently to correct the deficiency to the auditor's satisfaction.

8. Reserved for Quality Management: (Future amendment)

9. Risk Management:

9.1. Key Risks affecting Phase 1 include and are not limited to the following:

9.1.1. Project Development: Prior to passage of Proposition 1, the Sites Reservoir Project was being advanced by DWR in coordination with USBR with the inherent project development risks essentially being 'backstopped' financially by the creditworthiness of the State and the United States. To be eligible for cost-share under Proposition 1, Chapter 8, the project applicant has to be local and is required to secure participation, primarily from other public water agencies and potentially private investment. While it is possible for the State to provide non-public benefit funding (i.e. participate on behalf of the State Water Contractors) and for the United States to provide funding (i.e. participate on behalf of the CVP contractors or implementation of portions of CVPIA), to date, neither agency has expressed interest in participating in the Project other than support the Project's operations for both water supply and public benefits.

9.1.2. CEQA Lead Agency: Currently, DWR has this role. The Authority has met with DWR regarding the transfer of this responsibility, which the Authority believes is needed for the Authority to be the applicant for any Proposition 1, Chapter 8 process.

9.1.3. Water Rights: On 1977 September 30, the SWRCB accepted DWR's water rights application for 3,164,000 acre-ft. from a combination of sources: Stone Corral Creek, Funks Creek, two locations on the Sacramento River, and Willow Creek. To finance construction of this Project, the water rights will be needed as the principal asset. It is expected that DWR will assign this water right to the Authority, which in turn would assign it to the entity that will secure the financing.

9.1.4. Many Potential Sources for Schedule Delay: There are a number of Project activities that are not within the Authority's control and therefore could become sources of delay, especially given the complexity of the Project and complexity of some of the statutory requirements. The primary activities focus on:

- Demonstrating CEQA/NEPA & CESA/ESA compliance, which will

require successful completion of the NEPA process by USBR, acceptance of the CEQA process by responsible and trustee agencies, issuance of incidental take authorizations from federal resource agencies, issuance of other permits by CDFW, USACE, SWRCB, RWQCBs and other permits.

- Land and right-of-way acquisition, and
- CWC's Selection & Evaluation Process, which is of most concern for Phase 1. Preparation of an application for Proposition 1, Chapter 8 funding has to occur in a parallel 'track' with the CWC's process to develop regulations. Once the regulations are adopted, there is a three-month period for applicants to submit the mandatory pre-application. Then, based on CA Water Commission staff's assessment, the applicant has up to six-months to submit a full application. This schedule has already slipped and is prone to additional slippage. Additional sources of delay could occur should the approved regulations be legally challenged. In addition to the uncertainty of the scope of work needed to prepare the application, the cost of delay is the biggest risk.
- Issuance of a water right permit by the SWRCB.

9.1.5. Contracting for Public Benefits: State funding under Proposition 1, Chapter 8 contains a provision that the applicant contract with DFW, DWR, and SWRCB for the public benefits. This is a new process and given the uncertainty in annual hydrology and a potential future with climate change, contract guarantees become challenging. In addition, these same agencies will be required to issue permits before the start of any construction.

9.1.6. USBR Feasibility Report: Congress authorized USBR to study the feasibility of the CalFed Storage Projects, including Sites Reservoir, and provide its findings by 2016 Nov 30. Prior to submitting a final report, USBR's typical process includes (1) public review and (2) a finding related to the Project being in the public interest. A finding of support is needed before any congressional appropriations could occur.

<u>Revision</u>	<u>Effective Date</u>	<u>Status or Authorizing Action</u>
2	2016 Nov 21	Approved by Authority & Reservoir Committee for use.

# Exhibit B, Attachment 1: Phase 1 Work Plan

Working Draft: 11/14/2016

Expense (-) Expense  
Category (Multiple Items)  
Function (All)  
Name (All)

			Values					
Grouping	Cost Center	File Number WIP	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total
Reservoir Operations		13 Existing	Water Rights Legal Counsel	\$ -	\$ -	\$ (80,000)	\$ (15,000)	\$ (95,000)
		25 Existing	Feasibility Report, TO #2 (X % of Task 9)	\$ -	\$ -	-	\$ -	-
		25 Existing	TO#1-Env & Ops NTP#1 (Task #3: WSIP CalSim Support)	\$ -	\$ (162,000)	-	\$ -	\$ (162,000)
		25.1 Existing	TO#1-Env & Ops NTP#2 (Task #5.2) USBR+	\$ -	\$ (55,000)	-	\$ -	\$ (55,000)
			TO#1-Env & Ops NTP#2 (Task #6.2) DWR	\$ -	\$ (10,000)	\$ (45,000)	\$ -	\$ (55,000)
		30 NEW	H2O Manager, Services	\$ -	\$ -	-	\$ -	-
			H2O Manager, Expenses	\$ -	\$ -	-	\$ -	-
		42 NEW	Water Rights Strategy Development	\$ -	\$ (9,520)	\$ (47,600)	\$ -	\$ (57,120)
			Water Rights Technical Assessment	\$ -	\$ (5,000)	\$ (33,000)	\$ -	\$ (38,000)
			Water Rights Supporting Documentation	\$ -	\$ -	\$ (40,000)	\$ -	\$ (40,000)
		Water Rights Strategy for Colusa Basin Drain (Divert Flood Flows & Release for Yolo Bypass)	\$ -	\$ -	\$ (80,700)	\$ -	\$ (80,700)	
		Water Rights Next Steps	\$ -	\$ -	-	\$ (29,280)	\$ (29,280)	
		Water Rights for Colusa Basin Drain Technical Assessment (Phase 2)	\$ -	\$ -	-	\$ -	-	
		Colusa Basin Drain Feasibility Study (Phase 2)	\$ -	\$ -	-	\$ -	-	
Operations Total				\$ -	\$ (241,520)	\$ (326,300)	\$ (44,280)	\$ (612,100)
Power		13 Existing	Legal Services, Holland (Federal/Power)	\$ (906)	\$ -	-	\$ -	\$ (906)
		NEW	Legal Services, Hydropower	\$ -	\$ -	\$ (40,000)	\$ -	\$ (40,000)
		14 NEW	FERC Permit & License Strategy	\$ -	\$ -	\$ (30,000)	\$ -	\$ (30,000)
		30 Existing	Understanding of Regulatory Changes	\$ -	\$ -	\$ (10,000)	\$ -	\$ (10,000)
			Market Research/Interest Estimate Potential	\$ -	\$ -	\$ (10,000)	\$ -	\$ (10,000)

# Exhibit B, Attachment 1: Phase 1 Work Plan

				Values						
Grouping	Cost Center	File Number	WIP	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total	
Reservol	Power	30	Existing	Owner-Controlled Contingency:	\$ -	\$ -	\$ (132,000)	\$ (63,380)	\$ (195,380)	
				Hydropower						
				Prepare Power Developer Solicitation (Defer to Phase 2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				Prepare & File Permit Applications (FERC) (blank)	\$ -	\$ -	\$ (60,000)	\$ -	\$ (60,000)	
				Initial Grid Interconnection Study (Holthouse) - WAPA	\$ -	\$ -	\$ (50,000)	\$ (50,000)	\$ (100,000)	
				Initial Grid Interconnection Study (Holthouse) - PG&E	\$ -	\$ -	\$ (50,000)	\$ (50,000)	\$ (100,000)	
				Initial Grid Interconnection Study (Delevann) - WAPA	\$ -	\$ -	\$ (50,000)	\$ (50,000)	\$ (100,000)	
				Initial Grid Interconnection Study (Delevann) - PG&E	\$ -	\$ -	\$ (50,000)	\$ (50,000)	\$ (100,000)	
				PWR Manager, Services	\$ -	\$ -	\$ (103,133)	\$ (123,760)	\$ (226,893)	
				PWR Manager, Expenses	\$ -	\$ -	\$ (10,000)	\$ (3,000)	\$ (13,000)	
Power Total					\$ (906)	\$ -	\$ (595,133)	\$ (390,140)	\$ (986,179)	
	Water	10	Existing	General Manager, Expenses	\$ (7,796)	\$ (31,380)	\$ (35,840)	\$ (15,360)	\$ (90,375)	
				General Manager, Services	\$ (108,679)	\$ (308,948)	\$ (311,683)	\$ (155,842)	\$ (885,153)	
				Owner-Controlled Contingency: Non-Ch2m or AECOM Work	\$ -	\$ -	\$ (165,000)	\$ (30,000)	\$ (195,000)	
				Administrative Support to GM (part-time)	\$ -	\$ (6,076)	\$ (9,600)	\$ (4,800)	\$ (20,476)	
				Administrative Support to GM (Full-time)	\$ -	\$ -	\$ (40,960)	\$ (30,720)	\$ (71,680)	
				Ops Manager, Services	\$ -	\$ -	\$ (185,640)	\$ (123,760)	\$ (309,400)	
				Ops Manager, Expenses	\$ -	\$ -	\$ (21,600)	\$ (10,800)	\$ (32,400)	
				Ops Project Administrator	\$ -	\$ -	\$ (271,320)	\$ (180,880)	\$ (452,200)	
				Ops Mgr Support Staff	\$ -	\$ -	\$ (124,950)	\$ (142,800)	\$ (267,750)	
				PMO Support Services (AECOM Task 15)	\$ -	\$ -	\$ (164,368)	\$ (82,184)	\$ (246,552)	
10.4	Existing		Update Terrestrial & Plant Studies for BA	\$ -	\$ -	\$ (75,000)	\$ -	\$ (75,000)		
			Advance EIR/S Beyond Pre-Admin Draft	\$ -	\$ -	\$ (160,000)	\$ -	\$ (160,000)		

# Exhibit B, Attachment 1: Phase 1 Work Plan

File			Values					
Grouping	Cost Center	Number	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total
Reservoir	Water	10.4	Existing					
			Operations (Annualized Yield) Support During CWC Negotiations	\$ -	\$ -	\$ (100,000)	\$ -	\$ (100,000)
			Land & ROW (Temporary Access) MOVED TO PHASE 2	\$ -	\$ -	\$ -	\$ -	\$ -
		10.6	Mod					
			Project Scheduler	\$ -	\$ -	\$ (117,810)	\$ (80,325)	\$ (198,135)
		10.7	Existing					
			Bond Counsel	\$ -	\$ -	\$ -	\$ -	\$ -
			Cost Development Model (Grant Management & Administration Services)	\$ -	\$ (30,000)	\$ (120,000)	\$ (60,000)	\$ (210,000)
			Financial Advisory Services (Bond Strategy Development)	\$ -	\$ -	\$ (71,400)	\$ (35,700)	\$ (107,100)
			Cost Accountant & Bookkeeper (Formerly Controls Manager)	\$ -	\$ -	\$ (101,745)	\$ (74,970)	\$ (176,715)
		10.8	NEW					
			Quality Program Manager (w/ Support staff)	\$ -	\$ -	\$ (81,317)	\$ (35,700)	\$ (117,017)
			Technical Advisory Committee	\$ -	\$ -	\$ (40,000)	\$ -	\$ (40,000)
		10.9	Existing					
			Insurance (Commercial & General L & Professional L)	\$ -	\$ (7,500)	\$ (7,500)	\$ -	\$ (15,000)
			Risk Program Manager (w/ Support staff)	\$ -	\$ -	\$ (83,300)	\$ (221,380)	\$ (304,680)
		11	Existing					
			Document Controls Manager	\$ -	\$ -	\$ (160,650)	\$ (64,260)	\$ (224,910)
		13	Existing					
			CEQA Legal Counsel	\$ -	\$ (34,810)	\$ (140,000)	\$ -	\$ (174,810)
			NEPA Legal Counsel	\$ -	\$ (8,278)	\$ (50,000)	\$ -	\$ (58,278)
			Administrative Record - Assessment	\$ -	\$ -	\$ -	\$ -	\$ -
			Administrative Record Support/Compile	\$ -	\$ -	\$ (100,000)	\$ -	\$ (100,000)
		20	NEW					
			EPP Manager, Services	\$ -	\$ (76,160)	\$ (456,960)	\$ (228,480)	\$ (761,600)
			EPP Manager, Expenses	\$ -	\$ (12,000)	\$ (72,000)	\$ (36,000)	\$ (120,000)
			EPP Manager (Staff Support)	\$ -	\$ (4,760)	\$ (28,560)	\$ -	\$ (33,320)
		22	Existing					
			Prepare Prop 1, Chapter 8 Solicitation	\$ -	\$ -	\$ (50,000)	\$ -	\$ (50,000)
			Retain Former DWR PM for EIR/S (Retired Annuitant)	\$ -	\$ -	\$ (30,000)	\$ -	\$ (30,000)
			Independent Review EIR/S (in-lieu of Members' Staff)	\$ -	\$ -	\$ (200,000)	\$ -	\$ (200,000)
		24	Existing					
			Update Aquatic Studies for BA	\$ -	\$ -	\$ (25,000)	\$ -	\$ (25,000)
			Update Cultural Resource & Tribal Studies	\$ -	\$ -	\$ (10,000)	\$ -	\$ (10,000)



# Exhibit B, Attachment 1: Phase 1 Work Plan

				Values					
Grouping	Cost Center	File Number	WIP	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total
Reservoir	Water								
		24	Existing	Develop Mitigation Plan & Locations for inclusion into EIR/S	\$ -	\$ -	\$ (30,000)	\$ -	\$ (30,000)
		25	Existing	Incorporate Grid Interconnection into Owner-Controlled Contingency: Env & Ops	\$ -	\$ -	\$ -	\$ -	\$ -
			NEW	Public Engagement & Outreach During <small>Public Division of EIR/S</small>	\$ -	\$ -	\$ (294,000)	\$ (60,000)	\$ (354,000)
				Owner-Controlled Contingency: Ops & CalSim	\$ -	\$ -	\$ (60,000)	\$ -	\$ (60,000)
					\$ -	\$ -	\$ (100,000)	\$ (150,000)	\$ (250,000)
		25	Existing	TO#1-Env & Ops (Task #1: WSIP Feasibility Study Support)	\$ -	\$ (288,455)	\$ -	\$ -	\$ (288,455)
			NEW	TO#3-Subtask 1.5.1 - WSIP Operations Assumptions Refinement	\$ -	\$ (70,000)	\$ (65,000)	\$ -	\$ (135,000)
				TO#3-Subtask 1.5.2 - WSIP Analytical Framework	\$ -	\$ (60,000)	\$ (95,000)	\$ -	\$ (155,000)
				TO#3-Subtask 1.5.3 - WSIP Modeling of Alternative D	\$ -	\$ (75,000)	\$ (150,000)	\$ -	\$ (225,000)
				TO#3-Subtask 1.5.4 - WSIP Application Metrics Development	\$ -	\$ -	\$ (70,000)	\$ -	\$ (70,000)
				TO#3-Subtask 1.5.5 - WSIP Technical Documentation	\$ -	\$ -	\$ (120,000)	\$ -	\$ (120,000)
				TO#3-Subtask 1.5.6 - WSIP Meetings, Coordination and Support	\$ -	\$ (30,000)	\$ (50,000)	\$ -	\$ (80,000)
				TO#3-Subtask 1.5.7 - CWC Response and Technical Support	\$ -	\$ -	\$ (35,000)	\$ -	\$ (35,000)
				TO#3-Subtask 1.5.8 - Sites Reservoir Sensitivity Scenarios	\$ -	\$ -	\$ (140,000)	\$ -	\$ (140,000)
		25	NEW	TO#2-Task 1.6 - USBR Review Federal Feasibility Study	\$ -	\$ -	\$ (40,000)	\$ -	\$ (40,000)
		25	Existing	TO#1-Env & Ops (Task #2: Confirm Analysis Approach/Base Case Assumptions)	\$ -	\$ (50,541)	\$ (22,917)	\$ -	\$ (73,458)
				TO#1-Env & Ops (Task #4: Permit Risk Evaluation)	\$ -	\$ (5,000)	\$ -	\$ -	\$ (5,000)
		25.1	Existing	TO#1-Env & Ops (Task #5.1) USBR+	\$ -	\$ (20,000)	\$ -	\$ -	\$ (20,000)



# Exhibit B, Attachment 1: Phase 1 Work Plan

						Values				
Grouping	Cost Center	File	Number	WIP	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total
Reservoir	Water		25.1	Existing	TO#1-Env & Ops (Task #6.1) DWR	\$ -	\$ (5,000)	\$ (15,000)	\$ -	\$ (20,000)
			25.1	NEW	TO#2-Task 6.3 - CEQA Lead Agency Coordination Support (including AB52 Compliance)	\$ -	\$ (50,000)	\$ (270,000)	\$ -	\$ (320,000)
					TO#2-Task 6.4 - CEQA Lead Agency Coordination Support (including AB52 Compliance)	\$ -	\$ -	\$ (120,000)	\$ (130,000)	\$ (250,000)
			25.1	Mod	TO#1-Env & Ops TO #2 (Task #7) 1st Draft	\$ -	\$ (256,000)	\$ -	\$ -	\$ (256,000)
					TO#2-Subtask 7.5.1 Public Draft Revisions to Introductory/Project Desc Chapters	\$ -	\$ (60,000)	\$ (89,000)	\$ -	\$ (149,000)
					TO#2-Subtask 7.5.2 - Public Draft Impact Analysis and Required Revisions to Resource Chapters	\$ -	\$ (167,000)	\$ (400,000)	\$ -	\$ (567,000)
				NEW	TO#2-Subtask 7.5.3 CALSIM (2015 version) Modeling of NODOS Alternatives A, B, and C	\$ -	\$ -	\$ (150,000)	\$ -	\$ (150,000)
					TO#2-Subtask 7.5.4 - Public Draft Revisions to Appendices	\$ -	\$ (25,000)	\$ (125,000)	\$ -	\$ (150,000)
					TO#2-Subtask 7.5.5 - Public Draft Revisions Based on Reclamation Comments on Preliminary EIR/EIS	\$ -	\$ (10,000)	\$ (40,000)	\$ -	\$ (50,000)
					TO#2-Subtask 7.5.6 - Public Draft Reclamation/Federal Agency Coordination to Produce Public Draft	\$ -	\$ (15,000)	\$ (60,000)	\$ -	\$ (75,000)
			25.1	Existing	TO#1-Env & Ops NTP#2 (Task #8: Calsim for EIR/S)	\$ -	\$ (162,000)	\$ -	\$ -	\$ (162,000)
			25.1	Existing	TO#1-Env & Ops NTP#3 (Task #9) 2nd Draft	\$ -	\$ -	\$ -	\$ -	\$ -
				Mod	TO#2-Subtask 9.1.1 - Revision of Administrative Public Draft EIR/EIS	\$ -	\$ -	\$ (172,000)	\$ -	\$ (172,000)
					TO#2-Subtask 9.1.2 - Preparation of Public Draft EIR/EIS	\$ -	\$ -	\$ (138,000)	\$ -	\$ (138,000)

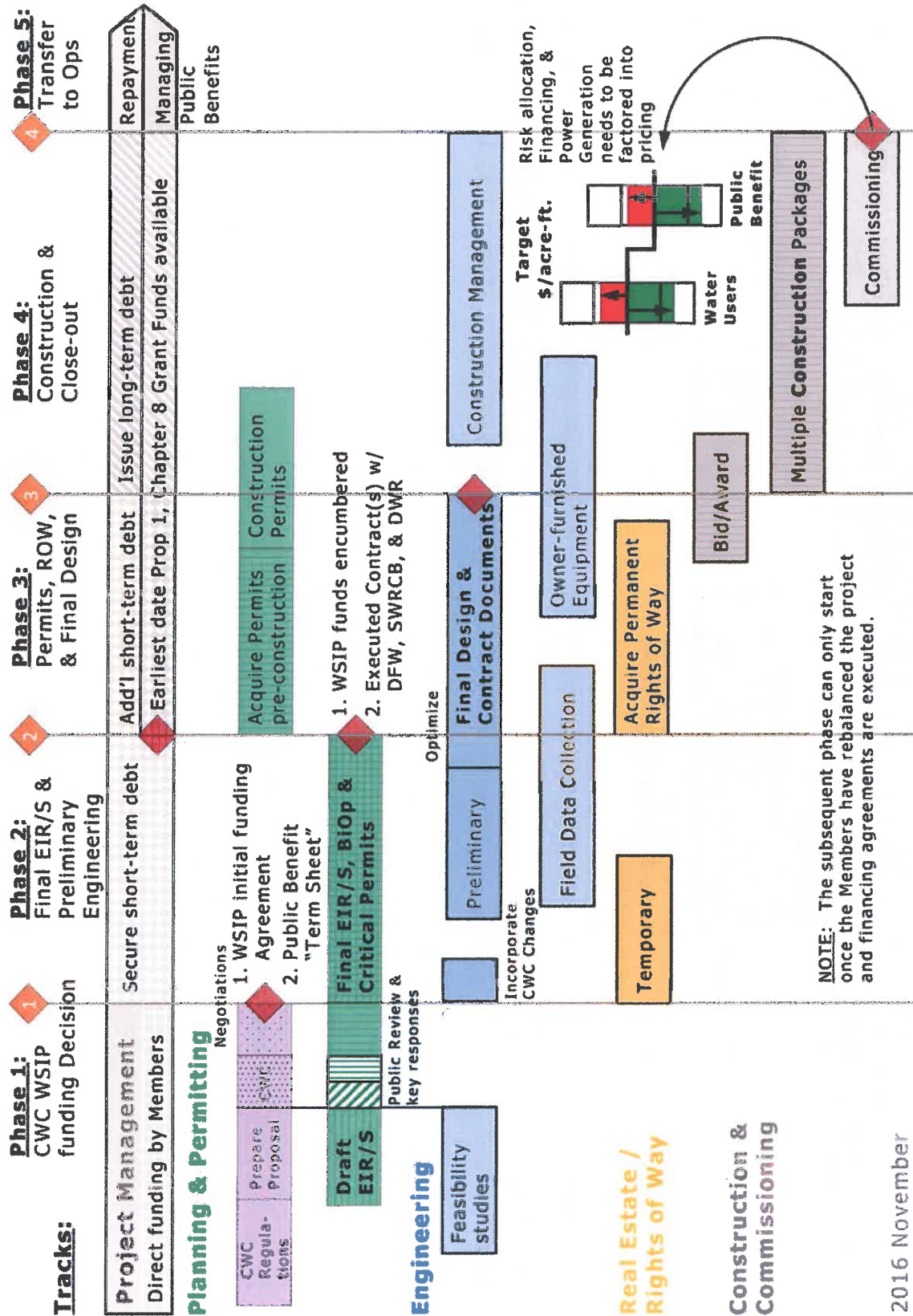
# Exhibit B, Attachment 1: Phase 1 Work Plan

			Values						
Grouping	Cost Center	File Number	WIP	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total
Reservoir	Water	25.1	Mod	TO#2-Subtask 9.1.3 - Rehabilitation Act	\$ -	\$ -	\$ (40,000)	\$ -	\$ (40,000)
		25.1	Existing	Section 508 Compliance	\$ -	\$ -	\$ (49,456)	\$ -	\$ (49,456)
		25.1	Existing	TO#1-Env & Ops NTP#3 (Task #10) Final Draft	\$ -	\$ -	\$ (50,000)	\$ -	\$ (50,000)
		25.1	Existing	TO#1-Env & Ops NTP#3 (Task #11) Public Meeting Assistance	\$ -	\$ -	\$ (100,000)	\$ (50,000)	\$ (150,000)
		25.1	NEW	TO#2-Task 12 - Review of Public Comments/Proposed Response Approach	\$ -	\$ -	\$ (230,000)	\$ (70,000)	\$ (300,000)
		30	Existing	TO#2-Task 13 - Permits and Environmental Compliance Plan	\$ -	\$ -	\$ -	\$ (20,535)	\$ (20,535)
			NEW	Optimize Design of the Proposed Project	\$ -	\$ (30,000)	\$ -	\$ -	\$ (30,000)
			NEW	ACWA Storage Integration Work Group	\$ -	\$ -	\$ -	\$ (285,600)	\$ (285,600)
			Existing	Technical Study Participation	\$ -	\$ -	\$ -	\$ (18,000)	\$ (18,000)
			Existing	EPC Manager, Services	\$ -	\$ (6,000)	\$ (50,000)	\$ -	\$ (56,000)
			Existing	EPC Manager, Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
			Existing	Engineering Support During CWC Negotiations	\$ -	\$ -	\$ (231,479)	\$ (68,449)	\$ (299,927)
			Existing	Owner-Controlled Contingency: Engineering	\$ -	\$ -	\$ (60,000)	\$ (40,000)	\$ (100,000)
			Existing	Owner-Controlled Contingency: WSIP	\$ -	\$ (17,750)	\$ -	\$ -	\$ (17,750)
			Existing	WSIP Feasibility Report TO #1 (Task 1, 2, 3)	\$ -	\$ (260,484)	\$ -	\$ -	\$ (260,484)
			Existing	WSIP Feasibility Report, TO #2 (Task 4, 5 & 9)	\$ -	\$ (35,000)	\$ -	\$ -	\$ (35,000)
			Existing	WSIP Feasibility Report, TO #2 (Task 10) Grid Interconnection Studies	\$ -	\$ (150,000)	\$ (228,570)	\$ -	\$ (378,570)
			Existing	WSIP Feasibility Report TO #3 (Task 6)	\$ -	\$ (30,000)	\$ (151,183)	\$ -	\$ (181,183)
			Existing	WSIP Feasibility Report TO #3 (Task 7)	\$ -	\$ (170,000)	\$ (140,950)	\$ -	\$ (310,950)
			Existing	WSIP Feasibility Report TO #3 (Task 8)	\$ -	\$ (10,000)	\$ (46,676)	\$ -	\$ (56,676)
			NEW	Task 14: EIR/S Support (geotechnical)	\$ -	\$ -	\$ (38,536)	\$ -	\$ (38,536)
			NEW	Task 8.1 WSIP Feasibility Rpt: Economics	\$ -	\$ -	\$ (102,939)	\$ -	\$ (102,939)
			NEW	Task 8.2 WSIP Ecosystem Priorities & Relative Values	\$ -	\$ -	\$ -	\$ -	\$ -

# Exhibit B, Attachment 1: Phase 1 Work Plan

Values										
File	Grouping	Cost Center	Number	WIP	Description	Sum of Total 2015	Sum of Total 2016	Sum of Total 2017	Sum of Total 2018	Sum of Phase 1 Total
32	NEW	Water	32	NEW	Task 8.3 Water Quality Priorities & Relative Values	\$ -	\$ -	\$ (49,147)	\$ -	\$ (49,147)
					Task 8.4 WSIP RFI Comment Response	\$ -	\$ -	\$ (85,000)	\$ (96,897)	\$ (181,897)
					Tak 8.5 WSIP: CWC Coordination	\$ -	\$ (7,000)	\$ (22,914)	\$ -	\$ (29,914)
			32	Existing	Feasibility Report, TO #4 (Task 11 & 12)	\$ -	\$ (61,539)	\$ -	\$ -	\$ (61,539)
					Feasibility Report, TO #4 (Task 13) Colusa Basin Drain Study	\$ -	\$ (18,005)	\$ -	\$ -	\$ (18,005)
			42	Existing	Assess GIS datasets for use in preparing draft EIR/S	\$ -	\$ -	\$ -	\$ -	\$ -
					Update GIS for use in draft EIR/S	\$ -	\$ -	\$ -	\$ -	\$ -
					Water Total	\$ (116,475)	\$ (2,664,686)	\$ (8,139,969)	\$ (2,603,441)	\$ (13,524,571)
					Reservoir Total	\$ (117,381)	\$ (2,906,206)	\$ (9,061,402)	\$ (3,037,361)	\$ (15,122,850)
					Grand Total	\$ (117,381)	\$ (2,906,206)	\$ (9,061,402)	\$ (3,037,361)	\$ (15,122,850)

# Exhibit B, Attachment 2: AMENDED Phase-level Schedule Plan



**EXHIBIT C:**  
**NOTIFICATIONS**

Project Agreement Member Addresses in accordance with Section 14 of the Agreement:

Effective Date: Nov 21, 2016

4M Water District  
P.O. Box 338  
Maxwell, CA 95955

City of American Canyon  
4381 Broadway, Suite 201  
American Canyon, CA 94503

Antelope Valley-East Kern WA  
6500 West Avenue N  
Palmdale, CA 93551

Carter MWC  
4245 River Road  
Colusa, CA 95932

Castaic Lake Water Agency  
27234 Bouquet Canyon Road  
Santa Clarita, CA 91350

Colusa County  
547 Market St., Suite 102  
Colusa, CA 95932

Colusa County Water District  
P.O. Box 337  
Arbuckle, CA 95912

Cortina Water District  
P.O. Box 489,  
Williams, CA 95987

Coachella Valley Water District  
P.O. Box 1058  
Coachella, CA 92236

Davis Water District  
P.O. Box 83  
Arbuckle, CA 95912

Desert Water Agency  
1200 South Gene Autry Trail  
Palm Springs, CA 92264

Dunnigan Water District  
P.O. Box 84  
Dunnigan, CA 95937

Glenn-Colusa Irrigation District  
P.O. Box 150  
Willows, CA 95988

Garden Highway MWC  
12755 Garden Highway  
Yuba City, CA 95991

LaGrande Water District  
P.O. Box 370  
Williams, CA 95987

Orland-Artois Water District  
P.O. Box 218  
Orland, CA 95963

Pacific Resources MWC  
4831 Calloway Drive, Ste. 102  
Bakersfield, CA 93312

Proberta Water District  
P.O. Box 134  
Proberta, CA 96078

Reclamation District 108  
P.O. Box 50  
Grimes, CA 95950

Reclamation District 2035  
45332 County Road 25  
Woodland, CA 95776

San Bernardino Valley Municipal  
Water District  
380 East Vanderbilt Way  
San Bernardino, CA 92408-3593

San Geronio Pass Water Agency  
1210 Beaumont Ave,  
Beaumont, CA 92223

Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118-3686

Western Canal Water District  
PO Box 190  
Richvale, CA 95974

Westside Water District  
5005 State Hwy 20  
Williams, CA 95987

Westlands Water District  
P.O. Box 6056  
Fresno, CA 93703-6056

Wheeler Ridge-Maricopa Water  
Storage District  
12109 Highway 166  
Bakersfield, CA 93313

Zone 7 Water Agency  
100 North Canyons Parkway  
Livermore, CA 94551

**BYLAWS  
OF THE  
SITES PROJECT AUTHORITY  
FOR PHASE 1 OF THE SITES RESERVOIR PROJECT**

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<u>Revision</u>	<u>Effective Date</u>	<u>Status or Authorizing Action</u>
0	Dec 21, 2015	Approved by Sites Project Authority Board for use.



## **1. Relationship: Agreement and Bylaws**

1.1. Agreement: The Sites Project Authority Agreement (Agreement) is the chartering document that defines, among other things:

- The Authority's members and general limitations on membership in the Authority;
- The Authority's powers, with additional powers afforded the Authority specifically associated with both the Joint Exercise of Powers Act and laws applicable to Irrigation Districts;
- The mission, which is specific to the Sites Reservoir Project;
- The Board's officers and other key positions;
- Minimum meeting and voting requirements;
- The adoption or amendment of bylaws.

It is intended to be a living document that will evolve as the project progresses from the current level of planning (Phase 1) through construction and commissioning.

1.2. Bylaws: These Bylaws are to implement and provide further clarity for certain provisions of the Agreement and to provide procedures for administration of the Authority, including, among other things:

- Expands upon the types of parties, companies, and entities that can be non-Authority Members and participate at different 'levels'.
- Clarifies the Authority's role relative to Project Agreements and Authority's ability to delegate some of its authorities to Project Agreement Committees and it expands upon policies in the Agreement that shall be used for the daily operations and management of the Authority and Project Agreement Committees to complete the Authority's mission.
- Defines the Authority's mission.
- Expands upon roles and responsibilities of Board officers and Project Agreement Committee lead positions.
- Expands upon the voting requirements for specific types of actions either the Board or a Project Agreement Committee will make.

It is intended to guide the work of the Board and staff of both the Authority and Project Agreement Committees and to serve as a living document, to be revised as the organizational needs evolve. Furthermore, from these Bylaws, procedures will be developed for Board approval and then use as an aid to managing the Sites Reservoir Project.



- 1.3. Conflicts between Agreement and Bylaws: Should one or more provisions of these Bylaws be in conflict with any portion of the Agreement, the Agreement shall take precedence.
- 1.4. Severability: If one or more clauses, sentences, paragraphs or provisions of these Bylaws be held to be unlawful, invalid or unenforceable, the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid, and enforced to the maximum extent possible.
- 1.5. Amendments of Bylaws: As provided at Section 8.2 of the Agreement, these Bylaws may be amended only by an affirmative vote of at least seventy-five percent (75%) of the total number of Directors.

## **2. Sites Project Authority's Mission, Vision & Values**

- 2.1. Mission: (Restatement). "[T]o be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the state's water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta."

### 3. Definitions

- 3.1. Board: The governing body of the Authority, composed of each Authority Member's delegate (or its respective alternate if the delegate is not present).
- 3.2. Material Change: Where the variance between a parameter of the Project Baseline and the forecast exceeds the Board-approved threshold, as described in Section 12 below.
- 3.3. Member is either an Authority Member, or other type of Member provided for at Section 7 below, and is either:
  - 3.3.1. A public agency that has either land use authorities or is a water agency that (a) is signatory to the Sites Project Authority Agreement (as amended) and (b) meets the requirements of the California Water Code §79759 (a) and (b), *or*
  - 3.3.2. A public agency that (a) is contributing to the financing of the Sites Reservoir Project and (b) meets the requirements of the California Water Code §79759 (b).
  - 3.3.3. Public agencies whose primary service area or boundaries are located *within* the Sacramento River watershed as defined in California Water Code §79759 (a) are designated as **Type A** while Members whose primary service area or boundaries are located *outside* of the Sacramento River watershed as defined in California Water Code §79759 (a) and meet the requirements of California Water Code §79759 (b) (i.e. not for-profit) are designated as **Type B**.
- 3.4. Non-Member Participating Party: A party, company, or entity that does not meet the requirements of a Member and is not a Member, yet is deemed by the Board able to participate by contract in advancing or supporting at least one element of the Sites Reservoir Project; such as, but not limited to, the development of hydropower – both traditional and/or renewable pumped-storage.
- 3.5. Phase: Implementation of the Project has been divided into at least five (5) phases that coincide with major milestone processes relative to the Project's schedule: (1) Through award of a Proposition 1 grant, (2) Certification of Environmental Impact Report and Statement, (3) completion of final design and pre-construction activities, (4) construction and commissioning, and (5) Project close-out, which includes repayment of debt and transfer of responsibilities to an operating entity.

For the Authority to accomplish its mission in an efficient and cost-effective manner, the start of a successor phase may overlap with the completion of the predecessor phase. Such overlap shall require Board (or Project Agreement Committee if this authority has been delegated by the Board to the Project

Agreement Committee) approval, since it affects annual operating budgets and the respective Member's funding commitments.

- 3.6. Project Agreement: The requirements of the Agreement, as more fully described at Section 5 below, generally as follows:
- 3.6.1. Each Project Agreement is a contract between and among the Authority and some or all of the Authority's Members and may also include other types of Members (described at Section 7 below)(including, where deemed appropriate by the Board, Non-Member Participating Parties), who collectively will provide for the undertaking and sharing in the costs and benefits of activities authorized by the Board in connection with the development of either (a) capital works or facilities that may include the issuance of long-term debt or (b) expense related activities that support the Authority in completing its mission.
  - 3.6.2. The formation, termination, or amendment of a Project Agreement is contingent upon the Board's approval.
  - 3.6.3. Each Project Agreement shall specify the authorities delegated by the Authority to each Project Agreement's Committee, which may also include (1) identification of specific thresholds constituting a material change and/or (2) specific voting thresholds applicable to specific topic areas.
- 3.7. Project Agreement Committee: The decision-making body responsible for implementing a Project Agreement and compliance with the Project Agreement's terms and conditions.
- 3.8. Project Baseline: The Authority's proposed Sites Reservoir Project ("Project") from which proposed changes are compared against to determine if a material change (refer to Section 12) may result. It includes (a) the scope of work (i.e. proposed facilities and their operations and environmental mitigation measures and/or compliance obligations, (b) schedule and the sequencing of work and resources, (c) costs in terms of the approved operating budget, fiscal year and phase-level budget targets, and financing of both short-term and long-term debt, (d) quality of the physical assets as well as the operational reliability and performance, and (e) risk assignment and allocation of risks.
- 3.8.1. Phase 1 and 2: Until the Authority's proposed project is approved by the Board, the Authority will endeavor to estimate a 'mid-point' of the alternatives already developed and analyzed in the pre-administrative draft EIR/S that was prepared by the California Department of Water Resources (DWR) with input from the United States Bureau of Reclamation (USBR).
  - 3.8.2. Phases 3 through 5: The Project as documented in the joint Environmental Impact Report and Statement (EIR/S) that has been certified by the

Authority, will be permitted by the California Division of Safety of Dams (and potentially the Federal Energy Regulatory Commission), and from which permits for construction and operation will be obtained.

- 3.9. Prospectus Model: A cost management tool that uses (a) key Project parameters such as the estimated cost at completion; estimated water supply benefits in terms of annualized yield; and, if applicable, estimated potential power benefits associated with renewable energy generation and (b) estimates of financing cost, inflation and time value of money to calculate an estimated annualized cost/acre-ft. From these results, the funding commitment required by each Member will be developed. This tool will be used quarterly and throughout all of the Project's Phases as an aid for Members to determine their level of participation in the financing of the Project. As the Project evolves, (1) this tool will be updated to incorporate the current Project Baseline conditions and assumptions and (2) be used to analyze Material Changes relative to the results calculated for the Project Baseline to estimate the financial impacts (both positive and negative) to the Members.

A similar model may be developed to manage cost allocation for other types of project benefits, such as, but not limited to renewable power generation.

- 3.10. Re-balancing Process: A process used to transition from a predecessor phase to the successor phase affecting Members participation in terms of funding and financing of the Project as well as the level of benefits to be received from an operational Project. The process is described further in Section 14.

## **4. Board of Directors and Officers**

In addition to the primary requirements, which are defined in the Agreement, the following additional requirements shall also apply:

- 4.1. Role of Board: To provide the overall policy direction and consider approval of activities and actions of the Authority, including approval of the following matters:
- For the Proposition 1, Chapter 8 grant, be the applicant and manage compliance with the terms and conditions of its award.
  - Be the CEQA lead agency and work with USBR as the NEPA lead agency to effectively manage the environmental review process.
  - Hold title to the water rights issued by State Water Resources Control Board (SWRCB).
  - Be the owner of record as it related to dam safety requirements and regulatory obligations.
  - Be the applicant for all applicable permits and manage compliance with the respective terms and conditions.
  - Review decisions at Project Agreement level to ensure they are in the best interest of the Sites Reservoir Project.
  - Acquire property, easements and rights-of-way.
- 4.2. Minimum Qualifications: Directors shall be a designated representative from their respective Authority Member who is in good standing as defined at Section 8.1. An Authority Member's designated alternate is not eligible to be candidate for an Officer position. Additional requirements for officers are provided under each position's roles and responsibilities. If an Officer is the designated representative of an Authority Member that is not in good standing and that Authority Member's voting rights have been suspended as provided at Section 7.3 of the Agreement, then that Officer shall no longer be eligible to serve as an Officer of the Authority and the Board shall make an appointment for the remaining duration of that office.
- 4.3. Officer Term Limits: Board officers shall serve a term that does not exceed one year in duration. A Board officer is not precluded from holding consecutive terms.
- 4.4. Election of Officers: Elections shall occur annually, at the regularly scheduled Board meeting in February, or if for any reason the election does not occur, then at the next meeting of the Authority. Absentee votes shall not be considered. For each position, the candidate receiving the majority vote from the Authority Members present shall be the successful candidate. Officers shall

assume office upon their election and shall serve until their successor is elected.

4.5. Officer Vacancy: Should an officer position become vacant, the Board shall make an appointment for the remaining duration of the vacated position's term.

4.6. Treasurer's Roles and Responsibilities:

- Shall meet or exceed the requirements of Government Code Section 6505.5; the Authority to secure a bond for the position;
- Either has or provides oversight to Authority staff who have a background in accounting, budgeting, or finance;
- Make recommendations to the Board on selection of the auditor and oversee the preparation of an annual audit;
- Ensure auditor's reports are filed as required by law:
  - (a) "as a public record with the Auditor of the County where the Authority is domiciled, consistent with Section 6505 of the Act";
  - (b) with each agency that is a Member or an advisory member;
  - (c) with the California Secretary of State or State Controller within twelve months of the end of the fiscal year; and
- Oversight of the annual budget preparation in accordance with Board direction and the Board's approval of the budget.
- A copy of the audit will be provided to each Member and Non Member Participating Party.

4.7. Secretary's Roles and Responsibilities:

- Oversight of board agendas, minutes, and board meeting's protocol; and
- Oversee Member (and their representatives) compliance with requirements of the Agreement and Bylaws.

4.8. Location: The Sites Project Authority's principle place of business and mail address are:

Physical Address:

122 West Old Highway 99  
Maxwell, CA 95955.

Mail address:

P.O. Box \_\_\_\_  
Maxwell, CA 95955

## **5. Project Agreement Committee Leadership and Administrative Process**

- 5.1 Establishment of Project Agreement Committee: Each Project Agreement will include the establishment of a Project Agreement Committee. The Project Agreement shall state the scope of work to be accomplished by the Project Agreement Committee. The Project Agreement may also include delegations of authority necessary to accomplish the scope of work. The Project Agreement may also define thresholds for material change that if exceeded require approval of both the Board and the respective Project Agreement Committee.
- 5.2 Appointment of Committee: Members and Non-Member Participating Parties of a Project Agreement in good standing shall appoint their respective representative to the Committee who is either an active member of the Member's board of directors or is a duly appointed senior-level staff have been delegated the authority from the Member to make decisions on the Member Agency's behalf.
- 5.3 Committee Leadership: At least two Authority Members are required to execute the Project Agreement and provide a representative to serve on each Project Agreement Committee along with the Authority's General Manager. In preparing each Project Agreement, the decision-making structure will be defined by the Board; taking into account factors such as, but not limited to, the project's complexity, risk, cost, and entities requesting to become signatory to each Project Agreement. The Project Agreement shall, at a minimum, provide for appointment of a Committee Chair, whose responsibilities are similar to those of the Board Chair. Where the estimated scope of work exceeds \$200,000., the Project Agreement Committee shall also appoint a Committee Treasurer whose responsibilities are similar to those of the Board Treasurer. The Committee Treasurer may be the Authority Treasurer, or if not, shall serve under the general supervision of the Authority Treasurer.
- 5.4 Leaders Term Limits: Project Agreement Committee leaders shall serve a term that does not exceed one year in duration. They are not precluded from holding consecutive terms.
- 5.5 Election of Committee Leaders: Elections shall occur annually, no later than the end of the third quarter of the year in which the term for the position expires. The election shall occur at a regularly scheduled Project Agreement Committee meeting. Absentee votes shall not be considered. For each position, the candidate receiving the majority vote from the Committee members present shall be the successful candidate.



- 5.6 Committee Leader Vacancy: Should a Leader position become vacant, the Project Agreement Committee shall make an appointment for the remaining duration of the vacated position's term.
- 5.7 Quorum and Voting of the Project Agreement Committee
- 5.7.1. A majority of the Committee members representing Members and Nonmember Participating Parties that have executed the Project Agreement shall constitute a quorum for a Project Agreement Committee.
- 5.7.2. Routine Matters or Non-Material Change Items Before the Project Agreement Committee: Unless otherwise authorized by the Board and provided for Project Agreement, the Committee members representing both the Members and Non-Member Participating Parties that have executed the Project Agreement shall take action only upon an affirmative vote of a majority of the total number of Committee members. Each Committee member shall have one vote.
- 5.7.3. Material Change Items Before the Project Agreement Committee: Unless otherwise authorized by the Board and provided for in the Project Agreement, and based on the thresholds established in these Bylaws regarding a Material Change (Section 12), the Committee members representing both the Members and Non-Member Participating Parties that have executed the Project Agreement shall take action only upon an affirmative vote of at least seventy-five percent (75%) of the total number of Committee members. Each Committee member shall have one vote.
- 5.8 New Parties: In preparing each Project Agreement, the process to appoint new parties to the Project Agreement, including appointing a new member taking the place of a withdrawing or terminated Member, will be defined, taking into account factors such as, but not limited to, but not limited to, compliance with California Water Code § 79759.
- 5.9 Phase 1 Project Agreements: For Phase 1, the intent is to expeditiously develop a Project Agreement, and until such Project Agreement is executed, the Board shall direct the activities of Phase 1.
- 5.10 Member's Election to withdraw: Should a Member or Non-Member Participating Party of a Project Agreement elect to withdraw their participation in any executed Project Agreement, the Member shall submit their written intent and explanation for their decision to the Project Agreement Committee Leader and Board Secretary. The notification shall also identify an effective date that does not precede the latest date received by either the Project Agreement Committee Leader or the Board Secretary. A withdrawing Member or Non-Member Participating Party shall be responsible for costs and liabilities beyond the effective date of its withdrawal, as prescribed under the Project Agreement.

5.11. Termination of a non-Authority Member by the Authority. A Project Agreement may be terminated with respect to any non-Authority Member or Non Member Participating Party upon an affirmative vote of the Board of Directors consisting of at least seventy-five percent (75%) of the total number of Directors. Prior to any vote to terminate this Agreement with respect to a non- Authority Member or Non Member Participating Party, written notice of the proposed termination and the reason(s) for such termination shall be presented at a regular Board meeting with opportunity for discussion. The non-Authority Member or Non Member Participating Party subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote. The terminated non-Authority Member or Non Member Participating Party shall be responsible for costs and liabilities beyond the date of termination, as may be prescribed under the Project Agreement.

5.12 Each Project Agreement involving agreements with third parties providing for the acquisition, construction, or management of the Project shall include provisions to provide for allocation of available sales and use tax revenues to the County of Colusa or County of Glenn to the greatest extent provided by law, depending on the situs of the work or activity.

## 6. Common to Board of Directors and Project Agreement Committee Leadership Positions

- 6.1. Conflict of Interest Code: Each Director of the Board and their delegated alternate and each Member's representative serving on a Project Agreement Committee shall timely file Statements of Economic Interest as required by the Authority's Conflict of Interest Code.
- 6.2. Compensation: For at least Phase 1, no compensation shall be granted by the Authority to (a) any Director of the Board or a Member's delegated alternate or (b) any representative to a Project Agreement Committee's. When travel has been pre-approved by either the Authority or Project Agreement Committee's Leadership, respectively the representative is eligible to recover reasonable travel and related expenses.
- 6.3. Roles in Key Categories: The following chart summarizes various activities to be carried out or overseen by the Board and Project Agreement Committees:

<b>Category (&amp; minimum frequency)</b>	<b>Authority Board</b>	<b>Project Agreement Committee Leadership</b>
Implementation of the Sites Reservoir Project (ongoing).	Provide timely policy direction.  Be the Project's strongest advocate.	Provide Authority with timely and accurate input.
Member's and staff's compliance with applicable chartering document (annually)	Compliance with Agreement & Bylaws	Compliance with Project Agreement
Approve operating budget and Phase-level target budgets (annually)	Authority's cost plus the roll-up of budget requests from each executed Project Agreement	Project Agreement
Insurance requirements, and financing plan on an annual basis (annually)	Maintain at Project level	
Organizational structure and assess the organizational effectiveness (annually).	Maintain at Project level  Review Board and Committee performance  Evaluate the effectiveness of policies and/or standards,	Maintain at Project Agreement level. Provide Authority with timely and accurate input.

<b>Category (&amp; minimum frequency)</b>	<b>Authority Board</b>	<b>Project Agreement Committee Leadership</b>
	Performance of the General Manager, Accountant, Chief Legal Counsel, and other key staff positions	
Maintain delegations of Authority for decision-making effectiveness (annually)	Maintain at Project level.	Maintain at Project Agreement level.
Risk assessment and risk management and quality assurance and quality control (periodic)	Maintain at Project level. Determine frequency for risk assessments and quality audits.	Provide Authority with timely and accurate input.
Compliance with significant regulatory requirements, governance matters, and litigation (annually)	Assess at Project level.	Provide Authority with timely and accurate input

## **7. Membership Types**

### **7.1. General:**

- 7.1.1. The Board retains its sole discretion to (a) offer membership to an agency, entity, party, or company ("requestor") who requests to participate in the Project, as further provided at Section 3.3 of the Agreement, and (b) to determine what if any membership type is applicable for the requestor. Should the Board elect to offer a membership type, the requestor shall then be required to (1) execute both an election to participate form and applicable agreements and (2) comply with the Agreement, Bylaws, and if applicable, Project Agreements.
- 7.1.2. All participating party's funding commitments must be based on the results of the Prospectus Model at the time the analysis is performed. The methodology used to create the Prospectus Model utilizes the time value of early financial contribution to the Authority. This model will be utilized quarterly and be used as the basis for estimating the cost for new Members and during the Re-balancing Process for all members, including those electing to change their level of participation.
- 7.1.3. A participating party's interests through the Authority and/or a Project Agreement cannot be assigned without written pre-approval by the Board.

- 7.2. Authority Member: A public agency that is signatory to the Agreement. They are required to be located within Sacramento River watershed that has either (1) land use authority or (2) is a duly recognized water agency, and complies with the joint powers authority ("JPA") membership requirements of California Water Code §79759 (a) & (b). Agencies that elected to participate and provide financial support to the Authority prior to October 30, 2015, may also be referred to as Founding Members.

Eligibility to join as an Authority Member, at the Board's sole discretion, as further provided at Section 3.3 of the Agreement, may be extended to a non-profit mutual water company that complies with the joint powers authority ("JPA") membership requirements of California Water Code §79759 (a) as it relates to being located within the Sacramento River watershed and California Water Code §79759 (b) as it relates to being a non-profit company.

Financial Contribution: Pro-rata cost share of either the Authority's cost and/or the pro-rata share of cost for each executed Project Agreement.

#### Attributes of an Authority Member:

- Eligible to be represented on the Board.
- Eligible to also be represented on a Project Agreement Committee. An Authority Member's representative may be an officer on a Project Agreement Committee.

- Eligible to provide in-kind (and/or other) services if pre-approved by the Board.

7.3. Project Agreement Members: Such members shall be either (1) a public agency that meets the requirements of California Water Code Section 79759(a) or (b), that has as its sole or a principal power the supplying of water (and/or power) to other entities or to retail water (and/or power) users which is a Type A Member or a Type B Member, or (2) a non-profit mutual water company that complies with the non-profit JPA membership requirements of California Water Code § 79759 (b). It must be willing to execute at least one Project Agreement.

Attributes of a Project Agreement Member:

- Eligible to be a member on either a Project Agreement Committee. Can be an officer on the Committee.
- Eligible to provide in-kind (and/or other) services if pre-approved by the Board.

Such Project Agreement Members shall be within one of the following categories, depending on their affiliations with the Authority, and resulting financial contributions as follows:

7.3.1. Project Agreement Member Type I are Members which do not otherwise have a direct or indirect affiliation with the Authority, as compared to Types II and III described below.

Its financial contribution shall be for each Project Agreement executed such Member will contribute its pro-rata share of project costs. It receives benefits based on the time it joined, executing Project Agreements, and will be required to either pay an 'annexation' fee to offset the prior investment made by other Members, or have a reduced participation relative to prior Members.

7.3.2. Project Agreement Member Type II is an entity that is a member of another JPA (or equivalent group or collective), whereby the other JPA (or equivalent group or collective) is either an Authority or Project Agreement Member in good standing. [Example, members of TCCA] Regarding its financial contribution, since it provides its pro-rata cost share to the Authority through the other JPA (or equivalent group or collective), no additional funds are directly provided by such a Project Agreement Member II to the Authority.

7.3.3. Project Agreement Member Type III is an entity that has, via an independent contract, agreed to allow another agency, who is either an Authority Member or Project Agreement Member in good standing, to represent their interests on either the Authority's Board and/or a Project Agreement Committee, respectively.

- 7.4. Associate Member: Either (1) a public agency that has as its sole or a principal power the supplying of water (and/or power) to other entities or to retail water (and/or power) users that also meets the joint powers authority membership requirements of California Water Code § 79759 (a) & (b), but elects to accept an advisory role from the Authority or (2) a non-profit mutual water company that complies with the non-profit JPA membership requirements of California Water Code § 79759 (b), but elects to accept an advisory role from the Authority.

Financial Contribution: An annual contribution of \$5,000.

Attributes of an Associate Agreement Member:

- Eligible to become a member of the Consultation (advisory) Committee.
- Eligible to provide in-kind (and/or other) services if pre-approved by the Board.

- 7.5. Non-Member Participating Party: "An agency, entity or company, that does not meet the JPA membership requirements of California Water Code § 79759 (b) regarding for-profit corporations, including certain types of mutual water companies, and is not a Member of the Authority, but is deemed eligible by the Authority to participate by contract on certain elements of the Project that will not receive public funds per California Water Code Division 26.7 (§ 79700 et seq.) such as, but not limited to, renewable power generation." (Restatement from Agreement section 1.7).

Financial Contribution: For each Project Agreement executed, the pro-rata share of costs.

Attributes of Participating Party: Conditioned upon meeting certain eligibility requirements.

- An agency or company may be eligible to participate on a Project Agreement.
- A Mutual Water Company or private company may be eligible to participate on a Project Agreement.
- Allows a qualified energy developer to participate on a Project Agreement specifically executed to provide hydroelectric power including traditional and pumped-storage.

- 7.6. Ex Officio:

The California Department of Water Resources (DWR), which is required by law to be an ex officio member of a joint powers authority for the purposes of California Water Code § 79759 (b) shall be a non-voting member of the Authority and/or Project Agreement Committee.





## **8. Members & Non-Member Participating Parties - Common Requirements**

8.1. Good Standing: To actively participate in the respective decision-making authorities, each Member and Non-Member Participating Party is required to comply with the following conditions:

- 8.1.1. Compliance with the terms of the Agreement and these Bylaws as well as the policies and/or procedures the Board may adopt;
- 8.1.2. Compliance with any Project Agreements it has executed;
- 8.1.3. Providing timely payment of the Member's or Non-Member Participating Party's pro-rata share of costs;

Failure to remain in good standing may subject the Member or Non-Member Participating Party to disciplinary action that, at the discretion of the Board and/or applicable Project Agreement Committee, may include suspension of voting rights as provided at Section 7.3 of the Agreement and/or removal from either the Authority and/or Project Agreement(s), respectively.

8.2. Change in Representation: Should a Member or Non-Member Participating Party elect to name a different person to represent them either on the Board and/or on any Project Agreement Committee, the change shall be provided in writing to the Secretary. The written notification shall also include an effective date.

8.3. Conflict of Interest: The Authority has adopted and may from time to time amended its Conflict of Interest Code adopted pursuant to the Political Reform Act of 1974, California Government Code Section 87000, et seq., and regulations adopted by the Fair Political Practices Commission set forth in Title 2, California Code of Regulations. Designated Positions" under said Conflict of Interest Code shall comply with such Code and Political Reform Act and other applicable laws.

## **9. Committees**

- 9.1. Common: Each committee of the Authority shall have a chartering document approved by Board, which will include, among other things, quorum and voting requirements for conduct of the committee.
- 9.2. Board Committees:
  - 9.2.1. Each committee of the Board shall be comprised of at least three (3) and no more than five (5) Authority Members.
  - 9.2.2. Standing Board Committees: The Chair may elect to create standing committees as necessary to ensure successful completion of the Authority's mission.
  - 9.2.3. Ad-Hoc Board Committees: The Chair may elect to create Ad-Hoc committees to address specific issues or area of concern to the Board.
- 9.3. Project Agreement Committees: The purpose is to manage each Project Agreement as provided for in Section V of the Agreement and Section 5 of these Bylaws. The Project Agreement shall be the chartering document the Project Agreement Committee shall use to perform the work consistent with the requirements of the Agreement and Bylaws.
- 9.4. Consultation Committee: The purpose of the Consultation Committee is to serve as an advisory committee in order to maximize transparency regarding the decision-making process and facilitate the exchange of information; provide opportunity for comment, input, and recommendations; and ensure meaningful discussions regarding the rationale for decisions and the outcomes that result.
  - 9.4.1 The Board shall approve a charter document for the Consultation Committee which shall include, among other things, the scope of its activities and quorum and voting requirements for conduct of the Committee. The Board shall approve and may modify from time to time the composition of the Consultation Committee, based upon interest expressed by various interested entities, and may include representatives from any of the following which wish to help advance the mission of the Authority (i) any public agency that has as its sole or principal power supplying water and/or power to other entities or to retail users, (ii) any non-water and non-water public agency, (iii) any mutual water company, and (iv) any non-profit governmental organization (NGO).
  - 9.4.2 The Consultation Committee will meet on a regular basis to exchange information and provide input concerning upcoming decisions expected to be made by the Authority. Consultation Committee members will not have a seat on the Board and will not vote on matters before the Authority, but will

- have an opportunity to inquire about relevant matters, be apprised by the Authority of issues of interest, and make recommendations concerning pending decisions.
- 9.4.3 The General Manager shall participate in an ex office capacity and to provide the Consultation Committee with access to information relevant to the committee's agenda items.
- 9.4.4 The Consultation Committee shall periodically provide reports to the Board on its activities.
- 9.4.5. Financial Contribution: An annual contribution of \$200. The Board may, from time to time, change the annual dues for participation in the Consultation Committee and or waive the annual dues should an eligible entity wishing to join demonstrates to the Boards satisfaction that a hardship condition exists.

## **10. The Authority's Powers and/or Authorities**

- 10.1. Non-Delegated Authorities: While (a) Section VI of the Agreement includes the intent to use Project Agreements to accomplish the Authority's mission and (b) each Project Agreement shall specify the power delegated from the Authority, for Phase 1, the following powers shall remain with the Board unless these Bylaws are amended as provided for in the Agreement:
- 10.1.1. Applicant for the Proposition 1, Chapter 8 grant funds.
  - 10.1.2. Lead agency with the SWRCB for the water rights application. Furthermore, the Authority will hold title to the water rights granted by the SWRCB.
  - 10.1.3. The Authority serving as Lead CEQA Agency for the Project.
  - 10.1.4. Acceptance of permit conditions, specifically those associated with NEPA/CEQA compliance to achieve less than significant classification, ESA/CESA compliance, Section 10 of the Rivers and Harbors Act, NHPA § 106/SHPO and compliance with the Clean Water Act.
  - 10.1.5. Responsibility for compliance with applicable dam safety requirements such as California Division of Safety of Dams and Federal Energy Regulatory Commission.
  - 10.1.6. Engagement and outreach with tribal representatives, elected officials, the general public, and advocacy organizations (e.g. NGOs).
  - 10.1.7. Lead any efforts to (a) acquire land and rights-of-way and (b) obtain additional financial contributors.
  - 10.1.8. Determination of Material Changes affecting the annualized water supply and costs expected from development of the Sites Reservoir Project.
  - 10.1.9. Determination of Material Changes to the facilities associated with the reservoir that could result in either an increased schedule greater than one year and/or increase construction costs greater than 10%.
  - 10.1.10. Development of renewable power or pumped-storage beyond the pre-feasibility-level planned.
  - 10.1.11. Oversight of (a) employees and (b) consultant contracts.
  - 10.1.12. Overall cost management to ensure obligations or commitments remain within (a) each annually approved operating budget and (b) the phase 1 cost target.
  - 10.1.13. Establishing a decision-making threshold for specific topic areas likely to be addressed by the Project Agreement's Committee.

## **11. Delegations of Authority**

### **11.1. To A Project Agreement Committee:**

- 11.1.1. This section consolidates requirements of Section VI of the Agreement with additional clarifications.
- 11.1.2. Limited Liability: Each Project Agreement shall include the requirements of Agreement Sections 5.9 and 6.3.

### **11.2. To the General Manager. The following is delegated to the General Manager subject to oversight by the Board:**

#### **11.2.1. Outreach and Engagement:**

- a. Serve as the primary advocate and voice of the Authority in all activities related to advancing surface water storage and enhanced water supply reliability in the Sacramento River watershed, and primarily Sites Reservoir.
- b. Advocate with local, state, and federal agencies as well as the regulatory and environmental sectors.
- c. Represent the Sites Project Authority to enhance the organization's profile as a leader in the storage debate.
- d. Conduct official correspondence on behalf of, and jointly with, the Board when appropriate.

#### **11.2.2. Cost Management:**

- a. Manage the Board-approved annual operating budget to ensure positive cash flow and track variances against both the phase-level budget target and total project cost, which includes an estimate of the finance cost.
- b. Obtain additional funding partners and investors in the Sites Reservoir Project.

#### **11.2.3. Execute professional services contracts in accordance with the following:**

- a. Board approved Master Services Agreements (MSAs) where the commercial terms but no scope or cost have been assigned.
- b. Task Orders for MSAs where the scope of work and cost has a value that does not exceed the line-item amount in the approved operating budget and is less than \$500,000.
- c. Other professional services agreements (i.e. commercial terms plus scopes of work and not-to-exceed cost) having a value that does not exceed the line-item amount in the approved operating budget and is less than \$100,000.

- 11.2.4. For expenditures that are not specific line items in the Board-approved annual operating budget, the General Manager is authorized to spend up to \$5,000, so long as a positive cost variance to the Board-approved annual operating budget is forecast.
- 11.2.5. Administration: Annually, review and evaluate the performance of and report same to the Board:
- a. key staff positions;
  - b. consultant contracts and their key personnel;
  - c. The Managers' workgroup, which the General Manager shall chair.

## **12. Material Change - Applicable for Phase 1**

- 12.1. These provisions shall apply both to decisions by the Board and Project Agreement Committee(s).
- 12.2. As the Sites Reservoir Project progresses through each of the planned project phases, what constitutes a Material Change along with the associated thresholds for Material Change may require amendment to these Bylaws. For Phase 1, should a question arise regarding a change being deemed material, the Board shall make the final determination.
- 12.3. Decisions affecting the following topic areas constitute a Material Change applicable for Phase 1 as measured either qualitatively or quantitatively as a change from the Project Baseline:
  - 12.3.1. An increase in the projected Phase 1 budget target greater than 5% of the approved Phase 1 budget target.
  - 12.3.2. Any projected overrun to the approved total annual operating budget or transferring funds between line-items in the approved operating budget that is greater than \$50,000.
  - 12.3.3. The eligibility of the Authority to receive grant funding from Proposition 1, chapter 8.
  - 12.3.4. Water rights and/or annualized yield of the Sites Reservoir Project changing by more than 5% of the total annualized yield or changes the proposed split between water supply benefits and Proposition 1 defined public benefits by more than 5% from the Baseline Project.
  - 12.3.5. An individual Member's or Non-Member Participating Party's election to reduce their commitment to either (a) fund the Authority and/or (b) for the Reservoir cost center, reduce its water commitment as measured in acre-feet by more than 25% that does not occur during the re-balancing process. Should such a change occur outside of the re-balancing process, the Board may elect to use the Dispute Resolution Process to resolve concerns or potential injury caused by such a change in participation.

During the re-balancing process, a Member's or Non-Member Participating Party's decision to change its position does not constitute a Material Change and the Dispute Resolution Process shall not apply.
  - 12.3.6. Changes affecting the ability to obtain dam safety related permits in a timely and cost-effective manner.
  - 12.3.7. Changes to the Project's scope that significantly changes the operations of existing conveyance assets owned and/or operated by Members and/or other entities relative to the Project Baseline.

- 12.3.8. Changes to the Project's scope that significantly changes the amount of power needed to operate and/or the amount of pumped-storage capability relative to the Project Baseline.
- 12.3.9. Changes causing the direct construction cost to increase or decrease more than 10% excluding inflation and escalation in material costs.
- 12.3.10. Changes causing the construction schedule to increase more than 6 months or require construction means and methods that may not comply or require extreme measures to comply with OSHA requirements.
- 12.3.11. Changes having the potential to shift significant risk from either (a) a Project Agreement to the Authority (or vice versa), (2) from one Project Agreement to another, and/or (3) from one participant to another. Absent defined thresholds, the Board has the discretion to determine, on a case by case basis, if a Material Change has occurred.
- 12.3.12. Causing the mitigation for construction and/or operations that changes the baseline estimated cost by more than 10%.
- 12.3.13. Affecting the acquisition cost or schedule of land, easements, or rights-of-way by more than 10% from the baseline estimate cost and/or increases the line-item schedule duration by more than 6 months.
- 12.3.14. Changes materially affecting the powers of the Authority, a Member, the State of California, the Federal Government, or a federally recognized Tribal organization.



### **13. Integration of Decisions - Authority Board & Project Agreement Committees**

- 13.1. Material Change: Each Project Agreement will identify topic areas that constitute a Material Change and associated thresholds that are consistent with the Agreement and Bylaws and incorporate the Board's delegation of powers, if any, to the Project Agreement Committee. Approval of actions to respond to a Material Change requires the approval of both the Board and the Project Agreement Committee before the action can be implemented. If either decision-making entity does not approve the change, then the dispute resolution process will be invoked if timely requested as provided below.
- 13.2. Non-Material Changes: Approval of actions that are deemed by Project Agreement Committee and the General Manager to not result in a Material Change do not require the approval of the Board before the action can be implemented.
- 13.3. Dispute Resolution Process: Early identification of items that may potentially result in a Material Change is essential. It is the responsibility of any Project Agreement Committee Leaders and Members' or Non-Member Participating Party's representatives, regardless of membership type, to elevate a concern that they believe could result in a Material Change – either in the short-term (e.g. affecting an approved operating budget or schedule) or longer-term (e.g. affecting the current phase-level budget target or successor phase-level budget target or schedule). Concerns shall be brought directly to the General Manager's attention.
- 13.3.1. The party that has identified a potential Material Change shall, within fifteen (15) days of the event, provide the General Manager with the basis for its concern along with a qualitative estimate of the severity (i.e. impact to the project) and consequence (i.e. probability of occurrence). The General Manager shall further investigate the merits of the concern and should the General Manager deem the item is likely result in a Material Change, to, at a minimum, notify the Project Agreement Committee and Board with the assessment results and identify potential remedies. Should the party that has identified a potential Material Change disagree with the General Manager's assessment they should bring the matter up to either the Board or the applicable Project Agreement Committee(s).
- 13.3.2. Should the Board or applicable Project Agreement Committee(s) agree that a Material Change is likely, a recommended strategy and course of action needed to minimize the risk shall be developed. Should the Board's officers and Project Agreement Committee(s) Leadership not reach agreement on a preferred strategy and course of action, which could include a temporary suspension of some or all work until more information is known to reach

agreement, each decision-making body can elect to take action via a vote of the eligible Members.

- 13.3.3. Within 15 calendar days of either the Board's or each of the applicable Project Agreement Committee's having made their respective decision, should the respective decisions result in different solutions, the Board and Project Agreement Committee Leads shall formally meet to resolve the differences.
- 13.3.4. Should the parties involved in taking action under section 13.3.3 fail to reach agreement, the disagreeing parties will submit the dispute to mediation. If the disputing parties cannot mutually agree upon a mediator, each will submit the names of two mediators and the mediator will be determined by lot. The disputing parties will share equally in the cost of the mediator and will bear their own costs of mediation.
- 13.3.5. Should mediation not result in a successful resolution of the dispute, the Project Agreement shall be terminated and the Authority's Board shall call a meeting to determine if the Agreement should similarly be terminated, amended, or if a new Project Agreement should be executed.

## **14. Cost Management:**

### **14.1. General:**

14.1.1. The Authority will utilize cost management, which includes both revenue and expenses, and best management practices for the purpose of efficient management and to facilitate accountability, transparency, and demonstrating the value being created.

14.1.2. The Authority will utilize the Prospectus Model. Its primary purposes are (1) to estimate the eventual debt repayment obligation on a cost/acre-ft. basis as the Sites Reservoir Project advances in response to potential Material Changes that may occur internally (i.e. Board decisions) and/or externally (i.e. future financial market conditions) and (2) to utilize the time value of investment in both the Authority and Project Agreements to insure that later joining Members and/or Non-Member Participating Parties are required to pay sums equivalent to that contributed by Members which joined earlier.

The Prospectus Model will be used (a) initially to establish the Project's target cost/acre-ft. to advance the Project from the current planning (i.e. start of Phase 1) through completion of Phase 5, (b) as an integral part of the decision-making process by both the Authority and/or applicable Project Agreement Committee whenever a potential for a Material Change relative to the Project Baseline is identified, and (c) as part of the Re-balancing Process.

14.1.3. A Cost Center will be created for the Authority and each Project Agreement to create income statements showing both revenue and expenses at both a discrete activity level as well as enable a roll-up of both revenue and expenses to the Project level. Each cost center will also have the ability to differentiate in-kind services from revenue and expenses.

14.1.4. Member's contributions need to accommodate direct funding, use of in-kind services, and the value of reputation/good will; noting that some of these contributions cannot be monetized.

### **14.2. Positive Cash Flow:**

14.2.1. Each Project Agreement (cost center) shall maintain, at all times, a positive cash flow. Unless amended by a majority of member agencies providing financial contributions to a cost center, the positive cash flow will be established based on when approval to commit costs to a specific set of tasks or activities has occurred and not when costs are incurred (i.e. when a consultant task order is approved and not when invoices for the work are received).

For Phase 1, the Board approved, on October 19, 2015, the requirement to maintain at least a six-month reserve to fund the Authority's costs and to

manage the effort to produce the grant proposal using a three-month rolling projection.

- 14.2.2. The Authority shall ensure that each cost center maintains a positive cash flow and there is an appropriate level of reserves for the Project's phase and commensurate with the level of risk and uncertainty. However, the Authority shall endeavor to establish the timing that payments are due from Members and Non-Member Participating Parties in a manner that minimizes the amount of funds in the Authority's account relative to the total incurred cost to date plus projected cost for the next three (3) months.
- 14.2.3. As agencies or entities are invited to become Members or Non-Member Participating Parties and elect to participate by providing financial contributions and/or the financing of applicable cost centers in exchange for the potential benefits, the Authority shall endeavor to re-adjust the funding commitments agreed to by the other Members and Non-Member Participating Parties for both the current annual operating budget as well as subsequent years' budget targets and the phase-level budget target. However, the Board retains the discretion to determine how much of the 'new' revenue should be used to timely fund work verses reduce the funding commitment of the existing Members and Non-Member Participating Parties. The Authority's goal is to complete each Phase in a cost effective manner.
- 14.2.4. The commitment to fund the day-to-day management and administration of the Authority takes precedence over any of the subordinate cost centers. Failure to fully fund the expense cost center used to fund the Authority can result in work stoppages at the subordinate cost center (including, Project Agreements).
- 14.2.5. Prior to the start of each Phase of work, Members and Non-Member Participating Parties need to clearly communicate and commit to, their level of participation in the Project and provide their pro-rata share of costs in a timely manner; recognizing that such changes, especially reductions in participation, will likely shift the cost burden to other Members and Non-member Participating Parties, which therefore needs to be minimized.

#### 14.3. Changing Participation Level:

- 14.3.1. Re-balancing Process: This process occurs only during the transition from the current Phase to the successor Phase, where Members and Non-Member Participating Parties may elect to formally change their respective position<sup>1</sup> in terms of the type of Membership and/or change the unit of measure (e.g. acre-ft.) being used to develop the pro-rata share of Phase-level costs to

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<sup>1</sup> The annual budget process also allows a Member or Non-Member Participating Party to change their membership position and/or change the unit of measure, which is described in Chapter 14.

- each participant in either Authority or in each Project Agreement. The successor Phase cannot start until the re-balancing process has been completed to allow all Members and Non-Member Participating Parties to execute both (a) an Election to participate in the Sites Reservoir Project form and (b) their respective Financial Commitment Agreement with the Authority for the successor Phase.
- 14.3.2. Outside of the Re-balancing Process, a Member and/or a Non-Member Participating Party cannot assign, sell, trade, or exchange all or a fraction of the potential benefits (e.g. acre-feet of water supply., megawatt-hours of power) they expect to receive through their participation in the Authority or through a Project Agreement to anyone who is not already a Member or Non-Member Participating Parties, unless approved in writing by both the Board and applicable Project Agreement Committee. The Board (or Project Agreement Committee if this authority has been delegated by the Board to the Project Agreement Committee) shall only consider those transactions that do not shift a cost-burden or reduce benefits to another Member and/or Non-Member Participating Party and do not otherwise compromise the Authority's mission. Transactions that shift costs or reduce benefits to other Members or Non-Member Participating Parties who are not willing to accept this change can utilize the dispute resolution process to resolve the matter.
- 14.3.3. The annual budget process also allows a Member and/or a Non-Member Participating Party to reduce their position and/or the benefit units (e.g. acre-feet). This occurs during the period when the Board has approved the upcoming fiscal years' budget and Members approve their respective pro-rata share of funding. However, such change produces an unplanned iteration in allocating costs by shifting more costs onto other Members and Non-Member Participating Parties. An iteration could delay revenue to the Authority, which could adversely impact work in progress if it reduces the amount of reserves held by the Authority below Board approved thresholds. Such an impact could affect the Member's or Non-Member Participating Party's ability to remain in good standing.
- 14.4 Should the Board determine that potential hydroelectric power benefits - both traditional and/or pumped storage - result in a similar situation where there are multiple Members or Non-Member Participating Parties interested in acquiring benefits, the Board shall create an equivalent process whereby Members or Non-Member Participating Parties would have a first right of refusal before the benefit could be made available to a third party who has not been involved in the development of the Project.

14.5 Phase-level Cost Management:

- 14.5.1. Prior to the start of each Phase, Members and Participating Parties will be asked to define the level of participation and associated pro-rata share of the costs as managed at the Project Agreement and/or cost-center level. The start of each subsequent phase shall not occur until the Board (or Project Agreement Committee if this power has been delegated by the Board to the Project Agreement Committee) has approved that (a) there is sufficient level of participation and (b) sufficient commitment of funds (i.e. revenue).
- 14.5.2. For each phase, a work plan will be developed that identifies expected annual funding requirements for each fiscal year. As the Project's schedule changes, the work plan and estimated annual funding requirement will be updated for Board's (or applicable Project Agreement Committee's) approval. Both the Phase-level and annual funding requirements shall be developed to the level of detail necessary to allow each Member or Non-Member Participating Party to understand their estimated pro-rata share of costs.
- 14.5.3. During each phase of work, the total Project's cost for the Reservoir (i.e. forecast to complete); which includes contingencies, escalation, and finance costs; shall be managed and tracked relative to the current Board-approved Baseline Project cost target. A Material Change shall require an update to the forecast to complete. These results shall also be reported on a cost/acre-ft. basis using the Prospectus Model and both values shall be provided in a timely manner to the Board and applicable Project Agreement Committee for their respective action and direction to Staff.
- 14.5.4. The Board (or applicable Project Agreement Committee if this authority has been delegated by the Board to a Project Agreement Committee), may decide that other Project benefits, such as renewable power generation, should be managed and tracked using a similar process as defined under Section 14.3.3.

#### 14.6 Budget Management within each Phase:

- 14.6.1. The phase-level work plan and resulting budget target shall be subdivided into annual budget targets that coincide with the Authority's fiscal year, such that the sum of the annual budget targets equals the Phase-level budget target. Both the annual budget target and phase-level budget target shall be provided to each Member and Non Member Participating Party on a periodic basis. The General Manager also shall notify each Member and Non Member Participating Party as soon as possible after a Material Change occurs to warrant an updated projection.
- 14.6.2. Each annual budget target, once approved by the Board (or Project Agreement Committee if this power has been delegated by the Board to the Project Agreement Committee) shall become the operating budget for the current fiscal year.

- 14.6.3. Based on the approved operating budget, invoices requesting payment will be submitted to each Member or Non Member Participating Party. The requirements shall be documented in a Financial Commitment Agreement that is executed between the Authority (or Project Agreement Committee if this authority has been delegated by the Board to the Project Agreement Committee) and each Member. Such Agreement shall itemize the funding requirements to each cost center and identify the date when such payments are due to the Authority.

14.4. In-Kind Services:

- 14.7.1. Phase 1: The California Water Commission has discretion to allow certain costs incurred by an applicant since passage of Proposition 1 in November 2014 through submittal of the application to be counted towards the total project cost that when combined with the projected public benefits will determine the amount of grant funds that can be awarded within the limitations of California Water Code Division 26.7. The Authority will track in-kind services for inclusion into the formula to be used to calculate the total amount of grant funds the Authority is eligible to receive. However, a Member will not receive monetary credit for in-kind services against their pro-rata share of Phase 1 funding.

For work performed prior to Dec 31, 2015, the Authority will work with each Authority Member to document the eligible types of work along with the associated hours and eligible cost. The cumulative Member's input will be included into the Authority's proposal to the California Water Commission.

For work performed effective January 1, 2016, discrete in-kind work activities shall be pre-approved by the Board with the Member being responsibility to track the effort and to provide the Authority with an estimate of the eligible hours and eligible costs. On a semi-annual basis, each Member will provide documentation to the Authority for all eligible in-kind costs incurred for inclusion into the Authority's proposal to the California Water Commission.

- 14.7.2. Future Phases: Pending Board approval, certain in-kind work activities may be counted as part of each Member's financial contribution towards meeting its funding commitments.

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Topic: **Sites Reservoir Project**

**2016 May 24**

Subject: **Phase 1 Proposal to Participate, Attachment 1**

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## **Phase 1 Proposal to Participate Form**

[Santa Clara Valley Water District](#) elects to participate in Phase 1 of the Sites Reservoir Project in the following manner:

- ☒ By checking this box, [Santa Clara Valley Water District](#), certifies that it is:
1. an eligible entity as defined in Proposition 1<sup>1</sup> to be a member of a joint powers authority per CA Water Code § 79759 and will contribute financially to implement the Sites Reservoir Project, which is the CALFED project known as the North of Delta Offstream Storage (NODOS) Project;
  2. electing to participate in the Sites Reservoir Project phase 1 in one of the categories listed below, and
  3. agreeing to be a member in good standing and comply with the terms and conditions of the Sites Project Agreement, Bylaws and applicable Project Agreements, both now and as they may amended, respectively.

Project Membership Type & Location: (refer to bylaws)

Sites Project Authority:

☐ Authority

☐ Ex Officio (DWR)

Advisory:

☐ Associate

Participants in Project Agreements:

☒ Type I (Standing)

☐ Type II (Affiliate)

☐ Type III (Represented)

Principle Location:

☐ Within the Sacramento Hydrologic Region (Type A)

☒ Outside the Sacramento Hydrologic Region (Type B)

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<sup>1</sup> Proposition 1, specifically CA Water Code §79759 provides the membership requirements applicable to joint power authorities created to implement CALFED storage projects. These requirements can be viewed at <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=wat&group=79001-80000&file=79750-79760>. To be eligible, a mutual water company also needs to meet the requirements of §79712, which can be viewed at: <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=wat&group=79001-80000&file=79703-79716.5>

Subject: **Phase 1 Proposal to Participate, Attachment 1**☐ Non-Member Participating PartyParticipation:

- ☐ Authority Member: Management and Administration of the Sites Project Authority plus the Regional Benefits/economics cost centers. The associated costs will be allocated on a pro-rata basis according to the total number of voting members to the Sites Project Authority (i.e. 1/10 share for fiscal year 2016).

In-kind Services (optional<sup>2</sup>): \_\_\_\_\_

Proposed Director: \_\_\_\_\_ Title: \_\_\_\_\_

Proposed Alternate: \_\_\_\_\_ Title: \_\_\_\_\_

- ☒ Reservoir Project Agreement Committee Member: Advancing the development and construction of the Sites Reservoir, which is comprised of the Water Infrastructure & Supply, Operations, and Renewable Power cost centers. These costs will be allocated based on the number of acre-ft. of **your Agency's commitment divided by the total acre-ft. of all contributing Agencies water commitment.**

Participation:

24,000. **acre-ft. of Class 1** water at a not-to-exceed cost of **60 \$/acre-ft.** for phase 1 activities. This represents water that would not be made available for use as Proposition 1, Chapter 8-eligible public benefits. Currently, less than 120,000 acre-ft. is available.

The current estimate of the amount of water produced on a long-term average is 500,000 acre-ft./year of which 50% is proposed to *not* be used for Proposition 1, Chapter 8-eligible public benefits. The voting weight is equal to 1/n Members times 50 plus the Members participation in all classes of water/total participation times a maximum of 50% when there is no Class 2 water and a maximum of 40% when Class 2 water is included (i.e. the total of all voting equals 100%).

0. **acre-ft. of Class 2** water at a not-to-exceed cost of **30 \$/acre-ft.** for phase 1 activities. This represents additional

<sup>2</sup> In-kind services require prior Board approval. For Phase 1, in-kind services cannot be used to offset the cash contribution, but can be counted towards the total project costs eligible to receive WSIP funding from the CA Water Commission.

Subject: **Phase 1 Proposal to Participate, Attachment 1**

water that at the end of Phase 1 could become available to Members. It is dependent upon (a) the CA Water Commission's election to participate at less than 50% of the Projects' cost, (b) estimated value of public benefit water, and (c) updated operational studies. Currently, a maximum of 170,000 acre-ft. of water is available. Since the Member has already elected to participate in Class 1 water, the incremental increase in voting weight is equal to the Members participation in Class 2 water/total participation times 10 (i.e. the total of all voting equals 100%).

Other Benefit (specify): \_\_\_\_\_

In-kind Services (Optional): \_\_\_\_\_

Proposed Director: Cindy Kao Title: Manager, Imported Water UnitProposed Alternate: Garth Hall Title: Deputy Operating OfficerManagement Rep: Paul Tjogas or Melih Ozbilgin Title: Sr. Engineer /Sr. Water Resources Specialist

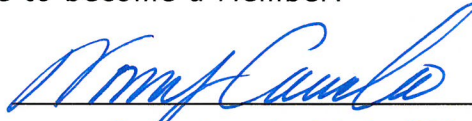
- ☐ Advisory: Provide input and advice to the Board on project-related matters. For Phase 1, participation requires annual dues in the amount of \$ 5,000.

Proposed Director: \_\_\_\_\_ Title: \_\_\_\_\_

Signature Block:

Entity: By signing this form, the entity's authorized representative is:

1. Certifying they are eligible to participate in the Sites Reservoir Project
2. Acknowledges their level of participation and this form is only valid for the Project's Phase 1,
3. Not committing any funds at this time, but is committing to use best efforts to enter into agreement with the Authority and Phase 1 Reservoir Project Agreement Committee to become a Member.

  
Norma Camacho, Interim CEO

Santa Clara Valley Water District

  
Date



2017 On-boarding Process: Estimated Revenue Table

ID	Agency	Requested Participati	Class	Counter-offer			Revenue Received	Revenue (Dec 2016 Initial Payment)			Revenue (Remainder of Phase 1)		
				Class 1	Pct	Class 2		Class 1 (\$)	Class 2 (\$)	Total (\$)	Class 1 (\$)	Class 2 (\$)	Total (\$)
01	Colusa County	10,000	1	10,000	100%	-		\$ 328,400		\$ 328,400	\$ 156,600		\$ 156,600
	Colusa Co. WD	32,111	1	32,111	100%	-	\$ 985,000	\$ 69,325		\$ 69,325	\$ 502,858		\$ 502,858
	Cortina WD	300	1	300	100%	-	\$ 10,287				\$ 4,698		\$ 4,698
	Davis WD	2,000	1	2,000	100%	-	\$ 65,900				\$ 31,320		\$ 31,320
	Dunnigan WD	5,000	1	5,000	100%	-	\$ 141,300				\$ 78,300		\$ 78,300
	LaGrande WD	1,000	1	1,000	100%	-	\$ 33,204				\$ 15,660		\$ 15,660
	Glenn County	-		-		-							
	Glenn-Colusa ID	20,000	1	20,000	100%	-	\$ 652,000				\$ 313,200		\$ 313,200
	Maxwell ID	-		-		-							
	Orland-Artois WD	20,000	1	20,000	100%	-	\$ 652,000				\$ 313,200		\$ 313,200
	Proberta WD	3,000	1	3,000	100%	-	\$ 80,800				\$ 46,980		\$ 46,980
	Reclamation District 108	20,000	1	20,000	100%	-	\$ 626,000				\$ 313,200		\$ 313,200
	Tehama-Colusa Canal Authority	-		-		-							
	Westside WD	25,000	1	25,000	100%	-	\$ 821,000				\$ 391,500		\$ 391,500
	4M WD (Mathis)	500	1	500	100%	-		\$ 16,420		\$ 16,420	\$ 7,830		\$ 7,830
04	RD 2035 (Conaway Ranch)	10,000	1	10,000	100%			\$ 328,400	\$ -	\$ 328,400	\$ 156,600		\$ 156,600
		5,000	2		0%	5,000		\$ -	\$ 82,100	\$ 82,100	\$ -	\$ 39,150	\$ -
05	Western Canal Water District	3,500	1	3,500	100%	-		\$ 114,940	\$ -	\$ 114,940	\$ 54,810	\$ -	\$ 54,810
06	Placer County WA & City of Roseville												
07	American Canyon, City of	2,000	1	2,000	100%	-		\$ 65,680	\$ -	\$ 65,680	\$ 31,320	\$ -	\$ 31,320
08	Santa Clara Valley Water District	24,000	1	13,656	56.9%	10,344		\$ 448,447	\$ 169,856	\$ 618,304	\$ 213,845	\$ 80,997	\$ 213,845
09	Westlands Water District	10,000	1	11,380	56.9%	8,620		\$ 373,706	\$ 141,547	\$ 515,253	\$ 178,205	\$ 67,498	\$ 178,205
		10,000	2										
10	Antelope Valley-East Kern Water Agency	2,000	1	1,138	56.9%	862		\$ 37,371	\$ 14,155	\$ 51,525	\$ 17,820	\$ 6,750	\$ 17,820
11	Castaic Lake Water Agency	5,000	1	2,845	56.9%	2,155		\$ 93,427	\$ 35,387	\$ 128,813	\$ 44,551	\$ 16,874	\$ 44,551
12	Coachella Valley Water District	26,500	1	15,078	56.9%	11,422		\$ 495,161	\$ 187,550	\$ 682,710	\$ 236,121	\$ 89,434	\$ 236,121
13	Desert Water Agency	6,500	1	3,698	56.9%	2,802		\$ 121,454	\$ 46,003	\$ 167,457	\$ 57,916	\$ 21,937	\$ 57,916
14	Metropolitan Water District												
15	San Geronio Pass Water Agency	14,000	1	7,966	56.9%	6,034		\$ 261,594	\$ 99,083	\$ 360,677	\$ 124,743	\$ 47,248	\$ 124,743
16	San Bernardino Municipal WD	30,000	1	17,069	56.9%	12,931		\$ 560,559	\$ 212,320	\$ 772,880	\$ 267,307	\$ 101,247	\$ 267,307
17	Wheeler Ridge-Maricopa Water SD	20,000	1	11,380	56.9%	8,620		\$ 373,706	\$ 141,547	\$ 515,253	\$ 178,205	\$ 67,498	\$ 178,205
18	Zone 7 Water Agency	20,000	1	11,380	56.9%	8,620		\$ 373,706	\$ 141,547	\$ 515,253	\$ 178,205	\$ 67,498	\$ 178,205
19	Carter MWC	1,000	1	-	0.0%	1,000			\$ 16,420	\$ 16,420		\$ 7,830	\$ 7,830
20	Garden Highway MWC	4,000	1	-	0.0%	4,000			\$ 65,680	\$ 65,680		\$ 31,320	\$ 31,320
21	Pacific Resources MWC	10,000	1	-	0.0%	10,000			\$ 164,200	\$ 164,200		\$ 78,300	\$ 78,300
22	California Water Service	35,000	1	-	0.0%	35,000			\$ 574,700	\$ 574,700		\$ 274,050	\$ 274,050
Revenue:		377,411		250,000	56.9%	127,411	\$ 4,067,491	\$ 4,062,296	\$ 2,092,095	\$ 6,154,391	\$ 3,914,994	\$ 997,631	\$ 4,912,625
								\$/acre-ft:					
								\$ 32.84	\$ 16.42		\$ 15.66	\$ 7.83	
								@Risk (Class 2):	\$ 821,000		@Risk (Class 2):	\$ 391,500	
Proposed Phase 1 Revenue Target:											\$ 48.50	Total:	\$ 15,134,507

Draft Work Product  
Subject to Change

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Topic: **Sites Reservoir Project**

**2016 Nov. 13**

Subject: **Amendments to the Phase 1 Reservoir Project Agreement,  
Authority's Agreement and Authority's Bylaws**

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## **Staff Report**

Amendment Process: The following summarize the steps taken to update the Phase 1 Reservoir Project Agreement, the Authority's Agreement and Authority's Bylaws.

1. Aug 1: Comments received as part of the on-boarding process.
2. Aug 8: 1<sup>st</sup> meeting of the Reservoir Committee, which included a discussion of the items identified through the on-boarding process. No quorum, so meeting was deferred.
3. Oct 17: Items affecting the Project Agreement were discussed at Authority Board meeting. Consensus to move forward.
4. Oct 28: Ad-hoc Governance Committee meeting to address proposed amendments
  - Authority's Agreement and Bylaws: Address three requests to become an Authority Member & provide input to staff regarding comments received to date.
  - Phase 1 Reservoir Project Agreement: provide input to staff regarding comments received to date.
5. Nov 2: Conference call with prospective participants to discuss comments received to date.
6. Nov 9: Ad-hoc Governance Committee review of proposed amendments.
  - Authority's Agreement and Bylaws: Address three requests to become an Authority Member & provide input to staff-recommended changes to the documents.
  - Phase 1 Reservoir Project Agreement: provide input to staff-recommended changes to the documents.
7. Nov 11: Conference call with legal representatives from current signatories to the Phase 1 Reservoir Project Agreement, which represent the participants from the Sacramento Valley. The need for additional amendments to address specific topic areas was identified.
8. Nov 14: Revisions incorporated and distributed with meeting agenda package.

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Status: **Issued for 2016 October Board Meeting**  
Purpose: **Informational**  
Caveat 1: **Subject to change**  
Caveat 2:

Version: **A**  
Date: **2016 Nov 13**  
Ref/File #: **12.221-010.00**  
Page: **1** of **4**

Discussion Topics: The following items are recommended for further discussion before consideration is given to finalizing and approving the applicable documents for approval and execution.

Authority Agreement:

- Section 2.4, Manner of Exercise Powers: Compliance with Government Code 6509. Recommended change includes (a) changing from laws applicable to Irrigation Districts to Water Districts and (b) confirm Westside Water District will be used as the model member for how the Authority's powers will be exercised.
- Section 5.5.3, Interest rate for late payments: To avoid having to amend the Agreement should interest rates exceed 12%, change to a floating interest rate that is generally accepted. Need to identify which industry-based rate to use as the basis.

Authority Bylaws:

- Section 2.2: Vision Statement: The proposed text incorporates input received from the Nov 3<sup>rd</sup> Managers' meeting.
- Section 2.3, Values: The proposed text comes from the Reservoir Project Agreement with modifications to reflect current direction and business needs.
- Section 3.9, Financial model: Change the name to better align with how it will be used in Phase 1.
- Section 4.9, Meetings: Clarifies the Authority's & Reservoir Committee's respective jurisdiction to conduct meetings, such as the one contemplated at ACWA and potential need to meet in Sacramento or other locations to conduct business in an open and effective manner.
- Section 5.7, Quorum and Voting: The Reservoir Committee will have 28 participants, ranging from 300 to over 30,000 acre-ft. To conduct business and make timely decisions, necessitates the proposed changes to the generic Project Agreement, so that specific requirements can be adopted for use by the Reservoir Committee.
- Section 7.7, Reclamation: Create a mechanism to allow USBR to participate in developing the Project in a manner that is consistent with their current authorizations.
- Section 9.4, Consultation Committee: Incorporates the Oct 28 Ad-hoc Governance Committee's recommendation to have focused advisory committees in lieu of one.
- Section 12.3, Material Change: Modifications to allow a participant to withdraw without triggering the dispute resolution process and ensure that a significant change approved by the Bylaws affecting the Reservoir Committee



triggers the Material Change provision, which requires both governing bodies to reach consensus in order to continue to advance the Project.

Phase 1 Reservoir Project Agreement:

- Section 1, Reservoir Committee: Rename so that when an appreciation is used, it is not confused with the more-pervasive term “PAC”.
- Section 2(a), Voting: The Reservoir Committee will have 28 participants, ranging from 300 to over 30,000 acre-ft. To conduct business and make timely decisions, necessitates the need to allow alternative voting systems, such as those used by other joint powers.
- Section 2(b), Officers: With expanded participation that includes significant south of Delta interest, consider an approach that fosters greater partnership between north and south of Delta interests.
- Section 2(d), General Manager: The function of the current Managers’ meeting will be taken over by the Reservoir Committee, so keeping it would result in redundant meetings.
- Section 2(g), Voting (and Exhibit A1): Incorporates recommendations from the Ad-hoc Governance Committee regarding participation by those only receiving Class 2 benefits.
- Section 5(b), early participation: Ensures that those participating in Phase 1 will have a priority status when the amount of water is re-balanced based, primarily, on the amount of water to be provided for Proposition 1, Chapter 8-eligible benefits.
- Section 6, Indemnification: Proposed change is intended to improve clarity.
- Section 7, Term: Clarifies that any reimbursement to participants will be based on a proportionate share of how the revenue has been provided to the Authority.
- Section 8, Withdrawal: Flow-down to be consistent with recommended change to Bylaw Section 12.3 (Material Change).
- Section 10, Amendments: Proposed change is intended to improve clarity.
- Section 11, Assignment: Proposed change is intended to be consistent with the Bylaws.
- Exhibit B, General: Move values into Bylaws as originally intended and update project’s goals.
- Exhibit B, 5.1 – Phase Work Plan: Assuming the Reservoir Committee and Authority agree to amend the Phase 1 Work Plan, the updated costs will be inserted into Attachment 1.
- Exhibit B, 9 – Risk Management: Updated to reflect current information.

- Exhibit B, Attachment 1 – Phase 1 Work Plan: Supersedes the original.
- Exhibit B, Attachment 2- Schedule: Updated to reflect the amended scope of work in the Phase 1 Work Plan, which focuses on accelerating the EIR/S to have a public draft coincident with submitting our WSIP proposal to the Water Commission for their evaluation and scoring.

Alternative Participation Requests: Two respondents to the formal on-boarding process proposed to participate in advancing various aspects of the work delegated to the Reservoir Committee. The scope of participation ranges from performing technical studies, assisting in the review of consultant's work products, and assisting in the development of project-specific procedures (e.g. project management). Staff recommends that such participation should be performed under a separate agreement. This agreement should specify the types of work and how such participation will be evaluated during the re-balancing process that needs to be completed before Phase 2 can begin.

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

MODIFIED THIRD AMENDED AND RESTATED  
SITES PROJECT AUTHORITY  
JOINT EXERCISE OF POWERS AGREEMENT

This Joint Powers Agreement (“Agreement”) is made and entered into by and among Colusa County Water District (CCWD), County of Colusa (Colusa County), County of Glenn (Glenn County), Glenn-Colusa Irrigation District (GCID), Maxwell Irrigation District (MID), Orland-Artois Water District (OAWD), Proberta Water District (PWD), Reclamation District 108 (RD 108), Tehama-Colusa Canal Authority (TCCA), Westside Water District (WWD), hereinafter “Authority Members” or “Authority Member Agencies”.

RECITALS

The Authority Members are public entities located and operating in the Sacramento Valley, and are formed and operating under the laws of the State of California;

Congress and the State Legislature have declared that the Sacramento-San Joaquin Delta watershed and California’s water infrastructure are in crisis and they have encouraged regional and local public agencies to form joint powers authorities to improve the operation of the state’s water system;

Sites Reservoir (sometimes referred to as North of Delta Offstream Storage) has been identified by the State of California and the federal government as an important component of integrated water management in the Sacramento River watershed that could support the state’s co-equal policy to improve water management and restore the ecological health for beneficial uses of the Sacramento-San Joaquin Delta and the Sacramento River watershed;

The principal purpose of this Agreement is to establish an independent special agency, known as the Sites Project Authority (“Authority”), that will have as its mission, to be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the state’s water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta;

Each Authority Member is uniquely situated with respect to Sites Reservoir and the related facilities to help design, acquire, construct, manage, govern, and operate the project to provide local, regional, and statewide public benefits and improve the state’s water system;

Certain Authority Members executed the Memorandum of Understanding Between the Department of Water Resources, the United States Bureau of Reclamation, the Western Area Power Administration, the California Department of Fish and Game, the United States Fish and Wildlife Service, the Glenn-Colusa Irrigation District, the Tehama-Colusa Canal Authority, and Other CalFed Agencies and Local Interests Pursuant to the Directive with Respect to Sites

**Sites Reservoir Project  
Phase 1 Proposal to Participate, Attachment 4.1**

Reservoir Contained in the CalFed Bay-Delta program Programmatic Record of Decision, August 28, 2000;

In August 2010, Glenn-Colusa Irrigation District, Reclamation District 108, Tehama-Colusa Canal Authority, Maxwell Irrigation District, County of Glenn, County of Colusa, Yolo County Flood and Water Conservation District entered into an Agreement creating a public entity known as the Authority.

By First Amendment to the Agreement in July 2015, Colusa County Water District, Westside Water District, Orland-Artois Water District and Proberta Water District became signatories to the Agreement and became Authority Members. In addition, Yolo County Flood and Water Conservation District has notified the Authority it is withdrawing as an Authority Member and will become an Associate Member, effective January 1, 2016.

**AGREEMENT**

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Authority Members as follows:

**I. DEFINITIONS**

As used in this Agreement, the meaning of the terms used hereafter shall be as follows:

1.1. Agreement: This Joint Exercise of Powers Agreement as it currently exists or as it may be amended or revised from time to time.

1.2. Authority: The legal entity defined in this Agreement for the Sites Project Authority as organized by this Agreement.

1.3. Authority Member: The signatories to this Agreement.

1.4. Board of Directors or Board: The governing body of the Authority as established in Article IV of this Agreement.

1.5. Bylaws: Additional requirements to those contained in the Agreement related to the implementation of the Sites Reservoir Project; emphasizing delegations of authority, decision-making and dispute resolution; roles and responsibilities for Board and Project Agreement Committee; membership types; and cost management.

1.6. Member: An Authority Member or another entity that meets the requirements of California Water Code § 79759 (a) or (b), respectively as defined for each membership type established in the Bylaws. Generally, any Member can either be a signatory to a Project Agreement or participate in the Consultation Committee, but only Authority Members have representation on the Board.

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

1.7 Non-Member Participating Party: An agency, entity or company, that does not meet the Joint Powers Authority (“JPA”) membership requirements of California Water Code § 79759 (b) regarding for-profit corporations, including certain types of mutual water companies, and is not a Member of the Authority, but is deemed eligible by the Authority to participate by contract on certain elements of the Project that will not receive public funds per California Water Code Division 26.7 (§ 79700 et seq.) such as, but not limited to, renewable power generation. The Bylaws may provide for additional requirements for such non-members.

**II. PURPOSES AND POWERS**

2.1 Creation: Pursuant to the Joint Exercise of Powers Act (“Act”), California Government Code Section 6500 et seq., a public entity has been created to be known as the Sites Project Authority (“Authority”), which shall be an agency that is separate from its Authority Members.

2.2 Purpose: The purpose of this Agreement is to establish an independent joint powers authority (“JPA”) to exercise powers common to the Authority Members to, among other things, effectively study, promote, develop, design, finance, acquire, construct, manage, and operate Sites Reservoir and related facilities such as recreation and power generation. The purposes of pursuing and developing Sites Reservoir are to: (1) increase surface water storage and supply while enhancing water management flexibility and reliability in the Sacramento River watershed, (2) provide flood control benefits, (3) improve conditions for fish and wildlife in the Sacramento River watershed, including anadromous fish in the Sacramento River, and (4) improve the operation of the state’s water system to provide improvements in ecosystem and water quality conditions in the Bay-Delta while providing a more reliable water supply for the State of California.

2.3. Powers: The Authority shall have the power to pursue the purposes described above and to perform all acts necessary for the exercise of said powers, including, but not limited to, the ability to:

- 2.3.1. make and enter into contracts necessary for the full exercise of its powers;
- 2.3.2. perform studies, environmental review, engineering and design, and if appropriate, permitting, construction of water storage, and related conjunctive management;
- 2.3.3. contract for the services of engineers, attorneys, scientists, planners, financial consultants, and separate and apart therefrom, to employ such persons as it deems necessary;
- 2.3.4. hold or dispose of any property, including acquisition by eminent domain;
- 2.3.5. apply for, accept, and receive permits, licenses, grants, loans, or other funding from any federal, state or local public agency;

**Sites Reservoir Project  
Phase 1 Proposal to Participate, Attachment 4.1**

- 2.3.6. issue revenue bonds and other forms of indebtedness to the extent, and on the terms, provided by the Act;
- 2.3.7. incur debts, liabilities, and obligations;
- 2.3.8. adopt bylaws, rules, regulations, and procedures, governing the operation of the Authority; and
- 2.3.9. delegate levels of authority to Project Agreement Committees, Consultation Committee, and other advisory groups as the Board deems appropriate and consistent with the requirements specified in the Bylaws.

2.4. Manner of Exercise of Powers: To the extent not specifically provided for in this Agreement or the Act, the Authority shall exercise its powers subject to the restrictions upon the manner of exercising the powers under the laws applicable to Irrigation Districts (California Water Code section 20510 et seq.).

2.5. GCID and TCCA Operations: The Authority Members anticipate that the Sites Reservoir Project will be within or adjacent to GCID and/or TCCA districts with at least a portion of the conveyance of water into the reservoir to be accomplished by wheeling water through GCID's Main Canal and/or the Tehama-Colusa Canal. The Authority shall not have the power, except with the express written consent of GCID and/or TCCA, depending on which facilities are at issue, to enter into any agreements or otherwise take any action that will, directly or indirectly, decrease, restrict, or in any manner alter, modify or limit water rights, water supplies or contractual entitlements to water of GCID and/or TCCA (and, in the case of TCCA, the water agencies it serves) or the operations of their facilities or any facilities they operate under contract.

2.6. MID Operations: The Authority Members anticipate that the pipeline connecting the reservoir to the Sacramento River will utilize an existing MID easement. The Authority shall not have the power, except with the express written consent of MID to enter into any agreements or otherwise take any action that will, directly or indirectly, decrease, restrict, or in any manner alter, modify or limit water rights, water supplies or contractual entitlements to water of MID or the operation of its facilities or any facilities that MID operates under contract.

2.7. Counties' Powers: Nothing in this Agreement shall be construed as the surrender or relinquishment of the land use authorities as provided by law of the County of Colusa and County of Glenn.

### III. AUTHORITY MEMBERSHIP

3.1. Generally: Authority membership is comprised of the public agencies (as defined in Section 6500 of the Act) that are authorized to be Authority Members and are signatories to this Agreement.

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

3.2. DWR and Bureau of Reclamation: The Authority may enter into a contract or other arrangement with the California Department of Water Resources (“DWR”) and/or the Bureau of Reclamation (USBR) to carry out the purposes of this Agreement. DWR, upon the approval of the Authority Board, may be a non-voting, ex-officio member of the Authority.

3.3. Addition of Members: Entities authorized by law to participate in a JPA located within the Sacramento River watershed may subsequently become Authority Members upon an affirmative vote of at least seventy-five percent (75%) of the total number of the Boards of the Authority Member Agencies and the new Member’s execution of this Agreement, as it may have been amended. An entity requesting to become an Authority Member shall provide certification of compliance with the membership requirements of the Agreement and the Bylaws. The entity requesting to become an Authority Member may represent a group of other entities. Terms and conditions for new Authority Member’s participation in the Authority, if any, shall be set forth in an amendment to this Agreement or in the Bylaws. Such terms and conditions shall be consistent with this Agreement and any contracts, resolutions, or indentures of the Authority then in effect.

3.4. Membership Types: The Board may approve the creation of different types of memberships that may include governmental agencies that meet the provisions of California Water Code Section 79759 (b) as it may be amended, other public agencies, entities, and companies, in funding and/or financing of the different elements of the Sites Reservoir Project. The creation of any additional membership types are defined in the Bylaws. Admission of non-Authority Members shall be upon the affirmative vote of at least seventy-five percent (75%) of the total number of Directors.

3.5. Consultation Committee: A Consultation Committee may be formed to provide a forum for public agencies and private entities to provide input on matters affecting the Authority. The charter for this committee, including the manner in which it conducts itself, will be established by the Board, and described in the Bylaws.

#### IV. GOVERNANCE AND INTERNAL ORGANIZATION

4.1. Board of Directors: The governing body of the Authority shall be a Board of Directors (Board) that will conduct all business on behalf of the Authority consistent with this Agreement and applicable law. The Board will consist of one representative of each Authority Member. To remain in an active status, each Authority Member having representation on the Board shall be in good standing as defined in the Bylaws.

4.2. Appointment: Each Authority Member Agency shall appoint a Director to the Board. Each Authority Member Agency shall also be entitled to appoint an Alternate Director to the Authority. The role of the Alternate Director shall be to assume the duties of an Authority Member Agency’s Director in case of the absence or unavailability of such Director.

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

Should a Director who is an officer of the Board not be in attendance, the Authority Member Agency's Alternate Director shall not assume the duties of the officer. Should the Chair be absent, the Vice-Chair shall assume the Chair's responsibilities until the Chair is present, and if both are absent the Board may appoint a temporary Chair.

Directors and Alternates both serve at the pleasure of the governing body of their respective Authority Member Agency. Authority Member Agencies shall communicate their initial Director and Alternate selections, and any subsequent changes thereto, to the Authority in writing. Each Authority Member Agency is only entitled to have one vote, either by its Director or the Alternate, at a meeting of the Board.

4.3. Meetings: The Board shall hold at least one regular meeting per year, and may hold regular or special meetings at more frequent intervals. All meetings of the Board shall be called, held, noticed, and conducted subject to the provisions of the Ralph M. Brown Act (Government Code section 54950, et seq.).

4.4. Quorum: A majority of the total number of Directors shall constitute a quorum.

4.5. Voting:

4.5.1. Routine Matters or Non-Material Change Items Before the Authority: The Board shall take action only upon an affirmative vote of a majority of the total number of Directors.

4.5.2. Material Change Items Before the Authority: Based on the thresholds established in the Bylaws regarding a Material Change, the Board shall take action only upon an affirmative vote of at least seventy-five percent (75%) of the total number of Directors.

4.6. Officers:

4.6.1. The Board shall select, from among the Directors, a Chair, who will be the presiding officer for all Board meetings, and a Vice-Chair, who will preside in the absence of the Chair.

4.6.2 The Board shall also select a Treasurer, who shall be the depository and have custody of all money of the Authority and shall perform the duties specified in Government Code section 6505.5. The Treasurer shall be bonded in accordance with Government Code section 6505.1 and shall pay all demands against the Authority that have been approved by the Board.

4.6.3. The Board shall also select a Secretary, who shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority. The Board may combine the positions of Secretary and Treasurer.

4.6.4. The Bylaws may further address the duties, responsibilities and administrative requirements for the respective offices.



**Sites Reservoir Project  
Phase 1 Proposal to Participate, Attachment 4.1**

4.7. General Manager. The Board may appoint a General Manager or assign staff of one or more Authority Members to conduct the business of the Authority in accordance with the policies of the Board; provided that no Authority Member's staff will be so assigned without the consent of that Authority Member. The General Manager serves at the pleasure of the Board and may be an employee or a contractor of the Authority.

4.8. Liability of Authority, Officers, and Employees: The Directors, officers, and any employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No Director, officer, employee or agent will be responsible for any act or omission by another board member, officer or employee. The Authority shall indemnify and hold harmless the individual board members, officers, employees, and agents of the Authority for any action taken lawfully and in good faith pursuant to this Agreement. Nothing in this section shall be construed to limit the defenses available under the law, to the Authority Members, the Authority, or its Directors, officers, employees or agent.

**V. FINANCIAL PROVISIONS**

5.1. Fiscal year: The fiscal year shall run concurrent with the calendar year, unless the Directors decide otherwise and shall also apply to any Project Agreements.

5.2. Depository: All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with the funds of any Member or any other person or entity. Regular reports shall be made as directed by the Board, but at least quarterly, to the Board of all receipts and disbursements. The books and records shall be open to inspection by the Board and individual Directors upon reasonable notice.

5.3. Budgets: A draft budget will be prepared for the Member Agencies to review at least 45 days before the beginning of the Authority's next fiscal year. The Board shall approve the budget no later than 15 days before the beginning of the fiscal year. The budget shall include:

5.3.1. General and administrative costs include the general operation and administration of the Authority. These costs do not include any costs incurred by the Authority directly as a result of a specific Project Agreement as described in Article VI.

5.3.2. Project specific costs shall be fully described and specified in a Project Agreement. The Board shall ensure that all costs incurred by the Authority directly relating to any specific project will be paid only by the parties to the Project Agreement and will not be paid for by the Authority as general and administrative costs. The Bylaws may include additional requirements and criteria for such costs.

5.4 Initial Contributions: Upon formation of the Authority, each Authority Member shall pay an application fee as prescribed in the Bylaws.

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

5.5. Recovery of General and Administrative Costs:

5.5.1. The Board may assess each Authority Member for the general and administrative costs to operate the Authority. Payments of public funds may be made to defray the costs incurred in carrying out such purposes, and advances of funds may be made for use in doing so, to be repaid as provided in this Agreement. Personnel, equipment or property of one or more of the Authority Members may be used in lieu of other contributions or advances, upon Board approval, and will be treated as a contribution from that Authority Member.

5.5.2. General and administrative costs incurred by the Authority in carrying out its purposes, as described in Section 5.3.1, shall be shared by the Authority Members as determined by the Board.

5.5.3. The Authority shall periodically, as necessary, issue an invoice to each Member reflecting the expenses attributable to that Member in accordance with this Agreement and/or Project Agreement, respectively. The Authority must receive payment within 60 days of the date listed on the invoice. Delinquent sums shall bear interest at twelve percent (12%) per year. The Bylaws include additional requirements.

5.5.4. Upon request of any Member, the Authority shall produce and allow the inspection of all documents relating to the computation of expenses attributable to the Members under this Agreement. If a Member does not agree with the amount listed on the invoice, it must make full payment and provide a cover letter accompanying payment to the Authority specifying the amount in dispute and providing a detailed explanation of the basis for the dispute. The Authority shall advise the disputing Member of the Authority's determination within 30 business days.

5.6. Recovery of Project Agreement Costs: Each Project Agreement shall specify the requirements for recovery of costs, which shall be consistent with the requirements of Section 5.5.

5.7. Auditor: An auditor shall be chosen annually by, and serve at the pleasure of, the Board. The auditor shall make an annual audit of the accounts and records of the Authority. A report shall be filed as a public record with the Auditor of the County where the Authority is domiciled, consistent with Section 6505 of the Act, and with each agency that is a Member or an advisory member. Such report shall also be filed with the California Secretary of State or State Controller within twelve months of the end of the fiscal year.

5.8. Bonds: The Board shall, from time to time, designate the officers or other persons who have charge of, handle, or have access to any property of the Authority and shall require such officers or persons to file an official bond, at the Authority's expense, in an amount to be fixed by the Board.

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5.9. Authority Members Limited Liability: As provided by Government Code Section 6508.1, the debts, liabilities, and obligations of the Authority shall be the debts, liabilities, and obligations of the Authority only, and not of the constituent Authority Members of the Authority.

**VI. PROJECT AGREEMENTS**

6.1. General: The Authority intends to carry out the purposes of this Agreement through projects that are consistent with the joint exercise of powers described herein. Funding and participation in any project undertaken by the Authority shall be governed by a Project Agreement. The Authority may undertake all or any portion of each project on its own or it may enter into agreements with the State of California, the United States, or any other public or private entity.

6.2. Parties to Agreement: Prior to undertaking a project, the Members and Non-Member Participating Parties electing to participate in the project shall enter into a Project Agreement. A Project Agreement may involve the Authority or one or more Members and any Non-Member Participating Parties. No Member shall be required to be involved in a Project Agreement.

6.3. Project Agreement: All assets, rights, benefits, and obligations attributable to the project shall be assets, rights, benefits, and obligations of those Members and Non-Member Participating Parties that have entered into the Project Agreement. Any debts, liabilities, obligations or indebtedness incurred by the Authority in regard to a particular project shall be the debts, liabilities, obligations, and indebtedness of the Members and Non-Member Participating Parties who have executed the respective Project Agreement and shall not be the debts, liabilities, obligations or indebtedness of the Members and Non-Member Participating Parties that have not executed the Project Agreement, nor of the Authority. If a project is undertaken by less than all the Members, the Members and Non-Member Participating Parties to a Project Agreement shall appoint a representative to a Project Agreement Committee for that project. The Project Agreement may include entities that are not Authority Members and may include advisory members or other public or private entities. The Bylaws may provide additional requirements regarding the implementation of each Project Agreement.

**VII. TERMINATION, WITHDRAWAL, AND SUSPENSION**

7.1. Termination:

7.1.1. Mutual Termination. This Agreement may be terminated by the mutual agreement of at least seventy-five percent (75%) of the total number of the Boards of the Authority Member Agencies in writing.

7.1.2. Termination of an Authority Member by the Authority. This Agreement may be terminated with respect to any Authority Member upon the affirmative vote of all Directors less one. Prior to any vote to terminate this Agreement with respect to an Authority Member, written notice of the proposed termination and the reason(s) for such termination shall be presented at a

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

regular Board meeting with opportunity for discussion. The Authority Member subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote. If an Authority Member is terminated, that Authority Member will be responsible for its share of any costs incurred by the Authority up to the date of termination.

7.2. Member Withdrawal from Authority: Any Authority Member may withdraw from the Authority by giving at least 30 days written notice of its election to do so, which notice shall be given to the Authority and each Member to this Agreement; provided that such withdrawal does not in any way impair any contracts or obligations of the Authority then in effect. Prior to withdrawal or as soon as an accounting can be completed, the withdrawing Authority Member shall pay its share of General and Administrative Costs, described in Section 5.5; provided, however, the withdrawing member shall only be liable for expenses incurred through the date of withdrawal. The withdrawing Authority Member shall also be responsible for any claims, demands, damages, or liability arising from this Agreement through the date of withdrawal. With respect to a particular project, and subject to the terms of the applicable Project Agreement, the withdrawing Authority Member shall be responsible for its share of all costs, expenses, advances, contractual obligations, and other obligations, including bonds, notes or other indebtedness issued by the Authority while such withdrawing entity was a party to a project Agreement. The remaining parties to a Project Agreement shall have the option of discontinuing a project and/or acquiring the interests of the withdrawing party, as may be more particularly described in the Project Agreement. If the remaining Members to a Project Agreement under Article VI decide to terminate the Project Agreement, any remaining funds will be allocated pursuant to the terms of the agreement and the costs will be allocated to all parties as described in the Project Agreement, including the withdrawing party.

7.3. Membership Suspension: Should any Authority Member be deemed by the Board to not be in Good Standing as defined in the Bylaws, an affirmative vote of at least seventy-five percent (75%) of the total number of Directors can suspend the Authority Member's voting rights. Once the Authority Member is deemed by the Board to meet the requirements for being in Good Standing, the Authority Member can petition the Board of Directors to be have its voting privileges and, if applicable, any Board officer status restored by an affirmative vote of the Board of Directors consisting of at least seventy-five percent (75%) of the total number of Directors. During the time the Authority Member has not been in Good Standing, the Authority Member shall remain obligated to comply with all other requirements of this Agreement, the Bylaws and any Project Agreements the Authority Member executed.

7.4. Disposition of Assets Upon Termination: Upon termination of this Agreement, any surplus money or assets in the possession of the Authority for use under this Agreement, after payment of liabilities, costs, expenses and charges incurred under this Agreement, shall be returned to the then-existing Members in proportion to the contributions made by each. Unless otherwise agreed, all other property, works, rights and interests of the Authority shall be allocated to the then-existing Members in the same manner upon termination. Notwithstanding the foregoing, at the time of termination of this Agreement, upon a vote of the Board of Directors consisting of no less than a majority of the voting shares of all then existing members of the

**Sites Reservoir Project  
Phase 1 Proposal to Participate, Attachment 4.1**

Board to sell the property, works, rights and interests of the Authority to a public utility, governmental agency, or other entity or entities for good and adequate consideration, the Authority shall have the power to consummate such a sale and the net proceeds from the sale shall be distributed in the same manner as set forth above.

**VIII. MISCELLANEOUS PROVISIONS**

8.1. Amendment of Agreement: This Agreement may be amended only by an affirmative vote of at least seventy-five percent (75%) of the Boards of the Authority Member Agencies; provided, however, this Agreement may not be amended to terminate the participation of an Authority Member without the affirmative vote of all Boards of the Authority Member Agencies less one . The Authority shall provide notice to all Members of amendments to this Agreement, including the effective date of such amendments.

8.2. Adoption and Amendment of Bylaws: The Bylaws may be adopted or amended only by an affirmative vote of at least seventy-five percent (75%) of the total number of Directors. The Authority shall provide notice to all Members of amendments to the Bylaws, which includes the effective date of such amendments.

8.3. Assignment: Except as otherwise expressed in this Agreement, the rights and duties of the Authority Members may not be assigned or delegated without the advance written consent of all the other Authority Members, and any attempt to assign or delegate such rights or duties in contravention of this section shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Authority Members. This section does not prohibit an Authority Member from entering into an independent agreement with another agency, person or entity regarding the funding or financing of that Authority Member's contributions to the Authority, or the disposition of the proceeds which that Authority Member receives under this Agreement, so long as the independent agreement does not affect or purport to affect, the rights and duties of the Authority or the Authority Members under this Agreement.

8.4. Severability: If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, it is hereby agreed by the Authority Members that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid, and enforced to the maximum extent possible.

8.5. Execution by Counterparts: This Agreement may be executed in any number of counterparts and upon execution by all Authority Members, each executed counterpart shall have the same force and effect as an original instrument and as if all Authority Members had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but have attached to it one or more signature pages.

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

8.6. Authority Members to be Served Notice: Any notice authorized to be given pursuant to this Agreement shall be validly given if served in writing either personally, by facsimile, by electronic mail (e-mail), by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (i) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt; (ii) by mail shall be conclusively deemed given 48 hours after the deposit thereof if the sender returns the receipt; and (iii) by facsimile, upon receipt by sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety and received at the recipient's facsimile number or email address. All Notices shall be sent to the addresses listed in Exhibit A to this Agreement:

**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

IN WITNESS WHEREOF, the Authority Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: \_\_\_\_\_

COLUSA COUNTY WATER DISTRICT

By: \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

COUNTY OF COLUSA

By: \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

COUNTY OF GLENN

By: \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

GLENN-COLUSA IRRIGATION  
DISTRICT

By: \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

MAXWELL IRRIGATION DISTRICT

By: \_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

ORLAND-ARTOIS WATER DISTRICT

By: \_\_\_\_\_  
\_\_\_\_\_

**Sites Reservoir Project  
Phase 1 Proposal to Participate, Attachment 4.1**

Dated: \_\_\_\_\_

PROBERTA WATER DISTRICT

By: \_\_\_\_\_

Dated: \_\_\_\_\_

RECLAMATION DISTRICT 108

By: \_\_\_\_\_

Dated: \_\_\_\_\_

TEHAMA-COLUSA CANAL AUTHORITY

By: \_\_\_\_\_

Dated: \_\_\_\_\_

WESTSIDE WATER DISTRICT

By: \_\_\_\_\_



**Sites Reservoir Project**  
**Phase 1 Proposal to Participate, Attachment 4.1**

Exhibit A to the Sites Project Authority Joint Exercise of Powers Agreement:

Effective Date: \_\_\_\_\_

Colusa County Water District  
General Manager  
P.O. Box 337  
Arbuckle, CA 95912

County of Colusa  
Chair of the Board of Supervisors  
547 Market Street, Suite 108  
Colusa, CA 95932

County of Glenn  
Chair of the Board of Supervisors  
525 West Sycamore Street  
Willows, CA 95988

Glenn-Colusa Irrigation District  
General Manager  
P.O. Box 150  
Willows, CA 95988

Maxwell Irrigation District  
General Manager  
P.O. Box 217  
Maxwell, CA 95955

Orland-Artois Water District  
General Manager  
P.O. Box 218  
Orland, CA 95963

Proberta Water District  
P.O. Box 134  
Proberta, CA 96078

Reclamation District 108  
General Manager  
P.O. Box 50  
Grimes, CA 95950

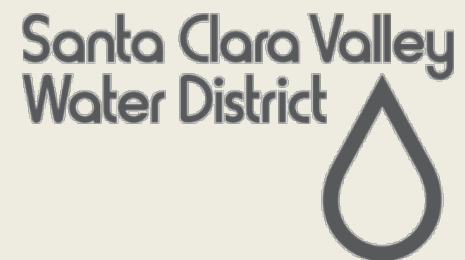
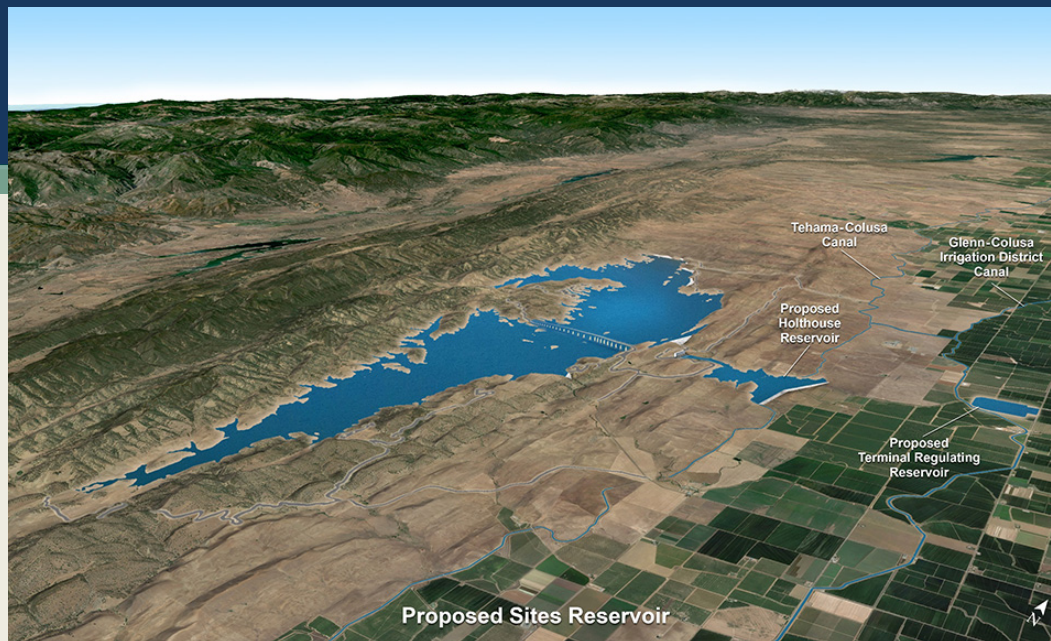
Tehama-Colusa Canal Authority  
General Manager  
P.O. Box 1025  
Willows, CA 95988

Westside Water District  
General Manager  
5005 CA-20  
Williams, CA 95987

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# Sites Reservoir – Phase 1 Reservoir Project Agreement

March 14, 2017



# Recommendation

- ❖ Authorize the CEO to execute the Sites Project Authority's Amended and Restated Phase 1 Reservoir Project Agreement and to pay \$913,146 towards the current phase of Project expenditures.

# Reservoir Project Agreement

- ❖ **Scope** – Advance studies to submit Prop 1 application, develop EIR/EIS, and negotiate agreements for public benefits.
- ❖ **Participation and voting** – Sets District Phase 1 participation level at 7% and weighted vote at 6.6% .
- ❖ **District obligation** – District to pay \$913,146 for its portion of Phase 1 costs, and support work efforts.
- ❖ **Powers** – Sets policy for members, recommend actions to be taken, authorize expenditures to work plan and determine participation percentages.
- ❖ **Withdrawal** – Provides for members to withdraw with 30 days notice.
- ❖ **Priority status** – Water supply benefits allocated commensurate with participation percentage.

# Background

- ❖ Sites JPA forms in 2010 to provide local sponsorship of project.
- ❖ Proposition 1 passes in November 2014.
- ❖ Sites JPA solicits non-local participation in May 2016.
- ❖ District submits proposal to participate in July 2016 and requests 24,000 AF.

# Requests, counteroffers, and resulting participation levels

Entity	Requested (AF)		Offered (AF)		Participation Level %	Weighted Voting %
	Class 1	Class 2	Class 1	Class 2		
North of Delta JPA	138,911	-	138,911	-	40.57	44.45
North of Delta not JPA	15,500	5,000	15,500	5,000	5.98	6.04
South of Delta (non JPA)	168,000	-	95,590	72,410	49.07	46.26
Private Company	15,000	-	-	15,000	4.38	3.25
Total	372,411	5,000	250,000	92,411	100.00	100.00

District requested 24,000 AF and received counteroffer for 13,656 AF of Class 1 water and 10,344 AF of Class 2 water

**Resulting District participation level is 7.01% and weighted voting is 6.61%.**

# Amended Work Plan

- ❖ Phase 1 – Proposition 1 Application and Draft EIR/EIS
- ❖ Phase 2 – Predesign and Final EIR/EIS
- ❖ Phase 3 – Permits, Land and Right of Way Acquisition and Final Design
- ❖ Phase 4 – Construction
- ❖ Phase 5 – Transfer to Operations



- ❖ Total cost of Phase 1 has increased from \$7.2 million to \$15.1 million.
- ❖ Total Phase 1 payment for District is \$913,146.
  - First payment of \$618,304 due upon execution of contract.
  - Second payment of \$294,842 due in 3<sup>rd</sup> Qtr of 2017.
- ❖ Total Sites Project construction cost: estimated \$4.7 billion
  - District share: estimated \$230 million (2015 dollars)

# Potential District Benefits

- ❖ Store unused CVP and SWP supplies
- ❖ Additional dry and critical year supply

Water Year Type	TAF/year without carriage losses <sup>1</sup>	TAF/year with carriage losses
Dry	35	26
Critical	37	28
Average	24	18

**<sup>1</sup> Estimated from preliminary CalSim modeling; will be refined with updated modeling**

# Pros and Cons of Participation in Project Agreement Committee

## Pros:

- ❖ Secures some level of participation in project.
- ❖ Ability to influence project development.
- ❖ Provides seniority for access to additional water supplies.
- ❖ Reimbursement for uncommitted payments if District should decide to withdraw or reduce participation at a later date.

## Cons:

- ❖ Cost may be greater than \$4.7 billion.
- ❖ Governance structure, decision making authority, operations not fully defined.
- ❖ Water supply may be different than projected.
- ❖ Other District water supply options not yet fully analyzed.

# Recommendation (recap)

- ❖ Authorize the CEO to execute the Sites Project Authority's Amended and Restated Phase 1 Reservoir Project Agreement and to pay \$913,146 towards the current phase of Project expenditures.

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**File No.:** 17-0119

**Agenda Date:** 3/14/2017

**Item No.:** 6.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Staff Response to Independent Monitoring Committee (IMC) Report on Safe, Clean Water and Natural Flood Protection Program Year 3 Annual Report for Fiscal Year 2015-2016.

### **RECOMMENDATION:**

- A. Accept Staff Response to IMC Report on Safe, Clean Water and Natural Flood Protection Program Year 3 Annual Report for Fiscal Year 2015-2016; and
- B. Provide additional direction as necessary.

### **SUMMARY:**

On February 28, 2017, the IMC issued their report on the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) Year 3 Annual Report, which provides information on Fiscal Year 2015-2016 (FY16).

Over the past months, Safe, Clean Water Program Project Managers and Deputies have met with both the IMC and sub-committees for each of the program's priorities to review the report, answer questions, and provide follow-up information as necessary. The IMC's task of assessing and reporting on the district's performance in delivering our promises to the voters was completed in an effective and timely manner.

IMC members continued to show passion and dedication throughout this review process. As their knowledge of the complex and diverse range of projects under the Safe, Clean Water Program has expanded, the discussion about these projects has become more in depth. Overall, the IMC expressed satisfaction with the content of the report and expressed their appreciation to the District for incorporating their recommendations from prior years and for staff's continued responsiveness to their questions and requests for additional information.

In its review of the FY16 Safe, Clean Water Program Year 3 Annual Report, the IMC agreed with the status of each of the projects, with the exception of the Upper Penitencia Creek Flood Protection Project (E4). Project E4 had been reported as "Adjusted" by staff because of concerns regarding the project scope. After discussing staff's concerns, the IMC recommended that the project status be listed as "On Target" for FY16. This recommendation was made because the reduced scope is

covered under the local funding only Key Performance Indicator (KPI #2). In addition, the IMC made general and formatting recommendations for the report, as well as project specific recommendations.

Upon the Board's direction, staff is prepared to accept and implement the IMC's general, annual report format, additional IMC support, and project specific recommendations. To address each of the recommendations made by the IMC, a staff response column has been added to the IMC's report table. The IMC's general and formatting recommendations have also been incorporated into the same table structure.

District staff is committed to the success of the Safe, Clean Water Program and to achieving the Key Performance Indicators in a cost-efficient and transparent manner. In turn, we appreciate the role that the IMC plays in ensuring that the District delivers the outcomes that were promised to the voters and look forward to continuing to engage in an open and responsive review process.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Staff Response to FY16 IMC Report

**UNCLASSIFIED MANAGER:**

Ngoc Nguyen, 408-630-2632



## STAFF RESPONSE

### Independent Monitoring Committee (IMC) Report Reviewing Fiscal Year (FY) 2015-2016 Annual Report Safe, Clean Water and Natural Flood Protection Program (SCW or Safe, Clean Water)

#### IMC General Recommendations

Subject:	IMC Recommendation:	Staff Response:
Permitting	<p>The majority of capital projects in the Annual Report require permits from other agencies and obtaining these permits in a timely manner can be a challenge. Permit delays can increase construction costs and erode the public's trust.</p> <ul style="list-style-type: none"> <li>The IMC recommends the District continue to look for new ways to reduce or eliminate permitting delays and provide the public with clear information about the timeline for each project including specific information about how long the District has been waiting for permits from other agencies and steps taken to address the delays.</li> <li>The IMC recommends staff develop an action plan to make sure all options to address permit delays have been explored and include that information in the next Annual Report.</li> </ul> <p><i>2015-2016 Recommendations:</i></p> <ul style="list-style-type: none"> <li><i>Include a table that lists each capital project and shows the different agencies providing approval for each project with a simple H, M, or L (high, medium, low) to indicate level of confidence that approval for the project will be received.</i></li> <li><i>Regarding the length of time the District has been waiting for permits from other agencies:</i> <ul style="list-style-type: none"> <li><i>Include the date the application was accepted as completed and the number of days the agency has to respond, if applicable.</i></li> <li><i>If there is a delay beyond the respond by date, provide information about next steps taken by the District to address the delay.</i></li> </ul> </li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ul style="list-style-type: none"> <li>Include a table that lists each capital project and shows the different agencies providing approval for each project with a simple H, M, or L (high, medium, low) to indicate level of confidence that approval for the project will be received.</li> </ul> <p>Regarding the length of time the District has been waiting for permits from other agencies, staff will also:</p> <ul style="list-style-type: none"> <li>Include the date the application was accepted as completed and the number of days the agency has to respond, if applicable; and</li> <li>If there is a delay beyond the respond by date, provide information about next steps taken by the District to address the delay.</li> </ul>

Subject:	IMC Recommendation:	Staff Response:
Capital Funding Partnerships	<p>Large capital projects cannot be funded solely by the District and can rely heavily on funds from outside agencies. There are two areas which can prove challenging to the successful completion of these types of projects.</p> <ul style="list-style-type: none"> <li>• Funding – Funding from outside agencies is not always guaranteed nor is it always delivered at the projected time.</li> <li>• Local Priorities – <i>(vs priorities associated with Federal project funding)</i> <ul style="list-style-type: none"> <li>- The IMC recommends the District continue to develop projects that reflect our local priority of enhancing and improving the condition of our rivers and creeks while providing the necessary flood protection.</li> </ul> </li> </ul> <p><i>2015-2016 Recommendation: The IMC recommends the 2016-2017 SCW report include a table listing each project with multiple funding sources with a simple H, M, or L (high, medium, low) for each funding source to indicate level of confidence that funding will be received.</i></p>	<p>Staff agrees and in the FY17 annual report will include a table listing each project with multiple funding sources with a simple H, M, or L (high, medium, low) for each funding source to indicate level of confidence that funding will be received.</p>
Climatic Extremes – Drought	<p>The effect of the drought on stream flow, water quality and vegetation restoration has created challenges for meeting specific KPIs in several projects. For the District as a whole, the immediate need for staff to address the impacts of the drought on available water has diverted staff time from the program to the pressing need to conserve and find other sources of water.</p> <ul style="list-style-type: none"> <li>• The IMC recommends the District re-evaluate the timing and costs of projects significantly affected by the drought.</li> <li>• The IMC recommends the District provide information about how the need to address our critical water shortage has affected staff time for the Safe, Clean Water and Natural Flood Protection Program.</li> </ul> <p><i>2015-2016 Recommendation: None</i></p>	<p>No response required.</p>



## IMC Recommendations – Annual Report Format

Subject:	IMC Recommendation:	Staff Response:
Status Box/Status Section	If the status of a project changes from On-Target, provide a brief explanation (a few words) under the status box. In addition, create a Status History section that shows the year and status. Maintain that information in all subsequent SCW Annual Reports.	Staff agrees and in the FY17 annual report will provide an explanation for status changes, as described, and create a Status History section to track status changes in all future reports.
Maps	Review all maps in the report to ensure they have appropriate legends.	Staff agrees and will ensure all maps have appropriate legends.
Confidence Levels - Jurisdictional Complexity	Projects including information regarding Confidence Levels should complete the Jurisdictional Complexity section and list the other organizations with jurisdictional authority.	Staff agrees and in the FY17 report, and all future reports, will ensure that all projects containing confidence levels list all other organizations with jurisdictional authority under the Jurisdictional Complexity section.
Priority B – Reduce Toxins, Hazards and Contaminants in Our Waterways	The IMC recommends the 2016-2017 report include a table showing the cost of the creek and river clean-up projects with the tonnage of trash removed for each affected watershed for projects B1, B2, B3, B4, B6, and B7.	Staff agrees and in the FY17 annual report will include a table showing the cost of the creek and river clean-up projects with the tonnage of trash removed for each affected watershed for projects B1, B2, B3, B4, B6, and B7.
Appendix A – Cumulative Financial Summary FY 2013-2016, page A-2	Revenue – Other (\$79.7 million) Identify the source of these funds and the amount per source as an additional table to Appendix A.	Staff agrees and in the FY17 annual report will identify the source of the “Revenue – Other (\$79.7 million) in funds and the amount per source as an additional table to Appendix A.
Appendix C – Grantee and Partners Information	<ul style="list-style-type: none"> <li>• Include the date the project was completed and the measurable results from that project.</li> <li>• For creek clean ups include tonnage of trash removed and the locations where the trash was removed.</li> <li>• Clarify the title of Appendix C to differentiate community partnerships from capital project partners not included in this table.</li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ul style="list-style-type: none"> <li>• Include the date the project was completed and the measurable results from that project.</li> <li>• For creek clean ups include tonnage of trash removed and the locations where the trash was removed.</li> <li>• Clarify the title of Appendix C to differentiate community partnerships from capital project partners not included in this table.</li> </ul>

## IMC Recommendations – Additional IMC Support

Subject:	IMC Recommendation:	Staff Response:
Additional IMC Support	<p>The IMC requests that the District:</p> <ul style="list-style-type: none"> <li>• Continue to provide opportunities for IMC members to visit projects to obtain a better understanding of SCW Projects.</li> <li>• Provide presentations on the following: <ul style="list-style-type: none"> <li>○ Santa Clara Valley Open Space Authority and the opportunities resulting from the passage of Measure Q</li> <li>○ SCW Independent Audit Results, staff response and Board direction</li> <li>○ U.S. Army Corps of Engineers (USACE) project updates to be provided to the Board on April 11, 2017</li> </ul> </li> </ul>	<p>Staff agrees and will:</p> <ul style="list-style-type: none"> <li>• Continue to provide opportunities for IMC members to visit projects to obtain a better understanding of SCW Projects.</li> <li>• Provide presentations on the following: <ul style="list-style-type: none"> <li>○ Santa Clara Valley Open Space Authority and the opportunities resulting from the passage of Measure Q</li> <li>○ SCW Independent Audit Results, staff response and Board direction</li> </ul> </li> <li>• U.S. Army Corps of Engineers (USACE) project updates to be provided to the Board on April 11, 2017</li> </ul>



# STAFF RESPONSE

## Independent Monitoring Committee

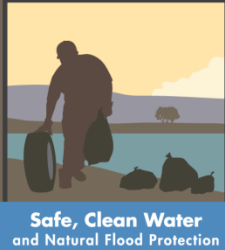
### Fiscal Year 2015-2016 Annual Report

#### Priority A

#### Ensure a Safe, Reliable Water Supply

Project:		Status:	Comment:	Staff Response:
A1	Main Avenue and Madrone Pipelines Restoration	Adjusted	<p>IMC agrees with project status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- In the FY17 Safe, Clean Water Annual Report               <ol style="list-style-type: none"> <li>Work with Finance to better present the funding data in the related Appendix (A2) entry.</li> <li>Add information regarding jurisdictional complexity.</li> </ol> </li> </ul>	Staff agrees and will incorporate the IMC's requested information into Appendix A2 in the FY17 Safe, Clean Water Annual Report.
A2	Safe, Clean Water Partnerships and Grants	On Target	<p>IMC agrees with project status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report, update the A2 financial table to include estimates for each of the A2 project's 15-year program allocations, instead of "see footnote".</li> </ul> <p><u>Water to Go (Hydration Station) Grant Program</u></p> <ul style="list-style-type: none"> <li>- Survey schools to see if stations are being used and include the results in the next FY annual report.</li> </ul> <p><u>Nitrate Treatment System Rebate Program</u></p> <ul style="list-style-type: none"> <li>- Promote the rebate program through the District's well testing program.</li> <li>- Consider increasing the rebate to 100% of system cost, with a cap amount.</li> </ul>	<p>Staff agrees and will:</p> <ul style="list-style-type: none"> <li>- Incorporate the IMC's requested information into Appendix A2 in the FY17 Safe, Clean Water Annual Report.</li> <li>- In FY18, staff will survey schools participating in the Water to Go Grant Program to determine usage of the hydration stations.</li> <li>- In FY18, staff will promote the Nitrate Treatment System Rebate Program through the well testing program and consider increasing the rebate to 100% of system cost, with a cap amount.</li> </ul>
A3	Pipeline Reliability Project	Scheduled to begin in 2025	IMC agrees with project status and acknowledges the District's efforts to accelerate the project schedule. No recommendations.	In FY17, staff is proposing a schedule adjustment through the change control process to accelerate the schedule.

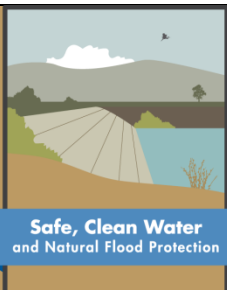
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**STAFF RESPONSE**  
**Independent Monitoring Committee**  
**Fiscal Year 2015-2016 Annual Report**  
**Priority B**  
**Reduce Toxins, Hazards and Contaminants in Our Waterways**

Project:		Status:	Comment:	Staff Response:
B1	Impaired Water Bodies Improvement	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- Post the Pollution Prevention Prioritization Plan to the project webpage.</li> <li>- In the FY17 Safe, Clean Water Annual Report <ul style="list-style-type: none"> <li>a. Reference what water is being improved and which water treatment plant is receiving improved water.</li> <li>b. Provide additional detail on preventing re-encampment and funds spent on the related agreements.</li> </ul> </li> </ul>	<p>Staff agrees and will:</p> <ul style="list-style-type: none"> <li>- Post the Pollution Prevention Prioritization Plan to the project webpage.</li> <li>- Incorporate the following recommendations into the FY17 Safe, Clean Water Annual Report: <ul style="list-style-type: none"> <li>a. Reference what water is being improved and which water treatment plant is receiving the improved water.</li> <li>b. Provide additional detail on preventing re-encampment and funds spent on the related agreements.</li> </ul> </li> </ul>
B2	Interagency Urban Runoff Program	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- In the FY17 annual report <ul style="list-style-type: none"> <li>a. Show the funds that went to pollution prevention versus pollutant removal.</li> <li>b. Add footnote to Graph B2.1 to explain the tonnage anomaly in FY15.</li> </ul> </li> </ul>	<p>Staff agrees and in the FY17 Safe, Clean Water Annual Report will:</p> <ul style="list-style-type: none"> <li>- Show the funds that went to pollution prevention versus pollution removal.</li> <li>- Add footnote to Graph B2.1 to explain the tonnage anomaly in FY15.</li> </ul>

Project:		Status:	Comment:	Staff Response:
B3	Pollution Prevention Partnership and Grants	On Target	<p>IMC agrees with status. No recommendations. The IMC does, however, suggest that the District consider updating the project's communication plan in order to disseminate the results from the projects funded by the grants with organizations and communities that can benefit from the information. The two projects listed below came to the attention of the IMC as examples of projects that have particularly useful information.</p> <ul style="list-style-type: none"> <li>- Regents of the UC "Effective Storage Composting of Livestock Manures"; and</li> <li>- Acterra Stewardship "Greening Urban Watersheds"</li> </ul>	Staff will review and update the project's communication plan to include disseminating the results from the projects funded by the grants with organizations and communities that can benefit from the information.
B4	Good Neighbor Program: Illegal Encampment Cleanup	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- In the FY17 Safe, Clean Water Annual Report, include more information on the funding status and ad hoc committee results.</li> </ul>	Staff agrees and will incorporate the IMC's requested information into the FY17 Safe, Clean Water Annual Report.
B5	Hazardous Materials Management and Response	On Target	<p>IMC agrees with status. No recommendations. The IMC does, however, suggest that the District:</p> <ul style="list-style-type: none"> <li>- Increase outreach using social media, such as Nextdoor, to help get the word out and try to get other municipalities to reference our website.</li> <li>- Also, consider increasing the District's creekwise mailer delivery to neighbors of tributaries as well as the major creeks.</li> </ul>	Staff will review and update the project's communication plan to include outreach using social media, such as Nextdoor, to help get the word out and to try to get other municipalities to reference our website. Staff will work explore the feasibility of distributing the District's creekwise mailer delivery to neighbors of tributaries, as well as the major creeks.
B6	Good Neighbor Program: Remove Graffiti and Litter	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 Safe, Clean Water Annual Report, include graph that shows cost of removal per ton of trash.</li> </ul>	Staff agrees and will incorporate the graph showing the cost of removal per ton of trash into the FY17 Safe, Clean Water Annual Report.
B7	Support Volunteer Cleanup Efforts and Education	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- Link grant proposals to the project webpage.</li> <li>- Perform project outreach through the District's Education Program and through other programs, such as Rethink Disposable.</li> </ul>	<p>Staff agrees and will:</p> <ul style="list-style-type: none"> <li>- Link grant proposals to the project webpage.</li> <li>- Perform project outreach through the District's Education Program and through other programs.</li> </ul>



## STAFF RESPONSE

### Independent Monitoring Committee

### Fiscal Year 2015-2016 Annual Report

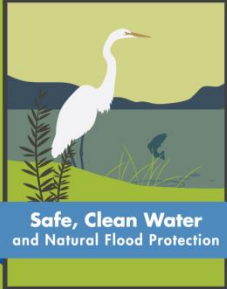
### Priority C

### Protect our Water Supply from Earthquakes and Natural Disasters

Project:		Status:	Comment:	Staff Response:
C1	Anderson Dam Seismic Retrofit	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- Safe, Clean Water Program text adjustments to description and benefits sections to               <ul style="list-style-type: none"> <li>a. Change billions of gallons to acre-feet (bullet #3 in benefits)</li> <li>b. Include pros and cons of not doing the project</li> <li>c. Include cost/benefit of the project, including flood protection benefits</li> </ul> </li> <li>- In the FY17 annual report               <ul style="list-style-type: none"> <li>a. The information in second bullet under "Progress on Key Performance Indicator (KPI) #1" should move to Opportunities and Challenges where more detailed information can be presented in future reports.</li> <li>b. Add the total project cost under the Opportunities and Challenges section.</li> </ul> </li> </ul>	<p>Staff agrees and will recommend text adjustments to the project's description and benefits through the Change Control Process.</p> <p>In the FY17 annual report, staff will:</p> <ul style="list-style-type: none"> <li>a. Move the information in second bullet under "Progress on KPI #1" to Opportunities and Challenges, where more detailed information can be presented in future reports.</li> <li>b. Add the total project cost under the Opportunities and Challenges section.</li> </ul>
C2	Emergency Response Upgrades	On Target	IMC agrees with status. No recommendations.	No response required.

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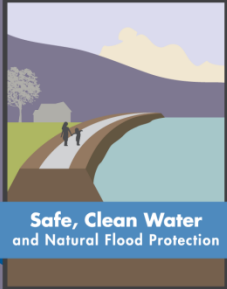
**STAFF RESPONSE**  
**Independent Monitoring Committee**  
**Fiscal Year 2015-2016 Annual Report**  
**Priority D**  
**Restore Wildlife Habitat and Provide Open Space**

Project:		Status:	Comment:	Staff Response:
D1	Management of Revegetation Projects	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report <ul style="list-style-type: none"> <li>a. Include a map of the revegetation sites and provide a link on project webpage</li> <li>b. Provide explanation about impact and actions taken regarding Phytophthora</li> <li>c. Add a footnote to graph D1.1 to explain why the FY14 deviation occurred (page 56).</li> <li>d. Include projected acreage in the graph <ul style="list-style-type: none"> <li>i. Demonstrates the concern regarding staff levels required to support increased acreage.</li> </ul> </li> </ul> </li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ul style="list-style-type: none"> <li>a. Include a map of the revegetation sites and provide a link on project webpage</li> <li>b. Provide explanation about impact and actions taken regarding Phytophthora</li> <li>c. Add a footnote to graph D1.1 to explain why the FY14 deviation occurred (page 56).</li> <li>d. Include projected acreage in the graph to demonstrate the concern regarding staff levels required to support increased acreage.</li> </ul>
D2	Revitalize Stream, Upland and Wetland Habitat	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report, create a table showing the total acreage for each project completed in the fiscal year, with the percentage of work completed under D2.</li> </ul> <p>In addition, the IMC suggests greater dissemination of information:</p> <ul style="list-style-type: none"> <li>- Identify community opportunities to share D2 outcomes.</li> <li>- Provide web links to District's planting palettes to city planning departments to include on their websites.</li> <li>- Include methods for removal of invasive plants in existing District mailers or other outreach materials.</li> </ul>	<p>Staff agrees and in the FY17 annual report, will create a table showing the total acreage for each project completed in the fiscal year, with the percentage of work completed under D2.</p> <p>In addition, staff will:</p> <ul style="list-style-type: none"> <li>- Identify community opportunities to share D2 outcomes.</li> <li>- Provide web links to District's planting palettes to city planning departments to include on their websites.</li> <li>- Include methods for removal of invasive plants in existing District mailers or other outreach materials.</li> </ul>

Project:		Status:	Comment:	Staff Response:
D3	Grants and Partnerships to Restore Wildlife Habitat and Provide Access to Trails	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report <ul style="list-style-type: none"> <li>a. Include completed grants and partnerships in Appendix C</li> <li>b. Add a notation regarding California Environmental Quality Act (CEQA) to the table to show <ul style="list-style-type: none"> <li>i. CEQA status</li> <li>ii. Footnote on table to indicate whether the District is preparing the CEQA document and the related admin costs.</li> </ul> </li> <li>c. Correct the description for San Francisco Bay Bird Observatory project to say "re-establish" a healthy nesting population, rather than establish.</li> </ul> </li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ul style="list-style-type: none"> <li>a. Include completed grants and partnerships in Appendix C</li> <li>b. Add a notation regarding CEQA to the table to show <ul style="list-style-type: none"> <li>i. CEQA status</li> <li>ii. Footnote on table to indicate whether the District is preparing the CEQA document and the related admin costs.</li> </ul> </li> <li>c. Correct the description for San Francisco Bay Bird Observatory project to say "re-establish" a healthy nesting population, rather than establish.</li> </ul>
D4	Fish Habitat and Passage Improvement	On Target	IMC agrees with status. No recommendation.	No response required.
D5	Ecological Data Collection and Analysis	On Target	<p>IMC agrees with status. No recommendations. The IMC does, however, consider this a great resource that should be used as widely as possible and encourages promotion of the tool for other jurisdictions that are planning projects.</p> <p>In addition, the IMC suggests:</p> <ul style="list-style-type: none"> <li>- In future SCW annual reports, once applicable, show changes as the District adds reassessments.</li> </ul>	Staff agrees and in FY18, will promote the California Rapid Assessment Method for use by other jurisdictions in their project planning. Once applicable, in future reports, staff will show changes as the District adds reassessments.
D6	Creek Restoration and Stabilization	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report, include project maps and information on jurisdictional complexity.</li> </ul>	Staff agrees and in the FY17 annual report will include project maps and information on jurisdictional complexity.

Project:		Status:	Comment:	Staff Response:
D7	Partnerships for the Conservation of Habitat Lands	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report, include an explanation of the District's obligations to and expected benefits of the Valley Habitat Plan in the Opportunities and Challenges section.</li> </ul>	Staff agrees and in the FY17 annual report will include an explanation of the District's obligations to and expected benefits of the Valley Habitat Plan in the Opportunities and Challenges section.
D8	South Bay Salt Ponds Restoration Partnership	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report, include an explanation for the cause of the erosion to show that it is a result of wind induced wave action and not a result of the District's work.</li> </ul>	Staff agrees and in the FY17 annual report will include an explanation for the cause of the erosion to show that it is a result of wind induced wave action and not a result of the District's work.

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# STAFF RESPONSE

## Independent Monitoring Committee

### Fiscal Year 2015-2016 Annual Report

#### Priority E

#### Provide Flood Protection to Homes, Businesses, Schools and Highways

Project:		Status:	Comment:	Staff Response:
E1	Vegetation Control and Sediment Removal for Flood Protection	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report               <ol style="list-style-type: none"> <li>Clarify the challenges and explain why we do not have a target of 100% of improved channels at design capacity. Could possibly include confidence levels.</li> <li>Add graphs for each of the E1s.</li> <li>Include a permitting confidence level under the Opportunities and Challenges section.</li> </ol> </li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ol style="list-style-type: none"> <li>Clarify the challenges and explain why we do not have a target of 100% of improved channels at design capacity. Could possibly include confidence levels.</li> <li>Add graphs for each of the E1s.</li> <li>Include a permitting confidence level under the Opportunities and Challenges section.</li> </ol>
E2	Emergency Response Planning	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY17 annual report               <ol style="list-style-type: none"> <li>Include challenges of coordinating with the cities to incorporate the District-endorsed flood emergency procedures into their Emergency Operations Center (EOC) plans.</li> <li>Add more background information about the Community Rating System (CRS)                   <ol style="list-style-type: none"> <li>Explain that some SCW activities benefit the CRS Program and how in turn the participating communities can benefit from this.</li> </ol> </li> </ol> </li> </ul> <p>In addition, the IMC suggests:</p> <ul style="list-style-type: none"> <li>- The District review the EOC procedures for each city in SCC and recommend what to incorporate from the District's flood emergency procedures.</li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ol style="list-style-type: none"> <li>Include challenges of coordinating with the cities to incorporate the District-endorsed flood emergency procedures into their EOC plans.</li> <li>Add more background information about the CRS               <ol style="list-style-type: none"> <li>Explain that some SCW activities benefit the CRS Program and how in turn the participating communities can benefit from this.</li> </ol> </li> </ol> <p>In addition, in FY18 staff will assess whether it is feasible to review the EOC procedures for each city in SCC and recommend what to incorporate from the District's flood emergency procedures.</p>

Project:		Status:	Comment:	Staff Response:
E3	Flood Risk Reduction Studies	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- Safe, Clean Water Program text adjustments to the benefits section (bullet 2) to indicate that the project may remove (or add) parcels to the Federal Emergency Management Agency (FEMA) regulatory floodplain to more accurately reflect the flood risk.</li> <li>- For the FY17 Safe, Clean Water Annual Report <ul style="list-style-type: none"> <li>a. Include a simplified floodplain map when a study is reported out to show the area impacted by the study, with a link to a more detailed map.</li> <li>b. Explain that it is ultimately a city's responsibility as Floodplain Administrator to work with FEMA to update FEMA's maps and that the SCW role is as a technical resource.</li> </ul> </li> </ul>	<p>Staff agrees and will recommend text adjustments to the project's benefits through the Change Control Process.</p> <p>In the FY17 annual report, staff will:</p> <ol style="list-style-type: none"> <li>Include a simplified floodplain map when a study is reported out to show the area impacted by the study, with a link to a more detailed map.</li> <li>Explain that it is ultimately a city's responsibility as Floodplain Administrator to work with FEMA to update FEMA's maps and that the SCW role is as a technical resource.</li> </ol>
E4	Upper Penitencia Creek Flood Protection Coyote Creek to Dorel Drive – San José	Adjusted	<p>IMC does not agree with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- For the FY16 Safe, Clean Water Annual Report, the project status should be changed from "Adjusted" to "On Target" because the project provided two alternatives (KPIs 1 and 2), and is on target to achieve KPI 2, the <i>"local funding only" project</i>.</li> <li>- For the FY17 Safe, Clean Water Annual Report <ul style="list-style-type: none"> <li>a. Update the map to show Dorel Drive.</li> <li>b. Add explanation for why the project is not competitive for federal funding and why the District is taking the lead on the feasibility study.</li> <li>c. Add inundation maps to the project's webpage to show the 5,000 homes to be protected from flooding.</li> </ul> </li> </ul>	<p>Staff agrees and will change the status in the FY16 annual report to "On Target".</p> <p>In the FY17 annual report, staff will:</p> <ol style="list-style-type: none"> <li>Update the map to show Dorel Drive.</li> <li>Add explanation for why the project is not competitive for federal funding and why the District is taking the lead on the feasibility study.</li> <li>Add inundation maps to the project's webpage to show the 5,000 homes to be protected from flooding.</li> </ol>

Project:		Status:	Comment:	Staff Response:
E5	San Francisquito Creek Flood Protection San Francisco Bay to Middlefield Road – Palo Alto	On Target	IMC agrees with status. Recommendations are: <ul style="list-style-type: none"> <li>- Safe, Clean Water Program text adjustments to the project description to have the first paragraph explain the San Francisquito Creek Joint Powers Authority and the District's role in the project.</li> </ul>	Staff agrees and will recommend text adjustments to the project's description section through the Change Control Process.
E6	Upper Llagas Creek Flood Protection Buena Vista Avenue to Wright Avenue – Morgan Hill, San Martin, Gilroy	Adjusted	IMC agrees with status. Recommendations are: <ul style="list-style-type: none"> <li>- For the FY17 Safe, Clean Water Annual Report, mention the U.S. Army Corps of Engineers under the jurisdictional complexity section.</li> </ul>	Staff agrees and in the FY17 annual report will mention the U.S. Army Corps of Engineers under the jurisdictional complexity section.
E7	San Francisco Bay Shoreline Study Milpitas, Mountain View, Palo Alto, Santa Clara and Sunnyvale	On Target	IMC agrees with status. Recommendations are: <ul style="list-style-type: none"> <li>- Safe, Clean Water Program text adjustments to the project title to read "South San Francisco Bay Shoreline Protection," which will better capture all the project elements (i.e. study, design and construction).</li> <li>- For the FY17 Safe, Clean Water Annual Report, for both KPIs, include the full picture of funding and jurisdictional complexity, including the Don Edwards Refuge/USFWS owned-land.</li> </ul>	Staff agrees and will recommend text adjustments to the project's title through the Change Control Process. In the FY17 annual report, staff will include the full picture of funding and jurisdictional complexity, for both KPIs, including the Don Edwards Refuge/USFWS owned-land.
E8	Upper Guadalupe River Flood Protection Highway 280 to Blossom Hill Road – San José	Adjusted	IMC agrees with status. Recommendations are: <ul style="list-style-type: none"> <li>- For the FY17 Safe, Clean Water Annual Report <ul style="list-style-type: none"> <li>a. Highlight the opportunities. It's a good story.</li> </ul> </li> </ul>	Staff agrees and in the FY17 annual report will highlight the opportunities.

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## STAFF RESPONSE

### Independent Monitoring Committee

### Fiscal Year 2015-2016 Annual Report

### Other Capital Flood Protection Projects and Clean, Safe Creeks Grants Projects

Project:	Status:	Comment:	Staff Response:
Permanente Creek Flood Protection San Francisco Bay to Foothill Expressway – Mountain View	Adjusted	IMC agrees with status. Recommendation: - In the FY17 Safe, Clean Water Annual Report, clarify the Hale Creek reference under confidence levels so as not to confuse it with the Hale Creek Project referenced in the Creek Restoration and Stabilization Project (D6).	Staff agrees and in the FY17 annual report will clarify the Hale Creek reference under confidence levels so as not to confuse it with the Hale Creek Project referenced in the Creek Restoration and Stabilization Project (D6).
Sunnyvale East and Sunnyvale West Channel Flood Protection San Francisco Bay to Inverness Way and Almanor Avenue – Sunnyvale	Adjusted	IMC agrees with status. Recommendations are: - In the FY17 Safe, Clean Water Annual Report a. Include a legend for the map b. Name the jurisdictions under jurisdictional complexity and apply a confidence level	Staff agrees and in the FY17 annual report will: a. Include a legend for the map b. Name the jurisdictions under jurisdictional complexity and apply a confidence level
Berryessa Creek Flood Protection Calaveras Boulevard to Interstate 680 – Milpitas and San José	Adjusted	IMC agrees with status. No recommendation.	No response required.
Coyote Creek Flood Protection Montague Expressway to Interstate 280 – San José	Adjusted	IMC agrees with status. Recommendations are: - In the FY17 Safe, Clean Water Annual Report a. Include a legend for the map b. Include Coyote Creek Park Chain in the map because it is referenced in the benefits. c. Name the jurisdictions under jurisdictional complexity and apply a confidence level	Staff agrees and in the FY17 annual report will: a. Include a legend for the map b. Include Coyote Creek Park Chain in the map because it is referenced in the benefits. c. Name the jurisdictions under jurisdictional complexity and apply a confidence level

Project:	Status:	Comment:	Staff Response:
Calabazas Creek Flood Protection Miller Avenue to Wardell Road – Sunnyvale	Completed	IMC agrees with status. No recommendation.	No response required.
Clean, Safe Creeks Grants Projects	On Target	<p>IMC agrees with status. Recommendations are:</p> <ul style="list-style-type: none"> <li>- In the FY17 Safe, Clean Water Annual Report <ul style="list-style-type: none"> <li>a. Include the active and completed grants in Appendix C</li> <li>b. In the CSC Grant Table status definitions (shown at the bottom of p. 152 of the FY16 annual report), correct "Amendment in Process" to "Extended"</li> </ul> </li> </ul>	<p>Staff agrees and in the FY17 annual report will:</p> <ul style="list-style-type: none"> <li>a. Include the active and completed grants in Appendix C</li> <li>b. In the CSC Grant Table status definitions (shown at the bottom of p. 152 of the FY16 annual report), correct "Amendment in Process" to "Extended"</li> </ul>

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**File No.:** 17-0123

**Agenda Date:** 3/14/2017

**Item No.:** 6.2.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Safe, Clean Water and Natural Flood Protection Program (SCW) Priority D - Project D3 (Grants and Partnerships to Restore Wildlife Habitat and Provide Access to Trails) Mini-Grant Pilot Program.

### **RECOMMENDATION:**

- A. Approve the proposed Priority D - Project D3 Mini-Grant Pilot Program components listed below; including; and
- i. Mini-Grant Minimum Requirements and Evaluation Criteria;
  - ii. Submittal, Selection and Award Process;
  - iii. Application Form;
  - iv. Evaluation Score Sheet; and
  - v. Outreach Plan.
- B. Authorize the District to implement the Priority D3 Mini-Grant Pilot Program through June 30, 2018 or until the \$200,000 in funding is awarded (whichever occurs first); at which time staff will evaluate the program's success and present to the Board a recommendation for its continuation or termination.

### **SUMMARY:**

The D3 Mini-Grant Pilot Program was approved by the Board in March of 2016 to support SCW Priority D - Project D3 to restore wildlife habitat and provide access to trails. The objective of the Project D3 Mini-Grant Pilot Program is to encourage broader community involvement and long-term community engagement to contribute to wildlife habitat restoration efforts in Santa Clara County (County). Funding for the Project D3 Mini-Grant Pilot Program awards is not intended to cover the entire cost of projects undertaken by a grant awardee, but rather to pay up to \$5,000 for each awardee's eligible project that is consistent with the goals of Priority D3 and contributes to the restoration of wildlife habitat in the County. The total approved project budget for this Project D3 Mini-Grant Pilot Program is \$200,000, which can fund at least 40 grant awards for an amount not to

exceed \$5,000 per grant award.

SCW Priority D - Project D3 (Grants and Partnerships to Restore Wildlife Habitat and Provide Access to Trails) requires that the District provide 7 grant cycles and additional partnerships for \$21 million that follow pre-established criteria related to the creation or restoration of wetlands, riparian habitat, and favorable stream conditions for fisheries and wildlife, and providing new public access to trails.

Additionally, SCW Project D3 has the following intended benefits:

- Enhances creek and bay ecosystems
- Improves fish passages and habitat
- Expands trail and open space access
- Leverages community funding through grants
- Increases collaborations and partnerships for stewardship activities with cities, the country, nonprofit organizations, schools and other stakeholders

The D3 Mini-Grant Pilot Program is designed to address priority D3 goals by achieving one or more of the following:

- i. Enhances creek and bay ecosystems
- ii. Improves fish passage and habitat
- iii. Increases community awareness and understanding of watershed stewardship

Examples of eligible activities include:

- i. Educational activities such as new educational or outreach pieces that promote watershed stewardship and wildlife habitat restoration or workshop, training or watershed tours specifically focused on watershed stewardship activities
- ii. Physical improvements, such as invasive plant removal, native planting, or removal of fish migration barriers

The Mini-Grant Minimum Requirements and Evaluation Criteria form (Attachment 1) identifies the minimum requirements that a project must meet to be considered for a grant award. In addition, the form identifies evaluation questions that will be used to evaluate each project meeting minimum requirements to determine whether an award should be granted. The evaluation questions will be incorporated into the Application Form (Attachment 3) Proposed projects meeting minimum requirements will be evaluated using the Evaluation Score Sheet (Attachment 4). The processes for submittal, selection and award of the Mini-Grants are provided in Attachment 2. The Outreach Plan (Attachment 5) provides the outreach goal and tactics for informing stakeholders about the Mini-Grant Program.

This item seeks Board approval of the Project D3 Mini-Grant Pilot Program components and the timeframe for implementing and evaluating the success of the pilot program.

**BACKGROUND:**

On August 25, 2015, the Board directed development of a pilot mini-grants program for the SCW Priority D- Project D3 (Priority for Wildlife Habitat Restoration (D3)). On March 15, 2016, the Board authorized the District CEO to implement a pilot mini-grants program.

**FINANCIAL IMPACT:**

Total funding available for the pilot mini-grants program in Fiscal Year 2017 (FY17) is \$200,000 and is budgeted under the SCW Priority D - Project D3. It is anticipated that at least 40 pilot mini-grants not to exceed an amount of \$5,000 per grant will be awarded to entities that carry out their proposed activities in the County to meet SCW Priority D3 goals. Grants will be awarded on a “first come first serve basis”. A minimum grantee match of 25% of project cost is required. This can be through a cash and/or an in-kind services match. Any funds remaining in FY17, will be carried forward for Fiscal Year 2018.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment. Specific projects being funded by the Project D3 Mini-Grant Pilot Program have undergone or will undergo CEQA review prior to construction and/or implementation of projects, as deemed appropriate by the grantee organizations and/or the District.

**ATTACHMENTS:**

Attachment 1: Minimum Requirements and Evaluation Criteria  
Attachment 2: Submittal, Selection and Award Process  
Attachment 3: Application Form  
Attachment 4: Evaluation Score Sheet  
Attachment 5: Outreach Plan

**UNCLASSIFIED MANAGER:**

Melanie Richardson, 408-630-2035

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## Attachment 1:

### Mini-Grant Minimum Requirements and Evaluation Criteria: SCW Priority D - Project D3 Mini-Grant Pilot Program

1.	<p>Minimum Grant Requirements</p> <ul style="list-style-type: none"><li>a. The project must address the District's Safe, Clean Water and Natural Flood Protection priority D3 goals by achieving one or more of the following in Santa Clara County:<ul style="list-style-type: none"><li>i. Enhances creek and bay ecosystems</li><li>ii. Improves fish passage and habitat</li><li>iii. Increases community awareness and understanding of watershed stewardship</li></ul></li><li>b. Applicant must be one of the following in Santa Clara County:<ul style="list-style-type: none"><li>i. A local agency or municipality</li><li>ii. A special district</li><li>iii. An organized community group with an established structure</li><li>iv. 501(c)(3) nonprofit</li><li>v. A school, community college or university</li></ul></li><li>c. If the applicant is an organized community group with an established structure, the group must identify the individual who will be responsible for signing the agreement, any taxes resulting from the grant award, and insurance, if necessary</li><li>d. The project scope must include:<ul style="list-style-type: none"><li>i. Proposed activities</li><li>ii. Expenditure plan</li><li>iii. Timeline/Schedule</li></ul></li><li>e. The applicant must include a cost-sharing monetary or in-kind match of a minimum 25% of total project cost</li><li>f. The project completion date must be within two years following execution of agreement</li></ul>
2.	<p>Evaluation Criteria</p> <ul style="list-style-type: none"><li>a. Community Involvement and Outreach:<ul style="list-style-type: none"><li>i. Does the project include educational and/or outreach opportunities related to the priority D3 goals?</li><li>ii. Does the project provide an opportunity for media coverage, and will media be invited?</li><li>iii. Will there be opportunities for Directors to participate in outreach and/or media events?</li></ul></li><li>b. Success Measurements<ul style="list-style-type: none"><li>i. Does the project have measurable outcomes?</li><li>ii. Is outcome measurement included as part of the project's proposed activities?</li></ul></li></ul>

*Examples of eligible activities include:*

- i. Educational activities such as new educational or outreach pieces that promote watershed stewardship and wildlife habitat restoration or workshop, training or watershed tours specifically focused on watershed stewardship activities*
- ii. Physical improvements, such as invasive plant removal, native planting, or removal of fish migration barriers*

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# SCW Priority D - Project D3 Mini-Grant Pilot Program

## Submittal, Selection and Award Processes

### Grant Application Submittal Process

March 14, 2017 – Ongoing\*

- Mini-Grant Application Outreach will be executed according to the tactics described in the Project's Public Outreach Plan.

**Grant's can be submitted (Attn: Paul Fulcher) as follows.**

- **Via email to:**  
[minigrants@valleywater.org](mailto:minigrants@valleywater.org)
- **Via USPS to:**  
Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118
- **Via Overnight Express to:**  
Santa Clara Valley Water District  
5905 Winfield Blvd.  
San Jose, CA 95123
- **Hand delivered to:**  
Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118

### Grant Selection Process

March 14, 2017 – Ongoing\*

- Staff will utilize the Evaluation Score Sheet to evaluate each grant application (minimum requirements must be met).
- If an application is recommended for approval, staff will utilize the grant agreement template and work with both legal and risk to determine the need for California Environmental Quality Act analysis and insurance requirements.
- If the applicant is an organized community group with an established structure, the group must identify the individual who will be responsible for signing the agreement, any taxes resulting from the grant award, and insurance, if necessary.

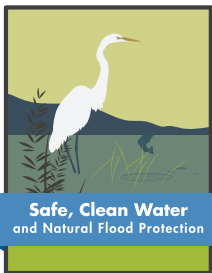
### Grant Award Process

March 14, 2017 – Ongoing\*

- Grants will be awarded on a first-come, first-serve basis.
- If the applicant can demonstrate a need, the District may advance up to 50% of the total grant amount onset of the project.
- Invoices may be submitted on a monthly basis.
- If funds were advanced at the onset of the project, once invoices have been submitted to demonstrate use of the advanced funds, awardees may submit invoices monthly, until all invoices have been paid and the project is closed out.

\*Ongoing until June 30, 2018 or \$200K is awarded, whichever occurs first.

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# Grant Application Priority D - Project D3 Mini-Grant Pilot Program

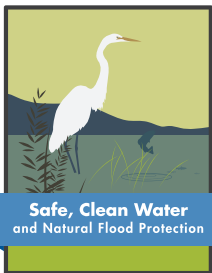


Mini-Grant Application Submittal Date:	Name of Organization or Individual Responsible for Taxes and Insurance:		
	Address:	City:	Zip Code:
Name of Responsible Contact:	Telephone:	E-Mail:	
Project Name:	Project Start Date:	Requested Grant Amount (up to \$5,000)	
Project Location:	Project End Date:	Monetary or In-Kind Cost Share Amount:	

- Required: Attach a written project scope (description of your proposed project), that includes proposed activities, an expenditure plan (including how you will provide the 25% monetary or in-kind services match), and a project schedule.

YES	NO	QUESTIONS	EXPLANATION
<input type="checkbox"/>	<input type="checkbox"/>	1. Does your project achieve one or more of the following? i. Enhances creek and bay ecosystems ii. Improves fish passage and habitat iii. Increases community awareness and understanding of watershed stewardship	Explain how. Provide details.
<input type="checkbox"/>	<input type="checkbox"/>	2. Is the applicant one of the following in Santa Clara County? i. A local agency or municipality ii. A special district iii. An organized community group with an established structure iv. 501(c)(3) nonprofit v. A school, community college or university	Which one? Provide details.
<input type="checkbox"/>	<input type="checkbox"/>	3. If the applicant is an organized community group with an established structure, has the group identified the individual who will be responsible for signing the agreement, paying taxes, and providing insurance, if necessary?	Name the responsible individual. (Write N/A if not applicable.)
<input type="checkbox"/>	<input type="checkbox"/>	4. Does the project include educational and/or outreach opportunities related to the priority D3 goals?	Explain how. Provide details.
<input type="checkbox"/>	<input type="checkbox"/>	5. Does the project provide an opportunity for media coverage, and will media be invited?	Identify the opportunities/media plan.
<input type="checkbox"/>	<input type="checkbox"/>	6. Will there be opportunities for Directors to participate in outreach and/or media events?	Identify the possible opportunities.
<input type="checkbox"/>	<input type="checkbox"/>	7. Does the project have measurable outcomes?	If so, identify the measurable outcomes.
<input type="checkbox"/>	<input type="checkbox"/>	8. Is outcome measurement included as part of the project's proposed activities?	Explain how. Provide details.

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# Evaluation Score Sheet

## Priority D - Project D3

### Mini-Grant Pilot Program



Mini-Grant Application Submittal Date:		Name of Organization or Individual Responsible for Taxes and Insurance:		
		Address:	City:	Zip Code:
Name of Responsible Contact:		Telephone:		E-Mail:
Project Name:		Project Start Date:	Requested Grant Amount (up to \$5,000)	
Project Location:		Project End Date:	Monetary or In-Kind Cost Share Amount:	
<b>SCORING CRITERIA: YES = 1 POINT, NO = 0 POINTS</b> <b>(An additional 1-4 points may be awarded based upon the applicant's response to the question)</b> <b>Total Possible Score = 25; Minimum Score for Recommending Award = 17</b>				
<b>YES</b>	<b>NO</b>	<b>MINIMUM QUALIFICATIONS/EVALUATION</b>		<b>SCORE (0-5)</b>
<input type="checkbox"/>	<input type="checkbox"/>	Did the applicant answer yes to Grant Application Questions 1-2, and 3, if applicable?		<i>Answer of "Yes" is required to move forward.</i>
<input type="checkbox"/>	<input type="checkbox"/>	Did the applicant attach a written project scope that included: i. Proposed activities ii. Expenditure plan iii. Timeline/Schedule		<i>Answer of "Yes" is required to move forward.</i>
<input type="checkbox"/>	<input type="checkbox"/>	Did the applicant explain how they will provide the 25% monetary or in-kind services match?		<i>Answer of "Yes" is required to move forward.</i>
<input type="checkbox"/>	<input type="checkbox"/>	Is the project located in Santa Clara County?		<i>Answer of "Yes" is required to move forward.</i>
<input type="checkbox"/>	<input type="checkbox"/>	Does the project include educational and/or outreach opportunities related to the priority D3 goals?		
<input type="checkbox"/>	<input type="checkbox"/>	Does the project provide an opportunity for media coverage, and will media be invited?		
<input type="checkbox"/>	<input type="checkbox"/>	Will there be opportunities for Directors to participate in outreach and/or media events?		
<input type="checkbox"/>	<input type="checkbox"/>	Does the project have measurable outcomes?		
<input type="checkbox"/>	<input type="checkbox"/>	Is outcome measurement included as part of the project's proposed activities?		
<b>TOTAL SCORE:</b>				
<b>Staff analysis comments:</b>				

RECOMMENDED ACTION: ☐ APPROVE ☐ DENY

Submitted by:  
Grants Program Staff

☐ APPROVED ☐ DENIED

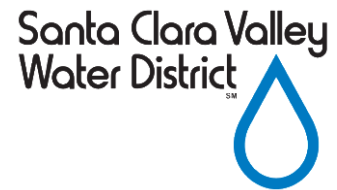
Date: \_\_\_\_\_

Submitted by:  
Grants Program Manager

Date: \_\_\_\_\_

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**Safe, Clean Water and Natural Flood Protection Program**  
**SCW Priority D - Project D3 Mini-Grant Pilot Program**  
Public Outreach Plan



**Community Stakeholders:**

Local municipalities, special districts, schools, community colleges, and universities in Santa Clara County. Local non-profit organizations with a 501(c)(3) tax exempt status.

Environmental and creek groups and neighborhood associations with interest in the program are eligible, but the group must identify the individual who will be responsible for signing the agreement, any taxes resulting from grant award, and insurance, if necessary.

**Geographic Area of Benefit:**

Countywide

**Public Participation Goal (IAP2):**

Inform

**Goal:**

The objective of the D3 Mini-Grant Pilot Program is to encourage broader community involvement and long-term community engagement to contribute to wildlife habitat restoration efforts in Santa Clara County (County). Funding for the pilot mini-grant awards is not intended to cover the entire project costs, but rather to pay up to \$5,000 for eligible projects under Priority D3 that contribute to the restoration of wildlife habitat in the County.

**Outreach Objectives:**

- Provide opportunities for the community to participate in the D3 Mini-Grant Pilot Program
- Communicate publicly about pilot program status
- Solicit input on grantee experience, i.e., customer satisfaction

**Communication Tactics:**

- Utilization of the various Strategies and Tools defined in the Safe, Clean Water and Natural Flood Protection Program's Communications Strategy to communicate about grant opportunities and the status of grant projects and to solicit input on grantee experience. These include, but are not limited to, outreach through:
  - Local Municipalities
  - District Committees
  - District E-newsletter
  - Social Media
  - NextDoor
  - CEO Bulletin
  - Board Agenda Items

**Key Topics:**

- Creek Enhancement
- Habitat Restoration
- Fish Passage
- Watershed Stewardship

**Outreach Schedule:**

Outreach will begin upon approval of the Project D3 Mini-Grant Pilot Program components and authorization by the Board to implement the program and will be ongoing through June 30, 2018 or until the \$200,000 in funding is awarded, whichever occurs first.



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**File No.:** 17-0106

**Agenda Date:** 3/14/2017

**Item No.:** 7.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Recommended Position on State Legislation: SB 492 (Beall) Upper Guadalupe and Los Gatos Creek Watersheds.

### **RECOMMENDATION:**

Adopt a position of "Support" on: SB 492 (Beall) Upper Guadalupe and Los Gatos Creek Watersheds.

### **SUMMARY:**

**SB 492 (Beall) Upper Guadalupe and Los Gatos Creek Watersheds (I-02/16/17)**

**Position Recommendation: Support**

**Priority Recommendation: 2**

The Upper Guadalupe and Los Gatos Creek watersheds are located in the Santa Cruz Mountains. The Midpeninsula Regional Open Space District (MROSD) owns and manages over 20,000 acres of public land within these watersheds. Adjacent to these public lands are 96 parcels totaling almost 6,500 acres that are owned by the San Jose Water Company. MROSD would like to acquire these parcels for wildlife conservation, open space, and public access. SB 492 would authorize the San Jose Water Company to sell the 96 parcels to MROSD and would require the water company to invest the net proceeds from the sale in water system infrastructure, plant, facilities, and properties that are necessary or useful in the performance of its public duties, as determined by the California Public Utilities Commission.

In 2008, the Association of Bay Area Governments (ABAG) designated a portion of the described lands as a Priority Conservation Area, and in 2013 this and other Priority Conservation Areas were incorporated into Plan Bay Area, a regional, long-range transportation, land use, and housing plan adopted by ABAG and the Metropolitan Transportation Commission. The Upper Guadalupe and Los Gatos Creek watersheds provide habitat for several species that are listed as threatened or endangered, including the bay checkerspot butterfly and the California red-legged frog. Serpentine derived soils in the area are inhospitable to invasive plant species and support a diversity of native plants adapted to the environment, such as a unique chaparral/shrubland series and other rare plant species. The lands also serve as a natural wildlife corridor connecting the Peninsula to lands further inland and are traversed by mountain lions and other species.

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SB 492 makes findings and declares that the sale of private lands owned by the San Jose Water Company in the Upper Guadalupe and Los Gatos Creek watersheds will benefit the public and wildlife, and that land conservation priorities will be addressed by MROSD's active land management practices. The bill authorizes the water company to sell the described lands under the following conditions.

1. MROSD shall commit, in perpetuity, to improve trail connectivity, maintain wildland fire safety, encourage forest management practices to promote old-growth habitat conditions, preserve open space, and protect downstream beneficial uses of water, including critical elements of the public drinking water supply.
2. San Jose Water Company shall retain, in perpetuity, all its existing water rights and a necessary easement to ensure that water company customers have access to safe and reliable drinking water. The easement shall include all facilities owned and operated by the water company, including treatment plants, delivery systems, reservoirs, and main tributaries.
3. If a sale authorized by the bill occurs, the water company is required to invest the net proceeds from the sale in water system infrastructure, plant, facilities, and properties necessary and useful in the performance of the water company's duties to the public, as determined by the California Public Utilities Commission (CPUC).
4. San Jose Water Company shall also maintain records necessary to document investment properties that benefit ratepayers and shall be authorized by the CPUC to earn a reasonable rate of return. Any net proceeds from the sale of the lands authorized by the bill that is not invested after eight years shall be allocated solely to water company ratepayers.
5. The sale of the described lands is exempted from California Public Utilities Code Section 851, which requires approval from the CPUC for the transfer by a public utility of property necessary or useful in the performance of its duties to the public.

This bill also includes a sunset date of January 1, 2023, such that after that date the law is repealed. This date appears to conflict with the requirement that, after eight years, the water company allocate any net proceeds from the sale to its ratepayers. This is a drafting error that will be addressed by the bill author.

### ***Importance to the District***

The Regional Water Quality Control Board's San Francisco Bay Water Quality Control Plan regulates the Guadalupe River and Los Gatos Creek which discharge into South San Francisco Bay through Alviso Slough. As a National Pollutant Discharge Elimination System (NPDES) co-permittee for storm water, the District is a responsible party charged with protecting these waterways from contamination. The Upper Guadalupe and Los Gatos Creek watersheds constitute the mountainous upper portion of the Guadalupe River and are the headwaters of the river and creek system discharging into the Bay.

Los Gatos Creek feeds percolation ponds operated by the District for groundwater recharge which, supplemented by imported water, prevents subsidence and is a water source for municipal water systems in Santa Clara County.

The Santa Clara Valley Water District Act defines the duties and responsibilities of the District. In Section 4 of the Act, the State of California authorizes the District to “Enhance, protect, and restore streams, riparian corridors, and natural resources...” and to “Preserve open space in Santa Clara County...” The enactment of SB 492, and the subsequent acquisition of the Upper Guadalupe and Los Gatos Creek watersheds by MROSD, would serve the purpose of better protecting natural resources and preserving open space.

Staff recommends that the Board adopt a position of “Support” on SB 492.

*Pros*

- If the lands are acquired by MROSD, plant and animal habitat could be better protected, including habitat for threatened and endangered species.
- The acquisition could enable MROSD to use its core competency in land management to promote old-growth habitat, improve wildland fire safety, and protect downstream beneficial uses of water, including use by the District.
- The water company would be required to invest net proceeds from the sale of the property to benefit their ratepayers.

*Cons*

- The bill exempts the sale of the property from California Public Utilities Commission approval, but leaves intact the Commission’s authority to enforce the conditions set forth in the legislation.
- The funding for the purchase is not yet identified and would likely include both state and local sources.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

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**File No.:** 17-0106

**Agenda Date:** 3/14/2017  
**Item No.:** 7.1.

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None

**UNCLASSIFIED MANAGER:**  
Rick Callender, 408-630-2017

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**File No.:** 17-0150

**Agenda Date:** 3/14/2017  
**Item No.:** \*7.2A.

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## STORM REPORT UPDATE

### SUBJECT:

Storm Report Update (March 1, 2017 Through March 14, 2017) - Receive and Discuss Current Storm Report Information.

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