



Santa Clara Valley Water District Board of Directors Meeting

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

12:00 PM CLOSED SESSION & 1:00 PM SPECIAL MEETING AGENDA

Tuesday, October 17, 2017
12:00 PM

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

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NORMA CAMACHO
Chief Executive Officer

MICHELE L. KING, CMC
Clerk of the Board
(408) 265-2600
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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

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

**12:00 PM CLOSED SESSION & 1:00 PM SPECIAL MEETING
AGENDA**

Tuesday, October 17, 2017

12:00 PM

District Headquarters Board Room

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

[17-0701](#)

CONFERENCE WITH LEGAL COUNSEL

Initiation of Litigation

Pursuant to Government Code Section 54956.9(d) (4)

One potential case

1:00 PM

2.2. District Counsel Report.

2.3. Pledge of Allegiance/National Anthem.

2.4. 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.

2.5. Special Board Work Study on California WaterFix.

[17-0375](#)

Recommendation: A. Adopt the Resolution, CONDITIONAL SUPPORT FOR CALIFORNIA WATERFIX, that expresses support, subject to the conditions listed below, for the State Water Project WaterFix participation approach, which would allocate the benefits and costs of the WaterFix to the District in proportion to its current 2.5% level of participation in the State Water Project, or 1.4% of the total WaterFix project. The conditions are:

- i. Participation in the WaterFix sustains the District's existing State Water Project (SWP) and Central Valley Project (CVP) deliveries and provides insurance against future uncertainties;
 - ii. The District's Central Valley Project water supplies as well as its State Water Project water supplies are protected; and
 - iii. The cost per acre-foot remains similar to the current estimate; and
- B. Authorize the Chief Executive Officer to continue participating in WaterFix planning discussions with State and federal agencies as well as other prospective WaterFix participants, to further define the project and to develop agreements to secure the conditions needed for the District's support.

Manager: Garth Hall, 408-630-2750

Attachments: [Attachment 1: Letter - DWR Response to Audit](#)
[Attachment 2: District Principles Related to WaterFix](#)
[Attachment 3: Letter - CVP Participation Approach](#)
[Attachment 4: Resolution](#)
[Attachment 5: PowerPoint](#)
[Item 2.5-A - Handout, R. DiFate](#)
[Item 2.5-B - Handout, T. Eskel](#)
[Item 2.5-C - Handout, J. Blickenstaff](#)

Est. Staff Time: 30 Minutes

3. ADJOURN:

- 3.1. Clerk Review and Clarification of Board Requests.
- 3.2. Adjourn to 5:00 p.m. Closed Session and 6:00 p.m. Regular Meeting, on October 24, 2017, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California.

File No.: 17-0701

Agenda Date: 10/17/2017
Item No.: 2.1.

NON-EXHIBIT/CLOSED SESSION ITEM

SUBJECT:

CLOSED SESSION
CONFERENCE WITH LEGAL COUNSEL
Initiation of Litigation
Pursuant to Government Code Section 54956.9(d) (4)
One potential case

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File No.: 17-0375

Agenda Date: 10/17/2017

Item No.: 2.5.

BOARD AGENDA MEMORANDUM

SUBJECT:

Special Board Work Study on California WaterFix.

RECOMMENDATION:

- A. Adopt the Resolution, **CONDITIONAL SUPPORT FOR CALIFORNIA WATERFIX**, that expresses support, subject to the conditions listed below, for the State Water Project WaterFix participation approach, which would allocate the benefits and costs of the WaterFix to the District in proportion to its current 2.5% level of participation in the State Water Project, or 1.4% of the total WaterFix project. The conditions are:
- i. Participation in the WaterFix sustains the District's existing State Water Project (SWP) and Central Valley Project (CVP) deliveries and provides insurance against future uncertainties;
 - ii. The District's Central Valley Project water supplies as well as its State Water Project water supplies are protected; and
 - iii. The cost per acre-foot remains similar to the current estimate; and
- B. Authorize the Chief Executive Officer to continue participating in WaterFix planning discussions with State and federal agencies as well as other prospective WaterFix participants, to further define the project and to develop agreements to secure the conditions needed for the District's support.

SUMMARY:

This agenda item provides an opportunity for the Board and the public to receive information on the State's proposed California WaterFix (WaterFix) project, which is intended to help restore the health of the Delta ecosystem and to ensure the long-term reliability of water supplies conveyed through the Delta. Because Santa Clara County relies on State Water Project (SWP) and Central Valley Project (CVP) water supplies conveyed through the Delta to meet 40 percent, on average, of its water supply needs, the District has an interest in the development of the WaterFix as a potential cost-effective project that could improve the reliability of the District's imported water supplies.

As described during Board meetings on September 12 and 19, 2017, WaterFix is potentially one of the most cost-effective water supply options available to the District, with total capital costs ranging

from \$420 million to \$650 million (2017 dollars), a unit cost of roughly \$600/AF (2017 dollars), and a peak monthly increase per average household in Santa Clara County of about \$9.50 (FY43). Analysis of the project as currently defined indicates that it could sustain existing levels of imported State Water Project and Central Valley Project supplies, protecting Santa Clara County from a 39,000 acre-foot decline in water supply that is projected to occur if no action is taken.

The State Water Project component of the WaterFix is relatively well-defined and will likely provide significant benefits. However, the CVP component of the WaterFix, as currently defined, may not be viable because the U.S. Bureau of Reclamation (Reclamation) proposed a participation approach that may limit realization of WaterFix benefits for CVP participants. In addition, the largest Central Valley Project contractor south of the Delta, Westlands Water District, voted on September 19 not to participate in the WaterFix as currently defined. At this time, staff recommends that the Board authorize execution of a resolution of conditional support for participation in the SWP component of the WaterFix that requires the protection and sustainability of both the District's SWP and CVP supplies.

The ultimate configuration, cost, financing approach, and governance structure of the WaterFix will depend on which water agencies support the project and their decisions regarding level of investment. Several SWP contractors have expressed support for the project, and several more are scheduled to request a decision from their boards in October. At future Board meetings, staff will bring updates to the Board regarding project refinements, benefits, and costs, and possibly will request Board approval of additional project funding.

A. BACKGROUND

A.1 California WaterFix

The currently proposed WaterFix project includes dual tunnels under the Delta that would provide an alternative conveyance pathway for moving up to 9,000 cubic feet per second (cfs) of water from the north Delta to the existing pumping plants in the south Delta. The addition of three state-of-the-art intakes in the north Delta would minimize fish entrainment and allow the SWP and CVP to adjust operations in response to environmental conditions and climate change effects, protect exports from the threat of salinity intrusion from levee failures and sea level rise, improve access to transfer supplies, improve water quality, and enhance the benefit of storage projects. The WaterFix is also expected to improve flow patterns in the Delta and reduce fish entrainment. Bypass flow criteria would be imposed on diversions from the Sacramento River into the tunnels to ensure adequate flows remain in the river to protect fish; consequently, diversions into the tunnels primarily occur during higher river flow periods on the Sacramento River.

As described during Board meetings on September 12 and 19, 2017, the WaterFix is identified as one of the least expensive per-acre-foot water supply options available to the District to meet current and future water supply needs. Staff evaluated three approaches to participate in both the State Water Project and Central Valley Project components of the WaterFix. Estimated costs ranged between \$420 and 650 million for capital costs and \$1.6-2.5 million per year in operation and maintenance costs (2017 dollars). These costs equate to a monthly cost increase per average household in the portion of Santa Clara County north of Metcalf Road, San Jose, of about \$9.50 in

fiscal year 2043 for a fully financed project. The table below shows how WaterFix compares to other potential water supply options that staff is evaluating in the 2017 Water Supply Master Plan update. Fiscal Year 2043 marks the 25-year point in the rate projection and also approximates the peak increase in the incremental cost per average household for the WaterFix (and for most of the other large projects evaluated).

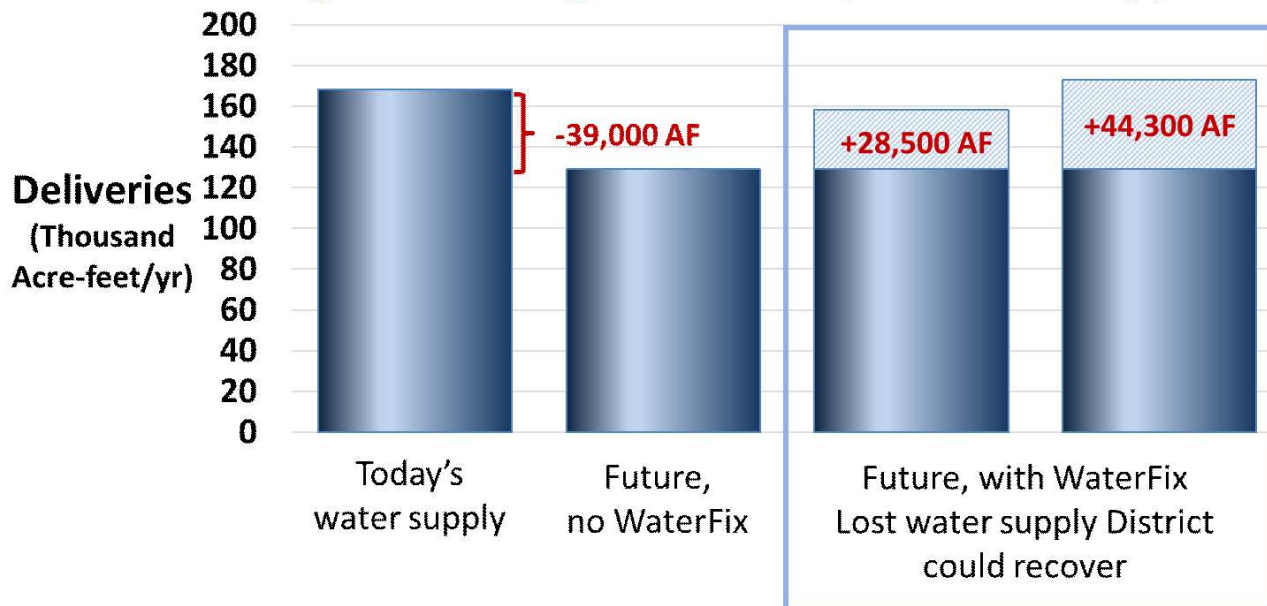
Table 1. Preliminary cost estimates for water supply options

Water Supply Option	Average Annual District Yield (AFY)	District Lifecycle Cost ¹ (2017 dollars) (present value, (per AF) 2017) (\$ million)	Unit Cost ¹ (per AF)	Monthly Water Cost per Average North County Household, FY43 ¹ (cost/month)	Monthly Water Cost per Average South County Household, FY43 ¹ (cost/month)
Los Vaqueros Reservoir ²	3,000	\$40	\$400	\$0.48	\$0.24
California WaterFix	41,000	\$620	\$600	\$9.51	\$4.55
Water Contract Purchase	12,000	\$360	\$800	\$3.03	\$1.41
Sites Reservoir ²	8,000	\$170	\$800	\$2.62	\$1.24
Lexington Pipeline	3,000	\$90	\$1,000	\$2.89	\$0.00
Groundwater Banking	2,000	\$60	\$1,300	\$0.83	\$0.38
Dry Year Options/Transfers	2,000	\$100	\$1,400	\$0.90	\$0.41
Potable Reuse - Los Gatos	19,000	\$990	\$1,700	\$20.01	\$0.00
Ponds					
Potable Reuse - Injection Wells	5,000-15,000	\$290-\$860	\$2,000	\$14.36	\$0.00
Potable Reuse - Ford Pond	3,000	\$190	\$2,500	\$4.10	\$0.00
Pacheco Reservoir ²	6,000	\$450	\$2,700	\$15.36	\$5.54
Groundwater Recharge	1,000-2,000	\$20-50	\$400-\$1,300	\$1.41	\$1.21

¹ Costs are for a fully financed project using the financing assumptions described in agenda item 2.1 of the Sept Investment Program funding. Costs would roughly double without funding.

The State's long-term modeling analysis predicts that the WaterFix will prevent the degradation of Delta exports over time. The existing long-term average SWP/CVP water deliveries to the District are about 170,000 acre-feet per year (AF/Y). If no action is taken to improve the existing Delta conveyance approach, the District's SWP/CVP deliveries could drop by about 39,000 AF/Y in response to a set of regulatory constraints, often referred to as the "High Outflow Scenario", which have been considered but not currently adopted by the resource agencies. Available modeling analysis indicates that the WaterFix as currently proposed could prevent the degradation of the District's imported supplies by between 28,500 and 44,300 AF/Y depending on the District's level of participation.

Modeled Long-Term Average District SWP/CVP Water Supplies



While the current WaterFix project proposal is not the comprehensive package that was originally envisioned as a Habitat Conservation Plan, many of the elements of the Habitat Conservation Plan are now being addressed through other processes including: California EcoRestore, the California Department of Fish and Wildlife's Delta Conservation Framework, the Delta Smelt Resiliency Strategy, and the Sacramento Valley Salmon Resiliency Strategy.

B. RECENT DEVELOPMENTS

It has been anticipated that both SWP and CVP contractors would participate in the WaterFix project, with a 55/45 percentage split between the projects, respectively. However, on September 19, 2017, the largest CVP contractor and one of the primary beneficiaries of the WaterFix, Westlands Water District, voted 7-1 to not participate in the project as currently defined. Without Westlands' participation, the earlier assumed 55/45 percentage split would alter considerably, driven by a currently unknown but likely much smaller level of participation by CVP contractors.

The Westland's lack of support was due to the cost of the project and the uncertainty that calculated benefits would be realized. A significant factor in this assessment was Reclamation's current participation approach, which stated that Reclamation would not participate in the project, did not confirm that project benefits would be realized by CVP participants, and was unclear regarding cost allocation approaches. In District staff's judgment, Reclamation's current participation approach does not provide sufficient assurances that those CVP contractors who pay for the project will receive their anticipated benefits from the project.

Signaling the State's commitment to continue pursuing the WaterFix despite Westlands' vote, California Secretary for Natural Resources, John Laird, made the following statement on September

20:

“Yesterday’s vote by Westlands does not change the fact that 25 million people rely on an increasingly unreliable water system and the Delta’s ecosystem is in serious decline. There is broad agreement that water deliveries will continue to decline without upgraded infrastructure in the Delta. The state is not going to walk away from its obligation to advance this critical upgrade. While it’s too soon to speculate on potential changes to the project, the state will continue to consider how best to meet the needs of the agencies that want to participate in the project.”

The State is continuing to propose a participation approach that incorporates the WaterFix into the State Water Project and allocates costs and benefits to State Water Project contractors through the existing State Water Project contracts. Of the 29 water agencies that contract with the Department of Water Resources (DWR) for supplies from the State Water Project, five agencies are located north of the Delta. The State has provided verbal assurances that these agencies will not be required to pay for the WaterFix. Another 24 agencies located south of the Delta are positioned to receive benefits from the project.

Key SWP contractors are continuing to move forward with defining their desired level of participation in the WaterFix as currently defined, adopting resolutions of support and California Environmental Quality Act (CEQA) determinations, and authorizing participation in the development of governance and financing agreements. To date, eleven State Water Project contractors have taken board action to support the WaterFix, including the largest SWP contractor, Metropolitan Water District of Southern California, and the second largest SWP contractor and the largest agricultural water agency in the SWP, Kern County Water Agency, who approved support for about half of its proportionate share, or 6.5 % of the total project. Once key participants have determined their level of participation, the State will assess if the WaterFix project should be refined to optimize costs and benefits.

Another recent development was the October 5, 2017 release of the California State Auditor’s report on DWR’s management of the planning efforts for the WaterFix in which it issued findings related to WaterFix funding and provided recommendations to DWR and other State agencies regarding large and complex infrastructure projects. DWR’s response to the report is provided as Attachment 1.

C. RECOMMENDATION

The cost and benefit analyses presented to the Board on September 12 and 19 indicate that the WaterFix is consistent with District Principles (Attachment 2). It has the potential to be a cost-effective and reliable solution to meet the water supply, water supply reliability, and water quality needs of Santa Clara County, and that the costs and benefits of the project compare favorably to those of other water supply alternatives. The project has undergone extensive public review and in response has been significantly modified to minimize impacts and balance beneficial uses. In addition, analysis indicates it could reduce impacts of existing SWP/CVP operations on the Delta ecosystem by improving flow patterns, reducing entrainment of fish, and providing operational flexibility to respond to fish, water quality and water supply needs.

However, while the State Water Project component of the WaterFix is relatively well defined and

available information indicates this component will likely provide significant benefits, Reclamation's participation approach and the decision of Westlands Water District call into question the viability of the Central Valley Project component of the project. Therefore, staff does not recommend at this time that the District participate in the Central Valley Project component of the WaterFix based on the approach defined in Reclamation's letter (Attachment 3). Staff recommends instead that the District continue to pursue alternative approaches for participation that will include providing security for its Central Valley Project water supplies, and that the Board's approval of participation in the WaterFix be conditioned on the District's ability to protect and sustain both its State Water Project and Central Valley Project supplies.

Therefore, staff recommends the following:

- A. Adopt a resolution that expresses support, subject to the conditions listed below, for the State Water Project WaterFix participation approach, which would allocate the benefits and costs of the WaterFix to the District in proportion to its current 2.5% level of participation in the State Water Project, or 1.4% of the total WaterFix project. The conditions are:
 - 1. Participation in the WaterFix sustains the District's existing SWP and CVP deliveries and provides insurance against future uncertainties;
 - 2. The District's Central Valley Project water supplies as well as its State Water Project water supplies are protected;
 - 3. The cost per acre-foot remains similar to the current estimate.
- B. Authorize the CEO to continue participating in WaterFix planning discussions with State and federal agencies as well as other prospective WaterFix participants, to further define the project and to develop agreements to secure the conditions needed for the District's support.

D. NEXT STEPS

The ultimate configuration, cost, financing approach, and governance structure of the WaterFix will depend on which water agencies support the project and their decisions regarding level of investment. By necessity, the decision-making process will be iterative. Staff will bring updates to the Board regarding project refinements, benefits, and costs. Beginning in 2018, the State will need additional funding for continued planning studies. If a path is defined to meet the recommended conditions of approval for the District's support of the WaterFix, staff will bring relevant agreements back to the Board for review and potential approval.

E. SCHEDULE

To help prepare the Board for future decisions on involvement with and participation in WaterFix, staff planned a series of agenda items describing major elements of the project. At the May 25, 2017 Special Board Meeting, a panel of experts presented detailed information describing the physical aspects of the project, estimated costs, methods for cost control, and construction risk management.

At its July 11, 2017 meeting, the Board received an update on several planning and permit related activities for the WaterFix. At its August 22, 2017 meeting, the Board received an update on WaterFix design and construction management and governance, anticipated operations, and adaptive management program. At its September 12, 2017 meeting staff described project financing, cost and water allocations, and updated water supply analyses. And at a special Board workshop on September 19, 2017, staff presented the 2017 update to the Water Supply Master Plan which evaluated WaterFix along with several other water supply alternatives.

Date	Topic
May 25 2017	Cost estimation, risk assessment and management, and cost control for the WaterFix
July 11, 2017	Update on WaterFix
August 22, 2017	(1) Issues facing the District's imported water supply and the Delta ecosystem (2) WaterFix update including proposed design and construction management and governance, operations, and adaptive management.
September 12, 2017	WaterFix update, including water supply analysis, cost and water allocation, and financing
September 19, 2017	Workshop on Water Supply Master Plan
October 17, 2017 (Today)	Update on WaterFix and potential Board action
Mid-November 2017 (Tentative)	Update on WaterFix
December 19, 2017 (Tentative)	Possible agenda: Board decisions on adoption of CEQA findings and authorization to execute certain agreements to participate in the WaterFix project.

Staff intends to provide the Board with an update on the WaterFix in November that describes any decisions by the State on whether or how the project should be refined to optimize costs and benefits, as well as potential terms and conditions of key agreements. Assuming project participation and potential project refinements have been sufficiently defined, staff may on December 19, 2017 request that the Board approve a resolution adopting CEQA findings as a Responsible Agency for WaterFix, as well as discuss and approve key participation and funding agreements, including (1) the Joint Powers Agreement Forming the Delta Conveyance Design and Construction Joint Powers Authority, (2) the Joint Powers Agreement Forming the Delta Conveyance Financing Joint Powers Authority, and (3) the Agreement for Implementation of an Adaptive Management Program for Project Operations. These agreements were described broadly during Board Agenda item 2.8 on August 22, 2017 and Agenda item 2.1 on September 12, 2017.

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: Letter - DWR Response to Audit
- Attachment 2: District Principles Related to WaterFix
- Attachment 3: Letter - CVP Participation Approach
- Attachment 4: Resolution
- Attachment 5: PowerPoint

UNCLASSIFIED MANAGER:

Garth Hall, 408-630-2750

STATE OF CALIFORNIA – CALIFORNIA NATURAL RESOURCES AGENCY

EDMUND G. BROWN JR., Governor

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791



September 28, 2017

The Honorable Elaine M. Howle*
State Auditor
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

California WaterFix Audit, State Audit Report No. 2016-132

Dear Ms. Howle:

On behalf of the Department of Water Resources (DWR), I am writing to address Draft Audit Report No. 2016-132 (Report) regarding the project that eventually developed into, and was recently approved, as the California WaterFix.¹ DWR appreciates the professionalism of the Bureau of State Audit staff and their openness to hearing DWR perspectives.

DWR is pleased that after 10 months of investigation, the Report validates that no General Fund money has been used for the planning and design for WaterFix. (Report p. 4.) All activities for the planning and design of the project were supported and paid for by the public water agencies that will benefit from the project.

① ②

The Report also finds the project's complexity resulted in unforeseen expenses and schedule extensions. We appreciate this acknowledgement. WaterFix is unprecedented both in the scale of its complexity and the extent of its public and stakeholder engagement. DWR has worked diligently to address concerns as they emerged and has made significant changes to the project in direct response to input from the public and regulatory agencies, including analyses of additional alternatives, additional species evaluations and optimization of the project. These changes required additional time and funding to implement.

The Report's primary concern involves the way DWR documented project decisions and selected the program manager. DWR agrees that decisions should be documented. We also agree that a governance structure is critical for a project of this scope, and one has been in development and will be ready for implementation at the appropriate stage of the project.

¹ For convenience, we refer to the project variously known as Delta Habitat Conservation and Conveyance Program, the Bay Delta Conservation Plan, and California WaterFix as "WaterFix" throughout these comments.

Honorable Elaine M. Howle
September 28, 2017
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In addition, DWR agrees that a financial analysis is important, and is prepared to complete a final economic analysis when each potential participant in WaterFix has made its decision to opt into the project.

- ③ We must respectfully disagree with the Report's conclusion that DWR did not follow state law in selecting the project manager. As project needs changed, DWR reassigned the project management task consistent with the terms of the contract and pursuant to DWR and state policies. The facts demonstrate the high value that DWR and the project have received from the project manager's performance.

WaterFix is a science-driven project that will upgrade the state's outdated water delivery system and maintain a reliable source of water for 25 million Californians and more than 3 million acres of farmland in the San Francisco Bay Area, Central Valley and Southern California. It is a critical element of the state's overall strategy to address climate change and ensure a reliable water supply for the future, as outlined in Governor Brown's California Water Action Plan.

The extensive outreach and responsiveness to stakeholder and public input described above resulted in what many considered unachievable: the issuance of permits from state and federal agencies to move forward with a viable and achievable long-term solution to decades-old problems in the Bay-Delta. Consistent engagement with the local public agencies funding the project has allowed for close scrutiny of any increased costs and changes to the project, affecting the scope and schedule. These local agencies have found the additional work on the project to be reasonable and necessary.

DWR's response to the Report's findings is summarized here, followed by detailed discussion of each, and concludes with our comments on the Report's recommendations.

④ Summary:

1. DWR Received Excellent Value and Quality for Services Under the Hallmark Group Contract
2. The URS Contract Authorized Multiple Tasks; Only One Task was Construction
3. Requiring a Subcontractor to Provide Program Management Services to URS was Necessary and was Appropriately Defined
4. DWR Followed Proper and Lawful Procedures in the Necessary and Appropriate Replacement of the Program Manager
5. The Structure of The McKinsey Contract was Beneficial to Both DWR and the Public Water Agencies that Will Ultimately Pay for the Project,
6. DWR Developed a Governance Structure for Implementation at the Appropriate Project Stage

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7. DWR Will Prepare a Financial Analysis and Economic Analysis When WaterFix Participants are Identified
8. DWR Has Performed Significant Planning During the Planning Stage and Has Maintained and Provided Extensive Documentation

Our comments will address the Report's specific findings, and then address the Report's recommendations.

A. FINDINGS

1. DWR Received Excellent Value and Quality For Services Under The Hallmark Group Contract

The Report devotes a full one-fourth of its length to DWR's hiring and subsequent utilization of the Hallmark Group (Hallmark) to provide program management services for what has become California WaterFix. In these sections, the Report finds that Hallmark's program manager did not appear to possess the qualifications DWR required when it selected contractor URS, and that the failure to ensure Hallmark possessed these qualifications was contrary to the letter and spirit of the law, which is intended to create competition to ensure that the state obtains a competent and qualified contractor at a fair and reasonable price. Finally, the Report notes that DWR "potentially" did not receive "the best value for the contracted services." (Report p. 27-29.) DWR addresses the contracting issues later in this response, but here, we note the facts about Hallmark's performance are contrary to the above statements in the Report. The state received excellent value and a high work product for the services Hallmark provided. ①

When URS was hired for WaterFix, the project was conceived as an engineering enterprise, to be staffed and managed by engineers. After little more than a year, it became apparent to DWR and its stakeholders that engineering expertise alone would not be sufficient to manage the project; efficiency and management expertise would be essential in successfully moving the project forward. ⑤

As described by former DWR Director Lester Snow, the almost exclusive motivator to bring the Hallmark Group on as program manager was cost control. The entities funding WaterFix, the water contractors, were impressed by Hallmark's work managing the \$500 million UC Merced campus construction project and presented a united front in urging Hallmark be utilized to increase efficiencies on the project. Hallmark's job was to scrutinize costs, monitor schedules and ensure that tasks were completed on time. Hallmark's task did not include performing engineering work, such as deciding what approach (canals, tunnels, or levies) should be used. ⑥

Hallmark was not a substitute for URS expertise in large water infrastructure management. Rather, when added as a subcontractor, the Hallmark Group augmented

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- ⑧ URS' engineering expertise by providing proven project management skills. Later in the program, the contract was divided, with program management being assigned to Hallmark, and URS retaining engineering tasks.
- ⑥ Addition of a specialized program management team made sense. Not all engineers make great managers. Management excellence transcends the field in which one is trained: many exceptional managers succeed in overseeing work in specialized fields
- ⑧ not because of their particular scholarly training, but because of the strength of their leadership and management abilities.
- ⑤ ⑦ Hallmark has succeeded in the task which it was originally brought on board to provide, cost control. As stated repeatedly by the participating public water agencies and DWR, Hallmark has done an outstanding job managing WaterFix. For example, within a year of being hired, Hallmark reduced staffing on the project by 40 percent, reduced monthly burn rate costs by 44 percent, and within two years costs were reduced by 65 percent.
- ⑨ Further, Hallmark dramatically increased program efficiency, enabling WaterFix to take a budget projection intended to last for three years through an initial projected project approval of April 2012, and extend it to cover nearly five years of unanticipated additional work through project approval (the California Environmental Quality Act Notice of Determination) in July 2017.

Over time, WaterFix evolved, transitioning from a Habit Conservation Plan to an Endangered Species Act section 7 process, resulting in further revisions to the schedule. On two different occasions in 2013 and 2014 Hallmark developed ramp down plans to further contain costs allowing the project to continue the environmental process. Beyond its obvious cost control success, Hallmark provided excellent leadership by keeping the teams organized, the stakeholders completely informed and an unflagging focus on resolution of issues as they developed.

California water law and policy is extremely complicated, making all water development projects protracted and therefore challenging—not least of which a project like WaterFix. There will be many more challenges to overcome in the future. The Hallmark Group has provided indispensable assistance to DWR, enabling the Department to reach this point of the process.

2. The URS Contract Authorized Multiple Tasks; Only One Task Was Construction

- ⑩ The Report characterizes the URS contract as one for “construction project management, which a licensed engineer or general contractor must perform under state law.” (Report, p. 24.) This is a misunderstanding of the URS contract, which can be readily understood by reviewing the contract’s scope of work which states the services contracted for included:
- ①

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[E]ngineering support services and the program management of the planning, coordination and oversight of the programs, environmental engineering and construction phases, strategic program development, risk assessment and oversight of program costs and schedules of DWR's Delta Habitat Conservation and Conveyance Program (DHCCP). (Contract 46-00008104, p. 1, attached hereto as Exh. 1.)

Thus, the contract DWR made with URS authorized a number of tasks to be performed, including strategic program development, planning, coordination and oversight among other tasks. It is inaccurate to summarize the above services as "construction project management." Rather, construction is one element of a multi-element program where oversight of environmental engineering, strategic program development, risk assessment and oversight of program costs and schedules are equally or more important. At the time the contract was made, comparatively little environmental analyses was performed for the project, there was no overall project plan, and no environmental permits had been obtained. The Report's incomplete characterization of the URS contract appears to undermine the Report's conclusions. (10)

3. Requiring A Subcontractor To Provide Program Management Services To URS Was Necessary And Was Legally Justified

The Report criticizes the manner in which DWR utilized Hallmark, a subcontractor, to provide project management services for the prime contractor. It asserts that this 2008 subcontract "does not appear to be a contractor-subcontractor arrangement" and is different from what the Report believes to be a "traditional contractor-subcontractor relationship." The Report further criticizes sections of the subcontract that details how DWR expected Hallmark to work as program manager with DWR and with URS staff. (Report p. 28.) (11)

The URS amendment made clear the uniqueness of the program management function, performed as a subcontract, and provided clear specific provisions to prevent any conflict. (Contract No. 4600008104, Am. 1, Exhibit E, Attachment 6, attached hereto as Exh. 2.) The subcontract to Hallmark was to provide a specific service – program management. In order to accomplish this function it was essential that Hallmark, as the program manager, exercise the functions typically performed by that position, including general direction and reporting, tasks which are essential for a program manager to perform in order to successfully manage WaterFix. (1)

The URS amendment provided comprehensive details, "... in order to avoid the appearance of or any actual conflicts that might arise from such an arrangement" (Ibid, page 1.) For example, the contract required Hallmark to submit all invoices to URS, whereupon URS would submit the invoice to DWR for approval while Hallmark

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was to provide program management functions by communicating and coordinating with URS. The roles and responsibilities of the parties to the agreement were clearly defined by the amendment. The amendment proved successful to the program, as demonstrated by the high level of performance for the three years duration in which the amendment was in effect.

⑫ ⑤

4. DWR Followed Proper Procedures in Replacing the Program Manager for the Conservation and Conveyance Program.

a. The URS Subcontracting of Program Manager Responsibilities to Hallmark was Both Necessary and Lawful.

The Report's finding that DWR "... later used other methods to select a replacement program manager, and these methods did not follow the competitive process required under the law" does not take into account applicable statutes, regulations and contract terms permitting the replacement. DWR's replacement of the WaterFix program manager was in full compliance with the law.

- ⑪ As explained above, the URS contract expressly permitted subcontracting, the terms of which DWR followed in selecting the Hallmark firm. (Contract No. 4600008104; Exhibit D, paragraph 6, attached hereto as Exh. 3.) Architectural and Engineering ("A&E") contracts are frequently amended to subcontract for specialized services, replacement personnel, program changes, and for other reasons. Such amendments permit DWR to accomplish cost effective, specialized services as program needs change or require. The original URS contract was for a term of 7.5 years for a project that the Report recognizes presented "unexpected complexity." A contract for such a lengthy term for such a complex project will by necessity require modifications and changes consistent with law. When it became apparent that the assigned URS program manager was not able to devote himself full-time to the project, and that the program
- ⑦ required a stronger emphasis on cost containment, it became essential for DWR to
- ⑥ subcontract for a program manager to ensure effective continued progress of the contract.

The Legislature intended that the A&E process be liberally construed to accomplish its purposes. (Gov't Code § 4529.19.) Specific legal authority permitting modification of A&E contracts is provided by DWR regulation:

Where the Director determines that a change in the contract is necessary during the performance of the services, the parties may, by mutual consent, in writing, agree to modifications, additions or deletions in the general terms, conditions and specifications for the services involved, including extensions of time,

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with a reasonable adjustment in the firm's
compensation.
(23 Cal.Code Regs § 387.)

Lester Snow, DWR Director in 2008, determined that a change in the contract was necessary and effected a change. There is no indication that Director Snow failed to sufficiently assess the qualifications of Hallmark in doing so. (8)

The Report narrowly focuses on the Request for Qualifications (RFQ) process as the sole mechanism to replace the WaterFix program manager. But the contract itself, as well as DWR's regulations, provides another equally appropriate path. (13)

Indeed, the circumstances on the ground indicate why DWR's approach to contract amendment was appropriate. For example, as the contract performance was already in its 13th month, an RFQ selection process, even when given a high priority, would have required at least five months to obtain a new program manager. The program could not afford the absence of the program manager for such a lengthy period of time. Had an RFQ been utilized, it would likely have significantly delayed the project and incurred higher costs while waiting five months for a replacement program manager. Given the authorized alternative approach that DWR took, a "competitive" RFQ selection process for replacing the program manager was simply not a realistic or optimal option.

b. It Was Not Necessary That Hallmark As A Subcontractor Be An Engineer or Licensed Contractor.

The Report faults Hallmark for not having engineering expertise, but the contractor team as a whole provides all necessary expertise. As a subcontractor, Hallmark was a member of the URS team. The team, including URS, retained all the engineering/licensed contractor knowledge that was required to perform the services required under the contract. As the contract itself stated, the contract had many purposes well beyond just engineering. (14)
(11)

Government Code section 4529.5 requires any individual or firm to have requisite experience to provide construction project management services.² The firm, URS, had engineering expertise before Hallmark was assigned to provide program management

² Section 4529.5 states the following:

Any individual or firm proposing to provide construction project management services pursuant to this chapter shall provide evidence that the individual or firm and its personnel carrying out onsite responsibilities have expertise and experience in construction project design review and evaluation, construction mobilization and supervision, bid evaluation, project scheduling, cost-benefit analysis, claims review and negotiation, and general management and administration of a construction project.

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- ⑭ services and afterwards. All requisite engineering qualifications were retained within the URS contract to be performed by URS personnel after Hallmark was added to the team.

The URS contract's terms make clear that "... the various areas of expertise required of the successful Program Management team include planning and implementation of . . . engineering and construction program phases." (Exh. A, attached hereto at p 1, emphasis added.) No one person has all of the qualifications necessary to perform all of the services under the contract. It is a team approach, here contained within URS and its subcontractor Hallmark.

c. Assignment of Program Management Responsibilities to Hallmark Was Appropriate and Legally Supportable

- ⑮ DWR respectfully submits that the Report incorrectly concludes that the 2013 contract assignment to Hallmark violated the law and, instead, should have been accomplished through a competitive RFQ process. (Report pp. 29-30.) With the essential engineering expertise firmly in place, DWR determined that to improve workflow efficiencies and to save the 5 percent subcontractor markup costs imposed by URS, it was necessary to assign program manager responsibilities directly to Hallmark.

- ⑤ The Hallmark assignment was for the initial planning, coordination, and oversight of WaterFix. The engineering, environmental and construction management functions remained separately as a continuing part of the URS contract. The program manager responsibilities had already been performed by Hallmark for the three preceding years prior to the assignment. DWR management was satisfied with Hallmark's performance and Hallmark was experienced and successful in managing the program. Given Hallmark's success, there appeared to be no benefit from introducing a new less-experienced program manager to replace the successful incumbent and disrupt the continuity of the program. DWR determined that given Hallmark's experience and demonstrated performance, it was clearly the most qualified contractor to perform the assignment function.

- ⑬ Nor did it make any sense to adjust the timeline for the program for five months in order to submit an RFQ to replace the successful program manager not to mention the additional time required for a new untested program manager to become knowledgeable of the program's requirements. For the success of the WaterFix program, it was important to keep the existing program manager and maintain continuity.

- ⑮ The contract assignment was accomplished lawfully. As previously mentioned, DWR's regulations permit the Director to make a change in an A&E contract when necessary. (See 23 Cal.Code Regs § 387 ["Where the Director determines that a change in the contract is necessary during the performance of the services, the parties may, by mutual consent, in writing, agree to modifications, additions or deletions in the general

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terms, conditions and specifications for the services involved. . .”.) The Director appropriately determined that a change was necessary, for the reasons stated above, to help ensure the success of the program.

Finally, the URS contract contained a specific provision regarding contract assignments:

GTC 307, 3. ASSIGNMENT: This agreement is not assignable, either in whole or in part, without the consent of the State in the form of a written amendment.
(Contract 4600008104, Exhibit C, paragraph 3, attached hereto as Exh. 4.)

Further, state law allows contracts to be assigned without a new competitive bidding process. DWR followed state law, its own regulations and the contract terms in the January 2013 contract assignment of program management responsibilities to Hallmark.

(15)

5. The Structure of the McKinsey Contract Was Beneficial to Both DWR and the Public Water Agencies That Will Ultimately Pay for the Project

The Report finds that DWR did not ensure that the price paid for work product produced by subcontractor McKinsey & Company (McKinsey) was fair and reasonable. (Report, p. 31.) It may be difficult to appreciate today, but when DWR authorized the work performed by McKinsey in 2012, it was widely believed by DWR and its stakeholders that the WaterFix (then the BDCP) project would be approved in 2013, and construction would commence shortly thereafter. Even after substantial prior work by DWR and its WaterFix program manager there was still no consensus among stakeholders about how the project would be managed during construction. In June 2012, DWR and its WaterFix stakeholders determined to retain highly specialized consultants tasked with resolving these fundamental issues, and to resolve them in an expeditious manner to match the perceived tight time schedule.

(17)

(1)

DWR initially contemplated six consultants, McKinsey, Bain, Boston Consulting, Monitor, Booz/Allen/Hamilton, AT Kearney, and KPMG. In July 2012 multiple prospective qualified consultants were interviewed by phone, reducing the number of candidates to two, McKinsey and KPMG. These candidates were interviewed by a DWR/water contractor panel, and McKinsey emerged as the top ranked firm. References provided by McKinsey were interviewed, with interviewees reporting outstanding consultant performance and extraordinary results on projects with similar challenges. A fee for the work plan was established.

(17)

DWR determined the work required to produce the product was appropriately valued at \$2.6 million. Due to the expedited timeline, a fixed price contract task order was utilized to establish a time frame and to control costs. DWR maintained control of the final

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product and the value derived. As the amendment to the contract authorizing this work noted, "The structure of the contract, fixed fee based on deliverables, is beneficial to both DWR and the stakeholders that will ultimately pay the costs for this consultant, since the consultant is only authorized to bill the fixed price for deliverables that have been accepted and approved, as opposed to hourly labor each month." (Contract 4600008104, Am. 5, Std 215, p. 3, attached hereto as Exh. 5.)

6. DWR Developed a Construction Governance Structure For Implementation at the Appropriate Project Stage

- ⑮ ① The Report (pp. 37-38) implies no governance structure exists and that lack of a governance structure for implementation of the WaterFix is somehow contrary to DWR's legal requirements. This implication is not supported by the facts. DWR has always had the legal authority to carry out the project itself. There is no legal requirement that it have a governance structure in place prior to approval of a project. Based on recommendations by McKinsey, DWR developed a governance structure in the last quarter of 2012. DWR posted the governance structure on the BDCP website and it has been publicly available since January 2016. When a decision is made regarding public water agency participation, a structure will be ready for implementation at the appropriate time and will be able to draw on the substantial materials already prepared during the work with McKinsey.

7. DWR Will Prepare a Financial Analysis and Economic Analysis When WaterFix Participants Are Identified

- ① As the Report noted, DWR cannot complete a final economic analysis until individual water agencies define their level of involvement in WaterFix. We are pleased the Report reflects this consideration. (Report, p. 35.)
- ⑮ ① With regard to the WaterFix financial analysis, the Report appears to suggest that DWR must assess each water agency's needs and provide a final financial analysis before the decision to opt in to WaterFix is made. (Report, pp. 36-37.) This is not correct: DWR's contractor Public Finance Management has already provided a wide range of financing options to water contractor governing boards as tools to enable each contractor to determine what financing option would best work for them. To date, we have received no requests for additional information. Once individual agencies decide to participate, financing will be tailored to meet each agency's needs. There is no need to prepare a full financial analysis for each potential participant in WaterFix before the decision is made to opt in to the project.

8. DWR Has Performed Significant Planning During The Planning Stage and Has Maintained and Provided Extensive Documentation

The Report states DWR failed to update its Program Management Plan (PMP) and suggests that the absence of a PMP meant there was little or no documented WaterFix

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planning effort. Although DWR did not update the PMP itself, DWR has maintained an extensive record of program management documents meeting the same planning function. DWR has provided State Auditor full access to all of the program management and planning documents on the program manager's database, Acononex, and on multiple occasions provided them with physical samples. These documents included but were not limited to documentation for the Business Committee, Core Policy, DCE, EIR/S, Biological Opinion, Project Manager, Finance, engineering, Request for Qualifications, major agreements, budget reports, invoices, and deliverables. Maintaining the critical project documentation throughout the program has been performed. (20)

Although DWR experienced management changes, as an industry best practice, DWR required that the program manager maintain all work plans and associated documents to provide continuity for the project. This practice provided seamless transitions without loss of institutional knowledge. This proved to be a successful strategy as the project continued to make consistent progress throughout management changes.

As evidenced in the program documents, as early as 2012 DWR anticipated project approvals by the federal and state participants and began preparing to transition to the design and construction phase. DWR began the update to the PMP for the design stage, but unexpected complexities of the project forced a delay in implementing the design stage and the PMP update effort was put on hold. Given the constantly changing nature of the planning process, DWR managed the project from workplans that could quickly be developed and implemented to react to changing conditions, which proved to more efficient than constantly updating the planning PMP.

B. RECOMMENDATIONS

In this section of DWR's comments, DWR provides a response to the Auditor's recommendations made throughout the report. Since the recommendations are not consecutively numbered, DWR identifies them by the page on which they appear. DWR's response to the recommendation is provided in italicized text.

(Report, p. 21) To improve management of large and complex infrastructure projects, the Legislature should enact legislation requiring agencies to publicly report significant changes in the cost or schedule of such projects if they are expected to exceed their established budgets by 10 percent or schedules by 12 months. (1)

The Department will continue to abide by any existing or new laws, and takes no position on this general recommendation to the Legislature.

(Report, p. 21) To better manage large infrastructure projects, DWR should develop and implement a project reporting policy requiring its management staff to document and justify decisions to proceed with such projects if they are expected to (1)

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exceed their established budgets by 10 percent or schedules by 12 months. DWR should make these documented decisions and justifications publicly available and submit them to the Resources Agency for review and approval.

This recommendation does not make a distinction between the planning phase of a project and the design and construction phase. DWR believes this is an important distinction, as evidenced in the Report's findings for the planning phase of the WaterFix. The recommendation presupposes that an extension of time during a project planning phase is something that has a negative consequence. This recommendation has limited applicability here, since decisions regarding this project were made in response to stakeholder input and public comments to increase the range and scope to better meet the needs of the state. The planning process for large infrastructure projects is complex and subject to changing requirements and scope from a variety of sources including regulating agencies, project proponents, stakeholders, and the public at large. As seen with WaterFix, this results in increases in scope and schedules that are beyond the control of DWR. Limiting the Department's ability to be responsive to stakeholder input during complex "planning" efforts would be counterproductive.

②1

- ① (Report, p. 22) To ensure it makes appropriate use of its growing surplus revenue balance, by December 2017 DWR should develop a detailed plan describing how it intends to use these funds.

The Department is already in the process of preparing this plan related to Water Code section 12937(b)(4) funds.

- ① (Report, pp. 32-33) To fully comply with state contracting law, DWR should ensure that it competitively selects architectural and engineering consultants based on demonstrated competence and professional qualifications. In addition, DWR should document in the contract file its evaluation of the competence and professional qualifications of all contractors and any subcontractors that are added to the contract subsequent to the competitive selection process.

- ③ *The Department will continue to comply with state contracting law including the process outlined above.*

- ① (Report, p. 33.) To ensure that only qualified subcontractors are added to contracts after the initial award is made, DWR should make sure that contractors select their own subcontractors and that DWR subsequently approves the selection after it verifies their qualifications.

②2

It is essential that DWR work with a contractor to identify the specific tasks for which a subcontractor will be required. Additionally, it is important to convey to the contractor the expertise and qualifications necessary of the subcontractor in

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order to ensure the most highly qualified subcontractor is chosen to accomplish the specified tasks. The Report's Recommendation, above, isolates DWR from such consultation. Without these communications, time is unnecessarily expended while the contractor attempts to obtain a suitable sub-contractor without the benefit of input from DWR. The recommended edit below allows for the indispensable communications necessary to successfully obtain, and approve, subcontractors.

Proposed Revision: To ensure that only qualified subcontractors are added to contracts after the initial award is made, DWR should make sure that contractors select their own subcontractors in consultation with DWR and that DWR subsequently approves the selection after it verifies their qualifications (Report, p. 33). (22) (1)

(Report, p. 33) DWR should ensure that it retains documentation in its contract files to support that contract prices are fair and reasonable. (1)

The Department agrees to adopt the above recommendation.

(Report, p. 41) To ensure that DWR manages WaterFix in an effective manner, DWR should complete both the economic analysis and financial analysis and make the analyses publicly available as soon as possible. (1)

As planned, the Department will release completed versions of these reports as soon as practicable. This will necessarily follow the determinations currently being contemplated by the public water agencies regarding level of participation.

(Report, p. 41.) In order to prepare for the potential approval of WaterFix and to ensure that the project is managed properly during the design and construction phase, DWR should do the following: (1)

- Develop an appropriate governance structure so that it is prepared to oversee the design and construction of WaterFix in the event it is ultimately approved.

A governance structure will be ready to be implemented to oversee the design and construction of WaterFix in the event it is ultimately approved.

- Develop and update when necessary the associated program management plan for the design and construction phase of the project.

The Department agrees to adopt the above recommendation.

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We appreciate this formal opportunity to respond to the Draft Audit Report No. 2016-132. If new evidence presents itself in the finalizing of this draft Report, DWR requests the opportunity to respond to such new information, which the Auditor may send to Deputy Director Taryn Ravazzini at taryn.ravazzini@water.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Grant Davis', is written over the word 'Sincerely,'.

Grant Davis
Director

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Attached Exhibits

1. URS Contract, Exhibit A (Scope of Work)
2. URS Contract, Amendment 1, Exh. E, Attachmt 6 (Covenants)
3. URS Contract, Exhibit D (Special Terms and Conditions)
4. URS Contract, Exhibit C (General Terms and Conditions)
5. URS Contract, Amendment 5, Std. 215 (Agreement Summary)

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**Board Policy, CEO Interpretations, and District Principles
Related to the Imported Water Program & California WaterFix**

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.

Santa Clara Valley Water District 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.¹
- 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.¹
- 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.²
- d. The District will work to ensure water quality will support all beneficial uses, including recreation, fishing, drinking water, and environment.³
- 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.²
- 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.¹
- 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.³

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.²
- 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.³
- 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.³

- d. Substantial local investments in water use efficiency and conservation, recycled water and groundwater management are essential but cannot cost-effectively replace imported water.¹

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)³
- 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.¹
- c. The District supports environmental restoration and protection, including the State's EcoRestore program, and other programs that will improve the overall Delta ecosystem.¹
- 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.³
- 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.³
- f. Restoration of more natural flow patterns within the Delta and bay would support robust fish and wildlife populations and their habitat.³
- g. Measures should be taken to control and reduce invasive species that impair the health of the Delta ecosystem.³

4. *Costs and financing*

- a. Costs of the long-term Delta solution should be allocated equitably.²
- b. The District favors a flexible approach to cost allocation that maximizes the opportunity for discretionary allocations of cost based on incremental benefits.²
- c. The District supports full public disclosure of costs of all proposed solutions.³
- d. The District's investment decisions will protect the economic viability of industry, recreation, tourism, fisheries, and agriculture, and the vitality of the County.³

¹ Derived from the District 7/21/16 policy statement before the state Water Resources Control Board

² Derived from Board Policy and CEO Interpretations

³ 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

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United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, CA 95825-1898

IN REPLY REFER TO:

BDO-100
WTR-4.00

SEP 15 2017

Ms. Norma Camacho,
Chief Executive Officer
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3686

Subject: Participating Central Valley Project Contractors in the State of California's WaterFix –
Central Valley Project, California

Dear Ms. Camacho:

Reliable delivery of water through the Sacramento-San Joaquin Delta (Delta) is paramount to the overall operation of the Central Valley Project (CVP) and the State of California's State Water Project (SWP). To help restore reliability, reduce the potential for disruption of water deliveries through the existing Delta diversion facilities from natural disaster, and allow more natural flows in the Delta for salmon, smelt, and other species, the State of California is proposing to construct the California WaterFix (CWF). As currently proposed, the CWF would carry fresh water in two tunnels, with a total of 9,000 cubic feet per second of capacity, under the Delta from the Sacramento River towards existing Delta diversion facilities. The CWF, in combination with existing Delta diversion facilities, locally-driven water conservation, groundwater, recycling, and storage projects would create a smarter, more sustainable water system for the 21st century. While the Bureau of Reclamation supports the goals of the CWF, Reclamation currently lacks the legal authority to fund CWF construction. Accordingly, at this time, Reclamation will not be participating¹ in the construction of CWF, will not own any of the CWF facilities, and the CWF will not be a CVP facility.

Nevertheless, Reclamation supports a proposal by which CVP contractors independently determine whether to participate in the CWF by contracting directly with the California Department of Water Resources (DWR), or other appropriate entity, for the ownership of the available capacity of the CWF. Over the past several months, an informal working group comprised of CVP Contractors, SWP Contractors, Reclamation, and DWR have met to discuss a CVP Contractor-driven proposal, known as the "participation approach."² This approach is

¹ For purposes of this letter, "participating" in the CWF means to agree to contract with the California Department of Water Resources, or other appropriate entity, to pay a percentage of the construction costs or to provide funding through any other mechanism to secure future use of the capacity of the CWF.

² The participation approach does not cover participation by the SWP contractors, which would be governed separately by DWR.

intended to avoid negatively impacting non-participants due to the CWF and follow a “beneficiary pays” principle for CVP participation. The participation approach is primarily a proposal to address how CVP Contractors could use CWF facilities, which would be non-CVP facilities, for conveyance of CVP water. Accordingly, this letter sets forth how Reclamation, consistent with existing law and policy, and subject to execution of a Record of Decision for the CWF, would expect to accommodate participating CVP Contractors’ use of the CWF to convey CVP water, while protecting non-participating CVP Contractors.

Key Assumptions

This letter, and Reclamation’s understanding of the participating CVP Contractors proposed use of the capacity of the CWF, is based upon the following key assumptions. Considering that the CWF may not be fully implemented for well over a decade and that the key assumptions underpinning this letter may change, Reclamation would revise this letter, in coordination with CVP contractors, should material changes occur to these assumptions.

- Reclamation understands that DWR will hold title to CWF facilities and may split the capacity of the CWF between the SWP and the CVP at 55-percent and 45-percent, respectively. If so, CVP South of Delta Contractor(s) would acquire from DWR up to the entire 45-percent of the capacity of the CWF for conveyance of CVP water.
- The CWF is intended to be operated to maximize water supply and fishery benefits partly by moving SWP and CVP water that could not be otherwise stored or moved through existing Delta diversion facilities. This operation is expected to occur primarily during excess conditions over the fall and winter months, but may extend into some spring and summer months as well. During these excess conditions, Reclamation anticipates that the CWF would be operated along with south Delta facilities to divert water to the greatest extent possible, consistent with operational restrictions;
- “CWF Water,” as the term is used in this letter, would be calculated as the incremental difference between total water conveyed south of Delta and the amount of water that could have been conveyed through the Delta without CWF, using the Hindcasting Accounting Method summarized below. The majority of the water supply benefit of the CWF is expected to be realized during the period when existing regulations limit surface channel, through-Delta pumping.
- Under current Reclamation law and policy, and consistent with current CVP water-related contract terms and conditions, CWF Water would remain CVP water. Reclamation would continue efforts to determine and define applicable Reclamation law, policy, and contract terms and conditions to make CWF water exclusively available to participating CVP Contractors.

- Participating CVP Contractor(s) are limited to water supply benefits up to their Contract Total³, as provided in their existing CVP water contracts, and may receive delivery of CVP water in excess of their Contract Total only if consistent with Federal reclamation law, policy, and contract terms and conditions.
- CWF Water may be stored by Reclamation, and, if made available, rescheduled, in San Luis Reservoir, but would not, at any time, interfere with CVP operations. CWF and CVP rescheduled water would be accounted for in San Luis Reservoir, along with potential non-CVP water, consistent with the CVP rescheduling guidelines, the integration agreement (see below), and associated operating plans developed consistent with the understandings described in this letter.
- Reclamation does not intend to use the CWF to export additional CVP stored water south of the Delta.
- Once the regulatory framework under which the CWF will be operated is more defined, Reclamation will work with DWR and the CVP contractors to develop a detailed operating plan.
- Hindcasting, as discussed below, is an acceptable method for determining the quantity of CWF Water, and DWR and Reclamation would develop necessary tools to accurately hindcast.
- Additional water supply requirements that are tied solely to CWF permits and operations would not be met using increased releases of upstream CVP stored water. CWF-specific outflow requirements above the then-existing regulations would be met through CWF reductions and/or acquisition of water, by Participants, from willing sellers.
- If there are CWF-specific regulatory requirements imposed that would not have been required without the CWF, such regulations would not impact the annual amount of CVP water made available to non-participating CVP Contractors. The integration agreement would determine a method or agreement to ensure that the CVP allocation would not be decreased, as compared to an operation without the CWF.
- DWR, through SWP contractors and participating CVP Contractors, would be responsible for funding and implementing the Proposed Action in the CWF Biological Assessment, the Reasonable and Prudent Measures in the CWF Biological Opinions, and the Terms and Conditions in the CWF Biological Opinions, unless those commitments and requirements were previously agreed to in-writing by Reclamation or required by the 2008 smelt Biological Opinion or the 2009 salmon Biological Opinion for CVP/SWP operations.

³For purposes of this letter, "Contract Total" includes contract total or contract delivery obligation, whichever is controlling.

- Reclamation expects that existing CVP commitments for the use of Banks Pumping Plant, and associated SWP facilities, would be maintained to ensure that conveyance of CVP water to the Cross Valley Contractors would not be impacted.
- Reclamation would continue to meet its obligations under the Central Valley Project Improvement Act (CVPIA), including deliveries to wetland habitat areas (“Refuges”) under Section 3406(d) of the CVPIA, and existing relative water rights and contractual priorities would be protected for non-participating CVP Contractors in any integration agreement that is executed.
- Operation of the CWF and use of the capacity of the CWF by participating CVP Contractors would neither negatively impact non-participating CVP Contractors nor Reclamation’s ability to meet existing legal obligations.

The CVP CWF Hindcasting Accounting Method

Reclamation would expect to use the following accounting process to protect the amount of CVP water made available to participating and non-participating CVP Contractors, consistent with Federal reclamation law, policy, and contract terms and conditions. This process would identify two distinct amounts of CVP water made available to participating CVP Contractors: a “CVP Allocation” consisting of CVP water that could have been delivered through existing Delta facilities without the CWF, and a separate “CWF Allocation” consisting of CVP water that could not have been stored upstream, or delivered without the CWF. Together, the CVP and CWF Allocations would make up the total CVP water made available to participating CVP Contractors. Ultimately, participating CVP Contractors would receive both a CVP Allocation and a CWF Allocation, while the non-participating CVP Contractors would only receive a CVP Allocation.

- The CVP Allocation would be developed without consideration of the already conveyed CWF water, or future use of the CWF.
- The CWF Allocation would be a calculated amount that represents the CVP portion of the CWF Water after it has been conveyed south of Delta. This allocation would be divided among CVP participants, consistent with Federal reclamation law, policies, and contract terms and conditions.

Integration Agreement with DWR

Reclamation is working with DWR to develop an integration agreement to define how Reclamation and DWR anticipate coordinating the operations of the CVP and SWP with respect to the CWF. The integration agreement would include, at a minimum, the following:

- Accounting and mitigation of water supply impacts attributable to CWF-specific regulations that have the potential to decrease the CVP Allocation for non-participating CVP Contractors.
- Defined assumptions for use in the CWF Allocation process. These may include base DWR operational assumptions, sharing of regulatory requirements, storage in San Luis Reservoir, accounting for changes to required carriage water, and others.

Available CWF Water

The hindcasting accounting method would identify CWF Water available for delivery to participating CVP Contractors. Currently, the projected CWF Water to be made available to participating CVP contractors is expected to be within CVP Contract Totals in most years, and will be made available consistent with existing contract terms and conditions. Reclamation will consider requests from participating CVP Contractors to add the CWF facilities as an additional point of delivery, or to bank CWF water; however, all deliveries (banked water is delivered water) will be within Contract Total, and all participating CVP Contractors would still be limited by their Contract Service Area, the transfer guidelines, and CVP place of use.

As stated above, it is expected that CWF Water would not exceed the Contract Total of the participating CVP Contractors, except in limited circumstances. In those limited circumstances, there are existing contract provisions which may allow a participating CVP Contractor to realize water supply benefits above their Contract Total on a short-term basis (e.g. Article 3(f), pre-use, and Section 215 contracts). Should a CVP Contractor wish to realize water supply benefits that exceed its Contract Total in other than limited circumstances, the participating CVP Contractor would need to identify a long-term solution that is acceptable to Reclamation (which may include an amendment of their existing contract, assignment of existing CVP contract supply, or similar solution) or otherwise be subject to the limitations provided in their CVP Contract, existing law, and the available storage of CVP water in San Luis Reservoir.

The participating CVP Contractors may reschedule their CWF Water, consistent with the terms and conditions of their CVP Contracts, and the storage priorities of San Luis Reservoir as established by applicable Federal reclamation law and policy, specifically, the Act of February 21, 1911 (Warren Act), Section 3406(d)(1) of the CVPIA and Section 10004(a)(4)(B) of the San Joaquin River Restoration Settlement Act. CWF Water is subject to the applicable CVP Ratesetting Policies and the participating CVP Contractors would be required to pay all applicable costs, including CVPIA charges, for delivery of the CWF Water. The use of Project Use Energy to convey CWF Water would also be consistent with Federal reclamation law and policy.

Movement of CVP water through the CWF and Costs

The integration agreement would enable DWR to operate the new facilities for conveyance of CVP water. The CWF would be used to convey the CVP water for participating CVP

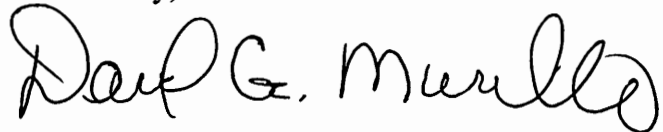
Contractors and other CWF requirements. Reclamation understands that the conveyance of CVP water for the benefit of participating CVP Contractors, or for compliance with CWF-specific requirements, would be funded by the participating CVP Contractors and/or DWR. Neither Reclamation nor the non-participating CVP Contractors would pay any construction, fixed, or variable operation or maintenance costs for this conveyance.

Reclamation will coordinate with DWR on the use of the CWF to move water, which would otherwise have been conveyed through the delta, for the benefit of fish or other CVP purposes. Reclamation supports continued discussions between participants and non-participants to find an agreeable methodology, consistent with applicable law and policy, for determining how costs associated with these incidental benefits are calculated and collected.

In the event that Delta conditions worsen, Reclamation may contract with DWR and/or participating CVP Contractors to use available capacity, on a short term basis, to move CVP water for general CVP purposes. Subject to applicable Federal reclamation law, including the limitations provided in Section 3406(d)(5) of the CVPIA, Reclamation would anticipate paying costs attributable to the conveyance of this water. Prior to Reclamation committing to pay such costs, Reclamation would provide a proposal for review and comment to all CVP contractors, CVP power customers, and any other potentially affected parties.

Reclamation acknowledges the complexities and risks involved to all those who elect to participate in the CWF. This letter contains knowledge, information, and assumptions assembled by Reclamation with significant input from CVP contractors. As CWF moves forward, we will continue to work collaboratively with DWR, SWP Contractors, participating CVP Contractors, non-participating CVP Contractors and CVP power customers. Should you have any additional questions, please contact Ms. Brooke White at bwhite@usbr.gov or 916-414-2402.

Sincerely,



David G. Murillo
Regional Director

Identical Letter Sent To:

Mr. Bruce Howarth
Manager
Alpaugh Irrigation District
P.O. Box 129
Alpaugh, CA 93201-0129

Mr. Mike Battles
Manager
Anderson-Cottonwood Irrigation District
2810 Silver Street
Anderson, CA 96007

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

RESOLUTION NO. 17 -

CONDITIONAL SUPPORT OF CALIFORNIA WATERFIX

WHEREAS, Santa Clara County relies on State Water Project (SWP) and Central Valley Project (CVP) water conveyed through the Sacramento-San Joaquin Bay-Delta (Delta) for 40 percent of its water supply on average; and

WHEREAS, imported water from the Delta and its watershed has played a significant role in meeting the County's water supply demands and allows for the recharging of the County's groundwater basin, protecting against further land subsidence, and providing for the well-being of the citizens of Santa Clara County; and

WHEREAS, substantial local investments in water use efficiency and conservation, recycled water and groundwater management are essential but cannot cost-effectively replace imported water; and

WHEREAS, the Santa Clara Valley Water District (District) has long been committed to sustained reliable water supplies as well as environmental stewardship; and

WHEREAS, if no action is taken, the District's SWP and CVP supplies will be vulnerable to risks from declining ecosystem conditions, increasing regulatory restrictions, seismic risks, climate change and sea level rise, resulting in reduced water supply reliability for Santa Clara County; and

WHEREAS, the California Department of Water Resources (DWR) proposes to construct the California WaterFix, which consists of three new intakes on the east bank of the Sacramento River in the northern Sacramento San Joaquin Delta, tunnels connecting these intakes to a new, 30-acre intermediate forebay, and two 30-mile long tunnels carrying water from this forebay to a new pumping plant connected to an expanded and modified Clifton Court Forebay; and

WHEREAS, the California WaterFix is a critical component of the California Water Action Plan, the State of California's blueprint for a "sustainable and resilient future"; and

WHEREAS, the California WaterFix has the potential to protect the Santa Clara Valley Water District's water supply reliability by upgrading aging infrastructure, thereby reducing the vulnerability of SWP and CVP water supplies to seismic events in the Delta and climate change impacts; and

WHEREAS, the California WaterFix has the potential to improve access to transfer supplies and increase storage project yield while conveying water across the Delta in a way that is safer for the environment; and

WHEREAS, the SWP component of the WaterFix is defined such that benefits of the project would accrue to SWP participants, while the U.S. Bureau of Reclamation's currently proposed CVP participation approach does not provide sufficient assurances that WaterFix benefits will be realized by CVP participants; and

WHEREAS, CVP supplies comprise roughly 65% on average of the District's supplies imported from the Delta; and

WHEREAS, on July 21, 2017, DWR certified the final environmental analysis for the California WaterFix and signed the Notice of Determination thereby approving California WaterFix as the proposed project under the California Environmental Quality Act.

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

1. The District supports the State Water Project participation approach, which would allocate the benefits and costs of the WaterFix to the District in proportion to its current 2.5% level of participation in the State Water Project, or 1.4% of the WaterFix project, subject to the following conditions:
 - a. Participation in the WaterFix sustains the District's existing SWP and CVP deliveries and provides insurance against future uncertainties; and
 - b. The District's Central Valley Project water supplies as well as its State Water Project water supplies are protected; and
 - c. The cost per acre-foot remains similar to the current estimate.
2. District staff shall continue participating in California WaterFix planning discussions with State and federal agencies as well as other prospective WaterFix participants, to further define the project, and to develop agreements to secure the conditions needed for the District's support.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on October 17, 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



California WaterFix Special Board Workshop October 17, 2017



- A. Adopt a resolution expressing conditional support for the SWP WaterFix participation approach.
- B. Authorize the CEO to continue participating in WaterFix planning discussions to further define the project, and to develop agreements to secure the conditions needed for the District's support.

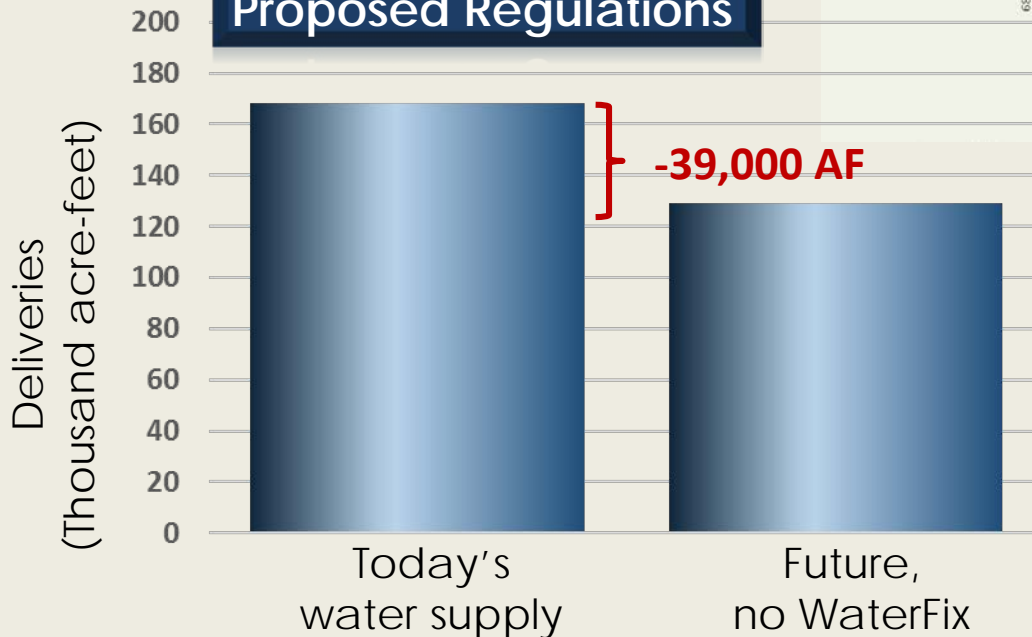
Recommendation is consistent with Board Principles

- ❖ Cost-effective, long-term solution for the Delta that meets the water supply, water supply reliability, and water quality needs of Santa Clara County
- ❖ Ability to protect the value of the District's imported water assets, including water supply and banking contracts
- ❖ Balance of the CWF's costs and benefits weighs in favor of the District's customers and ratepayers
- ❖ Existing system of through-Delta conveyance is not sustainable
- ❖ Allocations of cost based on incremental benefits

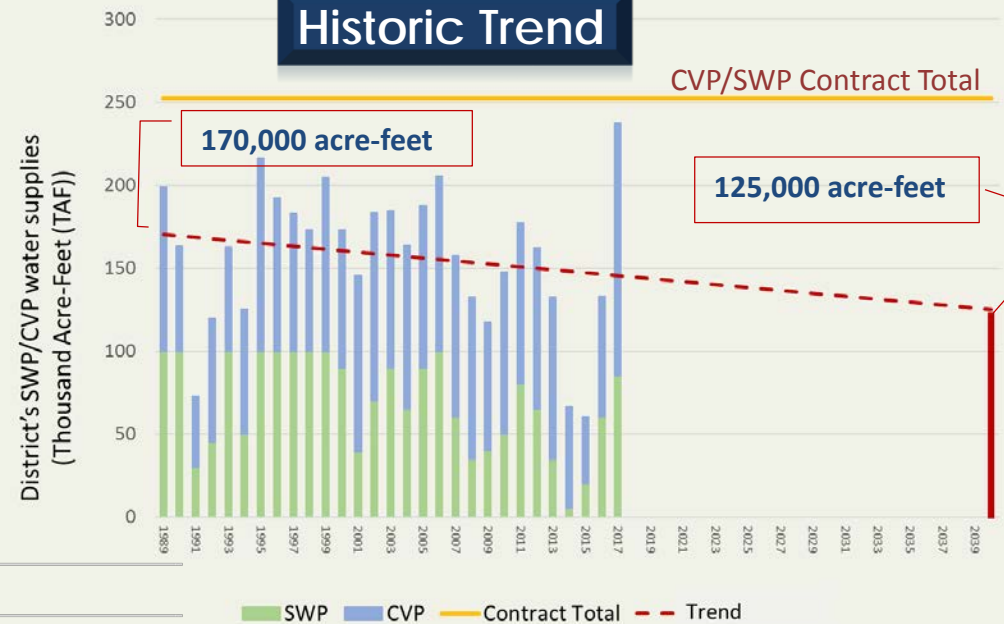
Continued impact on Delta ecosystem leads to less water in the future. WaterFix will protect supplies, restore flows and decrease impacts on fish

40% of Santa Clara County's water supplies are conveyed through the Delta

Proposed Regulations

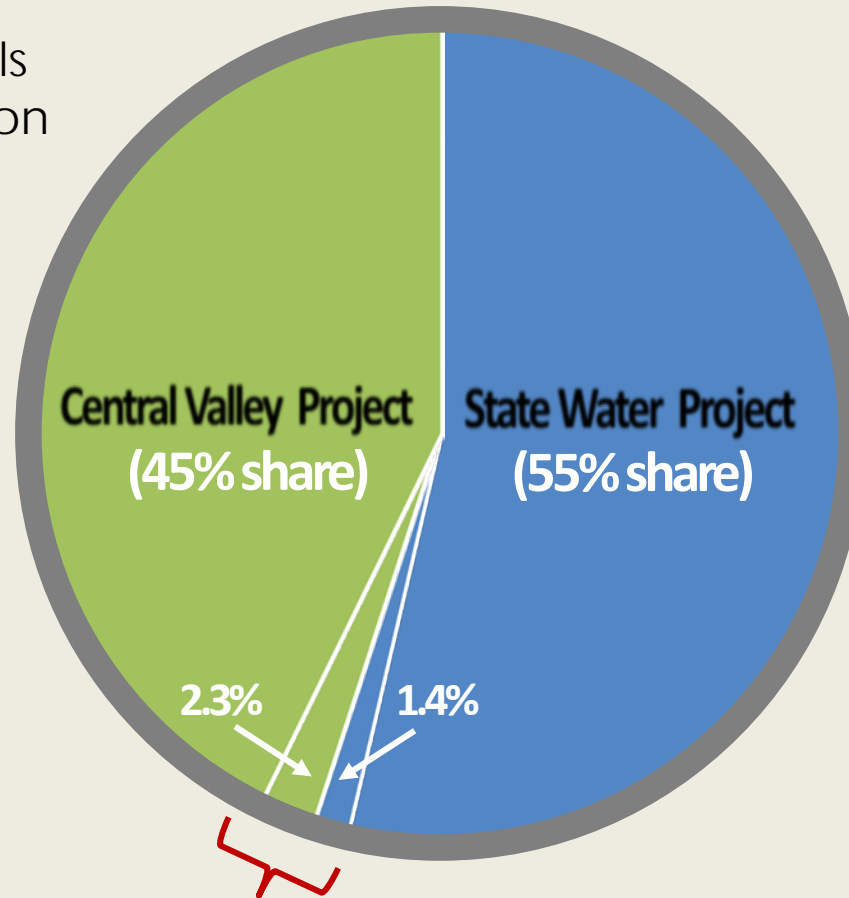


Historic Trend



Current proposal: WaterFix water supplies to be shared between the State Water Project and Central Valley Project

9,000 cfs twin tunnels
Prevents degradation
of over 1 million AF



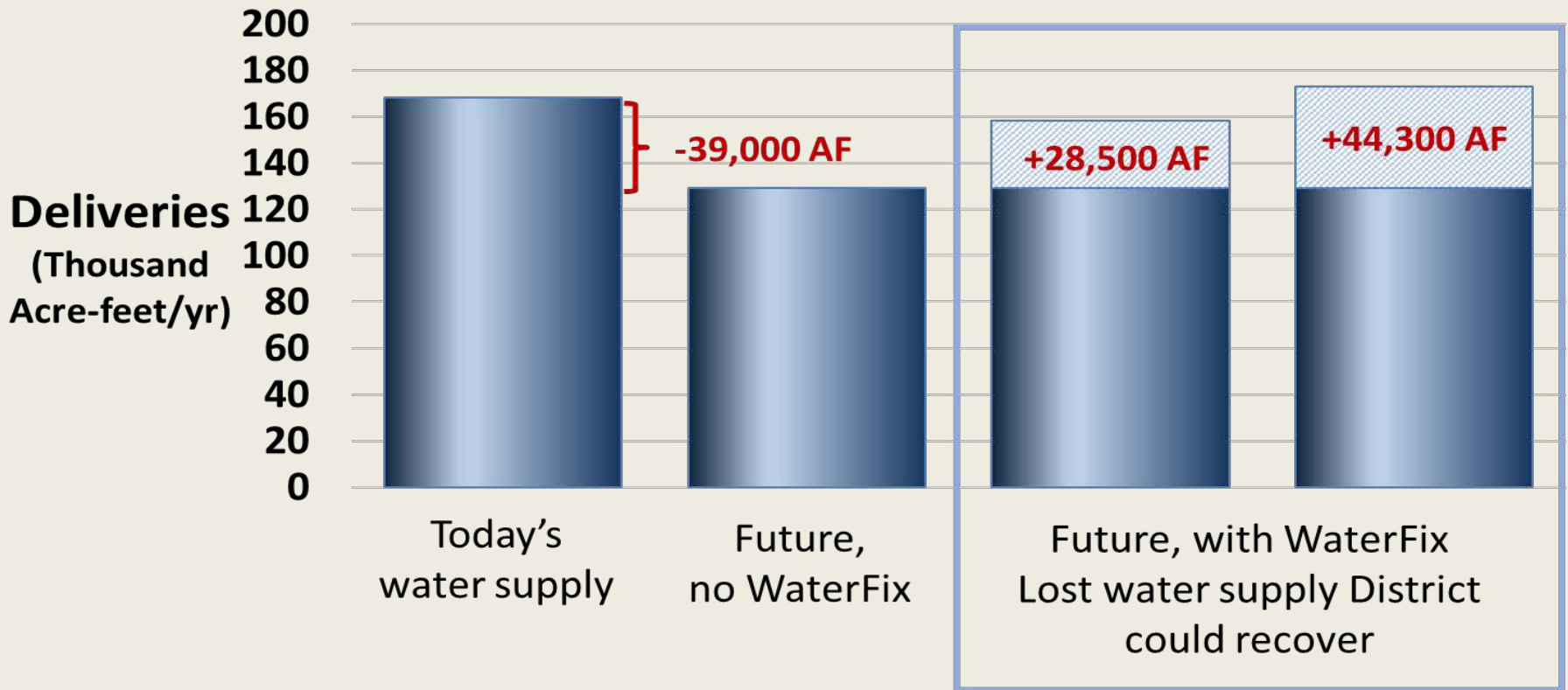
Total District share: 41,000 AF*

2.5% of SWP share or 1.4% of total project: 15,500 AF

5% of CVP share or 2.3% of total project: 25,500 AF

WaterFix helps stabilize and protect supplies from risk of earthquakes, sea-level rise and aging infrastructure

Modeled Long-Term Average District SWP/CVP Water Supplies



WaterFix capital and annual operation and maintenance costs (2017 dollars)

TOTAL Project Costs

Capital Costs **\$16.7 Billion**

Operations and Maintenance Costs **\$64.4 Million/Yr**

DISTRICT Share of Project Costs

Capital Costs **\$420 – 650 Million**

Operations and Maintenance Costs **\$1.6 - \$2.5 Million/Yr**

California WaterFix is one of our least expensive supply options

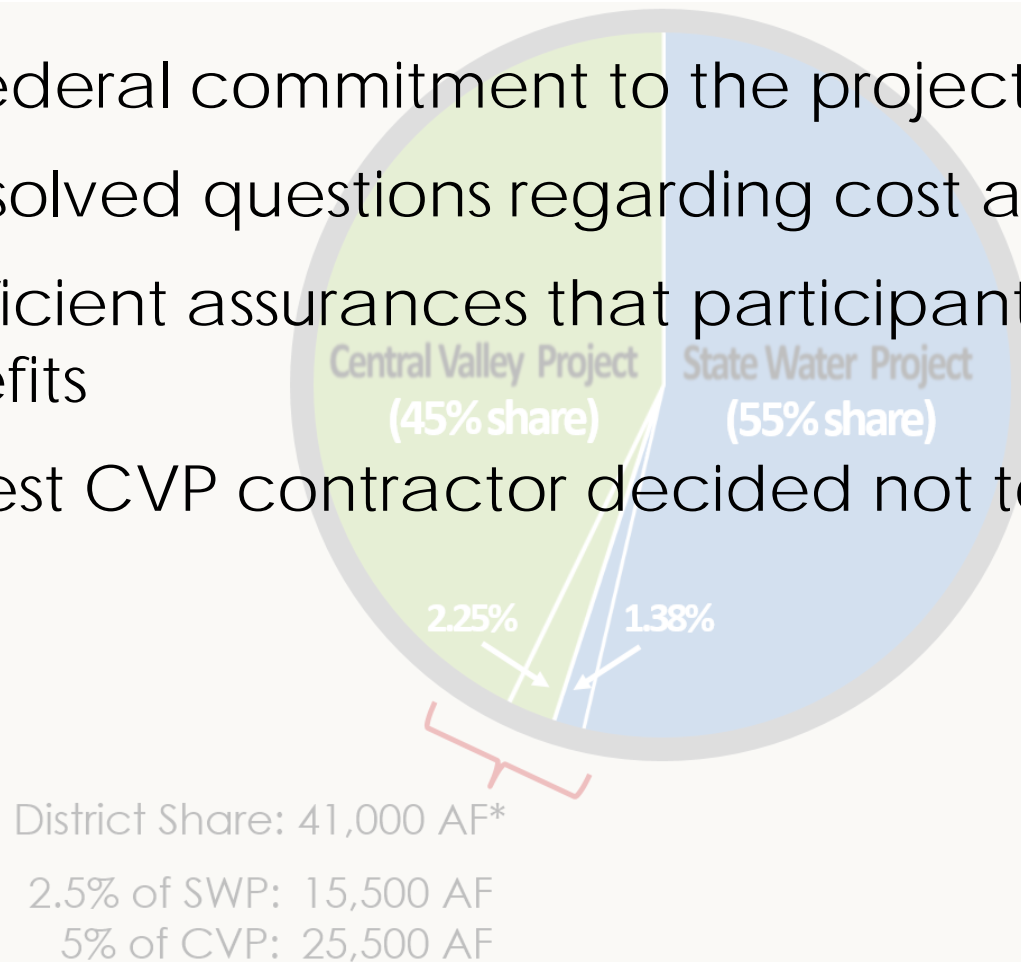
Water Supply Option	Average Annual Yield (AFY)	District Lifecycle Cost ¹ (present value, 2017) (\$ million)	Unit Cost ¹ 2017 dollars (per AF)	Monthly Water Cost per Average North County Household, FY43 ¹ (cost/month)	Monthly Water Cost per Average South County Household, FY43 ¹ (cost/month)
Los Vaqueros Reservoir ²	3,000	\$40	\$400	\$0.48	\$0.24
California WaterFix	41,000	\$620	\$600	\$9.51	\$4.55
Water Contract Purchase	12,000	\$360	\$800	\$3.03	\$1.41
Sites Reservoir ²	8,000	\$170	\$800	\$2.62	\$1.24
Lexington Pipeline	3,000	\$90	\$1,000	\$2.89	\$0.00
Groundwater Banking	2,000	\$60	\$1,300	\$0.83	\$0.38
Dry Year Options/Transfers	2,000	\$100	\$1,400	\$0.90	\$0.41
Potable Reuse – Los Gatos Ponds	19,000	\$990	\$1,700	\$20.01	\$0.00
Potable Reuse – Injection Wells	5,000-15,000	\$290-\$860	\$2,000	\$14.36	\$0.00
Potable Reuse - Ford Pond	3,000	\$190	\$2,500	\$4.10	\$0.00
Pacheco Reservoir ²	6,000	\$450	\$2,700	\$15.36	\$5.54
Groundwater Recharge	1,000-2,000	\$20-50	\$400-\$1,300	\$1.41	\$1.21

¹ Costs are for a fully financed project using the financing assumptions described in agenda item 2.1 of the September 12, 2017 Board Meeting

² Assumes Prop 1 Water Storage Investment Program funding. Costs would roughly double without funding.

Viability of current CVP participation approach is unsettled

- ❖ No federal commitment to the project
- ❖ Unresolved questions regarding cost allocations
- ❖ Insufficient assurances that participants will receive benefits
- ❖ Largest CVP contractor decided not to participate



*Participation level modeled in Water Supply Master Plan analyses

State Water Project contractors continue to make decisions regarding participation, many of them positive

Decisions that have been made to date have expressed support

- ✓ Metropolitan Water District of Southern California
- ✓ Zone 7 Water Agency
- ✓ Alameda County Water District
- ✓ Castaic Lake Water Agency
- ✓ Coachella Valley Water District
- ✓ Crestline-Lake Arrowhead Water Agency
- ✓ Desert Water Agency
- ✓ Kern County Water Agency
- ✓ Mojave Water Agency
- ✓ San Bernardino Valley Municipal Water District
- ✓ San Geronio Pass Water Agency

Other agency decisions are pending

WaterFix must provide opportunity to protect District's CVP supplies as well as SWP supplies

Recommended conditions to support SWP WaterFix participation approach:

- ❖ Participation in WaterFix sustains District's existing SWP and CVP deliveries and provides insurance against future uncertainties
- ❖ The District's CVP supplies as well as its SWP supplies are protected
- ❖ Cost per acre-foot remains similar to current estimates.

Next steps:

- ❖ Work with State and Reclamation to develop approach to secure water and protect District's CVP supplies

- ❖ Continue to work with State, Reclamation, and other water agencies
 - Evaluate opportunities to secure sufficient supplies and protect CVP supplies
 - Assess how project should be refined to optimize costs and benefits
 - Develop agreements
- ❖ Bring updates and further recommendations to the Board

Board communication & decision schedule, if Board authorizes continued participation in WaterFix planning discussions

- ❖ 30 open, public Board meetings and workshops since 2011
- ❖ 19 open, public Bay Delta Conservation Plan Ad Hoc Committee meetings between 2013 and 2016
- ❖ Numerous presentations to District advisory committees

Date	Topic
Oct. 17 (Today)	Special Board Workshop on California WaterFix
Mid-Nov. (Tentative)	Update on WaterFix
Dec. 19 (Tentative)	Board decisions on adoption of CEQA findings and authorization to execute certain agreements to participate in the WaterFix project

- A. Adopt a resolution expressing conditional support for the SWP WaterFix participation approach.
- B. Authorize the CEO to continue participating in WaterFix planning discussions to further define the project, and to develop agreements to secure the conditions needed for the District's support.

From: rockfish62@yahoo.com
To: [Clerk of the Board](#)
Subject: SCVWD Agenda Comment Form
Date: Thursday, October 12, 2017 1:00:54 PM

Agenda Comment Form

Current Date:	10-12-2017
Name:	Roger diFate
Address:	2474 Woodland Ave
City:	San Jose
State:	CA
Zip Code:	95128
Telephone:	(408) 244-9293 Ext:
Email Address:	rockfish62@yahoo.com
Agency, Business or Group (if applicable):	
Contact:	Attention: Clerk of the Board
Board Meeting Date:	10/12/17
Board Item Number:	water fix
I would like to:	Express Opposition
Comments:	We are apposed to the water fix. The twin tunnels is the worst solution ever presented. I attended 3 meetings each time much better solution were offered but Browns appointees showed a totally CLOSED Mind. Vote NO the is not a fix. Take a good look at NYC tunnel one, 15 years and still NO Water through it 3X over budget.

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From: Eskeltim@aol.com
To: [Clerk of the Board](#)
Subject: SCVWD Agenda Comment Form
Date: Thursday, October 12, 2017 4:30:47 PM

Agenda Comment Form

Current Date:	10-12-2017
Name:	Tim eskel
Address:	1004 kitchener cir.
City:	San jose
State:	CA
Zip Code:	95121
Telephone:	Ext:
Email Address:	Eskeltim@aol.com
Agency, Business or Group (if applicable):	
Contact:	Attention: Clerk of the Board
Board Meeting Date:	10/17/17
Board Item Number:	Not applic
I would like to:	Express Opposition
Comments:	Please do not add more of a tax burden to our already high water costs by agreeing to fund basically new water supplies to So CALIF.THANK YOU.also don't mess with the delta system the way God created it in first place .ya I know we can tweak mother nature but some times He comes back and bites us in the thussy!

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Michele King

Subject: FW: To Linda LeZotte / SCVWD Board: * In Defense Of The Delta *

From: Jim Blickenstaff <jpblick@comcast.net>
Sent: Monday, October 9, 2017 3:50 PM
To: llezotte@valleywater.org
Cc: 'Jim Blickenstaff'
Subject: To Linda LeZotte / SCVWD Board: * In Defense Of The Delta * .

*Please, if you would, consider the issues raised in the below
article when reviewing your “Water Fix” options at your
upcoming Board Meeting. Could you also see that it is made
part of the Public Record?
Another preferable and available alternative would be
augmentation of Los Vaqueros Reservoir. Let’s not become
partners in an expensive Southern California plan to drain out
what little fresh water remains in our Delta for their growth
and Ag demands. Thanks –
Jim Blickenstaff, San Ramon CA*

////////////////////////////////////

**The Water Fix Is In: Same Old “Solutions” In An Era Of
Global Warming, And Depleted Fresh Water Resources.**

////////////////////////////////////

A recent complication to the issue has been the Trump

Administration's biased support, through the Fish and Wildlife Service, to a delicate, very complicated water and environmental issue. We need to clarify to what degree a supportive decision was simply Trump politics, and what portion, if any, was based on real science. It's likely this is but the first of a series of unscientific / anti-environmental decisions by the agencies under the control of this administration and it's like minded EPA. For example, they make the fundamental mistake of 'ruling' on the negative impacts of the tunnels without integrating their function in the over- arching historical context of decades of draining Northern California water resources, in particular the Delta, for demands for more and more water for Southern California. The Twin Tunnels must be seen as simply the latest and largest tool in this broader picture of California politics assuring long term and ongoing reduction of Delta water resources. In that more realistic context, the salmon, the Delta Smelt, and Striped Bass are destined to become extinct as their water habitat continues its progression to uninhabitable. The USFWS (and NOAA) need only chart the steady decline of key fish species for the last 50 to 70 years, and note how it correlates to the steadily increasing diversion for water districts and Ag – dominated by those in the south.

Populations of salmon have declined by at least 75%. The Delta Smelt has gone from millions to the edge of extinction over that time. The USFWS can simply extrapolate the historic political induced progression to its inevitable outcome of widespread fish populations collapse. In fact, it is already happening – without the tunnels! This profound historic paradigm – not incorporated in The USFWS outcome conclusions, and now about to embrace the Twin Tunnels – renders the Federal finding of ‘probably’ no harm, or no “deeper” harm, bizarrely disconnected. One guarantee we can count on is that the huge tunnels are NOT going to be used to add water – the one thing the Delta eco-system desperately needs! The U. S. Fish and Wildlife Service further underestimates negative impacts by taking at face value the “safeguards” planned by the Brown Administration and State’s Natural Resources Agency. Projections founded in politically vulnerable -subject to change- safeguards are not science -- they are little more than “wishful thinking.” Therefore, such conclusions must be critiqued for a process and findings corrupted by a weak scientific discipline, and an overarching political bias -- and categorized accordingly as to degree of legitimacy.

The Governor is speaking out of both sides of his mouth on

the desperate fish situation in the State and Delta. He and the Governor of Oregon recently sent a joint letter to the Federal Government pleading for more resources to protect dramatically declining populations of Chinook Salmon. Speaking the truth in his joint letter, and then taking a dismissive stance toward the plight of salmon, when promoting his Delta Twin Tunnels "Conveyance System."

Droughts are going to become the new normal as global warming increases. This last drought stopped even the minimum water volume necessary to sustain just the Delta eco-system, let alone the huge volumes demanded by southern water interests. It serves as an example of how the twin tunnels are an outdated, wrong answer for the new challenges and condition of an advancing phase of global warming. As the Peripheral Canal, it was wrong, and rejected by the State voters 30 years ago. It's even more wrong today. Today the Delta is in far greater distress. There is a growing intrusion of sea water into the Bay/Delta eco-system, the rising sea levels are accelerating beyond projections, there are longer and more severe droughts, air and water temperatures continue to hit record highs, the natural/seasonal drainage to the Delta has changed, and the Delta is even more degraded by water diversion. In

addition to the relentless history of water diversion, the afore mentioned Global Warming negative impacts on the Delta have yet to be properly acknowledged, and integrated into a realistic cumulative impacts exasperating its very survivability. In spite of this, an eco-system - in obvious crisis - is now facing the ominous prospects of two huge, expensive, tunnels whose fundamental purpose is to drain out more and more of the remaining fresh water. The U.S.F.W.S., and the State Natural Resources Agency, are okay with that.

Incredible!

The State optimistically estimates \$17 billion for the cost of the Water Fix/Tunnels. They failed to acknowledge a recently discovered need for a \$6.5 billion taxpayer subsidy, as well as, the history of huge cost overruns for State mega-projects, like High-Speed Rail -- who's budget has doubled to \$68 billion and is still rising! Using a conservative estimate of \$25 billion, a similar dollar amount devoted to other, competing, alternatives, still needs to be analyzed for comparative cost effectiveness. One such alternative would be to invest the \$25 billion in salt water conversion plants. I say this, not as an advocate of this option, but to demonstrate one of many viable, but unexamined alternatives. With the growing technology available to minimize polluting by-products, as

well impacts on sea life, is it possible that a State commitment to sea water conversion would be an environmentally preferable position to that of draining out what precious and essential fresh water still remains for the Delta? And ‘good news,’ while Delta water is very limited, and desperately needed locally, Global Warming has guaranteed there will be plenty of sea water. Plus, it will be getting more diluted all the time, as the polar ice caps continue to melt! The Israelis’ and Saudis’ have led the way on large scale desalination. Their very existence depends on it! More ‘good news,’ neither country is awash in toxic byproducts. A side-by-side, detailed, comparative evaluation of \$25 billion toward this alternative, as well as several other plausible alternatives cited by opposition leaders, would, no doubt, reveal options far less devastating to the Delta. This particular case actually acknowledges, and makes use of, the changing dynamics of a warming planet, with the eventual outcome being a steady, reliable, significantly increased water supply for Southern California – in good times and bad!

Litigation is looking more and more critical and necessary in stopping what would eventually be the conversion of the Delta to a brackish dead-sea back wash. In fact, the

NRDC, Defenders of Wildlife, Bay institute, and Gold Gate Salmon Association, have already launched the first salvo in the upcoming battle with a major lawsuit against the project this June 29th. More recently, an impressive array of counties, cities, agencies, grass root and environmental groups have filed numerous legal challenges across the State against the Department of Water Resources for violations of CEQA law. “For 10 years we’ve been fighting to get tunnel proponents to look jointly for better solutions that don’t destroy the Delta. They didn’t listen, and now we must turn to the courts to enforce critical environmental protections...”, said plaintiff, Osha Meserve. I expect the growing network of opposition parties will continue to build a formidable, Legal Wall. Below is just a short list of such groups:

- > Restore the Delta
- > Friends of the River Foundation
- > Pacific Coast Federation of Fisherman’s Association
- > Environmental Water Caucus.
- > Natural Resources Defense Council
- > Howard Jarvis Taxpayers Association
- > Center for Biological Diversity
- > California Water Impact Network
- > California Sportfishing Protection Alliance

- > Bay Institute
- > Sierra Club
- > Golden Gate Salmon Association
- > North Coast Rivers Alliance
- > San Francisco Crab Boat Owners Association
- > Winnemem Winto Tribe
- > AquAlliance
- > Save the California Delta Alliance
- > D. W., [Delta farmer], and collaboration of 150 other landowners throughout the State.
- > Numerous Counties, including Contra Costa, Solano and Yolo.
- > Numerous Cities, including Stockton and Antioch.
- > Numerous State Agencies, including Central Delta and Local Agencies of North Delta.

All this comes as time is running out on the Brown Administration. Next year, we will have elected a new governor. The foremost question from any and all pro-Delta groups must be: “What is your position on the Twin Tunnels?”, then, coordinate and campaign accordingly. I doubt many other candidates will share Mr. Brown’s long (family) history and personalize, even emotional, “Tunnel Vision” toward water demands from

Southern California. But, either way, it should become a defining position, bearing directly on the winnability of whoever decides to run. The vast support network for this purpose will be invaluable. Brown leaving office may turn out to be the ultimate solution to a decades old obsession (whether it be the Peripheral Canal of yesteryear, or Twin Tunnels today) that sacrifices the Delta eco-system for powerful, thirsty friends and associates in the south.

Once built the tunnels cannot be “unbuilt.” Proponents are counting on this. They also know that “guarantees” and promises CAN be undone. After the tunnels are in place, Phase II would be the political necessity of changing the promises made to allow the more politically powerful southern water interests to finally complete the deal on effectively taking what’s left of the Bay/Delta fresh water, for their more “important” water needs. At this late stage, it will essentially be over. Little left but the proper spin explaining why the State must answer the “greater needs” and demands from the south. It’s worth noting here, the quote from State Water Official, Jerry Meral, four years ago; “The Bay Delta Conservation Plan is not about saving the Delta... The Delta cannot be saved...” He was soon silenced,

not because his comments were untruthful, but because their timing was indiscreet. Mr. Meral needed to wait until the tunnels were a done deal and serving their “conveyance” purposes before revealing this harsh truth. Brown’s actions only reinforced his assessment when the Governor reduced Delta habitat “restoration” by 70% -- from 100,000 acres to 30,000 acres! Again, not based on scientific findings, but on the political expedience that expensive restoration costs could kill the deal for tunnel proponents -- with their very limited tolerance for extraneous costs adding to an already overpriced project. As if to prove the point, both the Westlands Water District, and the L. A. City Council, recently voted to reject participation in the funding plan – in spite of an unrealistically low total cost of “just” \$16 billion. Even the supposed winners in the big water grab are not okay with the big money demand! If you don’t like it now – just wait!

The final failure of Jerry Brown’s “Water Fix” plan will not simply be it’s overpriced cost ineffectiveness, nor its inability to answer the challenges of a new climate paradigm -- it will be the inevitable realization that the Co-Equal Goals are also just one more “very sincere” promise that cannot be kept. “Sorry, Northern California,

we were wrong... You Lose – Again.” Or, in the parlance of Sarah Palin; “How’s that ‘Co-Equal’ thing working out for ya!? {Ha-Ha-Ha}.” We cannot allow it to get to that point.

Jim Blickenstaff

Former San Ramon City Council Member,

30 Year Environmental Activist.

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605 Tennant Ave., Suite H, Morgan Hill, CA 95037
(408) 776-1684
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www.sccfarmbureau.org

October 1, 2017

Mr. John L. Varela
Chair, Board of Directors
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3686

Dear Board of Directors:

Silicon Valley's innovation has propelled California to become the world's sixth largest economy. But our region produces more than iPhones and routers. We also produce farmer's market worthy fruits, vegetables and world class wine grapes.

Farmers and ranchers in Santa Clara County grow more than 100 different crops on almost 250,000 acres and contribute \$250 million to the local economy. We support the California WaterFix to protect our region's water supply for our family farms.

The water Silicon Valley current gets from the Sierras – more than half of its total supply – has to travel through an outdated network of pumps and levees that are harmful to the environment and vulnerable to catastrophic failure. WaterFix will replace outdated infrastructure and safeguard our water supply from natural disasters and the immanent effects of climate change. It will also allow more water to be stored during wet years – in reservoirs and in groundwater basins throughout California – and available to families, businesses and farms in dry years.

Since the 1930's when Santa Clara was one of the first regions in California to recognize the damage caused by groundwater overdraft and land subsidence, county farmers have worked hard to ensure our groundwater basin remains in balance and use the most up-to-date conservation methods. We are well aware of the consequences of losing even small portions of the region's water supply and the lasting damage it can have on our land and our economy. That's why we support the California WaterFix.

The Santa Clara County Farm Bureau encourage the Santa Clara Valley Water District, and the State of California, to pursue this important project.

Sincerely,

A handwritten signature in black ink that reads "Janet Burback".
Janet Burback
President

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MEMORANDUM

FC 14 (01-02-07)

TO: Santa Clara Valley Water District Board of Directors **FROM:** Directors Tony Estremera, Barbara Keegan, and Gary Kremen

SUBJECT: Suggested Waterfix Guiding Principles Incorporated into a Resolution **DATE:** October 13, 2017

As three members of the Board of Directors of the Santa Clara Valley Water District, we share the challenge and the difficulty of determining what the District's participation should be in the proposed WaterFix project. After consideration of many factors affecting our upcoming decisions about the WaterFix, we want to share our thoughts and recommend certain policy principles or conditions for supporting the WaterFix project.

Our mission at the District is to provide Silicon Valley with safe, clean, affordable water to support healthy lives, the environment, and economy. In so doing, the Board of Directors endeavors through our policies and actions to affirm to the residents of Silicon Valley that we are dependable stewards and that the Santa Clara Valley Water District can be trusted to provide clean, safe, affordable water, and guarantee our water supply for the future.

As we look at stabilizing our imported water supply (55% of Santa Clara County's supply, of which 40% is imported through the Delta), we understand that the residents of Silicon Valley want and need us to do so in a cost-effective manner while helping to restore the environment and habitat wherever possible. As such, we are jointly recommending seven guiding principles to ensure that our local interests are represented in the ongoing and future WaterFix discussions at the state level and among the water contractors. These principles are conditions for our affirmative decision for the District's participation in the proposed WaterFix.

Thus, we ask the Board to support the attached resolution and its binding guiding principles.

Attachment: Resolution No. 17 - , Conditional Support of California WaterFix

Three handwritten signatures in blue ink. From left to right: Tony Estremera, Barbara Keegan, and Gary Kremen. The signatures are written over a horizontal line.

Directors Tony Estremera, Barbara Keegan, and Gary Kremen

Attachments: Resolution

sc:jmo

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

RESOLUTION NO. 17 -

CONDITIONAL SUPPORT OF CALIFORNIA WATERFIX

WHEREAS, our mission at the Santa Clara Valley Water District (District) is to provide Silicon Valley with safe, clean water to support healthy lives, the environment, and economy; and

WHEREAS, the Board of Directors endeavor through our policies and actions to affirm to the residents of Silicon Valley that we are dependable stewards and that the District can be trusted to provide clean, safe, affordable water, and guarantee our water supply for the future; and

WHEREAS, Santa Clara County relies on State Water Project (SWP) and Central Valley Project (CVP) water conveyed through the Sacramento-San Joaquin Bay-Delta (Delta) for 40 percent of its water supply on average; and

WHEREAS, imported water from 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; and

WHEREAS, substantial local investments in water use efficiency and conservation, recycled water and groundwater management are essential but cannot cost-effectively replace imported water; and

WHEREAS, the District has long been committed to sustained reliable water supplies as well as environmental stewardship; and

WHEREAS, if no action is taken, the District's SWP and CVP supplies will be vulnerable to risks from declining ecosystem conditions, increasing regulatory restrictions, seismic risks, climate change and sea level rise, resulting in reduced water supply reliability for Santa Clara County; and

WHEREAS, the California Department of Water Resources (DWR) proposes to construct the California WaterFix, which consists of new intakes on the east bank of the Sacramento River in the northern Sacramento San Joaquin Delta, tunnel(s) connecting these intakes to a new, intermediate forebay, and tunnel(s) carrying water from this forebay to a new pumping plant connected to an expanded and modified Clifton Court Forebay; and

WHEREAS, the California WaterFix is a critical component of the California Water Action Plan, the State of California's blueprint for a "sustainable and resilient future"; and

WHEREAS, the California WaterFix has the potential to protect the District's water supply reliability by upgrading aging infrastructure, thereby reducing the vulnerability of SWP and CVP water supplies to seismic events in the Delta and climate change impacts; and

WHEREAS, the California WaterFix has the potential to improve access to transfer supplies and increase storage project yield while conveying water across the Delta in a way that is safer for the environment; and

WHEREAS, the SWP component of the WaterFix is defined such that benefits of the project would accrue to SWP participants, while the U.S. Bureau of Reclamation's proposed CVP participation approach does not provide sufficient assurances that WaterFix benefits will be realized by CVP participants: and

WHEREAS, on July 21, 2017, DWR certified the final environmental analysis for the California WaterFix and signed the Notice of Determination thereby approving California WaterFix as the proposed project under the California Environmental Quality Act.

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

1. That the Santa Clara Valley Water District hereby declares its conditional support for the California WaterFix and adopts the Guiding Principles, attached hereto as Attachment 1, for Participation in the California WaterFix; and
2. That the District's Directors and staff will use these Guiding Principles to shape the District's participation in the WaterFix Project, including evaluating the WaterFix project, identifying ways to meet the District's goals, and shaping the project development and any agreements necessary to secure the conditions needed for the District's support.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on October 17, 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

Attachment: Guiding Principles for Participation in the California WaterFix

Attachment 1
**Guiding Principles for Participation in the
California WaterFix**

Guiding Principle #1 – Santa Clara County needs are the primary drivers in all our decisions involving the WaterFix project.

Fresno, Huron, Southern California, Discovery Bay, Rio Vista and other places in California have important desires, but providing safe, clean, affordable water for the people, businesses, wildlife and habitat of *Santa Clara County* is our primary focus.

Guiding Principle #2 – We will not allow Silicon Valley values and priorities to be placed at a disadvantage relative to Central Valley Agriculture or Southern California.

We support a WaterFix project in which all parties pay their fair share and avoid cost shifting to urban users.

Santa Clara County rate payers and / or taxpayers should *pay no subsidies* to Central Valley Agriculture or Southern California water users.

Guiding Principle #3 – We are advocating for a flexible approach that addresses Silicon Valley stakeholder and community input.

We take public input seriously, having had over 50 agenda items at properly noticed, public meetings on the WaterFix project and the District's water master supply plan alone (see Appendix A for a partial list of such meetings).

We support a WaterFix project that provides for environmental protections for the Delta, that is part of an overall State effort to improve Delta habitat through, at a minimum, the EcoRestore program, and that takes into account climate change.

To quote from the recent *Baykeeper Issue Brief on the Delta Tunnels*:

“With a portfolio of science-based actions we can stabilize the Delta ecosystem to prevent fish extinctions while permitting sustainable water exports. Signs of hope and solutions include:

....

Reduction in tunnel scope to a single smaller tunnel. Several groups, including the Natural Resources Defense Council and the Public Policy Institute of California, have suggested that a single tunnel could help achieve the reliability and resiliency sought by water contractors while maintaining an engineered limit to diversions that would be less susceptible to over-extraction and abuse.”

Additionally, to quote Governor Brown in the LA Times on October 5th, 2017:

But Brown said Thursday that WaterFix could survive, albeit in a scaled-down version, without money from Westlands and [other agricultural districts](#) that receive delta supplies from the federal Central Valley Project.

“The project can be altered to reduce the costs if the federal contractors don't want to be a part of it,” the governor said. “The state needs the water. We're not going to commit suicide. We gotta have it.”

Given that Westlands Water District and certain other agriculture districts have declined to participate in the WaterFix project, we are supportive of a *lower-cost, scaled-down, and staged* project that is consistent with the existing environmental impact reports and other administrative proceedings. We support considering an approach that incorporates the following in the first stage of the project:

- a) One tunnel instead of the two tunnels;
- b) A reduced intake volume from the original 9,000 cubic feet per second;
- c) A reduced number of intakes on the Sacramento River;
- d) A project that incorporates and ensures less impacts on fisheries relative to current operations; and
- e) Allows Santa Clara Valley Water District elected officials to be actively involved as leaders in the governance of the WaterFix project to ensure the project is implemented appropriately and to prevent any Southern California water grab.

Any changes to the project that diverge from this principle must be brought before the board before any final agreement is announced.

Guiding Principle #4- As water is a human right, we must make investments to make sure our water supply meets future needs at a cost affordable by everyone

Our District believes in an “all-of-the-above approach” to water supply. We have significant ongoing investments in water conservation. We are looking seriously at highly purified (drinkable) water, recycled water, storm water capture, rain water capture, grey water usage, etc. We take into account the importance of local supplies and resiliency.

At the same time, the cost of water is an important consideration to our ratepayers and we believe that water is a basic human right. Of the options that produce a significant quantity of supply, our imported supply is the lowest cost per unit source available to the District, and a staged WaterFix project could help stabilize the increasing cost of our overall supply portfolio. The cost of water is a social justice issue; the WaterFix project would help keep down the cost of our water supply portfolio and make safe, clean water more affordable.

Consistent with this principle, our support of the WaterFix is conditioned on the per acre-foot cost remaining similar to current estimates.

Guiding Principle #5 – Equity and costs are important.

Those communities and / or organizations that pay SWP property taxes (funds) and receive on average 85% of their water supply from sources other than the District-managed supplies will receive, directly or indirectly and not exceeding the amount of SWP property tax paid, those funds back in the form of additional, incremental, dedicated, segregated funds exclusively for water conservation programs, recycled water, purified water, wastewater treatment plant environmental upgrades, Automatic Meter Infrastructure (AMI) updates, or dedicated environmental focused grants starting in FY 2019 until FY 2024. To unlock these additional, incremental, dedicated funds, the communities and organizations will be required to make at least 20% match of the District's contribution; otherwise the dedicated, segregated funds go back to the District by FY 2026.

Guiding Principle #6 – Any final arrangement must provide flexibility to acquire supplemental water by taking advantage of future wet years to ensure residents have a reliable water supply, no matter what extreme weather the changing climate brings.

The District supports the State Water Project WaterFix participation approach, which would allocate the benefits and costs of the WaterFix to the District in proportion to its current 2.5% level of participation in the State Water Project.

Additionally, the District shall commit to and / or purchase enough supplies from the project to replace the projected deficit in current imported water supplies over time, and to ensure against future uncertainty. More specifically, we commit to securing sufficient supplemental water supplies if they become available at a reasonable price to avoid a deficit in our water supply, with potentially additional investments to provide insurance against future uncertainty.

Simultaneously, it is critical that the WaterFix provide reliability for our CVP supplies as well as our SWP supplies and that both supplies can be moved through the WaterFix.

If we do not act, given competition for limited water supplies in California, undoubtedly, water made available through improvements in the State Water Project and the Bay-Delta will instead go to Central Valley Agriculture and Southern California.

Guiding Principle #7 – Keep negotiating for the best deal for Santa Clara County

Our final guiding principal is that staff shall continue participating in California WaterFix planning discussions with State and federal agencies as well as other prospective WaterFix participants, to further define the project, and to develop agreements to secure the conditions needed for the District's support.

Appendix A - Board Meeting Agenda Items regarding California WaterFix

1. May 10, 2011 - Overview of Delta Issues
2. August 26, 2011 (Board Workshop)- Secretary of California Natural Resources Agency, John Laird, and several representatives of environmental groups discussed the ecosystem restoration goal of the BDCP.
3. October 14, 2011 (Board Workshop) - Deputy Secretary of the California Natural Resources Agency, Gerald Meral, and several general managers of California water agencies discussed the water supply reliability goal of the BDCP.
4. March 28, 2012 (Board Workshop) - Several elected officials and residents of Delta counties discussed the in-Delta perspective on BDCP, along with perspectives from Senior Policy Fellow at the Public Policy Institute of California, Ellen Hanak.
5. May 15, 2012 (Board Agenda Item)- Staff prepared a BDCP update following release of the preliminary administrative draft of the BDCP.
6. August 7, 2012 (Board Agenda Item) - Following the July 25th announcement by the Governor and Obama Administration on key elements of the BDCP proposed project, staff provided an update on the Bay Delta Conservation Plan and results of an opinion survey.
7. February 26, 2013 – (Board Agenda Item) Prior to the release of the second Administrative Draft of the BDCP, staff provided an update on the BDCP and established a Board Ad Hoc Committee to assist the Board with developing policies relating to the District's engagement in the BDCP.
8. October 11, 2013 (Board Workshop)- Director of California Department of Water Resources, Mark Cowin, Undersecretary of California Department of Food and Agriculture, Sandra Schubert, and Economist David Sunding provided an overview of BDCP in relation to other State planning efforts and discussed the statewide economic impacts and perspective on BDCP.

9. November 8, 2013 (Board Workshop) - California Department of Fish and Wildlife staff and several representatives of environmental and in-Delta interests discussed habitat restoration and conservation in the Delta and the perspectives of in-Delta users
10. November 13, 2013 (Board Workshop) - Director of Department of Fish and Wildlife Chuck Bonham, technical experts in Delta risks, and BDCP project managers discussed Delta risks, the relevance of BDCP to Delta fisheries, and plan components and analysis.
11. December 9, 2013 (Board Workshop) - Secretary of California Natural Resources Agency, John Laird and other invited guests provided perspectives on the importance of BDCP to the State, County and economy of Silicon Valley. Staff provided a preliminary analysis of BDCP benefits and costs to Santa Clara County
12. January 27, 2014 (Board Workshop) - Former Director of the San Francisco Public Utilities Commission's Water System Improvement Program, Julie Labonte, and President and CEO of Hallmark Group Capital Program Management, Chuck Gardner, described implementation of large water supply infrastructure construction projects.
13. May 27, 2014 (Board Agenda Item) - Following the five 2013–2014 District Board Workshops on BDCP, staff provided an update on Bay Delta Conservation Plan, a summary of the workshops, and responses to Board questions raised during and after the workshops.
14. July 22, 2014 (Board Agenda Item) - Staff presented draft District comments on the Public Review Draft BDCP and its EIR/EIS and on the draft BDCP Implementing Agreement for Board review for consistency with Board Policy. Staff also presented an update on the BDCP and responses to additional Board questions.
15. September 23, 2014 (Board Agenda Item) - Staff responded to questions and concerns raised by Board Members and the League of Women Voters of California with various aspects of the BDCP
16. January 22, 2015 (Board Workshop) - Staff and a panel of invited guests described the BDCP adaptive management strategy and the current scientific understanding of habitat restoration in general as well as with respect to BDCP restoration actions.
17. May 26, 2015 (Board Agenda Item) - Staff provided an update on the BDCP and described the new approach proposed by the State to separately develop California WaterFix and EcoRestore.
18. October 27, 2015 (Board Agenda Item) - Staff provided an update on the BDCP and the re-circulated draft environmental documents including draft staff comments on the re-circulated documents.
19. January 26, 2016 (Workshop) - A panel of guests provided updated information and resource agency perspectives on the California WaterFix and California EcoRestore.
20. April 15, 2016 (Board Agenda Item) - Staff provided an overview of imported water and current issues
21. July 12, 2016 (Board Agenda Item) - Staff provided an updated business case analysis and a draft District policy statement for the State Water Board hearing on the petition to change the point of diversion for the SWP and CVP
22. September 27, 2016 - Update on Implementation of the 2012 Water Supply and Infrastructure Master Plan and Development of the 2017 Water Supply Master Plan (WSMP)
23. January 31, 2017 - Update on the 2017 Water Supply Master Plan and Potential Storage Options
24. March 14, 2017 – Review and confirm proposed Principles related to the Waterfix and receive WaterFix update

25. April 25, 2017 - Update on the 2017 Water Supply Master Plan and Alternative Water Supply Strategies
26. May 9, 2017 – Updated information on the Delta Stewardship Council's Delta Plan, the District's CWF Principles relevant to the Delta Plan amendments
27. May 25, 2017 (Workshop) Guests Chuck Gardner, John Bednarski, Pat Pettiette, and Bob Goodfellow provide presentation on cost estimation, risk assessment and management, and cost control for the WaterFix
28. July 11, 2017 – Update on WaterFix and providing a schedule for future presentations through Fall 2017
29. August 22, 2017 – 1) Analysis of issues facing imported water supply reliability; 2) Update on WaterFix including proposed design and construction management and governance.
30. September 12, 2017 – California WaterFix water supply analysis, cost and water allocations, and financing.

Ad Hoc and Advisory Committee Meetings

1. March 18, 2013 – BDCP – Initial meeting, discuss and define the BDCP Ad Hoc Committee's purpose and intended outcome
2. April 9, 2013 – BDCP – 1) Review scope and purpose of the Committee; 2) Discuss the Delta Stewardship Council's Delta Plan; 3) Overview of BDCP, Chapters 104; 4) Discuss the Natural Resource Defense Council's proposed portfolio-based BDCP alternative
3. April 22, 2013 - BDCP – 1) Overview of BDCP, Chapters 104 (continued from 4/9/13); 2) Overview of BDCP, Chapters 5-7; 3) Discuss the Natural Resource Defense Council's proposed portfolio-based BDCP alternative (continued from 4/9/13)
4. May 28, 2013 – BDCP – 1) Discussion of BDCP EIR/EIS alternatives; 2) Discussion of Conservation Measure 1 Construction Mgmt Structure; 3) delta Dialogues – Discussion Group; 4) BDCP Schedule and Board Workshops
5. June 25, 2013 – BDCP – 1) Overview and discussion of Chapters 8-10; 2) Discussion of Board member communication and outreach
6. August 22, 2013 – BDCP – 1) Overview of the role of science in Delta planning; 2) Schedule for Bay Delta issues and Board communication
7. October 9, 2013 – BDCP – 1) Overview of the Role of Science in Delta Planning (carryover from August 22, 2013 meeting); 2) Update on BDCP; 3) Schedule and future agendas
8. December 17, 2013 – BDCP – 1) Discuss 2013 Board Workshops on BDCP; 2) Discuss potential 2014 Board items; 3) Discuss next steps for public outreach and engagement
9. January 13, 2014 – BDCP – 1) Discuss 2013 Special Board Workshops on BDCP; 2) Report out by Committee members on BDCP and related issues
10. January 24, 2014 – BDCP - Discuss 2013 Special Board Workshops on BDCP (Continued from 1/13/14); 2) Report out by Committee members on BDCP and related issues
11. June 3, 2014 – BDCP – 1) Updates on the BDCP and BDCP EIR/EIS; 2) Report out by Committee members on BDCP and related issues
12. July 10, 2014 – BDCP - 1) Updates on the BDCP and BDCP EIR/EIS; 2) Report out by Committee members on BDCP and related issues

13. September 9, 2014 – BDCP – 1) Discuss staff responses to Board member questions on the BDCP; 2) Discuss staff responses to the BDCP comment letter from the League of Women Voters of CA; 3) Schedule for Board communication on BDCP
14. October 6, 2014 – Agricultural Water Committee (BDCP Update)
15. May 13, 2015 – BDCP – 1) Update on BDCP; 2) Election of Chair and Vice Chair; 3) Report out by Committee members on BDCP and related issues
16. October 5, 2015 – Agricultural Water Committee (BDCP Update)
17. October 13, 2015 – BDCP – 1) Update on BDCP and the recirculated draft environmental documents; 2) Report out by Committee members on BDCP and related issues
18. November 24, 2015 – BDCP 1) Update on WaterFix Business Case; 2) Report out by Committee members on BDCP and related issues
19. February 22, 2016 – BDCP 1) Update on Waterfix Business Case; 2) Update on the Design Construction Enterprise and related agreements; 3) Draft Policy Statement for State Water Resources Control Board proceedings
20. April 4, 2016 – Agricultural Water Committee (BDCP Update)
21. June 21, 2016 – BDCP – Update on WaterFix
22. October 3, 2016 - Agriculture Advisory Committee - Water Supply Update, including WSMP
23. October 17, 2016 – EWRC - Water Supply Update, including WSMP
24. October 25, 2016 – BDCP – Update on WaterFix, EcoRestore and other Delta planning efforts
25. October 26, 2016 – Water Commission - Water Supply Update, including WSMP
26. November 8, 2016 - BDCP disbanded
27. January 17, 2017 – Joint Board meeting with Open Space Authority - WSMP Update
28. April 12, 2017 – Water Commission - 2017 WSMP Update

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