

KINGS COUNTY

Water Commission Meeting

John Howe – District 1

Craig Pederson – District 4

Harold Reed – Special District

Mark Gilkey – District 2

Don Mills – District 5

Jim Verboon – District 3

Brian Ehlers – Member at Large

Harlin Casida – City Rep.

Secretary: Gregory Gatzka

Staff: Chuck Kinney (559) 852-2674

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Kings County Community Development Agency at (559) 852-2680 by 3:00 on the Friday prior to this meeting

AGENDA

REGULAR MEETING

Monday, August 25, 2014, at 5:00 P.M.

This regular meeting of the Kings County Water Commission will be held in the Human Services Agency Cedar Room, 1400 W. Lacey Blvd., Bldg. 8, Hanford, California.

The Kings County Water Commission requests that all cell phones and other electronic communication devices be muted or turned off while the meeting is in progress.

I. CALL TO ORDER - Chairperson

A. Roll Call of Water Commission Members: (*Gregory Gatzka- Secretary*)

B. Unscheduled Comments:

Any person may address the Commission on any subject matter within the jurisdiction or responsibility of the Commission at the beginning of the meeting; or may elect to address the Commission on any agenda item at the time the item is called by the Chair, but before the matter is acted upon by the Commission. Unscheduled comments will be limited to five minutes.

C. Approval of the Minutes of the March 24, 2014, special meeting – *Chairman: call for motion, second and voice vote*

D. Approval of the Minutes of the May 19, 2014, regular meeting – *Chairman: call for motion, second and voice vote*

II. OLD BUSINESS –

A. **IRRIGATED LANDS REGULATORY PROGRAM** – Casey Creamer

1. Status of Program

III. NEW BUSINESS

A. **Extension of Long-term Contract for Department of Water Resources to Provide Water Service to Project Contractors Under the State Water Project** – Mark Gilkey and Chantal Ouellet

1. Discussion

2. Possible Action: Consider recommending approval of the Agreement in Principle

B. Delta Interim Fix Proposal

1. Discussion
2. Possible Action: Consider recommendation to the Board of Supervisors

IV. MISCELLANEOUS

- A. Future Agenda Items:
- B. Member comments:
- C. Staff comments:
- D. Correspondence:

V. GROUNDWATER MONITORING – *Adjourn as the Water Commission and meet in joint session with the Agricultural Advisory Committee to discuss state legislation and the County’s jurisdiction and options for managing groundwater resources, to begin no sooner than 5:30.*

VI. Next regular meeting is scheduled for November 24, 2014.

KINGS COUNTY WATER COMMISSION MINUTES

DISTRICT 1
John Howe

DISTRICT 2
Mark Gilkey - Chair

DISTRICT 3
Jim Verboon

DISTRICT 4
Craig Pedersen

DISTRICT 5
Don Mills

MEMBER AT LARGE
Brian Ehlers – Vice Chair

**SPECIAL DISTRICT
REPRESENTATIVE**
Harold Reed

CITY REPRESENTATIVE
John Gordon

CITY REPRESENTATIVE
Harlin Casida

KINGS COUNTY

COMMUNITY DEVELOPMENT AGENCY STAFF: Greg Gatzka (559) 852-2682 Chuck Kinney (559) 852-2674

CALL TO ORDER: A special meeting of the Kings County Water Commission (KCWC) was called to order by Chairman Gilkey at 4:00 p.m., on March 24, 2014. The KCWC meeting was held in the Multi-Purpose Room of the Ag Commissioner's Multi-Purpose Room, 680 N. Campus Drive,, Hanford, California.

Roll call of members was conducted by Secretary Gatzka, and a quorum of appointed Committee members were in attendance.

COMMITTEE MEMBERS PRESENT:

Don Mills, Brian Ehlers, Mark Gilkey, Craig Pedersen, John Gordon, Harold Reed, John Howe, Harlin Casida

COMMITTEE MEMBERS ABSENT:

Jim Verboon

STAFF PRESENT:

Greg Gatzka - Director, Erik Kaeding – Deputy County Counsel, Chuck Kinney – Deputy Director - Planning, Terri Yarbrough – Executive Secretary

VISITORS PRESENT:

Alvaro Preciado, Doug Verboon, Joe Neves, Steve Stadler, J.J. Westra, Todd Fukuda, Jay Salyer, Dave Orth, David Kahn, Jose Gutierrez, Dennis Mills, Lou Camara, Scott Sills, Dale Melville

UNSCHEDULED COMMENTS: None

ELECTION OF OFFICERS: A motion was made and seconded (Howe/Mills) to nominate Mark Gilkey for Chairman and close the nominations. Motion carried unanimously. A motion was made and seconded (Howe/Mills) to nominate Brian Ehlers for Vice Chairman and close the nominations. Motion carried unanimously. Erik Kaeding also reported that a resolution regarding the election of officers is in conflict with the bi-laws. He recommended placing this on a future agenda to correct the conflict. The Commission directed Mr. Kaeding to draft the documents necessary to change the bi-laws regarding the election of officers for action at the next meeting.

APPROVAL OF MINUTES: A motion was made and seconded (Mills/Pedersen) to approve the minutes of the November 25, 2013 meeting. Motion carried unanimously with Gordon and Casida abstaining.

OLD BUSINESS:

Kings Update on Water/Drought Conditions in Kings County and the Continuing Declaration of Local Emergency – Steve Haugen and Erik Kaeding

Mr. Steve Haugen provided an update on the water levels in the Sierras and compared 2014 to 2013. He reported that water deliveries this year will be approximately 25-26% of what would be delivered in a normal year. Erik Kaeding reported that every reservoir except Pyramid Lake is below historic capacities and there has been an increase in wildfires to three times the average. Mr. Kaeding reported that there would continue to be reduced pumping from the Delta due to the Delta smelt. On January 15 the US Department of Agriculture issued a drought disaster designation which covered Kings County. He also reported that the Governor issued a drought emergency, but it is a voluntary reduction and doesn't have any teeth to it. The Governor did sign two bills that will allow for drought relief. Chairman Gilkey reported that after the Governor declared an emergency, the Department of Water wanted to determine what needs were for health and safety water and critical needs water. Chairman Gilkey reported that a request was submitted for critical needs on behalf of the county for Lemoore Naval Air Station for ag purposes for bird strikes and for GWF for energy. Mr. Pedersen asked if there would be power generation issues related to Pine Flat Reservoir. Mr. Mills reported that Southern California Edison is anticipating rolling brown outs.

The Commission also asked to have a discussion at a future meeting regarding potential energy shortages due to the impacts of the drought on hydroelectric power.

No action was taken by the Commission on this item.

NEW BUSINESS:

A. 2014 State Legislative Report – Michael Nordstrom

Mr. Nordstrom provided an update on current bills related to water issues which the state legislature is considering. The bill sponsored by Valley Ag Water Coalition is a voluntary bill and doesn't grant any authority or pumps to be shut off or a moratorium. The bill does address monitoring, measuring and reporting. He reported that the State is saying they want to leave the monitoring to the local agencies. There is a three to five year window to enhance the monitoring plan for sustainability and then fifteen to twenty years to implement the plan. The areas driving this are east Stanislaus, Red Top south of Hwy 152 and the Westlands area.

No action was taken on this item.

B. Groundwater Management Discussion – David Orth

Mr. David Orth reported that the Governor's Cabinet and Deputy Cabinet have formed a Drought Task Force and Ground Water Management Advisory Committee. The main issues they are addressing is what tools do local and regional water management agencies need to obtain sustainability, what can the State do to assist and what triggers should initiate action by the Water Board for non compliance. He stated that the general focus is to assist local and regional agencies and discussing the ability to assess ground water fees, require metering authorization for local agencies in order to allocate water or to establish temporary or long term extraction limits. He stated if we don't carefully manage these issues there could be significant economic impacts to the State and Southern San Joaquin Valley. If the local agencies don't organize or adopt a plan the State Board would have some authority to step in. It still needs to be determined what authority the State Board would have. A concern is that the Administration intends to fix this and put a policy bill into

a budget trailer package which wouldn't allow for any public discussion. Mr. Orth recommends placing more attention on legislation than an action plan at this point in time. Mr. Mills suggested waiting and see what the legislation is going to be. He state that AQUA formed a groundwater task force and has spent the last 60 days to develop recommendations and concepts to frame the discussion going forward.

It was the consensus of the Commission to wait until more information is known and discuss at the next meeting.

C. Dry Year Transfer Program – Jacob Westra

Jacob Westra provided an overview of the State Water Project Contractor Dry Year Program. He reported that by March 31 the sellers will have to commit to how much water is available. This is for water north of the Delta. Mr. Westra stated that 2,000 acre feet has been requested for the Lemoore Naval Air Station. Mr. Mills also asked for support for trading water outside of the county to be paid back in a future year at a multiple of 8-10 acre feet which would help to balance groundwater overdraft and help other areas save fruit trees.

A motion was made and seconded (Mills/Gordon) to recommend that the Board of Supervisors support in principle the dry year program and is in favor of water transfer programs. Motion carried unanimously.

MISCELLANEOUS

A. Staff Comments – None

B. Member Comments – Chairman Gilkey reported that the State Water Project Contract Extension committee has reached an agreement in principle. The Department of Water Resources would like each contactor, which includes Kings County, to sign onto the agreement in principle which will be drafted by April 6, 2014. Chairman Gilkey will put together a presentation for the next meeting.

John Gordon asked for a study session on how municipalities can work together with agriculture to preserve surface and ground water.

C. Correspondence – None

ADJOURNMENT

The next scheduled regular meeting of the Water Commission is Monday, May 19, 2014. The meeting was adjourned at 6:55 pm.

Respectfully submitted

KINGS COUNTY WATER COMMISSION



Greg Gatzka, Secretary

KINGS COUNTY WATER COMMISSION MINUTES

DISTRICT 1
John Howe

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Mark Gilkey - Chair

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Jim Verboon

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KINGS COUNTY

COMMUNITY DEVELOPMENT AGENCY STAFF: Greg Gatzka (559) 852-2682 Chuck Kinney (559) 852-2674

CALL TO ORDER: A meeting of the Kings County Water Commission (KCWC) was called to order by Chairman Gilkey at 5:00 p.m., on May 19, 2014. The KCWC meeting was held in the Multi-Purpose Room of the Ag Commissioner's Multi-Purpose Room, 680 N. Campus Drive,, Hanford, California.

Roll call of members was conducted by Secretary Gatzka, and a quorum of appointed Committee members were in attendance.

COMMITTEE MEMBERS PRESENT:

Don Mills, Brian Ehlers, Mark Gilkey, Craig Pedersen, John Gordon, John Howe, Harlin Casida, Jim Verboon

COMMITTEE MEMBERS ABSENT:

Harold Reed

STAFF PRESENT:

Greg Gatzka - Director, Erik Kaeding – Deputy County Counsel, Chuck Kinney – Deputy Director - Planning, Terri Yarbrough – Executive Secretary

VISITORS PRESENT:

Doug Verboon, Joe Neves, Steve Stadler, Jay Salyer, Dave Orth, David Kahn, Lou Camara, Scott Sills, Mike Nordstrom, Roger Reynolds, Alix Fowler, Alvaro Preciado, Diane Friend, Jim Gregory

UNSCHEDULED COMMENTS: None

OLD BUSINESS:

Central Valley Salts Update – Michael Nordstrom

Mr. Nordstrom provided an update on the Central Valley Salts. He reported that the main focus now is how to take care of the disadvantaged communities with higher nitrate levels. He reported that discussions are taking place to determine whether the impact should be measured at the root zone or at the tap. Guiding policy decisions should be available in three to four months. They are also working on delisting surface water and should see something in about six months. He also reported that the 2016 Basin Plan Amendment is to be updated every five years but it has been 20 years since it has been updated. Chairman Gilkey asked that the County continue to be informed and be advised if any comments are needed.

NEW BUSINESS:

A. Groundwater Export Discussion – Jim Verboon

Commissioner Verboon expressed concern that with so many wells going dry there is nothing in place to limit the pumping of water to prevent neighboring parcels from being adversely affected. He suggested restricting usage and asked for discussion on how to deal with these situations. Commissioner Pedersen asked what authority the county has to restrict water usage. Mr. Erik Kaeding stated that the state has inherent power to regulate water usage, but in the absence of regulation people can do what they want. The State still has the power to regulate, which they have delegated their power to the counties to step in and restrict conduct with regard to property if there is some legitimate connection to health, safety and welfare. He pointed out that although other counties have a groundwater ordinance it could be difficult to implement a groundwater ordinance for Kings County because of the diversities in the county. Mr. Nordstrom stated we have the right to control water going out of the county, however, we may be seeing new laws soon. He stated that several issues were being tested in San Luis Obispo County. Mr. Gatzka reported that LAFCO is responsible for special districts and that the Assembly member for San Luis Obispo County is trying to get LAFCO to take the lead on legislation to deal with ground water management.

B. Recommendation of Amendment to Kings County Board of Supervisors Resolution No. 08-003 – Creation of the Water Commission, concerning election of officers – Erik Kaeding

Mr. Kaeding reported that the 2008 resolution for the formation of the Water Commission states that officers shall be elected every year and it also states that the Water Commission is to have by-laws. The by-laws state that the election of officers shall take place every two years which is inconsistent with the resolution. Commissioner Pedersen stated he was not in favor of term limits for Commissioners.

A motion was made and seconded (Mills/Verboon) to have Erik Kaeding prepare a resolution for the Board of Supervisors that would amend paragraph 8 of the 2008 resolution to state that officers will be elected per the by-laws. Motion carried unanimously with Reed absent.

MISCELLANEOUS

A. Staff Comments – None

B. Member Comments – Chairman Gilkey gave a brief update on the water contract extension and reported that he would have a presentation at the next Water Commission meeting. Supervisor Verboon suggested considering some type of metering in order to monitor how much water is being used and where it's going. It was suggested that groundwater monitoring be placed on the agenda for the next meeting.


C. Correspondence – Mr. Gatzka provided three pieces of correspondence: Senate Joint Resolution No. 25 as introduced by Senator Vidak, an article on Ventura County's groundwater supply, and a copy of Water Drought Preparedness Response PowerPoint.

ADJOURNMENT

The next scheduled regular meeting of the Water Commission is Monday, May 19, 2014. The meeting was adjourned at 6:08 pm.

Respectfully submitted

KINGS COUNTY WATER COMMISSION



Greg Gatzka, Secretary

DATE: June 18, 2014

SUBJECT: Agreement in Principle Concerning Extension of the State Water Project¹ Water Supply Contracts

This document contains a statement of principles that could provide the foundation for an agreement between each State Water Project Contractor² (Contractor) and the Department of Water Resources (DWR or Department) that will extend and otherwise amend the Water Supply Contract between such Contractor and DWR.

Outline of Agreement in Principle

I.	Objective 1	Term of Contract
II.	Objective 2A	Reserves
III.	Objective 2B	Accounts (SRA, SSA, FCA)
IV.	Objective 2C	Flow of Funds
V.	Objective 2D	Financial Management
VI.	Objective 2E	Supplemental Billing
VII.	Objective 2F	Cost Recovery
VIII.	Objective 2G	SWRDS Reporting Principles
IX.	Objective 2H	51(e) Revenue Reporting Requirements
X.	Objective 3A	Simplification of Billing
XI.	Objective 3B	Replacement Accounting System
XII.	Objective 3C	Article 1(hh)
XIII.	Objective 3D	Billing Authorization
XIV.	Objective 4	BDCP and DHCCP Participation
XV.	Provision 1	Other Contract Provisions
XVI.	Provision 2	Environmental Review Process
XVII.	Provision 3	Authorized Representative Signatures

¹ The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)

² The State Water Project Contractors includes Alameda County Flood Control and Water Conservation District (Zone 7), Alameda County Water District, Antelope Valley-East Kern Water Agency, Castaic Lake Water Agency, City of Yuba City, Coachella Valley Water District, County of Butte, County of Kings, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Empire West Side Irrigation District, Kern County Water Agency, Littlerock Creek Irrigation District, The Metropolitan Water District of Southern California, Mojave Water Agency, Napa County Flood Control and Water Conservation District, Oak Flat Water District, Palmdale Water District, Plumas County Flood Control and Water Conservation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Geronio Pass Water Agency, San Luis Obispo County Flood Control and Water Conservation District, Santa Barbara County Flood Control and Water Conservation District, Santa Clara Valley Water District, Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.

STATEMENT OF PRINCIPLES**I. OBJECTIVE 1: TERM OF CONTRACT****A. Water Supply Contract Term Extension**

1. Extend term of the SWP water supply contracts to December 31, 2085.

II. OBJECTIVE 2A: RESERVES**A. General Operating Account (GOA)**

1. **Uses of GOA** - Cash flow deficiencies resulting from chargeable water supply purposes and/or during a SWRDS emergency for any SWRDS purpose.
2. **SWRDS Emergency** - An immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director, Department of Water Resources (Director), may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the State Water Resources Development System which requires immediate attention and remedial action.
3. **Initial Cap** - Increase the authorized General Operating Account (GOA) initial cap to \$150 million in Article 51(a)(3).
4. **Cap Adjustment Determination** - Every five years subsequent to the year of the initial cap increase, there shall be a business case analysis on the GOA authorized cap including an evaluation of the cap and business risks associated with SWRDS cash flow provided to the SWRDS Finance Committee for recommendation to the Director regarding a GOA cap adjustment. If there is a decrease in the cap (but the cap shall not be lower than \$150 million), the excess funds would be transferred to the SWRDS Reinvestment Account (SRA).
5. **Cap Adjustment Funding Source (Pre-2035)** - Shall be the Director's discretion to use 51(e) revenues³, investment earnings retained in the GOA, and transfers of funds from the SRA and SWRDS Support Account (SSA).
6. **Cap Adjustment Funding Source (Post-2035)** - Shall be the Director's discretion to use the investment earnings retained in GOA and the funds within the SRA and SSA.
7. **Rate of Funding for Cap** - Limitation on the amount (\$2 million per year) and timing of additional contributions to the GOA contained in Article 51(e)(3)(v) will be deleted. DWR will be able to use any amount of available 51(e) revenues to increase funds in the GOA up to the authorized maximum GOA funding level and such funding shall be subordinate to the annual rate management reductions to the Contractors.

³ The definition and calculation of 51(e) revenues will be included in the contract amendment language.

8. **GOA Replenishment** - Replenishment of the use of GOA funds will come from charges to the Contractors to the extent the expended funds were spent on chargeable water supply purposes and from the SSA or other available revenues for costs not chargeable to the Contractors.
9. **GOA Reporting** - DWR will prepare monthly reports on the balance and use of the GOA for the Director, which will be provided to the SWRDS Finance Committee. The SWRDS Finance Committee will periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.
10. **GOA Investment Earnings** - shall be used as follows:
 - a) Funding GOA to authorized GOA funding level;
 - b) Transferred, at the discretion of the Director, to the SSA and/or to the SRA.

III. **OBJECTIVE 2B: ACCOUNTS (SRA, SSA, FCA)**

A. **SWRDS Reinvestment Account (SRA)**

1. **Effective Date of SRA** - The SRA shall be established and take effect upon the effective date of the contract extension amendment.
2. **SRA Uses** - The primary purpose is to provide a post-2035 SWRDS revenue stream by investing SRA funds in chargeable SWRDS facilities and programs.
3. **Funding Source** - At the discretion of the Director, available Article 51(e)(1)(ii) revenues collected by the State pre-2035. The Director also has discretion to transfer funds from the SSA or the GOA.
4. **Cap on SRA** - There will be no Cap or Cap Adjustments to the SRA.
5. **SRA Investments** - At the discretion of the Director, authorized SRA investments shall be as follows:
 - a) Investment in SWRDS capital facilities, recovered at the prevailing municipal bond market rates corresponding to the SWRDS bond rating at the time of financing, in maturity ranges that may extend 10 to 50 years, provided that if the capital asset being financed has a useful life of less than 10 years, the investment may be recovered over a comparable period of less than 10 years;
 - b) Bridge financing of capital costs in lieu of the SWRDS commercial paper program;
and

- c) Allowable investments for SWRDS that generate a monetary return on investment.
6. **Use of SRA Funds** - At the discretion of the Director, the SRA funds, including but not limited to investment earnings, shall be used to:
- a) Provide a source of replenishment funds to the SSA;
 - b) Provide a source of funds to be held in the SRA for investment purposes; and
 - c) Provide a funding source for funding level adjustments to the GOA.
7. **SRA Review** - The SWRDS Finance Committee is to be consulted about the investments and activities to be funded from the SRA.
8. **SRA Reporting** - DWR will prepare regular reports on the SRA for the Director, which reports will be provided to the SWRDS Finance Committee.

B. SWRDS Support Account (SSA)

- 1. **Effective Date of SSA** - The SSA shall be established and take effect upon the effective date of the contract extension amendment.
- 2. **SSA Uses** - The purpose of the SSA shall be to provide a source of funds to pay for non-chargeable expenditures where there are no funds or revenue sources available to pay for such costs. If reimbursement or a source of revenue is received after the expenditure is incurred this revenue shall be deposited in the SSA.
- 3. **SSA Review** - The SWRDS Finance Committee shall be consulted about the projects and activities to be funded from the SSA.
- 4. **SSA Reporting** - DWR will prepare regular reports on the SSA for the Director, which will be provided to the SWRDS Finance Committee.
- 5. **Initial Cap** - There would be no cap on the SSA.
- 6. **Funding Source for Initial Funding** - 51(e) revenues and/or the remaining balance of the State Water Facilities Capital Account (FCA) once the FCA is closed.
- 7. **SSA Replenishment** - Shall be accomplished through 1) reimbursements received for expenditures made from the SSA; 2) at the discretion of the Director, transfers from the SRA and/or from the GOA's available investment earnings, 3) deposits, in the discretion of the Director, from other available revenues, and 4) interest and other investment income retained in the SSA. DWR will not charge the Contractors to replenish the SSA for costs not chargeable to the Contractors under the Water Supply Contracts.

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8. **SSA Interest Earnings** – At the Director’s discretion, retained in the SSA to reduce the annual SRA replenishment requirement.

C. State Water Facilities Capital Account (FCA)

1. The State Water Facilities Capital Account (FCA) pursuant to Article 51(c)(2)(v) shall be reviewed by the SWRDS Finance Committee after five years from the date of the contract amendment to recommend to the Director whether or not it should be closed and the balance of the account transferred to the SSA.

IV. OBJECTIVE 2C: FLOW OF FUNDS

A. Maintain the Monterey Amendment Article 51 Flow of Funds with the following edits/additions:

1. Increase Annual Rate Reductions to \$48 million. The Annual Rate Reductions shall no longer apply after December 31, 2035 and the applicable provisions in Article 51 shall be deleted as of that date.
2. After the \$48 million in annual rate reductions, the Director shall have the discretion to allocate and transfer up to 80% of available 51(e) revenues, as determined on a projected basis, and up to 100% on an actual basis into one or more of the following accounts:
 - a) General Operating Account (GOA)
 - b) SWRDS Support Account (SSA)
 - c) SWRDS Reinvestment Account (SRA)

After funds are deposited into a, b, and c above, any remaining available 51(e) revenues will remain in the Systems Revenue Account and will be tracked separately in DWR’s Enterprise Resource Planning (ERP) system. The Director will have full discretion over the use of these funds. DWR will prepare financial reports annually with supporting documentation of the determination and provide these reports to the Finance Committee.

3. Contractors shall agree to forego additional rate management reductions including additional rate management reductions to make up for deficiencies in past projected rate management reductions or to provide any additional rate management reductions above \$48 million annually pursuant to Article 51(e)(3). Effective with the contract amendment, Article 51(e)(3) shall be deleted.
4. The contract amendment shall specify those provisions in Article 51 that shall remain in effect after December 31, 2035 (such as the General Operating Account provision as it may be amended) and those provisions that will no longer apply after December 31, 2035 and shall be deleted as of that date.

5. Contractors shall agree to waive and release issues related to DWR's recent adjustment of the Contractors' responsibility for facilities south of Dos Amigos.

V. OBJECTIVE 2D: FINANCIAL MANAGEMENT

A. State Water Resources Development System Finance Committee

1. Immediately, the Department of Water Resources shall establish a joint Department of Water Resources and Contractor finance committee (Committee).
2. The membership of the Committee shall include both representatives from the Department of Water Resources and representatives from the Contractors.
3. The primary purpose of the Committee shall be to make recommendations to the Director of the Department of Water Resources concerning the financial policies of the State Water Resources Development System.
4. The Department of Water Resources and the Contractors shall describe the scope of the committee in a charter mutually agreeable to the Department of Water Resources and the Contractors.

VI. OBJECTIVE 2E: SUPPLEMENTAL BILLING

A. Supplemental Billing

1. The supplemental billing provisions authorized under Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or upon Director's acceptance of a recommendation from the SWRDS Finance Committee. In full consultation with the SWRDS Finance Committee, DWR will review the System cash balances when the System's forecasted 120 days cash balance becomes critical. The Committee will make a recommendation for action to the Director. The supplemental billing provision may only be used when available System cash balances are projected to be less than an amount equal to 90 days operating expenditures⁴. The term "available System cash balances" shall mean the funds in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service for the next two years), GOA, SRA and SSA (to the extent the funds in the SSA are not projected to be needed for non-chargeable expenditures for the next two years).

⁴ A description of "operating expenditures" will be included in the contract amendment language.

VII. OBJECTIVE 2F: COST RECOVERY**A. Cost Recovery**

1. In general, DWR should seek reimbursement for all SWRDS costs from the appropriate customers and users of SWRDS facilities, including the State. With respect to those SWRDS costs that are reimbursable by the Contractors, DWR should allocate financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate Contractors. If the Department proposes to not charge any Contractor the full amount that the Department is entitled to charge the Contractor under the contract, DWR shall bring a written proposal to the Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. DWR shall submit such proposal in writing to the Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals will comply with the structure set out in II.D.2 of the SWRDS Finance Committee Charter.

VIII. OBJECTIVE 2G: SWRDS REPORTING PRINCIPLES [EXHIBIT TO THE CONTRACT]

- A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.
 1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP.
 - The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.
 2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.
 3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.
 4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.

5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.
6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:
 - (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
 - (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next.
 - a. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.
 - (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
 - (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
 - (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
 - (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

IX. OBJECTIVE 2H: 51(e) REVENUE REPORTING REQUIREMENTS

A. 51(e) Revenue Report

1. Create and distribute the Annual Rate Reduction Determination Report. In addition, display the distribution of Gross Annual Revenues before Recreation, Fish and Wildlife

Expenditures, Facilities Capital Account and Rate Management Credits and Net Annual Revenues after Rate Management Credits to the accounts listed in item 2 below.

2. Create and distribute quarterly an Activity Report by fund-account for all uses, including but not limited to the following accounts:
 - a) General Operating Account (GOA)
 - b) SWRDS Support Account (SSA)
 - c) SWRDS Reinvestment Account (SRA)
 - d) Systems Revenue Account, 51(e) Sub-Account
 - e) Davis-Dolwig Fund
 - f) Facilities Capital Account
 - g) Suspended Costs
3. The Activity Report shall display the annual and accumulated 51(e) revenue and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year.
4. Reporting data shall be auditable which includes an audit trail from the costing ledgers to the general ledger or the Bulletin 132 estimates to the Activity Report.
5. Report should have sufficient detail to provide comprehensive accounting of annual 51(e) revenues and the uses of annual 51(e) revenues to enable the SWRDS Finance Committee to assess the utilization of these revenues.

X. OBJECTIVE 3A: SIMPLIFICATION OF BILLING

A. Implement the Freeze-Go Billing Methodology

1. The freeze-go date shall be January 1 of the first calendar year starting six (6) months after the contract extension takes effect, but not earlier than January 1, 2017, provided that if the Department determines it to be necessary, the Department may rely on estimates and later true-up for billing and reporting purposes in the initial implementation years after the freeze go date.
2. Methodology will recover all costs incurred on and after the freeze-go date, by converting and authorizing repayment on a Pay-As-You-Go methodology.
3. Amend the definition of the Project Repayment Period to apply only to those costs incurred prior to the freeze-go date.
4. The term of the Project Repayment Period, January 1, 1961 through December 31, 2035, will remain the same.
5. The Water Systems Revenue Bond Surcharge will apply only to those costs incurred prior to the freeze-go date and will terminate at the completion of the Project Repayment Period.

6. Amend the definition of the Project Interest Rate to apply only to those costs incurred prior to the freeze-go date. No interest rate, including the Project Interest Rate, shall be applied to the over/under charges for costs incurred after the freeze-go date. The Project Interest Rate will remain 4.610%.
7. In identifying "costs incurred" for purposes of determining whether the cost is incurred before the freeze-go date or on or after the freeze-go date, the following shall apply:
 - a) Variable costs shall be deemed to occur when the goods or service is provided, regardless of when the expenditure for such goods or service is recorded in the financial information system;
 - b) Capital and minimum costs shall be deemed to occur when the expenditure for the goods or service is recorded in the financial information system, regardless of the date the goods or service is provided.

B. Defining the Pay-As-You-Go Repayment of Costs Incurred On and After the Freeze-Go Date

1. The annual cost recovery within a bill year for estimated annual operation, maintenance, power, and replacement costs for project conservation facilities.
2. The annual recovery of actual debt service, including repayment of the SRA, created by SWRDS financing activities, within a bill year for financed capital transportation and conservation facilities.
3. A capital asset which has a short useful life and/or will not have a substantial cost, may be charged to the Contractors in the year the cost is incurred. The SWRDS Finance Committee may review and make recommendations to the Director regarding the policy of charging the costs of such assets.

C. Defining the Pay-As-You-Go Repayment of Actual Debt Service from SWRDS Financing Capital Costs On and After the Freeze-Go Date

1. Authorize DWR to finance 100% of all capital costs.
2. Authorize DWR to use various methods of financing including Water System Revenue Bonds and SRA, with each method providing an annual repayment schedule which includes a principal and interest (debt service) component over the life of the financing.
3. Authorize DWR to bill an amount that is equal to the accumulated annual debt service payments due per the debt service schedules for SRA investments or matching dollar for dollar the SWRDS annual debt service payments including the bond cover requirements, providing 100% capital cost recovery at the financed interest rate over the term of the financing while meeting the additional bond debt cover requirements.

XI. OBJECTIVE 3B: REPLACEMENT ACCOUNTING SYSTEM (RAS)**A. Elimination of the Replacement Accounting System (RAS)**

1. Eliminate the Replacement Accounting System (RAS) for Transportation and Conservation Facilities with the intent to have replacement costs treated as a minimum or capital cost.
2. The unencumbered cash balance of the RAS funds are to be returned to the SWP Contractors using the RAS allocation methodology.

XII. OBJECTIVE 3C: ARTICLE 1 (hh)**A. Expanding Water System Facilities Authorized to be Financed by Water System Revenue Bonds Under Article 1(hh)**

1. Eliminate the January 1, 1987 date for existing facilities within Article 1(hh)(8); provision to now read as follows, " Finance all repairs, additions, and betterments to conservation or transportation facilities and to all other facilities described in this sub-article (hh) except for item (5) the land acquisition prior to December 31, 1995 for the Kern Fan Element of the Kern Water Bank."
2. Add provision to expand Article 1(hh) to include "Finance all other capital projects (i.e. projects and programs for which revenue bonds can be sold) mutually agreed upon in writing by DWR and 80% of the affected Contractors, provided that the approving Contractors' Table A amounts exceed 80% of the Table A amounts representing all affected Contractors". "Affected Contractors" means those Contractors which would be obligated to pay a share of the debt service for such project.

XIII. OBJECTIVE 3D: BILLING AUTHORIZATION**A. Billing Authorization**

The Department, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the department, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs.

Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas,

water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public.

In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

XIV. OBJECTIVE 4: BDCP AND DHCCP PARTICIPATION

This Objective will not be part of the SWP contract amendment based on this AIP. Instead, Contractor participation in the BDCP and DHCCP will be addressed through a separate public negotiation and environmental review process to develop appropriate SWP water supply contract amendments. DWR has begun the administrative process that will be used to facilitate the public negotiations of such amendments. The first public negotiation session is scheduled for December 2014.

XV. PROVISION 1 – OTHER CONTRACT PROVISIONS

Except as amended, all provisions of the Water Supply Contract shall be and remain in full force and effect.

XVI. PROVISION 2 – ENVIRONMENTAL REVIEW PROCESS

DWR and the Contractors agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the water supply contract extension process, including scoping and the preparation of the EIR.

The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the Contractors to approve any proposed project, to sign contract amendments, or to extend the contract. By concurring with the AIP, DWR and the Contractors express their intent to move forward with the CEQA process with DWR as lead agency and the Contractors as responsible agencies, and ultimately develop a proposed project consisting of contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the Contractors.

At the end of the CEQA process and in compliance with CEQA, DWR and the Contractors will each individually evaluate the EIR and contract amendments, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign the contract amendments or to approve an alternative project. Consequently, even though DWR and the Contractors have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each Contractor retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.

XVII. PROVISION 3 – AUTHORIZED REPRESENTATIVE SIGNATURES

DWR and each Contractor may express concurrence with this AIP by having their authorized representatives sign below. DWR and each Contractor will use their best efforts to make a decision whether to sign the AIP by September 1, 2014. The AIP may be signed in counterparts.

**STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES**

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: _____
Name: _____
Title: _____
Date: _____

ALAMEDA COUNTY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CASTAIC LAKE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

CITY OF YUBA CITY

By: _____
Name: _____
Title: _____
Date: _____

COACHELLA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF BUTTE

By: _____
Name: _____
Title: _____
Date: _____

COUNTY OF KINGS

By: _____
Name: _____
Title: _____
Date: _____

CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

DESERT WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

DUDLEY RIDGE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

EMPIRE WESTSIDE IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

KERN COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

LITTLEROCK CREEK IRRIGATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

MOJAVE WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Name: _____
Title: _____
Date: _____

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

OAK FLAT WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PALMDALE WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SAN GORGONIO PASS WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

SOLANO COUNTY WATER AGENCY

By: _____
Name: _____
Title: _____
Date: _____

TULARE LAKE BASIN WATER STORAGE DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

VENTURA COUNTY FLOOD CONTROL DISTRICT

By: _____

Name: _____

Title: _____

Date: _____

**DRAFT FINAL CHARTER AGREEMENT BETWEEN
THE DEPARTMENT OF WATER RESOURCES
AND
STATE WATER PROJECT CONTRACTORS**

**TO ESTABLISH AND IMPLEMENT
A STATE WATER RESOURCES DEVELOPMENT SYSTEM FINANCE COMMITTEE**

THIS CHARTER AGREEMENT to establish and implement a State Water Resources Development System Finance Committee ("**Agreement**") is made between the State of California, acting by and through its Department of Water Resources ("**DWR**"), and those public agencies whose representatives' signatures appear below ("**Contractors**"), herein referred to collectively as "**Parties.**"

RECITALS

1. **WHEREAS**, DWR is responsible for constructing, operating and maintaining the State Water Resources Development System ("**SWRDS**");
2. **WHEREAS**, Contractors have long-term contracts ("**Contracts**") with DWR to receive water from SWRDS, which Contracts are similar in all material respects; and
3. **WHEREAS**, pursuant to such Contracts, Contractors are obligated to reimburse DWR for water supply-related SWRDS costs; and
4. **WHEREAS**, DWR and Contractors have agreed to extend such Contracts and to amend certain other terms relating primarily to SWRDS financial matters ("**Contract Amendments**"); and
5. **WHEREAS**, DWR and Contractors understand and agree that it is in their mutual interests to continue to maintain the financial integrity of SWRDS;
6. **WHEREAS**, DWR has agreed in the Contract Amendment to establish the SWRDS Finance Committee to discuss and make recommendations concerning the financial policies of SWRDS.
7. **WHEREAS**, this Agreement is intended to provide a framework for such cooperative efforts and the development of financial policy recommendations, and entering into this Agreement is part of the consideration for entering into the Contract Amendments.

AGREEMENT

NOW THEREFORE, DWR and Contractors agree as follows:

I. EFFECTIVE DATE AND TERM

This Agreement shall be binding on DWR and those Contractors whose representatives' signatures appear below; provided, however, that the Agreement shall only take effect and be binding as to an individual Contractor upon that Contractor's contract amendment taking effect. The Agreement shall remain in effect as long as the contract amendment remains in effect, unless terminated earlier by mutual consent of all the Parties. The Agreement may be amended by the mutual consent of all the Parties.

II. SWRDS FINANCE COMMITTEE

A. Establishment

1. A State Water Resources Development System ("**SWRDS**") Finance Committee is hereby established by and among DWR and Contractors.

B. General Scope and Intent

1. As set forth more fully below, the SWRDS Finance Committee is intended to promote coordination, communication and cooperation among DWR and Contractors regarding SWRDS financial policies, work plans and reports. More specifically, the SWRDS Finance Committee is expected to provide recommendations necessary to effectively coordinate and execute comprehensive financial management of SWRDS.
2. The SWRDS Finance Committee is not intended or expected to address specific SWRDS budget line items, individual project budgets or individual transactions, but rather shall address those financial matters that are broad in scope and applicability.

C. Composition, Selection and Terms

1. The SWRDS Finance Committee shall be composed of and governed by representatives from both DWR and Contractors.
2. Members:
 - a) DWR shall select five (5) representatives to serve as its official members of the SWRDS Finance Committee ("**DWR Members**"). DWR also shall select five (5) representatives to serve as alternates ("**DWR Alternates**") in the event one or more of the DWR Members is absent or otherwise unable to participate on the Committee.
 - b) Each Contractor may designate one representative ("**Contractor Representative**") to attend Finance Committee meetings to represent the Contractor. Contractors shall select five Contractor Representatives to serve as their official members of the SWRDS Finance Committee ("**Contractor Members**"). The five Contractor Members shall come from each of the following Classes of Contractors:
 - Class 1 – Plumas County Flood Control and Water Conservation District, County of Butte, City of Yuba City, Solano County Water Agency, Napa County Flood Control and Water Conservation District, Alameda County Flood Control and Water

Conservation District, Zone 7, Alameda County Water District and Santa Clara Valley Water District

- Class 2 – Tulare Lake Basin Water Storage District, County of Kings, Dudley Ridge Water District, Empire West Side Irrigation District, Oak Flat Water District, Kern County Water Agency
- Class 3 – Metropolitan Water District of Southern California
- Class 4 – Santa Barbara County Flood Control and Water Conservation District (Central Coast Water Authority), San Luis Obispo County Flood Control and Water Conservation District, Castaic Lake Water Agency, Ventura County Watershed Protection District (Casitas Municipal Water District)
- Class 5 – Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Mojave Water Agency, Palmdale Water District, San Bernardino Valley Municipal Water District, San Geronio Pass Water Agency, Littlerock Creek Irrigation District, San Gabriel Valley Municipal Water District

Each Class also shall select a representative from their Class to serve as an alternate (“**Contractor Alternate**”) in the event their Contractor Member is absent or otherwise unable to participate on the Committee.

Each Class shall determine its own method of selecting their Contractor Member and Contractor Alternate.

- c) Members and Alternates shall be appointed to serve one-year terms commencing on January 1 of each year. Members and Alternates may serve multiple terms, but shall be appointed or re-appointed each year as appropriate.
- d) By December 15 of each year, DWR and Contractors shall exchange lists of the Members and Alternates that have been selected to serve on the SWRDS Finance Committee for the following year. Such lists shall include the name, title and contact information for each Member and Alternate on the list.

3. Chair and Vice-Chair:

- a) The SWRDS Finance Committee shall have a Chair and Vice-Chair, who shall be appointed to serve one-year terms in January of each year.
- b) A DWR representative shall serve as the Chair and shall be selected by and from the DWR Members appointed to serve on the Committee for that year.
- c) A Contractor representative shall serve as the Vice-Chair and shall be selected by and from the Contractor Members who have been appointed to serve on the Committee for that year.

D. Meetings and Agendas

- 1. The SWRDS Finance Committee shall meet as frequently as is necessary to carry out its responsibilities, but no less than two times annually, at such times and locations as

determined by the Committee Chair and Vice-Chair. The Chair and Vice-Chair each shall have the authority to call a meeting and shall do so upon their own motion or upon the request of any Member of the Committee. Each Member shall endeavor to attend all scheduled meetings or ensure that an Alternate attends in his/her absence.

2. Prior to each meeting of the SWRDS Finance Committee, the Chair or Vice-Chair shall prepare a written agenda. Proposed agenda items shall be submitted in writing to the Chair or Vice Chair prior to the meeting for consideration. Each proposed agenda item shall follow a standard format (SWRDS Finance Committee Proposal Template) that includes the following sections:
 - a) A description of the issue or matter to be considered by the Committee, including, if applicable, attempts that have been made to resolve disputes.
 - b) A justification of why the issue or matter is within the Committee's scope and purpose.
 - c) A discussion of at least two alternative solutions intended to resolve the issue or matter under consideration and the consequences of inaction.
 - d) The preferred alternative or recommendation.
 - e) The name and contact information for the sponsor(s) of the issue.

If a proposed agenda item is deemed to be consistent with the intent of this Agreement by either the Chair or the Vice-Chair, then it shall be placed on the agenda.

3. In addition to the ten (10) designated Members, the meetings of the SWRDS Finance Committee shall be open to all designated Contractor Representatives and DWR alternates. Other subject matter experts, contractor staff, and/or DWR staff may be invited by the Chair or Vice Chair, as needed, to provide relevant and material input pertaining to individual issues brought to the Committee. All designated representatives can participate in discussions based on procedures and rules in Section G below.

E. Quorum

1. A quorum of the SWRDS Finance Committee shall consist of six (6) Members. In the absence of a quorum, the Committee may receive information, but shall not take any actions, make any recommendations, or engage in any other business or activities.

F. Minutes

The Chair or Vice Chair shall be responsible for the keeping of minutes of each SWRDS Finance Committee meeting. Copies of the minutes shall be provided to the Committee Members within two weeks after a meeting.

G. Procedures and Rules

The SWRDS Finance Committee may adopt such procedures and rules as it determines are necessary or convenient to govern the conduct of the Committee or to assist the Committee in carrying out its responsibilities. Procedures and Rules will be established as mutually agreed upon by members of the Committee.

H. Technical or Ad Hoc Committees

The SWRDS Finance Committee may establish such technical, ad hoc or other sub-committees as it determines are necessary or convenient to assist the Committee in carrying out its responsibilities.

I. Recommendations to the DWR Director

1. After discussion of a given issue or matter, the Committee will designate a Member or Members to prepare a written recommendation for the Director. All Members who concur will sign the recommendation indicating concurrence.
2. If there are competing recommendations for a given issue or matter, multiple written recommendations may be prepared for the Director's consideration. Members will sign the appropriate recommendation indicating their support.
3. Within thirty (30) business days after receipt of a recommendation or recommendations, the Director will issue a decision of acceptance or rejection, and if the Director does not accept the recommendation, an explanation for his/her decision. Such decision or explanation will be provided by the Director in writing or orally at a regularly scheduled SWRDS Finance Committee meeting. If the Director needs additional information and time, the Finance Committee will be notified.

III. DESIGNATION OF SWRDS CHIEF FINANCIAL MANAGER

- A. Consistent with state personnel rules and regulations, DWR shall create and fill a new position to be known as the SWRDS Chief Financial Manager ("**CFM**").
- B. The CFM shall serve as the single point of authority over all SWRDS financial matters. The CFM shall have the responsibility and authority throughout DWR to oversee and implement, in a timely manner, all SWRDS financial policies and shall report directly to the DWR Director or the Deputy Director in charge of the SWP.
- C. Working with the SWRDS Finance Committee, the CFM shall develop and enhance those financial policies, work plans and administrative measures necessary or appropriate to provide comprehensive and cost effective financial management of SWRDS.
- D. The SWRDS Finance Committee and CFM shall coordinate and cooperate with each other at all times in carrying out their respective responsibilities.
- E. Until DWR creates and fills the new CFM position, it shall designate the SWP Deputy Director who shall serve in the same capacity as described above.

IV. CONSIDERATION OF SWRDS FINANCIAL POLICIES MATTERS

- A. The SWRDS Financial Committee shall serve as a forum for discussions regarding financial policy matters applicable to the construction, operation and maintenance of SWRDS facilities and as a channel for making recommendations to the DWR Director concerning such matters.
- B. In general, the types of financial policy matters that should be brought to the SWRDS Finance Committee for consideration are ones that are broad in nature and that cannot be resolved

more effectively in another forum such as an existing Contractor committee. Characteristics of SWRDS financial policy matters that would properly be brought to the SWRDS Finance Committee include those that:

1. affect a group of Contractors, rather than individual contractors;
2. potentially apply to multiple projects, rather than individual projects; and
3. involve potentially large transactions or a large number of transactions.

In weighing these factors, an important consideration shall be whether the SWRDS financial policy matter at issue would potentially merit ultimate resolution by the DWR Director.

- C. Contractors understand and acknowledge that although the SWRDS Finance Committee is charged with providing financial policy recommendations to the DWR Director, the DWR Director shall retain final discretion on whether or not to accept such recommendations.

V. DEVELOPMENT AND APPROVAL OF SWRDS FINANCIAL ENHANCEMENT WORK PLANS

- A. The SWRDS Finance Committee shall guide the development of the SWRDS financial enhancement work plans ("**SWRDS Work Plans**") in cooperation and coordination with the CFM.
- B. The SWRDS Finance Committee shall review and approve all SWRDS Work Plans prior to implementation.
- C. The SWRDS Finance Committee also shall provide input and recommendations to the DWR Director regarding implementation of such work plans.
- D. Once a work plan is approved, the SWRDS CFM, or the SWP Deputy Director if the CFM is not yet appointed, shall be responsible for ensuring the SWRDS Work Plans are implemented in a timely manner.

VI. SWRDS REPORTING PRINCIPLES

- A. The SWRDS Finance Committee is charged with providing financial policy recommendations to the DWR Director, and the DWR Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.
- B. Regardless of the exact nature, scope and frequency, such reports shall follow the principles set forth in Exhibit XX (See Offer Section VIII. Objective 2G: SWRDS Reporting Principles) of the Contract, as applicable.

VII. ENFORCEMENT

This Agreement and any of its terms and provisions may be enforced through an action seeking specific performance or equitable relief only. No Party shall be liable for damages for any breach of this Agreement or its terms and provisions.

VIII. GENERAL PROVISIONS**A. Authority**

Each Party represents and warrants that: (1) the Party has the authority to enter into this Agreement; (2) the individual signing on behalf of the Party has been duly authorized to execute this Agreement by that Party; and (3) upon execution by such individual, that Party shall be bound by the terms and provisions of this Agreement without any further act, approval or authorization of such Party or its governing body or management.

B. Successors and Assigns

Any agency, which as a successor or assignee, becomes a party to a Contract with DWR shall be entitled to become a party to this Agreement. Any party to this Agreement which ceases to be a party to a Contract with DWR shall cease to be a party to this Agreement.

C. Third-Party Beneficiaries

This Agreement is intended to apply solely to its signatories and their successors and approved assigns. This Agreement does not confer any rights or interests on any other private or public persons or entities ("non-Parties"). This Agreement shall not be construed as permitting any non-Party to maintain a suit at law or in equity to enforce the terms of this Agreement or to assert any other claims based on that non-Party's alleged status as a third-party beneficiary.

D. No Waiver

A waiver of any term or provision of this Agreement by any Party shall not constitute or be construed as a waiver of any other term or provision of this Agreement by that Party. No waiver of a term or provision of this Agreement shall be binding unless and until executed in writing by the Party providing the waiver.

E. Joint Drafting; Voluntary Execution

This Agreement was drafted jointly by all Parties. Each Party represents and warrants that: (1) it has read and understands the meaning and effect of all terms and provisions of this Agreement; (2) that prior to execution of this Agreement, it had the opportunity to consult with legal counsel regarding the meaning and effect of this Agreement and its terms and provisions; and (3) it is voluntarily entering into this Agreement.

F. Section Titles

The section titles in this Agreement are for convenience of reference and organization only and shall not be used to modify, explain or interpret any terms or provisions of this Agreement.

G. Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which shall constitute one and the same agreement; provided, however, that each signing Party shall have received a copy of the signature page(s) signed by every other Party.

H. Governing Law

This Agreement shall be construed in accordance with the laws of State of California.

I. Amendment

This Agreement may not be amended except through the express written consent of all Parties.

[SIGNATURE BLOCKS]