

Dear President Worthley:

On June 13, the Friant Water Authority, San Joaquin River Exchange Contractors Water Authority, and San Luis & Delta Mendota Water Authority (collectively, the water authorities) each received a letter from you regarding our respective authority's membership in the San Joaquin Valley Water Infrastructure Authority (SJWIA). We have discussed this matter among ourselves and have decided to provide a unified response to the matters raised in those letters.

First, we wish to make it clear that the water authorities did not withdraw from the SJWIA and intend to continue our individual memberships in the SJWIA for a variety of reasons. Chief among those reasons, as noted in your letter, is the strength that the combined participation of the counties and water agencies provides for activities pursued by the SJWIA; a withdrawal would run counter to this purpose.

In trying to understand how you inferred that the water authorities were intending to withdraw, it appears that you may have misinterpreted our actions at the June 8 SJWIA Board of Directors meeting regarding the FY 2018-19 budget. On this item, the SJWIA Board approved a three-month budget to be paid only by the counties. Any interpretation of the water authorities' votes on the proposed FY 2018-19 budget as an informal withdrawal is a misunderstanding. We would expect any consideration of membership or withdrawal to be addressed by the full SJWIA Board of Directors as an explicit agenda matter.

While considering your letter, we have taken the opportunity to refresh our understanding of the SJWIA Joint Exercise of Powers Agreement dated November 17, 2015, on matters of liabilities and termination of membership. Article 15 states that "further regular contributions toward the operating and/or administrative expenses of the Authority shall be determined by the Board of Directors *but any further contribution by a Party shall be subject to the approval of the governing board or authority of that Party.*" As was noted during the previous SJWIA Board meeting, the water authorities do not have authorization from our governing boards to make additional contributions at this time. Article 16 describes the formal process for withdrawal, which requires a written notice to be submitted by the withdrawing party. The water authorities have not, and do not currently intend to, submit any such written notice.

As you noted, the culmination of the California Water Commission process comes at a time when responsibility for the Temperance Flat Reservoir project requires transition. As was discussed at the June 8 SJWIA Board of Directors meeting, the water authorities are focusing on two efforts: one intended to identify investors in Temperance Flat Reservoir and the other to establish an entity that will lead the project into the future.

The first effort is a Memorandum of Understanding (MOU) to conduct technical analyses that will assist public water agencies to understand the feasibility of their participation in the Temperance Flat Reservoir project.

The second effort is a Memorandum of Agreement (MOA) among the water authorities to collaborate on preconstruction activities related to the project. Through the MOA, the water authorities will develop of a governance entity to implement the Temperance Flat Reservoir project. To allow for a seamless

transition between the SJVWIA and the efforts by the water authorities through the proposed MOA, any activities proposed by the SJVWIA in support of Temperance Flat Reservoir would need to be closely coordinated between the two groups. This includes the political activities and pursuit of federal funding mentioned in your letter. This need for coordination further reinforces the desire of the water authorities to continue their membership in the SJVWIA, to assure that future activities of all parties have broad support and to provide a consistent message about Temperance Flat or other projects that the members may endorse. In closing, we propose further discussion on this important issue at the July 13th board meeting.

Sincerely,

Steve Chedester
San Joaquin River Exchange Contractors Water Authority

Cannon Michaels
San Luis & Delta Mendota Water Authority

Jason Phillips
Friant Water Authority