

TID TIDINGS

Newsletter of the Tulare Irrigation District

PERMANENT WATER CONTRACT IN HAND

Board of Directors

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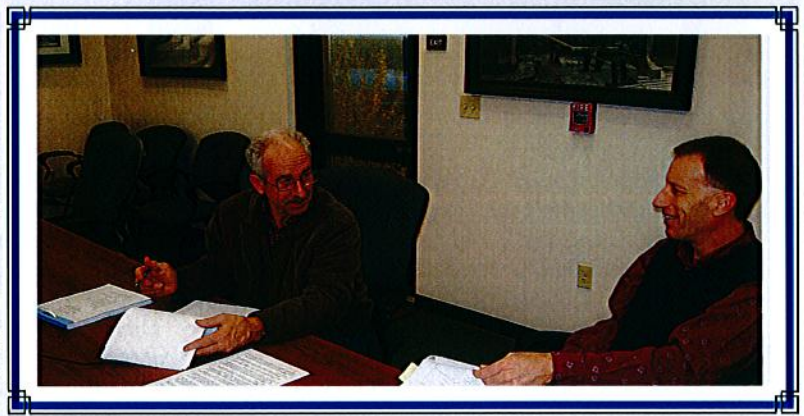
Dave Martin



J. Paul Hendrix
General Manager

The Board of Directors holds regular public meetings on the 2nd Tuesday of every month at 9:00 am at the District office in Tulare.

The much-debated and oft contested San Joaquin River Settlement has produced at least one plus for Tulare and the majority of other Friant water contractors – a contract with the United States for water that will never again be up for renegotiation. Most all contracts establishing terms and conditions for just about any purpose have a limited life span and, when time is up, the parties have to sit down at the table once again and renegotiate their future relationship.



TID BOARD CHAIRMAN, DAVID BIXLER, AS GENERAL MANAGER PAUL HENDRIX LOOKS ON, SIGNING THE NEW PERMANENT CONTRACT BETWEEN THE U.S. BUREAU OF RECLAMATION AND TID

In the case of contracts between public entities that deal with use of a public resource such as water, the law now requires that the general public be able to attend negotiating sessions and be given a voice in the process. This proved to be quite a challenge when the District's 40-year contract with USBR came up for renewal in 1990. Weighing in heavily was the Natural Resources Defense Council (NRDC) as they sought to "more fairly" carve out the water resource previously held for deliveries to TID and others in Friant and, in effect, reallocate some of it to the environment. Skipping over the details that evolved during the course of 20 years, the intervention by NRDC and others ended up producing the Settlement, and Friant districts were given the opportunity to transition to permanent contracts as a part of the deal.

Not to overstate the situation, these permanent contracts will still be subject to water rate cost increases as deemed necessary by USBR and the water delivered per the contracts will still be subject to the vagaries of mother nature and perhaps future challenges from other competing users of San Joaquin River water. But, make no mistake about it, the fact that the water "entitlements" in the contract are now preserved in stone and cannot be changed (read reduced) will mean a great deal to TID and the rest of the Friant contractors in the years to come. Our prior contract put in place after the original had expired in 1990 was good for only 25 years, not 40 as before, making for further evidence that USBR was no longer comfortable with long-term commitments in the face of increased competition for the water resources reserved under the contract to agricultural entities such as TID.

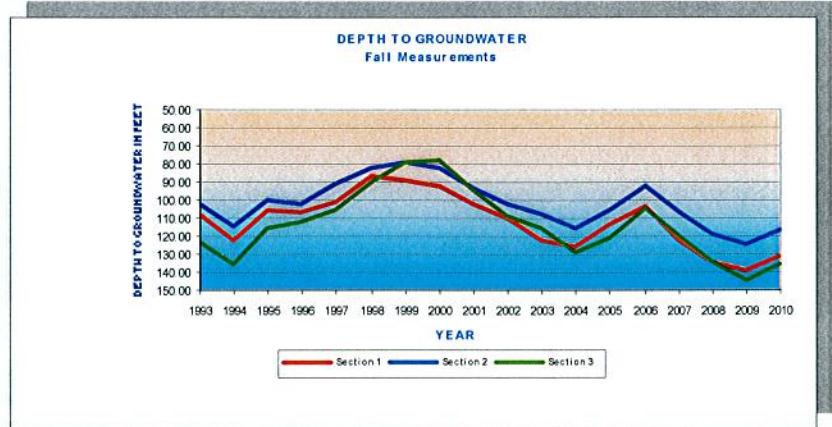
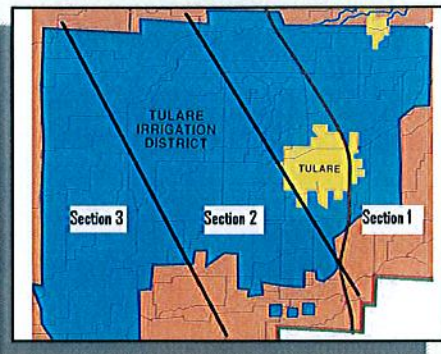
Why does USBR allow for a contract in perpetuity? The underlying law stems from an act of Congress way back in 1939. The Reclamation Act of that year contained a subsection (d) of Section 9 which spelled out the conversion to a permanent water supply contract, thus the often-used reference to the 9(d) contract. It was established in that Act that the USBR *may* grant a permanent contract to water provided that the contracting entity had paid out its construction costs for the federal project built to deliver them their irrigation water. The transition to permanency was not a guarantee but, rather, it was allowed for should both the USBR and the contracting entity so choose.

That opportunity was granted to the Friant contractors in the enabling legislation for the Settlement. To take advantage of it, each district had to come up with the money to pay off what it owed to USBR for the Friant project construction costs. Importantly, this capital cost was required to be paid out by 2030 as things stood anyway, but the extended debt was *interest free*. The Friant districts collectively owed some

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GROUNDWATER REPORT



As the article below on the early winter would suggest, our fall groundwater report may seem like old news, and for good reason! This early winter's onset will undoubtedly bring with it another upward surge in groundwater levels by this spring. All in all, 2010 was not a bad year at all for TID's water operations. The Kaweah and San Joaquin watersheds saw above-average snow and rain conditions – about 125% between the two. TID worked several deals to import additional water and our total Friant deliveries amounted to about 104,000 acre-feet. This is on top of an ample Kaweah supply of 168,000 acre-feet. All of this canal water, both for basin percolation to the underground and delivery to farm turnouts, wound up with an uptick in groundwater levels as compared to the fall of 2009. Across-the-District levels rose by about 10 feet. The chart above breaks this down for the easterly, central, and westerly regions of the our service area.

This is good news and brings relief. The several years prior to 2010 saw levels trend downward, bringing with it renewed concern that groundwater overdraft in the Kaweah basin was something that had to be reckoned with sooner rather than later. Relief in that we know there will still be years during which levels will tend to rise again, meaning that our underground reservoir is holding more water than before. Yet we must remind ourselves that the long-term average is still downward and our sense of relief may only be short lived. At some point we will have to come to grips with the fact that groundwater depletion, despite our efforts to combat it, continues.

We are up against perhaps the third major threshold in coming to grips with the groundwater resource problem. The first can be traced back to TID's early days, when shallow water levels and, in some areas, artesian conditions disappeared as fledgling farms needed more water to prosper. TID's early beginnings brought a new surface water supply to the Tulare area, a supply that could be tapped into by numerous farms which had heretofore

relied on wells for irrigation. This helped, but the untamed waters of the Kaweah were not enough to stop the acceleration in the dependence on groundwater. Innovation in the 1920s brought centrifugal pumps to the Tulare area and elsewhere in the Valley, thus enabling farmers to tap deeper into the vast aquifer below to pull out good-quality water for thirsty crops. Groundwater levels in turn continued to drop, and near panic set in with the drought of the 1930s as community leaders realized the situation was not sustainable.

The second threshold came out of the efforts of Tulare folks and others who envisioned a new surface water supply for the region, one that could cause irrigated agriculture to turn from excessive well pumping to supplemental ditch water supplies. That vision, as memorialized in the article "Water Visionaries in Tulare - The Beginnings of the CVP" on Page 3 in this issue of Tulare Tidings, came in the form of the Friant-Kern Canal bringing, for the first time in 1949, new water into the District to add to our Kaweah supply.

The third threshold previously mentioned – a new focus once again on the limited nature of our underground supply – will be trying. We've just lost some of the imported water supply to the San Joaquin River Settlement, and farm operations continue with cropping patterns that demand groundwater many months out of the year. Surrounding cities continue to pump more from the underground to meet growing urban demands. The first two thresholds brought with them water technology and projects to supply more water – first with Kaweah River delivery improvements and new well technology; the second with imported water from the Friant Unit of the CVP. What new water will come at this juncture? TID will seek out new programs and partnerships where it can to increase supplies for the area. But, in stark contrast to the past, a sizeable *new* water supply to rescue us out of the region's common overdraft problem doesn't seem to be in the cards at this time.

WHO CAN REMEMBER?



"Can anyone remember a December with more rain than 2010? Truth is, nobody can as we surpassed the prior record of 1880, over 130 years ago. There were no records to speak of being kept prior to 1876 in Tulare, so last month's is the wettest December in perhaps the last 200 or more - who knows! Only January of 1969 saw more rain than what occurred last month.

There's been plenty of news about the record-breaking rainfall in December - there's no need to repeat much of it here. The snow pack too has kept a similar pace as we are at about 200% of normal for this phase of the winter. With nearly three winter months to go, anything can happen. At worst, it turns dry (the La Nina prediction) but, still, we've got an average year's water supply already on the mountainsides as snow.

Only time will tell if this exiting snow pack stays immobile until the typical melt during May/June or whether it comes off early due to a warm rainfall in very early spring. Look to the next issue of TID Tidings for more coverage of our upcoming water supply - chances are it's going to be good news!

WATER VISIONARIES IN TULARE - THE BEGINNINGS OF THE CVP

With the recent execution of a permanent contract for water from the CVP's Friant system, this is a good time to reflect back on how this important component to our surface water supply came into being. As highlighted in this issue's "Groundwater Report," the urgent need for a supplemental water supply was evident by the mid-1930s, and many in the Valley were beginning to discuss what might be done to address this need. Big regional projects take local pioneers to foster support, and as the idea of a Central Valley Project began to take shape, Tulare played a key role. Announcements for the first community meeting in the Valley – held in the mid-1920s – regarding the idea were sent out by John Crowe of the Tulare Realty Company. On the list were prominent Tulare citizens such as J.D. Heiskell, W.H. Wilbur, Henry Colpein, Arthur Swall, Lorenzo Raviscioni, Cicero Zumwalt, George Linder, M.C. Borges, the Goins brothers, and E.A. Heseltine to name a few. The meeting was held at Tulare Central School and some 2,000 townspeople and farmers were in attendance. Col. Robert Bradford Marshall, the former Chief Geographer of the USGS and who became known as "Father of the CVP", spoke to the crowd. At the meeting committees were formed and activities were assigned to advance the concept. Tulare folks continued to shepherd the local political efforts in Sacramento and then later in Washington, D.C. as the federal government became the lead project sponsor.



Col. Robert Bradford Marshall
*Former Chief Geographer (1908 - 1919) of the USGS
became known as "Father of the Central Valley Project"*

There were skeptics in this endeavor, their feeling being that the financial burden to construct such a mighty water works project would be too great. When the dust settled, the consensus was support to press on. In the end, what began as a vision in the 1920s, to the first contract signed in 1950, to securing a permanent right to CVP water in December 2010, the saga has been a milestone achievement for the continued prosperity of the Tulare County region.

(Continued from Page 1, Permanent Water Contract)

\$205 million, and very few had anywhere near the cash to pay off their share of debt all at once – they would have to borrow the money with interest. The legislation provided for financial offsets designed to mitigate for the interest cost and TID's Board carefully weighed the advantages of the new permanent contract along with its costs and calculated interest offsets in an effort to determine the best choice of action.

TID spent several months evaluating financial options to convert to a permanent contract. There was every reason to believe that the rest of the Friant members were doing the same and that they were determined to execute the 9(d) contract by the established deadline of December 2010. TID needed to come up with about \$10.4 million and deliver the money to USBR by January 2011. After evaluation of the two prime means by which public entities raise cash – by issuing municipal bonds or by borrowing from a bank as would most in the private sector, it was determined by the TID Board that a bank loan through Bank of America would be the best choice. The District secured a competitive interest rate of 3.85% for a 20-year term, mirroring the term remaining on its capital debt with USBR. We estimate that the annual payments on the new loan will be close to the average payments we used to make on a per acre-foot basis to USBR, thus any additional costs under the new loan because of its interest component are mostly offset. In short, part of the water bill we used to pay to USBR now will be paid to the bank through a loan.

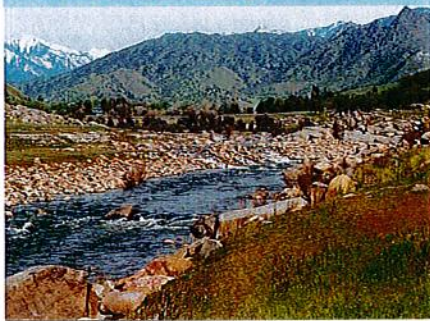
The new permanent contract for imported Friant water is an important milestone for TID. It cements the District's bold vision way back in the late 1930s to secure a new water supply for the region. That vision has been reinforced by the execution of this final contract for a water supply from the San Joaquin River to supplement our Kaweah River water rights. Taken together, these assets have sustained the District for over 100 years and it is hoped they will continue to do so for a long time to come.

Tulare Irrigation District
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LOOK INSIDE...

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Water Visionaries in Tulare -
The Beginnings of the CVP*

Visit Us At...
www.tulareid.org



Formed in 1889, Tulare ID was one of the first irrigation districts in California. Its purpose is to serve the water supply needs of the greater Tulare area, a rich and agriculturally diverse region within the Southern San Joaquin Valley. The water provided comes locally from the Kaweah River and is also imported from the Federal Central Valley Project.

Important Dates to Remember

January	11th - Tulare Irrigation District Board meeting
February	8th-10th World Ag Expo TID Special Board meeting TBA
March	8th - TID Board meeting
April	12th - TID Board meeting
May	2nd - 2nd installment reminder notice mailed 10th - TID Board meeting
June	14th - TID Board meeting 20th - 2nd installment due