

April 2, 2021

AMENDED MEETING NOTICE**WATER STORAGE EXPLORATORY COMMITTEE**

Board Members of the Water Storage Exploratory Committee

Director Gary Kremen, Committee Chair

Director Richard P. Santos

Director John L. Varela

Staff Support of the Water Storage Exploratory Committee

Rick Callender, Esq., Chief Executive Officer

Melanie Richardson, Assistant Chief Executive Officer

Aaron Baker, Chief Operating Officer, Water Utility

Rachael Gibson, Chief of External Affairs

Sue Tippets, Interim Chief Operating Officer, Watersheds

Stanly Yamamoto, District Counsel

Brian Hopper, Senior Assistant District Counsel

Vincent Gin, Deputy Operating Officer, Water Supply Division

Christopher Hakes, Deputy Operating Officer, Dam Safety & Capital Delivery Division

Heath McMahon, Deputy Operating Officer, Water Utility Capital Division

Don Rocha, Deputy Administrative Officer, Office of Government Relations

Gregory Williams, Interim Deputy Operating Officer, Raw Water Division

Emmanuel Aryee, Assistant Officer, Dam Safety & Capital Delivery Division

Kirsten Struve, Assistant Officer, Water Supply Division

Erin Baker, Asset Management Manager

Cindy Kao, Imported Water Manager, Imported Water Unit

Ryan McCarter, Pacheco Project Manager, Pacheco Project Delivery Unit

Metra Richert, Unit Manager, Water Supply Planning & Conservation Unit

Charlene Sun, Treasury and Debt Manager

Katrina Jessop, Senior Engineer, Imported Water Unit

Andrew Garcia, Senior Water Resources Specialist, Imported Water Unit

Samantha Greene, Senior Water Resources Specialist, Water Supply Planning & Conservation Unit

A special meeting of the Santa Clara Valley Water District (SCVWD) Water Storage Exploratory Committee is to be held on **Monday, April 5, 2021, at 11:00 a.m.** [Join Zoom Meeting https://valleywater.zoom.us/j/98246045660](https://valleywater.zoom.us/j/98246045660).

Enclosed are the **amended meeting agenda** and corresponding materials. Please bring this packet with you to the meeting.

Enclosures



WATER STORAGE EXPLORATORY COMMITTEE MEETING

Join Zoom Meeting

<https://valleywater.zoom.us/j/98246045660>

Meeting ID: 982 4604 5660

One tap mobile

+16699009128,,98246045660# US (San Jose)

Dial by your location

+1 669 900 9128 US (San Jose)

Meeting ID: 982 4604 5660



Santa Clara Valley Water District Water Storage Exploratory Committee Meeting

Teleconference-via Zoom

<https://valleywater.org.zoom.us/j/98246045660>

SPECIAL MEETING - AMENDED AGENDA

Monday, April 5, 2021
11:00 AM

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

WATER STORAGE EXPLORATORY
COMMITTEE

Gary Kremen, Chair, District 7
Richard P. Santos, District 3
John L. Varela, District 1

During the COVID-19 restrictions, all public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body, or through a link in the Zoom Chat Section during the respective meeting. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

Mr. Vincent Gin
Mr. Christopher Hakes
(Staff Liaison)

Glenna Brambill (Committee
Liaison)
Management Analyst II
Office/Clerk of the Board
(408) 630-2408,
gbrambill@valleywater.org

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

**Santa Clara Valley Water District
Water Storage Exploratory Committee**

**SPECIAL MEETING - AMENDED
AGENDA**

Monday, April 5, 2021

11:00 AM

Teleconference

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020, that allows attendance by members of the Committee, staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Committee during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in the order requests are received and granted speaking access to address the Committee.

Santa Clara Valley Water District (Valley Water) in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Committee meetings to please contact the Clerk of the Board's office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:

<https://valleywater.zoom.us/j/98246045660>

Meeting ID: 982 4604 5660

One tap mobile

+16699009128,,98246045660# US (San Jose)

Dial by your location

+1 669 900 9128 US (San Jose)

Meeting ID: 982 4604 5660

1. CALL TO ORDER:

1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to two minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee 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 Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes.

[21-0302](#)

Recommendation: Approve the February 26, 2021, Meeting Minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 02262021 DRAFT WSEC Mins](#)

Est. Staff Time: 5 Minutes

4. ACTION ITEMS:

4.1. Pacheco Reservoir Expansion Project Workshop Topics.

[21-0303](#)

Recommendation: Receive and discuss information regarding the Pacheco Reservoir Expansion Project (PREP) which may be presented at the Special Board Workshop scheduled for April 14, 2021. This is an information-only item and no action is required.

Manager: Christopher Hakes, 408-630-3796

Attachments: [Attachment 1: PowerPoint](#)

[Attachment 2: CWC Funding Source Memorandum](#)

[Attachment 3: Partner Participation Brochure](#)

[Attachment 4: Funding Options](#)

[Attachment 5: Right of Way Analysis Memorandum](#)

Est. Staff Time: 40 Minutes

4.2. [Sargent Ranch Discussion.](#)

[21-0369](#)

Recommendation: Discuss Sargent Ranch as a potential site for use as an environmental mitigation for Valley Water projects. This is an information-only item and no action is required.

Manager: John Bourgeois, 408-630-2990

Est. Staff Time: 15 Minutes

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

6.1. Adjourn.

**AGENDA ITEM 2. PUBLIC COMMENT
WATER STORAGE EXPLORATORY COMMITTEE MEETING, 4-5-2021**

Subject: Pacheco Dam suggestion

Hi Dick; not to waste your time, I suggest you go for the **very largest new Pacheco Reservoir you can**, even if it means delays while you negotiate with the upstream park areas.

I am an emeritus professor of Civil & Engineering Department at the University of California at Berkeley where I taught Ecological Engineering for 32 years. I have been involved in the design, monitoring and water quality problems of just about every large dam built in California since 1970. I have consulted for and/or done research with my students for SCVWD, EBMUD, Metropolitan Water District of Southern California, LAWP, SFPUC, MMWD, CCWD, DWR, SWRB, and others. I have also worked on water problems on all 7 continents and most of the world's oceans, now mostly through the World Bank.

An example that might help SCVWD. When Contra Costa Water District first proposed their new dam to even out the salinity they proposed a 100,000 af reservoir Los Vaqueros in 1994. I suggested them in 1988 that based on my surveys of all of California's larger reservoirs this was too small. In 2012 (without any further contact with me) they decided to expand it to 160,000 af by increasing the dam height. That is still too small for good water quality in the sense of nuisance algae, taste and odor, cyanobacteria, pH, low oxygen, and cyanotoxins. I know CCWD had problems negotiating with others to share the cost and water storage south of the Delta, which explains their decisions so they did the best they could. However, maybe you can succeed in one go where others were not able to make a large reservoir.

My studies showed that above 600,000 af (with a normal shaped reservoir) was good. Less than that is not bad but the SCVWD's new Pacheco Dam at 140,000 af is well down. Of course 120,000 af is a lot of water so you will still get great benefits, just not as good a water quality as you might like. My last big project was the initial site choice and water quality estimates for the 800,000 af Diamond Valley Reservoir (MWDSC). There I thought the volume was OK but, given their mixed water supply (Delta & Colorado) I advised them to put a pure oxygenation system (Speece Cone) in before they filled it. They did not and after a few years got continued algae problems which costs a lot to fix. If you think my advice will be any help to you, I would be happy to assist.

Alex J. Horne, Ph. D., CED, CLP*
Professor Emeritus, Ecological Engineering
Dept. Civil & Environmental Engineering
University of California, Berkeley
*CED = Certified Ecological Designer (wetlands)
*CLP = Certified Lake Professional



Santa Clara Valley Water District

File No.: 21-0302

Agenda Date: 4/5/2021
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:

Approval of Minutes.

RECOMMENDATION:

Approve the February 26, 2021, Meeting Minutes.

SUMMARY:

A summary of Committee discussions, and details of all actions taken by the Committee, during all open and public Committee meetings, is transcribed and submitted for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the District's historical records archives and serve as historical records of the Committee's meetings.

ATTACHMENTS:

Attachment 1: 02262021 WSEC Draft Mins

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711



SANTA CLARA VALLEY WATER DISTRICT (VALLEY WATER)
WATER STORAGE EXPLORATORY COMMITTEE

DRAFT MINUTES

**FRIDAY, FEBRUARY 26, 2021
9:00 AM**

(Paragraph numbers coincide with agenda item numbers)

A special meeting of the Water Storage Exploratory Committee (Committee) was held on February 26, 2021, via Zoom.

1. CALL TO ORDER

The Water Storage Exploratory Committee was called to order by Chair Director Gary Kremen at 9:00 a.m.

1.1 ROLL CALL

Valley Water Board Members in attendance were: Director Gary Kremen-District 7, Director Richard P. Santos-District 3, and Director John L. Varela-District 1.

Valley Water Staff in attendance were: Emmanuel Aryee, Aaron Baker, Glenna Brambill, Debra Butler, Keila Cisneros, Melissa Fels, Vincent Gin, Samantha Greene, Andrew Gschwind, Christopher Hakes, Garth Hall, Brian Hopper, Cindy Kao, Jessica Lovering, Michael Martin, Ryan McCarter, Heath McMahan, Carmen Narayanan, Steven Peters, Melanie Richardson, Metra Richert, Donald Rocha, Kirsten Struve, Charlene Sun, Darin Taylor, and Beckie Zisser.

Guests in attendance were: Kurt Arends (Alameda County Water District-ACWD), Mourad Attalla and Bob Green (AECOM), Douglas Brown (Stradling Yocca Carlson & Rauth) Carolyn (Carrie) Buckman (California Department of Water Resources-DWR), Danielle McPherson (BAWSCA), Yuan Liu, Maureen Martin, Ph.D. and Marguerite Patil (Contra Costa Water District {CCWD}), Gavin Tasker (Barnard Construction), and Bill Tuttle (San Jose Water Company),

Public in attendance were: Rock Clapper, Jay Jacobs, Director Linda J. LeZotte (Valley Water, District 4), Doug Muirhead, David Niese, and Hilary Stewart.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON AGENDA

There was no one present who wished to speak.

3. APPROVAL OF MINUTES

3.1 APPROVAL OF MINUTES

It was moved by Director John L. Varela, second by Director Richard P. Santos, and by roll call and unanimous vote carried to approve the minutes of the December 28, 2020, meeting of the Water Storage Exploratory Committee as presented.

4. ACTION ITEMS

4.1 UPDATE ON DELTA CONVEYANCE PROJECT

Ms. Carolyn (Carrie) Buckman of the California Department of Water Resources (DWR) reviewed the materials as outlined in the agenda item.

The Water Storage Exploratory Committee took no action.

4.2 UPDATE ON LOS VAQUEROS RESERVOIR EXPANSION PROJECT: JOINT POWERS AUTHORITY, USAGE FEE LETTER OF INTENT, AND INVESTMENT SCENARIOS

Mr. Michael Martin and Mr. Brian Hopper reported on the following information:

The Water Storage Exploratory Committee discussed the following items: Veto rights, JPA Agreements, water supply, backing out rights, discussions with political constituents and voting thresh holds,

Chair Director Kremen moved to Agenda Item 4.4.

4.4 UPDATE ON PACHECHO RESERVOIR FINANCING PARTNERS, AND PUBLIC PRIVATE PARTNERSHIP

Mr. Christopher Hakes, Mr. Garth Hall gave verbal reports on the Project:

The Water Storage Exploratory Committee discussed the following items: water rates: (*Baseline Scenario assumes WIFIA loan for Pacheco and 20% partnerships: W-2 North County groundwater charge projection reflects increases of 9.6% per year for FY 22 to FY 29, No Pacheco Scenario: W-2 North County groundwater charge projection reflects increases of 8.5% per year for FY 22 to FY 29, Worst Case Pacheco Scenario assumes no WIFIA loan and only 2.5% partnerships: W-2 North County groundwater charge projection reflects increases of 11.0% per year for FY 22 to FY 29), reliability and emergency storage, private parties public funding risk assessment conducted by auditor, general tax ruling/exemption status, need more information before Committee can submit a recommendation to the full Board.

Mr. Darin Taylor, Ms. Melanie Richardson, and Mr. Douglas Brown were available to answer questions.

The Water Storage Exploratory Committee took no action.

Chair Director Kremen returned to Agenda Item 4.2.

The Water Storage Exploratory Committee continued discussed the following items: guiding principles, Transfer Bethany, pipeline availability, cfs to acre-feet conversion, bringing new water in-drought time, different scenarios, insurance estimate, operational flexibility, water storage, supply, moving water costs (life cycle-capital-operations-usage fees, etc.), Delta conveyance issues (Banks and Jones), emergency usage, availability, CCWD water rights, and priority share(s),

Ms. Carmen Narayana reviewed the handout on the LVE project estimated water rate impacts from the Table, scenarios, shared storage and dedicated storage.

Ms. Samantha Greene, Mr. Aaron Baker and Ms. Maureen Martin, Ph.D., were available to answer questions.

The Water Storage Exploratory Committee took no action.

4.3 GROUNDWATER BANKING UPDATE

Ms. Cindy Kao reported on the following information:

The Water Storage Exploratory Committee discussed the following items: 3 high level banks, reverse flow, increasing storage, diversification, investments, and climate change.

Mr. Vincent Gin was available to answer questions.

The Water Storage Exploratory Committee took no action.

Chair Director Kremen moved to Agenda Item 4.5.

4.5 STANDING ITEMS INFORMATION

Ms. Cindy Kao reported on the following information:

The Water Storage Exploratory Committee received updated information on the following projects:

- Del Puerto: Staff is tracking this project
- Groundwater Banking: See Agenda 4.3.
- Semitropic:
 - ✚ annual operations requesting maximum contractual amount of 31,500 af of water (intend to meet request but are sensitive to the exchange capacity and potential limitations),
 - ✚ staff is working with closely with DWR, contacting other SBA Contractors and met with Semitropic
- Sites: No Report.
- B.F. Sisk Dam:
 - ✚ December 18, 2020, Reclamation released final EIR/Supplemental EIS
 - ✚ December 30, 2020 Feasibility report approved by The Secretary of the Interior
 - ✚ Congress--eligible for funds under the WIIN Act.
 - ✚ Reclamation and The Authority continuing to work on Endangered Species Act
 - ✚ compliance, permitting, preconstruction planning and
 - ✚ On target for project to begin in 2025

- Shasta: No Report.

4.6 REVIEW WATER STORAGE EXPLORATORY COMMITTEE WORK PLAN AND THE COMMITTEE'S NEXT MEETING AGENDA

Ms. Glenna Brambill reviewed the materials as outlined in the agenda item.

The Committee took no action.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE ACTIONS

Ms. Glenna Brambill noted there were no action item for Board consideration.

6. ADJOURNMENT

Chair Director Gary Kremen adjourned the meeting at 10:53 a.m.

Glenna Brambill
Board Committee Liaison
Office of the Clerk of the Board

Approved:



Santa Clara Valley Water District

File No.: 21-0303

Agenda Date: 4/5/2021
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:

Pacheco Reservoir Expansion Project Workshop Topics.

RECOMMENDATION:

Receive and discuss information regarding the Pacheco Reservoir Expansion Project (PREP) which may be presented at the Special Board Workshop scheduled for April 14, 2021. This is an information-only item and no action is required.

SUMMARY:

Following the cost estimate update presented to the Water Storage Exploratory Committee on December 28, 2020 and the Board of Directors on January 12, 2021, staff recommends presenting several Pacheco Reservoir Expansion Project topics, that may affect the Fiscal Year 2022 budget and future water rates and charges, to the Board of Directors in advance of budget adoption. The topics presented will include funding and external issues that could have significant financial, project implementation, and schedule implications on the project.

Potential Project Funding Sources

Staff has prepared analysis of 14 potential project funding sources as follows:

1. Water rates & charges (pay-go and bond financing)
2. Water Storage Investment Program (WSIP) - currently conditionally awarded
3. WSIP - potential additional funds
4. Water Infrastructure Finance and Innovation Act (WIFIA) loan
5. San Felipe Facilities Expansion - U.S. Bureau of Reclamation (USBR) Co-operative agreement
6. General Obligation Bonds
7. Federal Emergency Management Agency (FEMA) - Hazard Mitigation grant
8. Building Resilient Infrastructure and Communities (BRIC) grant (FEMA)
9. USBR WaterSmart Grant
10. California Department of Water Resources (DWR) Grant
11. Other Federal/State grant
12. Public agency partner participation
13. Corporate sponsorship/grants
14. Private investment (P3)

Although information for each of the topics above is presented at a high level in Attachment 4, the following funding topics will be presented in greater detail and as part of a PowerPoint Presentation (Attachment 1):

Water rates & charges - Staff will present different funding scenarios and the impact to FY22-29 Annual Rate Increases for Zone W-2.

WSIP/Prop 1 - Staff will present the status of the conditionally awarded WSIP funding, as well as discuss the potential for additional conditional WSIP funding awards. A memo is attached (Attachment 2) with an analysis of potential WSIP funding options and schedule implications associated with existing project withdrawals.

Public agency partner participation - Staff will provide an update on potential partnership participation, including presentation of a brochure (Attachment 3) that will be presented to prospective partners.

Staff is currently focusing on developing the three funding options identified above, but consideration and development efforts for the other 11 options are ongoing. For details of the status of the funding options, please refer to Attachment 4.

External Issues

Staff will present a status update on the following topics:

1. *Coordination with USBR for the San Luis Low Point Improvement Project (SLLPIP)* - Staff has met with USBR representatives, including the Regional Director, to discuss the next steps to update the Feasibility Report that did not advance through policy review in December 2020. Additional federal benefits are being considered that may favorably increase the benefit/cost ratio for the project. Staff is currently working with USBR to complete the updated Feasibility Report with PREP as the preferred alternative. This would provide federal permitting support and potential federal funding through future initiatives.
2. *Analysis of right of way related topics* - Staff has prepared an update (Attachment 5) of the Project's right of way needs, including a summary of the land acquisition process. The update includes a new cost estimate for project area property, mitigation land, and potential implications.
3. *Discussion with State Parks* - Staff has met with the State Parks Director, executive management, and local State Parks personnel regarding the potential encroachment of the expanded reservoir into Henry Coe Park. The area impacted was presented and discussed along with possible ideas to collaborate to offset the potential impact.
4. *Update on outreach to the environmental community and potential environmental permitting implications* - Staff met with environmental groups to discuss their concerns with the Project and are continuing outreach and analysis over the next several weeks to determine potential

impacts on schedule. While these concerns may or may not affect environmental permitting, project permitting is considered by staff to be extremely complex, and therefore at risk of unforeseen delays.

5. *Results from the recent project public survey unveiled at the February public scoping meetings*
- Staff will provide an update at the time of the meeting. As of March 16, staff has collected 168 responses. Initial analysis indicate there is a strong positive response on the Pacheco project merits and key messages and before the issue of project cost appears, nearly 60% support or strongly support the project. However, once the survey refers to cost, the project loses support with 41.5% of respondents not willing to support any increase in water rates to help fund the expansion of Pacheco Reservoir; 73% list high cost as the biggest concern about this project. "Valley water should pursue a local multi-benefit water storage projects, such as the expansion of Pacheco Reservoir," was the lowest rated option in another question, with conservation, recycled and purified water and partnering with other agencies on regional water supply projects all rating ahead of the Pacheco project.

ATTACHMENTS:

- Attachment 1: PowerPoint Presentation
- Attachment 2: CWC Funding Source Memorandum
- Attachment 3: Partner Participation Brochure
- Attachment 4: Funding Options
- Attachment 5: Right of Way Analysis Memorandum

UNCLASSIFIED MANAGER:

Christopher Hakes, 408-630-3796

Unique Opportunity for Ecosystem Enhancement,
Improved Water Supply Reliability, and Emergency
Water Supply



Pacheco Reservoir Expansion Project:

FY 22 Water Rate Impact Workshop

REVISED 3-30-2021

Project Cost Estimate History

2

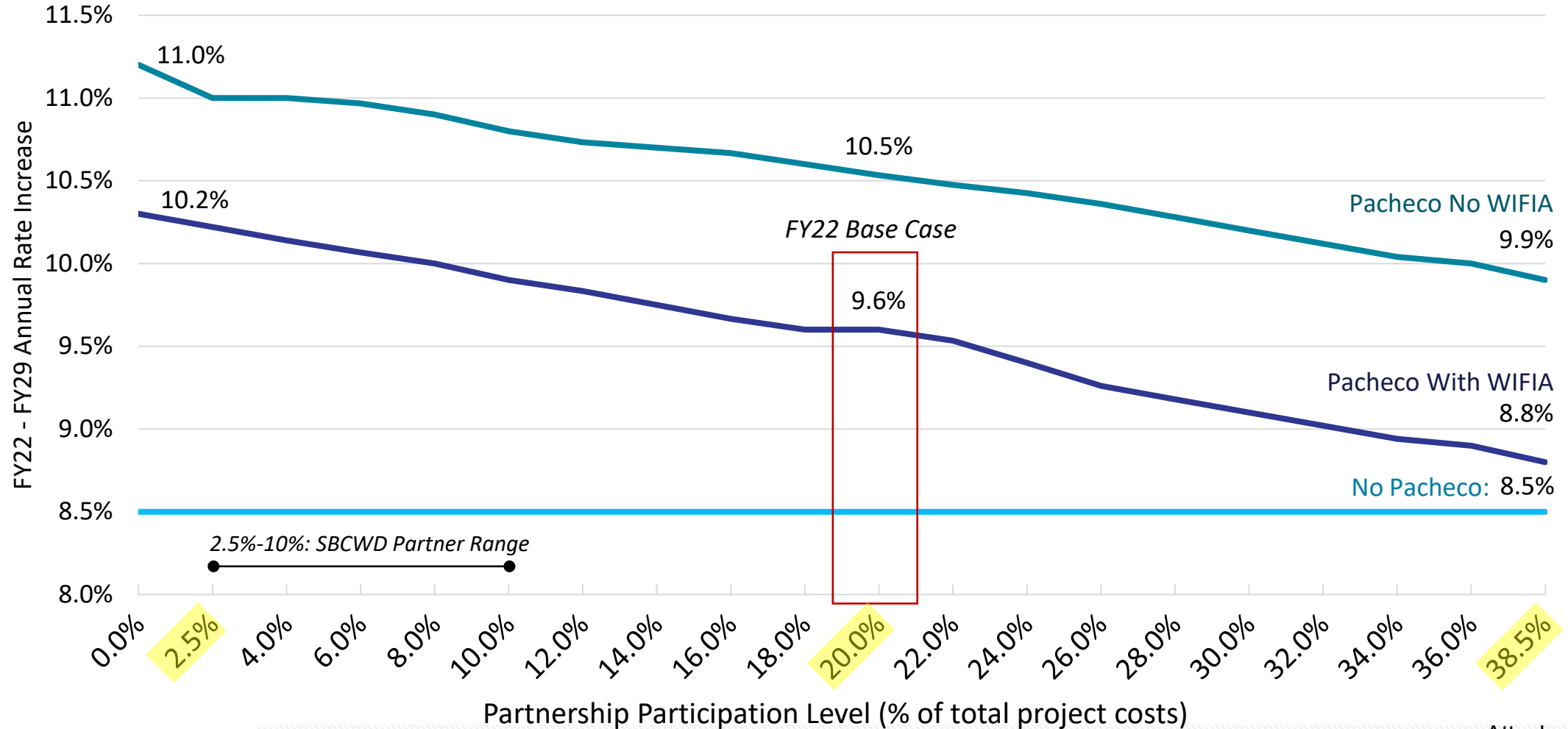
Year	CIP Estimate	Estimate with future inflation (CIP calc.)	
2017	\$969,000,000	N/A	2015 dollars for WSIP Application
2019	\$1,182,004,000	\$1,345,000,000	No construction cost changes from WSIP estimate
2020	\$2,203,321,000	\$2,519,622,000	*NEW CONSTRUCTION ESTIMATE*

valleywater.org

Water Rate Impact

3

FY22-FY29 Annual Rate Increase (Zone W-2 M&I)
 Pacheco Reservoir Expansion Project: Partnership Participation (%) & Scenario Comparison

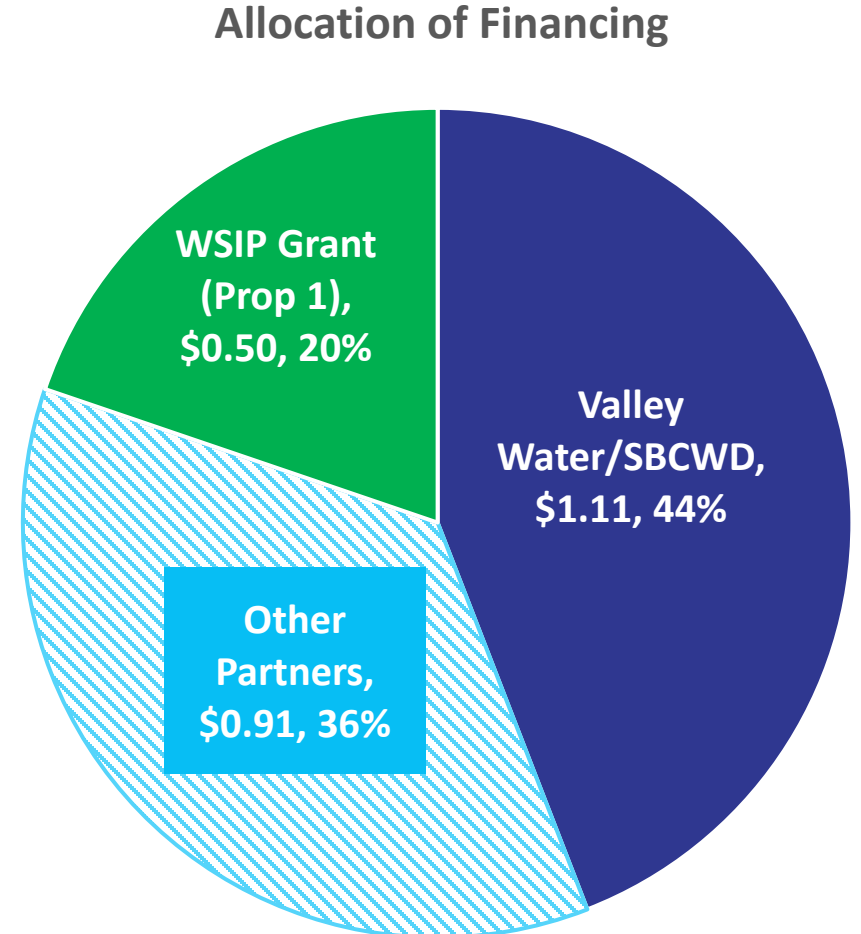
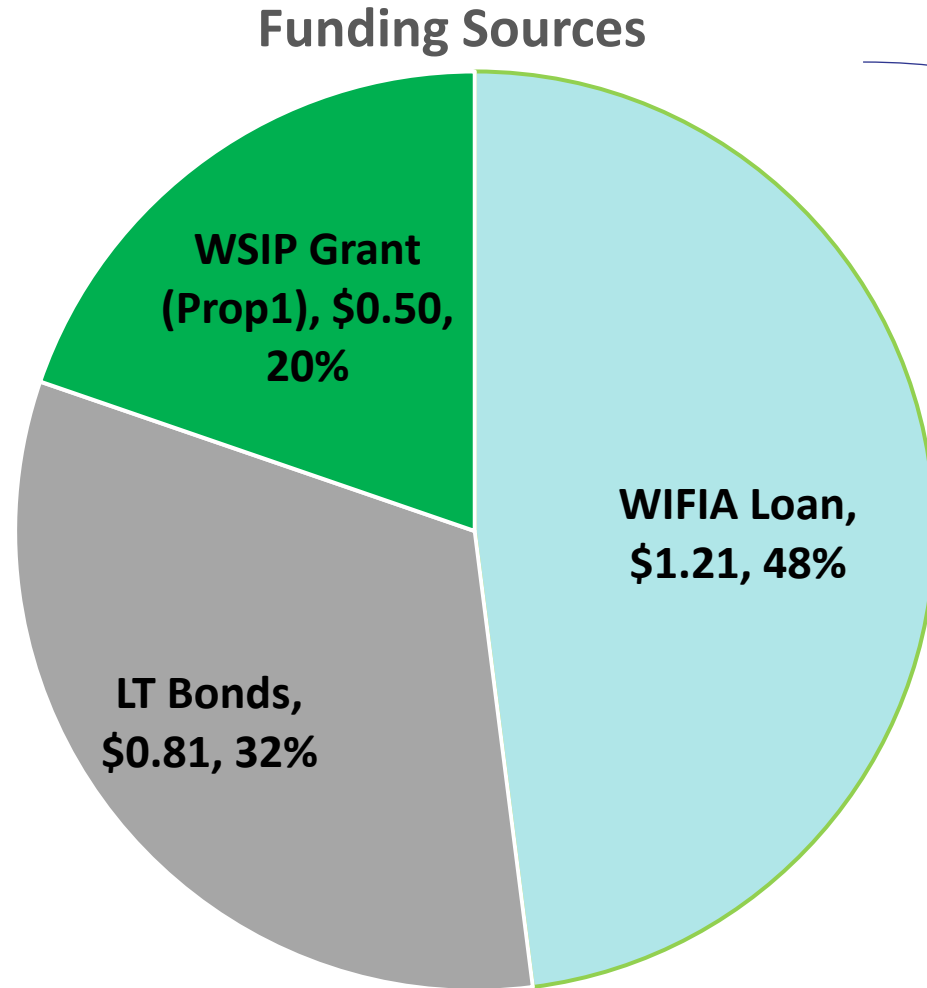


valleywater.org

Financing Plan - Total Project Cost \$2.5B

(\$BILLIONS)

4



Total Financing Costs (Principal + Interest): \$3.8B*

Average Annual Debt Service: \$81M*

* Preliminary financing estimates based on FY 2022 budgetary rates, subject to change pending timing, amount, and market conditions at time of debt issuance

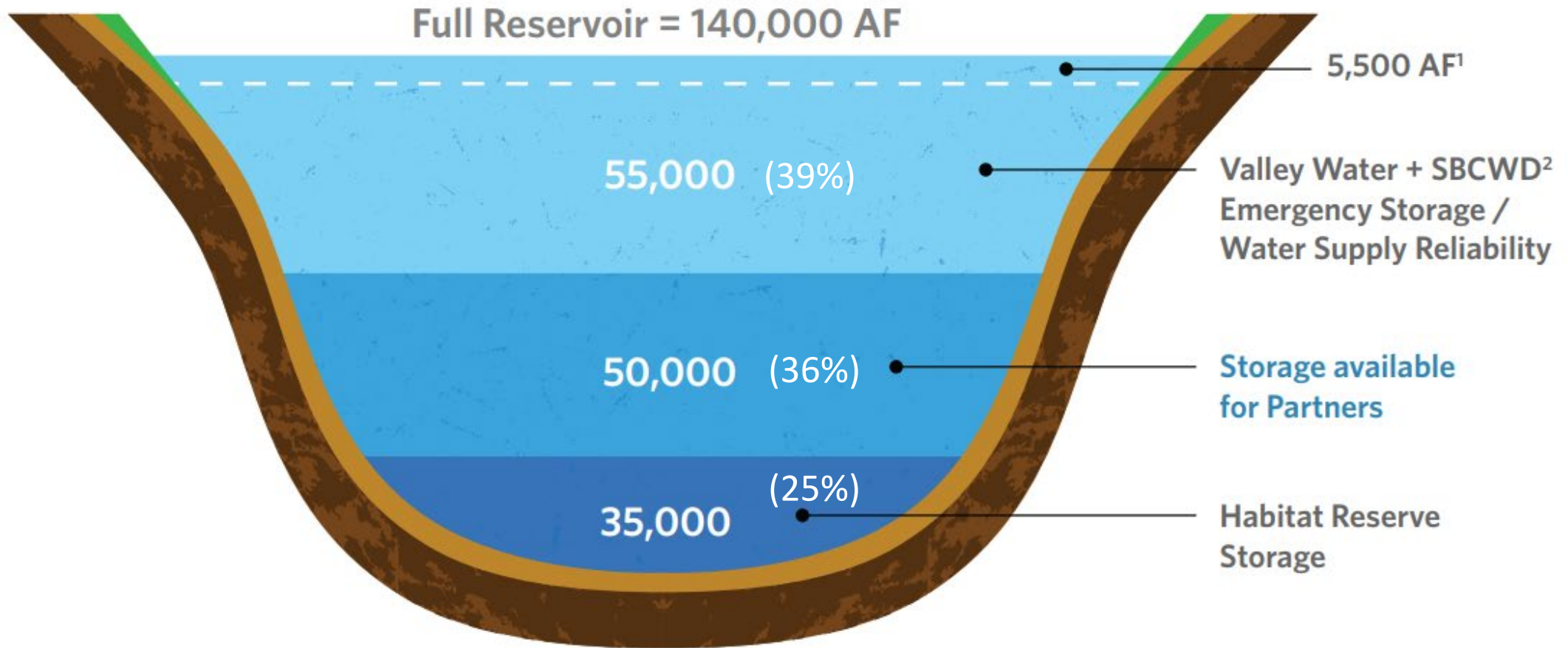
Four Partnership Options

- (1) Valley Water retains ownership – form partnerships via third party contractual rights
- (2) Joint Exercise of Powers of Authority (JPA) – form partnerships through JPA membership
- (3) Partnerships with Private Entities – form partnership with private entities to invest in capacity and sell their benefits to others
- (4) Partnerships with Federal and/or State agencies

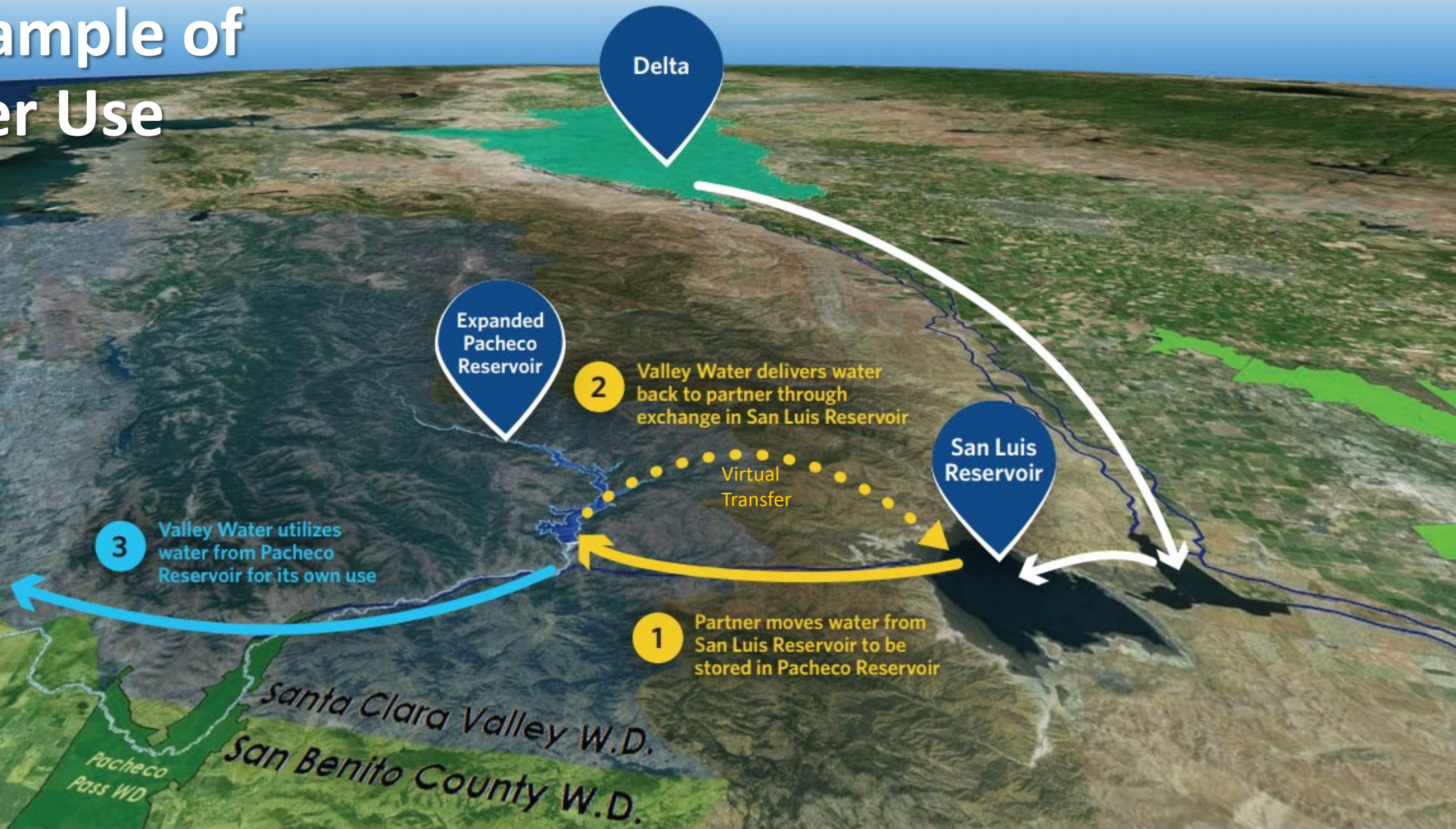
Proposed

PARTNERSHIP STORAGE

- 1 5,500 AF storage space reserved Nov. 1 for natural inflow only
- 2 San Benito County Water District



An example of Partner Use



Proposed



PARTNERSHIP COST

	Environmental Reserve (WSIP) ¹	Valley Water and San Benito County Water District	Partners	Total
Reservoir Reserved Volume (<i>acre-feet, AF</i>)	35,000 AF	55,000 ² AF	50,000 AF	140,000 AF
Capital Cost	\$ 0.5 billion ²	\$ 1.1 billion ³	\$ 0.9 billion	\$ 2.5 billion
Capital Cost (<i>% of Total</i>)	20%	44%	36%	100%
Annual O&M Cost (<i>\$million/year, 2030</i>)	-	\$ 2.6 million/year	\$ 2.4 million/year	\$ 5.0 million/year

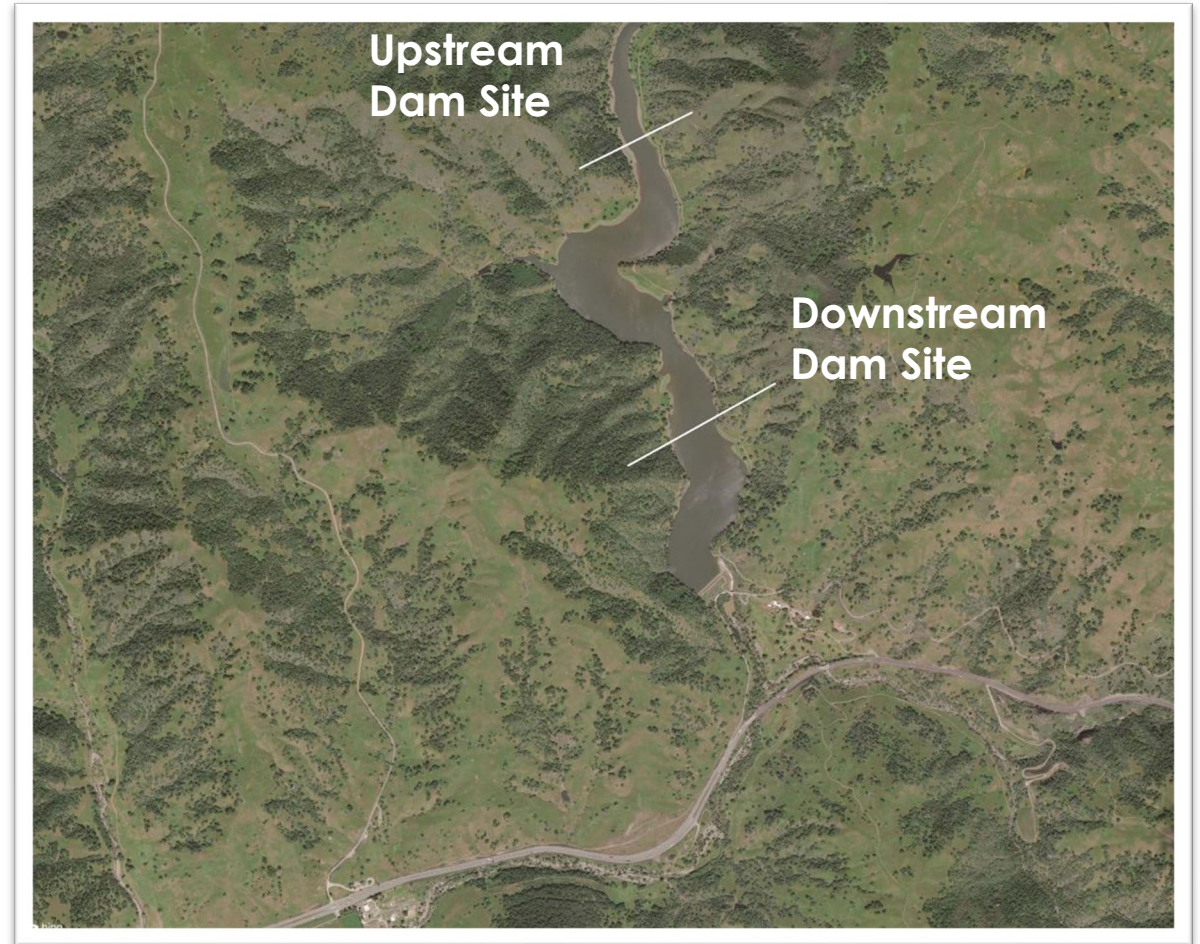
- 1 Water Storage Investment Program
- 2 Includes payment for emergency storage benefits (Valley Water)
- 3 Will increase if Partnership commitment is less than 50,000 acre-feet

valleywater.org

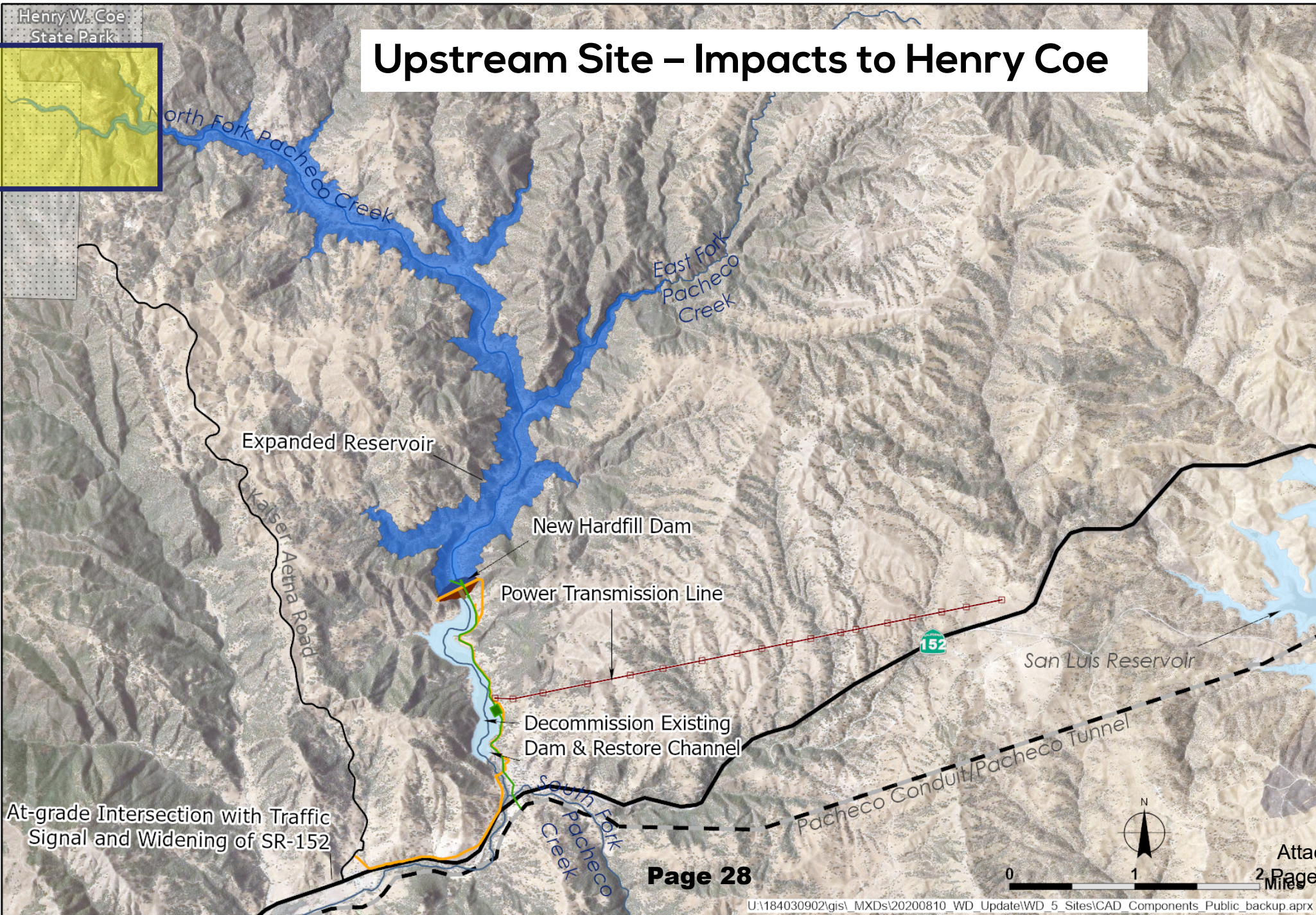
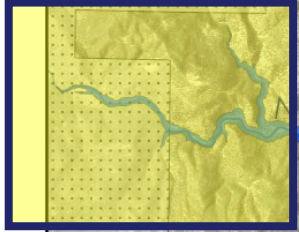
Potential Reduction to Construction Cost

Alternative dam site upstream

- Geotechnical investigations indicate more favorable conditions
- Reduced quantities due to topography (shorter dam)
- Longer conveyance pipeline, extended creek restoration



Upstream Site – Impacts to Henry Coe



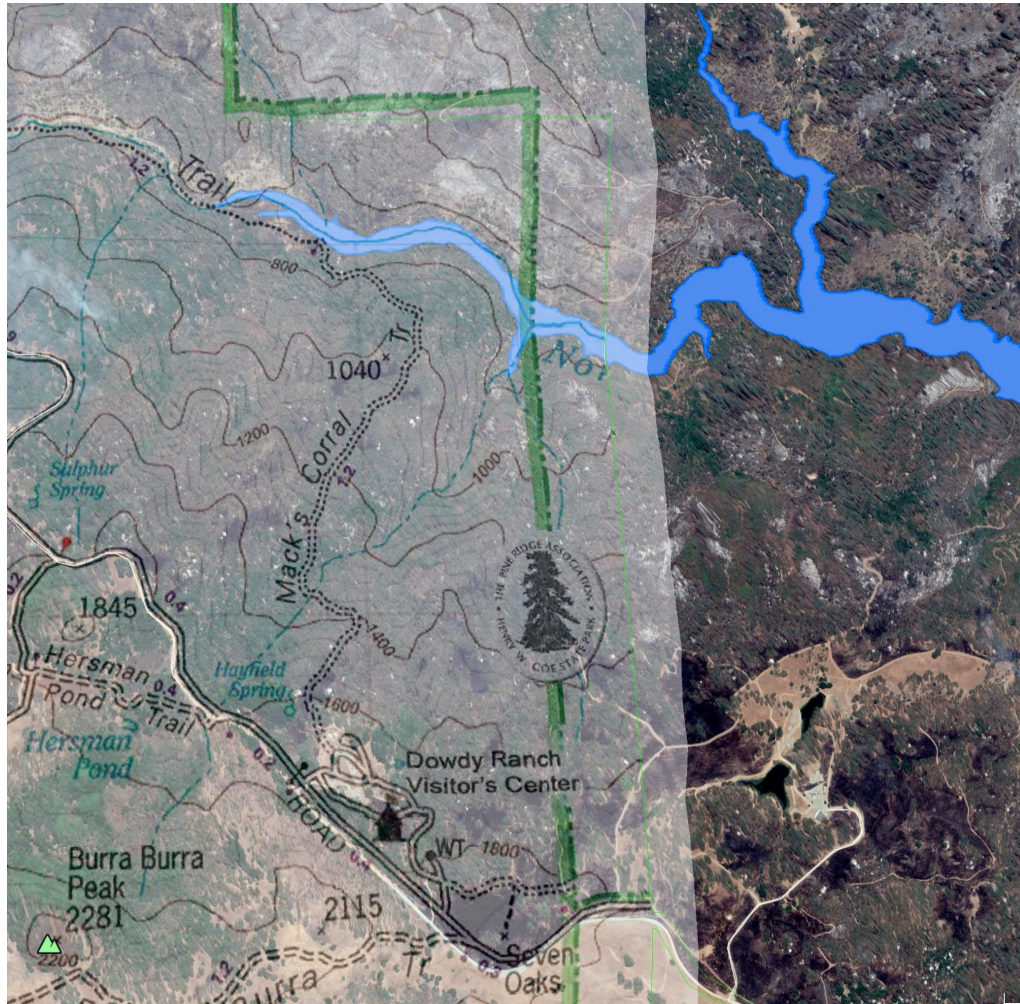
10

valleywater.org



Upstream Site – Impacts to Henry Coe

11



- Inundation of approx. 20-acres when reservoir is 100% full
- Coordinating w/ State Parks Director and local staff
- Researching land use restrictions in existing real estate documents and Public Resources Code

Summary of Necessary Right-of-Way

Type of Action For Parcels or Portions thereof to be acquired	2020 Parcels	2020 Estimated Costs	2025 Estimated Costs
in Fee	20	\$2,672,000	\$3,340,000
as Permanent Easement	3	\$98,000	\$122,500
in Fee and Permanent Easements	1	\$14,000	\$17,500
in Fee and Temporary Easements	7	\$3,427,000	\$4,283,750
in Fee, Permanent, and Temporary Easements	3	\$337,000	\$421,250
for new Powerline as Permanent Easements	TBD	TBD	\$600,000
for Mitigation Purposes	TBD	TBD	\$6,000,000
Total	34+	\$6,548,000	\$14,785,000

Right-of-Way – Potential Impacts

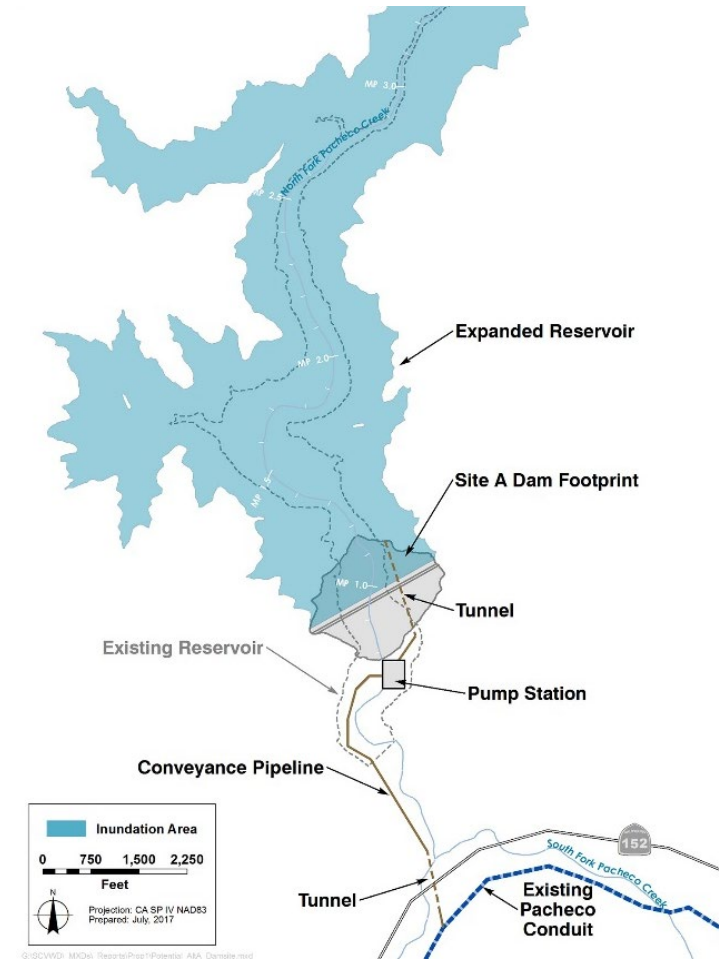
13

- After Final EIR Certification in 2023, property rights will need to be conveyed to Valley Water within 18 months
- Acquisitions with willing owners expected to take 6-12 months
- Non-willing owner acquisitions expected to take up to 18 months
- Acquisition delays (over 18 months) could push construction start and/or potentially jeopardize conditional WSIP award
- Construction delay impacts are estimated at \$14 million per year

Water Storage Investment Program (WSIP)

14

- Impacts and timing of potential withdrawal by June 2021
- Second solicitation screening by 10/22/21
- Draft EIR public release by 1/1/2022 to maintain current funding eligibility (\$497M)
- WSIP funds could be trapped in a legal limbo if they are allocated to a project that does not move forward



valleywater.org

Project Schedule

15



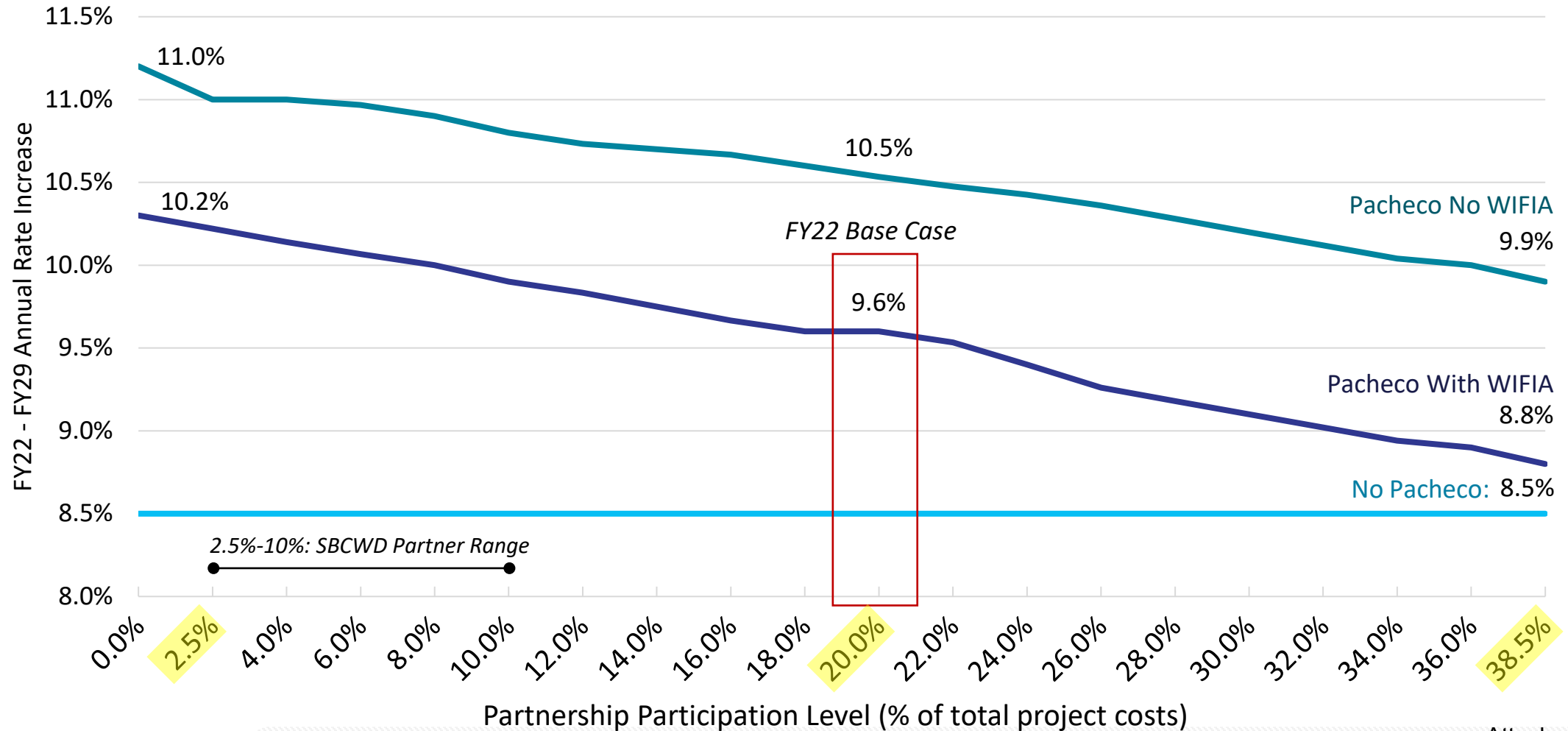
All years referenced on the dashed line are schedule estimates.

Discussion Summary

- Pacheco Reservoir Expansion is one of several WSIP projects moving forward with partnership Potential
- Additional WSIP funding may be available but is not a reliable source of funding for planning purposes. Many projects may “strand” WSIP funds in the coming year and a half.
- Capital cost of reservoir storage is between \$18K-\$20K/AF
- Ongoing discussions with State Parks regarding potential inundation of Henry Coe.
- 8-11% increase in water rates to account for Pacheco Reservoir Expansion Project

Conclusion - Water Rate Impact

FY22-FY29 Annual Rate Increase (Zone W-2 M&I)
 Pacheco Reservoir Expansion Project: Partnership Participation (%) & Scenario Comparison



This Page Intentionally Left Blank

TO: Water Storage Exploratory Committee
Gary Kremen, Chair, District 7
John Varela, District 1
Richard Santos, District 3

FROM: Chris Hakes, Deputy
Operating Officer, Dam
Safety & Capital Delivery
Division, and
Bart Broome, Assistant
Officer, Office of
Government Relations

SUBJECT: Distribution of Additional Proposition 1
Water Storage Investment Program Funding

DATE: April 5, 2021

During the Water Storage Exploratory Committee on 2/28/21 there were questions raised about the timing of withdrawal decisions by proponents of projects funded by the Proposition 1 Water Storage Investment Program (WSIP). As you know, the Pacheco Reservoir Expansion Project (Pacheco Project) has qualified for WSIP funding in the amount of \$496,663,750, which includes a recent 2.5% inflation adjustment. This memo discusses the law and regulations governing WSIP grant funding, what would happen to a project's WSIP funding should that project not proceed, and scenarios under which that funding may be redistributed.

Withdrawal of WSIP Funded Projects

Not All WSIP Funded Projects Will Meet Statutory Deadline

Under [California Water Code Section 79757](#), all WSIP funded projects must comply with the following by 1/1/22: 1) all feasibility studies are completed and draft environmental documentation is available for public review; 2) the California Water Commission (CWC) has made a finding that the project is feasible and will help restore the ecological health and improve water management for the beneficial uses of the Delta; and 3) the Director of the California Department of Water Resources has received commitments for not less than 75 percent of the nonpublic benefit cost share of the project. Any projects that cannot meet this deadline will become ineligible; and the WSIP funds allocated to the project will revert to the state. Last October, the Temperance Flat Reservoir Authority informed the CWC, the administrator of the WSIP program, that their project will not achieve the 75% non-state funding requirement by the statutory deadline, thereby reverting to the state the \$171 million allocated to the Temperance Flat Reservoir Project.

Screening for a Second WSIP Grant Solicitation

In the months following the Temperance Flat Reservoir Authority's announcement, the CWC voted to allocate \$46 million of the reverted funding to two groundwater recharge projects that were not funded to their full eligibility amount in the first round of allocations. The CWC also approved the allocation of \$61 million for a 2.5% inflation adjustment for all WSIP funded projects, including the Pacheco Project. Finally, the CWC has held in reserve \$64 million to be allocated to new projects through a screening process for which applications are due on 10/22/21. The CWC must make a finding, not later than its December 2021 meeting, as to which projects have met the requirements of the 1/1/22 deadline; however, a determination of a grant amount for new projects would come in 2022. If the CWC moves forward with additional regulations and a second solicitation, only projects successful in the screening process would be eligible to apply.

At this time, it is unclear if the CWC screening for a second solicitation will yield projects that can meet the tight 1/1/22 deadline for completing draft environmental documents, submitting a feasibility study, and securing 75% of non-state funding. Another factor for prospective applicants is the relatively small amount of funds available for additional grants, currently only \$64 million. Water storage projects typically have costs measured in the hundreds of millions of dollars. The CWC could decide to split the funds available among several projects, making the grants smaller for individual projects.

Impacts and Timing of Withdrawals

If Valley Water decided not to move forward with the Pacheco Project by May or June of 2021, the potential applicants for the second WSIP grant solicitation may be more motivated to apply because the total funds available would grow from \$64 million to \$560 million. A delay beyond June 2021 in deciding not to proceed with the Pacheco Project increases the chances that the CWC would be left with too few qualified projects to fully use the additional funds made available by the withdrawal of the Pacheco Project, perhaps leaving hundreds of millions unallocated and unspent because no project could meet the statutory deadlines. It also is possible other projects with WSIP funding may fail to meet the statutory requirements in the final months or weeks before the 1/1/22 deadline.

Statutory Changes Require Approval by the Voters

[Water Code Section 79760 \(a\)](#), enacted by Proposition 1, requires that any amendments to Chapter 8 relating to WSIP must first pass both houses of the Legislature with a 2/3 vote and then appear on the statewide ballot for approval by a majority of California voters. If a decision to not proceed with Pacheco left hundreds of millions in state bond authorization in a legal limbo, the most viable way to resolve the issue is to amend Proposition 1 through another bond measure that would go to the voters on a 2022 statewide ballot or later.

Statutory Changes Both an Uncertainty and a Threat

The only option for statutory change to the Water Code provisions of Proposition 1 is adding language to a future statewide bond measure. While this is technically possible, there are numerous interests that would want to consume the unused Proposition 1 funds into the purposes of the new bond, which may or may not include a new round of applications for water storage projects. While [Water Code Section 79750 \(b\)](#) currently prohibits the repurposing of WSIP funds, that could be changed by the voters in another bond measure. Additionally, the threat of the unused funds being consumed by a future bond for other purposes is real. Including water storage funding in a bond makes 2/3 vote passage in the Legislature more difficult. There are numerous interests competing to be included in a statewide bond and few issues are as politically challenging as funding for dam construction.

Could the Pacheco Project Qualify for Additional Funding in the Second Solicitation?

Pacheco's Maximum Conditional Eligibility Determination

Both the statutory language and CWC regulations require that state funds only be spent on public benefits as defined in the statute and that a maximum of 50% of project costs can be paid by the state. The public benefits of the Pacheco project were already determined by the CWC and a Maximum Conditional Eligibility Determination (MCED) has been assigned to Pacheco of \$496,663,750. That is the maximum amount of funding that can be provided to the Pacheco project pursuant to the statute and the regulations as they are in place today.

CWC Reconsideration of Pacheco's MCED

One question that comes to mind is if the CWC could reconsider the MCED for the Pacheco Project based on a higher project cost, a revised requested amount, and qualifying public benefits not previously considered by the CWC. It is our understanding that the emergency water supply and environmental benefits scored for the project were higher than needed to get to the 50% funding limit. Recreation also has not been considered as a public benefit of the Pacheco Project. If reconsideration happens, Pacheco also might qualify for dual designation in more than one funding category, namely a "reservoir reoperation project," in addition to its existing designation as a "surface storage project." Our review of the Proposition 1 statute (Attachment 1) found no reason why the CWC could not adopt new regulations that would allow for a reconsideration of the MCED based on updated project information, especially if that reconsideration were requested by the project applicant. However, currently there is just \$64 million in funds available, not enough to address the Pacheco Project's cost increase issue.

Could Anderson Dam Qualify in the Second Solicitation?

Public Benefits and Timely Environmental Documents

The WSIP funding requirements are based on the concept that the state is investing in public benefits as defined in Proposition 1. Those public benefits include ecosystem improvements, water quality improvements, flood control benefits, emergency response, and recreational purposes. WSIP funded projects also must provide measurable improvements to the Delta ecosystem or to a tributary to the Delta. Valley Water's Anderson Dam Seismic Retrofit Project (Anderson Project) could possibly yield some of the required public benefits, but those benefits need to be above and beyond the existing obligations. Anderson Reservoir is south of Delta storage and may need to commit to some benefit to the Delta (e.g., for refuges). Finally, based on the current projected

release in 2021 of draft environmental documents for the Anderson Project, meeting the WSIP statutory requirements needed by the 1/1/22 deadline is possible should Valley Water pursue it.

An additional consideration is that Anderson Dam and its operations are paid solely by water rate payers. If Valley Water wants to use the reservoir to provide additional benefits not related to water supply and groundwater management, then another monetary source must be used to pay for those benefits. A one-time WSIP grant that would pay for additional, non-water supply benefits such as environmental enhancements, recreation, or flood protection, may need an additional funding source for the operation and maintenance of those facilities.

No Guarantee of Funding

Whether the Anderson Project could qualify for WSIP funding will be an uncertainty until the CWC decides on the award of funding. However, staff recommends further investigation into this possibility, with or without the Pacheco Project proceeding.

Key Conclusions

Risks in Delaying Decision Not to Proceed

If Valley Water decides to not proceed with the Pacheco Project in the second half of the 2021 calendar year or later, there is a risk that hundreds of millions in Proposition 1 WSIP funds would be trapped in a legal limbo, with the CWC unable to expend the funds on any project. Even if the Pacheco Project proceeds, other WSIP funded projects may fail to meet the 1/1/22 deadline, possibly leaving the state with funds that cannot lawfully be spent. While this legal limbo can be resolved by another statewide bond measure, it unclear if such a resolution is politically or logistically viable.

\$64 Million Grant Program Not Enough for Pacheco

While the Pacheco Project might qualify for additional WSIP funding, the current available funding for additional grants is just \$64 million. While that amount or even less would be helpful, it is not enough to address the Pacheco Project's cost increases.

A WSIP Grant for Anderson Should be Explored

The Anderson Project may qualify for a lower dollar WSIP grant request that would fit into the current \$64 million second solicitation, or a higher dollar grant request under a scenario where Pacheco or another large WSIP funded project withdraws from the program. These options should be explored and developed for further consideration with an eye toward the 10/22/21 application deadline.



Deputy Operating Officer
Dam Safety & Capital Delivery Division



Assistant Officer
Office of Government Relations

Attachment 1: Chapter 8 of Proposition 1 Water Storage Investment Program Statute

cc: R. Callender, M. Richardson, R. Gibson, A. Baker, C. Hakes, R. McCarter, M. Ozbilgin

BB
(2021-03-12 Memo on Timing of WSIP Withdrawals - Final)



[Up^](#) [Add To My Favorites](#)

WATER CODE - WAT

DIVISION 26.7. Water Quality, Supply, and Infrastructure Improvement Act of 2014 [79700 - 79798] (*Division 26.7 added by Stats. 2014, Ch. 188, Sec. 8.*)

CHAPTER 8. Statewide Water System Operational Improvement and Drought Preparedness [79750 - 79760] (*Chapter 8 added by Stats. 2014, Ch. 188, Sec. 8.*)

79750. (a) Notwithstanding Section 162, the commission may make the determinations, findings, and recommendations required of it by this chapter independent of the views of the director. All final actions by the commission in implementing this chapter shall be taken by a majority of the members of the commission at a public meeting noticed and held pursuant to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

(b) Notwithstanding Section 13340 of the Government Code, the sum of two billion seven hundred million dollars (\$2,700,000,000) is hereby continuously appropriated from the fund, without regard to fiscal years, to the commission for public benefits associated with water storage projects that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions, in accordance with this chapter. **Funds authorized for, or made available to, the commission pursuant to this chapter shall be available and expended only for the purposes provided in this chapter, and shall not be subject to appropriation or transfer by the Legislature or the Governor for any other purpose.**

(c) Projects shall be selected by the commission through a competitive public process that ranks potential projects based on the expected return for public investment as measured by the magnitude of the public benefits provided, pursuant to criteria established under this chapter.

(d) Any project constructed with funds provided by this chapter shall be subject to Section 11590.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79751. Projects for which the public benefits are eligible for funding under this chapter consist of only the following:

(a) Surface storage projects identified in the CALFED Bay-Delta Program Record of Decision, dated August 28, 2000, except for projects prohibited by Chapter 1.4 (commencing with Section 5093.50) of Division 5 of the Public Resources Code.

(b) Groundwater storage projects and groundwater contamination prevention or remediation projects that provide water storage benefits.

(c) Conjunctive use and reservoir reoperation projects.

(d) Local and regional surface storage projects that improve the operation of water systems in the state and provide public benefits.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79752. A project shall not be funded pursuant to this chapter unless it provides measurable improvements to the Delta ecosystem or to the tributaries to the Delta.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79753. (a) Funds allocated pursuant to this chapter may be expended solely for the following public benefits associated with water storage projects:

(1) Ecosystem improvements, including changing the timing of water diversions, improvement in flow conditions, temperature, or other benefits that contribute to restoration of aquatic ecosystems and native fish and wildlife,

including those ecosystems and fish and wildlife in the Delta.

(2) Water quality improvements in the Delta, or in other river systems, that provide significant public trust resources, or that clean up and restore groundwater resources.

(3) Flood control benefits, including, but not limited to, increases in flood reservation space in existing reservoirs by exchange for existing or increased water storage capacity in response to the effects of changing hydrology and decreasing snow pack on California's water and flood management system.

(4) Emergency response, including, but not limited to, securing emergency water supplies and flows for dilution and salinity repulsion following a natural disaster or act of terrorism.

(5) Recreational purposes, including, but not limited to, those recreational pursuits generally associated with the outdoors.

(b) Funds shall not be expended pursuant to this chapter for the costs of environmental mitigation measures or compliance obligations except for those associated with providing the public benefits as described in this section.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79754. In consultation with the Department of Fish and Wildlife, the state board, and the Department of Water Resources, the commission shall develop and adopt, by regulation, methods for quantification and management of public benefits described in Section 79753 by December 15, 2016. The regulations shall include the priorities and relative environmental value of ecosystem benefits as provided by the Department of Fish and Wildlife and the priorities and relative environmental value of water quality benefits as provided by the state board.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79755. (a) Except as provided in subdivision (c), no funds allocated pursuant to this chapter may be allocated for a project before December 15, 2016, and until the commission approves the project based on the commission's determination that all of the following have occurred:

(1) The commission has adopted the regulations specified in Section 79754 and specifically quantified and made public the cost of the public benefits associated with the project.

(2) The project applicant has entered into a contract with each party that will derive benefits, other than public benefits, as defined in Section 79753, from the project that ensures the party will pay its share of the total costs of the project. The benefits available to a party shall be consistent with that party's share of total project costs.

(3) The project applicant has entered into a contract with each public agency identified in Section 79754 that administers the public benefits, after that agency makes a finding that the public benefits of the project for which that agency is responsible meet all the requirements of this chapter, to ensure that the public contribution of funds pursuant to this chapter achieves the public benefits identified for the project.

(4) The commission has held a public hearing for the purposes of providing an opportunity for the public to review and comment on the information required to be prepared pursuant to this subdivision.

(5) All of the following additional conditions are met:

(A) Feasibility studies have been completed.

(B) The commission has found and determined that the project is feasible, is consistent with all applicable laws and regulations, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta.

(C) All environmental documentation associated with the project has been completed, and all other federal, state, and local approvals, certifications, and agreements required to be completed have been obtained.

(b) The commission shall submit to the Legislature its findings for each of the criteria identified in subdivision (a) for a project funded pursuant to this chapter.

(c) Notwithstanding subdivision (a), funds may be made available under this chapter for the completion of environmental documentation and permitting of a project.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79756. (a) The public benefit cost share of a project funded pursuant to this chapter, other than a project described in subdivision (c) of Section 79751, shall not exceed 50 percent of the total costs of any project funded under this chapter.

(b) No project may be funded unless it provides ecosystem improvements as described in paragraph (1) of subdivision (a) of Section 79753 that are at least 50 percent of total public benefits of the project funded under this

chapter.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79757. (a) A project is not eligible for funding under this chapter unless, by January 1, 2022, all of the following conditions are met:

(1) All feasibility studies are complete and draft environmental documentation is available for public review.

(2) The commission makes a finding that the project is feasible, and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta.

(3) The director receives commitments for not less than 75 percent of the nonpublic benefit cost share of the project.

(b) If compliance with subdivision (a) is delayed by litigation or failure to promulgate regulations, the date in subdivision (a) shall be extended by the commission for a time period that is equal to the time period of the delay, and funding under this chapter that has been dedicated to the project shall be encumbered until the time at which the litigation is completed or the regulations have been promulgated.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79758. Surface storage projects funded pursuant to this chapter and described in subdivision (a) of Section 79751 may be made a unit of the Central Valley Project as provided in Section 11290 and may be financed, acquired, constructed, operated, and maintained pursuant to Part 3 (commencing with Section 11100) of Division 6.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79759. (a) The funds allocated for the design, acquisition, and construction of surface storage projects identified in the CALFED Bay-Delta Record of Decision, dated August 28, 2000, pursuant to this chapter may be provided for those purposes to local joint powers authorities formed by irrigation districts and other local water districts and local governments within the applicable hydrologic region to design, acquire, and construct those projects.

(b) The joint powers authorities described in subdivision (a) may include in their membership governmental partners that are not located within their respective hydrologic regions in financing the surface storage projects, including, as appropriate, cost share participation or equity participation. Notwithstanding Section 6525 of the Government Code, the joint powers agencies described in subdivision (a) shall not include in their membership any for-profit corporation or any mutual water company whose shareholders and members include a for-profit corporation or any other private entity. The department shall be an ex officio member of each joint powers authority subject to this section, but the department shall not control the governance, management, or operation of the surface water storage projects.

(c) A joint powers authority subject to this section shall own, govern, manage, and operate a surface water storage project, subject to the requirement that the ownership, governance, management, and operation of the surface water storage project shall advance the purposes set forth in this chapter.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

79760. (a) In approving the Water Quality, Supply, and Infrastructure Improvement Act of 2014, the people were informed and hereby declare that the provisions of this chapter are necessary, integral, and essential to meeting the single object or work of the Water Quality, Supply, and Infrastructure Improvement Act of 2014. As such, any amendment of the provisions of this chapter by the Legislature without voter approval would frustrate the scheme and design that induced voter approval of this act. **The people therefore find and declare that any amendment of the provisions of this chapter by the Legislature shall require an affirmative vote of two-thirds of the membership in each house of the Legislature and voter approval.**

(b) This section shall not govern or be used as authority for determining whether the amendment of any other provision of this act not contained in this chapter would constitute a substantial change in the scheme and design of this act requiring voter approval.

(Added by Stats. 2014, Ch. 188, Sec. 8. (AB 1471) Approved in Proposition 1 at the November 4, 2014, election.)

PACHECO RESERVOIR EXPANSION PROJECT

Diversify Your Investment Portfolio with a

Unique Partnership Opportunity



The Pacheco Reservoir Expansion Project is a strategic and long-term investment toward ensuring a more reliable supply of safe, clean drinking water in the face of climate change. A collaboration between Valley Water, the San Benito County Water District and the Pacheco Pass Water District, the proposed expansion would boost Pacheco Reservoir’s operational capacity from 5,500 acre-feet to up to 140,000 acre-feet.

Valley Water is interested in partnering with other agencies on this strategic, multi-benefit project. Partners could receive rights to use up to 50,000-acre feet of storage in the expanded Pacheco Reservoir, located in Santa Clara County, about eight miles from San Luis Reservoir. Partners will have rights to utilize all their designated storage capacity for the benefit of their customers/landowners.



Clean Water • Healthy Environment • Flood Protection



**San Benito County
Water District**

Page 43

PPWD Pacheco Pass
Water District

Attachment 3

Page 1 of 4

About the Reservoir

Located on the lower end of North Fork Pacheco Creek, the expanded reservoir project includes the construction of a dam upstream of the existing dam, a pump station, a pipeline and other supporting infrastructure. The expanded reservoir would be filled by a combination of rainfall, runoff from the watershed upstream of the new dam, and imported water supplies.

Water released from the reservoir will help threatened fish by keeping Pacheco Creek flowing, before seeping into the underlying groundwater aquifer as it winds to the Pajaro River.

The aquifer fed by Pacheco Reservoir begins at its northern tip in Santa Clara County and extends south into San Benito County. Agricultural users served by the Pacheco Pass and San Benito County water districts pump water from this aquifer.



Northern view of the Pacheco Reservoir from the North Fork Dam.

Project Benefits



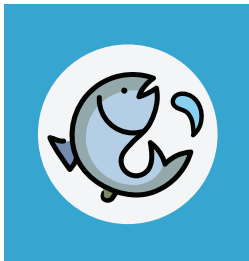
Ensuring a more reliable supply of safe, clean drinking water

Climate change is a global reality, and droughts are predicted to be more extreme in the future. The most recent drought in California lasted five years, and prompted a significant reduction of water storage in reservoirs across the state. By investing in the Pacheco Reservoir now, our region will be better prepared with a reliable supply of safe, clean water in the face of extreme droughts and emergencies. The enlarged reservoir will capture runoff from the North Fork Pacheco Creek watershed, but most importantly provide storage for some of Valley Water's and San Benito County Water District's imported water supply. That water is fed from the San Luis Reservoir, which lies to the east along Highway 152.



Providing an emergency supply of safe, clean drinking water

Droughts are not the only events that could negatively impact our region's water supply. Two-thirds of California's water originates in the Sierra Nevada as snowpack and eventually flows through the Delta. Earthquake damage to Delta levees could cause significant supply interruptions and future climate change may increase the variability of supply. By expanding Pacheco Reservoir, Valley Water and its partners could use the expanded Pacheco Reservoir to supply water in an emergency.



Improving habitat for fish

With the expanded reservoir, managed water flows from it into Pacheco Creek would increase the quality of fish habitat downstream. Water released into the creek will be the rainfall and watershed runoff captured in the reservoir. It would provide suitable flow and water temperatures to Pacheco Creek and improve approximately 10 miles of habitat to support the migration and survival of the South-Central California Coast Steelhead. The project will also commit water supplies for wildlife refuges in Central California.



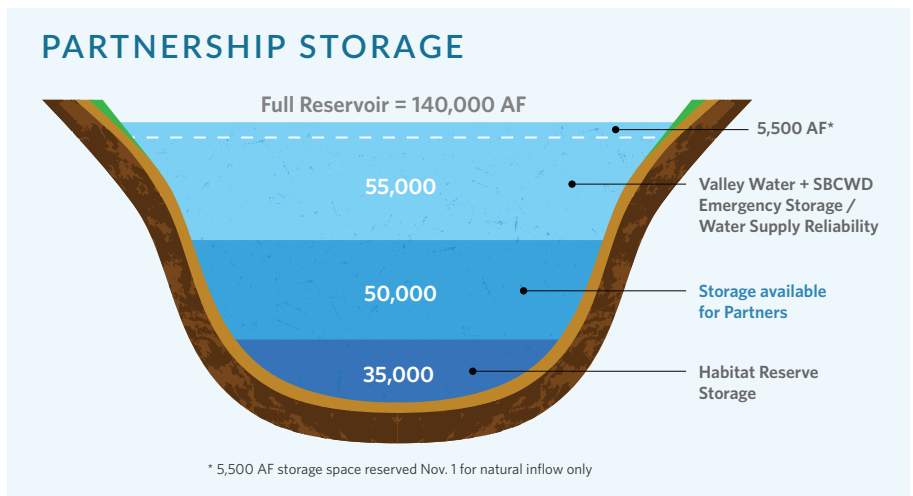
Flood risk reduction

The expanded Pacheco Reservoir will incidentally reduce flood risk along Pacheco Creek and downstream Pajaro River by holding back peak flows, offering some relief to communities in Dunneville, Watsonville and Pajaro.

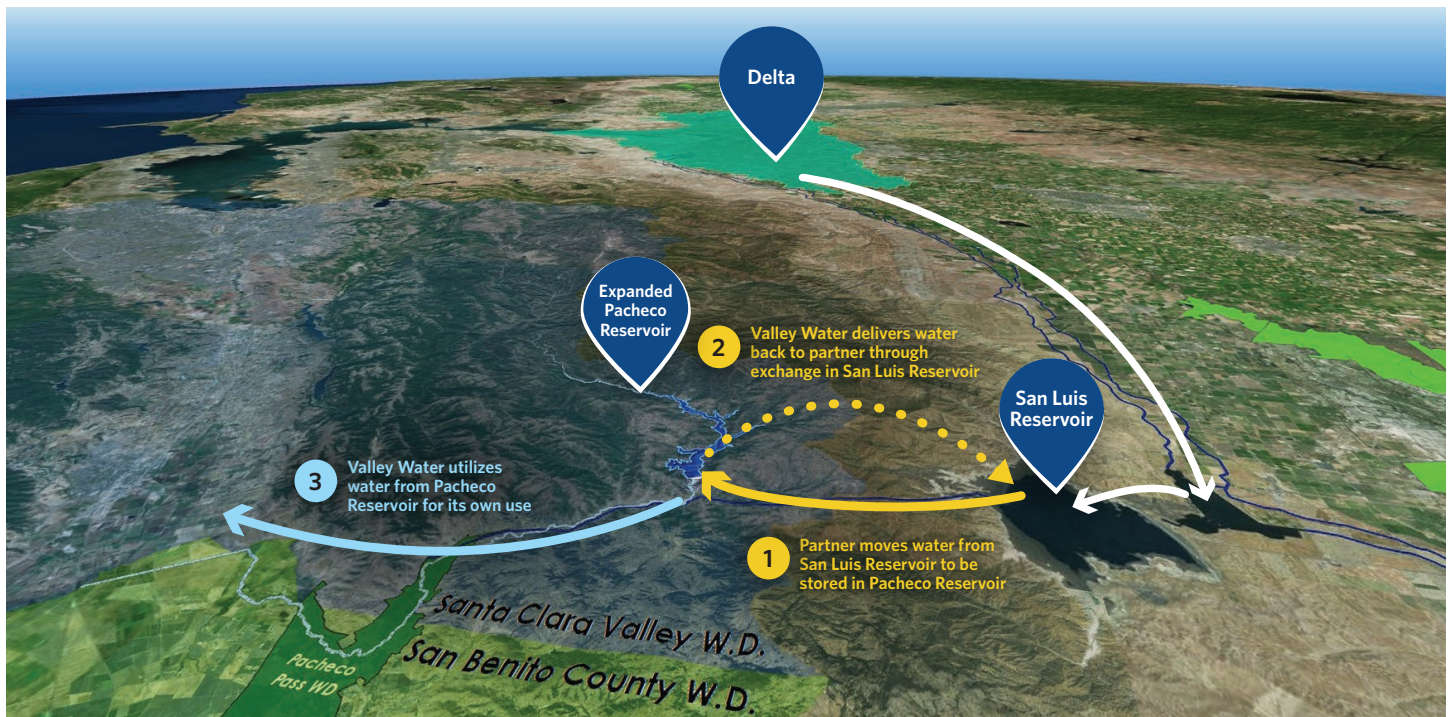
Project Operation for Partners

The San Benito County Water District (SBCWD) is an existing partner with an allocation of up to 10% of the reservoir capacity. The Pacheco Pass Water District is also an existing partner with the rights to receive storage consistent with its water rights.

New project partners will have the opportunity to fully utilize their dedicated share of up to 50,000 acre-feet (AF) of storage capacity. The primary path for a partner agency to place water in the expanded Pacheco Reservoir will be through San Luis Reservoir. For example, water from a project partner may be placed in Pacheco Reservoir directly or by exchange with Valley Water, and this water may later be withdrawn from the reservoir by exchange. The map below illustrates a mode of conveyance and exchange. More specific examples are described as follows.



PROJECT OPERATIONS



All modes of conveyance and exchange will require discussion and approvals of other agencies including potentially the Bureau of Reclamation and or the Department of Water Resources:

- Partners will have rights to utilize all their designated storage capacity for the benefit of their customers/landowners.
- Since the flow of imported water into Pacheco Reservoir is always via the Federal/State San Luis Reservoir, partners may source their inbound water by exchange with Valley Water.
- Partners who are Central Valley Project (CVP) or State Water Project (SWP) contractors would receive in future years, by exchange, a portion of Valley Water's CVP/SWP allocations.

- Bay Area Regional partners may bring in their source water via San Luis Reservoir, involving use of federal/state facilities, and pumped into Pacheco Reservoir. In this case, partner arrangements for wheeling their inbound water would be made with the Bureau of Reclamation, (potentially) the California Department of Water Resources, and Valley Water. Partnership withdrawals of water would be facilitated by Valley Water and wheeled through the San Felipe pipeline and Valley Water's pipelines for delivery to their system or may be exchanged for Valley Water's CVP or SWP water.
- Alternatively, Bay Area regional partners may explore with Valley Water other ways of exchanging water involving Pacheco Reservoir storage.

PARTNERSHIP COST

	Environmental Reserve (WSIP) ¹	Valley Water and San Benito County Water District	Partners	Total
Reservoir Reserved Volume (<i>acre-feet, AF</i>)	35,000 AF	55,000 ² AF	50,000 AF	140,000 AF
Capital Cost	\$ 0.5 billion ²	\$ 1.1 billion ³	\$ 0.9 billion	\$ 2.5 billion
Capital Cost (% of Total)	20%	44%	36%	100%
Annual O&M Cost⁴ (\$million/year, 2030)	-	\$ 2.6 million/year	\$ 2.4 million/year	\$ 5.0 million/year

- 1 Water Storage Investment Program
- 2 Includes payment for emergency storage benefits (Valley Water).
- 3 Will increase if Partnership commitment is less than 50,000 acre-feet.
- 4 Transfer costs and evaporation losses are not included in this estimate.

Project Funding

Valley Water, the Pacheco Pass Water District and the San Benito County Water District collaborated to secure \$496.65 million in funding from California’s Proposition 1 Water Quality, Supply and Infrastructure Improvement Act of 2014. The Act, passed by California voters, provides for \$7.5 billion in general obligation bonds, including \$2.7 billion for investments in surface and groundwater storage projects. The Prop 1 funding was conditionally approved in July 2018.

The current estimated cost of the project is \$2.5 billion. Valley Water will make up to 50,000 acre-feet of storage space in the reservoir available to its partners at an equivalent cost participation level. For example, a project partner could secure 50,000 acre-feet, or 36% of the total storage, at 36% of the project cost consistent with the table above.

Project Timeline

Valley Water is continuing to conduct investigations and surveys to design and evaluate feasibility and potential environmental impacts. Construction is anticipated to begin in 2025. Preliminary estimates indicate construction of the Pacheco Reservoir Expansion Project will take at least five years.



Contact Us

To get more information about this partnership opportunity, contact **Chris Hakes**, Deputy Operating Officer of Valley Water’s Dam Safety & Capital Delivery Division at chakes@valleywater.org or at (408) 630-3796.

Funding Options – Pacheco Reservoir Expansion Project

	Description	Amount	Time to Development	Risk Level (likelihood of securing the funding)	Status
1	Water rates & charges (pay-go and bond financing)	Subject to Board approval (max ~11% rate increase if no WIFIA or other external funding except for 2.5% SBCWD portion)	Annual board approval process	Medium – rate affordability issues	Annual rate setting process
2	WSIP/Prop1 Grant (1st round)	Maximum Conditional Eligibility Decision (MCED) funding level \$497M	1 – 2 years	Low for the initial MCED allocation	Legislative timing/risk of funding becoming unavailable if California Water Commission (CWC) is unable to reallocate to other projects by Oct 2021; statutory deadline to complete feasibility study & draft EIR to maintain MCED allocation (\$497M)
3	WSIP/Prop1 Grant (2nd round)	~\$64M in additional grant amounts may be available via 2nd solicitation in 2021	1 – 2 years	High – competitive process to reallocate additional funding due to project withdrawals	Legislative timing/risk of funding becoming unavailable if CWC is unable to reallocate to other projects by Oct 2021
4	WIFIA loan	49% of project costs (~\$1B)	1 – 3 years	Medium – competitive process	Waitlist from 2020 NOFA; possible resubmittal of LOI in Spring 2021 (EPA)
5	San Felipe Facilities Expansion – USBR co-operative agreement	Potential for up to \$250M to build pump station and conveyance related to San Felipe	1 – 3 years	Medium – pending Reclamation project development/timing	May be structured similar to the Pacheco pump station project
6	General Obligation (GO) Bonds	TBD – 2/3 voter approval required	1 – 4 years	High	Require District Act amendment to allow GO Bonds and 2/3 voter approval to levy ad valorem tax
7	FEMA Hazard Mitigation grant	Up to 75%; competitive proposal process; federal funding limit of 80% applies	1 – 3 years	Medium – competitive process	Staff is researching eligibility with CalOES/EPA; funding timing depending on declaration of natural disaster (e.g. drought, flood protection, etc.)
8	Building Resilient Infrastructure and Communities (BRIC) grant (FEMA)	Grant may fund up to 75% of project cost; competitive proposal process; federal funding limit of 80% applies	1 – 3 years	Medium – competitive process	Next funding application ~Sept. – Dec. 2021; grant proceeds for each phase of project must be expended within 3 years of funding. BRIC offers up to \$600,000 in State competitions and up to \$50 million in National competitions. Federal funding is 75% of eligible project costs. More research needed for process/eligibility.
9	USBR WaterSMART grant	To be researched	1 – 2 years	Medium – competitive process	Next funding application for grants of up to 50% of project costs, capped at \$400,000 per project for water storage marketing in April 2021; more research needed for this and other similar future grant opportunities; most likely will be an annual application process
10	DWR grant	Flood risk protection grant \$25M statewide	1 – 2 years	Medium – competitive process	Next funding application in summer 2021; more research needed for eligibility/amount; may be an annual application process
11	Other Federal/State grant	TBD – SLLPIP funding/USBR partnership or other federal infrastructure investments pending congressional actions. Advocate for statewide bond measure to fund dam/reservoir projects	1 – 5 years	High – uncertainties associated with congressional legislation; competitive allocation; budget appropriation	Office of Government Relations to identify additional funding opportunities
12	Public agency participation	Depends on participation level and affordability	1 – 2 years	Medium – competing against other storage options	Staff are researching value of emergency water supply
13	Corporate sponsorship/grants	TBD	1 – 3 years	High	Funding amount/eligibility uncertain; research/outreach required to corporate philanthropy department; researching top taxpayer/employers within county such as Google, Stanford, Apple, Adobe, Sobrato, Cisco, etc.
14	Private investment (P3)	Depends on participation level	2 – 4 years	High – legal limitation (private use & life safety liability)	3/2/21 call with Jill Jamieson: DBF/DBFM possible; recommend RFI to test market interest; life safety/public entity legal immunity risk may preclude P3 O&M contract

This Page Intentionally Left Blank



MEMORANDUM

FC 14 (08-21-19)

TO: Christopher Hakes
Deputy Operating Officer, Dam Safety & Capital
Delivery Division

FROM: Eli Serrano
Unit Manager, Real Estate
Services Unit

SUBJECT: Pacheco Reservoir Expansion Project –
Right-of-Way Acquisition Process

DATE: March 22, 2021

The purpose of this memorandum is to identify right-of-way transactions necessary in the next one-to-five years that have the potential to impact the overall cost or schedule for the Pacheco Reservoir Expansion Project (PREP).

Potential Real Estate Acquisition Costs

The following table shows a preliminary estimate of the number of parcels Valley Water needs to acquire under each property right category (as of 2020), and the expected increase in estimated costs of the transactions over a 5-year acquisition timeline.

Type of Action	2020 Parcels	2020 Estimated Costs	2025 Estimated Costs
Parcels or Portions thereof to Be Acquired in Fee	20	\$2,672,000	\$3,340,000
Parcels or Portions thereof to Be Acquired as Permanent Easement	3	\$98,000	\$122,500
Parcels or Portions thereof to Be Acquired in Fee and Permanent Easements	1	\$14,000	\$17,500
Parcels or Portions thereof to Be Acquired in Fee and Temporary Easements	7	\$3,427,000	\$4,283,750
Parcels or Portions thereof to Be Acquired in Fee, Permanent, and Temporary Easements	3	\$337,000	\$421,250
Parcels to be acquired for new Powerline as Permanent Easements	TBD	TBD	\$600,000
Parcels to be acquired for Mitigation Purposes	TBD	TBD	\$6,000,000
Total	34+	\$6,548,000	\$14,785,000

Methods for Property Acquisition

Property Acquisition Prior to Environmental Impact Report (EIR) Completion

Prior to EIR completion and certification, and if property owners are willing, Valley Water can attempt to utilize an "option to purchase agreement" (option agreement) to expedite gaining control of certain properties. An option agreement is a legally binding contract that allows a prospective buyer to enter into an agreement with a seller, in which the buyer is given the exclusive option to purchase the property for a period of time and for a certain price. An option agreement offers the benefit of initiating a positive relationship with the property owner, while securing Valley Water a placeholder for its required property rights. They can also be used for potential mitigation sites.

The option agreement would establish annual payments to the property owner to hold the property for Valley Water until it is able to obtain a certified EIR and acquire the needed property rights. Annual payments are typically 8% - 10% of fair market value (FMV) of the parcel and are *non-refundable* if Valley Water decides not to exercise the option. Current FMV for the Pacheco Pass area is \$1,600 - \$2,000 per acre.

Property Acquisition Post-EIR Completion

After EIR completion and certification, Valley Water will use conventional methods to acquire property rights; e.g. FMV appraisals with right of way contracts and negotiated settlements pending approval by the Valley Water Board of Directors (Board). Valley Water's current success rate to secure property rights with willing owners and conventional methods is approximately 80% - 90%. The remaining 10% - 20% represents potentially non-willing owners.

With willing owners, the projected FMV for property rights given a 5-year acquisition timeline is based on the following variables: 1) a 5% per year increase in value, 2) variations between initial offers and final sale prices based on historical Valley Water acquisition data, 3) final right of way costs to be determined once the final design and footprint is established, and 4) recent FMV appraisals.

Historical data suggests that for PREP, 35% - 40% of the real estate transactions will close at a price higher than the original offer. And the final sales/settlement price will be on average 15% - 20% higher than Valley Water's original acquisition offer.

Non-Willing Owners

For the anticipated 10% - 20% of non-willing owners, Valley Water staff and consultants will engage in extra efforts to try to reach mutually agreeable solutions. Staff will assemble a task team to engage individual property owners and make a diligent effort to resolve outstanding issues. The task team's methods will include 1) proposing that the owner secure their own appraisal, 2) proposing a possession and use agreement until compensation can be resolved, 3) proposing neutral party mediation, 4) securing closed session Board negotiation parameters and settlement dollar increments, and 5) proposing Valley Water legal discussions with the owner's legal representation.

It is anticipated that a limited number of property owners may continue to be non-willing after the extra effort to reach a mutually agreeable solution. If owners are not willing to grant property rights, the Board would have a last resort option to use the power of eminent domain to secure the necessary property rights. If litigation is required to obtain possession, legal costs are estimated to be \$30,000 - \$100,000 per case depending upon how heavily litigated the case is (e.g., number of expert witnesses, volume of discovery, etc.) and whether any judgment is appealed. Barring any court scheduling delays due to the COVID-19 pandemic, approximately **seven months' time** will be needed from the time Valley Water is required to serve the property owner with notice that it intends to adopt a Resolution of Necessity to the time Valley Water is able to take possession following the court's issuance of an order of prejudgment possession and Valley Water's service of notice of this order. The full trial on the matter, including any challenge to Valley Water's right to take and the amount of valuation, would come later.

Key Conclusions

Based on the expected number of real property acquisitions for the Pacheco Reservoir Expansion Project, it is anticipated that there will be willing and non-willing property owners. The willing owners are expected to be in the high 80% - 90% range with non-willing owners in the low 10% - 20% range. In the event of a limited number of owners that may continue to be non-willing, the Board will always have the last resort option to pursue a legal solution to obtain possession of the required property rights needed for the project.

Currently, the Project schedule needs the necessary real estate transactions complete and certified by the end of 2024 to start construction in early 2025. If the project is unable to secure and certify all necessary property rights as proposed, a one-year delay would drive the total cost of the project up \$14

million and a two-year delay would result in an increase over \$25 million. In addition, cost of financing and other factors would also contribute to increased cost impacts.

DocuSigned by:

Eli Serrano

3630691A3941438...

Eli Serrano, SR/WA
Real Estate Services Unit Manager

cc: M. Richardson, A. Baker, R. Blank, B. Hopper

ES
(Right of Way Analysis Memorandum)



Santa Clara Valley Water District

File No.: 21-0369

Agenda Date: 4/5/2021
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM

Water Storage Exploratory Committee

SUBJECT:

Sargent Ranch Discussion.

RECOMMENDATION:

Discuss Sargent Ranch as a potential site for use as an environmental mitigation for Valley Water projects. This is an information-only item and no action is required.

SUMMARY:

Discuss Sargent Ranch a potential site for use as an environmental mitigation for Valley Water projects.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

John Bourgeois, 408-630-2990

This Page Intentionally Left Blank