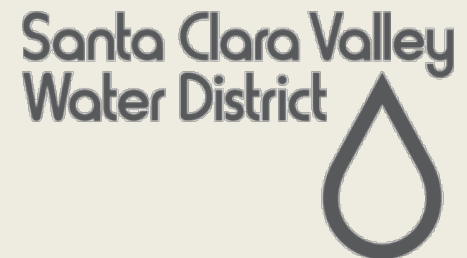




# Pacheco and Anderson Reservoir Expansion, Proposition 1 Funding Application, and Single Source Consultant Agreement

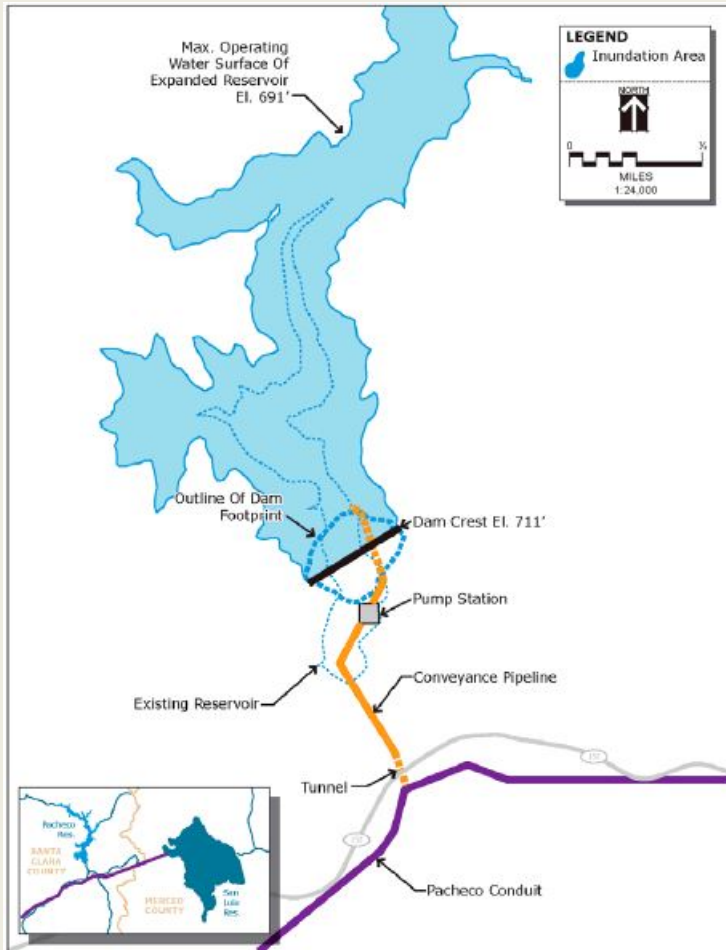
January 31, 2017



# Recommendation

- ❖ Receive information on and discuss expanding Pacheco/Anderson Reservoirs.
- ❖ Discuss merits of preparing a Prop 1 funding application.
- ❖ Do not proceed with Prop 1 application for Anderson Reservoir expansion at this time; doing so would likely delay the seismic retrofit project.
- ❖ Authorize the Interim CEO to negotiate and execute a single source consultant agreement for up to \$900,000 to prepare a Prop 1 funding application for Pacheco Reservoir.

# Reservoirs may be eligible for Prop 1 funding



Expand Pacheco Reservoir from  
6 TAF to 130 TAF



Expand Anderson Reservoir from  
90 TAF to 190 TAF

Expansion of Anderson or Pacheco Reservoirs could offer:

- ❖ Drought year supply
- ❖ Improved water quality
- ❖ Increased operational flexibility
- ❖ Local and Delta ecosystem enhancement
- ❖ Emergency supply
- ❖ Flood protection

# Challenges and Issues

- ❖ **High capital cost:** 130 TAF Pacheco Reservoir at roughly \$800 million; 190 TAF Anderson Reservoir at roughly \$1.5 billion.
- ❖ **Proposition 1 funding criteria:** Expected benefits must exceed expected costs; ecosystem improvements must provide for at least half of funding.
- ❖ **Partners:** Pacheco Pass Water District (owns Pacheco Reservoir); San Benito County Water District (potential partner); possibly others.
- ❖ **Seismic retrofit activities:** Enlarging Anderson Reservoir may impact ongoing seismic retrofit activities.
- ❖ **Water Master Plan update:** Staff is still analyzing a range of projects in the 2017 Water Supply Master Plan update.
- ❖ **Limited time:** Prop 1 applications due June 30, 2017.

- ❖ \$2.7 Billion available in the Water Storage Investment Program (WSIP)
- ❖ Sites, Los Vaqueros Expansion, and Temperance Flat project costs: \$8 Billion; most likely no more than 25% funding for these projects
- ❖ Possibly a dozen or more total number of applicants.
- ❖ Given number and size of applicants, it may be prudent to assume District could receive less than a 20% funding level, or roughly \$160 Million.

# Prop 1 funding – general limitations

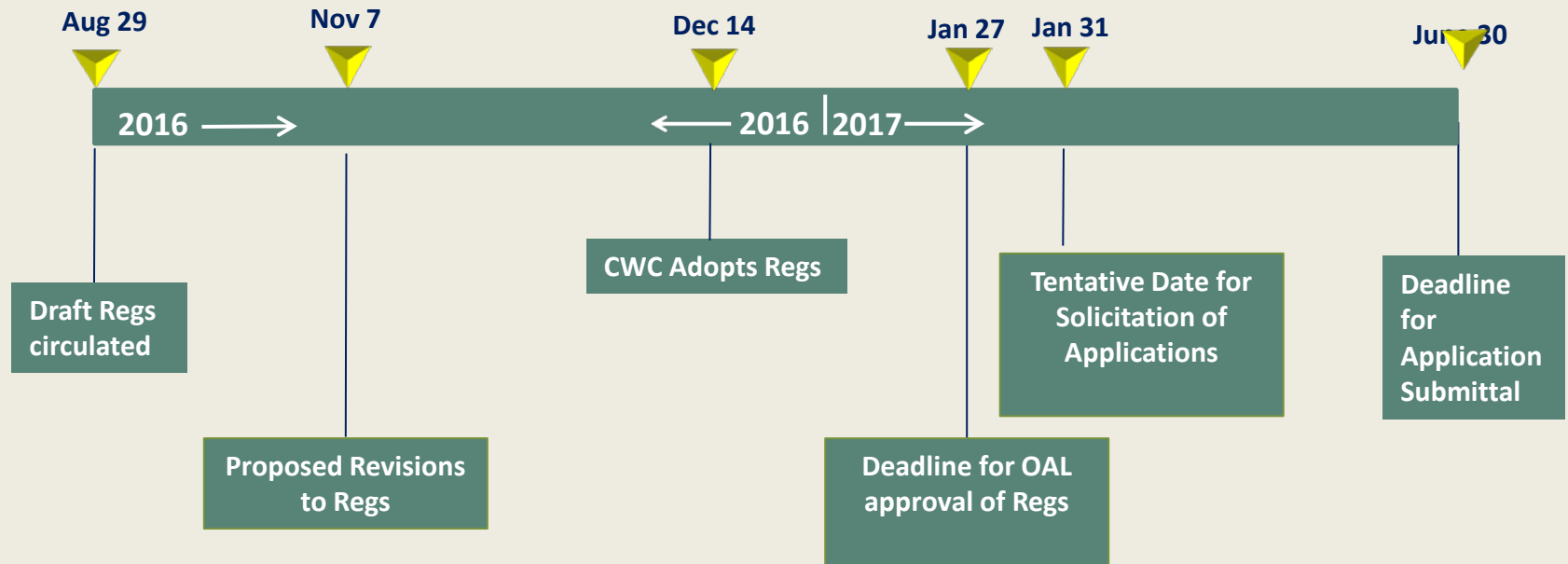
- ❖ Balance of water supply and ecosystem benefits driven by Prop 1 funding.
- ❖ District must enter into a contract with each appropriate State agency to administer public benefits of the project that includes:
  - ❖ Adaptive management plan required with trigger levels that initiate adaptive management actions
  - ❖ State agency decision making process
  - ❖ Funding sources and financial commitments for adaptive management
  - ❖ Reporting requirements
  - ❖ Assurances determined by State agency and District regarding operation and O&M.

# Extensive Prop 1 application requirements

- ❖ Public Benefits quantified through multiple models for with and without project conditions
- ❖ Benefits monetized for each public benefit category
- ❖ Allocation of benefits for each stakeholder
- ❖ Adaptive management and monitoring plan for public benefits
- ❖ Environmental documentation
- ❖ Preliminary operations plan
- ❖ Permit inventory and list of agency agreements
- ❖ Cost estimate
- ❖ Environmental mitigation and compliance obligations
- ❖ Project schedule
- ❖ Ecosystem and water quality priority worksheets (80 pages)



# Proposition 1 application timeline



As of Dec 29, 2016. Schedule is subject to change.

# Preparation of Prop 1 application requires consultant support

Pursue an single source agreement with a consultant for up to \$900,000 to prepare and submit Prop 1 application

- ❖ Consultant secured in roughly 1 month.
- ❖ Of six consultants considered, MWH best satisfies District's criteria to prepare Prop 1 application
- ❖ Negotiate with MWH for a single source contract. If negotiations are not successful, negotiate with next highest ranked consultant.
- ❖ If at any time it is determined project is not feasible or desirable, or if a timely support resolution cannot be obtained from Pacheco Pass Water District, stop consultant work.
- ❖ Funding to be provided by non rate-related revenue sources

- ❖ Do not proceed with studies or Prop 1 funding to expand Anderson Reservoir at this time.
- ❖ Authorize the Interim CEO to negotiate and execute a single source agreement with a consultant for up to \$900,000 to prepare a Prop 1 funding application for Pacheco Reservoir.