



MEMORANDUM

FC 14 (01-02-07)

TO: Board of Directors
FROM: Water Storage Exploratory Committee
SUBJECT: Water Storage Exploratory Committee Meeting
Summary for April 5, 2021
DATE: April 27, 2021

This memorandum summarizes agenda items from the special meeting of the Water Storage Exploratory Committee held on April 5, 2021.

Attendees:

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: Lisa Bankosh, Mark Bilski, John Bourgeois, Glenna Brambill, Bart Broome, Debra Butler, Rick Callender, Keila Cisneros, Melissa Fels, Andrew Garcia, Vincent Gin, Samantha Greene, Andrew Gschwind, Mike Haggerty, Christopher Hakes, Garth Hall, Brian Hopper, Cindy Kao, Jessica Lovering, Ryan McCarter, Heath McMahon, Carmen Narayanan, Steven Peters, Melanie Richardson, Metra Richert, Jennifer Schmidt, Kirsten Struve, Charlene Sun, Darin Taylor, and Beckie Zisser.

Guests in attendance were: Kurt Arends (Alameda County Water District-ACWD), Douglas Brown (Stradling Yocca Carlson & Rauth), Stephen A. Jordan (BAWSCA and Purissima Hills Water District). Howard Justus (Sargent Quarry), Katja Irvin Sierra Club Loma Prieta Chapter Water Committee, Danielle McPherson (BAWSCA), Marguerite Patil (Contra Costa Water District {CCWD}), and Hon. Brian Schmidt (Green Foothills).

Public in attendance were: Tess Byler, Ryan Dupuis, Jeffrey Harvey, Tim Heffington, Alison Kastama, Robin Kohn, David Niese, and Marc Wheeler

ACTION ITEMS:

4.1 PACHECO RESERVOIR EXPANSION PROJECT WORKSHOP TOPICS

Mr. Christopher Hakes reviewed the following:

Summary from Agenda Memo:

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.

The Water Storage Exploratory Committee discussed the following: partnerships/agencies/locations, reservoir storage, real estate, eminent domain, ballot/bond measures, water transferring, water conveyance, drinking water emphasized, valley impacts, "pitching"/messaging regarding the water supply costs and benefits to customers is critical, letting the Board assist with the legislative items, climate changes, recycling water, postpone or extend project, recommend concentrating on the sales-focus literature, and O&M finances.

Mr. Rick Callender, Mr. Darin Taylor, Mr. Garth Hall, Mr. Brian Hopper and Mr. Bart Broome were available to answer questions

Comments received:

- Dr. Alex Horne's letter (Page 7 of agenda packet) was acknowledged,
- Ms. Katja Irvin Sierra Club Loma Prieta Chapter Water Committee, she sees the many difficulties raised by staff relating to land acquisitions, permitting, cost-share partnerships, WSIP deadlines. Possibility that WSIP funding may be lost if Valley Water waits until the end of year and if Water Commission requirements can't be met. She suggested Valley Water cancels the project which may free up WSIP funds that can go to other needed storage projects that are less damaging to the environment (groundwater storage projects rather than surface water projects). She also noted there are alternative ways to meet objectives of reliability and emergency supply, and
- Mr. Steve Jordan agrees more water storage created now with larger projects that would provide water to the County. Also, suggested revisiting the list of agencies who endorsed the project and reach out to them again.

The Water Storage Exploratory Committee took no action. However, next steps staff will be working on are prioritizing partnerships and gathering as much information for the Board and Committee on Pacheco Reservoir as possible!

4.2 SARENT RANCH DISCUSSION

Mr. Howard Justus of Sargent Quarry reviewed the Handout information (see

Summary from Agenda Memo:

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

The Water Storage Exploratory Committee discussed the following: concerns with the ranch, quarry, oil/gas on the lands, species, Pajaro River, costs, mitigation, partnership, outreach, Pacheco Reservoir Project nexus, Valley Habitat Plan, study impacts, open space, developing, potential golf course, suggested having the full Board receive the Sargent Ranch presentation, and the Committee receiving presentations from Open Space and Habitat Agencies.

Comments received:

- Hon. Brian Schmidt of Green Foothills concerned with the effects of the quarry and asked Valley Water to be cautious moving forward.
- Ms. Katja Irvin Sierra Club Loma Prieta Chapter Water Committee agrees with Hon. Schmidt.

Mr. John Bourgeois and Ms. Lisa Bankosh were available to answer questions.

The Water Storage Exploratory Committee took no action.

If you have any questions or concerns, you may contact me at, gbrambill@valleywater.org or 1.408.630.2408.

Thank you.

Glenna Brambill, Management Analyst II,
Board Committee Liaison
Office of the Clerk of the Board

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