



Santa Clara Valley Water District

File No.: 24-0521

Agenda Date: 6/25/2024

Item No.: 4.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Adopt a Resolution Approving the Second Amended and Restated San Luis & Delta-Mendota Water Authority Joint Exercise of Powers Agreement.

RECOMMENDATION:

Adopt the Resolution APPROVAL OF THE SECOND AMENDED AND RESTATED SAN LUIS & DELTA-MENDOTA WATER AUTHORITY JOINT EXERCISE OF POWERS AGREEMENT.

SUMMARY:

This agenda item includes the following:

- A. *Recommendation to adopt Resolution Approving the Second Amended and Restated San Luis & Delta-Mendota Water Authority Joint Exercise of Powers Agreement (Second Amended JPA Agreement).*

BACKGROUND

Water Authority Formation and Purpose

In 1990 Valley Water executed the San Luis & Delta-Mendota Water Authority Joint Exercise of Powers Agreement (JPA Agreement) to become a founding member of the San Luis & Delta Mendota Water Authority (Water Authority). The JPA Agreement was subsequently amended in 1992 to further describe the governance structure of the organization. At this time the Water Authority assumed full responsibility from the federal government for operating and maintaining (O&M) certain Central Valley Project (CVP) facilities, including those that are needed to deliver CVP water to Valley Water, which was its primary purpose. A secondary purpose of the Water Authority is to represent its members on issues of common interest, including legislative, administrative, and legal issues, and proceedings related to CVP water supplies.

Purpose of the Second Amended JPA Agreement

The JPA Agreement is now being amended a second time as part of a suite of administrative actions

needed to implement updates to the Water Authority's governance structure and cost recovery procedures. These changes are the result of a lengthy negotiation with the Friant Water Authority (Friant) and are intended to resolve several longstanding disputes. Although Friant is not a member of the Water Authority, it is responsible for the repayment of a significant portion of the Water Authority's O&M costs due to its obligation to pay for the delivery of CVP water to the San Joaquin River Exchange Contractors (Exchange Contractors). Historically, Friant has been provided representation on the Water Authority's Finance and Administration Committee but has not been represented on its Board of Directors. The Second Amended JPA Agreement provides Friant with new rights, most notably an entitlement to representation on the Board for any action funded by Water Authority O&M for which Friant has contributed.

The JPA Agreement requires that any amendment to it be approved by a majority of Water Authority members in order to become effective.

Other Actions Related to Second Amended JPA Agreement

The Water Authority is also taking several other actions to implement recent agreements with Friant (these do not need approval by Valley Water), including:

1. Updated cost allocation procedures - The cost allocation process used to develop Water Authority O&M rates is governed by a Memorandum of Understanding (MOU) with Friant, which was recently amended a second time. Significant changes include the modification of certain cost pools, which are intended to align the costs Friant pays more closely with the actual facilities used to deliver water to the Exchange Contractors. This results in a redistribution of costs among Water Authority members and Friant, but it will not materially reduce Friant's financial obligation. Staff reviewed the new methodology and found that the changes are likely to result in a slight decrease in Valley Water's share of Water Authority O&M rates.
2. Updated Bylaws - The Water Authority recently approved amendments to its Bylaws consistent with the governance changes reflected in the Second Amended JPA Agreement. The Bylaws now create a Planning Committee, which will provide a forum to discuss and make recommendations to the Board for cost allocations on high-cost projects. The updated Bylaws will become effective upon the Second Amended JPA Agreement becoming effective.

Recommendation

Staff has reviewed the revisions to the agreement and recommends that Valley Water's Board of Directors approve the Second Amended JPA Agreement. The amendment will resolve several longstanding disputes and will improve transparency with respect to decision making for future high-cost repairs on CVP facilities. Additionally, it will not result in an increase in Valley Water's financial obligation for Water Authority O&M costs.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

The Second Amended JPA Agreement addresses water supply equity by ensuring a cost-effective,

high-quality supply is available for all of Santa Clara County, including disadvantaged communities.

FINANCIAL IMPACT:

There is no immediate financial impact associated with approving the Second Amended JPA Agreement. However, the revised cost recovery practices described in the Amended MOU will be applied to future Water Authority O&M costs paid by Valley Water. Staff has reviewed these changes and anticipates a \$0.13 per acre-foot decrease in O&M rates. Valley Water's share of Water Authority O&M costs average approximately \$2.5 million per year. Valley Water will also continue to pay for its share of dues associated with Water Authority activities that are not related to O&M, which are approximately \$200,000 per year. All the O&M costs are included in the Imported Water San Felipe Division Deliveries Project, Project No. 91131006, which is included in the Fiscal Year 2024-25 Adopted Operating and Capital Budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

- Attachment 1: Resolution
- Attachment 2: Second Amended JPA Agreement (Redlines)
- Attachment 3: Second Amended MOU (Redlines)
- Attachment 4: Second Amended Bylaws (Redlines)
- Attachment 5: PowerPoint

UNCLASSIFIED MANAGER:

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