



Santa Clara Valley Water District

File No.: 20-0247

Agenda Date: 2/25/2020
Item No.: *8.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Receive and Approve the Fiscal Year 2018-19 Year-End Closing Budget Adjustment and Fiscal Year 2019-20 Midyear Budget Adjustment.

RECOMMENDATION:

- A. Approve the Fiscal Year 2018-19 year-end closing budget adjustment; and
- *B. Approve the Fiscal Year 2019-20 midyear operating and capital budget adjustments as per Supplemental Attachments 1 and 2.

SUMMARY:

At the end of each fiscal year (FY), Valley Water conducts a reconciliation of budget reserve estimates with actual reserves. The result of this reconciliation is to implement the year-end closing budget adjustment. The year-end closing budget adjustments are submitted to the Board on an annual basis as part of the year-end closing process.

The projected year-end budget reserves are adjusted to reflect the FY 2018-19 actual reserves validated by the external audit process conducted by independent auditors Maze & Associates.

Concurrently, staff submits to the Board the FY 2019-20 Midyear adjustment to reflect impacts of prior year-end fiscal close and to recommend other budget adjustments in anticipation of necessary expenses not included at the time of adoption.

The FY 2018-19 year-end closing budget adjustments are presented in Attachment 1 summarized as follows:

1. Reduce capital project appropriation: There are no FY 2018-19 reductions in capital project appropriations.
2. Deferral of capital project budget to FY 2019-20: There are no capital project budget deferred from FY 2018-19 to FY 2019-20.
3. Update FY 2018-19 budget reserves: To reflect the audited reserves for FY 2018-19 resulting from final revenues, expenses, transfers and debt proceeds. These year-end reserves become the

beginning reserves for FY 2019-20. Therefore, this adjustment brings the FY 2019-20 reserves budget into alignment with the prior year-end results. The change to reserves total is \$86.0 million. Attachment 1 shows the specific reserve adjustments.

The FY 2019-20 mid-year budget adjustments are presented in Attachments 2 & 3 and summarized as follows:

4. Recognize capital carryforward: Adjust various capital projects funding to reflect capital carry forward budget from FY 2018-19 unspent or unencumbered appropriation balances remaining at year-end which totals to \$158.9 million.

5. Capital project budget adjustments: There are five budget adjustments for capital projects in various funds proposed in this report totaling \$45,380,000. The report also includes decreases in various capital projects amounting to \$45,000,000, with a net transfer impact of \$380,000 from the Operating and Capital Reserve in the Watershed and Stream Stewardship Fund (12) to projects in the respective fund. Details are included in the Attachment 3 and are explained below.

Anderson Dam Seismic Retrofit Project *(91864005) - \$8,700,000

A budget adjustment to increase the Anderson Dam Seismic Retrofit (ADSR) project FY20 budget by \$8.7 million (from \$11.6 million to \$20.3 million) to address the timing of the expanded scope of the project. The expanded scope stems from the Federal Energy Regulatory Commission (FERC) determination that operation of Anderson Reservoir will need to be addressed as part of the environmental consultation and project approval as well as from the National Marine Fisheries Service determination that potential impacts related to operation of the dam after completion of the construction must also be considered. For the expanded scope, FERC, California Department of Water Resources Division of Safety of Dams, and the independent Board of Consultants have requested additional geotechnical investigations and analysis to design the spillway, in-reservoir stockpiles, outlet works, and embankment reconstruction to improve the overall constructability of the proposed project.

Additionally, the overlap between the ADSR Project in protecting water supply and public safety, and the Fish and Aquatic Habitat Collaborative Effort (FAHCE) in addressing the types of restoration measures necessary to avoid, minimize, and potentially mitigate impacts of continuing operations of Anderson Reservoir on Coyote Creek, Valley Water will have to evaluate applicable Coyote Creek FAHCE measures in the ADSR Project Environmental Impact Reports. To complete the expanded scope this year, the ADSR Project will need three budget adjustments: a) budget adjustment of \$4,500,000 for a new Environmental Planning and Permitting Services Agreement with Horizon Water and Environment, LLC b) budget adjustment of \$2,200,000 for Amendment No. 7 to the Agreement A3673A with URS Corporation for Design Services; and c) budget adjustment of \$2,000,000 for Amendment No. 8 to the Agreement A3555A with Black and Veatch for Project Management Services. A corresponding decrease to the Pacheco Reservoir Expansion Project (91954002; \$6,950,000), Calero Dam Seismic Retrofit Design and Construction Project (91874004; \$1,250,000), and Almaden Dam Improvements Project (91854001; \$500,000) is recommended to offset this budget adjustment. Replenishing the funding for these projects to offset the budget

decreases will occur via the FY 2020-21 budget process or through the Capital Improvement Plan (CIP) preparation process pending Board approval.

Watershed Habitat Enhancement Project (62044001) - \$380,000

A budget adjustment to increase the Watershed Habitat Enhancement Project FY20 budget by \$380,000 (from \$691,578 to \$1,071,578) due to a higher than expected estimate to complete the Metcalf Ponds feasibility study and a change in project management that resulted in (1) additional revisions to the Stevens Creek fish passage barrier report, and (2) a need for funding to complete a new planning study for Stevens Creek. If additional funds are not approved, commitments to complete the Metcalf Ponds feasibility report and the Stevens Creek fish barrier analysis would be delayed. In addition, the work to complete a new planning study that would deliver a recommended alternative for fish passage barrier enhancement(s) in Stevens Creek would not start. A corresponding decrease to the Watershed Stream Stewardship Operating and Capital Reserves is recommended to offset this budget adjustment.

South San Francisco Bay Phase I Shoreline Project *(00044026) - \$27,800,000

A budget adjustment to increase the South San Francisco Bay Phase I Shoreline Project FY20 budget by \$27.8 million (from to \$8.0 million to \$35.8 million) to address construction and property acquisition costs:

a. \$14.0 million is requested to cover the local cost share with the U.S. Army Corps of Engineers (USACE) for construction of the South San Francisco Bay Shoreline Project in EIA 11 (Shoreline Project) Reaches 2 and 3. The USACE plans to award Reaches 2 and 3 for construction in April 2020. The total cost to construct Reaches 2 and 3 is estimated to be \$29 million of which the local cost share amount is \$14.0 million amount. The USACE will be requesting the \$14.0 million in February 2020 prior to award of the construction contract. The full \$14.0 million is eligible for reimbursement from Measure AA funds.

b. \$13.8 million is requested to purchase Pond A-18 and associated easements to enable construction of Reaches 4 and 5 of the Shoreline Project. Acquisition of property and easements is expected by May 2020. Approximately \$4 million is eligible for reimbursement from Measure AA and approximately \$10 million is eligible for DWR subventions.

A corresponding decrease to the Lower Penitencia Creek Improvement Project (40334005; \$7,000,000), Berryessa Creek Lower Project (40174005; \$13,800,000), and Lower Penitencia Creek Improvement Project Reserve (40334005; \$7,000,000) is recommended to offset this budget adjustment. Replenishing the funding for these projects to offset the budget decreases will occur via the FY 2020-21 budget process or through the Capital Improvement Plan (CIP) preparation process pending Board approval.

South San Francisco Bay Phase II Shoreline Project (26444002) - \$300,000

A budget adjustment to increase the South San Francisco Bay Phase II Shoreline Project by \$300,000 (from \$745,988 to \$1,045,988) is requested to cover the local cost share with the United States Army Corps of Engineers (USACE) for the South San Francisco Bay Shoreline Phase II

Project Feasibility Study. The USACE expended additional funds to reach the alternatives milestone meeting; thus the local cost share amounts increased from the original project cost schedule. A corresponding decrease to the South San Francisco Bay Phase II Shoreline Project Reserves is recommended to offset this budget adjustment.

Rinconada Water Treatment Plant Reliability Improvement Project (93294057) - \$8,200,000

A budget adjustment to increase the Rinconada Water Treatment Plant Reliability Improvement Project FY20 budget by \$8.2 million (from to \$61.5 million to \$69.7 million) to address unforeseen challenges resulting in construction impacts. These construction impacts have altered the project schedule. Consequently, additional funding this fiscal year is necessary to complete Phase 2. A corresponding decrease to the 10-Year Pipeline Inspection and Rehabilitation Project (95084002; \$7,400,000) and Pacheco/SC Conduit Right of Way Acquisition (92144001; \$800,000) is recommended to offset this budget adjustment. Replenishing the funding for these projects to offset the budget decreases will occur via the FY 2020-21 budget process or through the Capital Improvement Plan (CIP) preparation process pending Board approval.

6. Operating budget adjustment: There is one operating midyear budget adjustment in the General Fund to increase the District's Security Services budget by \$300,000 (from \$2.0 million to \$2.3 million) to reflect the cost associated with the New Living Wage Policy approved by the Board on August 27, 2019 (Agenda Memo Item No. 19-0674). The new policy applies to any new janitorial services and security services contracts and requires that workers employed on these contracts be paid at a wage either at or above the living wage rate, and be provided health insurance benefits as defined in the policy. The new policy will affect all contracts for janitorial services and security services that go into effect after August 27, 2019. The budget adjustment will transfer \$300,000 from the General Fund's Operating and Capital Reserve.

7. Operating Transfers In/Out: This action is to transfer \$51,430 from the Watersheds and Stream Stewardship Fund to the Water Utility Enterprise fund (WU) for the release of 599-acre feet of water released from the Lexington reservoir for flood control purposes in late February 2019. Section 26.3 of the District Act governs how Water Utility Groundwater Charges may be used. The Act does not permit charges for flood management. Therefore, the Watersheds must reimburse the WU for flood management expenses.

This adjustment increases the Watershed and Stream Stewardship Fund FY20 Interfund Transfers Out budget by \$51,430 million offset by a corresponding reduction to the Fund's ending Operating and Capital Reserve. The action also increases the Water Utility Transfers In budget by \$51,430 offset by a corresponding increase to the Fund's ending Operating and Capital Reserve.

8. Debt Service Expense: There are no budget adjustment for debt service expenses.

FINANCIAL IMPACT:

Approval of the recommended FY 2018-19 budget adjustments (Attachment 1) will ensure the final estimated budget reserves are aligned with the audited reserve balances as of June 20, 2019.

Approval of the recommended FY 2019-20 midyear budget adjustments (Attachment 2 and 3) will appropriate the \$158.9 million capital carryforward, adjust the General Fund operating budget by \$300,000, add a \$51,430 transfer from the Watershed and Stream Stewardship Fund to the Water Utility Enterprise Fund, and adjust the capital project budget by a net amount of \$380,000.

The total project cost for the South San Francisco Bay Shoreline Project has increased by \$53 million relative to the Preliminary FY 21-25 CIP, partially offset by an additional \$18.5 million in capital reimbursements. The net cost increase for this project may impact the ability of the Watershed Stream Stewardship fund to pay for other flood protection projects and activities.

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:

- *Original Board Agenda Memo
- *Original Attachment 1: FY18-19 Yearend Closing Sheet
- *Original Attachment 2: FY19-20 Midyear Adjustment Sheet
- *Original Attachment 3: FY19-20 Midyear Adjustment Detail
- *Supplemental Board Agenda Memo
- *Supplemental Attachment 1: Revising Original Attachment 2
- *Supplemental Attachment 2: Revising Original Attachment 3

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068