



Santa Clara Valley Water District

File No.: 22-1233

Agenda Date: 11/22/2022

Item No.: 4.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Consider the October 13, 2022, Water Storage Exploratory Committee Recommendation to Approve Los Vaqueros Reservoir Expansion Multi-party Agreement Amendment No. 4 to Agreement No A4239S; and Authorize the Chief Executive Officer to Execute Amendment No. 4 to Continue the Planning and Design of the Los Vaqueros Project, (LVE Project) Project No. 91251001 in the amount of \$1,094,000. (County-wide, Districts 1-7).

RECOMMENDATION:

Consider recommendations resulting from the October 13, 2022, Water Storage Exploratory Committee (WSEC) meeting to:

- A. Approve Multi-party Agreement Amendment No. 4 to Agreement No. A4239S in the amount of \$1,094,000; and
- B. Authorize the Chief Executive Officer to execute Multi-party Agreement Amendment No. 4 to continue the planning and design of the Los Vaqueros Project, Project No. 91251001.

SUMMARY:

The Santa Clara Valley Water District (Valley Water) continues to evaluate participating in the Los Vaqueros Reservoir Expansion Project (LVE Project) led by Contra Costa Water District (CCWD). CCWD has proposed amendment #4 to the 2019 Multi-party Agreement (MPA) to fund project activities through the end of fiscal year (FY) 2023. The cost to Valley Water to continue participating in the project would be \$1,094,000.

On October 13, 2022, The Water Storage Exploratory Committee took the following action:

The Water Storage Exploratory Committee unanimously approved staff's recommendation that the Board consider approving the Multi-Party Agreement Amendment #4 for the Los Vaqueros Reservoir Expansion Project

Background

The LVE Project Joint Powers Authority (JPA) was formed in October 2021 and is responsible for project planning, construction, and post-construction activities including operating the facilities, ensuring adequate funding, facility maintenance and repair, and delivering project water. The JPA Board has been meeting since November 2021 and has been working to take over administration of

the LVE Project. The JPA recently selected T. Ravazzini Consulting and its principal, Taryn Ravazzini, as its Executive Director. Ms. Ravazzini will be working with CCWD to approve a Program Management Services Contract to assist with the administration of the JPA.

Project Cost Sharing Agreement

Since planning for the LVE Project started in 2016, funding has been provided by cost share agreements shared equally by all project partners in addition to state and federal funding. Starting in 2019, cost sharing has been through a Multi-Party Agreement, which has been amended three times to extend the cost share value, time period, and scope of work. In addition to in-kind work, Valley Water has approved \$2.2 million in cost sharing since 2016 to fund LVE Project planning and design. Proposed Amendment #4 will extend the MPA from December 31, 2022 to June 30, 2023 (end of FY 2023). The cost of MPA Amendment #4 is \$1,094,000 for each of the JPA members (Attachment 1).

The JPA Board will need to approve Facilities Usage Agreements and a Service Agreement to meet the requirements for final Water Storage Investment Program (WSIP) funding and to start construction on elements of the LVE Project by the end of 2023. The Service Agreement will define each agency's share in storage and conveyance and establish associated cost allocations for construction and operations.

Project Costs

On August 23, 2022, the Board directed staff to seek up to 50,000 acre-feet of storage in the Service Agreement negotiations. CCWD recently updated the construction estimate for the LVE Project, which increased from \$950M to \$1.25B, a 30% increase. Staff previously estimated Valley Water's share of the capital cost to be \$110M to \$120M. A 30% increase would raise the estimate to \$140M to \$155M. However, CCWD also updated the financial model to assume a WIFIA loan from the Environmental Protection Agency and greater financial contributions from the federal government. With these assumptions, although they are uncertain, the overall cost to Valley Water could decrease.

Off Ramps

The MPA Amendment #4 is the first of two decisions the Valley Water Board will be making over the next year regarding participation in the LVE Project. The Service Agreement will be brought for consideration sometime next year. The Board can still decide against participation in the LVE Project at either of these points and withdraw from the JPA without incurring future obligations. If Valley Water approves the MPA Amendment and Service Agreement, the JPA Agreement also allows a partner to withdraw in the following circumstances:

- if the Engineer's estimate is too high,
- if other partners withdraw,
- if state or federal funding is withdrawn or comes with unacceptable conditions,
- if unacceptable permit conditions are attached to the project, or
- if a LAP cannot obtain a long-term water supply.

Once financing is issued for the construction of any specific component, withdrawal from the LVE

Project must be approved by the JPA Board.

Next Steps

CCWD continues to negotiate water rights and environmental permits with state and federal agencies necessary to complete the project. Agencies have been supportive of the LVE Project. Staff will continue to provide regular updates on the Service Agreement negotiations and project progress. The timeline for major Project milestones is below:

- Mid to late 2023: WSEC and Board consideration of Service Agreement
- Late 2023: Final Funding Agreement with CWC
- Late 2023: Start of construction on the initial LVE Project elements
- 2023-2025: Construction of Transfer-Bethany Pipeline
- 2027-2029: Construction of dam raise, pumping facilities, and conveyance improvements
- 2030: LVE Project in full operation.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:

The cost of MPA Amendment #4 is \$1,094,000, which would be due in January 2023. Funding for this item is included in the fiscal year 2023 budget for project number 91251001 - Transfer-Bethany Pipeline.

CEQA:

The recommended action does not constitute a project under CEQA, because while it supports continued planning for the LVE Project, it does not commit Valley Water to participate in construction or operations of the project. The EIR prepared by CCWD will be brought to the Board as part of consideration of the future service agreement.

ATTACHMENTS:

Attachment 1: Amendment No. 4

UNCLASSIFIED MANAGER:

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