



Santa Clara Valley Water District

File No.: 18-0681

Agenda Date: 8/28/2018

Item No.: 5.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Approve a Budget Adjustment for the Addition of Seven (7) Regular Positions for the Pacheco Reservoir Expansion Project.

RECOMMENDATION:

- A. Approve a Budget Adjustment in the amount of \$2.6 million from the Water Utility Operating and Capital reserve to the 91954002 Pacheco Reservoir Expansion Project (Project) to add one (1) unclassified officer at the Deputy level and six (6) classified staff, with 50 percent reimbursement from Prop 1 funds;
- B. Approve the addition of the Deputy level unclassified position above the thirty-two (32) limit per Governance Policies of the Board of Directors, Recruitment and Employment, Policy No. EL-3.7; and
- C. Direct staff to bring back to the Board for review and approval, a request for additional resources for Project support, including contract support, external affairs and human resources.

SUMMARY:

The proposed modification to the Governance Policies is to support the Pacheco Reservoir Expansion Project. This expansion project is a unique opportunity to provide emergency water supply, fisheries recovery, operational flexibility of managing the District's federal imported water supplies, and incidental flood risk reduction. It will provide up to 87,000 acre-feet of emergency water supply, increase local surface storage capacity by 90 percent, and mitigate the risk of Delta export outages and imported water conveyance outages.

History/Funding

In November 2014, California voters approved Proposition 1, which provides \$2.7 billion for Water Storage Investment Program (WSIP). In 2016, the District decided to re-examine Pacheco Reservoir Expansion Project as part of its Water Supply Master Plan. In February 2017, the Board authorized evaluation of Pacheco Reservoir Expansion Project in partnership with the San Benito County Water District (SBWD) and the Pacheco Pass Water District. This reservoir expansion would provide multiple benefits, including ecosystem benefits, emergency in-county water supply benefits and water quality improvements to our source water supply (mitigate San Luis Low Point).

In August 2017, staff applied to the California Water Commission (Commission) for WSIP Proposition 1 funding for \$484.55 million. On July 24, 2018, the Commission conditionally awarded the District the full \$484.55 million which includes \$24.2 million in early funding for planning and permitting purposes.

Staff will also continue to work on other funding opportunities, such as beginning the application process for up to \$250 million in federal funding for construction of the project under the Water Infrastructure for Improvements to the Nation (WIIN) Act. Alternative federal financing, such as a long-term supplemental loan of \$250 million from the Water Infrastructure Finance and Innovation Act (WIFIA), may also be contemplated.

Partnerships

SBWD has agreed to fund up to ten percent of the total project cost. San Luis Delta and Mendota Water Authority indicated that it is also interested in investing in the Pacheco Reservoir Expansion Project, and District staff is working with other water agencies that may also be able to derive benefit from the project to encourage their financial participation on some level.

Staffing Needs

Beyond the need to continue to seek alternative funding sources for the Pacheco Reservoir Expansion Project, staff must also meet aggressive project deadlines to satisfy the conditions to retain the Proposition 1 award of \$484.55 million. The most time-critical of these deadlines is to complete a draft Environmental Impact Report pursuant to the California Environmental Quality Act and release it for public review by the end of calendar year 2021. Staff must work expeditiously to deliver the Pacheco Reservoir Expansion Project, which will be the largest capital project in the District's history.

To meet these near-term timelines and continue to seek alternative funding, staff is requesting to add seven (7) additional full-time positions within the Water Utility Enterprise to ensure sufficient labor resources are assigned to properly execute and deliver the Project. The proposed Pacheco Project Team includes a Deputy Operating Officer to oversee the Pacheco Project and related work, one (1) Engineering Unit Manager, one (1) Senior Project Manager, one (1) Senior Water Resources Specialist, one (1) Senior Environmental Planner, one (1) Associate Engineer (Civil), and one (1) Staff Analyst (see Attachment 1).

To add the Deputy Operating Officer, staff is also requesting approval from the Board to fill an unclassified position above the thirty-two (32) limit per Governance Policies of the Board of Directors, Recruitment and Employment, Policy No. EL-3.7.

FINANCIAL IMPACT:

The seven (7) additional staff positions would require a Budget Adjustment estimated at \$2.6 million from the Water Utility Operating and Capital Reserve. With annual reimbursement of 50 percent expected from the WSIP Proposition 1 Funding after expenses are incurred, the net cost to the

District is estimated at \$1.3 million per year. Any additional State and Federal grants and/or loans could help to further offset the cost of the positions.

The net cost impact, if funded on a pay-as-you-go basis, of the additional seven (7) new positions equates to a Municipal and Industrial (M&I) groundwater charge impact of approximately \$6.00 per acre-foot or 21 cents per household per month for North County Zone W-2 and approximately \$9.00 per acre-foot or 31 cents per household per month for South County Zone W-5. However, staff plans to seek State and Federal grants and/or loans that would cover most or all of the Pacheco Reservoir Expansion Project cost, along with commitments from other water agencies, which would further reduce the potential impact to future groundwater charges.

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: Draft Organization Chart

UNCLASSIFIED MANAGER:

Nina Hawk, 408-630-2736