



Santa Clara Valley Water District

File No.: 18-0713

Agenda Date: 9/11/2018

Item No.: 8.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Approve a Budget Adjustment for the Addition of Five (5) Regular Positions for the Pacheco Reservoir Expansion Project.

RECOMMENDATION:

Approve a Budget Adjustment in the amount of \$1.3 million for the Pacheco Reservoir Expansion Project (Project) to add five (5) classified staff, to be funded by a \$433,000 transfer from General Fund Operating and Capital reserve and a \$883,000 transfer from Water Utility Operating and Capital reserve, partially offset by an increase in Water Utility revenue due to an estimated \$441,500 reimbursement from Proposition 1 funds.

SUMMARY:

The Pacheco Reservoir Expansion Project (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), is also being 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 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 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 Project, which will be the largest capital project in the District's history.

At the August 28, 2018, Board Meeting, the Board approved of 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. At that meeting, staff indicated they would be bringing back to the Board for review and approval a request for additional resources for Project support, including external affairs, contract support, and human resources.

To meet these near-term timelines and continue to seek alternative funding, staff is requesting to add five (5) additional full-time positions within External Affairs, Contracts, and Human Resources business areas of the District to ensure sufficient labor resources are assigned to properly support, execute and deliver the Project. The proposed Project support staffing resources include:

Funding through Water Utility Operating and Capital Reserve:

- External Affairs:
 - One (1) Senior Management Analyst
 - One (1) Public Information Representative III
- Real Estate Services:
 - One (1) Real Estate Agent II

Funding through the General Fund:

- Human Resources:
 - One (1) Management Analyst I/II
- Contracts Services:
 - One (1) Senior Management Analyst

The proposed organizational charts for the additional positions can be found in Attachment 1.

FINANCIAL IMPACT:

The five (5) additional staff positions would require a budget adjustment estimated at \$1.3 million. Of these positions, the Human Resources Management Analyst I/II and Contracts Services Senior Management Analyst positions would be funded from the General Fund Operating and Capital Reserve at a cost of \$433,000. These positions are not eligible for WSIP Proposition 1 reimbursement. The External Affairs Senior Management Analyst and Public Information Representative III and Real Estate Services Real Estate Agent II positions would be funded from the Water Utility Operating and Capital Reserve at a cost of \$883,000. With annual reimbursement of 50 percent expected for these three positions charging time to Water Utility from the WSIP Proposition 1 Funding after expenses are incurred, the net cost is estimated at \$441,500 per year for the Water Utility positions and a total of \$875,000 per year for all five (5) positions District-wide. 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 five (5) new positions equates to a Municipal and Industrial (M&I) groundwater charge impact of approximately \$3.00 per acre-foot or 10 cents per household per month for North County Zone W-2 and approximately \$5.00 per acre-foot or 17 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:

Norma Camacho, 408-630-2084