



Santa Clara Valley Water District

File No.: 21-0362

Agenda Date: 4/14/2021

Item No.: 2.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Pacheco Reservoir Expansion Project Workshop Topics, Project No. 91954002.

RECOMMENDATION:

Receive and discuss information regarding the Pacheco Reservoir Expansion Project (PREP). This is an information-only item and no action is required.

SUMMARY:

Following the cost estimate update presented to the Water Storage Exploratory Committee on December 28, 2020 and the Board of Directors on January 12, 2021, staff is presenting several Pacheco Reservoir Expansion Project topics, that may affect the Fiscal Year 2022 budget and future water rates and charges, to the Board of Directors in advance of budget adoption. The topics presented will include funding and external issues that could have significant financial, project implementation, and schedule implications on the project.

Potential Project Funding Sources

Staff has prepared analysis of 14 potential project funding sources as follows:

1. Water rates & charges (pay-go and bond financing)
2. Water Storage Investment Program (WSIP) - currently conditionally awarded
3. WSIP - potential additional funds
4. Water Infrastructure Finance and Innovation Act (WIFIA) loan
5. San Felipe Facilities Expansion - U.S. Bureau of Reclamation (USBR) Co-operative agreement
6. General Obligation Bonds
7. Federal Emergency Management Agency (FEMA) - Hazard Mitigation grant
8. Building Resilient Infrastructure and Communities (BRIC) grant (FEMA)
9. USBR WaterSmart Grant
10. California Department of Water Resources (DWR) Grant
11. Other Federal/State grant
12. Public agency partner participation
13. Corporate sponsorship/grants
14. Private investment (P3)

Although information for each of the topics above is presented at a high level in Attachment 3, the following funding topics will be presented in greater detail and as part of a PowerPoint Presentation (Attachment 1):

Water rates & charges - Staff will present different funding scenarios and the impact to FY22-29 Annual Rate Increases for Zone W-2.

Public agency partner participation - Staff will provide an update on potential partnership participation.

Staff is currently focusing on developing the funding options identified above, as well as the WSIP/Prop 1 funding outlined below, but consideration and development efforts for the other 11 options are ongoing. For details of the status of the funding options, please refer to Attachment 3.

External Issues

The issues outlined below will not be covered in staff's presentation but may have an effect on the overall cost and schedule of the project. Additional updates will be provided to the Water Storage Exploratory Committee on these issues as new information becomes available.

1. *WSIP/Prop 1* - A memo is attached (Attachment 2) with an analysis of potential WSIP funding options and schedule implications associated with existing project withdrawals.
2. *Coordination with USBR for the San Luis Low Point Improvement Project (SLLPIP)* - Staff has met with USBR representatives, including the Regional Director, to discuss the next steps to update the Feasibility Report that did not advance through policy review in December 2020. Additional federal benefits are being considered that may favorably increase the benefit/cost ratio for the project. Staff is currently working with USBR to complete the updated Feasibility Report with PREP as the preferred alternative. This would provide federal permitting support and potential federal funding through future initiatives.
3. *Analysis of right of way related topics* - Staff has prepared an update (Attachment 4) of the Project's right of way needs, including a summary of the land acquisition process. The update includes a new cost estimate for project area property, mitigation land, and potential implications.
4. *Discussion with State Parks* - Staff has met with the State Parks Director, executive management, and local State Parks personnel regarding the potential encroachment of the expanded reservoir into Henry Coe Park. The area impacted was presented and discussed along with possible ideas to collaborate to offset the potential impact.
5. *Update on outreach to the environmental community and potential environmental permitting implications* - Staff met with environmental groups to discuss their concerns with the Project and are continuing outreach and analysis over the next several weeks to determine potential impacts on schedule. While these concerns may or may not affect environmental permitting, project permitting is considered by staff to be extremely complex, and therefore at risk of

unforeseen delays.

6. *Results from the recent project public survey unveiled at the February public scoping meetings*
-As of April 1, Valley Water collected 216 responses. Staff analysis indicates there is a positive response on the Pacheco project merits and key messages and prior to the issue of project cost appearing, nearly 60% support or strongly support the project. However once the survey refers to cost, the project quickly loses support with nearly 40% of respondents not willing to support any increase in water rates to help fund the expansion of Pacheco Reservoir and just 6.94% willing to pay the \$16 to \$20 monthly increase required to pay for this project from water rates; while 68% list the high cost as the biggest concern about this project. "Valley water should pursue a local multi-benefit water storage projects, such as the expansion of Pacheco Reservoir," was the lowest rated option in another question, with conservation, recycled and purified water and partnering with other agencies on regional water supply projects all rating ahead of the Pacheco project.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

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

ATTACHMENTS:

- Attachment 1: PowerPoint
- Attachment 2: CWC Funding Source Memorandum
- Attachment 3: Funding Options
- Attachment 4: Right of Way Analysis Memorandum

UNCLASSIFIED MANAGER:

Christopher Hakes, 408-630-3796