



Santa Clara Valley Water District

File No.: 21-0507

Agenda Date: 5/11/2021

Item No.: 5.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Budget Adjustment Transferring \$7 Million from Multiple Water Utility Debt Service Projects to the Imported Water Unit for Emergency Water Purchases.

RECOMMENDATION:

Approve a budget adjustment transferring \$7 million from multiple Water Utility debt service projects (No. 95993007, 95993008, 95993025, 95993026) to the Imported Water South Bay Aqueduct Deliveries project (No. 91131007) for emergency water purchases.

SUMMARY:

A budget adjustment transferring \$7 million in FY 2020-21 Water Utility debt service savings, due to lower than anticipated interest rates, to the Imported Water Unit is recommended to ensure sufficient funds are available for emergency water purchases in calendar year (CY) 2021. The adjustment would require transferring the following amounts to the Imported Water South Bay Aqueduct Deliveries project (No. 91131007):

- a. \$1 million from Commercial Paper Tax Exempt, Project No. 95993007
- b. \$1 million from Commercial Paper Taxable, Project No. 95993008
- c. \$1.5 million from WU Rev Bond 2020A (Tax-Exempt), Project No. 95993025
- d. \$3.5 million from WU Rev Bond 2020B (Taxable), Project No. 95993026

Due to persistent statewide dry hydrologic conditions and low projected allocations on the Central Valley Project (CVP) and State Water Project (SWP), Santa Clara Valley Water District (Valley Water) requires emergency water supplies in CY 2021 to maintain sufficient groundwater storage levels. These conditions are exacerbated by dry conditions locally and the loss of water supply resulting from the recent Federal Energy Regulatory Commission order to reduce Anderson Reservoir storage to deadpool.

To mitigate this need, staff negotiated a water transfer agreement (#A4443W) with Glenn-Colusa Irrigation District (GCID), which was executed on April 1, 2021, for the purchase and delivery of up

to 35,000 acre-feet (AF) of GCID's water supplies to Valley Water in CY 2021. The agreement also provides for a right of first refusal to negotiate a separate agreement for a proposed water transfer of up to 20,000 AF in CY 2022.

The financial obligation of executing the GCID agreement could be up to \$25.6 million in CY 2021 should Valley Water request delivery of all 35,000 AF. Included in the costs are the estimated purchase price for transfer water of up to \$625/AF, an option to extend the purchase date, Valley Water's share of GCID's administrative expenses, estimated conveyance charges of \$130/AF on the total water delivered after conveyance losses, and payment to secure a right of first refusal in 2022.

In order to fund the full agreement, staff is proposing to split funding for the GCID agreement across two fiscal years (FY). For FY 2020-21, a total of \$11 million has been identified and is available for the GCID water transfer. The Imported Water Unit has approximately \$4 million available in the FY 2020-21 Budget for emergency water purchases. Additionally, \$7 million in FY 2020-21 debt service savings is available due to lower than anticipated interest rates and can be transferred to the Imported Water Unit Budget to assist with purchasing GCID transfer water.

For FY 2021-22, the Proposed Budget going to the Board for adoption on May 11, 2021 includes \$21.7 million for emergency water purchases. This budgeted amount is significantly higher than what was anticipated in the Production and Augmentation of Water Supplies (PAWS) Report used to formulate proposed FY 2021-22 groundwater charges earlier in the year when drought conditions were not yet known. To avoid an impact to groundwater charge recommendations, \$8 million of the budget is achieved through drawdown of the FY 2021-22 Supplemental Water Supply Reserve. The Supplemental Water Supply Reserve is now proposed for adoption at \$7.9 million, which would also be available for other emergency water purchases. A Resolution is being prepared describing the drawdown of up to \$25 million during FY 2021-22 from two Water Utility Enterprise Special Purpose Reserves, the Supplemental Water Supply Reserve and the Drought Reserve, such that there would be no impact on debt coverage requirements should additional use of reserves for additional water purchases be needed. The Resolution will be brought to the Board at the time of FY 2021-22 Budget Adoption. The FY 2020-21 budget adjustment and the FY 2021-22 drawdown of the Supplemental Water Supply Reserve do not materially change related water charge modeling for these years.

This budget adjustment of \$7 million plus the available \$4 million in the FY 2020-21 Imported Water Unit budget will be encumbered towards the GCID agreement in FY 2020-21. The remaining funds needed for the GCID agreement will be covered by the \$21.7 million for emergency water purchases in the FY 2021-22 Proposed Budget.

FINANCIAL IMPACT:

The recommended budget adjustment transfers \$7 million from the four Water Utility debt service projects identified in this memorandum to the Imported Water South Bay Aqueduct Deliveries project

(No. 91131007) for emergency water purchases. There are adequate funds in the FY2020-21 Budget to make the transfer and there is no impact on the relinquishing projects.

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:

None.

UNCLASSIFIED MANAGER:

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