

Los Vaqueros Reservoir Joint Powers Authority



FY23 Budget

(July 1, 2022 – June 30, 2023)



Background Information

The Los Vaqueros Reservoir Joint Powers Authority (JPA) was formed in October 2021 to provide governance of the Phase 2 Los Vaqueros Reservoir Expansion Project (Project). The eight agencies which make up the JPA include: Alameda County Water District, Contra Costa Water District, East Bay Municipal Utility District, Grassland Water District, San Francisco Public Utilities Commission, San Luis & Delta-Mendota Water Authority, Santa Clara Valley Water District, and Zone 7 Water Agency. The main purposes of the JPA are to ensure sufficient stable funding for the Project, including local cost shares, and to ensure that costs are reasonable, and that cost allocations are equitable and transparent.

THE PROJECT

The Project will enhance Bay Area and Central Valley water supply reliability, develop water supplies for wildlife refuges, and improve water quality while protecting Delta fisheries and providing additional Delta ecosystem benefits. Figure 1 shows a map of the Project location and benefits. When completed, it will increase the Los Vaqueros Reservoir's capacity from 160,000 acre-feet to 275,000 acre-feet and add new and modified conveyance facilities to provide environmental, water supply reliability, operational flexibility, water quality, and recreational benefits. Figure 2 shows a schematic of existing, modified, and new facilities that comprise the Project.

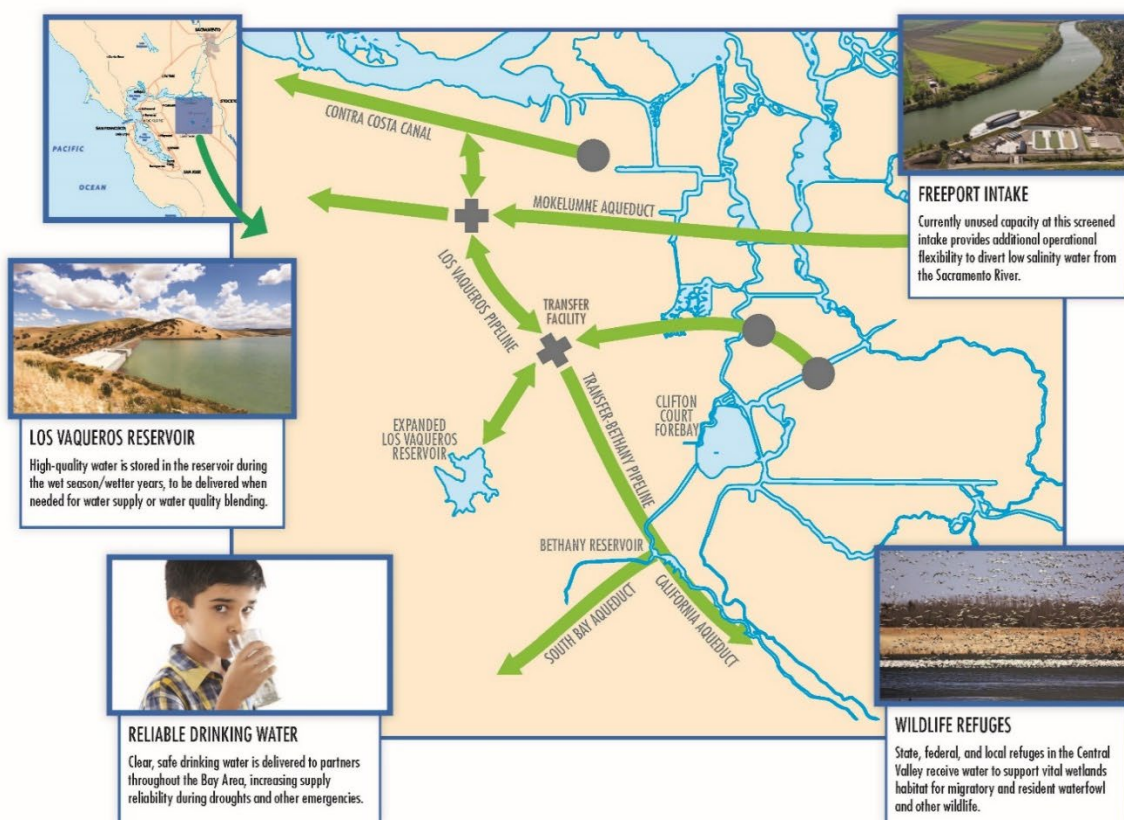
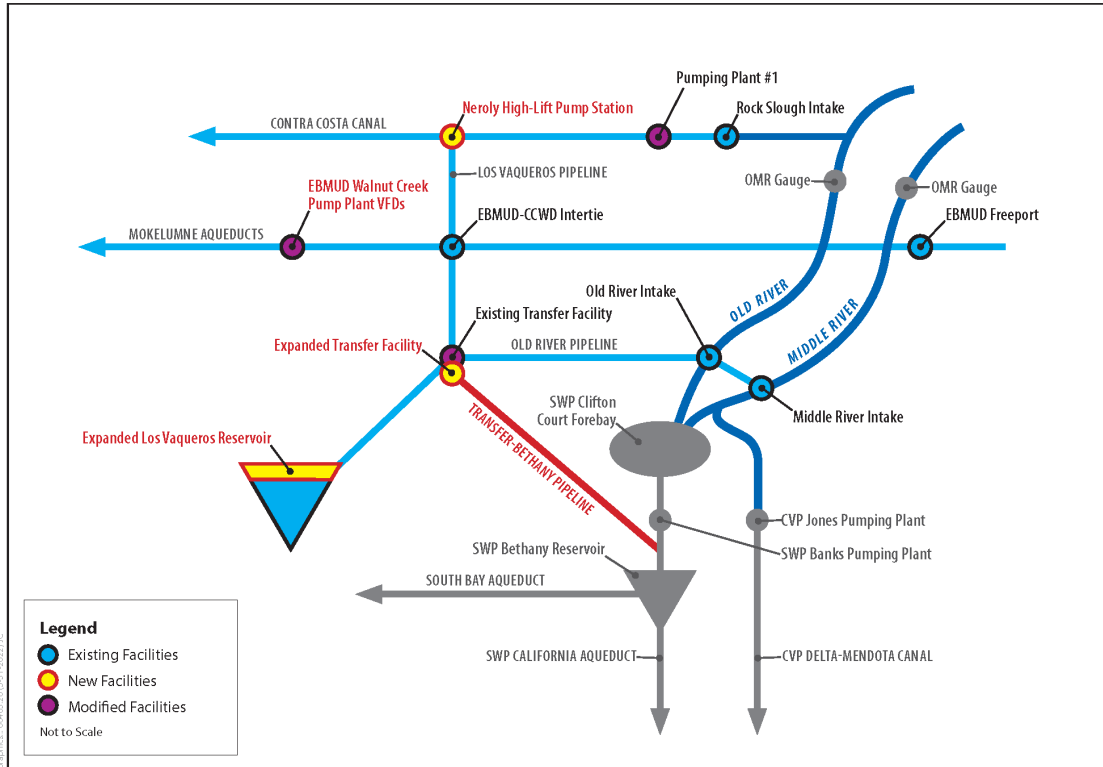


Figure 1 Location of Phase 2 Los Vaqueros Reservoir Expansion Project and Benefits

Contra Costa Water District (CCWD) currently serves as the Interim Administrator under contract to the JPA. Ultimately, administration services provided by CCWD will be replaced by a new Executive Director and other services procured by the JPA. These services include preparation of JPA Board materials, public outreach, website maintenance, banking, financial audits, and grant administration. CCWD will continue to provide technical services to the JPA as required.



Existing, Modified and New Facilities of Los Vaqueros Reservoir Expansion Project



Figure 2 Schematic of Phase 2 Los Vaqueros Reservoir Expansion Project Facilities

Activities currently underway include permitting, facilities design, and agreement development, while also pursuing additional funding for the Project. The Project has been conditionally awarded \$477 million of Proposition 1 funds from the California Water Commission, and recently received an additional \$50 million in federal appropriations. The remainder of the project costs will be covered by additional federal funding, JPA Member contributions, and financing. Construction may begin as early as late 2023, pending necessary reviews, approvals, and funding, and is anticipated to continue through 2030. Additional information is available at losvaquerosjpa.com.

The Board Members, officers, interim contractors, and anticipated contractors to the JPA (JPA services) are summarized below.

Board Members

Alameda County Water District

Director

Paul Sethy, Treasurer

Alternate Director

Jonathan Wunderlich

Contra Costa Water District

Director

Ernesto Avila

Alternate Director

Antonio Martinez

East Bay Municipal Utility District

Director

John Coleman

Alternate Director

Lesa McIntosh

Grassland Water District

Director

Ellen Wehr, Secretary

Alternate Director

Ricardo Ortega

San Francisco Public Utilities

Commission

Director

Dennis Herrera

Alternate Director

Steve Ritchie

San Luis & Delta-Mendota Water

Authority

Director

Anthea Hansen, Vice Chair
(Del Puerto Water District)

Alternate Director

Jose Gutierrez
(Westlands Water District)

Valley Water

Director

Gary Kremen

Alternate Director

Linda J. LeZotte

Zone 7

Director

Angela Ramirez Holmes, Chair

Alternate Director

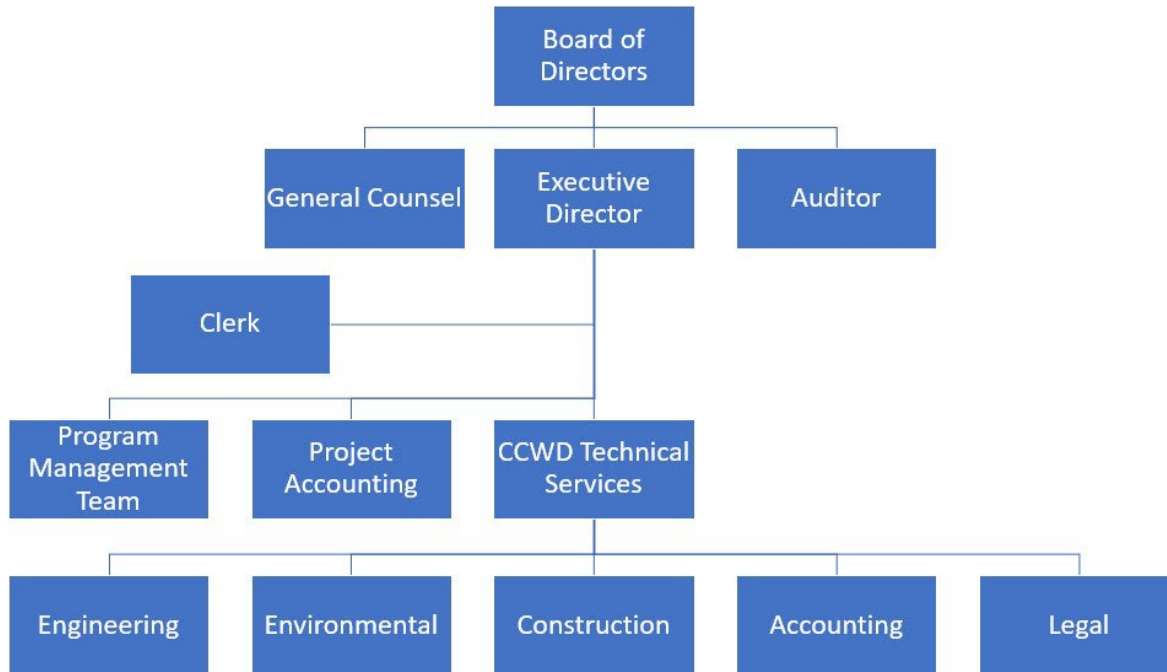
Sandy Figuers

Department of Water Resources

Ex-Officio

Department of Water Resources (DWR) is anticipated to appoint a non-voting member, pursuant to Water Code Section 79759(b)).

Organizational Chart



Interim Contractors to the JPA

Jim Ciampa – Interim General Counsel

Rose Perea – Interim Clerk to the Board

Marguerite Patil – Interim Administrator

Maureen Martin – Deputy Interim Administrator

Key Milestones

During the first full fiscal year of the JPA, many significant milestones are anticipated to lay the foundation for JPA work in years to come. During FY23 the following milestones are anticipated:

- Complete recruitment and selection process and execute contract with an Executive Director
- Competitively procure Program Management Consultant
- Procure banking and other financial services
- Transition administration services from CCWD to the JPA
- Execute an Interim Funding Agreement between the JPA and its Members
- Execute a Technical Services Agreement with CCWD
- Execute a Service Agreement between the JPA and its Members
- Apply for a Water Infrastructure Finance and Innovation Act (WIFIA) Loan
- Complete permitting of the Project
- Continue design of key Project facilities
- Prepare for California Water Commission (CWC) final funding award hearing

Source of Funds

Approximately \$22.5 million of state, federal, and local funding is expected in FY23. Table 1 below shows a summary of the sources of funds. Figure 3 shows the relative contribution of the various sources of funds anticipated in FY23.

STATE FUNDING

The Project is qualified for up to \$477.5 million of state funding through the Water Storage Investment Program administered by the California Water Commission (CWC). In 2018, CCWD executed an Early Funding Agreement with the CWC that provides for a state cost share of 50 percent of eligible costs, up to a maximum of \$23.9 million through December 31, 2023. It is estimated that approximately \$4.1 million will be provided by the CWC in FY23 through the Early Funding Agreement. The non-state cost share is provided by federal and local funding. It is anticipated that the funds available under the Early Funding Agreement will be fully encumbered in FY23. The CWC is invoiced monthly, and payments are in arrears. CCWD will collect state funds until the term of the Early Funding Agreement expires.

FEDERAL FUNDING

Although over \$50 million has been appropriated by Congress for construction of the Project, it is assumed that only funding for pre-construction activities will be available in FY23. In 2022, CCWD executed an Assistance Agreement with Reclamation to fund a portion of pre-construction activities. The Assistance Agreement provides for a federal cost share of 24 percent of eligible costs through December 31, 2023. The budget of the Assistance Agreement is approximately \$30 million, including \$7.2 million in Reclamation cost share (24%) and \$22.8 million in non-Federal cost share (76%). Non-Federal cost share is provided by state and local funding. Reclamation is invoiced quarterly, and payments are in arrears. It is anticipated that approximately \$5.1 million will be provided by Reclamation in FY23. CCWD will collect federal funds in FY23 until the term of the Assistance Agreement expires or until such a time that the Assistance Agreement could be transferred to the JPA.

The JPA anticipates applying for a Water Infrastructure Finance and Innovation Act (WIFIA) loan in FY23 for up to \$675 million; if the application is accepted, it is anticipated that the loan would close in future fiscal years beyond FY23.

LOCAL FUNDING

The JPA Members have been contributing funds to the Project since 2017 through a series of local cost share agreements between CCWD and other JPA Members. The Multiparty Cost Share Agreement was executed in 2019 and has been amended multiple times. The term of Amendment No. 3 covers local funding for expenses incurred through December 31, 2022. It is anticipated that Amendment No. 4 will be executed to extend the term through June 30, 2023. It is anticipated that JPA Members collectively will contribute \$10.8 million in FY23. It is anticipated that the JPA Members will be invoiced at the beginning (July 2022) and mid-cycle (January 2023) of FY23. CCWD, as Interim Administrator of the JPA, will collect local funds in FY23 until CCWD is able to transfer administrator services to the JPA and the Interim Funding Agreement among the JPA Members has been executed.

RE-BUDGET FROM FY22

A portion of funds that have been collected by CCWD for the Project in the previous fiscal years from state, federal, and local sources remain unspent. The unspent funding collected for the Project will be re-budgeted into FY23. Approximately \$2.53 million is anticipated to be re-budgeted.

Table 1 Source of Funds in FY23 (values in thousands of dollars)

Source	FY23
State	\$4,100
Federal	\$5,100
Local	\$10,800
Carryover (re-budget) funding from FY22	\$2,530
Total	\$22,530

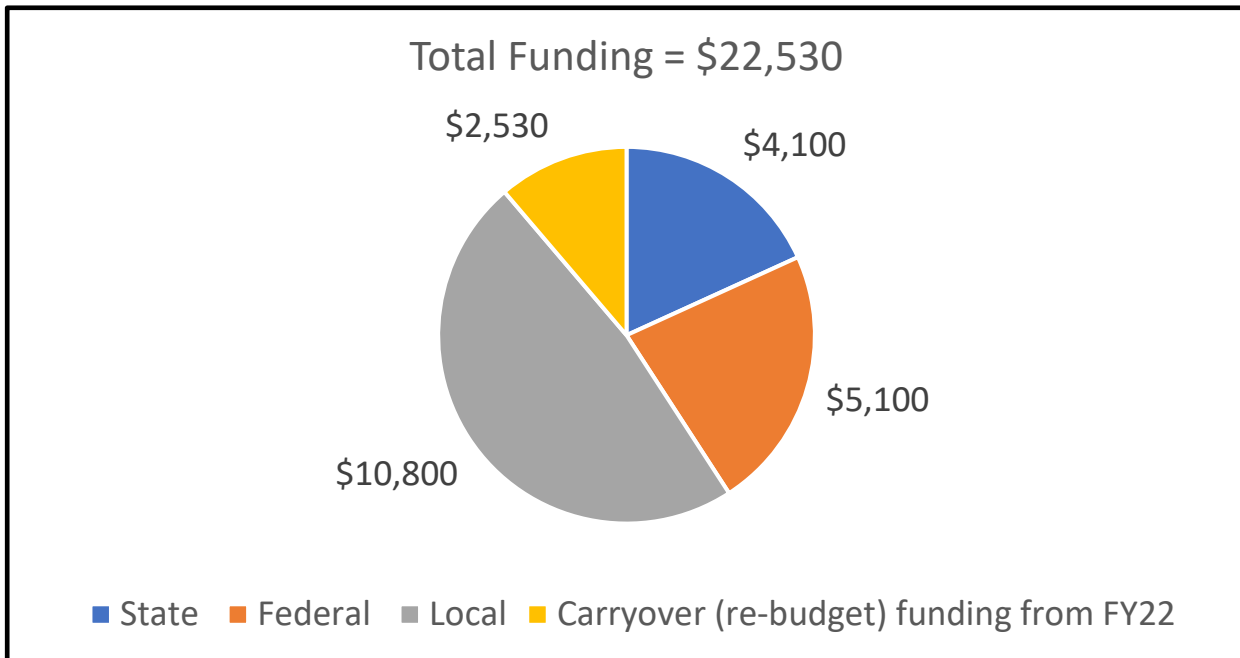


Figure 3 – Source of Funds in FY23 (values in thousands of dollars)

Use of Funds

Approximately \$22.53 million in expenditures are expected in FY23. The use of funds includes services procured by the JPA (JPA Services), services procured and managed by CCWD (CCWD Services), CCWD Labor, and contingency. Table 2 below shows a summary of the use of funds. Figure 4 below shows the relative contribution of the various use of funds anticipated in FY23.

JPA SERVICES

One of the first services the JPA will procure in FY23 is an Executive Director. It is anticipated that the Executive Director will begin by December 2022 and the budget reflects expenses for six months in FY23. Once the contract with the Executive Director has been executed, it is anticipated that the JPA will competitively procure a program management consultant and other services such as banking, financial advisor, project accounting, and auditor. Development and execution of the Service Agreement to finalize the allocation of Project benefits and costs to the JPA Members is also anticipated in FY23. The JPA anticipates applying for a WIFIA loan in FY23 for up to \$675 million; there are non-refundable fees associated with obtaining an indicative credit rating for the JPA and fees to apply for a WIFIA loan which are included in the budget. Total expenditures in FY23 for JPA services is anticipated to be \$1.39 million.

CCWD SERVICES AND LABOR

CCWD is responsible for the planning, permitting, design and construction of all facilities built and operated by CCWD described in Exhibit B of the JPA Agreement. CCWD, has and will continue to hire consultants and staff to advance the Project, consistent with CCWD's procurement and hiring process. Permit applications have been submitted and it is anticipated permits will be issued in FY23. Design will continue to advance for the Pumping Plant No. 1 Replacement and Transfer-Bethany Pipeline in FY23. It is anticipated that dam design will be completed early in FY23. CCWD will continue to use CCWD's legal counsel to review key permits and contracts held by CCWD (i.e., water rights, etc.). It is anticipated that \$13.4 million will be expended on CCWD Services in FY23.

The budget for CCWD staff managing services, conducting technical work, and advancing the Project in FY23 is \$6.4 million. CCWD employees direct bill hours to the Project. Taxes, benefits, and indirect costs are applied to direct billed hours.

CONTINGENCY

A contingency amount of \$1.34 million is included in the budget for FY23. This represents approximately 10 percent of the total services. Contingency will be used to address changes to the Project while continuing to meet key milestones and could be applied to JPA Services, CCWD Services, or CCWD Labor.

Table 2 Use of Funds in FY23 (values in thousands of dollars)

Expenditures	FY23 Total
JPA Services:	
Executive Director	\$150
Program Management	\$400
WIFIA Loan Application Fee	\$100
Credit Rating	\$100
Insurance	\$30
Financial Advisor	\$350
CPA and Auditor	\$120
General Counsel	\$140
<i>JPA Services Subtotal</i>	\$1,390
CCWD Services	\$13,400
CCWD Labor	\$6,400
Contingency	\$1,340
Total	\$22,530

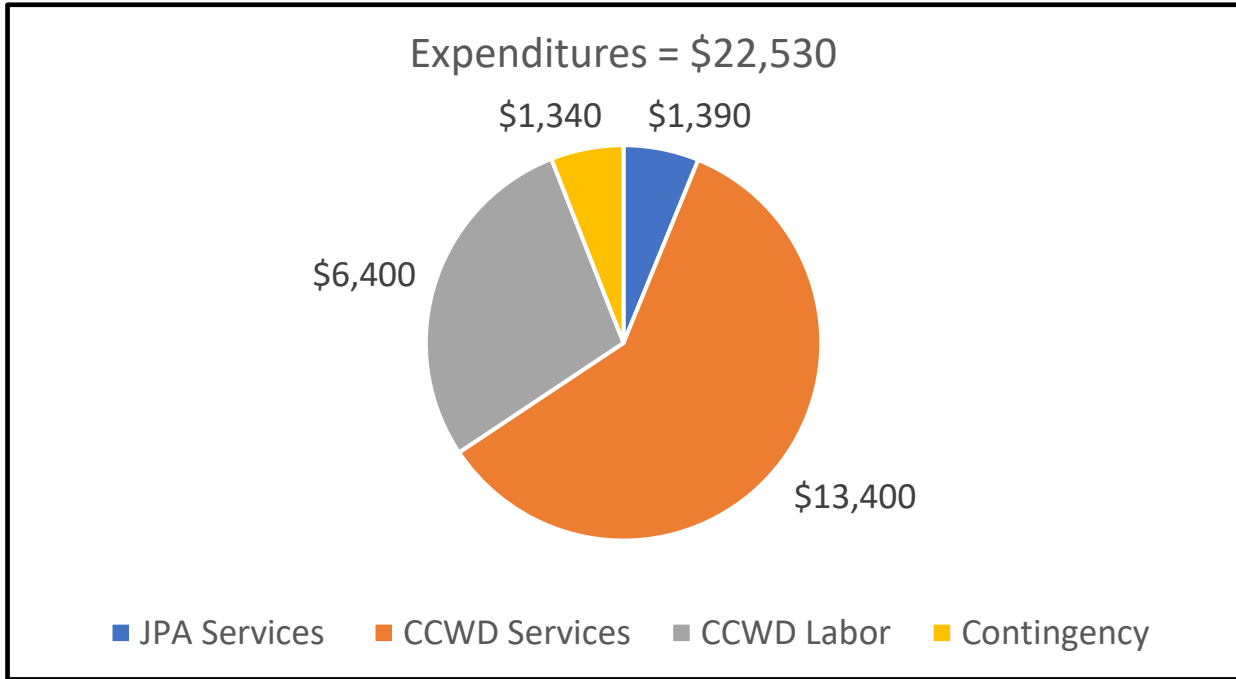


Figure 4 - Use of Funds in FY23 (values in thousands of dollars)

Capital

All the costs for development of the Project are currently identified as capital costs through FY23. Project development expenditures will be categorized as capital until the Project become operational. It is anticipated that the development phase will continue through FY23. Construction is expected to begin as early as late 2023. Partial operation of the Project is not expected to commence until 2027 at the earliest. Until such time that the Project becomes operational, all development and construction expenses, and JPA administrative services are considered capital expenditures. Table 3 below summarizes the capital budget in FY23. Figure 5 shows the preliminary schedule of pre-construction activities leading up to the CWC final award hearing. Figure 6 shows the preliminary construction schedule of the project facilities.

Table 3 Capital Budget (values in thousands of dollars)

Capital Budget	FY23 Total
JPA Services	\$1,390
CCWD Services	\$13,400
CCWD Labor	\$6,400
Contingency	\$1,340
Total	\$22,530

Los Vaqueros Reservoir Joint Powers Authority Preliminary Timeline of Major Activities

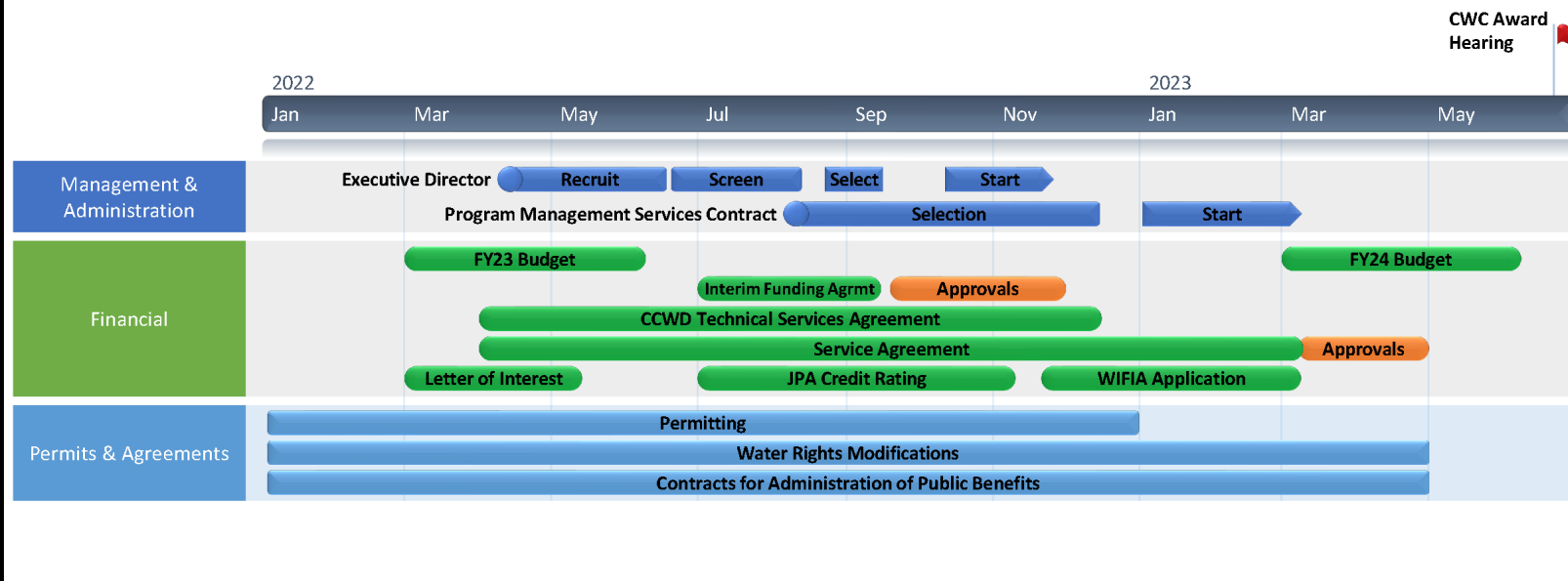


Figure 5 Preliminary Pre-Construction Schedule Phase 2 Los Vaqueros Reservoir Expansion Project

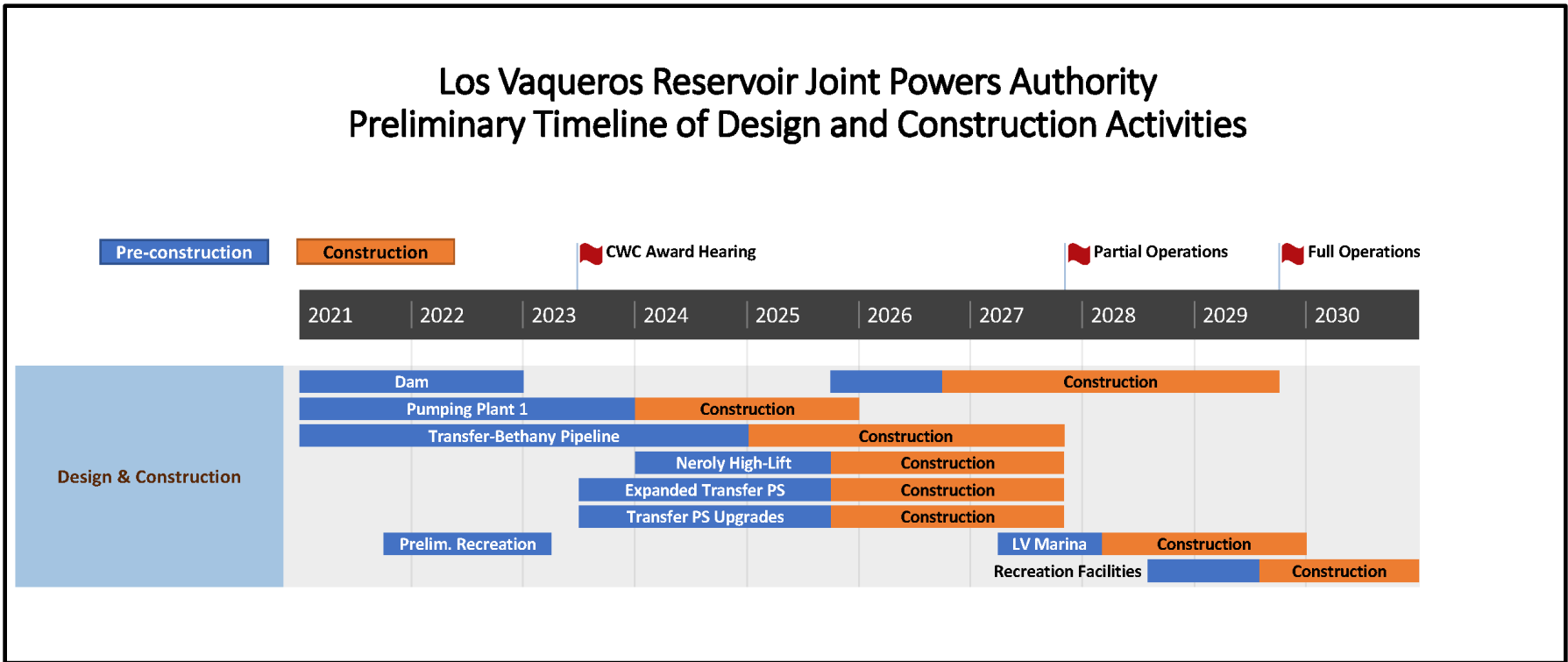


Figure 6 Preliminary Construction Schedule of the Phase 2 Los Vaqueros Reservoir Expansion Project

Operating

It is anticipated that the development phase will continue through FY23. Construction is expected to begin in late 2023 or early 2024. Partial operation of the Project is not expected to commence until 2027 at the earliest. Until such time that the Project becomes operational and begins to deliver water to JPA Members, expenses will be capitalized and there will be no operating expenses of the JPA.