

Los Vaqueros Reservoir Joint Powers Authority



FY24 Budget

(July 1, 2023 – June 30, 2024)

Adopted June 14, 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.

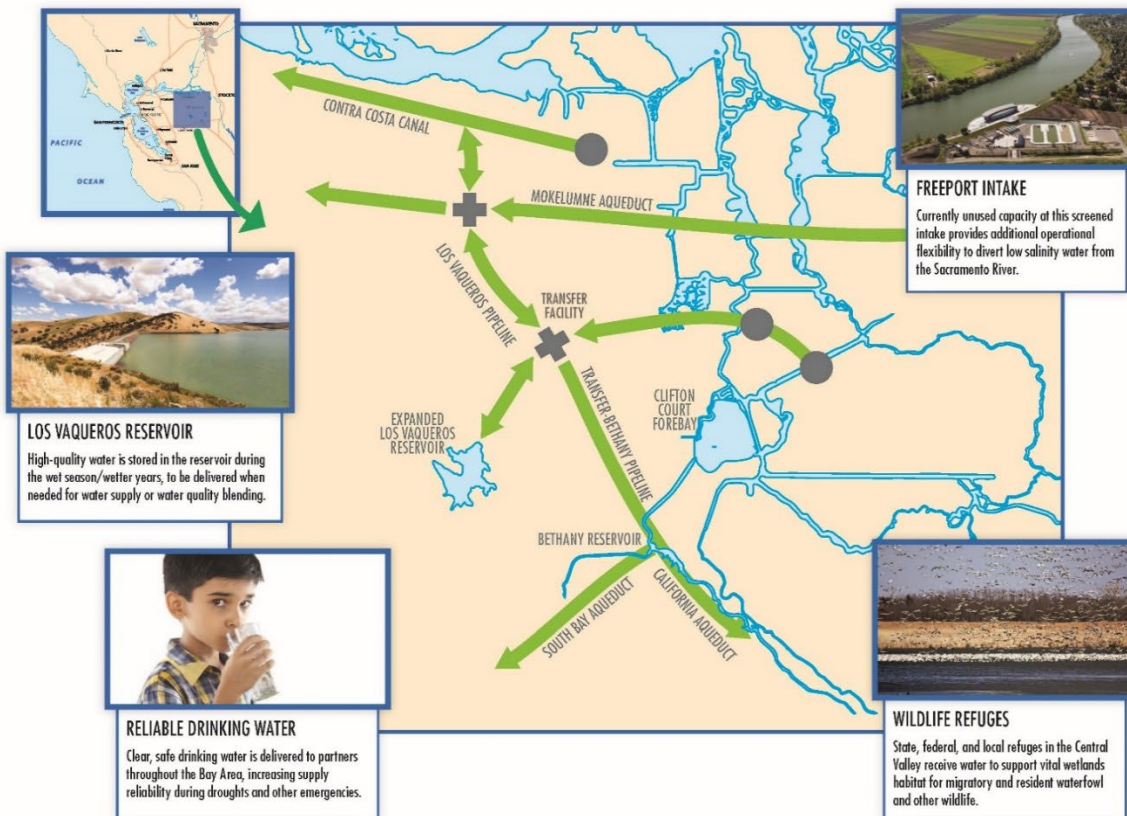


Figure 1 Location of Phase 2 Los Vaqueros Reservoir Expansion Project and Benefits

In FY23 the JPA hired Taryn Ravazzini as the Executive Director. In FY24 Contra Costa Water District (CCWD) will transition out of its role as the Interim Administrator to the JPA as more services are procured in FY24 by the JPA. CCWD will continue to provide technical services to the JPA as required and specified in Amendment No. 5 to Multiparty Agreement.

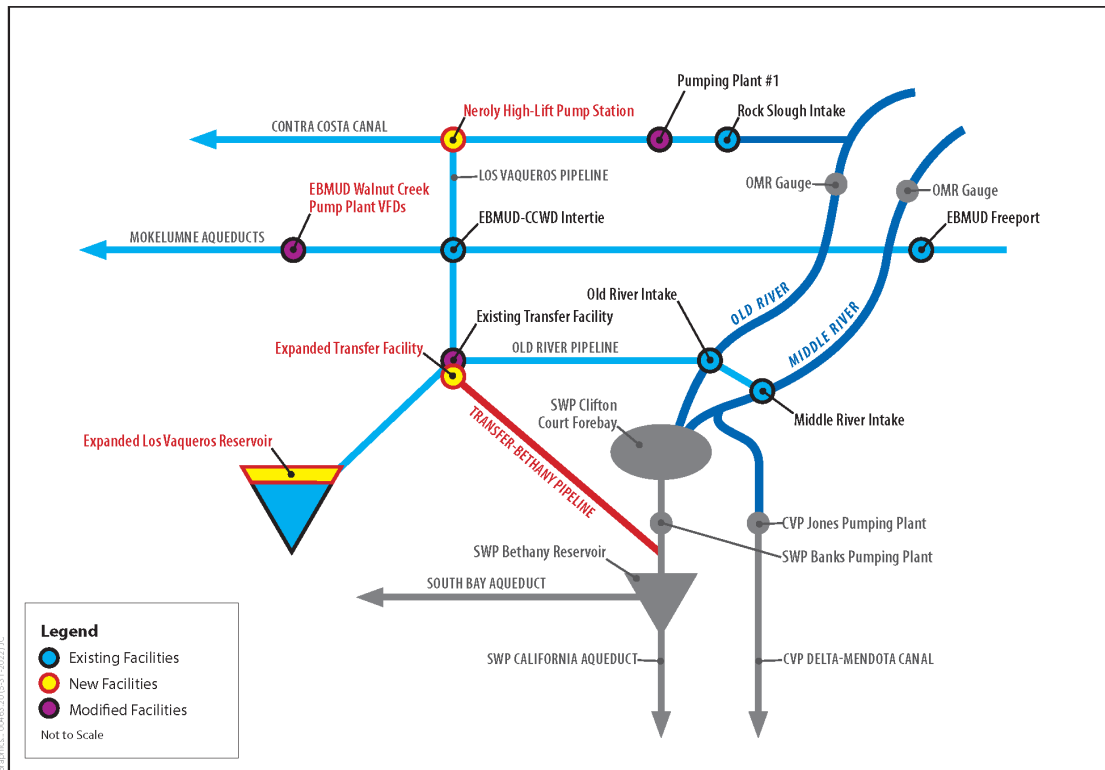


Figure 2 Schematic of Phase 2 Los Vaqueros Reservoir Expansion Project Facilities

Activities currently underway include permitting, facilities design, and agreement development, while also pursuing additional funding for the Project. The Project has been conditionally awarded approximately \$477 million of Proposition 1 funds from the California Water Commission and received a total of \$164 million in federal appropriations to date. The remainder of the project costs will be covered by additional federal funding, JPA Member contributions, and financing. Construction may begin as early as calendar year 2024, pending necessary reviews, approvals, and funding, and is anticipated to continue through 2030. Additional information is available at losvaquerosjpa.com.

The Board Members, officers, 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

Mike Tognolini

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

Rebecca Eisenberg

Alternate Director

Richard Santos

Zone 7 Water Agency

Director

Angela Ramirez Holmes, Chair

Alternate Director

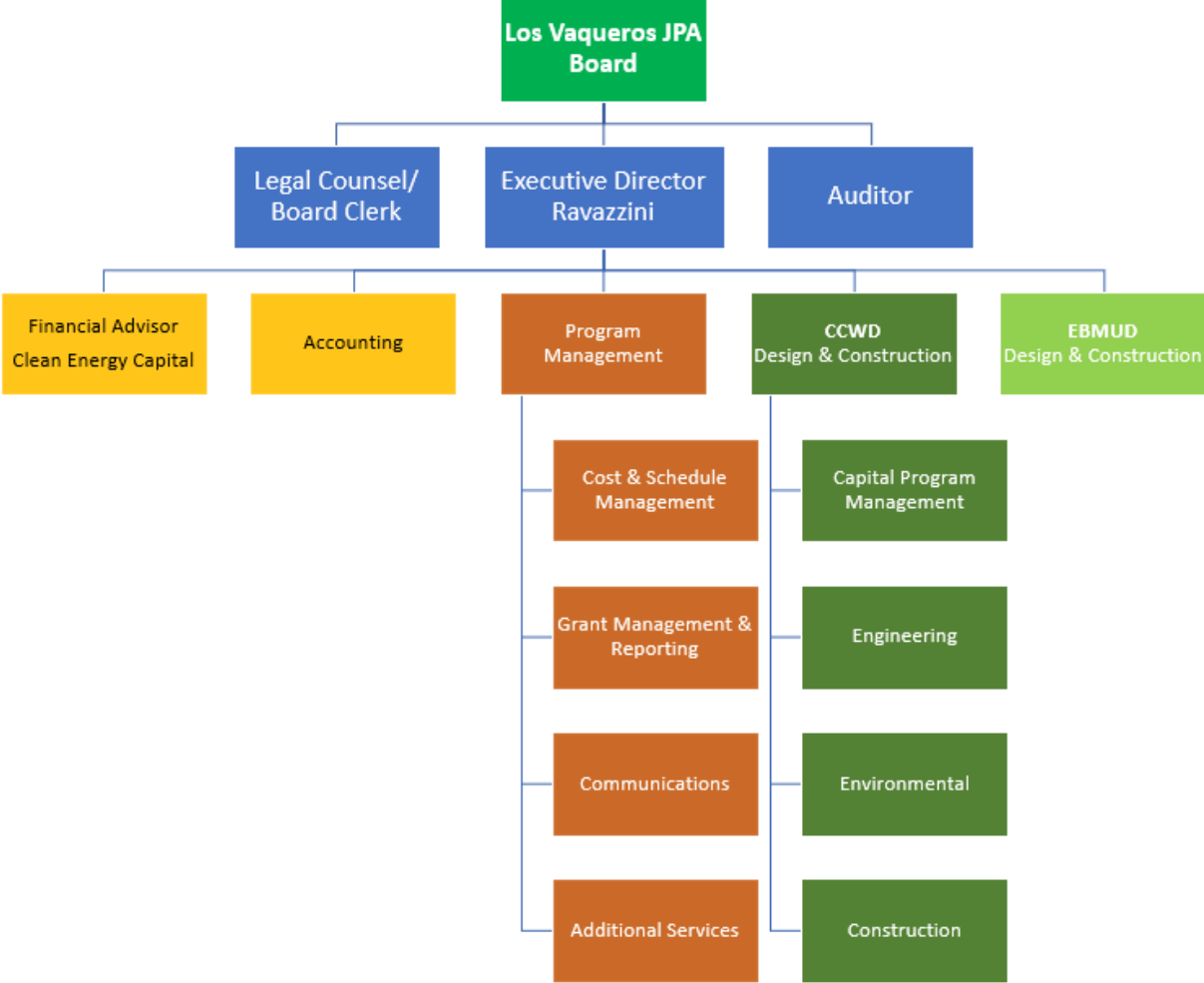
Sandy Figuers

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



JPA Administration

Taryn Ravazzini – Executive Director
 Jim Ciampa – General Counsel
 Rose Perea – Clerk to the Board

Key Milestones

In FY23, in its first full fiscal year, the JPA achieved many significant milestones. The key accomplishments are listed below:

- Strengthened foundational governance structure of the JPA by adopting necessary fiscal and administrative policies and procedures
- Contracted with Executive Director Taryn Ravazzini
- Retained Jim Ciampa as General Counsel and Rosemarie Perea as Board Clerk, previously had served as Interim General Counsel and Interim Board Clerk
- Retained Clean Energy Capital as financial advisors to the JPA
- Retained S&P to provide an indicative credit rating for the JPA
- Competitively procured Program Management Consultant
- Procured banking and other financial services
- Procured insurance
- Transitioned administration services from CCWD to the JPA
- Convened regular monthly JPA Board meetings as well as Finance, Communications and Outreach, and Engineering and Operations Committees
- Convened workshops with Reclamation to evaluate federal investment and benefits
- Developed and strengthened relationships with legislative representatives in Washington D.C. and in Sacramento.

During FY24 the following additional milestones are anticipated:

- Complete permitting of the Project
- Execute Contracts for Administration of Public Benefits
- Execute a Design and Construction Agreement with CCWD
- Execute a Facility Usage Agreement with CCWD and EBMUD
- Execute a Service Agreement between the JPA and its Members
- Apply for a Water Infrastructure Finance and Innovation Act (WIFIA) Loan
- Hold the California Water Commission (CWC) final funding award hearing

Source of Funds

Funding for the Project comes from a variety of sources and is managed by the JPA and CCWD. Approximately \$19.073 million of state, federal, and local funding is expected in FY24, including \$6.300 million carryover from FY23. This total excludes construction funding, which, if construction proceeds, will require a revision and supplement to this budget. 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 FY24.

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 anticipated that the remainder of \$2.0 million remaining from the Early Funding Agreement will be provided by the CWC in FY24. The non-state cost share is provided by federal and local funding. 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 \$164.0 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 FY24. 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 \$30.0 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 \$2.1 million will be provided by Reclamation in FY24. CCWD will collect federal funds in FY24 until the term of the Assistance Agreement expires, or until such a time that the JPA enters into a new Assistance Agreement with Reclamation.

JPA DEBT FINANCE

The JPA anticipates applying for a Water Infrastructure Finance and Innovation Act (WIFIA) loan in FY24 for up to \$675 million; if the application

is accepted, it is anticipated that the loan could close in FY24, after JPA members enter into the required Service Agreements. This budget does not assume that WIFIA will be available in FY24 to ensure sufficient local funding is collected. If the WIFIA loan closes and is drawn down in FY24, it could replace some or all of the local source of funds.

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. Amendment No. 5 is in the process of being executed and the scope of work and budget align with the FY24 budget included here. It is anticipated that JPA Members will collectively contribute \$8.673 million in FY24. JPA Members will be invoiced in September 2023 and January 2024. The timing of the invoices is intended to allow for flexibility for JPA members, other than CCWD, to authorize execution of Amendment No. 5 of the Multiparty Agreement. JPA will remit payment to CCWD for work performed by CCWD in November 2023 and March 2024.

RE-BUDGET CARRYOVER FROM FY23

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, due to conservative budgeting and typical ramping-up of project activities. The unspent funding collected for the Project will be re-budgeted into FY24. Approximately \$6.3 million is anticipated to be re-budgeted. CCWD will transfer \$1.425 million within 10 days of the effective date of Amendment No.5 to the Multiparty Agreement so that the JPA can pay its contractors until such time that they receive payment from members. The JPA will remit \$5.826 million to CCWD split into two equal payments in November 2023 and March 2024.

Table 1 Source of Funds in FY24 (values in dollars)

	CCWD	JPA	Total
State	\$2,000,000	\$0	\$2,000,000
Federal	\$2,100,000	\$0	\$2,100,000
Local	\$0	\$8,673,000	\$8,673,000
Carryover from FY23	\$6,300,000	\$0	\$6,300,000
Total	\$10,400,000	\$8,673,000	\$19,073,000

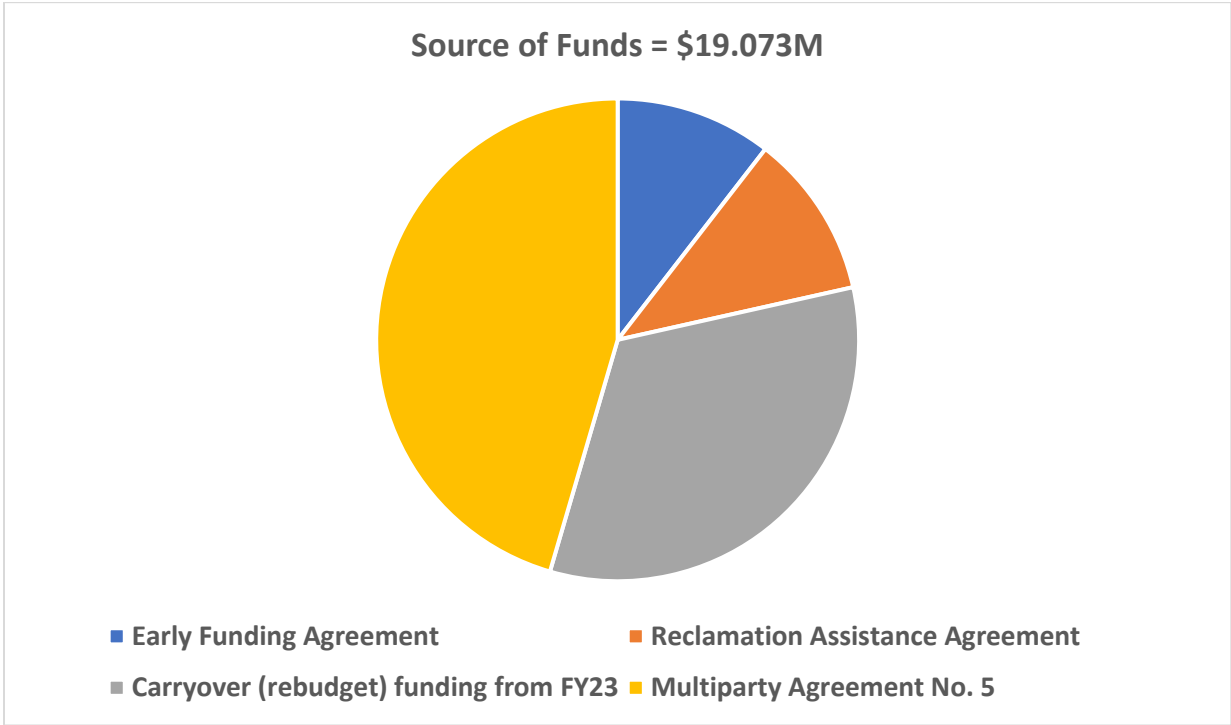


Figure 3 – Source of Funds in FY24 (values in millions of dollars)

Use of Funds

Approximately \$19.073 million in expenditures are expected in FY24. 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 FY24.

JPA SERVICES

In FY24, the JPA will continue the existing services procured in FY23 and seek new services. Expenditures for management services include the Executive Director and Program Management consultants. Expenditures for administration services include clerk to the board, and expenses associated with in-person meetings. Expenditures for financial services include financial advisor, fees associated with the WIFIA loan application, accounting, banking, and auditor. Expenditures for external affairs includes state and federal government relations. The JPA may select new contracts and service providers in FY24. Expenditures for legal include general counsel, bond counsel, and other specialized counsel to review service agreements and WIFIA loan agreements. Development and execution of the Service Agreement to finalize the allocation of Project benefits and costs to the JPA Members is also anticipated in FY24. The JPA anticipates applying for a WIFIA loan in FY24 for up to \$675 million. Total expenditures in FY24 for JPA services are anticipated to be \$3.651 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 that permits will be issued in FY24. Design will continue to advance for the dam raise, Pumping Plant No. 1 Replacement and Transfer-Bethany Pipeline in FY24. It is anticipated that dam design will be completed in early FY24. CCWD will continue to use CCWD’s legal counsel to review key permits and contracts held by CCWD (i.e., CEQA, permits, water rights, etc.). It is

anticipated that \$9.144 million will be expended on CCWD Services in FY24, excluding possible construction costs.

The budget for CCWD staff managing services, conducting technical work, and advancing the Project in FY24 is \$4.102 million. CCWD employees direct bill hours to the Project and to the extent appropriate, bill time to specific facilities. Labor budgets by facility are estimates and actual expenditures will depend on time specifically billed to the facilities. Taxes, benefits, and indirect costs are applied to direct billed hours.

CONTINGENCY

A contingency amount of \$2.176 million is included in the budget for FY24. This represents approximately 17 percent of CCWD's services and JPA 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.

RESERVES

Capital Project Fund Reserve

The purpose of the Capital Project Fund Reserve is to provide sufficient working capital for authorized capital expenditures in the upcoming year. Given that construction is not anticipated in FY24, the Board may consider waiving compliance with this policy in FY24 and defer funding the reserves until FY25 when construction is anticipated.

Table 2 Use of Funds in FY24 (values in dollars)

	FY 24
JPA Services	
Management	\$1,706,000
Administration	\$250,000
Financial	\$720,000
External Affairs/Agency Negotiation Support	
Government Affairs: State (AWCA, CWC support)	\$40,000
Government Affairs: Federal	\$180,000
Agency Facilitation & Agreement Development Support	\$250,000
Legal	\$505,000
<i>Subtotal</i>	\$3,651,000
CCWD Services	
Management	\$75,000
Environmental Planning	
Dam Raise	\$790,400
Transfer Bethany Pipeline	\$364,800
Pumping Plant No.1	\$60,800
Program (not facility specific)	\$230,333
Design	
Dam Raise	\$534,000
Transfer Bethany Pipeline	\$2,200,000
Pumping Plant No.1	\$1,200,000
Program (not facility specific)	\$2,245,000
Construction	\$0
Legal	\$860,000
Fees	\$584,000
<i>Subtotal</i>	\$9,144,333
CCWD Labor	
Management	\$203,000
Environmental Planning	
Dam Raise	\$86,300
Transfer Bethany Pipeline	\$86,280
Pumping Plant No.1	\$86,280
Program (not facility specific)	\$1,467,000
Design	
Dam Raise	\$340,800
Transfer Bethany Pipeline	\$535,500
Pumping Plant No.1	\$340,800
Program (not facility specific)	\$956,500
<i>Subtotal</i>	\$4,102,460
Contingency	\$2,175,207
Total	\$19,073,000

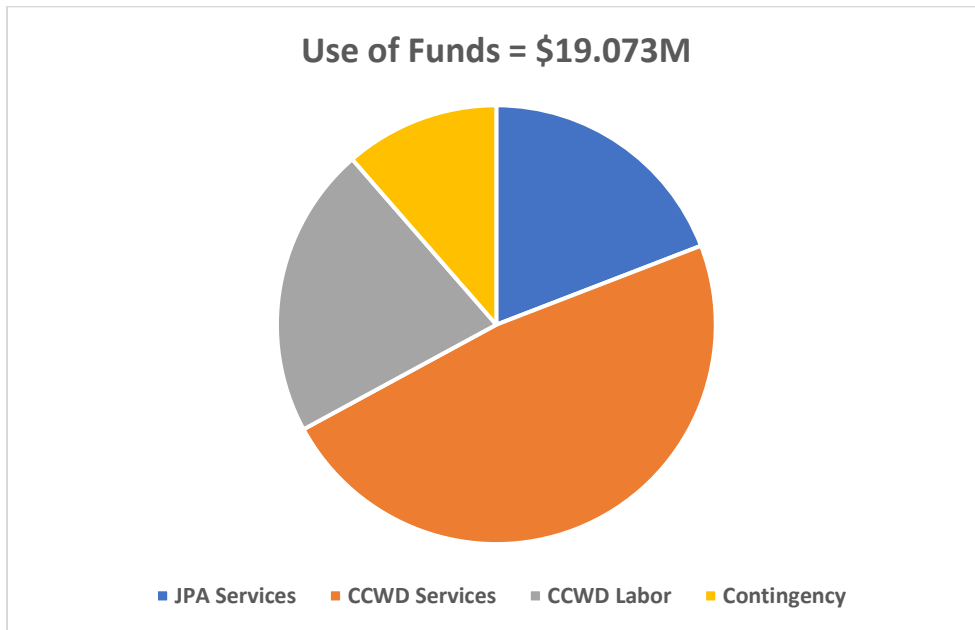


Figure 4 - Use of Funds in FY24 (values in millions of dollars)

Figure 5 shows the preliminary schedule of the major activities in FY24.

Los Vaqueros Reservoir Joint Powers Authority Preliminary Timeline of Major Activities



Figure 5 Preliminary Schedule of FY24 Activities of the Phase 2 Los Vaqueros Reservoir Expansion Project

Capital

All the costs for development of the Project are currently identified as capital costs through FY24. Project development expenditures will be categorized as capital until the Project become operational. It is anticipated that the development phase will continue though FY24. Construction is expected to begin in FY25. 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, construction and JPA administrative expenses are considered capital expenditures. Table 3 below summarizes the capital budget in FY24.

Table 3 Capital Budget (values in dollars)

	CCWD	JPA	Total
Services	\$9,144,000	\$3,651,000	\$12,795,000
Labor	\$4,102,000	\$0	\$4,102,000
Contingency	\$1,555,000	\$621,000	\$2,176,000
Total	\$14,801,000	\$4,272,000	\$19,073,000

Operating

It is anticipated that the development phase will continue through FY24. Construction is expected to begin in FY25. 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.