



Item 5.10
Water Supply Contract Extension

January 10, 2019

Purpose of the Contract Extension

- Extend the term of the 29 water supply contracts to 2085
 - Current contracts set to expire between 2035 and 2042
 - Ensure continued service from the State Water Project (SWP)
- Improve financial & accounting provisions in the contract

Need for Contract Extension

- SWP capital costs are primarily funded through the issuance of SWP revenue bonds
- DWR is currently limited to selling bonds with maturity dates that extend only to 2035 rather than the customary practice of selling 30 year bonds
- Shorter repayment period increases annual repayment costs to contractors



Agreement in Principle Development



- During May 2013 to June 2014 contractors and DWR held public negotiation sessions and arrived at an Agreement In Principle (AIP) for the Contract Extension Amendment
- ACWD's Board adopted the AIP in September 2014
- The AIP provided for:
 - Extending all contract expiration dates to December 31, 2085
 - Changes to the financial provisions in the contracts



Key Items in Contract Extension



- Changing contract term from 2035 to 2085
- Transitioning to a pay-as-you-go billing system to better align revenues and expenditures making contract administration less complicated
- Improved financial & accounting provisions
- Creation of a new joint Finance Committee
 - Comprised of Department of Water Resources and SWP Contractor representatives
 - Provides recommendations on financial policies of the SWP



Contract Extension Approval Process

- DWR is lead agency under CEQA* to address possible environmental impacts associated with the Contract Extension amendments
 - ✓ Draft Environmental Impact Report: August 17, 2016
 - ✓ Final Environmental Impact Report: November 16, 2018
- Informational Legislative Hearings (Water Code 147.5)
 - ✓ Senate Natural Resources and Water Committee: July 3, 2018
 - ✓ Joint Legislative Budget Committee: September 11, 2018

**CEQA = California Environmental Quality Act*

Contract Extension Approval Process

- ✓ ACWD Water Resources & Conservation Committee Reviews: August & December 2018
- ✓ Director of DWR approved the Water Supply Contract Extension - December 11, 2018
- ✓ DWR incorporated contract extension amendment into ACWD's contract language

Next Step:

- ACWD to consider making CEQA findings and approving the Water Supply Contract Extension

Staff Recommendation



- By motion, adopt a resolution
 - 1) considering the Department of Water Resources Final Environmental Impact Report for the Water Supply Contract Extension and, in the District's limited role as responsible agency, adopting findings for the Water Supply Contract Extension Final Environmental Impact Report;
 - 2) alternatively, finding that the Water Supply Contract Extension is not a project and, if it is a project, that it is exempt from CEQA; and
 - 3) approving the Water Supply Contract Extension and authorizing the General Manager to execute the Contract Extension.