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REPORT TO THE CITY COUNCIL

July 26, 2018

FROM: MICHAEL CARBAJAL, Interim Assistant Director
Department of Public Utilities

SUBJECT

Approve City participation in a Memorandum of Agreement Regarding Coordination on the Establishment of an Implementing Agency for the Temperance Flat Reservoir Project and Preconstruction Project Activities

RECOMMENDATION

Staff recommends that City Council approve a Memorandum of Agreement (MOA) Regarding Coordination on the Establishment of an Implementing Agency for the Temperance Flat Reservoir (TFR) Project and Preconstruction Project Activities, to be entered into by other San Joaquin Valley public water agencies to serve as the lead non-federal group representing the TFR Project until the Project Joint Powers Agency (JPA) or other implementing entity is formed.

EXECUTIVE SUMMARY

The United States Bureau of Reclamation (Reclamation) as part of the Central Valley Project (CVP) constructed the Friant Dam located northeast of the City of Fresno in Fresno and Madera Counties to store water from the San Joaquin River and its tributaries. The water stored behind Friant Dam is

known as Millerton Lake. Reclamation and other public agencies have for a number of years investigated the feasibility of constructing a second dam along the San Joaquin River upstream of Friant Dam to increase water storage capacity on the San Joaquin River for increasing available water supplies and operational flexibility. The location of the proposed second dam and reservoir is in an area commonly known as Temperance Flat. To provide a mechanism for collaborating on preconstruction activities related to the TFR Project, staff recommends that the City Council approve an MOA Regarding Coordination on the Establishment of an Implementing Agency for the TFR Project and Preconstruction Project Activities.

BACKGROUND

The Friant Division of the Central Valley Project (CVP) provides water to over one million acres of irrigable land on the east side of the southern San Joaquin Valley. Principal features of the Friant Division of the CVP include Friant Dam and Millerton Lake, and the Madera and Friant-Kern Canals, which convey water north and south to thirty-one agricultural and urban water contractors.

The Friant Division of the CVP has contractual obligations for 2,201,475 acre-feet per year, with 800,000 acre-feet allocated to Class 1 contracts and 1,401,475 acre-feet allocated to Class 2 contracts. Further, the thirty-one agricultural and urban contractors have contractual rights and priority to access additional classes of water from the San Joaquin River including, but not limited to, Unreleased Restoration Flows, Recovered Water Account Flows, and Section 215 Non-Storable Flood Flows. The City of Fresno is a Friant Division CVP Contractor, with a Class 1 contract for 60,000 acre-feet per year, and contractual access and priority rights to other classes of water in the San Joaquin River.

Friant Dam is owned and operated by Reclamation, and was constructed between 1939 and 1942 to create Millerton Lake. The 520 thousand acre feet (TAF) storage capacity of Millerton Lake is small relative to the average historical annual inflow to Millerton Lake of approximately 1.8 million acre feet (MAF), which requires Millerton Lake to be filled and emptied (turned over) approximately five times per year during normal precipitation and snow pack conditions. The construction of additional water supply storage capacity in the Upper San Joaquin River watershed would provide greater operational flexibility to increase water supply reliability for agricultural and municipal and industrial use in the Friant Division of the CVP, as well as environmental purposes in the San Joaquin River under certain operational and hydrologic conditions. While the construction of TFR will only result in additional water supply yield of between 100 and 200 TAF, the primary benefit of TFR is the operational flexibility to store water during wet years that can then be delivered and used during dry years, which is critically important to the City of Fresno.

Temperance Flat Reservoir

The form of the additional water supply storage capacity in the Upper San Joaquin River watershed would be in the form of a new dam and reservoir system designated as Temperance Flat Reservoir, which would be constructed at River Mile 274 of the San Joaquin River. The proposed TFR Project would include a new reservoir, formed by constructing a new dam within the footprint of the existing Millerton Lake, and increase storage capacity upstream from Friant Dam by approximately 1.26 MAF. The total capital cost required to construct TFR is currently estimated to be \$2.7 billion in 2015 dollars. The total capital cost is beyond the financial means of one local public agency, and may be beyond the financial means of a consortium of local public agencies without financial support from state and federal agencies.

As a Friant CVP contractor, the TFR Project will benefit the City of Fresno's anticipated growth and economic development projections by providing increased operational flexibility and certainty of water supply allocations. The additional water supply yield and storage capacity supports development of conjunctive management projects that will reduce groundwater overdraft in accordance with Sustainable Groundwater Management Act regulations, increased emergency water supply, and drought resilience.

To fill a potential financial gap to construct TFR, the San Joaquin Valley Water Infrastructure Authority (SJVWIA) prepared and submitted a Proposition 1 Water Storage Investment Program (WSIP) Application to the California Water Commission (CWC) to provide a maximum financial contribution of \$1.3 billion of the \$2.7 billion (2015 dollars) required to construct TFR. The Proposition 1 WSIP Application was submitted August 2017, and CWC is expected to issue a determination of maximum conditional funding eligibility for TFR in July 2018.

Subsequent to the Proposition 1 WSIP Application, the City entered into a Memorandum of Understanding Regarding Coordination, Cooperation, and Cost Sharing on Preconstruction Activities Related to the TFR Project with other San Joaquin Valley public water agencies. Ongoing activities include more detailed technical and financial studies that will provide greater resolution and definition - on a user by user basis - of monthly water demands, monthly water supply available from inflow to Millerton Lake, monthly water supply available from other sources, and additional water available from transfers and exchanges with other water agencies necessary to produce the Final Operating Plan for the TFR Project.

Memorandum of Agreement - Purpose and Intent

With the Proposition 1 WSIP Application successfully submitted and technical and financial studies underway, an MOA has been developed to provide a framework to cooperatively discuss the TFR Project, which will include the preparation of documents that could be used to form a Project JPA. Project related preconstruction activities to be completed through the MOA are summarized as follows:

- Work on the establishment of the Project JPA.
- Serve as the lead non-federal group representing the TFR Project until the Project JPA or other implementing entity is formed.
- Coordinate on Project-related matters with federal, state, and local agencies whose approvals will be needed in order to carry out the Project or that have jurisdiction over matters related or necessary to the Project.
- Coordinate with counties, cities, and other public agencies that will potentially benefit from the Project.
- Coordinate, fund, and manage such other Project-related preconstruction activities as the Parties may deem necessary.

Participation in the MOA is open to public water agencies that have a demonstrable interest in the potential benefits arising from the TFR Project. Funding for the MOA activities and cost share will be

determined by unanimous approval of the MOA Coordination Group subject to final approval by the governing board of each MOA party and documented by amendment to the MOA or a new, separate agreement among the MOA parties.

Any agency may withdraw from the MOA upon 30 days written notice (subject to payment of its proportional share of outstanding costs incurred as of the date of withdrawal). Participation in the MOA activities is voluntary and does not commit a party to investing in the TFR Project nor does it guarantee any right to participate in the TFR Project.

The MOA has been approved as to form by the City Attorney's Office. The Administration recommends the City Council approve the MOA, and the City's participation in the preconstruction activities to be conducted for the TFR Project.

ENVIRONMENTAL FINDINGS

Pursuant to CEQA Guidelines section 15378, entering into the MOA is not a project for the purpose of CEQA

LOCAL PREFERENCE

Local preference was not considered as approving the MOA does not involve contracting for services or construction.

FISCAL IMPACT

There is no financial obligation for the General Fund for this MOA. All costs associated with the MOA will be funded by the Water Enterprise Fund (40101). Funding for the MOA activities and cost share will be determined by the MOA Coordination Group subject to approval by the City Council and documented by amendment to the MOA or a new, separate agreement among the MOA parties.

Attachment: MOA Regarding Coordination on the Establishment of an Implementing Agency for the TFR Project and Preconstruction Project Activities