

# ***San Geronio Pass Water Agency***

**DATE:** December 12, 2022

**TO:** Board of Directors

**FROM:** Lance Eckhart, General Manager

**BY:** Lance Eckhart, General Manager

**SUBJECT: ENTER INTO A CONTRACT WITH ZANJERO FOR THE DEVELOPMENT OF A WATER SUPPLY PORTFOLIO PLAN AND VARIOUS WATER SUPPLY SUPPORT SERVICES**

## **RECOMMENDATION**

Staff requests the Board authorize the General Manager to enter into a contract with Zanjero to develop a Water Supply Portfolio Plan and also provide various supply support services.

## **PREVIOUS CONSIDERATION**

- Board of Directors - 2020-2022: The Agency has utilized Zanjero (formally Tully & Young) since 2020. Work Zanjero has performed for the Agency since 2020 is as follows:
  - Preparation of the Regional 2020 Urban Water Management Plan (UWMP).
  - 2022 Annual Water Assessment reported to the Department of Water Resources and assistance with implementing the Agency's Drought Contingency Plan.
    - *All work above was regional and involved a significant amount of retailer collaboration.*
  - Help with the preparation of the Negative Declaration as part of the Ventura Long-Term water transfer.
- Board of Directors – Nov. 14, 2022: A presentation discussing the need for [Water Supply Strategic Planning](#) was introduced by Staff to the Board.

## **BACKGROUND/ANALYSIS**

Over the last several years, the Agency has focused on expanding its water supply portfolio. The portfolio consists of the Agency's Table A, long-term transfer Table A, Nickel Water, Yuba Water, and return water from water sales. In addition, the Agency is looking for measured opportunities to purchase "spot-market" water depending on price, availability, and timing. The portfolio is encumbered with some existing water debt/obligations that will need to be managed.

The availability of water in the portfolio is expected to be dynamic (year-to-year higher highs, lower lows), and long-term supply success likely resides in maximizing securing water imports during intermittent average to wet periods. Therefore, adequate planning to maximize local recharge ability, understanding infrastructure constraints, and developing banking partnerships will all likely be necessary and are considered elements of the portfolio.

The Agency continues to invest in major projects such as the Delta Conveyance Project (i.e., Delta Tunnel) and Sites Reservoir, which are expected to be completed in the 2030s. Understanding and anticipating how these projects work in conjunction with the Agency portfolio will be critically necessary to accomplish two primary goals 1) meet the current and future water needs of local stakeholders and 2) attempt to leverage the use of the Agency's portfolio/investments to maintain imported water affordability.

Staff recommends developing a Water Supply Portfolio Plan (Plan) to address the issues discussed above. Work associated with the Plan will address various issues related to the region's long-term supply objectives. A Plan proposal by Zanjero was developed (attached) to help the Agency with planning activities in a step-by-step fashion with deliberate built-in flexibility to adjust priorities as necessary. An important element of the planning process will be collaborating with our local retail agencies and achieving regional alignment of our collective near and long-term water supply actions. It should be noted that this effort should bring more planning clarity to the region as a whole, collectively strengthen our respective UWMPs, and bring holistic cohesion to the region's resource management efforts.

Zanjero has been involved with the Agency's major planning efforts over the last two years. As a result, Zanjero has an in-depth understanding of the Agency's and retailers' UWMP documents, Water Shortage Contingency Plans, the local adjudication, and two newly formed Groundwater Sustainability Plans. Zanjero has also worked with Agency counsel to finalize the long-term lease of Table A allocation. Zanjero has a unique understanding of the region's supply challenges, has worked with stakeholders for the past two years, and is well qualified to assist Staff in their planning efforts. If the Board accepts the proposal, this would be considered a sole-source contract.

## **FISCAL IMPACT**

Staff has worked with Zanjero to develop a supply planning strategy and intends to focus efforts on eight of the 11 tasks outlined in the attached proposal.

Task 1 - SGPWA Water Supply Portfolio Objectives

Task 2 - Inventory and Assess Portfolio

Task 3 - Portfolio Opportunities and Constraints

Task 4 - New Water Asset Opportunities

Task 5 - Water Supply Portfolio Plan

Task 6 - Develop Implementation Guidelines

*\*Task 7 - Project Implementation Documents - HOLD*

*\*Task 8 - Water Asset Acquisition and Storage Opportunities - HOLD*

*\*Task 9 - Secure Opportunities - HOLD*

Task 10 - Prepare SGPWA Annual Assessments

Task 11 - Regional Planning and Coordination

Costs to complete Tasks 1 through 6, Task 10, and Task 11 are anticipated to cost approximately \$200,000 on a time and material basis. Funds exist to cover costs in the current year budget, and work is expected to extend into the 2022-23 fiscal year.

*\*Tasks 7 through 9 are on "HOLD," and any work associated with these tasks will be re-evaluated if a viable opportunity is identified and subsequently brought to the Board for consideration.*

## **ACTION**

Motion to authorize Staff to enter into a contract for consulting services with Zanjero to prepare a Water Supply Portfolio Plan.

## **ATTACHMENTS**

- December 1, 2022 – San Geronio Pass Water Agency Water Portfolio Strategy

## ***San Geronio Pass Water Agency***

### ***Water Portfolio Strategy***

***December 1, 2022***

The purpose of this document is to provide San Geronio Pass Water Agency (SGPWA) with the Water Portfolio Strategy. The proposed strategy addresses the breadth of water management issues at SGPWA and its retail agencies while integrating technical, policy, and regulatory efforts to create a cohesive and efficient strategic water plan. The Water Portfolio Strategy supports SGPWA's adopted UWMP and ongoing annual assessment filings. The final strategy will support multiple SGPWA water management activities and provide pertinent information for individual project implementation.

### **Background and Key Issues**

SGPWA is the primary source for imported water supplies that support retail agencies in the Agency's service area. Each SGPWA water supply has unique attributes and values that require constant attention to maximize each supply's utility. For instance, SGPWA's SWP entitlement is subject to large swings in annual availability that necessitate capturing and storing supplies when SWP allocations are abundant. SGPWA also has other unrealized water assets, like Sites Reservoir supplies, that should be considered in light of existing regulatory criteria in the San Francisco Bay-Delta and synthesized with SGPWA's existing water asset portfolio. These two examples need further integration with other storage and conveyance issues that impact SGPWA's asset management, like the regional Groundwater Sustainability Plans, local adjudication, and SWP conveyance constraints in the California Aqueduct under variable conditions.

SGPWA's retail agencies are also using and developing water assets that require integration with the Agency's operations. For instance, groundwater storage capacity in the various basins (including the Beaumont adjudicated portion) should be utilized to best preserve and enhance the regional water supply portfolio. Recycled water supplies may have utility both for direct application for end uses but also blending for and storing in groundwater basins for eventual potable extraction. Various important issues related to this supply management integration necessitate discussion and planned resolution to best preserve and use water assets and reduce overall costs for SGPWA and the retailers.

The work contemplated for the Water Portfolio Strategy directly tiers from SGPWA's Urban Water Management Plan work that coordinated activities and filings among all retail agencies. This effort provides a necessary next step in continuing the regional planning that will provide the foundation for each annual UWMP filing and additional collaborative efforts that will improve predictable and defensible water supplies in the SGPWA service area.

The following proposal provides the water planning framework to reaffirm portfolio planning objectives, integrate existing water asset portfolio management actions, and develop future actions that support SGPWA objectives. SGPWA has initiated water acquisition and management activities to improve its long-term supply reliability and seeks to add additional

actions, such as improving groundwater banking and expanding financial opportunities that will augment its supply portfolio and expand flexibility in its water management system. This Scope of Work fundamentally targets these management activities and portfolio augmentation objectives.

## **Zanjero Qualifications and References**

Zanjero is a unique water planning firm that specializes in complex water management issues and long-term water supply planning. Zanjero's team consists of water rights lawyers and water engineers that cohesively integrate legal, technical, economic, and political water management issues. Zanjero's partners each have over 30 years of water planning experience, and the company has analyzed and verified thousands of water assets for numerous clients throughout the western United States. Three representative projects that are similar to the proposal here as well as contact information for references, are shown below.

- Mojave Water Agency – 2020 Urban Water Management Plan, 2021 Annual Assessment, and 2022 Water Asset Management Strategy. Zanjero has been working with Mojave Water Agency over the past few years to coordinate with retail agencies to optimally manage MWA's water asset portfolio. Zanjero has identified funding opportunities for MWA, prepared funding applications, and coordinated funding opportunities with retail agencies. Zanjero continues to work with MWA to develop additional funding opportunities and management strategies that integrate retail agency efforts with MWA's regional management strategies.  
Reference: Adnan Anabtawi, Assistant General Manager  
[aanabtawi@mojavewater.org](mailto:aanabtawi@mojavewater.org)  
(760) 987-6727
- California Department of Water Resources – 2015 and 2020 Urban Water Management Planning Guidebook. Zanjero has helped DWR develop its Urban Water Management Planning Guidebook over the last two UWMP cycles. Zanjero prepared the fundamental chapters in the Guidebook instructing purveyors on how to analyze water supplies and water demands. Specifically, Zanjero noted the importance of monthly supply breakdowns to understand real supply reliability throughout the calendar year as well as using land-use based demand analyses to accurately characterize demand conditions in climatically diverse locations throughout the state.  
Reference: Julie Ekstrom, Senior Environmental Scientist Supervisor  
[Julia.Ekstrom@water.ca.gov](mailto:Julia.Ekstrom@water.ca.gov)  
(916) 425-2967
- City of West Sacramento – Water Management Strategy. Zanjero has been working over the last few years with the City of West Sacramento to optimize water use in its water asset portfolio and manage supplies to meet current and future needs. Zanjero has engaged in buying and selling water for the City, negotiated a renewal of its federal CVP Contract, and prepared its UWMP and Annual Assessments. Zanjero reviewed the regional Groundwater Sustainability Plan and coordinated the City's groundwater needs

and assets into the overall program. Zanjero continues working with the City on its Water Management Strategy and was selected to complete its Water Master Plan.

Reference: William Roberts, Public Works Director

[wwilliamr@cityofwestsacramento.org](mailto:wwilliamr@cityofwestsacramento.org)

(916) 910-3582

- City of Benicia – Water Management Strategy. Zanjero has been working with City of Benicia to maximize opportunities, assess vulnerabilities, and augment supplies in the City’s water portfolio. Zanjero discovered an unreported water supply for the City and has helped it plan its water supply portfolio use to maximize opportunities. City’s supplies consist of SWP contract, water rights, and contracts with neighboring water agencies with access to a federal project. Zanjero has assisted the City in water transfers and acquisitions.

Reference: Kyle Ochendusko, Public Works Director

[kochendusko@ci.benicia.ca.us](mailto:kochendusko@ci.benicia.ca.us)

(707) 746-4227

- Sacramento County Water Agency (SCWA) – Water Management Strategy. Zanjero analyzed SCWA’s water asset portfolio – consisting of federal contracts, water rights, and regional contracts – and provided a water management platform to integrate water asset supplies best. Zanjero discovered a new water supply that SCWA did not know it possessed and provided guidance on how to capture and utilize that supply to meet its customer’s needs. Zanjero completed SCWA’s 2020 UWMP for SCWA’s numerous service areas and continues to provide urban water planning on-call strategic help.

Reference: Scott Hutcheson, Principal Civil Engineer

[hutchesons@saccounty.gov](mailto:hutchesons@saccounty.gov)

(916) 875-2216

- State of Nebraska Department of Natural Resources – 2022 South Platte River Compact Project Development. The State of Nebraska hired Zanjero to assist with the analysis and implementation of its 1923 Interstate Compact with the State of Colorado on the South Platte River system that was ratified by Congress under the United States Constitution. Zanjero comprehensively analyzed the Compact and its history, the South Platte River supply availability – both hydrologically and legally, and prepared a pre-feasibility assessment of the utility of a project identified in the Compact. This project is currently ongoing, and Zanjero will present its findings directly to the Nebraska State Legislature in December 2022.

Reference: Jesse Bradley, Assistant Director NE Department of Natural Resources

[Jesse.bradley@nebraska.gov](mailto:Jesse.bradley@nebraska.gov)

(402) 219-1357

The proposed scope of work tiers directly from Zanjero’s experience and ongoing activities at SGPWA. Specifically, the framing and analysis of SGPWA’s water asset portfolio, the identification of management vulnerabilities within that portfolio, and the continued coordinated efforts with the Agency’s retailers for regional supplies and demands were all initiated in the UWMP process and continue today.

## **Proposed Scope of Work for Water Portfolio Strategy**

The following task list provides a conceptual overview of the Water Portfolio Strategy by Zanjero. These tasks provide the framework for a dynamic project approach that encapsulates ongoing water management activities at SGPWA. The tasks listed below address the key work areas that meet SGPWA's overall project objectives.

### ***Tasks 1-2      Review SGPWA Portfolio Objectives and Existing Information***

This fundamental starting point will organize and categorize SGPWA's water supply portfolio objectives, inform and solicit input from Board and management on key issues, and review relevant information pertinent to SGPWA's existing water supply portfolio.

#### ***Task 1: Review SGPWA Water Supply Portfolio Objectives***

- a. Review existing water asset management objectives materials
- b. Obtain Board and Management input on objectives
- c. Refine short-term and long-term water supply portfolio objectives
  - 1) Wet year water capture and storage
  - 2) Storage system flexibility
  - 3) Review of dry vs. wet year historical operations, including policies
  - 4) Opportunistic water deliveries that meet regional needs
  - 5) Realistic budget allowance to achieve desired outcomes

#### ***Task 2: Inventory and Assess the Existing Water Supply Portfolio***

- a. Examine existing Water Asset Portfolio, including newly acquired assets
- b. Assess existing investments in Sites Reservoir by SGPWA and BCVWD
- c. Incorporate other retail water assets, where appropriate, into portfolio assessment
  - 1) Use the retailer's UWMP information
  - 2) Examine recycled water assets
  - 3) Clarify information with retailers, where appropriate
- d. Refine existing regional growth projections
- e. Analyze key issues related to existing wholesale/retail water asset portfolio like cost, timing, conjunctive use, banking opportunities, water in storage accounts, basin health, and dry year sales
- f. Investigate key regulatory items that affect supplies (e.g., Reduced Delta reliance, SWP Article 21 water, and leveraging groundwater banking and conjunctive use rules and regulations)

**Deliverable:** Zanjero will provide a brief memo (NTE 25 pages) and PowerPoint slides that summarize key findings.

### ***Tasks 3-5      Prepare Water Asset Portfolio Plan and Strategy.***

This work tiers from the information gathered in Tasks 1 and 2 and develops additional information gathered from SGPWA Board and Management, retail agencies, and other sources that are relevant to expanding water asset portfolio redundancy and flexibility.



**Task 3: Examine Opportunities and Constraints with Existing Portfolio**

- a. Assess unrealized opportunities with existing portfolio
- b. Analyze current and future constraints on portfolio
- c. Identify short-term and long-term actions to leverage the portfolio
- d. Define specific augmentation opportunities applicable to the existing portfolio
- e. Prioritize short-term and long-term actions to leverage existing portfolio
- f. Consider positioning for dry, wet, and average years

**Task 4: Analyze New Water Asset Opportunities**

- a. Investigate options for new water assets, including storage
- b. Assess the pros and cons of identified water assets
- c. Characterize new asset opportunities with existing portfolio
- d. Evaluate costs and benefits of identified opportunities
- e. Outline regulatory criteria for identified opportunities
- f. Compare and rank opportunities based upon developed criteria
- g. Prepare integrated analysis of new asset opportunities, including timelines

**Task 5: Prepare Water Supply Portfolio Plan**

- a. Aggregate all information gathered in Tasks 1-4
- b. Refine information into an initial digestible summary (NTE 10 pages)
- c. Obtain project team input on summarized findings
  - 1) SGPWA Board and Management Input
  - 2) Retail Agency Input
- d. Prepare Water Supply Portfolio Plan (NTE 50 pages)
- e. Prepare PowerPoint slides summarizing Plan (NTE 20 slides)
- f. Prepare real-time water portfolio tracking tool for portfolio management
  - 1) Supply management
  - 2) Groundwater banking and storage management
  - 3) Water purchase and sale tracking
  - 4) Agreement on water debt and credits

**Deliverable:** Final Water Supply Portfolio Plan, summarizing PowerPoint slides, and water portfolio tracking tool.

**Task 6-7      Developing and Implementing Supply Strategy**

These tasks will use the information prepared for the Water Supply Portfolio Plan to implement preferred actions developed in Task 5. The implementation efforts may deviate from projected implementation plans and require additional information or cost-benefit assessment in light of unanticipated developments or criteria.

**Task 6 – Develop Implementation Guidelines**

- a. Organize projects for implementation actions which may include supply, storage, conjunctive use, and portfolio leveraging
  - 1) Solicit SGPWA Board and Management regarding policy and procedural considerations



- 2) Provide guidance on additional policy and procedural items
- b. Address project opportunity checklists with participating agencies
  - 1) Regulatory agency actions
  - 2) SGPWA actions
  - 3) Retail agency actions (if any)
- c. Outline key documents necessary for actions
  - 1) Agreement-related documents (e.g., MOU)
  - 2) Environmental compliance documents (e.g., initial Study/Negative Declaration)

### ***Task 7 – Prepare Documents for Project Implementation***

- a. Agreement-related documents (to be approved by counsel)
  - 1) Letter of Intent
  - 2) Memorandum of Understanding
  - 3) Formal Agreements between participating agencies
    - a) Water Transfer Agreements
    - b) Storage Agreements
    - c) Conveyance Agreements
- b. Environmental compliance documentation
  - 1) NEPA documents
  - 2) CEQA documents

***Deliverables:*** Checklist for preferred water asset acquisition and management activities. Relevant detailed documentation for each action as directed by SGPWA.

### **Task 8-9 Ongoing Water Asset Acquisition Support**

The purpose of these tasks is to provide a platform to identify and secure projects that are aligned with the Water Supply Portfolio Plan. Zanjero's continuous engagement in water transfers and water markets will help identify opportunities that best meet Plan objectives.

### ***Task 8 – Identify Water Asset Acquisition and Storage Opportunities***

- a. Identify specific conditions and opportunities to buy, sell, and exchange water assets
- b. Assess existing and emerging storage opportunities
- c. Conduct due diligence, as directed, on identified opportunities
- d. Assist SGPWA with pursuing opportunities as directed.

### ***Task 9 – Secure Opportunities***

- a. Coordinate with SGPWA on asset or storage acquisition
- b. Prepare documentation, as needed, under Task 7

***Deliverables:*** Regular updates on water transfer opportunities as well as water market status for assets that SGPWA may have an interest in acquiring. Develop necessary documentation for opportunities as directed by SGPWA.

### **Task 10-11 Continued Regional Planning Support**

The purpose of this task is to continue to provide SGPWA and its retail agencies the support for regional planning, including required reporting under the Urban Water Management Planning Act. Zanjero will continue to prepare the required Annual Assessments and will organize the platform for a coordinated 2025 UWMP regional filing. These activities may also provide a backdrop for other integrated regional planning actions under the SGMA, Beaumont Adjudication, or IRWM act.

#### ***Task 10 – Prepare SGPWA Annual Assessments***

- a. Coordinate regional supply and demand information
- b. Integrate information and synthesize reporting platform
- c. Participate in regional meetings to coordinate findings
- d. Prepare and submit the required Annual Assessment reporting information

#### ***Task 11 – Regional Planning***

- a. Continue to use retail agency meetings to espouse regional planning benefits
- b. Use gathered information from Annual Assessments to develop options for further regional planning actions, like 2025 UWMP
- c. Prepare regional planning documents as directed by SGPWA (the exact nature of these documents is TBD at this time and will have costs assessed independently)

**Deliverables:** Prepare SGPWA Annual Assessments by the due date of July 1 each year. Prepare additional regional planning documents, like UWMP, as directed by SGPWA.

#### **Task 12      On-Call Services**

The purpose of this task is to provide an overarching catch-all that allows SGPWA to use Zanjero to address items as they arise in the course of SGPWA's daily business activities. The tasks identified here would require specific authorization from SGPWA's General Manager with an associated cost for Zanjero's performance.

#### ***Task 12 – On-Call Services***

- a. Address water supply and water management issues
- b. Provide project management for specific engineering activities
- c. Assess pre-feasibility engineering analyses
- d. Review legal or regulatory issues for SGPWA
- e. Provide additional services to support SGPWA's functions

**Deliverable:** Each task will have specific deliverables assigned as directed by SGPWA.