

San Geronio Pass Water Agency

DATE: March 13, 2023

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Tom Todd, Jr., Chief Financial Officer

SUBJECT: AUTHORIZATION TO PURCHASE ADDITIONAL WATER

RECOMMENDATION

Authorize the General Manager to purchase water using funds previously set aside for this purpose.

PREVIOUS CONSIDERATION

- Board of Directors – September 9, 2022: The Board approved Resolution 2022-24, a transfer agreement with Central Coast Water Authority.

BACKGROUND

The Agency entered into an exchange agreement with Central Coast Water Authority (CCWA) on October 19, 2022. The exchange specified that the Agency would transfer 400 AF of water to CCWA in 2022. In return, CCWA would pay the Agency \$600,000 and transfer 800 AF of water back to the Agency in a future year.

The \$600,000 was set aside for future water purchases, specifically to obtain water on favorable terms, to increase the Agency's supply portfolio. This was referred to as 'The Blue Bucket' and was intended to be available for short-term purchases during favorable conditions, that would 'multiply' the benefits of the original exchange with CCWA beyond the 2-to-1 water exchange the Agency had negotiated.

In addition, the Board has set aside funds in the Reserve for Additional Water. This reserve is currently at about \$3.7 million, and these funds were set aside for future short- and long-term purchases.

ANALYSIS

The Blue Bucket was set aside to be available for water purchases when offering prices were very low. Lower prices are typical during years with average rainfall, and really low prices are often available during wet, or very wet years.

When prices drop to this level, offerings and purchases can happen very quickly. In order to take advantage of this market, purchasers need to be able to act quickly to negotiate and close a deal.

Recent hydrology has had a dramatic affect on the outlook for water deliveries for 2023. The Department of Water Resources (DWR) has increased the allocation for the year from 5% to 35%, and is expected to make further increases. Current storage in Lake Oroville is above average for this time of the year, and snow-pack is at record-setting highs. These are excellent indicators that water will be available at low prices.

In order to take advantage of these factors, the General Manager would like authority to pursue favorable deals using funds previously set aside for just this set of conditions.

As mentioned previously, deals come and go quickly. By giving the General Manager discretionary authority to use these funds, the Agency can take advantage of deals that might otherwise evaporate during the time it takes for the Board to authorize each individual transaction.

It is important to note that the Board has planned for years to take advantage of unusual opportunities such as what appears to be available now. The opportunities currently available could require up to \$1,000,000, so would need funds from both the Blue Bucket and the Reserve for Additional Water.

Should the General Manager use the entire \$1,000,000, and find even more deals that would be in the best interests of the Agency, the Board could consider another authorization to use more funds from the Reserve for Additional Water.

FISCAL IMPACT

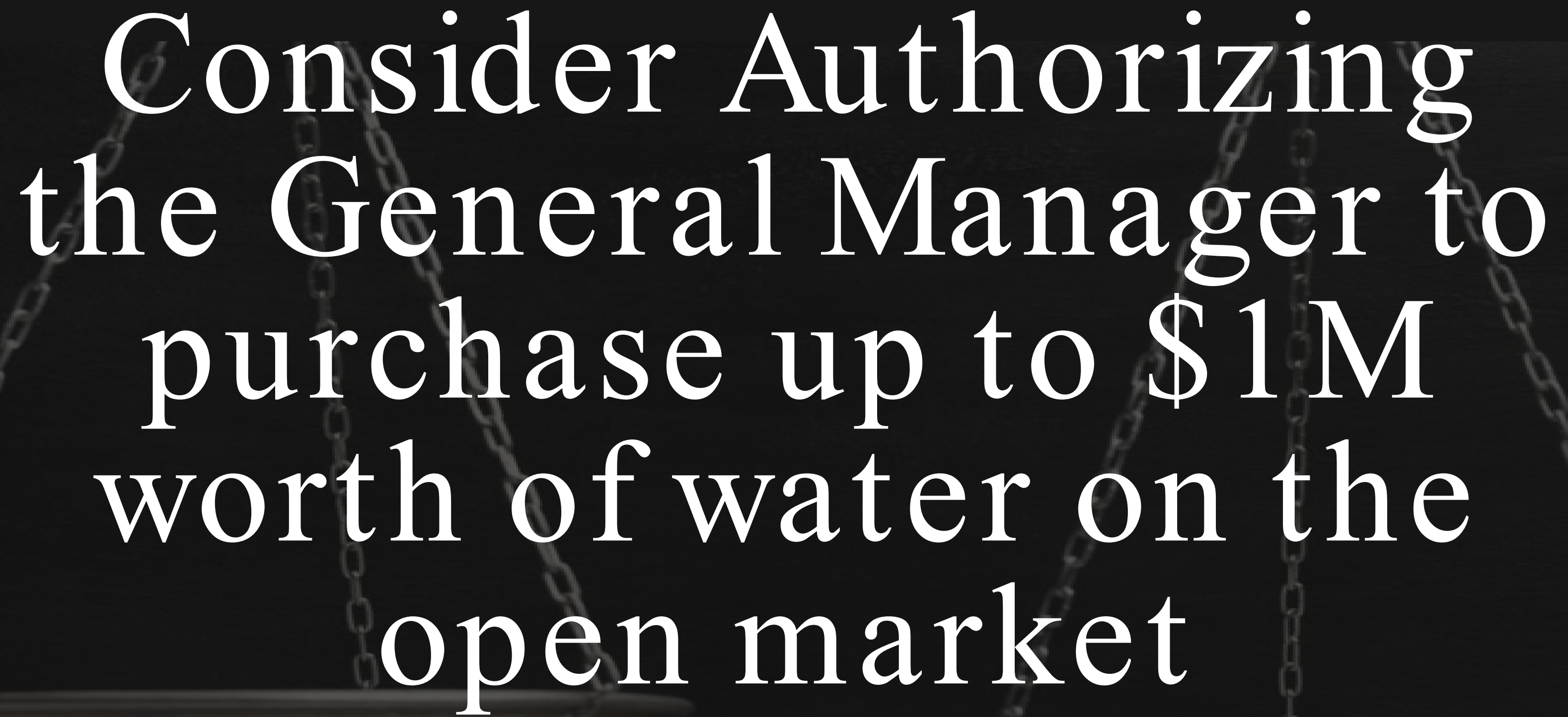
The transactions will be under the umbrella of the FY 2022-23 General Fund budget.

The line item for purchases will be Purchased Water for Delivery. The original budget was projected using a 15% allocation, which means water purchases would be relatively expensive. Because the allocation is currently higher, and expected to increase, the unit price of water delivered is expected to decrease. Therefore, more water can be purchased for the same expenditure level. It is possible that the current budget for water purchases would not be exceeded.

The line item for revenue generated by the sale of the water will be Water Sales. The original budget was projected using a 15% allocation, which means that revenue was expected to be somewhat limited. Considering the current allocation, combined with the potential additional water purchases, this will definitely be exceeded.

ACTION

Authorize the General Manager to use up to \$1,000,000 from the Central Coast Water Authority exchange and the Reserve for Additional Water to negotiate and purchase additional water.



Consider Authorizing
the General Manager to
purchase up to \$1M
worth of water on the
open market

SGPWA Board Meeting March 13, 2023

Lance Eckhart – General Manager/ Chief Hydrogeologist

Water conditions in 2023

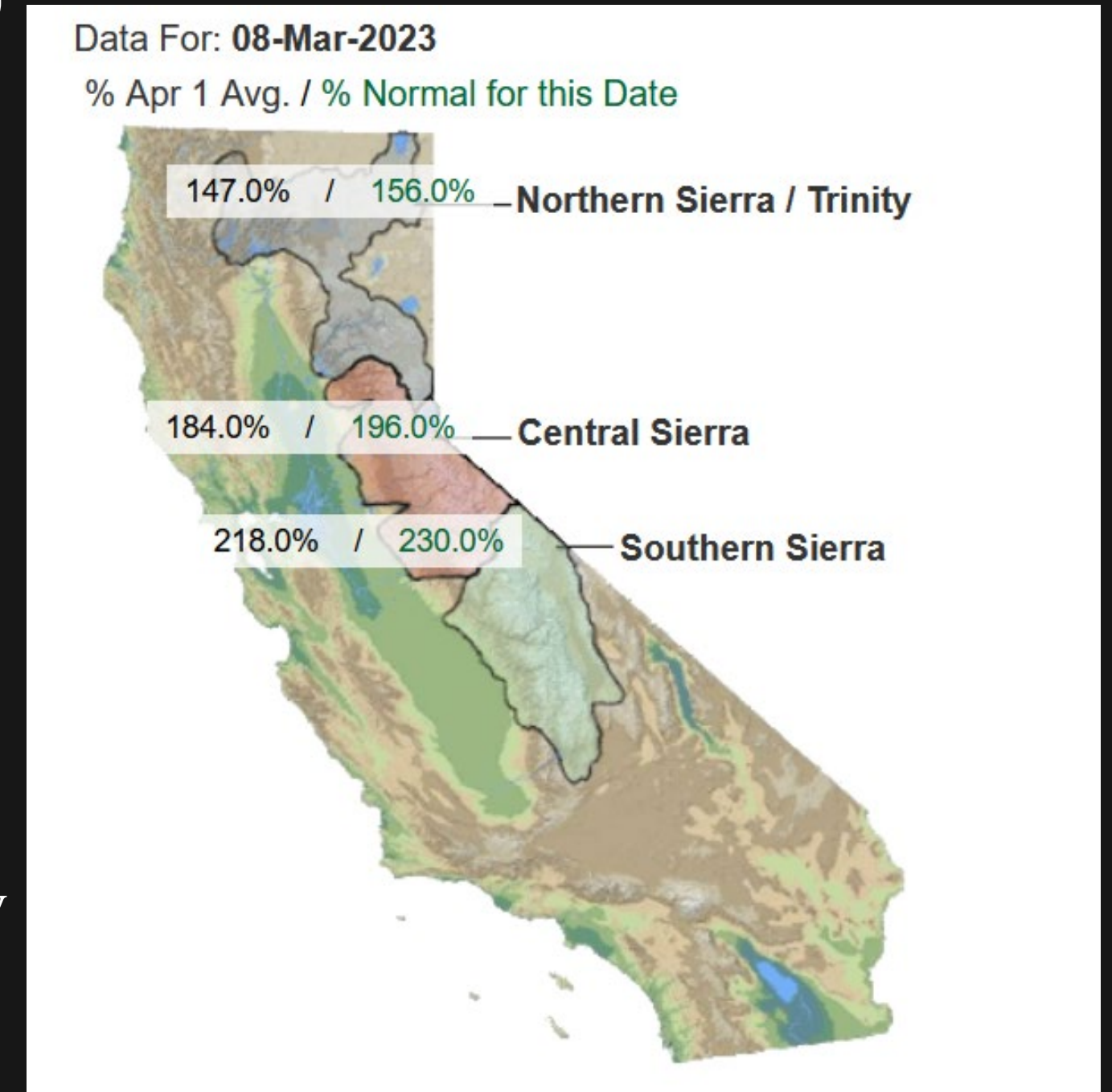
In 2022, Pass exchanged 400 AF to CCWA for \$600,000.00 and an unbalanced exchange of 2:1

In 2023, wet conditions prompted CCWA to return 800 AF to Pass; Pass expects to recharge this water by March 19

Wet conditions have led to reservoirs filling and an abundant snowpack; there is now an abundance of excess water in California

The spill risk at San Luis Reservoir has gone up substantially leading to a cheaper spot market price

Staff would like to purchase additional spot market water to increase supplies locally





There are potential partners

The going rate for carryover seems to be less than
\$200/ AF

Review of Funds

“The Bucket List”

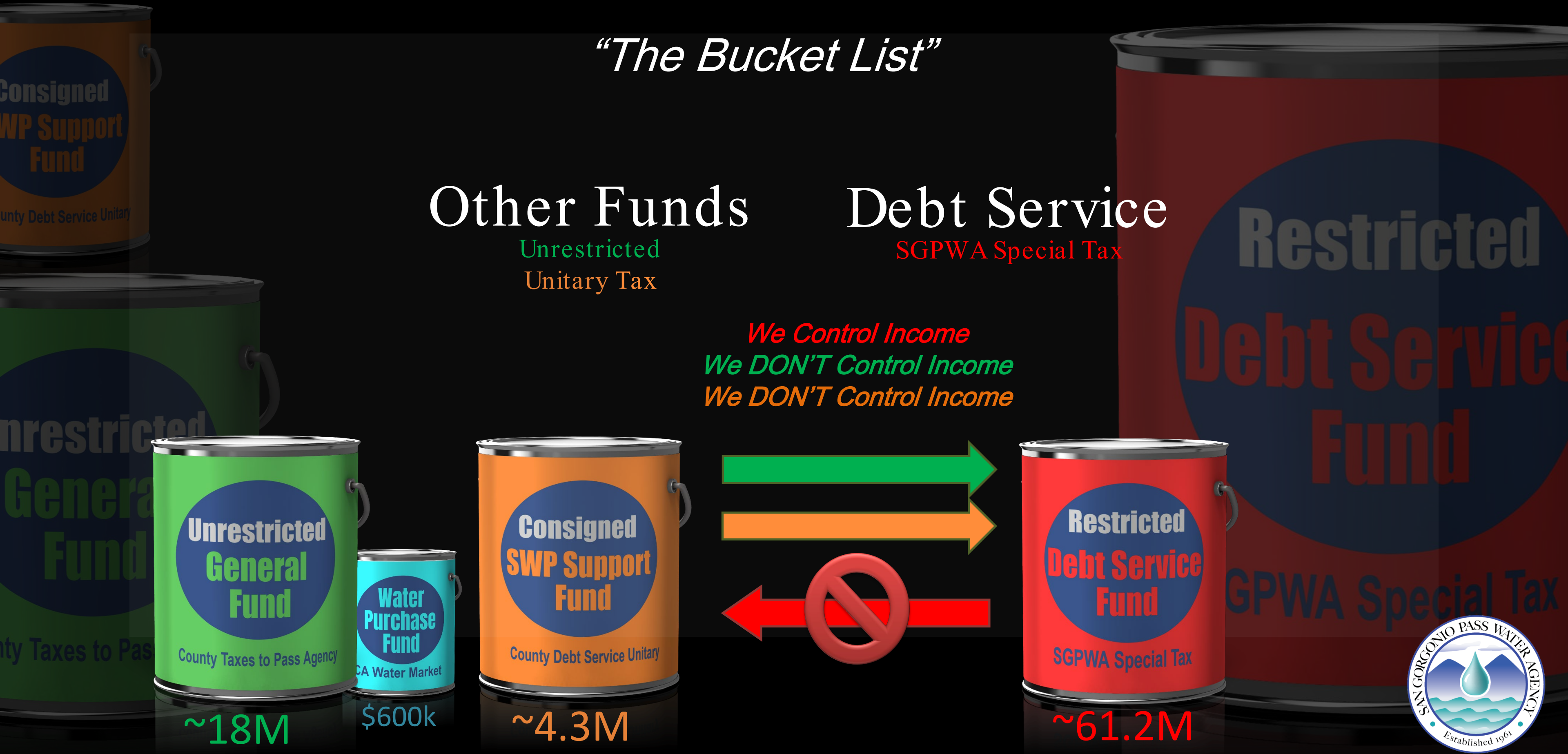
Other Funds

Unrestricted
Unitary Tax

Debt Service

SGPWA Special Tax

We Control Income
We DON'T Control Income
We DON'T Control Income



An aerial photograph of a large water treatment facility, featuring several large, rectangular basins filled with water. The facility is surrounded by some vegetation and a road. The image is darkened to serve as a background for the text.

Recommendation

Staff recommends the Board authorize the General Manager to use up to \$1,000,000 from the Central Coast Water Authority exchange and the Reserve for Additional Water to negotiate and purchase additional water.