EXECUTIVE COMMITTEE MEETING | Agenda

MAY 18, 2020
FRIANT WATER AUTHORITY
8:30 AM (CLOSED SESSION)

The public may call-1-866-893-0375 Pin 5595626900# at 8:30 A.M. with any comments prior to Closed Session

9:30 (OPEN SESSION)

VIA WEBEX AT: Video system or application Dial: Webex.com, join, 282590036@friantwater.webex.com
Phone access dial 1-415-655-0001
MEETING ACCESS CODE 282 590 036 Meeting password: xfJpisjZ242 (93574759 from phones).

In accordance with the Governor’s Executive Order (N-29-20) and the declared State of Emergency, including social distancing directives as a result of the threat of the COVID-19 virus, Committee members and FWA staff will be participating in this meeting remotely. There will not be a physical location for this meeting. Members of the public may participate in the meeting in the following way:

1. Video System or Application Webex.com, join, Dial 282590036@friantwater.webex.com
2. Phone: WEBEX TELECONFERENCE: 1-415-655-0001
3. MEETING ACCESS CODE 282 590 036 Meeting password: xfJpisjZ242 (93574759 from phones)
4. Email: You may submit comments on a specific agenda item via email to tmarie@friantwater.org. Please send your email at least one hour prior to the start of the meeting.

If members of the public have any problems using the WebEx number during the meeting, please contact the FWA office at 559-562-6305. The Friant Water Authority thanks you for your understanding and for doing your part to prevent the spread of COVID-19.

At the discretion of the Board of Directors, all items appearing on this agenda, whether or not expressly listed for action may be subject to action by the Board. The order of agenda items is subject to change.

1. CALL TO ORDER/ROLL CALL – (TANTAU)
2. APPROVAL OF THE AGENDA – (TANTAU)
3. PUBLIC COMMENT ON CLOSED SESSION ITEMS – (DAVIS) (Public may call-the Webex Number at 8:30 A.M. with any comments.)
4. ADJOURN TO CLOSED SESSION

Closed Session Items (60 min)

5. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

(Government Code section 54956.9(d)(1))

A. NRDC v. Murillo, U.S. District Court, Eastern District of California (Sacramento Division), Case No. 88-cv- 01658-JAM-GGH

B. California Natural Resources Agency v. Ross, U.S. District Court, Eastern District of California (Fresno Division), Case No. 1:20-cv-00426-DAD-SKO
6. **CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**
   (Government Code section 54956.9(d)(2))
   Significant Exposure to Litigation: Two potential matters.

7. **CONFERENCE WITH LEGAL COUNSEL-INITIATION OF LITIGATION**
   (Government Code section 54956.9(d)(4))
   Initiation of Litigation: Two potential cases.

8. **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
   (Government Code section 54956.8)
   Property: Friant-Kern Canal facilities and right-of-way
   Agency negotiator: CEO, COO, General Counsel
   Negotiating parties: United States (Bureau of Reclamation)
   Under negotiation: OM&R Transfer Agreement (price and terms of payment)

9. **RECONVENE INTO OPEN SESSION (9:30 am)**
   Announce reportable action taken during closed session.

10. **PUBLIC COMMENT / PUBLIC PRESENTATIONS – (TANTAU)**
    Public comment is welcome at this time on any matter within the jurisdiction of the Board that is not on the agenda. Under the State's open meeting law - the Brown Act - no action may be taken on any item not on the agenda. Public comment on items on the agenda will be allowed at the time the Board considers the item.

11. **ACTION ITEMS (5 MINUTES)**
    A. Approval of the Minutes – Executive Committee meeting of April 13, 2020.

12. **BOARD RECOMMENDATIONS (0 MINUTES)**
    A. None

13. **DISCUSSION/DIRECTION (90 MINUTES)**
    A. FKC Middle Reach Capacity Correction Project Update. (DeFlitch/Davis/Phillips)
       i. Schedule
       ii. Funding
          1. Workshop follow-up
          2. Friant Contractor “Additional Funding” options
       iii. Contract Management
    B. Ad Hoc Water Quality Committee Activities Update. (DeFlitch/Buck-Macleod)
    C. External Affairs Update. (Amaral/Biering/Villines)
    D. CVP and Friant Division Water Supply Allocations. (DeFlitch/Buck-Macleod/Phillips)
14. ADJOURNMENT

Public Participation Information

Agenda reports and other disclosable public records related to each Open Session agenda item are available on FWA's website under "Calendar" at Friantwater.org and at FWA's main office, 854 N. Harvard Ave., Lindsay, CA 93247, during regular business hours. Under the Americans with Disabilities Act, if you require a disability-related modification or accommodation to participate in this meeting, including auxiliary aides or services, please contact Toni Marie at 559-562-6305 at least 48 hours prior to the meeting.
EXECUTIVE COMMITTEE MEETING | Minutes

APRIL 13, 2020
8:30AM (CLOSED SESSION) 10:00 (OPEN SESSION)
FRIANT WATER AUTHORITY, 854 N HARVARD AVENUE, LINDSAY, CA 93247
OR VIA WEBEX AT: +1-415-655-0001 – 10:00 A.M.

1. CALL TO ORDER/ROLL CALL – Chair Chris Tantau called the meeting to order at 8:30 a.m. Committee members present: Tantau, Camp, Kisling, Erickson, Loeffler, Borges, Stephens; Staff present: DeFlitch, Marie, Biering, Willard, Phillips, Davis, Buck-Macleod, Amaral, Bezdek, Hunter, Hickernell, Garcia. Others: Doud, Ewell, Collup, Dalke, Muhar, Wallace, Fukuda, Larsen, Geivet, Morrissey, Greci, Hagman, Vanden Heuvel, Ottemoeller; Committee Members Absent: None

2. APPROVAL OF THE AGENDA – The agenda was approved. (Stephens/Kisling); approved unanimously - Ayes – Tantau, Loeffler, Erickson, Camp, Kisling, Borges, Stephens; Nays – none; Absent – None

3. PUBLIC COMMENT ON CLOSED SESSION ITEMS – There was not comment from the public on closed session items.

4. ADJOURN TO CLOSED SESSION

Closed Session Items

5. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION
(Government Code section 54956.9(d)(1))
NRDC v. Murillo, U.S. District Court, Eastern District of California (Sacramento Division), Case No. 88-cv- 01658-JAM-GGH

6. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
(Government Code section 54956.9(d)(2)
Significant Exposure to Litigation: Three potential matters.

7. CONFERENCE WITH LEGAL COUNSEL-INITIATION OF LITIGATION
(Government Code section 54956.9(d)(4))
Initiation of Litigation: Two potential cases.

8. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
(Government Code section 54956.8)
Property: Friant-Kern Canal facilities and right-of-way
Agency negotiator: CEO, COO, General Counsel
Negotiating parties: United States (Bureau of Reclamation)
Under negotiation: OM&R Transfer Agreement (price and terms of payment)

9. RECONVENE INTO OPEN SESSION (10:00 am)
No reportable action taken during closed session.

10. PUBLIC COMMENT / PUBLIC PRESENTATIONS
11. **ACTION ITEMS**

A. Approval of the Minutes – The Executive Committee meeting minutes of March 16, 2020 were approved with one correction, to remove Director Camp as being present. (Erickson/Kisling); approved unanimously - Ayes – Tantau, Camp, Loeffler, Erickson, Kisling, Borges, Stephens; Nays – none; Absent – None

12. **BOARD RECOMMENDATIONS**

A. Revised Scope of Reverse Pump-Back Project – The Executive Committee reviewed and approved recommending to the Board the Revised Project scope of work and authorize staff to amend its existing Professional Services Agreement with Provost & Pritchard as outlined in the agenda report. The rescoped project would: authorize Provost & Pritchard Engineering to complete the 90% engineering design of both the Shafter Check and Lake Wollomes sites by the end of 2020; and prepare the 100% design and ready to build plans by early 2021 when the necessary environmental approvals and related permits are issued. FWA is also seeking modifications to the USBR-FAA and DWR-FAA, and if approved, FWA will redirect those funds as allowed by USBR/DWR to related revised Project costs. This includes the current NEPA/CEQA document analysis, utilities and additional pre-construction work. (Loeffler/Kisling); approved unanimously - Ayes – Tantau, Camp, Loeffler, Erickson, Kisling, Borges, Stephens; Nays – none; Absent – None

13. **DISCUSSION/DIRECTION**

A. FKC Middle Reach Capacity Correction Project Update.
   i. Schedule – COO DeFlitch reported that the work on the FKC Canal Capacity Correct Project is on track to meet the schedule and milestones as outlined in the agenda report.
   
   ii. Investment strategy – CEO Phillips reported that the Authority will begin discussing a Cost Sharing Agreement with the Bureau of Reclamation. This will help Friant to understand what types of funding would be available and under what protocols. This Agreement will need to be in place prior to any WIIN Act monies being awarded. He also said that a technical meeting for the OM&R Transferred Works Agreement extension will be held at 3:00 p.m. today. This extension could allow for the ability to help fund the subsidence fix project. Finally, CEO Phillips discussed investor funding. Chairman Tantau asked if a funding chart could be developed for ease of reference. Staff will follow-up on that request.

   B. External Affairs Update – CEA Amaral and GAC Biering reported on current External Affairs activities as outlined in the agenda report. This included COVID-19 stay-at-home orders for the California legislature as well the Federal legislature. They also reported on the bi-partisan State legislature letter to Governor Newsom on the State’s Incidental Take Permit for the State Water Project longer-term operations which was included in the report.

   C. CVP and Friant Division Water Supply Allocations – WRM Buck-Macleod provided a report on the 2020 CVP allocation as outlined in the agenda report. The Friant Division Class 1 declaration increased to 40% while Class 2 remains at 0%. This was due to recent April storms.

   D. San Joaquin Valley Water Blueprint (SJVWB) Update – Austin Ewell gave an update on SJVWB’s current activities as outlined in the agenda report.

   E. CEO Report – There was no CEO report this month.

14. **ADJOURNMENT**

The meeting adjourned at 11:13 a.m.
DATE: May 18, 2020

TO: Executive Committee

THROUGH: Douglas DeFlitch, Chief Operating Officer

FROM: Janet Atkinson and Bill Swanson

SUBJECT: Friant-Kern Canal Capacity Correction Project Update

SUMMARY:
The FKC Capacity Correction Project (Project) is to correct the conveyance capacity problems caused by subsidence and original Project design deficiency from MP 88 (Fifth Avenue Check) to MP121.5 (Lake Woollomes Check). The Board of Directors (BOD) selected the proposed alternative that consists of a parallel or realigned canal along with enlargement of certain segments of the existing canal (Canal Enlargement & Realignment – “CER”) at the April 25, 2019 BOD meeting for continued design development, environmental compliance and permitting. Current work items include 1) final design; 2) environmental compliance/permitting activities; and 3) land acquisition program.

DISCUSSION/UPDATE: The following is a summary of the work completed since the last BOD update:

Reclamation Schedule Update and Coordination Meetings – Several working group meetings were conducted (Environmental, Right-of-Way, Design, and Project Management). Provided below is the current milestone implementation schedule.

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOI/NOP Published</td>
<td>December 2, 2019</td>
</tr>
<tr>
<td>Feasibility Report provided to OMB</td>
<td>January 28, 2020</td>
</tr>
<tr>
<td>30-Percent Design Report - Final</td>
<td>February 24, 2020</td>
</tr>
<tr>
<td>NOA/Draft EIS/EIR Published</td>
<td>May 08, 2020</td>
</tr>
<tr>
<td>Biological Opinion Issued</td>
<td>May 29, 2020</td>
</tr>
<tr>
<td>Project Section 106 Complete</td>
<td>July 1, 2020</td>
</tr>
<tr>
<td>100-Percent Bid Issue Design Completion</td>
<td>October 21, 2020</td>
</tr>
<tr>
<td>NOA/NOD/FEIS/EIR Published</td>
<td>September 11, 2020</td>
</tr>
</tbody>
</table>
The above is a fairly aggressive schedule that the team is committed to meeting. It is anticipated that it will take several months after the ROD is published to finalize activities such as permit acquisition, right-of-way acquisition and funding program. It is estimated that a construction contract award would occur in the first half of FY 2021.

**Federal Assistance Agreement (FAA) Modification** - Significant progress was achieved in progressing the FAA Modification with Reclamation. Several coordination meetings with Reclamation were conducted to discuss the scope, schedule and budget needs. Detailed information to support the FAA Modification was compiled including scope statements, background and justification for modification, budget tables and supporting information needed to obtain Reclamation’s approval.

**Significant Project Milestone Achieved** – On May 8th, the draft EIS/EIR was issued for public review and comment. The team achieved this milestone with effective collaboration between Stantec’s environmental team, Reclamation’s environmental team, and FWA all working together with the common goal of meeting the project schedule. Regular and open communication amongst team members assisted in moving issues forward to gain swift resolution on complex issues. Successful completion of this interim milestone means the project is on-track to achieve the critical milestone of the Record of Decision in October.

**Feasibility Report** - Reclamation submitted the Administrative Draft Feasibility Report to OMB on January 28th. This represents a significant milestone in the Project’s implementation schedule. OMB briefing was conducted the week of April 6th and the Project received favorable feedback, however some questions that required clarification or further technical analysis were posed by OMB. Concurrently, Reclamation had requested that any outstanding Policy Review comments be resolved at this time, which resulted in additional questions from Reclamation, some of which were similar to those posed by OMB. In response to questions from OMB and Reclamation Policy reviews, Stantec prepared additional information for Reclamation regarding the sensitivity of project benefits to different subsidence conditions and interest rates than those evaluated in the Administrative Draft Feasibility Report. It is expected that this additional information, and other analyses to be prepared in response to FWA member requests, will be presented in the uncertainty analysis section of the Administrative Final Feasibility Report.

Consistent with one of the Policy Office review comments, Reclamation notified FWA that an Ability to Pay (ATP) analysis will need to be provided with the Administrative Draft Final Feasibility Report to demonstrate financial feasibility in order to seek reimbursable Federal funding under the WIIN Act. Reclamation requirements for ATP studies include analysis of farm-level and district-level budgets to demonstrate viable agricultural practices will be possible with increased water costs resulting from the project, and that districts responsible for those increased costs have the financial capability to repay their allocated costs. Preparing an ATP analysis will require development of a project financing plan that identifies repayment responsibilities for individual districts and obtaining supporting financial information from those districts.
Reclamation also stated that FWA, as preparer of the Feasibility Report, is responsible for preparing the ATP study and that Reclamation staff have been assigned from the Policy Office and Regional Office to provide guidance and review of interim and final products. As requested by FWA, Stantec prepared a proposed scope of work and fee estimate for the ATP study that will involve Reclamation reviewers to the greatest extent possible, is coordinating with Reclamation to assure it is structured in a manner to meet their requirements and will obtain authorization from FWA to proceed with the work.

**Environmental Compliance, Cultural Resources and Permitting.** Following is a description of NEPA/CEQA compliance and Permitting activities for the Project.

- Provided electronic and hard copies of the Pre-Public Draft EIS to Reclamation’s Solicitor, Regional Director and Assistant Secretary for Reclamation’s briefings.
- Prepared noticing documents and print copies for the released the Public Draft EIS/EIR for review on May 8th.
- Continued developing presentation materials and planning for the upcoming public meeting to receive comments on the Draft EIS/EIR, scheduled for June 8th. The public meeting will be conducted to accommodate uncertainty with upcoming shelter-in-place orders that may be imposed due to COVID-19, therefore the meeting will be held online.
- Continued to conduct check-in meeting with the United States Army Corps of Engineers (USACE) regarding permitting, their involvement as a cooperating agency, and status of wetland delineation review.
- Conducted meeting with USFWS and Reclamation on April 30th to discuss comments on the Draft Biological Opinion.
- Completed Swainson’s hawk nesting surveys.
- Initiated development of permits and continued developing permitting strategy.
- Received comments from Reclamation on the Draft Section 106 report, revised the report, and resubmitted on May 1st.

**Engineering and Design**

- Conducted Tulare County coordination call to discuss design coordination and steps to further a Memorandum of Understanding (MOU) for the project. Numerous design details were discussed; including temporary road closures and detours during construction, traffic control, permanent elimination of road connectivity at Avenue 120 and Avenue 32, and design standards. MOU discussion items included type of encroachment permit such as a Master Encroachment Permit that would incorporate all of the proposed encroachments, and other issues such as whether FWA would need a license or easement for proposed siphon roadway crossings within the County Right-of-Way (ROW). Discussion also included responding to County’s request to establish a reimbursement process to address County staff time spent supporting the project (i.e. reviews, etc.). Regularly scheduled coordination meetings were established in order to effectively progress the coordination items.
- Conducted two CALTRANS coordination calls to discuss State highway 190 crossing of the new parallel canal. Good progress was made in gaining CALTRANS acceptance of the siphon roadway crossing. Conditions of acceptance include siphon stoplogs and additional structural criteria. CALTRANS will provide detailed criteria and additional information on required approvals and estimated timeframe in near future.
Conducted coordination call with several Friant Division Contractors to discuss turnout delivery designs.
Completed support for Value Engineering Study by conducting engineering analyses to support decision-making.
Continued development of hydraulic, engineering and cost analyses to support construction sequencing decisions.
Continued structural, electrical, mechanical and civil designs including development of turnout drawings, check structures, canal plan and profiles, and roadway crossings.
Prepared draft technical specifications.
Conducted planning for additional field surveying work for design completion.
Continued to update utility tracking logs, updated mapping files with utility information and coordinated with utility owners.
Responded to comments received on the Draft Geotechnical Data Report and began preparing the final Geotechnical Data Report.
Conducted a geotechnical briefing with Reclamation and FWA on the findings and recommendations from the recently completed analyses for the bank stability.
Issued the Draft Geotechnical Interpretive Report for review and comment.
Continued preparation of the draft Geotechnical Road Crossing Siphons Report.

Land Acquisition
- Worked on the action items established during the joint Friant, BOR, Stantec bi-weekly meeting.
- All initial Statement of Works (SOW) have been submitted and approved on the current design. There is one outstanding parcel that the final ROW has not been determined, this parcel will be completed as the final design is approved.
- BRI has been working with AVSO to complete standard template for all appraisals. This has been a long process as the AVSO is very meticulous about language used in the appraisal. For instance, they are requiring a much more in depth discussions on regional issues, such as rain fall and the effects global climate change.
- BRI is attempting to address in each appraisal assignment (BOR Case/IVIS No.) current market conditions, recognizing the recent COVID-19 pandemic and the recent instability of the financial market, among other conditions.
- BRI has submitted 20 appraisals to AVSO for approval. The appraisal process is now showing a two-month delay from the original schedule.
- BRI will be submitting a new updated Right of Way schedule which will include milestones for eminent domain condemnation and new appraisal target dates.
- BRI and FWA continue to develop purchase agreement template for the Project.
- A total of 45 site field inspections are completed on the ASTM 1527-13 Phase 1 Environmental Site Assessments (Phase 1 ESA).
- 27 ASTM 1527-13 Phase 1 Environmental Site Assessments (Phase 1 ESA) reports, have been delivered to FWA and BOR for review and comment.
- FWA and BRI have reviewed 13 of the Phase 1 reports that have Phase 2 recommendations. Ongoing review and determination of the number of Environmental Site Assessment (Phase 2) will continue with FWA and BOR.
• Next step for ASTM 1527-13 Phase 1 environmental Site Assessments will be to determine which parcels require a Phase 2 Assessment.
• Williamson Act Notifications have been completed and Notification has been sent to Department of Conservation and Tulare County Resource Management Agency for review and comment. This will complete the first stage of clearing title for fee acquisitions. The Agencies have until May 22, 2020 to comment.
• BRI has submitted the 60% Right of Way Capital Cost Estimate, this does not include any new changes to the scope of work dealing with the newly identified street right of way requirements.
• BRI has started to interview utility relocation engineering firms to assist in the utility relocation efforts. This is critical due to the new utility easements needed, which may result in the need for additional ROW/easement acquisitions.

**Landowner Coordination and Right-of-Entry (ROE) Support**

• Continued to provide landowner coordination as needed.

**RECOMMENDED ACTION:**

None.

**SUGGESTED MOTION:**

None.
DATE: May 18, 2020

TO: FWA Executive Committee

FROM: Johnny Amaral, Chief of External Affairs

SUBJECT: FKC Financing Workshop Overview

SUMMARY:
On Wednesday, April 29, FWA staff and consultants, along with representatives from the US Bureau of Reclamation, hosted a public webinar focused on providing an update on the status of the funding plan for the Friant Kern Canal (FKC) Capacity Correction Project. The session was originally scheduled to last an hour and a half, but due to the large number of participants and the interaction, the session ended up lasting just under 3 hours.

The agenda for the discussion was as follows:

- FKC Capacity Correction Project Overview - Doug DeFlitch
- Explanation of funding categories – Grants, loans, FWA O&M
- Federal funding options – Adam Nickels, USBOR, Jason Phillips
- Bureau of Reclamation funding, EPA WIFIA program financing options and terms, Federal stimulus efforts update - Mark Limbaugh, FWA legislative advocate, The Ferguson Group
- State funding options, budget appropriations, bond efforts – Mike Villines, FWA legislative advocate, The Villines Group
- Tule Subbasin GSA mitigation program update, draft terms, expectations from FWA – Johnny Amaral
- Possible FWA funding contribution – Jason Phillips
- Closing comments - Jason Phillips

Not surprisingly, a substantial amount of time was spent discussing the current finance status, as well as the various funding options and opportunities that FWA staff and consultants are pursuing. Of particular interest was the presentation made by the Bureau of Reclamation, which focused on funding available through the San Joaquin River Restoration Program and the WIIN Act, and of those funding streams, which are “reimbursable” vs “non reimbursable”.

At the state and federal level, there are a number of potential options for funding, with a varying degree of likelihood. In Washington, DC, bills have been introduced as standalone efforts to provide funding for the FKC, and the chance still exists that if there is an infrastructure related stimulus bill, the FKC could be included for funding. But the opportunity for a legislative funding stream from DC depends almost entirely on a legislative vehicle to direct the appropriations. While there are options at the federal level, the new budget realities facing the state of California make it increasingly hard to expect that a meaningful amount of state funding for the FKC will materialize.
A report was given, but very little discussion followed, on the status of the talks taking place between FWA and the GSAs in the Tule Subbasin related to the development and implementation of a subsidence mitigation program to compensate FWA for the damage expected to occur on the FKC as a result of the implementation of the GSPs. Those discussions are ongoing, but FWA has been very clear that with the GSAs that future damage to the FKC, which will further diminish the FKC carrying capacity, must come with fair compensation for the value of the lost water.

Lastly, the topic of the “investor” approach was raised but there was not much discussion on the item as there are still some details that still need to be determined.

The chart below details the various funding options that were discussed during the webinar. These are items that FWA staff and consultants are monitoring and pursuing in order to complete the FKC Capacity Correction Project finance plan.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory SJRRP Funds - (PL 111-11 sec 10203.a)</td>
<td>non-R</td>
<td>$23.90</td>
</tr>
<tr>
<td>WIIN Act Funding</td>
<td>non-R (share)</td>
<td>$2.20</td>
</tr>
<tr>
<td>FWA O,M&amp;R Budget FY 2020</td>
<td>share</td>
<td>$5.00</td>
</tr>
<tr>
<td>WIIN Act Funding FY 2020</td>
<td>non-R (share)</td>
<td>$2.35</td>
</tr>
<tr>
<td>SJRRP Fund -(PL 111-11 sec 10203.c)</td>
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<td>$18.00</td>
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<tr>
<td>SJRRP Funds -(PL 111-11 sec 10203.c) FY 2021</td>
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</tr>
<tr>
<td>*WIIN Act Funding FY 2021</td>
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<td>$70.00</td>
</tr>
<tr>
<td>**WIIN Act Funding (Future)</td>
<td></td>
<td>$131.50</td>
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<tr>
<td>Move Water Now Act (COX)</td>
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<td>$200.00</td>
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<tr>
<td>Stimulus Funding</td>
<td></td>
<td>$200.00</td>
</tr>
<tr>
<td>California State Funding</td>
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<td>$200.00</td>
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<tr>
<td>Non-Friant Local Funding (GSA Mitigation)</td>
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<td>$263.00</td>
</tr>
<tr>
<td>FWA O,M&amp;R Future Budget</td>
<td></td>
<td>$45.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$1,118.50</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td></td>
<td>$51.45</td>
</tr>
</tbody>
</table>
## Structure of Proposed Friant Contractor Additional Funding and Resulting Zone 3 Capacity

The capacity in the FKC below milepost 88 would be divided into 3 Zones.

<table>
<thead>
<tr>
<th>Zone 3 – Capacity Due to Friant Contractor Additional Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Calculated as CFS capacity added on top of Zone 2</td>
</tr>
<tr>
<td>• Zone 3 funding would be provided by Friant Contractors</td>
</tr>
<tr>
<td>• The funding level would result in a specified capacity in Zone 3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zone 2 – Capacity Due to FWA, Public, GSA, Conveyance Charge Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Calculated as CFS capacity added on top Zone 1</td>
</tr>
<tr>
<td>• Current operating priorities apply (FOG)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zone 1 – Capacity Without Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Calculated capacity updated annually</td>
</tr>
<tr>
<td>• Current operating priorities apply (FOG)</td>
</tr>
</tbody>
</table>

### A. Definitions:

**FKC OM&R funding**: Funding from FKC OM&R Contractors allocated per the FKC OM&R cost allocation methodology or other agreed upon methodology.

**Friant Contractor additional funding**: Funding provided by a Friant Contractor above the amount established as FKC OM&R funding, Public funding, and GSA funding, for the purpose of gaining specified rights to capacity in the proposed Zone 3 of the repaired Friant-Kern Canal.

**GSA funding**: Funding collected by a Tule Subbasin GSA for implementation of the Project as a means of mitigation for land subsidence caused by transitional groundwater pumping.

**Public funding**: Funding provided by Federal or State government for implementation of the Project with no requirement for the recipient to repay.

**Project**: The Friant-Kern Canal Middle Reach Subsidence Correction Project.
B. Description of Zones:

Zone 1 is the conveyance capacity that currently exists without any correction or restoration action.

Zone 2 is the increased capacity attributed to the construction of the Project that is financed by non-reimbursable Public funding, GSA funding and FWA OM&R funding (including any reimbursable Public funding repaid via FWA OM&R funding).

Zone 3 is the additional increase in capacity of the FKC above Zones 1 & 2 that would result from the construction of the part of the Project with the funds derived from the Friant Contractor additional funding. Any reimbursable Public funding not repaid with FWA OM&R funding or GSA funding will be considered a contribution towards Zone 3.

Note: The applicable capacity in Zone 2 and Zone 3 would be periodically reviewed and recalculated as funding is received. Also, available capacity will be updated each year as necessary based on measured subsidence.

C. Benefits of Zone 3 Funding:

- The primary benefit of funding of Zone 3 would be that Friant Contractors would have dedicated access to Zone 3 capacity consistent with their level of funding and would not be subject to a conveyance charge. If Zone 2 is full, Zone 3 participants would still have their capacity available. Zones 1 and 2 would continue to be prorated consistent with the applicable FOG.

- A Zone 3 conveyance charge would be collected by FWA from: (1) any Friant Contractor using Zone 3 capacity that has not provided funding for Zone 3, and (2) any Friant Contractor who uses more capacity than its level of funding, provided such capacity is not being used by other Friant Contractors who have provided additional funding for Zone 3.

- The revenues collected from conveyance charges would be used to offset loans or other reimbursable obligations to Friant Contractors providing additional funding for Zone 3.

D. Potential Funding Structure for Zone 3:

- Friant Contractor participation in Zone 3 is voluntary and the terms and conditions of any financing would be subject to a participation agreement between the Friant Contractors providing the additional funding and FWA.

- FWA will analyze with the Friant Contractors providing additional funding for Zone 3 the benefit of credit structures to enhance the credit quality of a collective financing
structure. This assumes that the participating Friant Contractors would prefer that FWA arrange the financing on their behalf.

- Each Friant Contractor providing additional funding for Zone 3 would have the option of self-financing and providing the additional construction funds directly to FWA.

E. Proposed Method to Formalize Zone 3 Operations:

FWA/Reclamation Agreement: Reclamation and FWA will enter into an agreement recognizing that Zone 3 of the Project is only made possible through the Friant Contractors that provide the additional funding for the Project, and that FWA will have the responsibility to manage water priorities and collection of funds from Friant Contractors related to Zone 3 use.

Friant Operations Guidelines: The text below is copied from the last FOG that was finalized and distributed to Friant Contractors by Reclamation in 2005. The blue text represents examples of the changes that would be required to address the benefits for Friant Contractors that provide additional funding to create the Zone 3 capacity.

“VII. Canal Capacity Prorate

During periods when water demands exceed canal capacity and it becomes evident there is a need for a delivery prorate, the Contractors shall meet or otherwise confer and may take mutually agreeable action to coordinate water demands and alternate water supplies in order to avoid or minimize a canal prorate. If a canal capacity prorate is required, the prorate priority shall be pursuant to the tiers defined in Sections VII-A and VII-B below. Each entity with requested water in the affected tier is entitled to a percentage of the available supply based on its prorata share of their contractual entitlement within that tier. If a Contractor has not requested water or has otherwise used its water within the tier being prorated, that share of canal capacity shall be distributed among the other affected users.

A. Friant-Kern Canal

Contractors that provide the funding for the Zone 3 conveyance capacity will always have their proportionate share of capacity available between MP 88 and MP 121.5 for any type of water supply, consistent with their funding agreement with FWA. If there is unused capacity in Zone 3 during a Zone 1 or 2 prorate in the same canal reach, Contractors may only use Zone 3 capacity upon approval of FWA and subject to the applicable conveyance charge. Tiers of priority of water deliveries in those reaches of the Friant-Kern Canal that are affected during a canal capacity prorate will be as follows:

1. Class 1 water used by Friant-Kern Canal (FKC) Long-Term Contractors

2. Class 1 water transferred or exchanged from a FKC Long-Term Contractor to a FKC
Long-Term Contractor or Cross Valley Contractor (including subcontractors), provided that the change in the point of diversion of the transferred water does not cause a Class 2 contractor to suffer a loss of prorated canal capacity that would not have otherwise occurred had the transfer not been approved. A transfer that causes a loss in the prorated canal capacity of a Class 2 contractor due to a change in the point of diversion of the transferred water shall lose its priority over Class 2 water used by a FKC Long-Term Contractor.

3. Class 2 water used by FKC Long-Term Contractors

4. Class 2 water transferred or exchanged from FKC Long-Term Contractors to a FKC Long-Term Contractor or Cross Valley Contractor (including subcontractors)...”

(Note: the FOG includes 11 additional types of water not included here. This proposal would not change that.)

F. Future Subsidence:

Once the Project is complete and operational, it is anticipated that some amount of subsidence will continue in the future for a number of years. As subsidence is measured, the calculated loss of capacity in the canal will be updated, and the total reduction in capacity will be shared by each Zone consistent with its proportionate share of the earlier capacity.
DATE: May 18, 2020

TO: Executive Committee

FROM: Jason Phillips, CEO
Donald M. Davis, General Counsel

SUBJECT: Project Construction Contracting Options

SUMMARY:
FWA staff and Reclamation representatives have been discussing the available options for preparing and awarding the construction contract(s) for the FKC Middle Reach Capacity Correction Project (Project). The options depend on whether FWA or Reclamation is the contracting entity. If FWA is contracting entity, then the lowest responsible bidder process would apply, which could be combined with prequalification of bidders. If Reclamation is the contracting entity, then it could use either a low bid process or a best value process. The table below summarizes the processes and general timelines. This item is for discussion only, but a decision will likely need to be made by the June Board meeting.

DISCUSSION:

TABLE COMPARING FWA AND RECLAMATION CONTRACT AWARD PROCESSES AND TIMELINES

<table>
<thead>
<tr>
<th>FWA – Lowest Responsible Bidder</th>
<th>BOR – Lowest Bid</th>
<th>BOR – Best Value</th>
</tr>
</thead>
</table>
| **Prequalification of Bidders:** This process authorized under Public Contract Code (PCC) §20101, would allow FWA to develop a standardized questionnaire regarding a prospective bidders experience as well as obtain a financial statement to determine whether the contractor is qualified to bid on the Project based on a specified rating structure. A disqualified bidder would have the right to appeal such determination to the FWA Board. | N/A | Notice Inviting Proposals: The technical specifications and plans for best value (BV) are the same as the low bid and the process cannot start until 100% design completed.

The Invitation introduces the solicitation process and offers a brief description. The General Provisions (GP) of the contract contain the details of the BV process including a description of the content of the Proposal to be developed by the Contractor and how the Proposal will be...
<table>
<thead>
<tr>
<th>Notice Inviting Bids:</th>
<th>The bid process cannot begin until the Project Plans and Specifications are completed (100% design). The bidding period must be at least 21 days, and will likely take longer due to the complexity of the Project. (PCC §20563; see also PCC §4104.5, §20164)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Bid Conference and Site Visit:</td>
<td>At least 5 days after notice inviting bids (PCC §6610). Recommend at least ten (10) days after bid notice issued.</td>
</tr>
<tr>
<td>Time Extension for Addenda:</td>
<td>No less than 72 hours to be added to bid response period for each addenda issued. (PCC §4104.5)</td>
</tr>
<tr>
<td>Bid Opening:</td>
<td>Date established in the Notice Inviting Bids (PCC §20166, 20565))</td>
</tr>
<tr>
<td>Review Bids/Identify Lowest Responsive and Responsible Bidder:</td>
<td>No statutory period. Recommend at least five (5) days.</td>
</tr>
<tr>
<td>Bid Protests:</td>
<td>Established in bid documents. Recommend cut off five (5) days after bid opening for submission of bid protests. The actual bid protest period will be extended if bid protests are actually received.</td>
</tr>
<tr>
<td>Board Awards Contract:</td>
<td>No statutory period. Recommend at least 15 days from bid opening (PCC §20166, §20566 (Irrigation Dist.))</td>
</tr>
<tr>
<td>Issue Solicitation:</td>
<td>The bid process cannot begin until the Project Plans and Specifications are completed (100% design).</td>
</tr>
<tr>
<td>Site Visit.</td>
<td></td>
</tr>
<tr>
<td>Respond to Contractor Questions/Issue Amendments.</td>
<td></td>
</tr>
<tr>
<td>Additional Solicitation Time.</td>
<td></td>
</tr>
<tr>
<td>Bids Received.</td>
<td></td>
</tr>
<tr>
<td>Review Bids/Prepare Award Package.</td>
<td></td>
</tr>
<tr>
<td>Award Package Reviews.</td>
<td></td>
</tr>
<tr>
<td>Award Contract.</td>
<td></td>
</tr>
</tbody>
</table>

### Contractor Preparation of Proposal

The Technical Proposal is prepared in one volume and the Cost/Price Proposal is prepared in a second volume.

### Proposals Received to Award

The Contracting Officer (CO) receives the Proposal at the due date.

Proposals are generally limited to 25-30 pages in length with exhibits (attachments) that can be extensive.

The CO retains the Cost/Price Proposal and the Tech Proposal is provided to the Evaluation Team (ET) for detailed review. The ET consists of three to five people who are knowledgeable about the Project. The ET process is confidential and the ratings / comments made are not identifiable to the individuals. The Final Report presents the finding of the ET and ranks to Contractor Proposals.

All individual factor scores are discussed and compared. General and specific proposal ranking are developed. A detailed write up is prepared that is representative of individual and composite evaluation process. At the end, the Contractors are offered either a grade score or a rating (Excellent/VG/etc.).

The goal is that one Contractor stands out as superior both in evaluation.
terms of cost and tech evaluation. If two stand out as superior OR if two stand out as VG, and there is not one clear winner, negotiations occur. Contractor replies are transmitted and additional info is requested. Contractor presents its best and final offer and selection is made.

**Advantages** - The proposal becomes part of the contract documents. Contractor becomes bound by the schedule and cost components affiliated with it. Reduces claims against Govt. for Contractor delays (Critical path items are identified on the schedule). Claim evaluation process is limited to use of percentage add-ons in the cost proposal - subcontractor costing is available and limits price escalation. Time requirements to do a task are built into the schedule and production rates are also available and can be used against the contractor if his means and methods do not produce accordingly.

| Estimated Time Period from Notice of Bids to Award: 45-60 days or more | Estimated Time Period from Issuance of Solicitation to Award: 45-60 days or more | Estimated Time Period from Notice of Proposals to Award: 60-90 days |
DATE:      May 18, 2020

TO:        Board of Directors

FROM:      Ian Buck-Macleod, Water Resources Manager

SUBJECT:   FKC Water Quality Plan

SUMMARY:
In response to concerns regarding the implementation of programs and projects on the Friant-Kern Canal which would introduce water of lesser quality, as compared to historic Millerton Lake water quality, the Friant-Kern Canal Water Quality Ad Hoc Committee (Ad Hoc Committee) is working to develop a comprehensive water quality policy to be adopted by the Friant Division. This document is paramount to completion of the environmental documents for the Long-Term Recapture and Recirculation of Restoration Flows (LTRRRF) Project for the San Joaquin River Restoration Program, as well as or the Friant-Kern Canal Reverse Pump-Back Project. The Ad Hoc Committee is made up of Friant Contractor directors and district managers from Arvin-Edison Water Storage District (AEWSD), Delano-Earlimart Irrigation District (DEID), Kern-Tulare Water District, Lindsay Strathmore ID (LSID), Lower Tule River ID, Pixley ID, Porterville ID (PID), Shafter-Wasco ID, Saucelito ID (SID), and Terra Bella ID (TBID). The Ad Hoc Committee also nominated a small working group made of district managers from AEWSD, DEID, LSID, PID, SID, and TBID to tackle technical topics and develop draft proposals for Ad Hoc Committee consideration.

The Ad Hoc Committee is proposing a Water Quality Mitigation Ledger mechanism to determine required mitigation for introducing water of lesser quality in the Friant-Kern Canal. The Water Quality Mitigation Ledger tracks and accounts for all inflows and diversions into and from the Friant-Kern Canal in order to determine appropriate mitigation for impacted water quality (attributable to the introduction (Put) and corresponding distribution thereof (Take)), aiming to balance concerns related to long-term groundwater quality with a multi-layered assessment of agronomic impacts as a durable solution. In addition, the ledger proposes a water quality monitoring and forecasting program.

CURRENT STATUS:
The Water Quality Mitigation Ledger continues to be developed by the Ad Hoc Committee and a small working group. The Ad Hoc Committee met on May 4 to discuss the comprehensive proposal developed by the small group with a focus on defining water quality thresholds and operations criteria and understanding potential impacts to existing and future programs. The majority of the Ad Hoc Committee agreed to move forward with the current approach for the water quality plan and garner feedback from Friant water users at future workshops in June. Significant concern was voiced by Shafter-Wasco Irrigation District that the ledger has the potential to continue to impact its district growers. Currently, FWA is monitoring electrical conductivity on the canal on a weekly basis along with communicating available water quality data for pump-in and pump-back programs to Friant contractors.
DATE: May 18, 2020

TO: Executive Committee

FROM Alex Biering, Government Affairs and Communications Manager
Johnny Amaral, Chief of External Affairs

SUBJECT: External Affairs Update

SUMMARY:
Update on State and Federal legislation and communications activities.

DISCUSSION:
State Affairs

The California Legislature returned to session on May 4 with a variety of social distancing measures in place to help prevent the spread of the coronavirus.

The Governor released his May Revise Budget on May 14; the COVID-19 crisis has substantially affected state revenues and the associated willingness (or ability) to spend money in the FY 20/21 budget that will be passed this June. The budget has gone from a $5 billion surplus to a $35-$54 billion-dollar deficit in the space of two months. For perspective, the difference between this and the 2008 recession is that the earlier shortfall occurred over the space of 12-18 months and allowed some time for state legislators to adjust. The COVID shortfall occurred in two months, will likely require two separate rounds of budget solutions over the next three months, and has no defined date where revenues may begin to improve. See the attached memo from Mike Villines on what this means for the state’s fiscal outlook and spending over the next year or more.

Federal Affairs

COVID Stimulus Efforts
The House is scheduled to vote on the $3 trillion HEROES Act in the afternoon of May 15, where it is very likely to pass on a mainly party-line vote. However, over the past several weeks, Senate Majority Leader Mitch McConnell (R-KY) and the Trump Administration have expressed objections to taking up another COVID-19 relief package right now, saying there has not been enough time since the $2 trillion CARES Act was enacted on March 27 to determine whether new legislation is needed or necessary. This very likely means that the GOP-controlled Senate will pass its own version of the COVID-19 relief package in early/mid-June that looks substantively different from the HEROES Act, and a compromise version will eventually become law in June.

FY2021 Appropriations Process Remains on Schedule
The Senate appropriations process for FY 2021 could remain on track despite the coronavirus pandemic.
Senate Republican Appropriations subcommittee chairs met recently to discuss schedule, allocations and process expectations, with the expectation that they are still on schedule to mark up their spending bills sometime in June. Just how the bills will move through the committee markup process remains to be determined. House appropriators continue to remain optimistic as to their schedule as well, especially with top-line limits close to FY2020 levels already set through the bipartisan budget agreement from last year.

*House Democrats Introduce Bill to Block Trump Water Rule*

House Democrats introduced legislation, the Clean Water for All Act, last week that would prevent the Trump Administration from redefining the water bodies and wetlands subject to federal regulation under the CWA through the newly finalized Navigable Waters Protection Rule over “waters of the U.S.” (WOTUS). The bill was introduced by Transportation and Infrastructure (T&I) Chairman Peter DeFazio (D-OR) and Rep. Grace Napolitano (D-CA), the Chairwoman of the T&I Water and Environment Subcommittee.

The Trump Administration’s rule was published on April 21 by the EPA and the Corps. It repealed and replaced the 2015 Clean Water Rule and a Reagan-era CWA regulation. The new rule narrows the scope of CWA protections over water bodies, especially streams that don’t flow year-round, and wetlands. The new WOTUS rule has been challenged in court by 17 states, several environmental organizations, and a number of agricultural groups on various grounds – from “too narrow” to “overly broad”.

**Communications and Other News**

The FWA Waterline was distributed on May 3. If you aren’t getting these, or want to add others to the email list, please contact any member of the FWA team or email information@friantwater.org.

FWA submitted a comments letter on May 11 to the State Water Resources Control Board related to the draft Sacramento River Temperature Management Plan, which was released by the Bureau of Reclamation for review in April and will be finalized by May 20. FWA also submitted a comment letter to the California Department of Water Resources and the San Joaquin River Restoration Program on May 15 in support of the SJRRP’s comments on the relationship between GSPs and Restoration Flows.

**BUDGET IMPACT:**

None.

**ATTACHMENTS:**

FWA comment letter to SWRCB on draft Sacramento River Temperature Management Plan (May 11, 2020); FWA comment letter to SJRRP and DWR supporting the SJRRP’s comments on GSPs (May 15, 2020); Memo from Mike Villines on the Governor’s May Revision Budget (May 14, 2020).
May 11, 2020

Eileen Sobeck  
Executive Director  
State Water Resources Control Board  
1001 I Street  
Sacramento, CA 95818

Dear Ms. Sobeck:

Friant Water Authority (FWA) appreciates the opportunity to provide comments to the State Water Resources Control Board (SWRCB) on the draft Sacramento River Temperature Management Plan submitted by the U.S. Bureau of Reclamation (Reclamation) pursuant to SWRCB Water Right Order 90-5 (Order 90-5).

FWA’s members include 17 water districts, irrigation districts, and municipalities who represent more than 80% of the acreage in the Friant Division of the Central Valley Project, which includes more than 1.5 million acres of land and 15,000 farms on the eastside of the San Joaquin Valley. FWA also operates and maintains the Friant-Kern Canal. As you may know, although the Friant Division’s water districts are south of the Sacramento-San Joaquin Rivers Delta (Delta), they are not direct users of Delta water. Nonetheless, through the San Joaquin River Exchange Contact, they are potentially affected by operations north of the Delta, including at Shasta Reservoir. Reduced supplies south-of-Delta have the potential to further diminish an already scarce water supply from the San Joaquin Valley at a time when experts predict shortfalls will force a million acres of productive farmland into retirement as we try to comply with the Sustainable Groundwater Management Act of 2014. Thus, operations that could affect the availability of surface water in the valley are of keen interest to us and our members.

State and Federal agencies collaborated for more than three years during the recent consultation under the Federal Endangered Species Act to develop long-term operations for the Central Valley Project (LTO) that are protective of species and meet the needs of Californians. As part of this process, agency staff thoroughly reviewed how to meet biological objectives consistent with operational capabilities and water rights, including Order 90-5. The resulting October 2019 Biological Opinion (BiOp) from the National Marine Fisheries Service and the operations plan in the Record of Decision (ROD) for the LTO allow for better cold water management at Shasta Reservoir for the benefit of salmon. Ultimately, any plan to manage the temperature of flows in the Sacramento River should be based on best available science, and the 2019 BiOp and related operational plans and actions are based on the best available science and represent operations that comport with the objectives of Order 90-5. We
recommend that the SWRCB support implementation of actions in the draft Sacramento River Temperature Management Plan that are consistent with the 2019 BiOp and ROD.

We also recommend that the SWRCB take advantage of opportunities the Sacramento River Temperature Task Group to collaborate on and guide development of plans while they are in development. This group has been the primary forum used to solicit input during the planning process – a role that is also specifically recognized in the ROD.

Again, thank you for the opportunity to comment. Please contact me with any questions at 559-562-6305 or jphillips@friantwater.org.

Sincerely,

Jason Phillips
Chief Executive Officer
May 15, 2020

Craig Altare
Supervising Engineering Geologist
California Department of Water Resources
901 P Street, Room 213
Sacramento, CA 94236

Don Portz
Restoration Program Manager
San Joaquin River Restoration Program
Bureau of Reclamation, Interior Region 10
2800 Cottage Way
Sacramento, CA 95825-1898

Subject: Comments on Groundwater Sustainability Plans and the San Joaquin River Restoration Settlement

Dear Mr. Altare and Mr. Portz:

The Friant Water Authority (FWA) is a joint-powers public agency comprised of 17 member agencies that receive San Joaquin River water from the Friant Division of the U.S. Bureau of Reclamation’s Central Valley Project (CVP). The Friant Division includes 15,000 farms on 1.6 million acres and supplies water to dozens of communities.

Most of FWA’s members are parties to the San Joaquin River Restoration Settlement (Settlement), which was signed in 2006 by the U.S. Departments of the Interior and Commerce, a coalition of environmental groups and Friant Division long-term contractors (with FWA’s predecessor, Friant Water Users Authority, as their coordinating representative). The Settlement’s Restoration Goal is “restore and maintain fish populations in ‘good condition’ in the main stem of the San Joaquin River below Friant Dam to the confluence of the Merced River,” and its Water Management Goal is to “reduce or avoid adverse water supply impacts to all of the Friant Division long-term contractors” from the release of flows to achieve the Settlement. Interim Restoration Flows began in 2009 to better understand the river dynamics. Full Restoration Flows began in 2014 but were interrupted during the severe drought years of 2014 and 2015. There has been continuous flow in the San Joaquin River from Friant Dam to the Sacramento-San Joaquin Rivers Delta since October 2016.

FWA and its members recognize that the Groundwater Sustainability Plans (GSPs) prepared pursuant to the Sustainable Groundwater Management Act of 2014
(SGMA) may affect conditions along the San Joaquin River in ways other than what was assumed in the Settlement. Paragraph 13(f) of the Settlement states:

“The [Settling] Parties agree to work together in identifying any increased downstream surface or underground diversions and the causes of any seepage losses above those assumed in Exhibit B and in identifying steps that may be taken to prevent or redress such increased downstream surface or underground diversions or seepage losses.”

Therefore, FWA supports the general and specific comments on the GSPs for the GSAs that border on or include the Restoration Area prepared by the U.S. Bureau of Reclamation’s San Joaquin River Restoration Program (SJRRP). This includes comments related to increased engagement between the SJRRP and each GSA, especially to identify any potential interference the GSPs may have in implementation of the Settlement’s Restoration and Water Management goals; evaluations of some GSPs’ assumptions related to sources of groundwater; and implementation of improved monitoring networks.

Thank you for the opportunity to share our comments and concerns. Please contact me with any questions at 916-628-0431 or abiering@friantwater.org.

Sincerely,

Alexandra Biering
Government Affairs and Communications Manager
MEMORANDUM

May 14, 2020

TO: Friant Water Authority

FROM: Mike Villines

RE: Memo on the 2020 May Revision of the California State Budget

Today, the Governor released the “May Revision” of his January budget. Comments on that are in a separate section below, but to fully understand the scope of this COVID budget shortfall some context is necessary.

Historically, May revisions have been straightforward events. The Governor holds a press conference no later than May 14. The timing of the event is so the state can factor in personal income tax revenue (which comprises 60 percent of General Fund revenue) which typically is due April 15. Off of these revenue totals, the Governor uses this revision to tweak spending priorities for the coming budget year. If revenues are up, he may decide to adopt a legislative priority or two. If revenues are down, he may take the opportunity to announce either cuts or budget “gimmicks,” which are addressed below. The economic effects of the COVID-19 pandemic, combined with California’s constitutional requirement for a balanced budget, ensures that cuts will occur in the FY 20/21 budget. However, opinions differ as to how deep those cuts need to be. This memo will address those various opinions, explain some budget gimmicks used in previous recessions, and highlight some of the announcements made by the Governor today in his press conference.

Comparing the scope of deficits: No matter what numbers are used, the undeniable truth is that the budget has gone from a $5 billion surplus to a $35-$54 billion dollar deficit in the space of two months. The difference between this and the 2008 recession is that the earlier shortfall occurred over the space of 12-18 months and allowed some time for state legislators to adjust. The COVID shortfall occurred in two months, will likely require two separate rounds of budget solutions over the next three months, and has no defined date where revenues may begin to improve.
**Department of Finance (DOF):** Two weeks ago, the Governor’s Department of Finance (the entity that prepares budgets for the state) projected a $54 billion budget shortfall between now and June 30, 2021. This estimate was based off of the following assumptions: the billions of dollars that have already been spent on COVID-19, that revenues for California’s three largest tax categories (income, corporate and sales) will each decline by at least 20 percent, that Medi-Cal caseload will dramatically increase, and that the unemployment rate will rise to 18 percent over the next year. This will increase the amount of unemployment insurance claims. Thus far the state has sent out $7 billion worth of checks in this category alone. To put the unemployment figure in perspective, the highest the unemployment rate got in California during 2008 was 12.3 percent. It should also be noted that this $54 billion figure does not include $9 billion from the Federal Emergency Management Agency to deal with COVID costs.

**Legislative Analyst Office (LAO):** The LAO is a non-partisan entity paid to advise the Legislature on budget and policy matters. Historically, budget analyses from the LAO tend to be more optimistic than the DOF analyses, and this year has been no exception. The LAO provides two estimates, one for a “U” shape faster recovery ($18 billion shortfall) and one for a longer “L” shape recovery ($31 billion shortfall). What accounts for the dramatic $23 billion difference between DOF and LAO? It is primarily due to the fact that DOF bases their figures on the $222.2 billion spending plan the Governor proposed in January, where as the LAO bases its projections on the $208 billion spending plan the Governor released last year. The LAO also assumes slightly better revenue estimates and slightly lower unemployment.

**So who is right:** In a way, both are. It can be realistically argued that the LAO’s “L” shape scenario (which doesn’t assume a return to pre-recession revenue levels until at least 2023) of a $31 billion shortfall is more accurate. This also assumes slightly more cuts to education then DOF seems comfortable with, and that California’s $18 billion rainy day fund can be drawn down by half (the maximum allowed under the Constitution, although that’s debatable) in the budget to be approved next month.

**Senate Democrats:** Earlier this week Senate Democrats also released $100 billion in budget solutions with the admirable goal of limiting both spending cuts and middle-class tax increases. However, this proposal makes assumptions that are questionable at best. For instance they assume an
additional $33 billion worth of federal support with minimal strings attached. While additional federal help is likely coming, Congress doesn’t seem in any great hurry to act. The proposal also includes the $9 billion of reserve funds and some of the budgetary fund shifting that I will describe below. Another large component of their proposal is a $25 billion economic recovery fund giving Californian’s a tax incentive to front the state cash. The San Francisco Chronicle described the proposal. “Residents would be offered a slight discount to pay their future state income taxes now and, in exchange, would receive vouchers to lower their tax burden between 2024 and 2033. Those vouchers could also be sold to other taxpayers at any time. Senate officials estimate it would reduce revenue by about $3 billion annually over the course of that decade.” This is basically a unique form of revenue securitization, where the state borrows against future revenues to get more cash up front. While this works on paper, the concern is what happens if California does not enter a rapid “U” shape recovery? The state will be paying these debts off well into the future while also confronting continued revenue shortfalls.

**Budget Gimmicks:** It is important to remember that state budgets, by law, must be balanced when they are signed. States do not have the ability, like the federal government, to deficit spend into perpetuity. States have four options to balance budgets: increase taxes, cut spending, look to the feds for support, and engage in budget gimmicks or fund shifting. All four things occurred in 2008, but fund shifting represented a huge piece of how the deficits were dealt with. Some of the solutions you’ll see below was only recently unwound and paid back within the last year or two. It is highly likely Californians will see these proposals again within the next year.

- **Securitization:** The Senate Democrat proposal described above is one example of this. During 2008, the state borrowed against billions of dollars of future revenue from the State Lottery. This was unwise only because State Lottery revenue was then, and continues today, declining year over year.
- **Accrual payments:** In 2008 California moved $1.6 billion of state employee payments and benefits from June 30 to July 1. By moving this into the next fiscal year, the state “saved” a billion dollars and was able to “balance” the budget.
- **A 20 percent furlough for state workers that lasted months.**
• Delayed payments to schools and non-profit vendors that provided services to the state. Legislative employees were also issued IOU’s and state tax refunds for individual taxpayers were delayed by months.
• Redevelopment funds intended for local governments were seized, causing them to write an initiative to restrict the process. Special funds (separate revenue accounts from the state General Fund) were also raided to the tune of nearly $40 billion.

Comments on the Governor’s May Revise Press Conference:

1. The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposals are withdrawn from the Governor’s Budget in the May Revise:
   • Sustainable Groundwater Management Act Implementation—$40 million General Fund. The state remains committed to supporting local communities' transition to sustainable groundwater use, and the Department of Water Resources will allocate $26 million of existing Proposition 68 bond funds to local agencies in critically overdrafted basins to help defray the cost of implementation projects. In addition, a state interagency team will be created to work with stakeholders to identify tools and strategies to address the economic, environmental, and social effects of changing land use and agricultural production. Additional funding for SGMA-related projects may be considered for inclusion in future infrastructure investments.

Where do we go from here?
From this point, the budget process continues as follows. Beginning next week, both budget committees in the Assembly and Senate will begin to hold subcommittee hearings to discuss sections of the budget in more detail. They will either adopt, or make changes to, the Governor’s May Revise. Around June 1, a legislative conference committee is appointed featuring a bi-partisan group of Assembly Members and Senators. In the event the subcommittee changes in the Assembly and Senate differ from each other, the conference committee is used to create one unifying budget document. However, the major budget decisions are always made in closed door meetings between Governor Newsom and the Speaker of the Assembly and
the Senate Pro Tem. A budget agreement is usually announced by June 10 because the budget is constitutionally obligated to be in print and available online for three days prior to the vote for the public to review it. The budget is constitutionally obligated to be submitted to the Governor by June 15 or legislators do not get paid. The budget must be signed by June 30 for the fiscal year that begins July 1. The Governor also has line item veto authority to make changes to any budgetary expenditure, however historically this is rarely used.

It will be important to watch two things carefully over the next month. We anticipate that a revision to this budget will be occurring in August, primarily because the state won’t have final personal income tax revenue totals until the end of July. While some cuts will likely occur in the June budget, the balance of them will be made later. Also, the decreased bill load in the Legislature means that some legislators will attempt to get proposals included in budget “trailer bills” that are meant to direct how budget dollars are spent. These trailer bills are perfect places to put policy that may help or hinder various groups because they often span dozens or hundreds of pages and are usually adopted with no committee hearings. In addition, unlike most statutory bills, budget trailer bills take effect immediately upon the Governor’s signature. We have no idea how successful legislators will be in this process, but its something we will continue to diligently monitor until the Legislature adjourns on August 31.

To end on a positive note, it is important to remember that this COVID recession is in many ways much different than the 2008 recession. In 2008, the state didn’t have a reserve fund, today it totals $18 billion. In 2008 the state had very minimal cash on hand and had to issue $5 billion in Revenue Anticipatory Notes almost immediately. This decreased our state credit score and made it much more expensive to borrow money. Today, while quickly declining, there remains cash on hand to pay California’s bills largely because the state had a small surplus going into COVID. GDP was humming along at 2 to 2.5 percent in February. Not great, but much better than what confronted California in 2008. Undeniably, painful cuts will still have to be made in the short-term, but nowhere near what occurred a decade ago.

#    #    #    #    #
DATE: May 18, 2020

TO: Friant Water Authority, Executive Committee

FROM: Ian Buck-Macleod, Water Resources Manager

SUBJECT: 2020 CVP Allocation and Water Operations Update

SUMMARY:
On April 21, Reclamation updated the water supply allocation for the Friant Division, increasing the Class 1 allocation from 40% to 55%. On April 14, Reclamation updated the San Joaquin River Restoration Program (SJRRP) allocation, increasing from 155 TAF to 211 TAF within the Dry Year type. On April 13, Reclamation notified the Exchange Contractors that they determined this year to be a Shasta Critical Year, reducing their allocation from 840 TAF to 650 TAF (approximately 75%). The initial allocation made on February 25 for south-of-Delta contractors has remained the same. Current allocations are summarized as follows:

- Friant Division Class 1: 55%
- Friant Division Class 2: 0%
- CVP SOD Ag: 15%
- CVP SOD M&I: Greater of 65% of contract or Public Health and Safety requirement
- Exchange Contractors and Refuge Level 2: 75%
- SJRRP: Dry Year allocation of 211,123 AF at Gravelly Ford

The May 1 DWR Bulletin 120 exceedance forecasts still straddle a Shasta Critical (<3.2MAF inflow) and Non-Critical Year for the 90% and 50% Shasta inflow exceedance, respectively; however, the CNRFC exceedance forecasts are all above this threshold. Anticipate Shasta will remain defined as Critical Year based on the 90% Bulletin 120. CVO is currently assessing if any change to the CVP SOD Ag allocation is required.
DISCUSSION:

Inflow Forecasts
Recent April storms resulted in a significant increase in forecasted runoff for central and southern Sierras. We experienced a recent warm and dry pattern (15-20 deg above average highs), which results in peak snowmelt runoff. Over the last week, the northern Sierra had over two inches of new precipitation, while the central Sierra only had about a half an inch of rainfall. The San Joaquin Basin received little to no new rain or snow.

Over the weekend, a strong low-pressure system from the Gulf of Alaska will move through Northern California starting Saturday afternoon bringing widespread precipitation, mountain snow, and strong winds through Sunday and into Monday morning. The CNRFC 6-day forecast shows up to 3-4 inches of precipitation in the Sacramento, Yuba, and American River basins, and up to 1-2 inches in the San Joaquin and adjacent basins.

Table 1 shows unimpaired inflow forecasts for Shasta and Millerton based on recent DWR and CNRFC forecasts. The DWR Bulletin 120 released last week still reflects a Shasta Critical year for the 90% exceedance. There continues to be divergence between DWR and CNRFC estimates for both Shasta and Millerton; CNRFC is higher by at least 100 TAF across exceedances. The blended estimate from SCCAO last month for Millerton is close to the CNRFC, however, is likely to be reduced based on recent ASO, iSnobal, and Reclamation’s in-house runoff modelling.

Table 1. Unimpaired Inflow Forecasts for WY 2020

<table>
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<tr>
<th>Item</th>
<th>Exceedance</th>
<th>90%</th>
<th>50%</th>
<th>10%</th>
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<td>3410</td>
<td>3650</td>
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<tr>
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<td>DWR Millerton Unimpaired Inflow (TAF)</td>
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<td></td>
<td>840</td>
<td>900</td>
<td>970</td>
</tr>
</tbody>
</table>

Notes:
1 As of May 14.
2 May 1 Bulletin 120 with May 12 update.
3 As of May 6, using modified blend of CNRFC (50%) and DWR (50%) exceedance forecasts.

Airborne Snow Observatory (ASO)
The second ASO flight of 2020 was completed on May 5. Remaining flights are scheduled to occur with May 14 – May 29, and June 8 – June 23. Estimated remaining snow water equivalent (SWE) by elevation band is shown in Figure 1 for the first two ASO flights. Estimated SWE reduced from 750 TAF and 343 TAF in just three weeks. According to Reclamation, this will decrease their prior estimate for Millerton Unimpaired Inflow.
CVP SOD Allocation

*Delta Operations*
Both the Sacramento Valley and San Joaquin Valley Water Years are officially classified as Dry for 2020. Overall CVP North-of-Delta Reservoirs are slightly above normal storage levels; Trinity, Shasta, and Folsom are at 102%, 95%, and 95% of their 15-year average storages for this week, respectively. The Delta is currently in balanced conditions, with exports currently controlled by the D-1641 Delta outflow requirements to meet X2 and control salinity.

On May 11, the D-1641 31-Day Export Limit to protect out-migrating San Joaquin River salmonids ended. The combined CVP-SWP exports were limited to three-day average flow of the San Joaquin River at Vernalis (i.e. San Joaquin I:E ratio and for this year type it is 1:1). It was anticipated that CVP and SWP would operate to different standards similar to early April, however, on May 12 the US Eastern District Court partially granted a preliminary injunction for Environmental and State Plaintiffs on the implementation of the 2019 Federal Biological Opinions (BiOps). It is required that the CVP continue to operate to the San Joaquin I:E ratio consistent with the 2009 NMFS BiOps for the remainder of May.

Jones Pumping Plant pumping is currently at a 1-unit operation, with a daily average rate of 900 cfs and will likely continue through May. Figure 2 shows the daily and cumulative Jones Pumping, comparing April forecasts provided by CVO and actuals to date, which are trending fairly close despite the recent ruling.
The May 1 DWR Bulletin 120 exceedance forecasts still straddle a Shasta Critical (<3.2MAF inflow) and Non-Critical Year for the 90% and 50% Shasta inflow exceedance, respectively; however, the CNRFC exceedance forecasts are all above this threshold. Anticipate Shasta will remain defined as Critical Year based on the 90% Bulletin 120. Despite this, we anticipate next month this could potentially change due to recent and upcoming storms, and for future planning are assuming it will not be a Non-Critical Year. This change along with the recent preliminary injunction do not impact the ability for Reclamation to meet the Exchange Contract with Delta supplies.

**Exchange Contractors**

The May 1 DWR Bulletin 120 exceedance forecasts still straddle a Shasta Critical (<3.2MAF inflow) and Non-Critical Year for the 90% and 50% Shasta inflow exceedance, respectively; however, the CNRFC exceedance forecasts are all above this threshold. Anticipate Shasta will remain defined as Critical Year based on the 90% Bulletin 120. Despite this, we anticipate next month this could potentially change due to recent and upcoming storms, and for future planning are assuming it will not be a Non-Critical Year. This change along with the recent preliminary injunction do not impact the ability for Reclamation to meet the Exchange Contract with Delta supplies.

**CVP SOD Agriculture Contractors**

CVP San Luis storage is at 505 TAF—79% of its 15-year average, and is just above the forecasts provided by CVO last month (see Figure 3). If you also remember last month, CVO’s projections with Shasta Non-Critical Year, showed the 15% SOD allocation could be maintained or potentially increased another 10% under the 50% exceedance. Despite, the preliminary injunction, the 15% allocation to the south-of-Delta Ag contractors is unlikely to change due to the fact that CVOs assumed level of pumping in May was very conservative and will still be enough to support the allocation.
Figure 3. San Luis Federal Storage - April Exceedances and Actuals to Date (5/13/20)

Cross Valley Contractors
Due to the State’s recent ITP issuance, the potential for delivery of Cross Valley Contractor supplies is unknown. Delivery of this supply depends on availability of CVP water in the Delta that is delivered through excess capacity in the State’s facilities. The ITP states that there can be no use of any State facility by the CVP if those operations impact the ability for the State to meet the requirements of the ITP. This would impact use of Banks Pumping Plant, Delta-Mendota Canal-California Aqueduct Intertie (DCI) (although Federally-owned) and California Aqueduct. Reclamation and DWR are in active discussions on interpretations of the ITP and how it will impact these supplies.

Temperature Management
As discussed last month, temperature management in Shasta Lake is a concern for this summer; however, recent storms have assisted in exceeding prior estimates for storage. More recent estimates are showing Shasta will maintain storage above 1.9 MAF in September, which is a key trigger for some agencies. Reclamation submitted a draft temperature management plan to SWRCB on late April, which has been solicited for public comment. SWRCB and Reclamation disagree on the downstream control point required in Order 90-5 and 2019 Biological Opinions. This was also a topic of the preliminary injunction; however, decision was deferred for later hearing on merits.
Friant Division Allocation

Friant Division Contractors
On May 11, Reclamation sent a request to Friant Contractors for updated schedules showing 55% and new schedules showing 60% Class 1 supplies, including Rescheduled Water and allocated URF supplies, for planning purposes. Recent analysis performed by FWA warrants an increase of 5% in the Class 1 allocation; however, will need to be compared with most recent blended forecast that SCCAO is to develop on May 15. Reclamation is currently in discussions with Southern California Edison (SCE) on potential decreases in Mammoth Pool storage in September, which would remove some uncertainty about inflows to Millerton and solidify an increase in the allocation. During a water supply discussion with Friant managers on May 8, an SCCAO representative said that if conditions warrant an increase, it would likely be announced before the end of May.

A recent update for runoff into Millerton showed the reservoir peaking above 500 TAF, but not likely to spill. Any flood management actions will be determined as the runoff occurs and storage levels approach 500 TAF. The first likely action, if necessary, would be Uncontrolled Season operations, probably for a limited time and volume, deliverable to both Class 1 and Class 2 Contractors.

San Joaquin River Restoration Allocation
The Restoration Allocation has remained the same since the last update on April 14. The Restoration Administrator provided an updated flow recommendation on April 28, which was conditionally approved pending completion of a water supply test to determine if moving 69 TAF from the Flexible Flow period (February 1 through May 28) to later months would increase the water supply reductions to any Friant Contractors.

On April 28, the SJRRP, in consultation with the Restoration Administrator and under the authority of the Contracting Officer, announced the availability of Block 1 of Tier 2 Unreleased Restoration Flows (URFs). This block consists of 33,500 acre-feet (net at the turnouts) available to Class 1 contractors. This water will be priced at $215.91 and can be scheduled through the growing season. All but 67 AF was subscribed for by Friant Contractors and the remaining amount will be included with the next available block of URF. There is likely to be another block of URFs available this year, however Reclamation is currently delaying that distribution until they have more certainty in the Restoration Allocation and we can be assured that those URFs will pass a Water Supply Test.

There is likely to be another block of URFs available this year, however Reclamation is currently delaying that distribution until they have more certainty in the forecast runoff and can be assured that those URFs will pass a water supply test. Based on the more recent runoff forecasting, there is a chance the Restoration Allocation could decrease slightly.

San Joaquin River Restoration Recapture
A 2020 Repayment Agreement between Friant Water Authority and districts that want to receive a share of the water recaptured at PID and BCID was distributed to Friant districts on April 10. 14 districts have executed the Repayment contract. One additional district and the City of Lindsay have indicated their governing board will consider approval in May. Those 16 entities comprise approximately 76% of Class 1 contract supplies.
A total of 741 AF was recaptured in April at PID and BCID. A total of 1,109 AF (including 368 AF recaptured in March) was distributed to participating districts at the end of April. It is expected that approximately 1,100 AF will be recaptured in May. The reduction from the prior expectation of 2,000 AF is because BCID will not recapture anything above the 248 AF recaptured in the first few days of May.

There is currently about 95 cfs of Restoration flows reaching the Delta, where there is currently no available capacity to recapture at the CVP and SWP pumps.

SWRCB issued the temporary permit on April 20. The new order requires stricter accounting and reporting requirements. In addition, rediversion at Patterson Irrigation District and Banta-Carbona Irrigation District shall only occur when rediversion is “not possible” in the Delta. Reclamation is required to provide evidence regarding Delta recapture prior to commencing diversions. SJRRP staff coordinated with CVO and provided notification to SWRCB of the inability to recapture in the Delta.
Agenda Report

DATE: May 18, 2020

TO: Executive Committee

FROM: Austin Ewell

SUBJECT: Water Blueprint for the SJV

SUMMARY:

The Water Blueprint for the San Joaquin Valley (Group) will hold its Executive Committee meeting on the 19th and the large Group meeting via Zoom on May 21st. Some 70 participants make up the Blueprint large group including Farm Bureaus, Water Authorities, Districts, Growers, Trade Associations, Fresno State, GSAs and white land interests. A comprehensive and collaborative plan is under development that the San Joaquin Valley (broad coalition) can support and advocate for with a focus on solutions in coordination with key stakeholders.

Annual 2020 invoices have been sent out and the finance committee is following up on payments. The Steering Committee for Phase II is developing a solution set. The Group and the following committees listed below are pursuing the goals of Blueprint, including funding opportunities and working in conjunction with other stakeholders.

Socio-Economic Impact Analysis Phase I completed, Phase II being developed: A number of presentations and events have been completed while others have been rescheduled. Prior to the shelter in place order we had been implementing a communications plan to highlight the EIA and the impacts under a status quo approach. Phase II of the plan will look at a solution set being developed with the Technical Committee and others.

Project Status: Stantec and MBK have been engaged for Planning and Engineering services to support the development, evaluation, and selection of activities that will be pursued with the support of the Blueprint entity, including: Implementation of SGMA in the San Joaquin Valley, Development of a water supply plan to minimize loss of working lands, degradation of groundwater quality, loss or jobs, and other regional economic impacts, Development of an environmental plan to manage land use changes for agricultural lands that unavoidably must come out of production, and Develop safe, clean affordable water supplies for disadvantaged communities.

DAC/SDAC Drinking Water Feasibility Study: The objective of the Project is to identify the technical, financial, and institutional feasibility of providing surface water deliveries from the Madera Canal and Friant-Kern Canal to recharge basins, or other types of facilities, to improve drinking water conditions (accessibility, affordability, quality and quantity) for DACs and SDACs located in the Study Area.
The Committees are working on the following matters:

1) Regional Representation & Technical Support: The committee will present the current modeling results and project options at the next FWA Board meeting. The Technical Committee will be meeting with Department of Water Resources, Bureau of Reclamation and State Contractors to review the results of the modeling. Other meetings with Regional Coordinators are being scheduled to discuss the project list and related matters.

2) Engagement and Outreach (i.e. Disadvantaged Communities, Environmental Organizations & Urbans). Fresno State, FWA and Self-Help have identified a pilot project to locate recharge opportunities, DAC proximity within the Millerton place of use boundaries to work in line with the Blueprint efforts. Sustainable Conservation and Leadership Council have indicated an interest in participating in the Pilot Project as well. Blueprint representatives had a call with the California Water Commission (CWC) representatives to talk about priorities and focus for the Commission. A possible June/July meeting is being contemplated with the CWC.

3) Funding, Finance & Governance: Blueprint has sent 2020 invoices and payments are being received. An updated budget has been prepared for 2020 to reflect the governance structure, project management, the remaining economic report work as well as related services. The Legislative Analyst’s Office (LAO) has released an assessment of the state’s fiscal condition. The budget shortfall will be approximately $18B to $31.4B. This will likely have an impact on state funding sources as well as a possible Bond.

4) Advocacy & Public Relations: A communications plan and talking points are being used and members are meeting regularly with advocacy assets to discuss priorities, which include the WRP, Governor’s budget, Bonds and additional support. Blueprint and Committee members have met with elected in Sacramento and key Administration officials about the details and implementation of the Blueprint, possible stimulus funding and Bond opportunities.

RECOMMENDED ACTION:

There is no recommended action at this time. The Board gave initial direction to pursue this collective effort and report back on its status.

BUDGET IMPACT:

None

ATTACHMENTS:

None