EXHIBIT # F-7
6 pages

SQUAW VALLEY
PUBLIC SERVICE DISTRICT

Redundant Water Supply Project – Funding – Capital Improvement Plan

DATE: February 28, 2017

TO: District Board Members

FROM: Mike Geary, General Manager

SUBJECT: Identification of Funding for the Redundant Water Supply (RWS) Project for the Capital Improvement Plan and Impact to Water User Fees and Connection Fees

BACKGROUND: In January, 2016, upon completion of the three-phase *Redundant Water Supply – Preferred Alternative Evaluation*, the Board took action to "*approve the project description as described in the attached Technical Memo III - Project Description (Preferred Alternative) dated December 11, 2015 as the preferred project alternative to provide a redundant water supply from Martis Valley*".

Relevant to project funding, the Board directed staff to pursue grant funding opportunities as well as partnerships with utility companies or other groups, such as real estate developers.

Staff is updating its Capital Replacement Plan (CRP) and Capital Improvement Plan (CIP) in support of the Rate Study and Cost of Service Analysis; the updates also accomplish goals identified in the District's Five-Year Strategic Plan. The CIP identifies capital projects that increase the size or the capacity of the water and sewer systems and includes project information including benefits, estimated schedule, cost, and funding sources.

DISCUSSION: The CIP and CRP inform the Rate Study and Cost of Service Analysis by identifying the costs of capital projects that need to be funded by fees collected by the District. All of the capital projects identified by staff are included in either the CIP's or CRP's for our Water, Sewer and Fire Departments.

However, due to the high cost estimated to construct the RWS Project and the resultant impact to both Water User Fees and Water Connection Fees of funding the project this way, staff is seeking direction from the Board on whether or not to include it in the Water CIP as a fees-funded project.

The estimated impact to Water User Fees and Connection Fees are discussed below in the "Fiscal/Resource Impacts" section and some alternatives to including the project in the Water CIP are listed in the "Alternatives" section.

ALTERNATIVES: 1. Include the RWS Project in the Water CIP and increase Water User Fees approximately 87% and Water Connection Fees by an amount to be provided to the Board at the meeting.
2. Commit to funding only the next phase of the project with Water User Fees and Connection Fees. The next phase of the project is preparation of an Environmental Impact Report (EIR), which is estimated to cost $1M.
3. Defer identification of a funding source and maintain the current approach as directed by the Board in January, 2016 (e.g., identify grant funding opportunities and / or partnerships with other utility companies and / or real estate developers).

FISCAL/RESOURCE IMPACTS: By including the $25M RWS Project in the Water CIP, the fee-funded capital improvement projects identified is estimated to grow in number from two projects to three projects; costs for all projects are estimated to grow from $340,000 to $25,340,000, or by 7,500%.

The impact of funding the RWS Project with fees on the District's Water User Fees is an increase of approximately 87% (assume a 4% 25-year loan). The impact to our Water Connection Fees is being estimated and will be provided to the Board at the meeting.

RECOMMENDATION: Consider funding the next phase of the project (e.g., preparation of the project's EIR) with a combination of Water User Fees and Water Connection Fees or defer identifying a funding source and maintain the current approach as directed by the Board in January, 2016 (e.g., identify grant funding opportunities and / or partnerships with other utility companies and / or real estate developers).

ATTACHMENTS: Staff report dated January 26, 2016 for the Project Description (Phase III) of the *Redundant Water Supply – Preferred Alternative Evaluation*.

DATE PREPARED: February 22, 2017.

EXHIBIT # F-6
29 pages

SQUAW VALLEY
PUBLIC SERVICE DISTRICT

Redundant Water Supply – Preferred Alternative Evaluation:
Phase III – Project Description

DATE: January 26, 2016

TO: District Board Members

FROM: Mike Geary, General Manager

SUBJECT: *Redundant Water Supply / Preferred Alternative Evaluation*: Phase III – Project Description (Preferred Alternative). Approval of the project as the preferred alternative to provide a redundant water supply from Martis Valley. Project completion and next steps.

BACKGROUND: **Phase I** of the Redundant Water Supply / Preferred Alternative Evaluation (RWS-PAE) is titled *Water Supply Feasibility Summary and Gap Analysis* and was presented to the Board in final form in November, 2014.

Phase II is titled *Evaluation of Water Supply Sources from Gap Analysis* and was presented to the Board in February, 2015.

Phase III is titled *Preferred Alternative Evaluation* and includes the following work:

- 2015 Feasibility Study Update (Nov. 2015)
- Technical Memo 1 - Alternatives Evaluation Criteria and Approach (Oct. 19, 2015)
- Technical Memo 2 - Alternatives Evaluation (Dec. 8, 2015)
- Technical Memo 3 - Project Description (Preferred Alternative)(Dec. 11, 2015)

The three technical Memos from Phase III listed above have been combined into a single book titled *Phase 3 - Summary Memorandum* which includes an Executive Summary dated Dec. 21, 2015. This Executive Summary is attached.

The Directors of the Board were provided with three separate spiral-bound books that contain all of the work performed as part of the evaluation that started in September, 2013. They are the final versions of the following:

- Phase I and Phase II
- 2015 Feasibility Study Update
- Phase III - Summary Memorandum

The subject of this report is the FINAL version of *Technical Memo 3 - Project Description (Preferred Alternative)* dated Dec. 11, 2015 which was presented to the Water and Sewer Committee on Dec. 30, 2015 and is attached.

This completes the work for all phases of the RWS-PAE. The District identified and described its preferred project alternative to import water from Martis Valley to provide Squaw Valley with a Redundant Water Supply. There is discussion below about the District's next steps for the project.

The PSD updated its website in September, 2014 and dedicates a page to the RWS-PAE; it's located under the Current Topics link on our homepage, or at this direct link: http://www.svpsd.org/proposed-redundant-water-supply. Staff will continue to update this page.

DISCUSSION: The attached *Technical Memorandum No. 3 – Project Description* presents the description of the preferred project alternative to provide Squaw Valley with a redundant water supply from Martis Valley. The project described is the result of economic and non-economic evaluations of several alternatives for each of the following: transmission main corridor, booster pump station, water source, and terminal tank location.

The preferred proposed source of water would come from existing TDPUD or NCSD municipal wells and would be conveyed through existing infrastructure to the point of connection of the transmission main. The point of connection for the transmission main would be near the intersection of Deerfield Drive and Highway 89. The transmission main would be located in shoulder of Highway 89 for a length of approximately eight miles. Along this alignment the District would acquire a small parcel of land to construct a booster pump station. The preferred location of a 1,000,000 gallon water storage tank is on APN 096-290-051, currently owned by the United States Forest Service (USFS), and located south west of the District's administrative facility.

The action requested of the District's Board of Directors today is to approve the project description identified in the attached Technical Memo as the preferred alternative to provide a redundant water supply from Martis Valley.

With Board approval, the next steps as identified in Section 11 on page 18 of the attached Technical Memo (TM) can be pursued. They include negotiations with the Truckee Donner Public Utility District (TDPUD) and /or the Northstar Community Services District (NCSD), preliminary design, and environmental permitting. Other tasks are identified in Table 3 on page 19 of the TM.

Many of the next steps require funding. Planning level construction cost estimates were prepared in TM No. 2 and do not include permitting, design or acquisition of land and easements. They are estimated in the following table:

Table 10 –Evaluation Results and Preferred Project Alternatives

Project Component	Alternative	Construction Cost Estimate ($M)
Transmission Main	Highway 89 Caltrans ROW (east or west shoulder)	$13.7
Water Source	Intertie agreement with TDPUD and/or NCSD	$0.0
Terminal Water Storage Tank	USFS Property (APN 096-290-051 (USFS Property)	$1.48
Booster Pump Station	Connection to TDPUD 6,170 foot zone	$1.1

During the Dec. 30, 2015 Water and Sewer Committee Meeting, Directors Wilcox and Poulsen agreed that the project's next steps should not be pursued if they rely on funding that would result in a significant increase in water rates, a special capital improvement assessment or debt financing (which would likely result in increased water rates). They indicated a strong preference that funding for the project's next steps be from grants or contributions through partnerships with real estate developers or utility companies interested in participating with the District in the construction of an infrastructure corridor (e.g., joint trench) between Squaw Valley and Truckee.

They also noted that there is a common misperception that the District's Redundant Water Supply Project is required, or driven by a need, to provide the primary water supply for the proposed Village at Squaw Valley Specific Plan (Village Project). The Water Supply Assessment, completed in July 2015, concluded that the water demand for existing customers, the Village Project, and projected growth for the next 25 years in Squaw Valley could be supplied by groundwater sources from the Olympic Valley aquifer.

There are currently no significant grant funding opportunities available to the District to continue this project although staff has submitted a grant application through the Tahoe Sierra Integrated Regional Water Management (IRWM) Group for funding provided through the California Department of Water Resources (DWR).

Moving forward, District staff will continue to communicate with the Board on how to make progress on the Redundant Water Supply Project through its typical long term planning efforts, preparation of annual capital budgets, and rate setting discussions.

ALTERNATIVES: 1. Approve the project description identified and described in the attached *Technical Memo 3 - Project Description (Preferred Alternative)* dated Dec. 11, 2015 as the preferred project alternative to provide a redundant water supply from Martis Valley.
2. Do not approve the preferred project alternative as described in TM 3.

FISCAL/RESOURCE IMPACTS: The Board authorized staff to enter into a Funding Agreement with the State of California's Department of Water Resources as part of the Local Groundwater Assistance Grant Program for $225,000 to reimburse the District for the evaluation.

The evaluation / project is now complete. The total amount of grant funds expended is currently estimated to be $220,600. Approximately $200,600 was paid to Farr West Engineering for their services and $20,000 was used to reimburse the District for staff expenses related to the project.

Staff expenses to participate in the evaluation and administer the consultant contract and the DWR grant contract have been budgeted for $50,000 and are expected to be much less.

RECOMMENDATION: Approve the project description identified and described in the attached *Technical Memo 3 - Project Description (Preferred Alternative)* dated Dec. 11, 2015 as the preferred project alternative to provide a redundant water supply from Martis Valley.

ATTACHMENTS: *Phase 3 - Summary Memorandum - Executive Summary* dated Dec. 21, 2015 (six pages).
Phase 3 - Technical Memo 3 - Project Description (Preferred Alternative) dated Dec. 11, 2015 (nineteen pages).

DATE PREPARED: January 24, 2016