



Official Memorandum

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sldmwa.org

To: SLDMWA Finance & Administration Committee, Alternates
SLDMWA Board of Directors, Alternates

From: Pablo Arroyave, Chief Operating Officer
Jaime McNeil, Engineering Director

Date: June 1, 2026

RE: Adoption of Resolution Authorizing Execution of Mitigation Credit Purchase and Sale Agreement for the Delta-Mendota Canal Subsidence Correction Project and Related Expenditure of Up to \$1.2 Million

Background

The Delta-Mendota Canal (DMC) Subsidence Correction Project (Project) includes restoring the original design conveyance capacity of the DMC by raising the canal lining and embankments, as well as other structures such as bridges, overchutes, and pipe crossings. The DMC is one of the major components of the Delta Division of the U.S. Bureau of Reclamation's (Reclamation) Central Valley Project (CVP) and is considered critical infrastructure. The San Luis & Delta-Mendota Water Authority (Water Authority) and Reclamation are committed to restoring the original capacity to ensure the DMC can meet the needs of the communities and ecosystems reliant upon it.

The Water Authority and Reclamation completed environmental compliance for the Project through a joint National Environmental Policy Act (NEPA)/California Environmental Quality Act (CEQA) document, a joint Environmental Assessment/ Initial Study/Mitigated Negative Declaration. In February 2026, the Water Authority's Board of Directors adopted the Mitigated Negative Declaration for the Project, including CEQA Findings of Fact, and a Mitigation Monitoring Reporting Plan (MMRP) to require that all reasonably feasible mitigation measures be implemented by means of Project conditions, agreements, or other measures, as set forth in the MMRP. The Water Authority subsequently filed a Notice of Determination with the State Clearinghouse.

In addition to the joint NEPA/CEQA compliance, Reclamation and the Water Authority have engaged in interagency consultation in connection with the Project under Section 7(a)(2) of the Endangered Species Act, Section 106 of the National Historic Preservation Act, and other applicable requirements.

The U.S. Fish and Wildlife Service (USFWS) issued a biological opinion (BiOp) to Reclamation regarding the Project on February 17, 2026, in which the USFWS concluded that the Project, as proposed, is not likely to jeopardize the continued existence of the San Joaquin Kit Fox, California tiger salamander, or California red-legged frog. The BiOp includes conservation measures that were analyzed as part of the Project and are viewed by USFWS as necessary to minimize effects on the kit fox, salamander, and frog, including "the purchase of 3.49 acre of aquatic salamander and frog [mitigation] credits and 53.4 acre of upland salamander and frog credits (56.89 acres total) at a Service approved Conservation Bank," which "will be purchased prior to the start of proposed project activities." (2026 BiOp, p. 15.)



Reclamation and the Water Authority, in coordination with the USFWS, intend to implement a phased approach to the purchase of required mitigation credits to align with each phase of Project construction. This means that the total 56.89 acre purchase is not required prior to initiating the Project.

Construction work associated with Phase 1, Task 1 activities is scheduled to begin in June 2026, which requires prompt action to purchase salamander and frog mitigation credits.

Issues for Decision

Whether the Finance & Administration Committee should recommend, and the Board of Directors should authorize, adoption of resolution authorizing execution of a Mitigation Credit Purchase and Sale Agreement for the DMC Subsidence Correction Project including adoption of single source procurement justification and expenditure of up to \$1.2 million.

Recommendation

Staff recommends adoption of the proposed resolution.

Analysis

To enable the timely purchase of the mitigation credits necessary for Task 1 activities, Reclamation approached the Water Authority to assist in procurement, utilizing available nonreimbursable funds from California Department of Water Resources (DWR) and One Big Beautiful Bill Act (OBBBA) funding awards. Reclamation and the Water Authority researched available mitigation credits in mitigation banks service areas that encompass the Project, focusing on approved conservation banks with aquatic and upland salamander and frog mitigation credits that could be “stacked,” i.e. that allow the purchase of one acre of land that satisfies the credit obligation for two species.

The Regulatory in-Lieu Fee and Bank Information Tracking System (Ribits) was used to search for mitigation banks with aquatic and upland credits. Ribits shows the current status of mitigation banks. Ribits identified 21 mitigation banks with service areas that encompass the work associated with Task 1 activities. An approved mitigation bank must be used for mitigation for this project. Currently, there is one approved mitigation bank identified in the Project area that can currently supply the credits required prior to construction and possesses aquatic and upland salamander and frog mitigation credits that can be stacked. This leaves the Doolan Canyon Conservation Bank, located near the City of Dublin in Alameda County, as the sole source option.

Reclamation and the Water Authority negotiated the proposed Mitigation Credit Purchase and Sale Agreement (Agreement) with Natural Resources Group, Inc., the Bank Sponsor. Under the terms of the Agreement, the Water Authority would purchase up to 8.76 acres of upland salamander and frog credits and up to 1.22 acres of aquatic salamander and frog credits to compensate for the loss of California red-legged frog and California tiger salamander habitat, at the price of \$600,000 per aquatic and \$50,000 per upland acre. While the Agreement has been reviewed by staff and is near final, the final number of acres of upland and aquatic credits necessary prior to initiating construction of Task 1 is being finalized with USFWS and Reclamation, and it is possible that some edits may be required before the Agreement is finalized and executed. For this reason, in the resolution staff is requesting authorization to execute the Agreement in



substantial form, including, if necessary, to modify the Agreement to purchase the upland credits separately from the aquatic credits.

Budget Implications

The additional proposed expenditure of up to \$1.2 million would be funded utilizing existing FY2023 and FY2024 EO&M Funds, and then reimbursed by the DWR grant funds.

Attachments

1. Proposed Resolution Authorizing Execution of Mitigation Credit Purchase and Sale Agreement for the Delta-Mendota Canal Subsidence Correction Project and Related Expenditure of Up To \$1.2 Million
2. Proposed Mitigation Credit Purchase and Sale Agreement
3. Single Source Procurement Justification Form

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

RESOLUTION NO. 2026-

**RESOLUTION AUTHORIZING EXECUTION OF MITIGATION CREDIT PURCHASE
AND SALE AGREEMENT FOR THE DELTA-MENDOTA CANAL SUBSIDENCE
CORRECTION PROJECT AND RELATED EXPENDITURE OF UP TO \$1.2 MILLION**

WHEREAS, the San Luis & Delta-Mendota Water Authority (“**Water Authority**”) is a transferred works operator responsible for the operation, maintenance, and replacement (“**OM&R**”) of certain Central Valley Project (“**CVP**”) facilities, including the Delta-Mendota Canal (“**DMC**”); and

WHEREAS, the Water Authority and the U.S. Bureau of Reclamation (“**Reclamation**”) have been pursuing the Delta-Mendota Canal Subsidence Correction Project (“**DMC Subsidence Correction Project**” or “**Project**”) to restore the original design conveyance capacity of the DMC by raising the canal lining and embankments, as well as other structures such as bridges, overchutes, and pipe crossings, to ensure the DMC can meet the needs of the communities and ecosystems reliant upon it; and

WHEREAS, the Water Authority and Reclamation completed environmental compliance for the Project through preparation of a joint National Environmental Policy Act (“**NEPA**”)/California Environmental Quality Act (“**CEQA**”) document, a joint Environmental Assessment/ Initial Study/Mitigated Negative Declaration; and

WHEREAS, in February 2026, via Resolution No. 2026-555, the Water Authority’s Board of Directors (“**Board**”) adopted the Mitigated Negative Declaration for the Project, including CEQA Findings of Fact, and a Mitigation Monitoring Reporting Plan (“**MMRP**”) to require that all reasonably feasible mitigation measures be implemented by means of Project conditions, agreements, or other measures, as set forth in the MMRP; and

WHEREAS, in addition to the joint NEPA/CEQA compliance, the Water Authority and Reclamation have engaged in interagency consultation in connection with the Project under Section 7(a)(2) of the Endangered Species Act (“**ESA**”), Section 106 of the National Historic Preservation Act, and other applicable requirements; and

WHEREAS, pursuant to the ESA, the U.S. Fish and Wildlife Service (“**USFWS**”) issued a biological opinion (“**BiOp**”) to Reclamation regarding the Project on February 17, 2026, in which the USFWS concluded that the Project, as proposed, is not likely to jeopardize the continued existence of the San Joaquin Kit Fox, California tiger salamander, or California red-legged frog; and

WHEREAS, the BiOp includes conservation measures that were analyzed as part of the Project and are viewed by USFWS as necessary to minimize effects on the kit fox, salamander, and frog, including the purchase of 3.49 acres of aquatic salamander and frog mitigation credits and 53.4 acres of upland salamander and frog credits (56.89 acres total) at a USFWS-approved

Conservation Bank, which will be purchased prior to the start of proposed project activities (2026 BiOp, p. 15); and

WHEREAS, Reclamation and the Water Authority, in coordination with the USFWS, intend to implement a phase approach to the purchase of required mitigation credits to align with each phase of the Project construction, which means that the total 56.89 acre purchase is not required prior to initiating the Project; and

WHEREAS, construction work associated with Phase 1, Task 1 activities is scheduled to begin in June 2026, which requires prompt action to purchase salamander and frog mitigation credits; and

WHEREAS, Section 1.1 of the Water Authority's Consolidated Procurement Policy, adopted by Resolution No. 2025-547 on August 7, 2025, requires the Board to specifically authorize contracts greater than \$200,000, and Section 2.3 requires the Water Authority make specific findings prior to executing a single source contract; and

WHEREAS, the Water Authority has negotiated a Mitigation Credit Purchase and Sale Agreement for the purchase of up to 8.76 acres of upland salamander and frog credits and up to 1.22 acres of aquatic salamander and frog mitigation credits, at the price of \$600,000 per aquatic and \$50,000 per upland acre; and

WHEREAS, single source procurement is justified as only Doolan Canyon Conservation Bank meets the Water Authority's needs for the Project, as described in **Attachment 1**; and

WHEREAS, the Credit Sale and Transfer Agreement will be funded utilizing existing FY2023 and FY2024 EO&M Funds, reimbursed by California Department of Water Resources ("DWR") grant funds; and

WHEREAS, the Credit Sale and Transfer Agreement is an administrative action that implements previously adopted and analyzed conservation measures and does not constitute a project under CEQA Guidelines section 15378.

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS, THAT:

Section 1. The facts stated in the recitals above are true and correct, and the Board so finds and determines.

Section 2. The Board hereby authorizes the Executive Director or Chief Operating Officer to execute the Credit Sale and Transfer Agreement for Delta-Mendota Canal Subsidence Correction Project in substantially the form presented to the Board, subject to such additions, deletions, and other revisions as the said Executive Director or Chief Operating Officer shall approve prior to execution; adoption of single source procurement justification; and related expenditure of up to \$1.2 million utilizing existing FY2023 and FY2024 EO&M funds reimbursed by DWR grant funds.

Section 3. The Executive Director, Chief Operating Officer, and any Water Authority employees, consultants, or agents directed by the Executive Director or Chief Operating Officer

hereby are further authorized and directed to take such additional steps, and to execute such additional documents, as may be required or reasonably necessary or convenient for completing and implementing the activities authorized by this Resolution.

PASSED, APPROVED AND ADOPTED this 4th day of June, 2026, by the Board of Directors of the San Luis & Delta-Mendota Water Authority.

Cannon Michael, Chair
San Luis & Delta-Mendota Water Authority

Attest:

Federico Barajas, Secretary

I hereby certify that the foregoing Resolution No. 2026- was duly and regularly adopted by the Board of Directors of the San Luis & Delta-Mendota Water Authority at the meeting thereof held on the 4th day of June, 2026.

Federico Barajas, Secretary



NON-COMPETITIVE (SINGLE SOURCE) PROCUREMENT JUSTIFICATION FORM

Purchase of Mitigation Credits for the following:
F27-DMC-007A - Upland Credits
F27-DMC-007B - Aquatic Credits

Item/Service for single source procurement: _____

Selected vendor for the single source procurement: _____

Natural Resources Group, Inc.

Total Amount of Procurement including taxes: _____

F27-DMC-007A - \$438,000.00
F27-DMC-007B - \$762,000.00
Grand Total for F27-DMC-007A-B: \$1,200,000.00

Specification Number: _____

F27-DMC-007A-B

For any non-competitive (single source) procurement (except Professional services) over \$60,000, the Project Manager must complete this form and return it to the Procurement Department for review and procurement authorization. Attach additional pages of explanation if necessary. **A SINGLE SOURCE PROCUREMENT MAY NOT PROCEED UNTIL THE REQUIRED SIGNATORIES SIGN THIS FORM. NOTE: For procurements below the Delegation of Authority threshold of \$200,000.00, Board approval is NOT required prior to award and can be approved by the Executive Director or COO. The Board must be notified promptly following award.**

Section 1: Is this an emergency?

- Yes No (Skip to Section 2)

If yes, explain in detail below and no further Sections are required. If over the Delegation of Authority threshold of \$200k, a separate memo documenting the decision shall be prepared by the Project Manager for Board notification/approval.

Note: "Emergency" shall mean a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services.

Explanation:

Section 2: Identify Type of Procurement

- Goods, Supplies, Equipment (See section 3)
 Non-Professional Services (See section 4)
 Construction (See section 5)

Section 3: Goods, Supplies, Equipment (See Section 2.3 in Procurement Policy)

1. Identify the most applicable criteria below, and provide detailed support in explanation area below
 - i. A specified product is necessary to match or interface with other products in use by the Authority
 - ii. The Authority needs to purchase a specified product to field test or experiment to determine the products suitability for future use.
 - iii. Only one product will meet the Authority's needs.

Explanation:

Please refer to attached Memorandum to File dated May 12, 2026 which provides detailed explanation for the purchase of mitigation credits.

2. Is the product available from only one source? (To qualify for a single source, the product must be available from only one source)

Yes No

Please explain how this determination was made. Note: Reasonable steps should be taken to confirm that the goods or supplies are purchased at a fair price. Include in explanation below.

Explanation:

Section 4: Non-Professional Services (See Section 3.1(b) in Procurement Policy)

Identify the most applicable criteria below and provide detailed support in explanation below.

- i. That only one firm or individual has the specialized expertise or experience necessary to perform the services, and other potential bidders cannot develop that experience or expertise prior to contract award.
- ii. The continuity of services is required to avoid risk of substantial loss or added expenditure to the Authority

Explanation:

Section 5: Construction (See Section 4.6 of the Procurement Policy)

Please identify ONE of the applicable justifications below by checking and providing explanation.

NOTE: If neither of the below circumstances exist, but the Executive Director or Chief Operation Officer recommends single-source construction contracting, then single source contracting may be used only following Board findings of circumstances indicating that competition does not exist and approval of single-source negotiations. CANNOT BE USED FOR PROJECTS UTILIZING FEDERAL FUNDS.

- 1. Where (i) a specified product is required, applying standards and (ii) only one contractor is authorized by the manufacturer or supplier to install the specified product, and (iii) the work for which only a single-source contractor is authorized and not work which reasonably would be expected to be subcontracted.
- 2. The Authority has conducted a competitive procurement for substantially similar construction services in the past five (5) years and only one actual or potential bidder for the services was identified.

Explanation:

3. If neither of the above apply, please provide an explanation to the Board as to why the Board should approve this Single-Source procurement.

Explanation:

Completed and Requested By

Project Manager (Name): Jacob Bejarano

Signature: _____ Date: _____

Department Manager (Name): Jaime McNeil

Signature: _____ Date: _____

Approved By

Chief Operating Officer: (Name): Pablo R. Arroyave

Signature: _____ Date: _____

May 12, 2026

Memorandum to File:

Subject: Single Source Justification for Procurement of Compensatory Mitigation Credits Required to Meet Endangered Species Act, Delta-Mendota Canal Subsidence Correction Project (Project)

The following substantiates the Authority's determination that only a single source is available for purchase of mitigation credits required by the U.S. Fish and Wildlife Service (USFWS) biological opinion (BiOp) to Reclamation regarding the Project in the time in which the credits must be purchased to avoid delaying the Project.

The USFWS issued a BiOp to Reclamation regarding the Project on February 17, 2026, in which the USFWS concluded that the Project, as proposed, is not likely to jeopardize the continued existence of the San Joaquin Kit Fox, California tiger salamander, or California red-legged frog. The BiOp includes conservation measures that were analyzed as part of the Project and are viewed by USFWS as necessary to minimize effects on the kit fox, salamander, and frog. Relative to the present action, the BiOp requires "the purchase of 3.49 acre of aquatic salamander and frog [mitigation] credits and 53.4 acre of upland salamander and frog credits (56.89 acres total) at a Service approved Conservation Bank," which "will be purchased prior to the start of proposed project activities." (2026 BiOp, p. 15.)

Reclamation and the Water Authority, in coordination with the USFWS, intend to implement a phased approach to the purchase of required mitigation credits to align with each phase of Project construction. This means that the 56.89 acres purchase is not required prior to initiating the Project.

Construction work associated with Phase 1, Task 1 activities is scheduled to begin in June 2026, which requires prompt action to purchase the requisite 1.22 acres of aquatic salamander and frog mitigation credits and 8.76 acres of upland salamander and frog credits.

The project team has identified only a single source that carries both species' credits, is a Service-approved Conservation Bank, and has them available for purchase immediately to satisfy USFWS mitigation requirements. The source, Doolan Canyon Conservation Bank (DCCB) is a newly established 1168-acre conservation easement. The land supports threatened and endangered species such as the California red-legged frog, California tiger salamander, candidate species Western burrowing owl, and contains habitat suitable for the San Joaquin kit fox.

The Authority will seek approval to proceed with using the DCCB as its source for purchasing Mitigation Credits in the amount of \$438,000 (Four hundred thirty-eight

thousand Dollars) for Upland credits and \$762,000 (Seven hundred sixty-two thousand Dollars) for Aquatic credits, under two separate contracts, for the DMC Subsidence Correction Project.

This procurement qualifies for sole source determination under the Authority's Consolidated Procurement Policy based on the following findings:

- The required mitigation credits must be located within the same approved service area as defined by regulatory agencies.
- The mitigation credits must be obtained for the specific mitigation resource type required, such as seasonal wetlands and species-specific habitat.
- The mitigation credits must be at a Service-approved conservation Bank and available at the time of purchase to meet permitting conditions and requirements.

The Authority has been able to identify only one mitigation bank that satisfies all geographic, ecological, and regulatory requirements for the impacted area and has credits immediately available for purchase.

This directly meets the condition that "only one product will meet the Authority's needs" under Section 2.3(a)(1)(iii) of the Authority's Amended Consolidated Procurement Policy dated August 7, 2025.

Availability from Only One Source

For the specific credit types and service area associated with the Project mitigation, the required credits are available from a single qualified mitigation bank operator.

The Regulatory in-Lieu Fee and Bank Information Tracking System (Ribits) was used to search for mitigation banks with aquatic and upland credits. Ribits shows the current status of mitigation banks. Ribits identified 21 mitigation banks located in the USFWS Project Service Area. An approved mitigation bank must be used for mitigation for this project. Currently, only one approved mitigation bank identified in the Project Area can currently supply the credits required prior to construction. Doolan Canyon Conservation Bank, located near the City of Dublin in Alameda County, is the sole source option.

This satisfies the requirement that "the product is available from only one source" under Section 2.3(a)(2) of the Authorities Amended Consolidated Procurement Policy dated August 7, 2025.

Specialized Expertise and Regulatory Constraints

To the extent the acquisition is characterized as a service, the procurement also meets the criteria under Section 3.1(b), as follows:

The DCCB mitigation bank sponsor/operator possesses unique regulatory approvals from USFWS that will allow mitigation credits to be stacked. This means that by buying credits from DCCB, the Project would purchase one (1) acre for both (frog and salamander) species, effectively reducing the number of required mitigation acres in half. From a regulatory standpoint, other banks in the same service area cannot develop equivalent capacity or obtain the required approvals in time for construction to commence.

This satisfies the condition that only one firm possesses the specialized capability required under the Authority's Procurement Policy. It also supports cost-reasonableness.

Compliance with Policy

This sole source procurement of compensatory mitigation credits from DCCB is in full compliance with policy and requirements due to the following:

Meets the documented findings required for single source procurement. Will be executed with written approval from the Executive Director or Chief Operating Officer. Will be reported to the Board and approved in accordance with the Authority's procurement policy requirements.

Determination

Based on the findings above, it is determined that the procurement of compensatory mitigation credits from DCCB for the DMC Subsidence Correction Project through a sole source method is justified, necessary, and compliant with the Authority's procurement policy.