



Official Memorandum

PO Box 2157
Los Baños, CA 93635
sldmwa.org

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

From: Pablo Arroyave, Chief Operating Officer

Date: February 2, 2026

RE: Execution of DMC Subsidence Correction Project Advanced Funds Agreement with Westlands Water District

Background

The San Luis & Delta-Mendota Water Authority (Water Authority) has been pursuing the Delta-Mendota Canal (DMC) Subsidence Correction Project to restore the lost conveyance capacity of the DMC. To date, the Water Authority has been awarded \$47.6 million in non-reimbursable grant funding from the California Department of Water Resources (DWR) and \$204 million in reimbursable Infrastructure Investment and Jobs Act (IIJA) funding¹, and anticipates being awarded additional non-reimbursable funding pursuant to the One Big Beautiful Bill Act to support the planning, designing, permitting, and construction of the DMC Subsidence Correction Project.

In May 2025, the SLDMWA Board of Directors adopted a phased approach for the DMC Subsidence Correction Project, which has been refined to include a “Phase 1” comprised of four defined tasks: (1) an approximate two-foot freeboard raise of the DMC between Jones Pumping Plant and the Delta-Mendota Canal/California Aqueduct Intertie, (2) sag area repairs, (3) panel repairs in the upper DMC, and (4) panel repairs in the lower DMC.

In November 2025, the SLDMWA Board of Directors adopted cost allocation recommendations for each task included in Phase 1 of the DMC Subsidence Correction Project, and directed staff to pursue Phase 1, with a scheduled Board consideration of contract award in February 2026.

For Fiscal Year (FY) 2027, the cash flow need associated with Phase 1 is an estimated \$4,100,000. Staff has worked with Westlands Water District (Westlands) to draft an Advanced Funds Agreement, attached, which establishes the terms under which Westlands would advance \$4,100,000 to the Water Authority in FY 2027 to support cash flow requirements to initiate Phase 1.

The Westlands Board of Directors considered the Advanced Funds Agreement at its January 22, 2026 Board meeting, and authorized execution of the Agreement, included delegated authority to increase the \$4,100,000 amount if necessary.

Issue for Decision

Whether the Finance & Administration Committee should recommend, and the Board of Directors should authorize, execution of the Delta-Mendota Canal Subsidence Correction Project Advanced Funds Agreement.

Recommendation

Staff recommends authorizing execution of the proposed Advanced Funds Agreement.

Analysis

As noted above, the Water Authority has secured substantial state and federal funding for the DMC Subsidence Correction Project. Ultimately, SLDMWA intends to use the DWR grant funding or other non-reimbursable funding for repayment of the \$4,100,000 cash flow needs estimated for FY 2027.

The proposed Agreement would allow Westlands to provide the \$4,100,000 to the Water Authority on or about March 1, 2026. Repayment would extend over five years, beginning in 2028, net of applicable water delivery credits and subject to annual accounting true up. A fixed 4.35% per annum interest rate would apply to the advanced funds. Prepayment is allowed at any time without penalty.

The proposed Agreement provides a mechanism to bridge short-term funding needs without materially increasing OM&R rates in FY 2027, while preserving the expectation that the advanced funds will ultimately be repaid from non-reimbursable sources.

Budget Implications

Executing the proposed Agreement would have a beneficial impact on the FY 2027 budget. For FY 2028 – FY 2032, repayment of the advanced funds would require a payment of approximately \$970,500 annually.

Attachments

1. Draft DMC Subsidence Correction Project Advanced Funds Agreement
2. Exhibit A – Cash Flow Analysis
3. Exhibit B – Repayment Schedule

DELTA-MENDOTA SUBSIDENCE CORRECTION PROJECT – ADVANCED FUNDS AGREEMENT

This Advanced Funds Agreement (“**Agreement**”) is made and entered into by and among the San Luis & Delta-Mendota Water Authority (“**SLDMWA**”), a joint powers agency formed pursuant to California Government Code section 6500 et seq., and the Westlands Water District (“**WWD**”), a California water district formed pursuant to California Government Code section 34000 et seq., which are referred to herein individually as a “**Party**” and collectively as “**Parties.**”

RECITALS

WHEREAS, SLDMWA was created on or about January 1, 1992, to allow for the exercise of the common powers of SLDMWA member agencies and certain other powers authorized by law, including to perform extraordinary maintenance on Central Valley Project (“**CVP**”) facilities such as the Delta-Mendota Canal (“**DMC**”), to support the delivery of water for beneficial use; and

WHEREAS, pursuant to that certain January 14, 2020 Agreement to Transfer the Operation, Maintenance and Replacement and Certain Financial and Administrative Activities Related to the San Luis and Delta-Mendota Canals, Tracy Pumping and O’Neill Pumping/Generating Plant, San Luis Drain and Associated Works between the United States of America and the Water Authority, Contract No. 8-07-20-X0354, (“**Transfer Agreement**”), which obligates SLDMWA to provide operations, maintenance and replacement (“**OM&R**”) to project works including the DMC, and to develop a methodology to recover “**OM&R costs**,” as such term is defined in the Transfer Agreement, SLDMWA is required to include, and has consistently included, OM&R costs in its water rates; and

WHEREAS, the DMC Subsidence Correction Project would restore the lost conveyance capacity of the DMC by raising the canal lining and embankments, as well as other structures such as bridges, overchutes, and pipe crossings; and

WHEREAS, SLDMWA has been awarded \$47.6 million in non-reimbursable grant funding from the California Department of Water Resources (“**DWR**”) and \$204 million in reimbursable Infrastructure Investment and Jobs Act (“**IJA**”) funding¹, and anticipates being awarded additional non-reimbursable funding pursuant to the One Big Beautiful Bill Act to support the planning, designing, permitting, and construction of the DMC Subsidence Correction Project; and

WHEREAS, in May 2025, the SLDMWA Board of Directors adopted a phased approach for the DMC Subsidence Correction Project, which has been refined to include a “Phase 1” comprised of four defined tasks: (1) an approximate two-foot freeboard raise of the DMC between Jones Pumping Plant and the Delta-Mendota Canal/California Aqueduct Intertie, (2) sag area repairs, (3) panel repairs in the upper DMC, and (4) panel repairs in the lower DMC; and

¹ In order to utilize the IJA funding, SLDMWA must first negotiate and execute a repayment contract with the United States.

WHEREAS, in November 2025, the SLDMWA Board of Directors adopted cost allocation recommendations for each task included in Phase 1 of the DMC Subsidence Correction Project, and directed staff to pursue Phase 1, with a scheduled Board consideration of contract award in February 2027; and

WHEREAS, for SLDMWA's Fiscal Year ("FY") 2027, the cash flow need associated with Phase 1 is an estimated \$4,100,000, described in Exhibit "A" hereto, which SLDMWA will ultimately utilize the DWR grant funding or other non-reimbursable funding for repayment; and

WHEREAS, this Advanced Funds Agreement is being entered to provide the terms and conditions under which WWD will advance funds in the form of a loan for costs SLDMWA incurs in FY 2027 for Phase 1 of the DMC Subsidence Correction Project, to avoid a significant impact on FY 2027 OM&R rates.

NOW, THEREFORE, the Parties hereto agree as follows:

AGREEMENT

1. **Effective Date.** This Agreement will be effective as of the date last signed by either of the Parties.
2. **Term.** The term of this Agreement commences on the effective date, and will continue until the advanced funds (the "**Loan Amount**"), plus any accrued interest as described below, are repaid in accordance with the repayment schedule set forth in Exhibit "B" hereto.
3. **Prepayment; Extensions.** The Loan Amount provided below may be prepaid by SLDMWA at any time without penalty. In addition, the repayment schedule set forth in Exhibit "B" may be extended by mutual written agreement of the Parties at any time and for any reason. If the repayment schedule is extended, Exhibit "B" of this Agreement will be amended accordingly.
4. **Loan Amount.** To provide for the initial funding needs for Phase 1 of the DMC Subsidence Correction Project, WWD will provide \$4,100,000 to SLDMWA on March 1, 2026, as a payment in advance of future extraordinary OM&R Costs payable to SLDMWA in accordance with the Transfer Agreement.
5. **Repayment of Loan Amount.** As set forth in Exhibit "B" hereto, SLDMWA will repay the Loan Amount annually beginning February 28, 2028, through five (5) equal annual payments of principal and interest, net of amounts credited through each FY for water deliveries to the benefit of WWD. The repayment amounts by contractor will be subject to true-up based on SLDMWA final accounting exercises for each water year this obligation is outstanding. Interest will be calculated based on a 365-day year and actual days elapsed, at a fixed rate of 4.35% per annum.

6. No Admission of Liability. This Agreement is entered into solely for the purpose of establishing the Parties respective rights and responsibilities with respect to the Loan Amount for Phase 1 of the DMC Subsidence Correction Project. Nothing in this Agreement shall be construed as an admission of liability, responsibility, fault, or wrongdoing by any Party for the subsidence requiring the DMC Subsidence Correction Project. Each Party expressly denies any such liability, fault, or wrongdoing, and nothing in this Agreement or in the negotiations leading to it shall be deemed or interpreted as evidence of any such admission.

7. Party Representatives and Notices. Each Party's designated representative for administration of this Agreement and receipt of notices is identified below ("**Party Representatives**"). All notices or other communications provided for by the Agreement must be in writing and shall be hand-delivered or mailed. United States first-class postage prepaid, or electronic mail followed by written notice sent by U.S. mail and addressed as follows:

<u>SLDMWA</u>	<u>WWD</u>
Federico Barajas, Executive Director San Luis & Delta-Mendota Water Authority P.O. Box 2157 Los Banos, CA 93635 E-mail: federico.barajas@sldmwa.org Phone: (209) 826-9696	Allison Febbo, General Manager Westlands Water District P.O. Box 5199 Fresno, CA 93755 Email: afebbo@wwd.ca.gov Phone: (559) 224-1523

Notice shall be deemed given (a) two (2) calendar days following mailing via regular or certified mail, return receipt requested, (b) one (1) business day after deposit with any one-day delivery service assuring "next day" delivery, (c) upon actual receipt of notice, or (d) upon transmission, if by facsimile, whichever is earlier. A Party may change its address for notices under the Agreement by giving notice as provided herein.

8. Amendment and Modification. This Agreement may be amended or modified only by a subsequent writing, approved and signed by both Parties.

9. Dispute Resolution. In the event of any dispute regarding this Agreement, the Parties shall endeavor to resolve the dispute by meeting within thirty (30) days after the request of a Party. If the dispute is unresolved, the Parties shall use the service of a mutually acceptable consultant in an effort to resolve the dispute and share the fees and expenses of the consultant equally. If a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to the Parties, the matter may be resolved by litigation and any Party may, at its option, pursue any available legal remedy at law or equity.

10. Entire Agreement. This Agreement, including the Exhibits hereto, constitutes the sole, entire, integrated, and exclusive agreement between the Parties regarding the contents herein. Any other contracts, agreements, terms, understandings, promises, or representations not expressly set forth or referenced in this writing are null and void and of no force and effect.

*** *Signature page follows* ***

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IN WITNESS WHEREOF, the Parties execute this Agreement on the date set forth below.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

WESTLANDS WATER DISTRICT

By: _____

Federico Barajas
Executive Director

By: _____

Allison Febbo
General Manager

Date: _____

Date: _____

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EXHIBIT A

[INSERT CASH FLOW ANALYSIS]

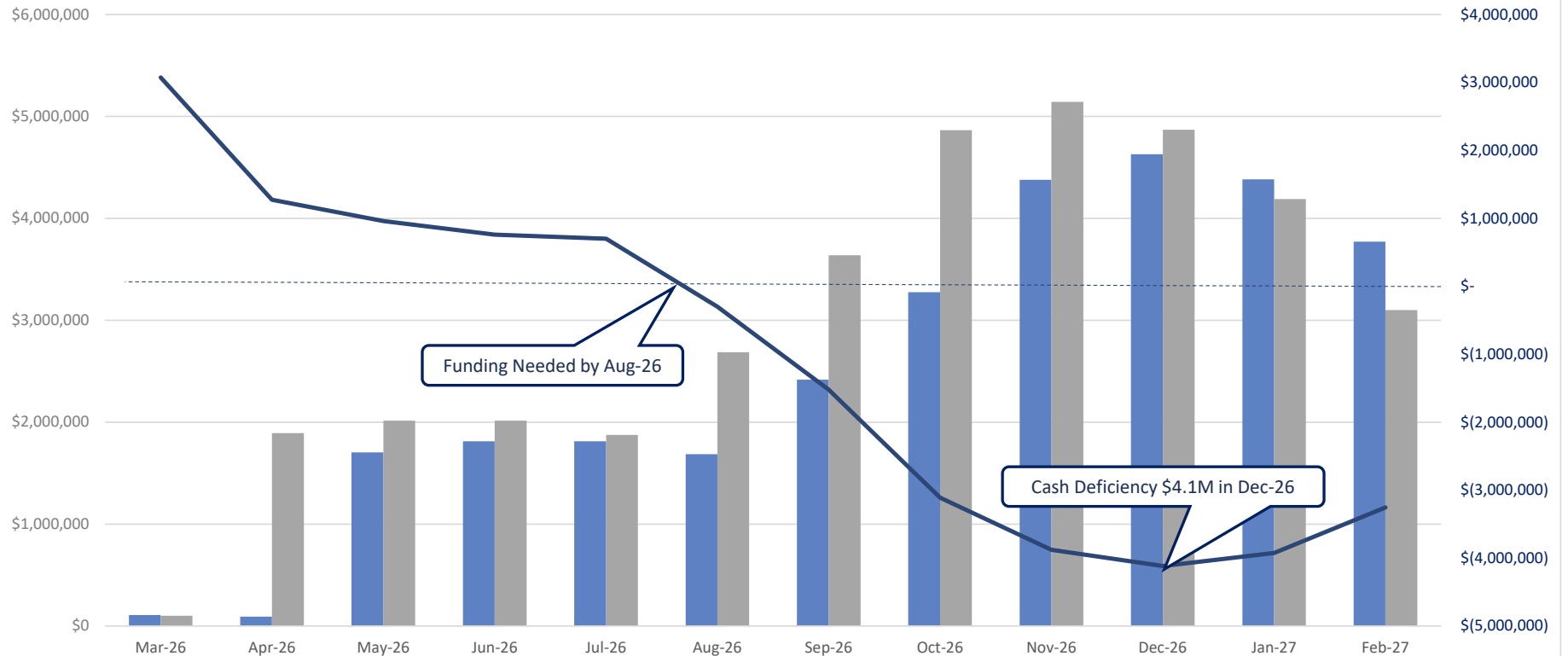
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San Luis Delta-Mendota Water Authority
Projected Cash Flow
FY2027

FY2027				End Q1 FY27				End Q2 FY27				End Q3 FY27				End Q4 FY27				Total Cash Sources and Uses
Monthly Reimbursement from DWR w/10% retention				Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27					
BEGINNING CASH BALANCE*				\$ 3,068,285	\$ 3,074,110	\$ 1,272,945	\$ 961,836	\$ 760,399	\$ 698,913	\$ (300,176)	\$ (1,521,540)	\$ (3,111,562)	\$ (3,876,441)	\$ (4,116,475)	\$ (3,924,005)					
CASH SOURCES	Sldmwa	Funding Max	Remaining																	
Water Authority Internal Funding	\$ 3,061,229			-	-	-	-	-	-	-	-	-	-	-	-	-				
DWR Grant Reimbursement		\$ 45,200,000	\$ 34,556,336	107,325	91,350	1,703,264	1,812,935	1,812,935	1,686,979	2,417,461	3,274,943	4,378,469	4,629,013	4,382,142	3,770,704	30,067,519				
BIL Funding - FY23		\$ 25,000,000		-	-	-	-	-	-	-	-	-	-	-	-	-				
BIL Funding - FY24		\$ 50,000,000		-	-	-	-	-	-	-	-	-	-	-	-	-				
BIL Funding - FY25		\$ 204,000,000		-	-	-	-	-	-	-	-	-	-	-	-	-				
Other Funding Source				-	-	-	-	-	-	-	-	-	-	-	-	-				
TOTAL CASH SOURCES	\$ 3,061,229	\$324,200,000	\$ 34,556,336	107,325	91,350	1,703,264	1,812,935	1,812,935	1,686,979	2,417,461	3,274,943	4,378,469	4,629,013	4,382,142	3,770,704	30,067,519				
TOTAL CASH AVAILABLE				\$ 3,175,610	\$ 3,165,460	\$ 2,976,209	\$ 2,774,771	\$ 2,573,334	\$ 2,385,892	\$ 2,117,285	\$ 1,753,403	\$ 1,266,906	\$ 752,571	\$ 265,667	\$ (153,300)					
CASH EXPENDITURES	Budget	Remaining	Current A/P																	
Program Management				101,500	186,500	308,357	308,357	328,357	187,245	187,245	187,245	192,245	187,245	187,245	187,245	2,548,788				
Task 1				-	927,652	927,652	927,652	1,101,818	1,781,193	2,460,568	3,139,943	3,139,943	2,460,568	1,781,193	1,101,818	19,750,000				
Task 2				-	778,364	778,364	778,364	444,247	717,629	991,012	1,537,777	1,811,159	2,221,233	2,221,233	1,811,159	14,090,540				
TOTAL CASH EXPENDITURES		-	-	101,500	1,892,516	2,014,372	2,014,372	1,874,421	2,686,068	3,638,825	4,864,965	5,143,348	4,869,046	4,189,671	3,100,223	36,389,327				
ENDING CASH BALANCE				\$ 3,074,110	\$ 1,272,945	\$ 961,836	\$ 760,399	\$ 698,913	\$ (300,176)	\$ (1,521,540)	\$ (3,111,562)	\$ (3,876,441)	\$ (4,116,475)	\$ (3,924,005)	\$ (3,253,523)					

* Starting with \$3.06M Cash Balance
* FY27 Peak Cash Deficiency of \$4.1M occurs in Dec 2026

DMC Projected Cash Flow FY2027



	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27
Total Cash Sources	107,325	91,350	1,703,264	1,812,935	1,812,935	1,686,979	2,417,461	3,274,943	4,378,469	4,629,013	4,382,142	3,770,704
Total Cash Expenditures	101,500	1,892,516	2,014,372	2,014,372	1,874,421	2,686,068	3,638,825	4,864,965	5,143,348	4,869,046	4,189,671	3,100,223
Ending Cash Balance	\$3,074,110	\$1,272,945	\$961,836	\$760,399	\$698,913	\$(300,176)	\$(1,521,540)	\$(3,111,562)	\$(3,876,441)	\$(4,116,475)	\$(3,924,005)	\$(3,253,523)

*Starting cash balance \$3.06M

** FY27 Peak Cash Deficiency of \$4.1M occurs in Dec 2026

EXHIBIT B

[INSERT REPAYMENT SCHEDULE]

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Proposed Westlands Water District Funding Proposal for San Luis Delta-Mendota Water Authroity
Repayment Schedule

Rate: 4.3500%
Principal: \$ 4,100,000.00
First Year (2027) Interest: \$ 178,350.00
Balance to Amortize: \$ 4,278,350.00

TERM: 5 Years

		Payment	Interest	Principal	Balance	Estimated WWD's Allocable Share of Payment @ 43.98%	Estimated Others' Allocable Share of Payment @ 56.02%
1	2028	\$ 970,502.28	\$ 186,108.23	\$ 784,394.06	\$ 3,493,955.95	\$ 426,826.90	\$ 543,675.38
2	2029	\$ 970,502.28	\$ 151,987.08	\$ 818,515.20	\$ 2,675,440.75	\$ 426,826.90	\$ 543,675.38
3	2030	\$ 970,502.28	\$ 116,381.67	\$ 854,120.61	\$ 1,821,320.14	\$ 426,826.90	\$ 543,675.38
4	2031	\$ 970,502.28	\$ 79,227.43	\$ 891,274.85	\$ 930,045.29	\$ 426,826.90	\$ 543,675.38
5	2032	\$ 970,502.26	\$ 40,456.97	\$ 930,045.29	\$ (0.00)	\$ 426,826.89	\$ 543,675.37
	Total	\$ 4,852,511.38	\$ 574,161.38	\$ 4,278,350.00		\$ 2,134,134.50	\$ 2,718,376.88

** WY12-WY21

**Average Reserve Volume for rate component: 1,764,015

Reserve Rate component: \$0.55 per acre-foot for 5 Years
(payment/avg Volume)