



## MEMORANDUM

TO: SLDMWA Board of Directors, Alternates  
SLDMWA Finance & Administration Committee Members, Alternates

FROM: Pablo Arroyave, Chief Operating Officer  
Jaime McNeil, Engineering Manager

DATE: November 9, 2023

RE: Recommendation Regarding Emergency Reserve Fund Expenditure Repayment

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### BACKGROUND

The Transfer Agreement between the United States and the San Luis & Delta-Mendota Water Authority (“Water Authority”) contains Article 14, which governs the accumulation and maintenance of an emergency reserve fund “to meet costs incurred during periods of special stress caused by damaging droughts, storms, earthquakes, floods, or other emergencies threatening or causing interruption of water service.”

Use of the Emergency Reserve Fund is presently needed to finance “costs associated with addressing conditions which threaten or cause interruption of water service” and/or “costs associated with addressing conditions which threaten the safety or integrity of the Project Works. (Transfer Agreement, Art. 14(a).) The Delta-Mendota Canal (DMC) requires critical repairs in two locations:

1. DMC Downstream Check 18 Concrete Lining Repair at milepost 96.82
  - a. Estimated Cost: up to \$500,000
  - b. Description of Damage and Proposed Repairs: Extensive damage to both the invert of the canal and the lining of the side slope (right bank) has occurred due to substantial material loss behind the liner. The proposed repairs include repair of approximately 50’ of failed/buckled concrete lining on the side slope and at the invert. The repair will proceed as soon as possible and will likely be completed before the end of 2023.
  
2. DMC Concrete Lining Repair and Farm Bridge Abutment Stabilization at milepost 41.49
  - a. Estimated Cost: up to \$750,000
  - b. Description of Damage and Proposed Repairs: This damage was caused when the Salado Creek levee breached in January 2023. The proposed repairs include repair of approximately 50’ of failed/buckled concrete lining, removal of sediment/debris deposits in the DMC, and the stabilization of the right abutment of the Farm Bridge at the location. The repair will proceed in early 2024, preferably when San Luis Reservoir fills.

As required by the Transfer Agreement, Water Authority staff formally requested Reclamation's approval to utilize the Emergency Reserve Fund by letter dated October 18, 2023 (Attachment 1). Reclamation provided their approval on the same day (Attachment 2).

**ISSUE FOR DECISION**

Whether the Water Authority should utilize a five year repayment period to recoup the anticipated Emergency Reserve Fund expenditures.

**RECOMMENDATION**

In order to mitigate the reserve water rate effects, Water Authority staff recommends that repayment of the Emergency Reserve Fund expenditures occur over the maximum authorized period of five years, beginning in March 2024.

**ANALYSIS**

Under Article 14(d) of the Transfer Agreement, the Water Authority has up to five years to repay the Emergency Reserve Fund, although repayment can occur more quickly if desired. Staff estimates the impact on the reserve component in water rates would be an increase of \$.60 per acre foot if repaid in a single year, compared to \$.12 per acre foot if repaid over five years.

**BUDGET IMPLICATIONS**

The current Emergency Reserve Fund balance is \$2,214,916. If the Water Authority staff recommendation is accepted, the expended funds would be repaid through the reserve rate in 5 equal installments beginning on March 1, 2024.

**ATTACHMENTS:**

1. Water Authority Request for use of the Emergency Reserve Fund dated 10/18/23
2. Reclamation approval to use the Emergency Reserve Fund dated 10/18/23