

Interlake Tunnel Joint Board Meeting Report

December 9, 2014

1. Summary of accomplishments to date
2. Highlights and results of workshop
3. Plan to incorporate San Antonio spillway modification
4. Plan for additional public collaboration on model specifics
5. Plan to procure engineering and environmental consulting services to 75% design completion point
6. Plan to negotiate PLA
7. Plan to complete design and procure construction services using AB 155 or conventional procurement.

Summary of Accomplishments

1. Determined technical feasibility of tunnel project to:
 - Provide additional flood control
 - Increase the net storage of water in the two reservoirs
 - Provide ability for increased conservation releases
2. Developed re-operation concept for reservoirs and tunnel to provide water supply sustainability:
 - Additional surface water to serve current and future suite of infrastructure projects
 - Beneficial use of surface water to resupply ground water aquifers and help offset pumping

Interlake Tunnel Public Outreach Workshop

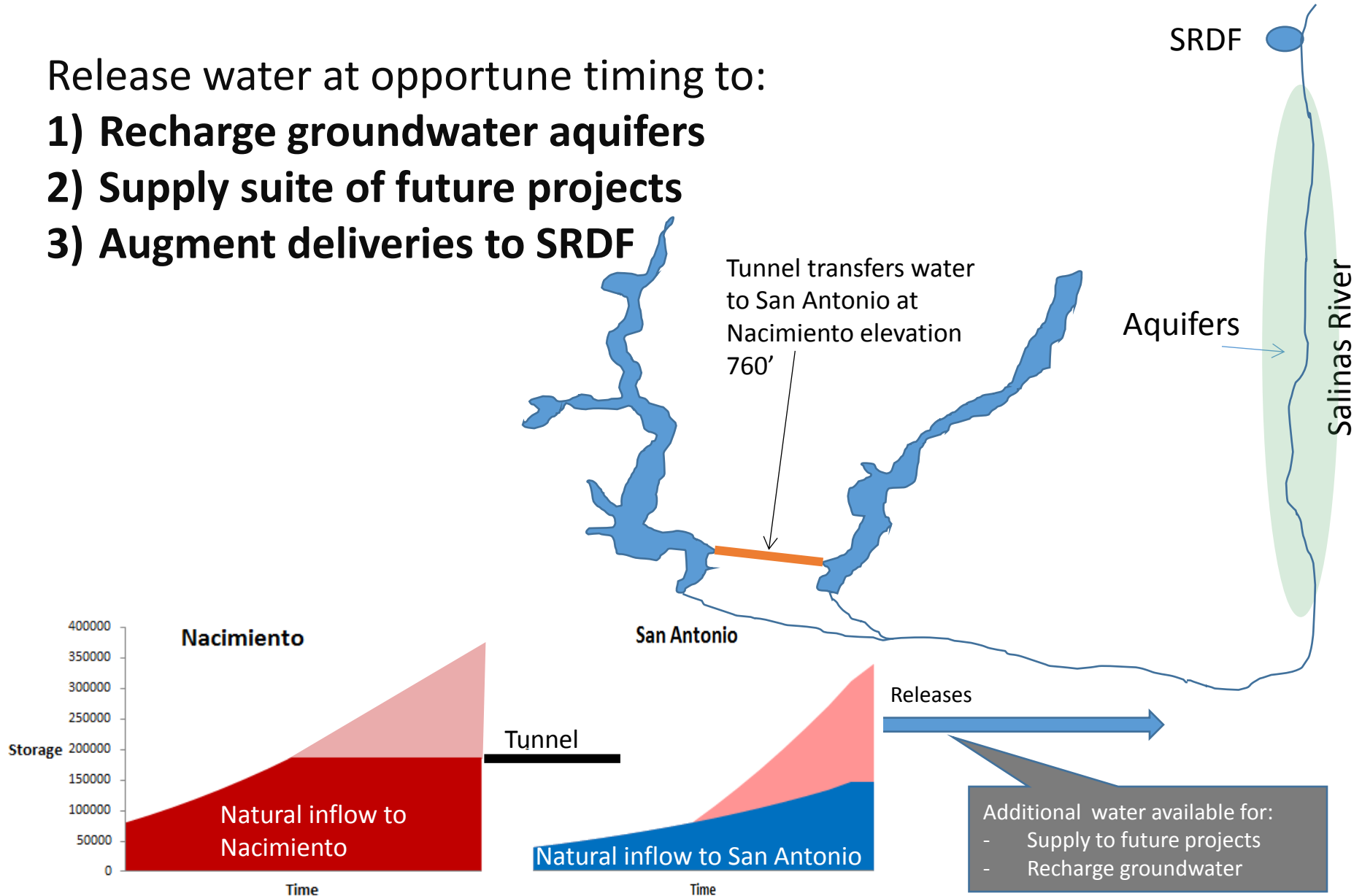
November 19, 2014

- Presentation of preliminary engineering and reservoir simulation modeling
- Discussion of reoperation approach to provide more water for beneficial use
- Presentation of opportunity to increase San Antonio storage by 60,000 acre feet with a spillway modification.
- Summarized project benefits:
 - Additional flood control
 - Additional water for conservation releases
 - Increased supply of surface water to be put to beneficial use
- Project costs and financing options overview
- Development plan critical path
- Procurement of engineering and environmental services

Water Supply Sustainability

Release water at opportune timing to:

- 1) Recharge groundwater aquifers
- 2) Supply suite of future projects
- 3) Augment deliveries to SRDF



Interlake Tunnel and Spillway Modification Operational Modeling Results

(for water years 1967 - 2013)
(Average Acre Feet/Year)

	Reduction in Spills	Increase in Total Controlled Releases	Tunnel Transfers
10' Tunnel	17,132	16,327	46,527
10' Tunnel & SA spillway mod*	22,198	20,686	50,179

Flood Spills	Number of years flood spill occurs	Average flood volume (AFY)
Tunnel	60% reduction	46% reduction
Tunnel & SA spillway mod	60% reduction	52% reduction

* (adds 60,000 AF of reservoir storage to San Antonio)

Interlake Tunnel & San Antonio Spillway Modification

Cost Estimate (Dec 2014) (\$000)

Phase 1 - preliminary engineering	\$ 315
Phase 2 - permit applications	1,198
Phase 3 - geotechnical and final design	1,311
Phase 4 - ROW acquisition and water rights verification	244
Phase 5 - financing	342
Phase 6 - construction	32,206
Program Management	1,387
Construction Management	1,200
Expenses	300
Contingency	<u>9,500</u>
Subtotal Tunnel	\$48,003
San Antonio Spillway Modification	<u>\$15,000</u>
Total	<u>\$63,003</u>

Financing Options

1. Proposition 218 tax assessment on beneficiaries

To service the operating costs and debt service on long-term bonds. This is the most viable option with a proven history of success in financing the Salinas Valley Water Project in 2008.

2. California Infrastructure Financing Act – California Government Code Section 5956 (Public Private Partnership).

Provides the means to develop an infrastructure project involving private financing if a revenue stream can be identified to pay the debt service.

3. Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Water Bond).

Grant funding for water projects that qualify for State funds.

Cost per AF of Water Comparison to Salinas Valley Water Project

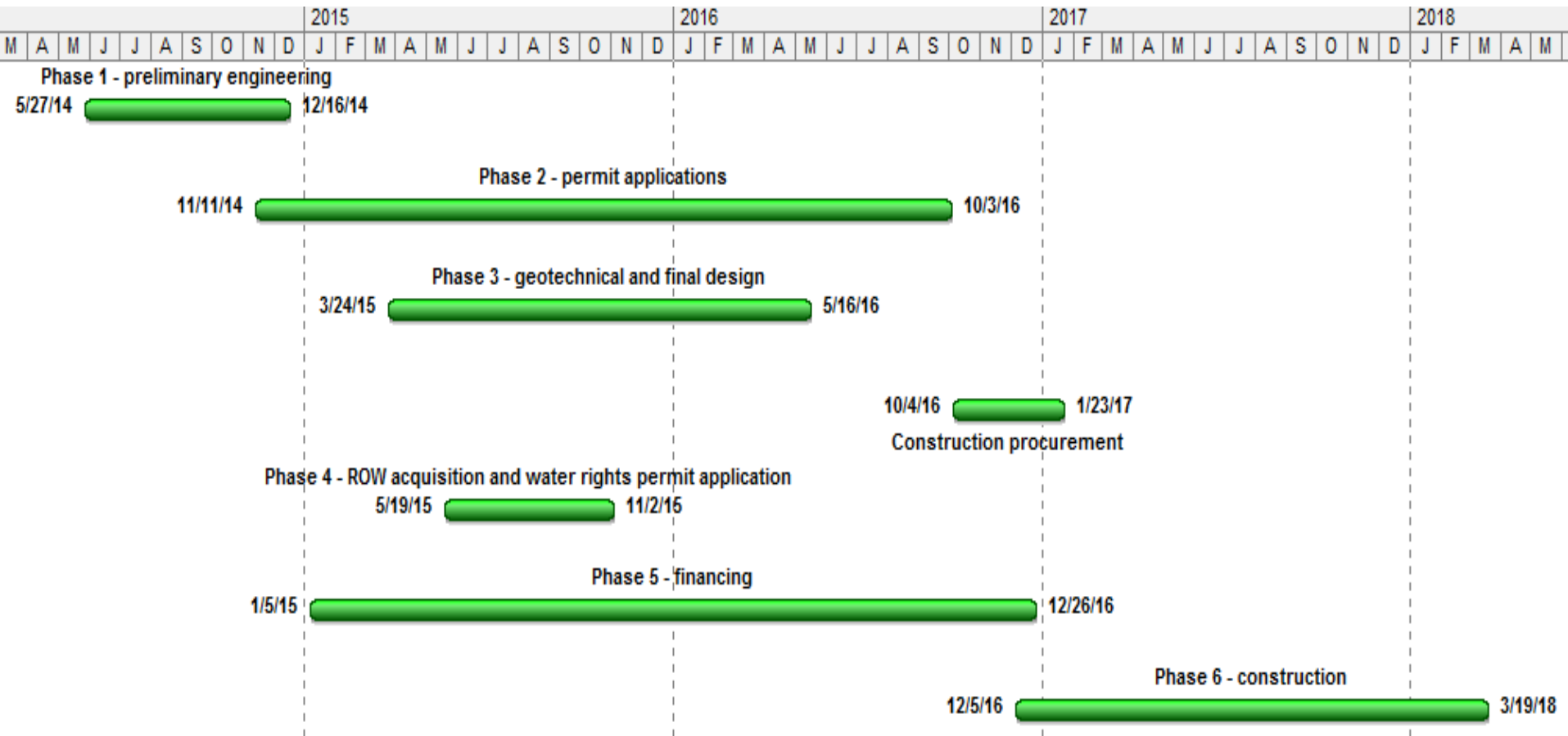
Project	Annual Average increase in releases AF/Y	Capital costs	Annual Capital debt service \$/AF/Year	Average 218 Capital Assessment \$/Acre Zone 2C	Average Operating Cost Assessment \$/Acre	Total Average Assessment \$/Acre Zone 2C
SVWP	6,094*	\$38.8 mil	\$334	\$7.17	\$5.64	\$12.81
10' Tunnel	16,237	\$48 mil	\$192	\$11.00	\$0.70	\$11.71
10' Tunnel with SA spillway mod	20,098	\$63 mil	\$195	\$14.44	\$0.70	\$15.14

Tunnel and spillway modification project assessments are in addition to current assessments for SVWP.

* - Delivered water

Zone 2C = 283,837 equivalent acres

Project Development Schedule



Workshop Questions / Findings

Questions/Suggestions

1. Will procurement of engineering / environmental services be low bid?
 - No – qualifications based selection.
2. Consider a two part fast-track project(design/build) to reduce number of procurements.
 - Under consideration pending feasibility prior to financing.
3. The flood control benefits are significant. Quantify their benefits and demonstrate their value.
 - HEC RAS model will be used to evaluate flood control benefits and value of avoided flood damage.
4. Evaluate the value of groundwater recharge benefits.
 - Expanded model analysis will confirm reasonableness of downstream demands and extent of ground water recharge to reduce pumping demands.
5. How do the project values compare to other projects?
 - Cost benefit analyses will be performed during project design and preparation of Engineer's Report for Proposition 218 financing proposal.
6. Does the reoperation scenario provide additional SRDF delivered water?
 - Expanded model analysis will evaluate meeting demands of SRDF design capacity.

Workshop Questions / Findings (cont'd)

7. Evaluate impacts along the river from additional flow. What does additional water do to vegetation?
 - Environmental impacts will be evaluated during EIR process including effects of more water in the Salinas River.
8. The project has benefits to north county, south county, and communities as well as ag land.
 - Agreed.
9. Does the proposed 218 financing projections effectively double the current 218 assessment for the SVWP?
 - Yes. Initial forecasts of 218 tax assessments using the SVWP model suggest the assessments for project will be on the same order of magnitude.
10. Need a PR campaign to help sell project benefits and 218 financing.
 - Acknowledged. A PR program will be developed and included in funding requests.
11. Graphically show benefits per acre?
 - Considering methods to better communicate project benefits.
12. Include the San Antonio spillway modification as part of the project.
 - San Antonio spillway modification will be included in the design, EIR, financing and construction of the project.

Additional Reservoir Storage Opportunity at San Antonio



Modifying the spillway with a crest control device in order to increase storage by 60,000 acre feet.

Potential added storage increases the benefits of the tunnel by providing **additional storage for flood control and conservation releases.**



Consensus to include San Antonio Spillway Modification as part of the project.

San Antonio Spillway Modification Conceptual Engineering Cost Estimate

Description	Cost Estimate
Conceptual Engineering	\$150,000
Preliminary/Final Design RFP	\$20,000
Expenses	\$5,000
Public Outreach	\$25,000
San Antonio Spillway Modification	\$200,000

- Initiates project evaluation process
- Develops conceptual alternatives with ROM cost estimates
- Prepares initial feasibility analysis
- Preliminary meeting with DSOD
- Preparation of RFP documents for engineering and design

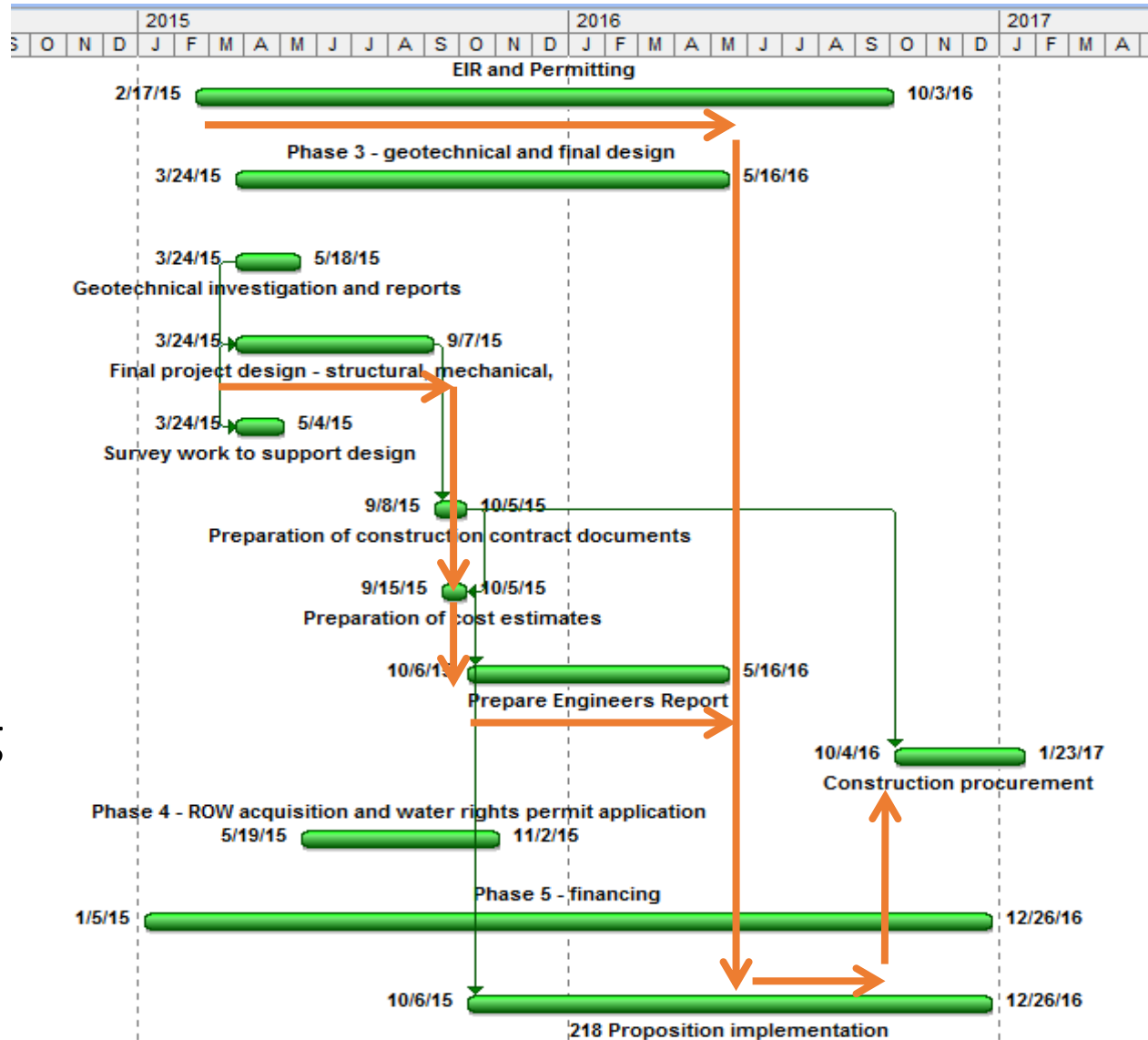
Plan for Additional Public Collaboration on Model Specifics

As requested by Salinas Valley Water Coalition:

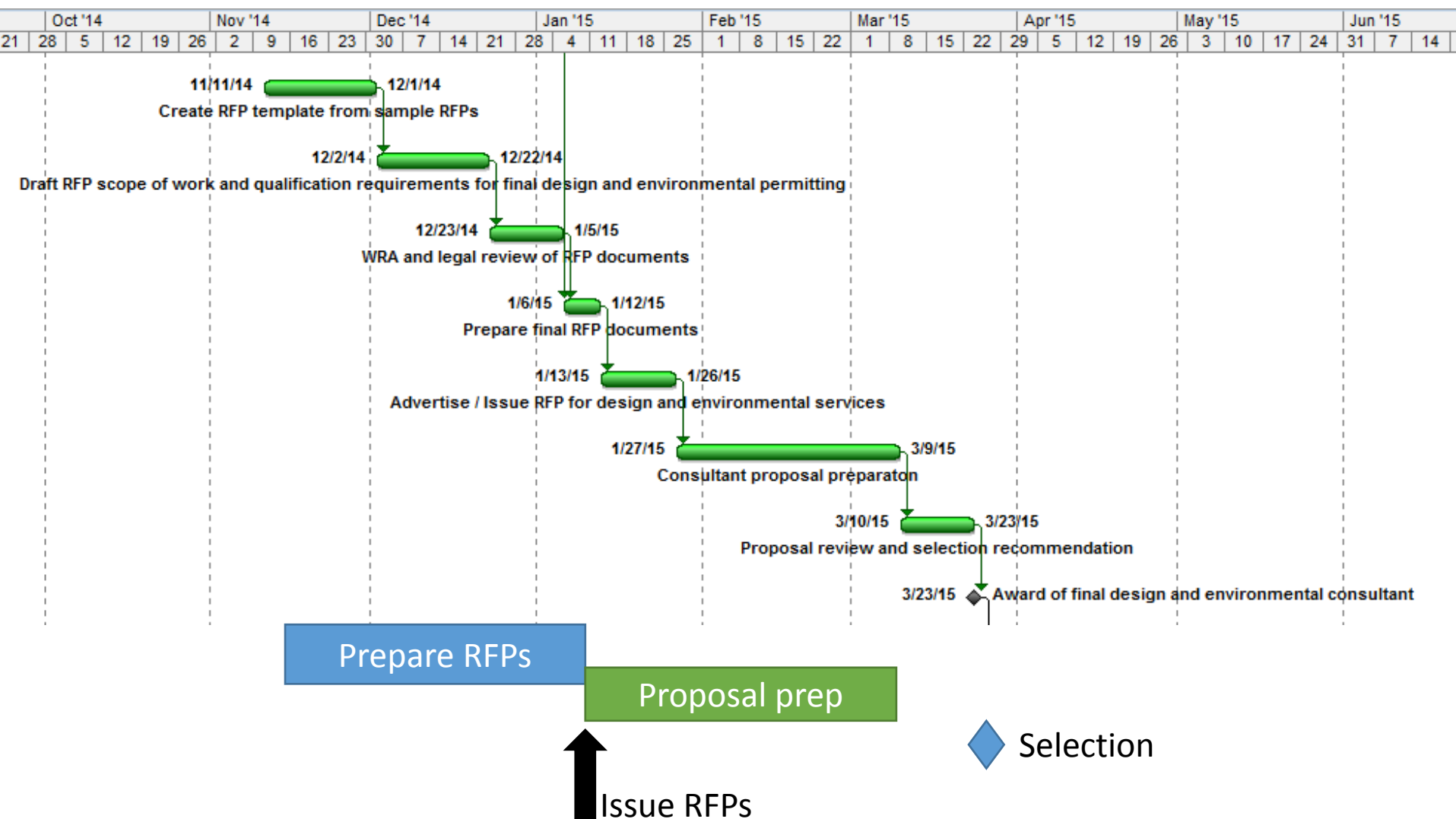
1. Conduct technical evaluation of tunnel and reservoir simulation model to confirm reasonableness of downstream demands.
2. Evaluate model to accommodate SRDF full design capacity demands.
3. Agree on implementation of the tunnel and spillway modification project and operation of the new infrastructure.

Next Steps: Critical Path

- Phase 2 - permit applications (75% environmental complete)
- Phase 3 - geotechnical and final design (75% design)
- Phase 5 - financing



Procurement of Engineering and Environmental Services



Plan for Procurement of Design and Construction Services

1. Procure design and permitting consultants using a qualifications based selection to accomplish:
 - 75% design, 100% geotechnical
 - 75% permitting (including environmental)
 - Determination of financing plan
2. MCWRA negotiates Project Labor Agreement (PLA) to be utilized regardless of construction services method
3. Determine procurement method, AB 155 or conventional procurement, for construction services with PLA that is:
 - a) the most cost-effective approach, and;
 - b) is acceptable to the project's tax payers and beneficiaries

Forecasted construction procurement decision 3rd QTR, 2016

4. Complete design and permitting based on procurement method selected for construction services

Next Steps and Requirements

- MCWRA Board
 - Authorization to proceed
- Monterey County Board of Supervisors
 - Authorization to proceed
 - Funding of interim financing

Final design & geotechnical engineering (75%)	\$900,000
Permitting and environmental approval (75%)	\$800,000
Financing plan implementation	\$350,000
<u>Program Management</u>	<u>\$250,000</u>
Subtotal – Interlake Tunnel	\$2,300,000
Spillway Modification Engineering	\$200,000
Total Interim Financing request	\$2,500,000