Advisory Committee
MEMORANDUM

MEETING DATE: August 20, 2026

AGENDA ITEM: 4.1

SUBJECT: Integrated Implementation Strategy (IIS) Projects and Management Actions (PMA) Preferred Portfolio Selection Update

DISCUSSION:

At its August 13, 2026 meeting, the Board of Directors selected Portfolio 3A as the preferred Integrated Implementation Strategy (IIS) portfolio of Projects and Management Actions (PMAs), together with the Advisory Committee's list of considerations and the considerations submitted by the 180/400-Foot Aquifer and Eastside Subbasin Committees, to guide further development and refinement of the preferred implementation pathway. The motion carried with 9 ayes of the 11-member Board.

The Advisory Committee served as the primary stakeholder advisory body for the portfolio evaluation. The Committee reviewed initial PMA portfolios on May 15, 2026, reviewed refined portfolios with updated groundwater modeling and economic analysis results on June 18, 2026, and deliberated on the three final portfolios — Portfolio 1, Portfolio 3A, and Portfolio 4 — on July 16, 2026. The Board received an informational briefing on the evaluation process, modeling results, and economic analysis at its July 9, 2026 special meeting.

At its July 16, 2026 meeting, the Advisory Committee did not identify a single preferred portfolio. The Committee's outcome was to continue evaluating Portfolio 3A and Portfolio 4, or a hybrid of the two, with focus on alternative source options, testing, and developing cost allocation, and subject to a list of conditions compiled by Committee members. The 180/400-Foot Aquifer and Eastside Subbasin Committees met jointly on August 6, 2026, received an overview of the draft DWR Response 2 based on Portfolio 3A, expressed general support for the Advisory Committee's conditions, and added further considerations of their own.

Staff recommended Portfolio 3A to the Board on August 13, 2026, subject to those conditions and considerations. The Board acted on that recommendation, and both sets of considerations are incorporated into the selection.

<u>Portfolio 3A as Selected</u>
Portfolio 3A (Small BGRP with Direct Delivery and Injection) consists of a smaller Brackish Groundwater Recharge Project with partial direct delivery to Salinas and partial injection, C&E recharge basins in the Eastside (100 cfs diversion), CSIP optimization, 10% agricultural demand management in the north Valley, and demand management in the Deep Aquifers and Corral de Tierra. Estimated yield is approximately 37,700 AF/year, with capital cost of approximately $1.07

billion and annual O&M of approximately $74.3 million. Modeling indicates the portfolio addresses seawater intrusion nearly — but not fully — to the current minimum threshold, and it does not address Monterey Subbasin seawater intrusion.

<u>Advisory Committee Considerations Carried Forward</u>
The following conditions compiled by Advisory Committee members on July 16, 2026 accompany the Board's selection:

- All portfolios are too expensive in their current configuration.
- Eliminate Portfolio 1 with the reasoning of it being too large, thus carrying a larger risk of uncertainty.
- Not having cost allocation poses too much uncertainty.
- Explore other potential (supply) sources in conjunction with any project that moves forward:
  - SBWA
  - OceanWell (previously Deep Water Desal)
- Continue evaluating alternative solutions.
- Need better understanding if/how injection works in all aquifers.
- Consider piloting and phasing.
- Need more information about specifics (including cost) of demand management in Corral de Tierra and Deep Aquifers.
- Evaluate changing the seawater intrusion minimum threshold, after preferred projects are selected.
- Deadlines for meeting minimum thresholds are too strict — more time is needed to achieve them.
- Overarching problem: limited options for addressing seawater intrusion (only BGRP).

<u>180/400-Foot Aquifer and Eastside Subbasin Committee Considerations Carried Forward</u>
The 180/400-Foot Aquifer and Eastside Subbasin Committees expressed general support for the Advisory Committee's conditions and added the following on August 6, 2026:

- Use best science and data for demand management. 10% demand management is contentious if only applied to the north; more analysis is needed across all six subbasins and subbasin boundaries, including whether reductions in the north result in increased demands in other locations.
- Voluntary demand management is preferred. Potential incentives include allowing land use changes, conservation funding to pay to take land out of production, and encouraging fallowing as a voluntary measure; focus demand reductions where they provide the best benefit and further refine simulations by location and scalability.
- Make clear to DWR that demand reductions will not be done with a blanket approach, and provide information about reductions already accomplished.
- Demand management programs should consider seasonal and interannual variation, including what happens in wet years.
- Further evaluate the ability to change the seawater intrusion minimum threshold based on the portfolio results.
- The Board needs to be aware of the funding that will be required for project development.
- Additional work on the BGRP must plan for sufficient well sites and alternative well sites.
- Better understanding is needed of who is responsible for project loans if a project fails.
- Implement proof-of-concept pilot projects for both recharge and injection.
- Prioritize multi-benefit projects and conduct additional analysis of other types of project benefits.
- Take a multi-agency approach to all projects.

Selection of a preferred portfolio identifies the long-term implementation pathway for further development and refinement. It does not lock the Agency into a fixed project configuration, authorize individual projects, or commit funding. Each project and management action will continue to require separate planning, environmental review, permitting, financing, and future Board approvals before implementation. The Agency will continue to refine projects and evaluate alternative source options — including those identified by the Advisory Committee — as the analysis matures.

Next Steps

Following the Board's selection, staff will:

- Continue refining project components, including exploring alternative water sources and contingency projects.
- Develop a phased implementation schedule with clear decision points and off-ramps.
- Develop cost allocation scenarios for Board consideration as the next phase of the IIS process.
- Prepare the planned GSP amendments, targeting release at the beginning of September 2026.

PREPARED BY:

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