

11/12/16 DRAFT
AMENDED AND RESTATED BYLAWS
OF THE
SITES PROJECT AUTHORITY
FOR PHASE 1 OF THE SITES RESERVOIR PROJECT

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<u>Revision</u>	<u>Effective Date</u>	<u>Status or Authorizing Action</u>
0	Dec 21, 2015	Approved by Sites Project Authority Board for use. Approved by Sites Project Authority Board

1 Relationship: Agreement and Bylaws

1.1. Agreement: The Sites Project Authority Agreement (Agreement) is the chartering document that defines, among other things:

- The Authority’s members and general limitations on membership in the Authority;
- The Authority’s powers, with additional powers afforded the Authority specifically associated with both the Joint Exercise of Powers Act and laws applicable to Irrigation Districts;
- The mission, which is specific to the Sites Reservoir Project;
- The Board’s officers and other key positions;
- Minimum meeting and voting requirements;
- The adoption or amendment of bylaws.

It is intended to be a living document that will evolve as the project progresses from the current level of planning (Phase 1) through construction and commissioning.

1.2. Bylaws: These Bylaws are to implement and provide further clarity for certain provisions of the Agreement and to provide procedures for administration of the Authority, including, among other things:

- Expands upon the types of parties, companies, and entities that can be non-Authority Members and participate at different ‘levels’.
- Clarifies the Authority’s role relative to Project Agreements and Authority’s ability to delegate some of its authorities to Project Agreement Committees and it expands upon policies in the Agreement that shall be used for the daily operations and management of the Authority and Project Agreement Committees to complete the Authority’s mission.
- Defines the Authority’s mission.
- Expands upon roles and responsibilities of Board officers and Project Agreement Committee lead positions.
- Expands upon the voting requirements for specific types of actions either the Board or a Project Agreement Committee will make.

It is intended to guide the work of the Board and staff of both the Authority and Project Agreement Committees and to serve as a living document, to be revised as the organizational needs evolve. Furthermore, from these Bylaws, procedures will be developed for Board approval and then use as an aid to managing the Sites Reservoir Project.

- 1.3. Conflicts between Agreement and Bylaws: Should one or more provisions of these Bylaws be in conflict with any portion of the Agreement, the Agreement shall take precedence.
- 1.4. Severability: If one or more clauses, sentences, paragraphs or provisions of these Bylaws be held to be unlawful, invalid or unenforceable, the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid, and enforced to the maximum extent possible.
- 1.5. Amendments of Bylaws: As provided at Section 8.2 of the Agreement, these Bylaws may be amended only by an affirmative vote of at least seventy-five percent (75%) of the total number of Directors.

2 Sites Project Authority's Mission, Vision & Values

- 2.1. Mission: (Restatement). "[T]o be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the state's water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta."
- 2.2. Vision Statement: Fulfill state and federal mandates to provide a new supply of safe, reliable, affordable water. Sites Reservoir will augment water delivery reliability to agricultural and urban water users, while adding environmental flows that benefit the Delta and Sacramento Valley watershed ecosystems. Sites will enhance the state water system, providing flexible and resilient storage under future climate change conditions.
- 2.3. Values: Those involved with all activities of the Authority should:
 - a. Transact all business in an open and honest manner, except that communications shall not be disclosed when occurring in closed sessions of the Board of Directors or a committee, or are otherwise privileged and confidential, and certain documents may be exempt from disclosure under the Public Records Act;
 - b. Communicate effectively;

Commented [EC1]: Added and for Board's consideration on 11/21/16.
Initial concepts were discussed at Nov 3 Managers' meeting.

Commented [JCW2]: Added for Board's consideration
Source: Phase 1 Reservoir Project Agreement Exhibit B, General Requirements, approved version 1

c. Build trust and confidence, both internally and externally to the Authority;

d. Make decisions that are fiscally prudent;

e. Utilize best-in-class processes and procedures, particularly in development of project controls for both management of risk and ensuring appropriate levels of quality.

3 Definitions

- 3.1. **Board:** The governing body of the Authority, composed of each Authority Member's delegate (or its respective alternate if the delegate is not present).
- 3.2. **Material Change:** Where the variance between a parameter of the Project Baseline and the forecast exceeds the Board-approved threshold, as described in Section 12 below.
- 3.3. **Member** is either an Authority Member, or other type of Member provided for at Section 7 below, and is either:
 - 3.3.1. A public agency that has either land use authorities or is a water agency that (a) is signatory to the Sites Project Authority Agreement (as amended) and (b) meets the requirements of the California Water Code §79759 (a) and (b), *or*
 - 3.3.2. A public agency that (a) is contributing to the financing of the Sites Reservoir Project and (b) meets the requirements of the California Water Code §79759 (b).
 - 3.3.3. Public agencies whose primary service area or boundaries are located *within* the Sacramento River watershed as defined in California Water Code §79759 (a) are designated as **Type A** while Members whose primary service area or boundaries are located *outside* of the Sacramento River watershed as defined in California Water Code §79759 (a) and meet the requirements of California Water Code §79759 (b) (i.e. not for-profit) are designated as **Type B**.
- 3.4. **Non-Member Participating Party:** A party, company, or entity that does not meet the requirements of a Member and is not a Member, yet is deemed by the Board able to participate by contract in advancing or supporting at least one element of the Sites Reservoir Project; such as, but not limited to, certain mutual water companies, investor owned utilities and –the development of hydropower – both traditional and/or renewable pumped-storage.
- 3.5. **Phase:** Implementation of the Project has been divided into at least five (5) phases that coincide with major milestone processes relative to the Project's schedule: (1) Through award of a Proposition 1 grant, (2) Certification of Environmental Impact Report and Statement, (3) completion of final design and

pre-construction activities, (4) construction and commissioning, and (5) Project close-out, which includes repayment of debt and transfer of responsibilities to an operating entity.

For the Authority to accomplish its mission in an efficient and cost-effective manner, the start of a successor phase may overlap with the completion of the predecessor phase. Such overlap shall require Board (or Project Agreement Committee if this authority has been delegated by the Board to the Project Agreement Committee) approval, since it affects annual operating budgets and the respective Member's funding commitments.

- 3.6. Project Agreement: The requirements of the Agreement, as more fully described at Section 5 below, generally as follows:
 - 3.6.1. Each Project Agreement is a contract between and among the Authority and some or all of the Authority's Members and may also include other types of Members (described at Section 7 below)(including, where deemed appropriate by the Board, Non-Member Participating Parties), who collectively will provide for the undertaking and sharing in the costs and benefits of activities authorized by the Board in connection with the development of either (a) capital works or facilities that may include the issuance of long-term debt or (b) expense related activities that support the Authority in completing its mission.
 - 3.6.2. The formation, termination, or amendment of a Project Agreement is contingent upon the Board's approval.
 - 3.6.3. Each Project Agreement shall specify the authorities delegated by the Authority to each Project Agreement's Committee, which may also include (1) identification of specific thresholds constituting a material change and/or (2) specific voting thresholds applicable to specific topic areas.
- 3.7. Project Agreement Committee: The decision-making body responsible for implementing a Project Agreement and compliance with the Project Agreement's terms and conditions.
- 3.8. Project Baseline: The Authority's proposed Sites Reservoir Project ("Project") from which proposed changes are compared against to determine if a material change (refer to Section 12) may result. It includes (a) the scope of work (i.e. proposed facilities and their operations and environmental mitigation measures and/or compliance obligations), (b) schedule and the sequencing of work and resources, (c) costs in terms of the approved operating budget, fiscal year and phase-level budget targets, and financing of both short-term and long-term debt, (d) quality of the physical assets as well as the operational reliability and performance, and (e) risk assignment and allocation of risks.

3.8.1. Phase 1 and 2: Until the Authority's proposed project is approved by the Board, the Authority will endeavor to estimate a 'mid-point' of the alternatives already developed and analyzed in the pre-administrative draft EIR/S that was prepared by the California Department of Water Resources (DWR) with input from the United States Bureau of Reclamation (USBR).

3.8.2. Phases 3 through 5: The Project as documented in the joint Environmental Impact Report and Statement (EIR/S) that has been certified by the Authority, will be permitted by the California Division of Safety of Dams (and potentially the Federal Energy Regulatory Commission), and from which permits for construction and operation will be obtained.

3.9. Prospectus Cost Development Model: A cost management tool that uses (a) key Project parameters such as the estimated cost at completion; estimated water supply benefits in terms of annualized yield; and, if applicable, estimated potential power benefits associated with renewable energy generation and (b) estimates of financing cost, inflation and time value of money to calculate an estimated annualized cost/acre-ft. From these results, the funding commitment required by each Member will be developed. This tool will be used quarterly and throughout all of the Project's Phases as an aid for Members to determine their level of participation in the financing of the Project. As the Project evolves, (1) this tool will be updated to incorporate the current Project Baseline conditions and assumptions and (2) be used to analyze Material Changes relative to the results calculated for the Project Baseline to estimate the financial impacts (both positive and negative) to the Members.

A similar model may be developed to manage cost allocation for other types of project benefits, such as, but not limited to renewable power generation.

3.10. Re-balancing Process: A process used to transition from a predecessor phase to the successor phase affecting Members participation in terms of funding and financing of the Project as well as the level of benefits to be received from an operational Project. The process is described further in Section 14.

4 Board of Directors and Officers

In addition to the primary requirements, which are defined in the Agreement, the following additional requirements shall also apply:

4.1. Role of Board: To provide the overall policy direction and consider approval of activities and actions of the Authority, including approval of the following matters:

- For the Proposition 1, Chapter 8 grant, be the applicant and manage compliance with the terms and conditions of its award.

- Be the CEQA lead agency and work with USBR as the NEPA lead agency to effectively manage the environmental review process.
 - Hold title to the water rights issued by State Water Resources Control Board (SWRCB).
 - Be the owner of record as it related to dam safety requirements and regulatory obligations.
 - Be the applicant for all applicable permits and manage compliance with the respective terms and conditions.
 - Review decisions at Project Agreement level to ensure they are in the best interest of the Sites Reservoir Project.
 - Acquire property, easements and rights-of-way.
- 4.2. Minimum Qualifications: Directors shall be a designated representative from their respective Authority Member who is in good standing as defined at Section 8.1. An Authority Member's designated alternate is not eligible to be candidate for an Officer position. Additional requirements for officers are provided under each position's roles and responsibilities. If an Officer is the designated representative of an Authority Member that is not in good standing and that Authority Member's voting rights have been suspended as provided at Section 7.3 of the Agreement, then that Officer shall no longer be eligible to serve as an Officer of the Authority and the Board shall make an appointment for the remaining duration of that office.
- 4.3. Officer Term Limits: Board officers shall serve a term that does not exceed one year in duration. A Board officer is not precluded from holding consecutive terms.
- 4.4. Election of Officers: Elections shall occur annually, at the regularly scheduled Board meeting in February, or if for any reason the election does not occur, then at the next meeting of the Authority. Absentee votes shall not be considered. For each position, the candidate receiving the majority vote from the Authority Members present shall be the successful candidate. Officers shall assume office upon their election and shall serve until their successor is elected.
- 4.5. Officer Vacancy: Should an officer position become vacant, the Board shall make an appointment for the remaining duration of the vacated position's term.
- 4.6. Treasurer's Roles and Responsibilities:
- Shall meet or exceed the requirements of Government Code Section 6505.5; the Authority to secure a bond for the position;
 - Either has or provides oversight to Authority staff who have a background in accounting, budgeting, or finance;

- Make recommendations to the Board on selection of the auditor and oversee the preparation of an annual audit;
- Ensure auditor’s reports are filed as required by law:
 - (a) “as a public record with the Auditor of the County where the Authority is domiciled, consistent with Section 6505 of the Act”;
 - (b) with each agency that is a Member or an advisory member;
 - (c) with the California Secretary of State or State Controller within twelve months of the end of the fiscal year; and
- Oversight of the annual budget preparation in accordance with Board direction and the Board’s approval of the budget.
- A copy of the audit will be provided to each Member and Non Member Participating Party.

4.7. Secretary’s Roles and Responsibilities:

- Oversight of board agendas, minutes, and board meeting’s protocol; and
- Oversee Member (and their representatives) compliance with requirements of the Agreement and Bylaws.

4.8. Location: The Sites Project Authority’s principle place of business and office and mailing addresses are:

<u>Physical Address:</u>	<u>Mailing Address:</u>
122 West Old Highway 99 Maxwell, CA 95955	P.O. Box 517 Maxwell, CA 95955

4.9 Meeting Locations/Teleconference meetings

- a. Most meetings of the Board and Project Agreement Committees will be held at the principal office in Maxwell, however, since the Authority has members throughout the State, that is, in accordance with CA Water Code Section 79759(b) includes the Department of Water Resources (DWR) as an ex officio member of the Authority, and the Authority has Project Agreement Members throughout the State, to promote maximum participation of the Board, Project Agreement Members and the public, some meetings of the Board or Project Agreement Committee may be held elsewhere in the State.
- b. For purposes of providing video or teleconferencing access for meetings of the Board or a Project Agreement Committee, at least a quorum of the Board or the Project Agreement Committee members shall participate from the Authority’s principal office and within the

combined territory of the Authority Members or the Project Agreement Committee members, as the case may be.

5 Project Agreement Committee Leadership and Administrative Process

- 5.1 Establishment of Project Agreement Committee: Each Project Agreement will include the establishment of a Project Agreement Committee. The Project Agreement shall state the scope of work to be accomplished by the Project Agreement Committee. The Project Agreement may also include delegations of authority necessary to accomplish the scope of work. The Project Agreement may also define thresholds for material change that if exceeded require approval of both the Board and the respective Project Agreement Committee.
- 5.2 Appointment of Committee: Members and Non-Member Participating Parties of a Project Agreement in good standing shall appoint their respective representative to the Committee who is either an active member of the Member's board of directors or is a duly appointed senior-level staff have been delegated the authority from the Member to make decisions on the Member Agency's behalf.
- 5.3 Committee Leadership: At least two Authority Members are required to execute the Project Agreement and provide a representative to serve on each Project Agreement Committee along with the Authority's General Manager. In preparing each Project Agreement, the decision-making structure will be defined by the Board; taking into account factors such as, but not limited to, the project's complexity, risk, cost, and entities requesting to become signatory to each Project Agreement. The Project Agreement shall, at a minimum, provide for appointment of a Committee Chair, whose responsibilities are similar to those of the Board Chair. Where the estimated scope of work exceeds \$200,000., the Project Agreement Committee shall also appoint a Committee Treasurer whose responsibilities are similar to those of the Board Treasurer. The Committee Treasurer may be the Authority Treasurer, or if not, shall serve under the general supervision of the Authority Treasurer.
- 5.4 Leaders Term Limits: Project Agreement Committee leaders shall serve a term that does not exceed one year in duration. They are not precluded from holding consecutive terms.
- 5.5 Election of Committee Leaders: Elections shall occur annually, no later than the end of the third quarter of the year in which the term for the position expires. The election shall occur at a regularly scheduled Project Agreement Committee meeting. Absentee votes shall not be considered. For each position, the candidate receiving the majority vote from the Committee members present shall be the successful candidate.

Commented [EC3]: New section –

(a) to recognize the Authority could be classified as a having "members throughout the state" and therefore could meet anywhere in the State per Brown Act Section 54954(d), particularly since there has been discussions of having some meetings in Sacramento and meetings or workshops at ACWA conferences, and

(b) to designate the "jurisdiction" for purposes of Brown Act Section 54953 the area in which one must be located to participate in a board/committee meeting by phone.

- 5.6 Committee Leader Vacancy: Should a Leader position become vacant, the Project Agreement Committee shall make an appointment for the remaining duration of the vacated position's term.
- 5.7 Quorum and Voting of the Project Agreement Committee
- 5.7.1. A majority of the Committee members representing Members and Nonmember Participating Parties that have executed the Project Agreement shall constitute a quorum for a Project Agreement Committee.
- 5.7.2. Routine Matters or Non-Material Change Items Before the Project Agreement Committee: Unless otherwise authorized by the Board and provided for Project Agreement, the Committee members representing both the Members and Non-Member Participating Parties that have executed the Project Agreement shall take action only upon an affirmative vote of a majority of the total number of Committee members ~~and~~. ~~Each~~ Committee member shall have one vote.
- 5.7.3. Material Change Items Before the Project Agreement Committee: Unless otherwise authorized by the Board and provided for in the Project Agreement, and based on the thresholds established in these Bylaws regarding a Material Change (Section 12), the Committee members representing both the Members and Non-Member Participating Parties that have executed the Project Agreement shall take action only upon an affirmative vote of at least seventy-five percent (75%) of the total number of Committee members ~~and~~. ~~Each~~ Committee member shall have one vote.
- 5.8 New Parties: In preparing each Project Agreement, the process to appoint new parties to the Project Agreement, including appointing a new member taking the place of a withdrawing or terminated Member, will be defined, taking into account factors such as, but not limited to, but not limited to, compliance with California Water Code § 79759.
- 5.9 Phase 1 Project Agreements: For Phase 1, the intent is to expeditiously develop a Project Agreement, and until such Project Agreement is executed, the Board shall direct the activities of Phase 1.
- 5.10 Member's Election to withdraw: Should a Member or Non-Member Participating Party of a Project Agreement elect to withdraw their participation in any executed Project Agreement, the Member shall submit their written intent and explanation for their decision to the Project Agreement Committee Leader and Board Secretary. The notification shall also identify an effective date that does not precede the latest date received by either the Project Agreement Committee Leader or the Board Secretary. A withdrawing Member or Non-Member Participating Party shall be responsible for costs and liabilities beyond the effective date of its withdrawal, as prescribed under the Project Agreement.
- 5.11. Termination of a non-Authority Member by the Authority. A Project Agreement may be terminated with respect to any non-Authority Member or Non Member

Commented [EC4]: To address questions that have come up confirming the Project Agreement may provide the weighted voting formula.

Participating Party upon an affirmative vote of the Board of Directors consisting of at least seventy-five percent (75%) of the total number of Directors. Prior to any vote to terminate this Agreement with respect to a non- Authority Member or Non Member Participating Party, written notice of the proposed termination and the reason(s) for such termination shall be presented at a regular Board meeting with opportunity for discussion. The non-Authority Member or Non Member Participating Party subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote. The terminated non-Authority Member or Non Member Participating Party shall be responsible for costs and liabilities beyond the date of termination, as may be prescribed under the Project Agreement.

- 5.12 Each Project Agreement involving agreements with third parties providing for the acquisition, construction, or management of the Project shall include provisions to provide for allocation of available sales and use tax revenues to the County of Colusa or County of Glenn to the greatest extent provided by law, depending on the situs of the work or activity.

6 Common to Board of Directors and Project Agreement Committee Leadership Positions

- 6.1. Conflict of Interest Code: Each Director of the Board and their delegated alternate and each Member’s representative serving on a Project Agreement Committee shall timely file Statements of Economic Interest as required by the Authority’s Conflict of Interest Code.
- 6.2. Compensation: For at least Phase 1, no compensation shall be granted by the Authority to (a) any Director of the Board or a Member’s delegated alternate or (b) any representative to a Project Agreement Committee’s. When travel has been pre-approved by either the Authority or Project Agreement Committee’s Leadership, respectively the representative is eligible to recover reasonable travel and related expenses.
- 6.3. Roles in Key Categories: The following chart summarizes various activities to be carried out or overseen by the Board and Project Agreement Committees:

Category (& minimum frequency)	Authority Board	Project Agreement Committee Leadership
Implementation of the Sites Reservoir Project (ongoing).	Provide timely policy direction. Be the Project’s strongest advocate.	Provide Authority with timely and accurate input.

Category (& minimum frequency)	Authority Board	Project Agreement Committee Leadership
Member's and staff's compliance with applicable chartering document (annually)	Compliance with Agreement & Bylaws	Compliance with Project Agreement
Approve operating budget and Phase-level target budgets (annually)	Authority's cost plus the roll-up of budget requests from each executed Project Agreement	Project Agreement
Insurance requirements, and financing plan on an annual basis (annually)	Maintain at Project level	
Organizational structure and assess the organizational effectiveness (annually).	Maintain at Project level Review Board and Committee performance Evaluate the effectiveness of policies and/or standards, Performance of the General Manager, Accountant, Chief Legal Counsel, and other key staff positions	Maintain at Project Agreement level. Provide Authority with timely and accurate input.
Maintain delegations of Authority for decision-making effectiveness (annually)	Maintain at Project level.	Maintain at Project Agreement level.
Risk assessment and risk management and quality assurance and quality control (periodic)	Maintain at Project level. Determine frequency for risk assessments and quality audits.	Provide Authority with timely and accurate input.
Compliance with significant regulatory requirements, governance matters, and litigation (annually)	Assess at Project level.	Provide Authority with timely and accurate input

7 Membership Types

7.1. General:

- 7.1.1. The Board retains its sole discretion to (a) offer membership to an agency, entity, party, or company ("requestor") who requests to participate in the Project, as further provided at Section 3.3 of the Agreement, and (b) to determine what if any membership type is applicable for the requestor. Should the Board elect to offer a membership type, the requestor shall then be required to (1) execute both an election to participate form and applicable agreements and (2) comply with the Agreement, Bylaws, and if applicable, Project Agreements.
- 7.1.2. All participating party's funding commitments must be based on the results of the ProspectusCost Development Model at the time the analysis is performed. The methodology used to create the ProspectusCost Development Model utilizes the time value of early financial contribution to the Authority. This model will be utilized quarterly and be used as the basis for estimating the cost for new Members and during the Re-balancing Process for all members, including those electing to change their level of participation.
- 7.1.3. A participating party's interests through the Authority and/or a Project Agreement cannot be assigned without written pre-approval by the Board.
- 7.2. Authority Member: A public agency that is signatory to the Agreement. They are required to be located within Sacramento River watershed that has either (1) land use authority or (2) is a duly recognized water agency, and complies with the joint powers authority ("JPA") membership requirements of California Water Code §79759 (a) & (b). Agencies that elected to participate and provide financial support to the Authority prior to October 30, 2015, may also be referred to as Founding Members.

Eligibility to join as an Authority Member, at the Board's sole discretion, as further provided at Section 3.3 of the Agreement, may be extended to a non-profit mutual water company that complies with the joint powers authority ("JPA") membership requirements of California Water Code §79759 (a) as it relates to being located within the Sacramento River watershed and California Water Code §79759 (b) as it relates to being a non-profit company.

Financial Contribution: Pro-rata cost share of either the Authority's cost and/or the pro-rata share of cost for each executed Project Agreement.

Attributes of an Authority Member:

- Eligible to be represented on the Board.
- Eligible to also be represented on a Project Agreement Committee. An Authority Member's representative may be an officer on a Project Agreement Committee.

- Eligible to provide in-kind (and/or other) services if pre-approved by the Board.

7.3. **Project Agreement Members:** Such members shall be either (1) a public agency that meets the requirements of California Water Code Section 79759(a) or (b), that has as its sole or a principal power the supplying of water (and/or power) to other entities or to retail water (and/or power) users which is a Type A Member or a Type B Member, or (2) a non-profit mutual water company that complies with the non-profit JPA membership requirements of California Water Code § 79759 (b). It must be willing to execute at least one Project Agreement.

Attributes of a Project Agreement Member:

- Eligible to be a member on either a Project Agreement Committee. Can be an officer on the Committee.
- Eligible to provide in-kind (and/or other) services if pre-approved by the Board.

Such Project Agreement Members shall be within one of the following categories, depending on their affiliations with the Authority, and resulting financial contributions as follows:

7.3.1. **Project Agreement Member Type I** are Members which do not otherwise have a direct or indirect affiliation with the Authority, as compared to Types II and III described below.

Its financial contribution shall be for each Project Agreement executed such Member will contribute its pro-rata share of project costs. It receives benefits based on the time it joined, executing Project Agreements, and will be required to either pay an 'annexation' fee to offset the prior investment made by other Members, or have a reduced participation relative to prior Members.

7.3.2. **Project Agreement Member Type II** is an entity that is a member of another JPA (or equivalent group or collective), whereby the other JPA (or equivalent group or collective) is either an Authority or Project Agreement Member in good standing. [Example, members of TCCA] Regarding its financial contribution, since it provides its pro-rata cost share to the Authority through the other JPA (or equivalent group or collective), no additional funds are directly provided by such a Project Agreement Member II to the Authority.

7.3.3. **Project Agreement Member Type III** is an entity that has, via an independent contract, agreed to allow another agency, who is either an Authority Member or Project Agreement Member in good standing, to represent their interests on either the Authority's Board and/or a Project Agreement Committee, respectively.

7.4. **Associate Member:** Either (1) a public agency that has as its sole or a principal power the supplying of water (and/or power) to other entities or to retail water (and/or power) users that also meets the joint powers authority membership

requirements of California Water Code § 79759 (a) & (b), but elects to accept an advisory role from the Authority or (2) a non-profit mutual water company that complies with the non-profit JPA membership requirements of California Water Code § 79759 (b), but elects to accept an advisory role from the Authority.

Financial Contribution: An annual contribution of \$5,000.

Attributes of an Associate Agreement Member:

- Eligible to become a member of the Consultation (advisory) Committee.
- Eligible to provide in-kind (and/or other) services if pre-approved by the Board.

7.5. Non-Member Participating Party: "An agency, entity or company, that does not meet the JPA membership requirements of California Water Code § 79759 (b) regarding for-profit corporations, including certain types of mutual water companies, and is not a Member of the Authority, but is deemed eligible by the Authority to participate by contract on certain elements of the Project ~~that will not receive public funds per California Water Code Division 26.7 (§ 79700 et seq.) such as, but not limited to, renewable power generation.~~" (Restatement from Agreement section 1.7).

Commented [EC5]: Per change in JPA.

Financial Contribution: For each Project Agreement executed, the pro-rata share of costs.

Attributes of Participating Party: Conditioned upon meeting certain eligibility requirements.

- An agency or company may be eligible to participate on a Project Agreement.
- A Mutual Water Company or private company may be eligible to participate on a Project Agreement.
- Allows a qualified energy developer to participate on a Project Agreement specifically executed to provide hydroelectric power including traditional and pumped-storage.

7.6. Ex Officio:

The California Department of Water Resources (DWR), which is required by law to be an ex officio member of a joint powers authority for the purposes of California Water Code § 79759 (b) shall be a non-voting member of the Authority and/or Project Agreement Committee.

7.7. Cost Sharing Partner:

The United States Bureau of Reclamation may participate as a non-voting partner of the Authority and/or Project Agreement Committee.

8 Members & Non-Member Participating Parties - Common Requirements

- 8.1. Good Standing: To actively participate in the respective decision-making authorities, each Member and Non-Member Participating Party is required to comply with the following conditions:
 - 8.1.1. Compliance with the terms of the Agreement and these Bylaws as well as the policies and/or procedures the Board may adopt;
 - 8.1.2. Compliance with any Project Agreements it has executed;
 - 8.1.3. Providing timely payment of the Member's or Non-Member Participating Party's pro-rata share of costs;

Failure to remain in good standing may subject the Member or Non-Member Participating Party to disciplinary action that, at the discretion of the Board and/or applicable Project Agreement Committee, may include suspension of voting rights as provided at Section 7.3 of the Agreement and/or removal from either the Authority and/or Project Agreement(s), respectively.
- 8.2. Change in Representation: Should a Member or Non-Member Participating Party elect to name a different person to represent them either on the Board and/or on any Project Agreement Committee, the change shall be provided in writing to the Secretary. The written notification shall also include an effective date.
- 8.3. Conflict of Interest: The Authority has adopted and may from time to time amended its Conflict of Interest Code adopted pursuant to the Political Reform Act of 1974, California Government Code Section 87000, et seq., and regulations adopted by the Fair Political Practices Commission set forth in Title 2, California Code of Regulations. "Designated Positions" under said Conflict of Interest Code shall comply with such Code and Political Reform Act and other applicable laws.

9 Committees

- 9.1. Common: Each committee of the Authority shall have a chartering document approved by Board, which will include, among other things, quorum and voting requirements for conduct of the committee.
- 9.2. Board Committees:
 - 9.2.1. Each committee of the Board shall be comprised of at least three (3) and no more than five (5) Authority Members.
 - 9.2.2. Standing Board Committees: The Chair may elect to create standing committees as necessary to ensure successful completion of the Authority's mission.

9.2.3. Ad-Hoc Board Committees: The Chair may elect to create Ad-Hoc committees to address specific issues or area of concern to the Board.

9.3. Project Agreement Committees: The purpose is to manage each Project Agreement as provided for in Section VI of the Agreement and Section 5 of these Bylaws. The Project Agreement shall be the chartering document the Project Agreement Committee shall use to perform the work consistent with the requirements of the Agreement and Bylaws.

9.4. Consultation Committee: The purpose of the Consultation Committee is to serve as an advisory committee in order to maximize transparency regarding the decision-making process and facilitate the exchange of information; provide opportunity for comment, input, and recommendations; and ensure meaningful discussions regarding the rationale for decisions and the outcomes that result. The Board shall initially establish three Consultation Committees, namely:

- Landowners and community representatives potentially affected by the Project;
- Business and labor organizations generally interested in pursuing the Project; and
- Environmental Interests (including non-governmental organizations)

The Board may from time to time reconstitute and/or provide for additional Consultation Committees.

9.4.1 The Board shall approve ~~a~~ charter documents for the Consultation Committees which shall include, among other things, the scope of its activities and quorum and voting requirements for conduct of the Committees. The Board shall approve and may modify from time to time the composition of the Consultation Committees, based upon interest expressed by various interested entities, ~~and may include representatives from any of the following which wish to help advance the mission of the Authority (i) any public agency that has as its sole or principal power supplying water and/or power to other entities or to retail users, (ii) any non water and non water public agency, (iii) any mutual water company, and (iv) any non profit governmental organization (NGO).~~

9.4.2 The Consultation Committees will meet on a regular basis to exchange information and provide input concerning upcoming decisions expected to be made by the Authority. Consultation Committee members will not have a seat on the Board and will not vote on matters before the Authority, but will have an opportunity to inquire about relevant matters, be apprised by the Authority of issues of interest, and make recommendations concerning pending decisions.

9.4.3 ~~The General Manager~~ A member of the Board or alternate shall participate in an ex office capacity ~~and to provide for each~~ the Consultation Committee and to provide with access to information relevant to the committee's agenda items.

9.4.4 The Consultation Committees shall periodically provide reports to the Board on its activities.

~~9.4.5. Financial Contribution: An annual contribution of \$200. The Board may, from time to time, change the annual dues for participation in the Consultation Committee and or waive the annual dues should an eligible entity wishing to join demonstrates to the Boards satisfaction that a hardship condition exists.~~

10 The Authority's Powers and/or Authorities

- 10.1. Non-Delegated Authorities: While (a) Section VI of the Agreement includes the intent to use Project Agreements to accomplish the Authority's mission and (b) each Project Agreement shall specify the power delegated from the Authority, for Phase 1, the following powers shall remain with the Board unless these Bylaws are amended as provided for in the Agreement:
- 10.1.1. Applicant for the Proposition 1, Chapter 8 grant funds.
 - 10.1.2. Lead agency with the SWRCB for the water rights application and/or assignment of an existing water right application or permit/license. Furthermore, the Authority will hold title to the water rights granted by the SWRCB.
 - 10.1.3. The Authority serving as Lead CEQA Agency for the Project.
 - 10.1.4. Acceptance of permit conditions, specifically those associated with NEPA/CEQA compliance to achieve less than significant classification, ESA/CESA compliance, Section 10 of the Rivers and Harbors Act, NHPA § 106/SHPO and compliance with the Clean Water Act.
 - 10.1.5. Responsibility for compliance with applicable dam safety requirements such as California Division of Safety of Dams and Federal Energy Regulatory Commission.
 - 10.1.6. Engagement and outreach with tribal representatives, elected officials, the general public, and advocacy organizations (e.g. NGOs).
 - 10.1.7. Lead any efforts to (a) acquire land and rights-of-way and (b) obtain additional financial contributors.
 - 10.1.8. Determination of Material Changes affecting the annualized water supply and costs expected from development of the Sites Reservoir Project.
 - 10.1.9. Determination of Material Changes to the facilities associated with the reservoir that could result in either an increased schedule greater than one year and/or increase construction costs greater than 10%.
 - 10.1.10. Development of renewable power or pumped-storage beyond the pre-feasibility-level planned.

- 10.1.11. Oversight of (a) employees and (b) consultant contracts.
- 10.1.12. Overall cost management to ensure obligations or commitments remain within (a) each annually approved operating budget and (b) the phase 1 cost target.
- 10.1.13. Establishing a decision-making threshold for specific topic areas likely to be addressed by the Project Agreement's Committee.

11 Delegations of Authority

11.1. To A Project Agreement Committee:

- 11.1.1. This section consolidates requirements of Section VI of the Agreement with additional clarifications.
- 11.1.2. Limited Liability: Each Project Agreement shall include the requirements of Agreement Sections 5.9 and 6.3.

11.2. To the General Manager. The following is delegated to the General Manager subject to oversight by the Board:

11.2.1. Outreach and Engagement:

- a. Serve as the primary advocate and voice of the Authority in all activities related to advancing surface water storage and enhanced water supply reliability in the Sacramento River watershed, and primarily Sites Reservoir.
- b. Advocate with local, state, and federal agencies as well as the regulatory and environmental sectors.
- c. Represent the Sites Project Authority to enhance the organization's profile as a leader in the storage debate.
- d. Conduct official correspondence on behalf of, and jointly with, the Board when appropriate.

11.2.2. Cost Management:

- a. Manage the Board-approved annual operating budget to ensure positive cash flow and track variances against both the phase-level budget target and total project cost, which includes an estimate of the finance cost.
- b. Obtain additional funding partners and investors in the Sites Reservoir Project.

11.2.3. Execute professional services contracts in accordance with the following:

- a. Board approved Master Services Agreements (MSAs) where the commercial terms but no scope or cost have been assigned.

- b. Task Orders for MSAs where the scope of work and cost has a value that does not exceed the line-item amount in the approved operating budget and is less than \$500,000.
- c. Other professional services agreements (i.e. commercial terms plus scopes of work and not-to-exceed cost) having a value that does not exceed the line-item amount in the approved operating budget and is less than \$100,000.

11.2.4. For expenditures that are not specific line items in the Board-approved annual operating budget, the General Manager is authorized to spend up to \$5,000, so long as a positive cost variance to the Board-approved annual operating budget is forecast.

11.2.5. Administration: Annually, review and evaluate the performance of and report same to the Board:

- a. key staff positions;
- b. consultant contracts and their key personnel;
- c. The Managers' workgroup, which the General Manager shall chair.

12 Material Change - Applicable for Phase 1

12.1. These provisions shall apply both to decisions by the Board and Project Agreement Committee(s).

12.2. As the Sites Reservoir Project progresses through each of the planned project phases, what constitutes a Material Change along with the associated thresholds for Material Change may require amendment to these Bylaws. For Phase 1, should a question arise regarding a change being deemed material, the Board shall make the final determination.

12.3. Decisions affecting the following topic areas constitute a Material Change applicable for Phase 1 as measured either qualitatively or quantitatively as a change from the Project Baseline:

- 12.3.1. An increase in the projected Phase 1 budget target greater than 5% of the approved Phase 1 budget target.
- 12.3.2. Any projected overrun to the approved total annual operating budget or transferring funds between line-items in the approved operating budget that is greater than \$50,000.
- 12.3.3. The eligibility of the Authority to receive grant funding from Proposition 1, chapter 8.

- 12.3.4. Water rights and/or annualized yield of the Sites Reservoir Project changing by more than 5% of the total annualized yield or changes the proposed split between water supply benefits and Proposition 1 defined public benefits by more than 5% from the Baseline Project.
- 12.3.5. An individual Member's or Non-Member Participating Party's election to reduce their commitment to either (a) fund the Authority and/or (b) for the Reservoir cost center, reduce its water commitment as measured in acre-feet by more than 25% that does not occur during the re-balancing process. Should such a change occur outside of the re-balancing process, the Board may elect to use the Dispute Resolution Process to resolve concerns or potential injury caused by such a change in participation. Provided, however, an individual Member's or Non-Member Participating Party's election to withdraw from a Project Agreement in accordance with its terms shall not be subject to the Dispute Resolution Process.
 During the re-balancing process, a Member's or Non-Member Participating Party's decision to change its position does not constitute a Material Change and the Dispute Resolution Process shall not apply.
- 12.3.6. Changes affecting the ability to obtain dam safety related permits in a timely and cost-effective manner.
- 12.3.7. Changes to the Project's scope that significantly changes the operations of existing conveyance assets owned and/or operated by Members and/or other entities relative to the Project Baseline.
- 12.3.8. Changes to the Project's scope that significantly changes the amount of power needed to operate and/or the amount of pumped-storage capability relative to the Project Baseline.
- 12.3.9. Changes causing the direct construction cost to increase or decrease more than 10% excluding inflation and escalation in material costs.
- 12.3.10. Changes causing the construction schedule to increase more than 6 months or require construction means and methods that may not comply or require extreme measures to comply with OSHA requirements.
- 12.3.11. Changes having the potential to shift significant risk from either (a) a Project Agreement to the Authority (or vice versa), (2) from one Project Agreement to another, and/or (3) from one participant to another. Absent defined thresholds, the Board has the discretion to determine, on a case by case basis, if a Material Change has occurred.
- 12.3.12. Causing the mitigation for construction and/or operations that changes the baseline estimated cost by more than 10%.
- 12.3.13. Affecting the acquisition cost or schedule of land, easements, or rights-of-way by more than 10% from the baseline estimate cost and/or increases the line-item schedule duration by more than 6 months.

Commented [EC6]: Substantially the same as SCVWD's 9/22 request.

12.3.14. Changes materially affecting the powers of the Authority, a Member, the State of California, the Federal Government, or a federally recognized Tribal organization.

12.3.15. Proposed amendments to the Agreement or these Bylaws that would materially affect the rights and/or duties of Member or Non-Member Participating Party under a Project Agreement.

Commented [EC7]: Requested by WRMWSD.

13 Integration of Decisions - Authority Board & Project Agreement Committees

13.1. Material Change: Each Project Agreement will identify topic areas that constitute a Material Change and associated thresholds that are consistent with the Agreement and Bylaws and incorporate the Board's delegation of powers, if any, to the Project Agreement Committee. Approval of actions to respond to a Material Change requires the approval of both the Board and the Project Agreement Committee before the action can be implemented. If either decision-making entity does not approve the change, then the dispute resolution process will be invoked if timely requested as provided below.

13.2. Non-Material Changes: Approval of actions that are deemed by Project Agreement Committee and the General Manager to not result in a Material Change do not require the approval of the Board before the action can be implemented.

13.3. Dispute Resolution Process: Early identification of items that may potentially result in a Material Change is essential. It is the responsibility of any Project Agreement Committee Leaders and Members' or Non-Member Participating Party's representatives, regardless of membership type, to elevate a concern that they believe could result in a Material Change – either in the short-term (e.g. affecting an approved operating budget or schedule) or longer-term (e.g. affecting the current phase-level budget target or successor phase-level budget target or schedule). Concerns shall be brought directly to the General Manager's attention.

13.3.1. The party that has identified a potential Material Change shall, within fifteen (15) days of the event, provide the General Manager with the basis for its concern along with a qualitative estimate of the severity (i.e. impact to the project) and consequence (i.e. probability of occurrence). The General Manager shall further investigate the merits of the concern and should the General Manager deem the item is likely result in a Material Change, to, at a minimum, notify the Project Agreement Committee and Board with the assessment results and identify potential remedies. Should the party that has identified a potential Material Change disagree with the General Manager's assessment they should bring the matter up to either the Board or the applicable Project Agreement Committee(s).

- 13.3.2. Should the Board or applicable Project Agreement Committee(s) agree that a Material Change is likely, a recommended strategy and course of action needed to minimize the risk shall be developed. Should the Board's officers and Project Agreement Committee(s) Leadership not reach agreement on a preferred strategy and course of action, which could include a temporary suspension of some or all work until more information is known to reach agreement, each decision-making body can elect to take action via a vote of the eligible Members.
- 13.3.3. Within 15 calendar days of either the Board's or each of the applicable Project Agreement Committee's having made their respective decision, should the respective decisions result in different solutions, the Board and Project Agreement Committee Leads shall formally meet to resolve the differences.
- 13.3.4. Should the parties involved in taking action under section 13.3.3 fail to reach agreement, the disagreeing parties will submit the dispute to mediation. If the disputing parties cannot mutually agree upon a mediator, each will submit the names of two mediators and the mediator will be determined by lot. The disputing parties will share equally in the cost of the mediator and will bear their own costs of mediation.
- 13.3.5. Should mediation not result in a successful resolution of the dispute, the Project Agreement shall be terminated and the Authority's Board shall call a meeting to determine if the Agreement should similarly be terminated, amended, or if a new Project Agreement should be executed.

14 Cost Management:

14.1 General:

- 14.1.1. The Authority will utilize cost management, which includes both revenue and expenses, and best management practices for the purpose of efficient management and to facilitate accountability, transparency, and demonstrating the value being created.
- 14.1.2. The Authority will utilize the [Prospectus Cost Development](#) Model. Its primary purposes are (1) to estimate the eventual debt repayment obligation on a cost/acre-ft. basis as the Sites Reservoir Project advances in response to potential Material Changes that may occur internally (i.e. Board decisions) and/or externally (i.e. future financial market conditions) and (2) to utilize the time value of investment in both the Authority and Project Agreements to insure that later joining Members and/or Non-Member Participating Parties are required to pay sums equivalent to that contributed by Members which joined earlier.

The Prospectus Cost Development Model will be used (a) initially to establish the Project's target cost/acre-ft. to advance the Project from the current planning (i.e. start of Phase 1) through completion of Phase 5, (b) as an integral part of the decision-making process by both the Authority and/or applicable Project Agreement Committee whenever a potential for a Material Change relative to the Project Baseline is identified, and (c) as part of the Re-balancing Process.

14.1.3. A Cost Center will be created for the Authority and each Project Agreement to create income statements showing both revenue and expenses at both a discrete activity level as well as enable a roll-up of both revenue and expenses to the Project level. Each cost center will also have the ability to differentiate in-kind services from revenue and expenses.

14.1.4. Member's contributions need to accommodate direct funding, use of in-kind services, and the value of reputation/good will; noting that some of these contributions cannot be monetized.

14.2 Positive Cash Flow:

14.2.1. Each Project Agreement (cost center) shall maintain, at all times, a positive cash flow. Unless amended by a majority of member agencies providing financial contributions to a cost center, the positive cash flow will be established based on when approval to commit costs to a specific set of tasks or activities has occurred and not when costs are incurred (i.e. when a consultant task order is approved and not when invoices for the work are received).

For Phase 1, the Board approved, on October 19, 2015, the requirement to maintain at least a six-month reserve to fund the Authority's costs and to manage the effort to produce the grant proposal using a three-month rolling projection.

14.2.2. The Authority shall ensure that each cost center maintains a positive cash flow and there is an appropriate level of reserves for the Project's phase and commensurate with the level of risk and uncertainty. However, the Authority shall endeavor to establish the timing that payments are due from Members and Non-Member Participating Parties in a manner that minimizes the amount of funds in the Authority's account relative to the total incurred cost to date plus projected cost for the next three (3) months.

14.2.3. As agencies or entities are invited to become Members or Non-Member Participating Parties and elect to participate by providing financial contributions and/or the financing of applicable cost centers in exchange for the potential benefits, the Authority shall endeavor to re-adjust the funding commitments agreed to by the other Members and Non-Member Participating Parties for both the current annual operating budget as well as subsequent

years' budget targets and the phase-level budget target. However, the Board retains the discretion to determine how much of the 'new' revenue should be used to timely fund work versus reduce the funding commitment of the existing Members and Non-Member Participating Parties. The Authority's goal is to complete each Phase in a cost effective manner.

- 14.2.4. The commitment to fund the day-to-day management and administration of the Authority takes precedence over any of the subordinate cost centers. Failure to fully fund the expense cost center used to fund the Authority can result in work stoppages at the subordinate cost center (including, Project Agreements).
- 14.2.5. Prior to the start of each Phase of work, Members and Non-Member Participating Parties need to clearly communicate and commit to, their level of participation in the Project and provide their pro-rata share of costs in a timely manner; recognizing that such changes, especially reductions in participation, will likely shift the cost burden to other Members and Non-member Participating Parties, which therefore needs to be minimized.

14.3 Changing Participation Level:

- 14.3.1. Re-balancing Process: This process occurs only during the transition from the current Phase to the successor Phase, where Members and Non-Member Participating Parties may elect to formally change their respective position¹ in terms of the type of Membership and/or change the unit of measure (e.g. acre-ft.) being used to develop the pro-rata share of Phase-level costs to each participant in either Authority or in each Project Agreement. The successor Phase cannot start until the re-balancing process has been completed to allow all Members and Non-Member Participating Parties to execute both (a) an Election to participate in the Sites Reservoir Project form and (b) their respective Financial Commitment Agreement with the Authority for the successor Phase.
- 14.3.2. Outside of the Re-balancing Process, a Member and/or a Non-Member Participating Party cannot assign, sell, trade, or exchange all or a fraction of the potential benefits (e.g. acre-feet of water supply., megawatt-hours of power) they expect to receive through their participation in the Authority or through a Project Agreement to anyone who is not already a Member or Non-Member Participating Parties, unless approved in writing by both the Board and applicable Project Agreement Committee. The Board (or Project Agreement Committee if this authority has been delegated by the Board to the Project Agreement Committee) shall only consider those transactions that do not shift a cost-burden or reduce benefits to another Member and/or Non-

¹ The annual budget process also allows a Member or Non-Member Participating Party to change their membership position and/or change the unit of measure, which is described in Chapter 14.

Member Participating Party and do not otherwise compromise the Authority's mission. Transactions that shift costs or reduce benefits to other Members or Non-Member Participating Parties who are not willing to accept this change can utilize the dispute resolution process to resolve the matter.

- 14.3.3. The annual budget process also allows a Member and/or a Non-Member Participating Party to reduce their position and/or the benefit units (e.g. acre-feet). This occurs during the period when the Board has approved the upcoming fiscal years' budget and Members approve their respective pro-rata share of funding. However, such change produces an unplanned iteration in allocating costs by shifting more costs onto other Members and Non-Member Participating Parties. An iteration could delay revenue to the Authority, which could adversely impact work in progress if it reduces the amount of reserves held by the Authority below Board approved thresholds. Such an impact could affect the Member's or Non-Member Participating Party's ability to remain in good standing.
- 14.4. Should the Board determine that potential hydroelectric power benefits - both traditional and/or pumped storage - result in a similar situation where there are multiple Members or Non-Member Participating Parties interested in acquiring benefits, the Board shall create an equivalent process whereby Members or Non-Member Participating Parties would have a first right of refusal before the benefit could be made available to a third party who has not been involved in the development of the Project.

14.5 Phase-level Cost Management:

- 14.5.1. Prior to the start of each Phase, Members and Participating Parties will be asked to define the level of participation and associated pro-rata share of the costs as managed at the Project Agreement and/or cost-center level. The start of each subsequent phase shall not occur until the Board (or Project Agreement Committee if this power has been delegated by the Board to the Project Agreement Committee) has approved that (a) there is sufficient level of participation and (b) sufficient commitment of funds (i.e. revenue).
- 14.5.2. For each phase, a work plan will be developed that identifies expected annual funding requirements for each fiscal year. As the Project's schedule changes, the work plan and estimated annual funding requirement will be updated for Board's (or applicable Project Agreement Committee's) approval. Both the Phase-level and annual funding requirements shall be developed to the level of detail necessary to allow each Member or Non-Member Participating Party to understand their estimated pro-rata share of costs.
- 14.5.3. During each phase of work, the total Project's cost for the Reservoir (i.e. forecast to complete); which includes contingencies, escalation, and finance costs; shall be managed and tracked relative to the current Board-approved Baseline Project cost target. A Material Change shall require an update to

the forecast to complete. These results shall also be reported on a cost/acre-ft. basis using the Prospectus Cost Development Model and both values shall be provided in a timely manner to the Board and applicable Project Agreement Committee for their respective action and direction to Staff.

- 14.5.4. The Board (or applicable Project Agreement Committee if this authority has been delegated by the Board to a Project Agreement Committee), may decide that other Project benefits, such as renewable power generation, should be managed and tracked using a similar process as defined under Section 14.3.3.

14.6 Budget Management within each Phase:

- 14.6.1. The phase-level work plan and resulting budget target shall be subdivided into annual budget targets that coincide with the Authority's fiscal year, such that the sum of the annual budget targets equals the Phase-level budget target. Both the annual budget target and phase-level budget target shall be provided to each Member and Non Member Participating Party on a periodic basis. The General Manger also shall notify each Member and Non Member Participating Party as soon as possible after a Material Change occurs to warrant an updated projection.
- 14.6.2. Each annual budget target, once approved by the Board (or Project Agreement Committee if this power has been delegated by the Board to the Project Agreement Committee) shall become the operating budget for the current fiscal year.
- 14.6.3. Based on the approved operating budget, invoices requesting payment will be submitted to each Member or Non Member Participating Party. The requirements shall be documented in a Financial Commitment Agreement that is executed between the Authority (or Project Agreement Committee if this authority has been delegated by the Board to the Project Agreement Committee) and each Member. Such Agreement shall itemize the funding requirements to each cost center and identify the date when such payments are due to the Authority. The Authority must receive payment within 60 days of the date listed on the invoice and delinquent sums shall bear interest at a rate per year equal to the Federal Funds Rate on the first business day of then current year plus ten percent (10%).

14.7 In-Kind Services:

- 14.7.1. Phase 1: The California Water Commission has discretion to allow certain costs incurred by an applicant since passage of Proposition 1 in November 2014 through submittal of the application to be counted towards the total project cost that when combined with the projected public benefits will determine the amount of grant funds that can be awarded within the limitations of California Water Code Division 26.7. The Authority will track in-kind services for inclusion into the formula to be used to calculate the total

amount of grant funds the Authority is eligible to receive. However, a Member will not receive monetary credit for in-kind services against their pro-rata share of Phase 1 funding.

For work performed prior to Dec 31, 2015, the Authority will work with each Authority Member to document the eligible types of work along with the associated hours and eligible cost. The cumulative Member's input will be included into the Authority's proposal to the California Water Commission.

For work performed effective January 1, 2016, discrete in-kind work activities shall be pre-approved by the Board with the Member being responsibility to track the effort and to provide the Authority with an estimate of the eligible hours and eligible costs. On a semi-annual basis, each Member will provide documentation to the Authority for all eligible in-kind costs incurred for inclusion into the Authority's proposal to the California Water Commission.

- 14.7.2. Future Phases: Pending Board approval, certain in-kind work activities may be counted as part of each Member's financial contribution towards meeting its funding commitments.