



Topic:

Authority Board Agenda Item 5-1**2017 Dec 18**

Subject:

**City of Sacramento/Sacramento County Water Agency
participation as a member of Sites Project Authority
Board of Directors**

Requested Action:

Informational. No action will be taken. A representative from the City of Sacramento will address the Board regarding the shared interests of the City and Sacramento County Water Agency to jointly becoming an Authority Member.

Detailed Description/Background:

The City of Sacramento and the Sacramento County Water Agency are proposing to share a seat on the Sites Project Authority Board of Directors. The two agencies have developed a MOU that outlines their cost share agreement for the annual board membership fee, cost share for technical support, and how they will rotate representation on the Sites JPA Board. The City of Sacramento will serve the first rotation on the Sites JPA Board.

The Sacramento City Council approved the MOU at its August 15, 2017 meeting and the Sacramento County Water Agency Board of Directors approved the MOU on August 22, 2017. (***Staff Reports from both meetings are attached***)

Prior Authority Board Action:

At the July 31, 2017 Special Board Meeting, the Sites Project Authority Board of Directors agreed to the recommendation of the Governance Committee to forward the participation request from the City of Sacramento/Sacramento County Water Agency to the Authority's member agencies for approval as required by the bylaws of the Sites Project Authority.

Fiscal Impact/Funding Source:

If approved for membership to the Authority, the City of Sacramento/Sacramento County Water Agency will pay the \$60,000 annual board membership fee.

Staff Contact:

Jim Watson

Attachments:

Attachment 5-1: City of Sacramento and Sacramento County Water District Staff Reports

Status:	Final	Preparer:	Spesert	Phase:	1	Version:	A
Purpose:	Sites Project Authority Staff Report	Checker:		Date:	2017 Dec 18		
Caveat:	Informational	QA/QC:		Ref/File #:	(TBD)		
Notes:				Page:	1	of	1

City of
SACRAMENTO
City Council Report
915 I Street, 1st Floor
Sacramento, CA 95814
www.cityofsacramento.org

File ID: 2017-00956

August 15, 2017

Consent Item 12

Title: Participation on the Sites Reservoir JPA and Cost Share Agreement with Sacramento County Water Agency

Location: Citywide

Recommendation: Pass a Resolution authorizing the City Manager or the City Manager's designee to: 1) execute the Fourth Amended and Restated Sites Project Authority Joint Exercise of Power Agreement and any subsequent implementing agreements; 2) execute a Cost Share Agreement with Sacramento County Water Agency (SCWA) for an amount not-to-exceed \$80,000 annually; and 3) authorize the Mayor to appoint a City Councilmember to serve on the Sites Project JPA with the Director of Utilities or his designee to serve as the Alternate.

Contact: Bill Busath, Director, (916) 808-1434, Jim Peifer, Principal Engineer, (916) 808-1416, Noelle Mattock, Program Specialist (916) 808-1635, Department of Utilities

Presenter: None

Attachments:

1-Description/Analysis

2-Resolution

3-Fourth Amended and Restated Sites Project Authority Joint Exercise of Power Agreement

4-Agreement Between City of Sacramento and Sacramento County Water Agency

Description/Analysis

Issue Detail: Staff recommends approval of a partnership with the Sacramento County Water Agency (SCWA) to fill the last remaining seat on the Sites Project JPA Board, which would enable the City and SCWA to help guide decisions related to Sites operation to benefit water interests in the Sacramento region.

Policy Considerations: This recommendation is consistent with the Council focus areas of sustainability, livability, and public safety by engaging in the project development phase of a regional water storage project. Council approval is required for the recommended actions.

Economic Impacts: Not applicable.

Environmental Considerations: The Community Development Department, Environmental Services Manager has determined that the proposed activity is not a project pursuant to the California Environmental Quality Act (CEQA). CEQA Guidelines Section 15378(b). The activity is a continuing administrative activity and is not subject to CEQA. CEQA Guidelines Section 15060(c)(3).

Sustainability: The proposed Sites project is consistent with the City's Climate Action Plan Policies and Programs by improving water infrastructure reliability to meet the current and future residential and economic growth.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Participation on the Sites JPA will give the City and the SCWA an opportunity to shape the project, especially the environmental benefits of the project which include increased water supplies for fish, and in turn will increase water supply reliability to the City.

Financial Considerations: The City's share of Sites Project Phase 1 costs for FY 17/18 is \$30,000. Additionally, the City may spend up to \$50,000 annually on joint technical studies with the SCWA to better understand impacts to Folsom Reservoir and the lower American River. Sufficient funds are available in the Department of Utilities operating budget for the City's share of cost at a not-to-exceed amount of \$80,000 for FY17/18. Funding of this agreement in future fiscal years will be subject to availability of sufficient funds in the budget adopted for the applicable fiscal year. There are no General Funds allocated or planned for this project.

Local Business Enterprise (LBE): Not applicable.

Background: The proposed Sites Reservoir is an off-stream reservoir that will have the capacity to store up to 1.8 million acre-feet. The Sites Joint Powers Authority (Authority) was established as the governing authority to implement the project. The mission of the Authority is to establish an independent special agency to serve as a proponent and facilitator; to design the facility and potentially acquire property; and to construct, manage, govern, and operate Sites Reservoir and related facilities.

There are several types of participation in the Authority at this time. The City and SCWA propose to join as a Sacramento Valley Water Agency Authority member jointly. This level of membership does not purchase or reserve storage in the project, but allows for a voice in the decision-making process as the project is developed, constructed and operated.

Estimated storage in Sites will vary from year to year, but modeling analysis indicates that it will provide on average 1.5 million acre-feet annually. For comparison, Folsom Reservoir's capacity is 977,000 acre-feet. 1.5 million acre-feet is enough water to supply approximately 3 million households water for a year. Sites will be investor owned but is being developed to work with the Central Valley Project's (CVP) Shasta and Folsom Reservoirs and the State Water Project's Oroville Dam; and if constructed, will help preserve Folsom storage by making water available to the State to aid in meeting Delta outflow requirements.

As a member of the Authority, the City will be able to help shape the operations of a future Sites Reservoir to assure its operations will enhance the water supply reliability in the lower American River and aide in our regions efforts to improve habitat and spawning on the lower American River.

Currently there is one seat available, and given the City's and SCWA's common interest in the protection of water supplies in Folsom Reservoir as well as the protection of the American River and Delta, this partnership will benefit both agencies as well as reduce costs for both agencies.

Additionally, the City and SCWA may wish to engage technical consultants to help understand the proposed operational scenarios for Sites and possibly propose alternative operations that better protect Folsom water interests. The City will serve as the contracting entity and may enter into contracts with one or more technical consultants and SCWA will reimburse the City for 50% of the costs for that work up to \$50,000 annually.

The City and SCWA staff have negotiated an agreement outlining the terms of their partnership in the Authority (Attachment 4). This agreement states that participation in the Authority will be on a rotational basis, with the City and SCWA participating for two-year terms while the agreement is in effect. The City of Sacramento will appoint a representative to serve

the first two-year term. The Authority Representative will receive administrative support and input on decisions from both the City Director of Utilities and the SCWA Agency Engineer, working in collaboration. If the City and SCWA cannot agree on a decision, the agreement may be terminated with 30 days' written notice.

The City's share of Sites Project Phase 1 costs for FY 17/18 is \$32,500. Additionally, the City may spend up to \$50,000 annually on joint technical studies with the SCWA to better understand impacts to Folsom Reservoir and the lower American River.

Sites has been considered for many years by the state and federal government, and in 2010 the Authority JPA was formed to move the project forward and secure funding. The Authority JPA is preparing to submit a funding request to the California Water Commission for storage funding from the Proposition 1 Water Bond (Water Bond) that was approved by voters in 2014. There is \$2.7 billion available under Chapter 8 of the Water Bond and the California Water Commission is currently working to develop a Water Storage Investment Program to begin accepting applications in 2017. If secured, the Water Bond funding will only fund a portion of Sites, and the Authority JPA is developing a program that allows interested parties to participate in project development and make investments in the project.

The Authority JPA members are public entities located and operating in the Sacramento Valley. The Sites Project Authority JPA members currently include City of Roseville and Placer County Water Agency (jointly), Colusa County Water district, County of Colusa, County of Glenn, Glenn-Colusa Irrigation District, Maxwell Irrigation District, Orland-Artois Water District, Proberta Water District, Reclamation District 108, Tehama-Colusa Canal Authority, Westside Water District, and Western Canal Water District.

RESOLUTION NO. 2016-
Adopted by the Sacramento City Council

**APPROVING A RESOLUTION AUTHORIZING THE CITY TO JOINTLY
PARTICIPATE IN THE SITES PROJECT AUTHORITY WITH THE SACRAMENTO
COUNTY WATER AGENCY**

BACKGROUND

- A. The Sites Reservoir Project (Sites) is a 1.8 million acre-feet surface water storage project proposed to be constructed in Colusa County.
- B. If constructed, Sites could provide great benefit to Northern California water interests by creating an additional source of water for the Sacramento-San Joaquin Delta, potentially alleviating the system's reliance on Folsom Reservoir for water quality releases to the Delta.
- C. The City of Sacramento (City) and the Sacramento County Water Agency (SCWA) have a shared interest in protecting the lower American River, the Delta and water storage in Folsom Reservoir.
- D. The City and SCWA wish to jointly participate in the Authority and share costs to better understand the operation of Sites Reservoir and work to protect local interests.
- E. A memorandum of Agreement has been developed between SCWA and the City to jointly participate on the Authority Board. The City's direct annual cost share will not exceed \$80,000.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

1. The City Manager or his designee is authorized to execute the Fourth Amended and Restated Sites Project Authority Joint Exercise of Power Agreement and any subsequent implementing agreements; and the Cost Share Agreement with Sacramento County Water Agency.
2. The Mayor is authorized to appoint a City Council Member to serve on the Sites Project Joint Powers Authority board. The City's alternate Sites Project Joint Powers Authority board representative shall be the Director of Utilities or his designee.

**SACRAMENTO COUNTY WATER AGENCY
CALIFORNIA**

For the Agenda of:
August 22, 2017

To: Board of Directors
Sacramento County Water Agency

From: Department of Water Resources

Subject: Adopt Resolution Authorizing The Director Of Water Resources To Execute A Cost-Share Agreement With The City Of Sacramento To Jointly Participate In The Sites Project Authority

Supervisorial
District(s): All

Contact: Kerry Schmitz, Water Supply Division Chief, 916-874-4681

Overview

The Sites Reservoir Project (Sites) is a proposed 1.8 million acre-feet surface water storage project proposed to be built approximately 10 miles west of Maxwell in Colusa County. Sites would divert water from the Sacramento River and its tributaries during high flow periods into an off-stream reservoir, which would store the water for use during drier periods. If constructed, Sites could provide great benefit to Northern California water interests by creating an additional source of water for the Sacramento-San Joaquin Delta, potentially alleviating the system's reliance on the Folsom Reservoir for water quality releases to the Delta. The Sites Project Authority (Authority) Joint Powers Agreement (JPA) was formed in 2010 to secure project financing and move the project toward construction. Sacramento County Water Agency (SCWA) staff proposes a partnership with the City of Sacramento (City) to fill the last remaining seat on the Authority JPA Board, which would enable SCWA and the City to help influence operations of Sites to benefit water interests in the Sacramento region. SCWA and the City would share the seat and take turns serving on the JPA Board, each entity serving two year terms, with the City serving the first term beginning this fiscal year.

Recommendations

Adopt the attached resolution which:

1. States the Board's support for the Sites Project based on its projected benefits to the Sacramento region.
2. Authorizes SCWA to become a member of the Sites Project Authority and directs the Director of Water Resources, acting as Agency Engineer, to sign the Fourth Amended and Restated Sites Project Authority Joint Exercise of Power Agreement and any subsequent implementing agreements.
3. Appoints the Chair of the Board of Directors of SCWA during the first year of SCWA's two year term to serve on the Sites Project JPA Board for the full term with the Director

of Water Resources or designee serving as the alternate. The City of Sacramento designee will serve the first term in 2017/18 and 2018/19.

4. Authorizes the Director of Water Resources to sign the attached MOU between SCWA and the City regarding jointly filling a seat on the Sites Project Authority Board and shared related costs.

Measures/Evaluation

Not applicable to this agenda item.

Fiscal Impact

SCWA's share of the cost of membership for Fiscal Year 2017-18 is \$30,000 (half of the \$60,000 annual membership fee, see Attachment 1), and this has been included in the Fiscal Year 2017-18 SCWA Water Supply Enterprise Fund Approved Recommended Budget. Costs for subsequent years' participation will be identified in the Sites JPA annual budget and included in the appropriate SCWA annual budget. Additionally, SCWA may spend up to \$50,000 annually on joint technical studies with the City of Sacramento to better understand impacts to Folsom Reservoir and the lower American River. These expenses have been included in the Fiscal Year 2017-18 SCWA Zone 13 Water Supply and Drainage Planning and Studies Fund Approved Recommended Budget and future year's expenses will be included in the appropriate annual budget. The maximum annual cost for each party for membership and technical studies shall not exceed \$80,000.

BACKGROUND

The proposed Sites Reservoir is an off-stream reservoir that will have the capacity to store up to 1.8 million acre-feet. Estimated storage in Sites will vary from year to year, but modeling analysis indicates that it will provide on average 1.5 million acre-feet annually. For comparison, Folsom Reservoir's capacity is 977,000 acre-feet. 1.8 million acre-feet is enough water to supply approximately 3.6 million households' water for a year. Sites is being developed to operate with the Central Valley Project's (CVP) Shasta and Folsom Reservoirs and the State Water Project's Oroville Dam and if constructed will help preserve Folsom storage by making water available to aid in meeting Delta outflow requirements.

Sites has been considered for many decades by the state and federal government and in 2010 the Authority was formed to move the project forward and secure funding. In January 2017, the Authority became the lead agency for compliance with California Environmental Quality Act (CEQA); with the U.S. Bureau of Reclamation (Bureau) remaining as the lead agency for compliance with the National Environmental Policy Act (NEPA).

The Authority is preparing to submit a funding request to the California Water Commission (Water Commission) for storage funding from the Proposition 1 Water Bond (Water Bond) that was approved by voters in 2014. There is \$2.7 billion available under Chapter 8 of the Water Bond and the Water Commission is currently working to develop a Water Storage Investment Program to begin accepting applications in 2017 and make their investment decision by June 2018. If secured, the Water Bond funding will only fund a portion of Sites, and the Authority is

Adopt Resolution Authorizing The Director Of Water Resources To Execute A Cost-Share
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developing a program that allows interested parties to participate in project development and make investments in the project.

Sites is being developed in accordance with the beneficiary pays principle. Any state investment of Water Bond funds, as determined by the Water Commission, would result in an annualized volume of water to be managed for environmental and/or water quality benefits by the California Department of Fish and Wildlife and/or State Water Resources Control Board. The Authority also intends to apply for federal funds as authorized under the Water Infrastructure Investment (WIIN) Act (Dec 2016), which would also result in an annualized volume of water to be managed for environmental and/or water quality benefits by United States Fish and Wildlife Service and ideally with participation by the National Marine Fishery Services. The Authority expects that the resulting benefits associated with both a state and federal investment would be managed collectively. The remainder of the annualized volume available will be financed by participating water agencies based on their proportionate share of the annualized volume of water available. Currently, the requests by these participating water agencies represents approximately 80% of the long-term annualized volume of water that Sites could capture into storage under today's regulatory requirements and water rights priorities.

The Authority members are public entities located and operating in the Sacramento Valley hydrologic region. The Sites Project Authority members currently include City of Roseville and Placer County Water Agency (jointly), Colusa County Water district, County of Colusa, County of Glenn, Glenn-Colusa Irrigation District, Maxwell Irrigation District, Orland-Artois Water District, Proberta Water District, Reclamation District 108, Tehama-Colusa Canal Authority, Westside Water District and Western Canal Water District.

As an independent public agency, the mission of the Authority is to serve as 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.

DISCUSSION

There are several types of participation in the Authority at this time. The list of current project participants as well as information about the project is included as Attachment 1. SCWA and the City propose to request to join as an Authority Member, sharing one seat on the Sites Authority Board and paying one half of the \$60,000 annual membership fee. This level of membership does not purchase or reserve storage in the project, but allows for a voice in the decision making process as the project is developed, constructed and operated. SCWA may wish to pursue storage in Sites in the future, but at this time, staff is recommending a lesser level of participation.

There is one remaining vacant seat on the Board at this time. Given the common interest of the City of Sacramento and SCWA in the protection of water supplies in Folsom Reservoir, as well as the protection of the American River and Delta, sharing the remaining seat on the Sites Board will benefit both agencies.

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SCWA and City staff have developed an Memorandum of Understanding (SCWA/City MOU) outlining the terms of their joint membership in the Authority (Attachment 2). The SCWA/City MOU states that representation on the Authority Board will alternate on a two-year basis. As proposed, the City of Sacramento will appoint a representative to the Authority Board for the first two year term (Fiscal Year 2017-18 to Fiscal Year 2018-19), and SCWA will appoint a representative for the subsequent two-year term, and so on. Whether from the City or SCWA, that appointee will represent the interests of both partners equally. The SCWA/City MOU also establishes a decision-making structure with representatives from both SCWA and the City, to guide voting. Either SCWA or the City may choose to withdraw from participation in the future in accordance with the terms of withdrawal defined in the SCWA/City MOU and the Authority JPA.

Additionally, SCWA and the City of Sacramento propose to engage technical consultants to help understand the proposed operational scenarios for Sites and possibly propose alternative operations that better protect their shared water interests. For such work, the City would serve as the contracting entity and SCWA would reimburse the City for its share. Agreed upon costs would be shared equally. The agreement specifies that the maximum annual cost for membership and technical studies will not exceed \$80,000 annually from each agency.

FINANCIAL ANALYSIS

SCWA's share of the cost of membership for Fiscal Year 2017-18 is \$30,000 (half of the \$60,000 annual membership fee, see Attachment 1), and this has been included in the Fiscal Year 2017-18 SCWA Water Supply Enterprise Fund Approved Recommended Budget. Costs for subsequent years' participation will be identified in the Sites JPA annual budget and included in the appropriate SCWA annual budget. Additionally, SCWA may spend up to \$50,000 annually on joint technical studies with the City of Sacramento to better understand impacts to Folsom Reservoir and the lower American River. These expenses have been included in the Fiscal Year 2017-18 SCWA Zone 13 Water Supply and Drainage Planning and Studies Fund Approved Recommended Budget and future year's expenses will be included in the appropriate annual budget. The maximum annual cost for each party for membership and technical studies shall not exceed \$80,000.

Respectfully submitted,

MICHAEL L. PETERSON, Director
Department of Water Resources

APPROVED:

NAVDEEP S. GILL
County Executive

By:

MICHAEL J. PENROSE
Deputy County Executive

Attachments:
Resolution
ATT 1 - Sites Reservoir Project Information
ATT 2 - MOU Between SCWA and City of Sacramento

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Agreement With The City Of Sacramento To Jointly Participate In The Sites Project Authority
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ATT 3 - Fourth Amended and Restated Sites Project Authority Joint Exercise of Power
Agreement