

SITES JOINT POWERS

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JAMIE TRAYNHAM, WESTSIDE WATER DISTRICT

DAN JONES, TC 5 DISTRICTS

WESTSIDE WATER DISTRICT

5005 HIGHWAY 20

WILLIAMS, CA 95987

JANUARY 27, 2016

Sites Project Authority Directors/Alternates and Managers Workshop

The Sites Project Authority meets in a Workshop Session this 27th day of January 2016 at the hour of 9:00 a.m.

Directors Present: Fritz Durst, RD 108, Vice-Chair, Kim Dolbow Vann, Colusa County, Don Bransford, Glenn-Colusa Irrigation District, Joe Marsh, Colusa County Water District **Jim Jones, Orland Artois Water District** and Jamie Traynham, Westside Water District.

Directors Absent: Liegh MDaniel McDaniel, Glenn County, Ken LaGrande, Tehama-Colusa Canal Authority, Mary Wells, Maxwell Irrigation Dist., and Dan Jones, TC5 District-Proberta.

Alternate Director Present: Thad Bettner, Glenn-Colusa Irrigation District (GCID), Sean Doherty, (RD 108), Gary Evans, Colusa County, and Joe Richter, Maxwell Irrigation District.

Alternate Directors Absent: Jeff Sutton, Tehama-Colusa Canal Authority, John Viegas, Glenn County, Doug Griffin, Colusa County Water District, Mike Vereschagin, Orland Artois Water District, Doug Parker, Westside Water District, and Tom Charter, TC5 District-Proberta.

Managers Present: Emil Cavagnolo, Orland Artois Water District, Shelly Murphy, Colusa County Water District, Thad Bettner, Glenn-Colusa Irrigation District, Dan Ruiz, MID & Westside Water District.

Managers Absent: Lewis Bair, RD 108, Jeff Sutton, Tehama-Colusa Canal Authority, Lisa Hunter, Glenn County Ag Department, Mary Fahey, Colusa County Resource Conservation, and Mike Azevedo, Colusa County.

Vice-chair Durst calls to order the January 27, 2016 Workshop Session at 9:05 a.m.

Staff Present: Jim Watson, General Manager.
 John Kenny, Counsel.
 Ann Nordyke, Clerk.

Others Present: Donita Hendrix, Dunnigan Water District (TC5-Proberta)

Pledge of Allegiance.

Mr. Watson speaks at length to the following topics and staff proposals:

Topic	Staff Proposal
1. "Commercial" Terms & Conditions	Refer to Phase 1 Reservoir Project Agreement.
1.1. Project Agreement does not create a legal entity	Include proposed text
1.2. Project Agreement Committee Voting (see comments added to version B)	Hybrid is recommended. Formula may need to be modified.
1.3. Phase 1 Budget: \$5.7 million of the \$7.2 million (see handout #3)	Confirm scope and commensurate budget
<u>NOTE:</u> For Phase 1, cost centers aligned to future Project Agreements were combined. Reservoir = Water + Operations + Power. JPA = Authority + Regional.	
1.4. Potential need to create multiple & interrelated project agreements: The Reservoir Project Agreement is predicated on an assumption that all Members will specify an acre-ft. of water to then be used to pro-rate costs for work performed under Phase 1 Reservoir Project Agreement. Outreach to potential investors indicates there may be some entities interested in providing financial assistance to improve reliability to their CVP &/or SWP supplies without having to specifying an amount of water to be used for cost-share purposes. Ideally, this should occur through the creation of an Operations Project Agreement Committee.	In lieu of creating multiple project agreements, add to Exhibit B the ability to create at least two cost centers: (1) to advance both the feasibility study and EIR/S & (2) define the project operations (or a range of operational scenarios). Since a subset of the Members will not specify an acre-ft. of water, the hybrid voting structure should be expanded and changed, but still include a fractional weighting based on number of Members. Since both study areas are interdependent, decisions related to non-operations should be weighted by the "Class 1" acre-ft. basis (see handout 6, last page) whereas decisions related to operations (i.e. yield and reliability) should be weighted by share of budget dollars (or some other method).

Topic	Staff Proposal
<p>1.5. Foundational Concepts: The January Board meeting, agenda item #6b discussion of proposed operations resulted in consensus the modeling give a priority to meeting Sacramento Valley demand ahead of others in a manner that was subtle and not absolute (i.e. not 100% Sac Valley before any other demands are met) and somewhat close to an "all boats rise at the same time" strategy. Currently, this concept is not included in the Project Agreement.</p> <p>Additional foundational concepts should be discussed for potential inclusion that include:</p> <ul style="list-style-type: none"> ▪ Degree of operational integration with CVP & SWP related to yield. And, should there be any 'priority' given to one or the other? ▪ Degree of Member's control of water vs. collaborative management of the yield. ▪ Prioritization of goals such as advancing the Project to minimize the \$/acre-ft., which will affect both risk allocation and may limit potential financing strategies. ▪ Continuing to pursue a strategy to minimize exiting land uses within reasonable limits. Assuming the Counties are not signatory to this Project Agreement, memorializing this concept may be important. ▪ Other topics? 	<p>Incorporate Board's direction into Exhibit B.</p>
<p>1.6. Role of Project Agreement Committee Treasurer</p>	<p>Authority Treasurer also serves as Committee's Treasurer.</p> <p>Cost Management should remain centralized with Authority's Treasurer.</p> <p>Exhibit B should clarify A/R, A/P, budget management & reporting for Committee's use will occur.</p>

Topic	Staff Proposal
<p>1.7. Budget approval: Role of Authority vs. Committee is not clear (refer to §2g & 3a).</p>	<p>Modify §2g & put details in Exhibit B to clarify the Committee approves its budget (annual & phase-level) + cost allocation to Members that then rolls up with Authority's budget (and potentially other Committee budgets) to establish the total Phase-level target budget & Members' cost share. Authority should approve the total Phase-level budget + Members' cost share. Need to also specify that budget transfers between Committees (or Authority to/form a Committee) requires approval by all of the groups involved. Similarly, should changes occur in a member's cost-share – esp. if in-kind services become recognized as contributions</p>
<p>1.8. Non-delegated items, per Bylaws §10</p>	<p>In Exhibit B, reference Bylaw §10</p>
<p>1.9. Material Change Delegations from Bylaws §12</p> <p><u>NOTE:</u></p> <ul style="list-style-type: none"> ▪ Authority has discretion to determine what is a material change regardless of items listed in §12. ▪ Some thresholds are based on an approved baseline, which currently does not exist (e.g. §12.3.7: risk allocation). 	<p>Confirm thresholds. Where required in bylaws, create qualitative baselines for Board approval to then include in Exhibit B.</p>
<p>1.10. Future cost obligation should a Member withdraw</p> <p>Bylaw §5.10 (withdraw) & Bylaw §5.11 (terminated) allow their share of costs incurred after the date notice is given (or termination) occurs to remain an obligation.</p>	<p>Limit future cost exposure to an amount equal to the unspent balance of each consultant task order that was approved prior to notice of withdrawal (or termination)</p>
<p>2. "Technical" Requirements (Exhibit B)</p>	
<p>2.1 Integration Management:</p> <p><u>NOTE:</u> Phase 2 will require a legal entity exist along with a new Project Agreement. The relationship between the Authority & Project Agreement Committees will change with significant delegations required.</p>	<p>Incorporate requirements of 1.9 (material change baselines).</p>

Topic	Staff Proposal
<p>2.2 Communications Management:</p> <p><u>External</u>: See 2.13 through 2.16</p> <p><u>Internal</u>: Project Team</p>	<p>(a) Manager’s meetings and (b) “Technical” meetings with either consultants and/or DWR & USBR should be delegated to the Project Agreement Committee to align with the budget.</p> <p>“Policy” meetings should initially be retained by Authority to ensure compliance with MOU’s & potential MOAs or letter agreements.</p>
<p>2.3 Staffing Management:</p> <p>Since a project agreement committee is not a legal entity, they cannot hire any staff, so no delegations are needed.</p>	<p>Incorporate requirements of 1.6 (Treasurer’s role).</p> <p>No further delegation is required.</p>
<p>2.4 Procurement Management:</p> <p><u>Services</u>: Financial advisor, Public outreach, CEQA legal expertise, water rights expertise, project controls, document management.</p> <p><u>Proposition 1</u>: Public Benefits (DFW, SWRCB, DWR) & Funding Agreement.</p> <p>As applicant, Authority is required to negotiate. However, the budget for technical work needed support this effort should reside with Project Agreement Committee.</p> <p><u>Addition of Members to PAC</u>:</p>	<p>No delegations are needed. A Project Agreement Committee is not a legal entity. However, budget for some of these functions is planned to be transferred to the Project Agreement Committee.</p> <p>Should be a shared responsibility.</p> <p><u>NOTE</u>: The Phase 1 work plan did not specifically identify a scope and budget for this work. It was anticipated to be a Phase 2 activity. However, it is of strategic significance. Propose using budget based on additional investors signing onto this Project Agreement Committee. Most of the effort will be on operations to estimate the associated benefits.</p> <p>No delegations are needed. Agreement 3.4 requires Board approval of new Members.</p> <p>Investor outreach/engagement should be a shared responsibility.</p>
<p>2.5 Scope Management:</p>	<p>Include scopes of work for AECOM and Ch2m as well as budget and schedule</p>

Topic	Staff Proposal
2.6 Schedule Management:	Require Project Agreement Committee develop and maintain a detailed master schedule prior to completion of Phase 1. It should be used by Authority and any other Project Agreement Committees.
2.7 Cost Management:	Establish a membership threshold at which point the day-to-day management & reporting functions should be delegated to the Project Agreement Committee. Auditing functions should always remain with the Authority. Incorporate requirements of 1.6 (budget process).
2.8 Quality Management:	Delegate responsibility to prepare specific plans for items 2.1 through 2.11 for Project Agreement Committee and Board approval.
2.9 Risk Management:	
2.10 Project Management:	
2.11 Document Management:	
2.12 Governance:	
<u>NOTE:</u> Per Agreement, each Project Agreement Committee is a Standing Committee subject to the noticing requirements applicable to all public agencies. Ad hoc committees can be formed by the Project Agreement Committees and even between the Authority & a number of Project Agreement Committees.	<u>NOTE:</u> The Phase 1 work plan did not specifically identify a scope and budget to develop these plans. The strategy was to request budget once additional investors had signing onto this Project Agreement Committee.
2.13 Legal & Legislative Elected Officials (State & Federal)	No delegation required.
2.14 Engagement, Public Agencies	

Topic

Staff Proposal

DWR related to (1) CEQA lead agency, (2) water rights application, (3) staff support &/or (4) ability to provide funds directly to the Project

USBR to define their role. And, (1) as NEPA lead agency, (2) advancing the feasibility study, (3) staff support &/or (4) ability to provide funds directly to the Project

CA Water Commission related to the regulations & application process.

NOTE: Bylaw 10 states the Authority is the applicant, but the primary work products will be provided by the Project Agreement Committee.

Key federal agencies (USACE, EPA, FERC D2SI vs. License)

Key state agencies (DSOD, CARB, RWQCB)

Utilities (WAPA, SMUD, PG&E) for grid interconnection

- 2.15 Engagement, Industry
- 2.16 Engagement, Public

No delegations are needed. A Project Agreement Committee is not a legal entity, so they should not be engaging the public directly unless requested by the Authority. However, budget for most of this work is planned to be transferred to the Project Agreement Committee.

3. Implementation/Administrative

With establishment of one or more project agreement committees, the monthly meeting structure and decision-making focus will change. The Authority will narrow its focus on its role as applicant and external communications whereas the Project Agreement Committee will be more technically focused on defining and then optimizing the facilities to maximize yield for the dollar invested.

Structure the committee meetings to occur in the AM and keep the Authority meetings in the PM.

Lengthy discussion is held.

Following discussion direction is given to staff, with no action.

Vice-chair Durst adjourns the Workshop at 11:08 a.m. to reconvene in Regular Session on February 8, 2016 at the hour of 1:30 p.m.

Respectfully submitted,

Liegh McDaniel, Chair

Kim Dolbow Vann, Secretary to the Board