



Topic: **Authority Board Agenda Item 3-2**

2018 Aug 20

Subject: **Proposition 1 WSIP**

Requested Action:

No action requested, Informational item.

Detailed Description/Background:

Staff to give a status update on the Sites Project’s Prop 1 WSIP application and the ongoing coordination activities with the California Water Commission.

Prior Authority Board Action:

None.

Fiscal Impact/Funding Source:

None.

Staff Contact:

Jim Watson

Attachments:

Attachment A - Presentations to Water Commission on July 24. Agenda Item #9: Maximum Conditional eligibility Determination and Agenda Item #10: Early Funding.


Attachment B - Water Commission Determinations, Resolution for Early Funding, And Resolution for MCED.

Attachment C - Water Commission’s press release and summary table



Why fully fund Sites?

- Addresses the needs of Sacramento Valley
 - ✓ Water Supply
 - ✓ Environment
- Locally-led as envisioned in CA Water Action Plan
- Moves the needle
- Cost-effective
- Strong and bipartisan support

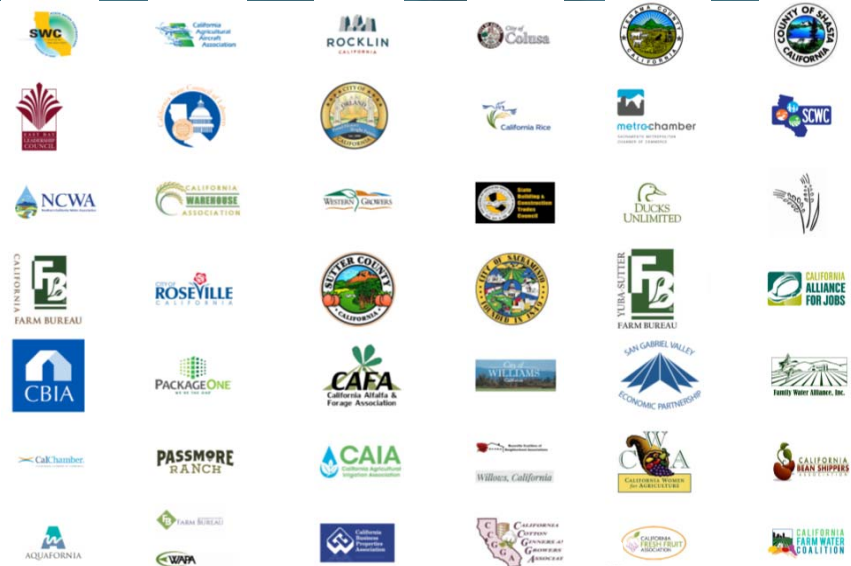


By the Numbers

- Most water under WSIP: $\frac{500,000}{760,000} = 66\%$
(annualized)
- Most cost-effective: $\frac{\$916.6 \text{ million}}{500,000 \text{ AF/yr}} = \$1,900/\text{acre-ft.}$
(installed cost)
- Strong fundamentals: $\frac{\text{Benefits}}{\text{Costs}} > 1$ (Federal = 1.48)
- Supports other State goals & priorities

 - ✓ Renewable Energy
 - ✓ Improve economies in rural areas

Strong Support



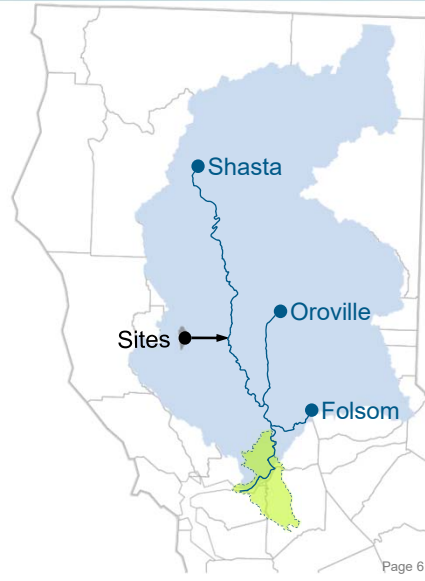
Rural Water Supply Benefits

- Sacramento *and* San Joaquin Valleys
- Rural counties with disadvantaged communities
 - ✓ Construction jobs > 500/year x 7 years
 - ✓ Annually > 57 operations
 - + Agricultural economy



Environmental Benefits

The size of the MCED defines the size of the environmental budget reserved for the State





Agenda Item 10D: Sites Project

**Water Storage Investment Program:
Early Funding**

California Water Commission: July 24, 2018

Page 1



Why is Early Funding Important for Sites?

- Self-funded: \$ 16 million through end of 2018
- \$ 45 million is proportional to state's proposed investment
- Funding ensures continuity of work
- Reduced funding increases water agencies' costs

Page 2

Early Funding Agreement

- Commissioners should decide what type of contract to use
 - ✓ Online version is a template - one of many applicable
- Sunk costs for environmental & permitting (Section 9):
 - ✓ 6013(f)(7) limits cost reimbursement to after Nov 4, 2014
 - ✓ Reimbursement now reduces carrying costs & supports partnership (improves cost-effectiveness)
- Concurrent drawdown (Section 10):
 - ✓ Supports no advance funding, reduces finance cost to water agencies
 - ✓ Has been successfully used on other state bond programs

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
CALIFORNIA WATER COMMISSION

RESOLUTION NUMBER: 2018-05

RESOLUTION MAKING DETERMINATIONS RELATED TO THE SITES PROJECT

WHEREAS, on November 4, 2014, California voters approved Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (“Proposition 1”);

WHEREAS, Proposition 1 contained Chapter 8, “Statewide Water System Operational Improvement and Drought Preparedness,” (“Chapter 8”) which appropriates \$2.7 billion to the California Water Commission (“Commission”) to invest in public benefits associated with water storage projects “that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions” (Water Code section 79750);

WHEREAS, on December 14, 2016, the Commission adopted regulations governing the quantification and management of public benefits associated with water storage projects that meet the criteria established for public investment (the Water Storage Investment Program (“WSIP”));

WHEREAS, the regulations were approved by the Office of Administrative Law on March 7, 2017, and appear in the California Code of Regulations, title 23, section 6000 *et seq.* (“regulations”);

WHEREAS, the Commission, pursuant to the terms of the regulations, began the application period for funds from the WSIP on March 15, 2017;

WHEREAS, Sites Project Authority (Applicant) applied for funding for its water storage project, the Sites Project (Project) pursuant to the terms of the regulations and submitted an application on or before August 14, 2017;

WHEREAS, the application is complete and the Project is eligible for funding from the WSIP;

WHEREAS, the application was evaluated by technical staff and received a public benefit ratio during the Commission’s May 3, 2018 meeting;

WHEREAS, Commission staff published its technical review of the Project on May 25, 2018, which included preliminary scores for the Project components;

WHEREAS, Applicant's application has been evaluated and scored by the Commission, pursuant regulations section 6011(b);

WHEREAS, California Code of Regulations, section 6011(c), directs the Commission to make determinations regarding nine specific aspects of each project that applies for funding;

WHEREAS, on June 15, 2018, the California Water Commission (CWC) published recommendations relating to determinations required to be made under the Water Storage Investment Program;

WHEREAS, at the Commission meeting on June 28, 2018, Applicant made comments and presented information directly to the Commission, pursuant regulations section 6000, that contributed to the Commission's understanding of the Project as it relates to these determinations; and

WHEREAS, the Commission desires to make the nine determinations required by section 6011(c) regarding the proposed Project, as follows:


- The project is cost effective;
- The project improves the operations of the State water system;
- The project provides a net improvement in ecosystem and water quality conditions;
- The project provides measurable improvements to the Delta ecosystem or to the tributaries to the Delta;
- The WSIP cost share is less than or equal to 50 percent of the Project's total capital costs, except for that portion of costs associated with the reoperation of the Project;
- The WSIP-funded ecosystem improvement benefits make up at least 50 percent of the total public benefits funded by the WSIP;
- The project appears to be feasible;
- The Project will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta; and
- The Project is consistent with all applicable laws and regulations.

NOW, THEREFORE, BE IT RESOLVED that the California Water Commission formally makes the determinations listed above, as required by regulations section 6011(c), based on information in the application, the applicant's appeal and information presented to the Commission at its public meeting on June 28, 2018;

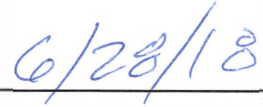
BE IT FURTHER RESOLVED that the Commission directs staff to rank the Project, in accordance with regulations section 6011(d); and

BE IT FURTHER RESOLVED that the Commission directs staff to provide the Commission with a suggested maximum conditional eligibility amount for the Project, if applicable, pursuant to regulations section 6011(e).

Signed:

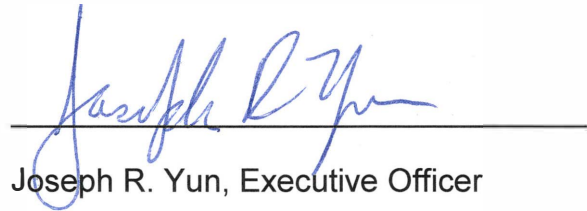


Armando Quintero, Chair
California Water Commission

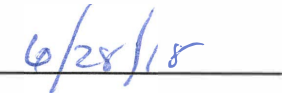


Date

Attest:



Joseph R. Yun, Executive Officer
California Water Commission



Date

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
CALIFORNIA WATER COMMISSION

RESOLUTION NUMBER: 2018-19

RESOLUTION MAKING AN EARLY FUNDING AWARD RELATED TO THE SITES
PROJECT

WHEREAS, on November 4, 2014, California voters approved Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (“Proposition 1”);

WHEREAS, Proposition 1 contained Chapter 8, “Statewide Water System Operational Improvement and Drought Preparedness,” (“Chapter 8”) which appropriates \$2.7 billion to the California Water Commission (“Commission”) to invest in public benefits associated with water storage projects “that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions” (Water Code section 79750);

WHEREAS, on December 14, 2016, the Commission adopted regulations governing the quantification and management of public benefits associated with water storage projects that meet the criteria established for public investment (the Water Storage Investment Program (“WSIP”));

WHEREAS, the regulations were approved by the Office of Administrative Law on March 7, 2017, and appear in the California Code of Regulations, title 23, section 6000 *et seq.* (“regulations”);

WHEREAS, the Commission, pursuant to the terms of the regulations, began the application period for funds from the WSIP on March 15, 2017;

WHEREAS, the Sites Project Authority (Applicant) applied for funding for its water storage project, the Sites Project (Project) pursuant to the terms of the regulations and submitted an application on or before August 14, 2017;

WHEREAS, the application is complete and the Project is eligible for funding from the WSIP;

WHEREAS, the application was evaluated by technical staff and received a public benefit ratio during the Commission’s May 3, 2018 meeting;

WHEREAS, Commission staff published its technical review of the Project on May 25, 2018, which included preliminary scores for the Project components;

WHEREAS, Applicant's application has been evaluated and scored by the Commission, pursuant regulations section 6011(b), receiving a score of 61 out of 100 points;

WHEREAS, on June 28, 2018, pursuant to title 23 California Code of Regulations, section 6011(c), the Commission to made determinations regarding nine specific aspects of each project that applies for funding;

WHEREAS, on July 24, 2018, the Commission considered the funding amount requested by the Applicant, and determined a Maximum Conditional Eligibility Amount for the Project of \$816,377,686;

WHEREAS, in its August 14, 2017 application, the Applicant requested \$45,925,000 to complete its environmental documentation and permitting required to complete the project, pursuant to Water Code section 79755(c)

WHEREAS, on July 24, 2018, the Commission considered the early funding amount requested by the Applicant in conjunction with the requirements of WSIP regulations section 6010(c);

NOW, THEREFORE, BE IT RESOLVED that the California Water Commission hereby awards \$40,818,884 to the Applicant for early funding, pursuant to California Water Code section 79755(c) and WSIP Regulations section 6010;

BE IT FURTHER RESOLVED that the Commission directs Applicant and the Executive Officer work to execute an early funding agreement, a template of which has been available on the Commission's website; and

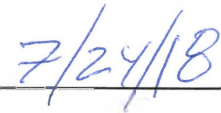
BE IT FURTHER RESOLVED that Applicant provide updates, at an interval to be determined by the Executive Officer, to the Commission of the Applicant's progress in completing the purposes for which funding was requested.

Signed:



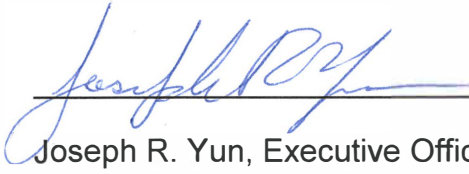
Armando Quintero, Chair

California Water Commission



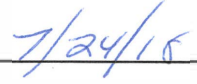
Date

Attest:



Joseph R. Yun, Executive Officer

California Water Commission



Date

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
CALIFORNIA WATER COMMISSION

RESOLUTION NUMBER: 2018-14

RESOLUTION MAKING A MAXIMUM CONDITIONAL ELIGIBILITY DETERMINATION
RELATED TO THE SITES PROJECT

WHEREAS, on November 4, 2014, California voters approved Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (“Proposition 1”);

WHEREAS, Proposition 1 contained Chapter 8, “Statewide Water System Operational Improvement and Drought Preparedness,” (“Chapter 8”) which appropriates \$2.7 billion to the California Water Commission (“Commission”) to invest in public benefits associated with water storage projects “that improve the operation of the state water system, are cost effective, and provide a net improvement in ecosystem and water quality conditions” (Water Code section 79750);

WHEREAS, on December 14, 2016, the Commission adopted regulations governing the quantification and management of public benefits associated with water storage projects that meet the criteria established for public investment (the Water Storage Investment Program (“WSIP”));

WHEREAS, the regulations were approved by the Office of Administrative Law on March 7, 2017, and appear in the California Code of Regulations, title 23, section 6000 *et seq.* (“regulations”);

WHEREAS, the Commission, pursuant to the terms of the regulations, began the application period for funds from the WSIP on March 15, 2017;

WHEREAS, the Sites Project Authority (Applicant) applied for funding for its water storage project, the Sites Project (Project) pursuant to the terms of the regulations and submitted an application on or before August 14, 2017;

WHEREAS, the application is complete and the Project is eligible for funding from the WSIP;

WHEREAS, the application was evaluated by technical staff and received a public benefit ratio during the Commission’s May 3, 2018 meeting;

WHEREAS, Commission staff published its technical review of the Project on May 25, 2018, which included preliminary scores for the Project components;

WHEREAS, Applicant's application has been evaluated and scored by the Commission, pursuant regulations section 6011(b), receiving a score of 61 out of 100 points;

WHEREAS, on June 28, 2018, pursuant to title 23 California Code of Regulations, section 6011(c), the Commission to made determinations regarding nine specific aspects of each project that applies for funding;

WHEREAS, on July 24, 2018, the Commission considered the funding amount requested by the Applicant;

NOW, THEREFORE, BE IT RESOLVED, that the Commission determines the Maximum Conditional Eligibility Amount for the Project to be \$816,377,686;

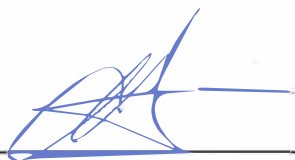
BE IT FURTHER RESOLVED that receipt of the Maximum Conditional Eligibility Amount is conditional on the Applicant's successful completion of all conditions listed in California Water Code section 79755(a)(2) – (5) and the WSIP regulations;

BE IT FURTHER RESOLVED that the California Water Commission hereby directs staff and the Applicant to work together to help the applicant meet the requirements of California Water Code section 79755;

BE IT FURTHER RESOLVED that the Commission has determined the Project is consistent with the California Water Quality, Supply, and Infrastructure Improvement Act; and

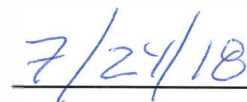
BE IT FURTHER RESOLVED that Applicant provide updates, at an interval to be determined by the Executive Officer, to the Commission of the Applicant's progress in meeting the statutory requirements to receive a funding award.

Signed:



Armando Quintero, Chair

California Water Commission



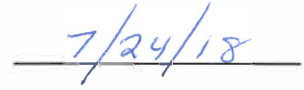
Date

Attest:



Joseph R. Yun, Executive Officer

California Water Commission



Date



July 24, 2018

Contact:

Lisa Lien-Mager

(916) 653-9402, lisa.lien-mager@resources.ca.gov

Commission Approves Investing \$2.7 Billion in Eight Water Storage Projects

Proposition 1 Funds Conditionally Committed to Add 4.3 Million Acre-Feet of Storage Capacity

SACRAMENTO – Eight proposed projects that would boost California’s water storage capacity by 4.3 million acre-feet are in line to receive nearly \$2.7 billion in Proposition 1 funding following action today by the California Water Commission.

The Commission approved conditional funding amounts for the projects, which range from expanding existing reservoirs to boosting groundwater storage to building 21st century surface storage facilities. Applicants must complete remaining Proposition 1 requirements, including final permits, environmental documents and commitments for non-Proposition 1 funding, by Jan. 1, 2022, to receive a final funding award from the Commission.

“Today marks a major milestone for the Commission and project applicants,” Commission Chair Armando Quintero said. “After an intensive process, the Commission has concluded that these eight storage projects will ensure the strongest return on the public’s investment. We applaud the applicants for their hard work to get to this point, and we are confident they will use this momentum to do the remaining work needed to secure these crucial investments in California’s water future.”

The Commission also approved requests from three applicants to receive a portion of their funding early to help complete permits and environmental documents. The three projects are Sites Reservoir, Los Vaqueros Reservoir Expansion, and Pacheco Reservoir Expansion. Proposition 1 allows applicants to receive up to 5 percent of their Commission-approved conditional funding amount as early funding.

Moving forward, the Commission will continue meeting with applicants, state agencies and stakeholders to review the status of each project. Once an applicant has obtained all necessary permits, contracts, and documents, the Commission will hold a final funding hearing.

Below is a summary of the Commission-approved Maximum Conditional Eligibility Determination (MCED) and early funding for each project.

| Project | Final Expected Return for Public Investment Score | Rank | Commission-Approved Eligible Amount (May 2018) | Applicant Request (May 2018) | Commission MCEd (July 2018) | Early Funding (Portion of MCEd) |
|--|---|------|--|------------------------------|-----------------------------|---------------------------------|
| Pacheco Reservoir Expansion Project | 82 | 2 | \$484,550,000 | \$484,550,000 | \$484,550,000 | \$24,200,000 |
| South County Ag Program | 77 | 2 | \$280,530,000 | \$280,500,000 | \$280,500,000 | None Requested |
| Los Vaqueros Reservoir Expansion Project | 76 | 2 | \$459,000,000 | \$459,000,000 | \$459,000,000 | \$13,650,309 |
| Temperance Flat Reservoir Project | 73 | 2 | \$171,330,000 | \$171,330,000 | \$171,330,000 | -- |
| Chino Basin Conjunctive Use Program | 70 | 2 | \$206,900,000 | \$206,900,000 | \$206,900,000 | None Requested |
| Sites Project | 61 | 3 | \$1,008,280,000 | \$916,620,000 | \$816,377,686 | \$40,818,884 |
| Kern Fan Groundwater Storage Project | 54 | 3 | \$85,660,000 | \$85,700,000 | \$67,537,315 | None Requested |
| Willow Springs Water Bank | 53 | 3 | \$123,290,000 | \$123,290,000 | \$95,405,999 | None Requested |
| Totals | | | \$2,819,540,000 | \$2,727,890,000 | \$2,581,601,000 | \$78,669,193 |
| | | | | | Total Available | \$2,581,601,000 |

Proposition 1, approved by 67 percent of California voters in 2014, created a competitive process for funding projects based on their public benefit aspects. The projects were evaluated and ranked on criteria established in the Water Storage Investment Program [regulations](#).

Proposition 1 dedicated \$2.7 billion for the Water Storage Investment Program. As noted at the beginning of the application process, 2 percent of that amount is set aside for bond financing and 2.5 percent is set aside for state administrative costs over the life of the program, so the total funding available is \$2.582 billion.

###

Information about Commission meeting schedules and status of review may be found at www.cwc.ca.gov.

The nine-member California Water Commission is charged with advising the director of the California Department of Water Resources, approving rules and regulations, and furthering development of state policies that support integrated and sustainable water resources management. For more information regarding the California Water Commission visit www.cwc.ca.gov.