



Topic: **Authority Board Agenda Item 6-2**

2018 Sept 17

Subject: **Orland Artois Water District Withdrawal**

Requested Action:

Discussion and possible direction to staff regarding the Orland Artois Water Districts' request to withdraw from the Sites Project Authority Board of Directors.

Detailed Description/Background:

On August 22, 2018, the Orland Artois Water District formally notified the Authority that they intend to withdraw from the Sites Project Authority Board of Directors effective November 20, 2018.

Prior Authority Board Action:

None.

Fiscal Impact/Funding Source:

None.

Staff Contact:

None.

Attachments:

Attachment A – ORWD withdrawal letter August 22, 2018

Status: **Final**
Purpose: **Sites Authority Board Staff Report**
Caveat: **Informational**
Notes:

Preparer: **Spesert**
Checker: **Watson**
QA/QC:

Phase: **1** Version: **0**
Date: **2018 Sept 17**
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Ernest Pieper, Vice President
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SECRETARY-MANAGER

Emil Cavagnolo

ORLAND-ARTOIS WATER DISTRICT
(A UNIT OF THE SACRAMENTO VALLEY CANALS)
P. O. BOX 218 ORLAND, CALIFORNIA 95963
Telephone (530) 865-4304 • Fax (530) 865-8497

August 22, 2018

Board of Directors
Sites Project Authority
P.O. Box 517
Maxwell, CA 95988

Please find enclosed 2 copies of Orland-Artois Water District's letter of withdrawal dated August 22, 2018. One copy is for the Sites Project Authority's Board of Directors and the other is for Sites Reservoir Committee.

Sincerely,



Emil Cavagnolo
General Manager
Orland-Artois Water District

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August 22, 2018

Board of Directors
Sites Project Authority
P.O. Box 517
122 Old Highway 99 West
Maxwell, CA 95955

Re: Orland-Artois Water District's Notice of Withdrawal as Member of the Sites Project Authority

Dear Members of the Sites Project Authority Board of Directors:

This letter serves as the Orland-Artois Water District's ("OAWD" or the "District") notice, consistent with Section 7.2 of the Fourth Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement (the "JPA"), that the District will withdraw as a member of the Sites Project Authority ("Authority") effective November 20, 2018.¹ The OAWD Board of Directors' decision to withdraw from the Authority is based on the District's inability to continue collecting sufficient revenues from its landowners to finance the District's estimated share of the costs for Phase 2 project work. As a result, our Board believes that the responsible path is for OAWD to withdraw from the Authority with sufficient notice to avoid participating and voting on matters that involve Phase 2.

Since 2015 OAWD has invested \$184,715.00 of non-reimbursable landowner funds in support of the Authority. The District also has collected and remitted to the Phase 1 Project Committee \$970,000.00 in landowner funds to advance the Sites Project. The amount OAWD has invested to date represents \$38.58 for every landowner acre within OAWD, which is a

¹ OAWD understands that it is obligated to pay its outstanding share of General and Administrative Costs, as defined in Section 5.5 of the JPA; incurred through the effective date of the District's withdrawal. OAWD will pay any such unpaid amounts upon receipt of an itemized accounting with supporting documentation. The District reserves its rights under the JPA to request to inspect additional documents of the Authority should any questions arise with respect to the accounting. As of the date of this letter, OAWD also does not know of any Authority member which has had its voting rights revoked or which otherwise has been penalized for late or non-payment of Authority membership fees. OAWD will not be held responsible for any additional costs the Authority might incur due to the non-collection of fees from participating member agencies.

significant investment for our farmers and ranchers in light of the uncertainties in our current agricultural economy. The Board's decision is in no way a reflection of OAWD's and its landowners' lack of support for the Sites Project, but simply reflects the economic realities of our landowners' inability to fund a share of the hundreds of millions or even billions of dollars of funding still needed to complete Sites Reservoir and the District's own lack of significant capacity to bond for such expenses. To the contrary, we support the project and will continue demonstrating that support through OAWD's significant policy and financial participation in the Tehama-Colusa Canal Authority.

OAWD's Authority membership fees are paid thru December 31, 2018 and it has a credit of \$4,285.00 for excess payment of the 2018 annual membership fee. OAWD requests that the Authority reimburse this amount along with any credit for the remaining portion of 2018 during which the District will not be a member.

In addition, the OAWD Board is compelled to express its reservations about the Authority's and Phase 1 Project Committee's disappointing lack of progress to implement full financial controls and policies, including the long-promised adoption and implementation of a process to permit local agencies that hold Class 1 water to obtain reimbursement of their investment in the project by transferring Class 1 interests to a willing Class 2 water holder. While we appreciate the Project Committee's and Authority Board's approval of the Phase 1 Funding Credit and Reimbursement Policy, there still is no clear process in place for ensuring that OAWD and any similarly situated member has the opportunity in the foreseeable future to transfer its Class 1 interest and to secure reimbursement of the funds that its landowners have invested in the Sites Project under the Policy.

We therefore urge the Authority and the Project Committee to determine and publish as soon as possible a process to permit withdrawing Class 1 members to transfer their water interests and obtain reimbursement of their investments. OAWD and other interested Class 1 members are entitled to know when and how SPA or the Project Committee is going to process transfers of interest and funding reimbursements and to be assured that there is a process in place for that purpose.

Alternatively, Section 11 of the Funding Credit and Reimbursement Policy approved at the August 20, 2018 SPA board meeting (and previously approved by the Phase 1 Project Committee) provides that Class 2 water holders may convert to Class 1 status if Class 1 water becomes available. While no clear process has been provided for such conversions either, OAWD assumes that, if the District is able to find a Class 2 water holder that desires to assume its obligation, that the Authority Board and Project Committee would approve any negotiated transfer between a willing buyer and willing seller subject to any adjustment in the Phase 1 True-up Process. OAWD therefore also requests that the Authority and the Project Committee advise as soon as possible if a negotiated transfer as contemplated in

Section 11 of the policy would be approved and what, if any conditions, would be imposed on such an approval.

OAWD again thanks the Authority for the opportunity to participate in this vital water supply project and reiterates its support for the Sites Reservoir Project. If the Authority Board or General Manager has any questions about this letter or desires to discuss it further, the District would be happy to address those questions.

Very truly yours,

BOARD OF DIRECTORS
ORLAND-ARTOIS WATER DISTRICT

By: 
J. Michael Vereschagin
President

cc: Phase 1 Project Agreement Committee Members