



Topic: Reservoir Committee Agenda Item 3-2 2019 December 19

Subject: Status of Funding Activities - State's WSIP and Federal (WIIN Act and USDA)

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**Requested Action:**

No action requested. Discussion and possible direction to staff regarding activities related to compliance with Water Commission's administration of the Water Storage Investment program (WSIP) and access to federal funding.

U.S. Bureau of Reclamation activities and WIIN Act Funding.

**Detailed Description/Background:**

1. WSIP: Early Funding Agreement (EFA) Invoices:

1<sup>st</sup> Invoice: The Water Commission direct deposit for the first EFA invoice was made in the amount of \$2.77 million on November 27, 2019. This amount exceeds the \$1.88 million planned revenue as part of the approved Phase 2 (2019) Work Plan.

2<sup>nd</sup> Invoice: The Water Commission staff approved the second EFA invoice on November 7<sup>th</sup> in the amount of \$1.25 million. The direct deposit should occur before the end of December 2019.

3<sup>rd</sup> Invoice: Staff submitted the third invoice for work performed from July 1 through September 30, 2019 in the amount of \$2.1 million. The invoice was approved by Water Commission staff on December 6, 2019. Payment is anticipated in mid-January 2020.

2. WSIP: Quarterly Reporting:

Acceptance of the Water Commission's conditional funding decision requires each applicant submit their quarterly report. The current status reporting period is from October 1 through December 31 and the report will be submitted late January 2020.

3. WSIP: Converting the conditional funding amount into an Ecosystem Water Budget:

The Sites Project Authority's August 2017 application proposed the state's investment in environmental benefits be through their ownership of a proportionate share of the reservoir's storage and in accordance with the beneficiary pays principle and that their management of this asset would determine the value of the benefits they achieve. In July 2018, the Water Commission made their "Maximum Conditional Funding Determination"

(MCED) for the Sites Reservoir Project in the amount of \$816.3 million (dollars in year 2015), which is approximately 30% of the total Proposition 1, WSIP total budget. This amount included funding for flood, recreation, and, most importantly, environmental benefits.

Since the Proposition 1 application, the Sites Reservoir Project continues to advance; primarily in the areas of operations (diversions from and releases to the Sacramento River), costs (on both an initial and lifecycle basis) and funding commitments by the local, state and federal agencies. In parallel, other, external, water policy and management issues are being resolved; some of which will positively or negatively affect how the Sites Reservoir Project should be developed today and ideally ahead of the next drought. This, in turn, will affect the value proposition for each of the local, state and federal partners.

4. USDA Rural Development for the Maxwell Water intertie:

Work is progressing in parallel with the efforts to advance the Sites Reservoir project with an end-of-year status report to be prepared in early 2020.

5. WIIN Act (§4007(c)) as a non-federal water storage project:

Funding: There is no progress to report since the Department of Interior submitted their February 13, 2019 letter to the Subcommittee on Energy and Water Development Committee on Appropriations. This letter included \$6 million [FY 2018 appropriations] to the Sites Reservoir Project; specifically, to advance the project's feasibility and environmental compliance. Additional funding [FY 2019 appropriations] is being requested.

In accordance with federal processes and procedures, the Secretary of Interior needs to determine a water storage project, such as the Sites Reservoir Project, is feasible before any conditional funding commitment and role can be defined. In accordance with these requirements, Reclamation continues to advance their feasibility study, which was previously authorized under CalFed.

6. Reclamation Funding-related Agreements:

6.1 Amendment to the 2015 Cost-share MOU: The Authority Board, at their October 18 Meeting approved the amendment, which has been signed by Chairman Durst. The signed amendment was provided to Mid-Pacific on November 12 for their countersignature.

6.2 Financial Assistance Agreement: Meetings have started to define the scope and roles of the Authority and Reclamation to allow federal funds to be provided to the Authority to continue to advance the Sites Reservoir Project.

**Prior Reservoir Committee Action:**

None.

**Fiscal Impact/Funding Source:**

None.

**Staff Contact:**

Jim Watson/Joe Trapasso

**Attachments:**

None.