



Requested Action:

Consider acceptance of the attached Exhibit B (2020 and 2021 budget) to the Second Amendment to 2019 Reservoir Project Agreement (Amendment 2) and the results of the "soft call". Consider approving one of the following actions:

- A. Approve moving to the "hard call" and the use of the attached participation table to create a draft Exhibit A to be included with Amendment 2.
- B. Direct staff to begin outreach to potential participants based on the priority system defined in participation agreements and the credit reimbursement policy to explore interest in Sites capacity, if available.

Detailed Description/Background:

Acting on feedback received at the April Reservoir Committee meeting, staff has developed a two-step cash call process with the following objectives:

- 1. Ensure continued full subscription in the rightsized project.
- 2. Provide more time prior to the first funding request in light of the COVID-19 natural disaster and its long-term financial impacts.
- 3. Identify other revenue sources and possibly reduce costs to further reduce the cash call.

Soft Call Preliminary Participation Results:

Soft call survey responses were due on May 15th and the results are summarized below:

- 17 out of 21 agencies have responded, representing 169,442 AF out of 192,892 AF (88%).
- On net it appears we can still achieve full subscription, but there is some reduction in participation levels and geographic balance will need to be addressed.
- Existing participants identified interest in 5,000 AF of additional capacity, if available.
- Prior participants expressed interest in 10,000 AF of capacity, if available.

Attachment A shows the preliminary participation results.

Potential Participant Outreach and Priority:

Soft call results indicate subscription will likely be reduced below the current level of 192,892 acre feet. Staff can begin outreach to potential participants and report back at the June meeting. The following priority will be given to participants based on the credit reimbursement policy:

1. The goal is total Sac Valley participation of ~25%. Priority is given to current, prior and new Sac Valley participants in that order.
2. Existing Reservoir Committee participating members (with sub-priorities by seniority)
3. Prior Reservoir Committee participating members (with sub-priorities by exit date)
4. Nonparticipants. Priority for new participants is to Sac Valley and then others.

New participants must be approved for admission according to Section 10 of the Participation Agreement, which includes a 75% weighted approval at the Reservoir Committee and 75% of Authority Board director approval as well as other requirements.

Per the credit reimbursement policy, new, returning, and increasing participants would be responsible for paying their share of the project costs to date. Departing or reducing participants would be frozen at the priority they left under. For returning participants, the new amount owed will be reduced by their contributed credit balance. The below table shows the prior and future participation commitments. Any prior commitments owed would be due along with the first invoice for Amendment 2 on Nov 1, 2020. Payment for prior commitments would be distributed according to the credit reimbursement policy.

Agreement / Work Plan	Cost / AF Participation	Period End
Phase 1	\$48.50/AF	Mar 31, 2019
Phase 2 (2019)	\$60/AF	Dec 31, 2019
Phase 2 (2019) Amendment 1B	\$0/AF	Aug 31, 2020
Prior Commitments Total*	\$108.50/AF	
Phase 2 (2019) Amendment 2	\$100/AF	Dec 31, 2021
Installment 1, Nov 1, 2020	\$60/AF	
Installment 2, Apr 1, 2021**	\$40/AF	
Phase 2 Future Commitments	\$100/AF	
Total Buy-in	\$208.50/AF	

* Prior commitment payments would be utilized per the credit reimbursement policy consistent with prior actions.

** Second installment is not-to-exceed \$40 and will be evaluated in early 2021.

Reduced Participation Scenario:

If after the outreach step participation remains reduced, the Amendment 2 work plan would need to be revised to reflect a reduction in revenue or there would

need to be an increase in the \$100/AF with reduced subscription. Exhibit A and Exhibit B to Amendment 2 would be updated to reflect final approved participation levels and the budget, respectively. These next steps would be discussed during future Reservoir Committee and Authority Board meetings.

Cash Call Timing:

The proposed cash call schedule is:

- \$60/AF due Nov 1, 2020
- Up to \$40/AF due Apr 1, 2021

The possibility of individual agencies opting to pay the full \$100/AF on November 1, 2020 has been discussed in the coordination work group. Participants would essentially be pre-paying the second cash call of up to \$40/AF (due April 1, 2021). Staff has explored possible financial and non-financial incentive scenarios.

The financial incentive considered was related to interest earned on prepaid funds. Assuming 50% of participants prepaid the full \$100/AF and the money was held for six months before other participants paid in, the total interest earned is estimated to be less than \$50,000. Based on this analysis, developing policies and systems for tracking interest at a participant level represent increases in administrative costs in excess of the benefit. Financial incentives are not planned based on this analysis.

The non-financial incentive for pre-payment relates to maintaining project schedule while accommodating delayed payment from agencies who have constraints with the timing of the funding request. This is not quantifiable but represents good will and commitment to the project.

Should an agency desire to prepay the full \$100/AF on November 1st, the Authority has the ability to track accounts receivable and maintain an accurate participant ledger.

Schedule:

Responses from the soft call indicate that the earliest planned board date is May and the latest planned board date is October. This range of schedules can be accommodated. The plan is to issue invoices October 1 at \$60/AF, due for payment on November 1.

Prior Action:

May 5, 2020: At a Reservoir Committee workshop, staff provided information on changes to the cash call process and schedule in light of potential economic impacts of the COVID-19 natural disaster on participating member agencies. A two-step cash call process including a "Soft Call" and a "Hard Call" will be used to better plan for changes in participation. The due date of the first cash call of \$60/AF will be moved two months out to November 1, 2020. The due date of the second cash call will be moved two months out to April 1, 2021 and will be up to \$40/AF. The Amendment 2 work will still begin on September 1, 2020.

April 17, 2020: The Reservoir Committee approved the Amendment 2 Work Plan for the purposes of planning cash calls for participants totaling \$100/AF, producing a draft budget exhibit to the participation agreement, and developing consultant task orders.

March 30, 2020: At a joint workshop, staff provided information that included a process overview of task order development; an updated project schedule; cash flows for Reservoir Committee and Authority Board; and preliminary task budgets including assigned resources.

March 19, 2020: Staff provided information on the goals, schedule, cash flow, and preliminary budget allocation by subject assuming a cash call of \$100/AF. Staff provided a preliminary cash call schedule of \$60/AF due September 1, 2020 and \$40 due February 1, 2021.

February 21, 2020: Staff provided information on three possible revenue scenarios and a task list for Amendment 2 (September 1, 2020 and ending December 31, 2021). Staff received direction to continue to develop the \$100/AF revenue scenario.

January 17, 2020: Staff provided information regarding the proposed process for developing a work plan. This work plan proposes to focus on improving certainty related to project operations, permitting, and affordability, and to meeting the January 1, 2022 Prop 1 (WSIP) milestone to remain eligible to receive funding.

Fiscal Impact/Funding Source:

The total cash call remains unchanged from the approved Amendment 2 work plan in the total amount of \$100/AF. With the Amendment 1B carryover funds it may be possible to reduce the total cash call. However, Staff proposes to keep the first call at \$60/AF and reassess the second call currently projected at \$40/AF midway through the Amendment 2 work. At that time, any adjustments to the second call can be considered based on the then current projections. Participating members can consider the second call to be an “up to” amount since the Amendment 1B carryover represents previously unanticipated funds for the Amendment 2 work plan.

Staff Contact:

Jerry Brown

Attachments:

Attachment A – Preliminary Amendment 2 Participation Table

Attachment B – Exhibit B Reservoir Committee 2020 and 2021 Work Plan

Preliminary Amendment 2 Participation Table Reservoir Committee

Based on preliminary soft call survey results as of 12pm Wednesday, 5/20/2020

Working Draft, Subject to Change

Participant	Phase 2 (2019) Participation Level (Ref, AF)	Participation Level (AF) Staff Recommendation	Variance (AF)	Participation Increase Interest (AF)
Carter Mutual Water Company	300	300	0	
City of American Canyon	4,000	4,000	0	
Coachella Valley Water District	10,000	10,000	0	
Colusa County	10,000	10,000	0	
Colusa County WD	11,975	11,000	-975	Possibly
Davis Water District	2,000	2,000	0	
Dunnigan WD	2,717	2,717	0	
Glenn Colusa Irrigation District	5,000	5,000	0	
LaGrande water district	1,000	1,000	0	
Metropolitan Water District of Southern California	50,000	50,000	0	
RD-108	4,000	4,000	0	
San Bernardino Valley Municipal Water District	21,400	21,400	0	
San Geronio Pass Water Agency	14,000	14,000	0	
Santa Clarita Valley Water Agency	5,000	5,000	0	5,000
Westside W.D.**	15,000	2,000	-13,000	
Zone 7 Water Agency	10,000	10,000	0	
Wheeler Ridge-Maricopa WSD	3,050	3,050	0	
Antelope Valley East Kern WA	500	0	-500	
Cortina WD	450	0	-450	
Desert WA	6,500	0	-6,500	
Pacific Resources MWC*	0	0	0	10,000
Santa Clara Valley WD	16,000	0	-16,000	
Total	192,892	155,467	-37,425	15,000

*Phase 1 participant, no survey response received. Interest expressed by a responding Phase 2 participant.

**Indicated possibility for higher participation, lower projected participation level shown

Blue text indicates no survey response received

Exhibit B
Reservoir Committee
2020 and 2021 Work Plan

May 21, 2020 Reservoir Committee Working Draft

Reservoir Committee Annual Budget for FY 2020 and FY 2021 (\$000)

Reservoir Committee Annual Budget for FY 2020 and FY 2021 (\$000)				
	Subject Area	2020	2021	Total
Revenue	Beginning Balance	\$6,847	\$0	\$6,847
	Participation Revenue	\$11,520	\$7,680	\$19,200
	Federal Revenue	\$0	\$4,000	\$4,000
	State Revenue	\$5,134	\$5,502	\$10,636
Revenue Total		\$23,501	\$17,182	\$40,683
Expenses	Permitting	(\$2,558)	(\$5,011)	(\$7,569)
	Early Mitigation	(\$243)	(\$2,257)	(\$2,500)
	Environmental Planning	(\$3,511)	(\$2,376)	(\$5,887)
	Operations Modeling	(\$3,486)	(\$536)	(\$4,022)
	Engineering	(\$4,360)	(\$2,180)	(\$6,540)
	Geotechnical	(\$1,142)	(\$2,003)	(\$3,145)
	Real Estate	(\$145)	(\$272)	(\$417)
	Communications	(\$489)	(\$579)	(\$1,068)
	Project Controls	(\$1,333)	(\$1,528)	(\$2,861)
	Funding	(\$777)	(\$590)	(\$1,367)
	Growth	(\$819)	(\$910)	(\$1,729)
	Management	(\$461)	(\$1,219)	(\$1,681)
	Support	(\$248)	(\$388)	(\$636)
Expenses Total		(\$19,573)	(\$19,848)	(\$39,422)
Grand Total		\$3,928	(\$2,666)	\$1,261

Annual expense budgets are based on the projected spend rate for the Amendment 1B and Amendment 2 work plans combined (Pg 2 and 3).

Amendment 1B Budget by Month (\$000s)

Reservoir Committee Work Plan Summary

Subject Area	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Total
Revenue									
Beginning Balance*	\$6,847								\$6,847
Participation Revenue									\$0
Federal Revenue									\$0
State Revenue	\$3,300								\$3,300
Revenue Sum	\$10,147								\$10,147
Expenses									
Environmental Planning	(\$269)	(\$245)	(\$269)	(\$269)	(\$245)	(\$257)	\$0	\$0	(\$1,555)
Operations Modeling	(\$519)	(\$472)	(\$355)	(\$220)	(\$116)	(\$85)	(\$55)	(\$53)	(\$1,876)
Engineering	\$0	(\$151)	(\$237)	(\$239)	(\$247)	(\$272)	(\$248)	(\$205)	(\$1,600)
Geotechnical	\$0	\$0	(\$27)	(\$118)	(\$107)	(\$118)	(\$118)	(\$113)	(\$601)
Real Estate	(\$7)	(\$6)	(\$7)	(\$7)	(\$6)	(\$7)	(\$7)	(\$7)	(\$55)
Communications	(\$38)	(\$35)	(\$38)	(\$38)	(\$35)	(\$38)	(\$38)	(\$36)	(\$297)
Project Controls	(\$255)	(\$77)	(\$85)	(\$85)	(\$77)	(\$85)	(\$85)	(\$81)	(\$828)
Funding	(\$74)	(\$109)	(\$120)	(\$121)	(\$104)	(\$61)	(\$37)	(\$35)	(\$661)
Growth	(\$93)	(\$84)	(\$93)	(\$93)	(\$84)	(\$93)	(\$93)	(\$88)	(\$719)
Management	\$0	\$0	\$0	(\$1)	(\$23)	(\$25)	(\$9)	\$0	(\$58)
Support	(\$15)	(\$14)	(\$15)	(\$15)	(\$14)	(\$15)	(\$15)	(\$15)	(\$120)
Expenses Sum	(\$1,271)	(\$1,194)	(\$1,247)	(\$1,206)	(\$1,059)	(\$1,056)	(\$705)	(\$633)	(\$8,370)

*Adjusted from value published in work plan based on 2019 close-out

Amendment 2 Budget by Month (\$000s)

Reservoir Committee Work Plan Summary

Subject Area	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Oct 21	Sep 21	Nov 21	Dec 21	Total
Revenue																	
Participation Revenue			\$11,520					\$7,680									\$19,200
Federal Revenue							\$2,000				\$2,000						\$4,000
State Revenue			\$1,834			\$1,834						\$1,834			\$1,834		\$7,336
Revenue Total			\$13,354			\$1,834	\$2,000	\$7,680			\$2,000	\$1,834			\$1,834		\$30,536
Expenses																	
Permitting	(\$253)	(\$577)	(\$1,023)	(\$705)	(\$525)	(\$525)	(\$584)	(\$471)	(\$419)	(\$448)	(\$295)	(\$309)	(\$295)	(\$295)	(\$613)	(\$232)	(\$7,569)
Early Mitigation	\$0	\$0	(\$113)	(\$131)	(\$119)	(\$119)	(\$136)	(\$131)	(\$119)	(\$235)	(\$231)	(\$242)	(\$231)	(\$231)	(\$220)	(\$242)	(\$2,500)
Environmental Planning	(\$488)	(\$512)	(\$442)	(\$513)	(\$474)	(\$474)	(\$218)	(\$71)	(\$65)	(\$71)	(\$61)	(\$62)	(\$216)	(\$42)	(\$343)	(\$279)	(\$4,332)
Operations Modeling	(\$621)	(\$680)	(\$232)	(\$78)	(\$71)	(\$71)	(\$81)	(\$72)	(\$43)	(\$48)	(\$46)	(\$48)	(\$11)	(\$46)	\$0	\$0	(\$2,146)
Engineering	(\$1,134)	(\$768)	(\$398)	(\$461)	(\$108)	(\$185)	(\$355)	(\$292)	(\$221)	(\$190)	(\$161)	(\$186)	(\$155)	(\$155)	(\$147)	(\$25)	(\$4,941)
Geotechnical	(\$52)	(\$54)	(\$61)	(\$374)	(\$346)	(\$461)	(\$513)	(\$134)	(\$124)	(\$172)	(\$42)	(\$44)	(\$42)	(\$42)	(\$40)	(\$42)	(\$2,544)
Real Estate	(\$23)	(\$24)	(\$20)	(\$24)	(\$21)	(\$21)	(\$25)	(\$24)	(\$21)	(\$24)	(\$23)	(\$24)	(\$23)	(\$23)	(\$21)	(\$24)	(\$362)
Communications	(\$48)	(\$50)	(\$43)	(\$50)	(\$46)	(\$46)	(\$52)	(\$50)	(\$46)	(\$50)	(\$48)	(\$50)	(\$48)	(\$48)	(\$46)	(\$50)	(\$771)
Project Controls	(\$126)	(\$132)	(\$114)	(\$132)	(\$120)	(\$120)	(\$138)	(\$132)	(\$120)	(\$132)	(\$126)	(\$132)	(\$126)	(\$126)	(\$120)	(\$132)	(\$2,033)
Funding	(\$29)	(\$30)	(\$26)	(\$30)	(\$64)	(\$66)	(\$76)	(\$73)	(\$66)	(\$71)	(\$29)	(\$30)	(\$29)	(\$29)	(\$28)	(\$30)	(\$706)
Growth	(\$25)	(\$26)	(\$23)	(\$26)	\$0	\$0	(\$38)	(\$36)	(\$33)	(\$36)	(\$35)	(\$154)	(\$146)	(\$146)	(\$139)	(\$148)	(\$1,010)
Management	(\$101)	(\$106)	(\$91)	(\$106)	(\$96)	(\$96)	(\$110)	(\$106)	(\$96)	(\$106)	(\$101)	(\$106)	(\$101)	(\$101)	(\$96)	(\$106)	(\$1,623)
Support	(\$32)	(\$34)	(\$29)	(\$34)	(\$31)	(\$31)	(\$35)	(\$34)	(\$31)	(\$34)	(\$32)	(\$34)	(\$32)	(\$32)	(\$31)	(\$34)	(\$516)
Expenses Total	(\$2,931)	(\$2,994)	(\$2,616)	(\$2,663)	(\$2,020)	(\$2,214)	(\$2,362)	(\$1,624)	(\$1,404)	(\$1,616)	(\$1,230)	(\$1,422)	(\$1,454)	(\$1,314)	(\$1,844)	(\$1,345)	(\$31,052)