



Topic: **Joint Authority Board & Reservoir
Committee Agenda Item 2.2**

2020 September 17

Subject: **Preliminary Participation Levels and Invoices**

Requested Action:

Consider Approval to release invoices for first cash call at \$60/AF to be due November 1, 2020. Receive status update on preliminary participation levels, outreach efforts related to maintaining project subscription in Second Amendment to 2019 Reservoir Project Agreement (Amendment 2) and the process of rebalancing participation.

Detailed Description/Background:

Preliminary Participation Levels:

Soft call results and participation agreement status have been updated and are included in Attachment A. All but five agencies have completed their approvals.

Potential for Other Participants:

Staff has received communication from Rosedale Rio Bravo Water Storage District in Kern County that their board has authorized an interest in participating at a 500 acre-foot level. Also, Irvine Ranch Water District staff will be reviewing participation with the Board water resources committee on 9/17. The other San Joaquin Valley parties who previously showed interest have not been responsive. Two new parties in Madera County reached out to the Sites team but are not in a position to secure funding at this time. They would like to be considered in future rebalancings.

Reclamation's draft Final Feasibility Report finds that there is a federal interest in the project and federal investment is warranted. This can be considered an expression of interest by Reclamation. It is not yet timely to allocate capacity shares to Reclamation, but their interest is something the Authority Board and Reservoir Committee should consider as it deliberates actions to be taken to achieve full subscription.

Invoices:

The Amendment 2 work plan calls for a first cash call of \$60/AF due on November 1, 2020. The timing of this invoice is important for meeting the work plan's milestone schedule and maintaining a positive cash flow. Staff is requesting approval to send invoices to participants for either a) the participation level indicated in the agency's executed second amendment or b) the agency's current phase 2 participation level when no executed second amendment or staff recommendation has been received by Sites staff. Should participation levels change after issuance of invoices, a revised invoice can be sent with the corrected amount due and the same due date of November 1, 2020.

Outreach and Rebalancing:

Staff has initiated outreach to existing, prior and new participants in the Sacramento Valley to determine interest in additional capacity. Existing members, Colusa County Water District and Westside Water District, are in the

process of polling for increased participation interest. No prior or new interested parties have stepped forward within the Sacramento Valley at this time. Staff has moved through priority two and three of outreach and is currently in priority four, providing an update at the October meeting.

As a reminder, new and returning 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.

For reference, the approved priority system is as follows:

1. The goal is total Sacramento Valley participation of ~25%. Priority is given to current, prior and new Sacramento 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 outside of Sacramento Valley.

The process for a participant securing a position in the participation queue involves the following steps:

- Participants submit a letter of intent for new or increased participation prior to October 10, 2020 to secure a position in the queue. The letter should acknowledge the potential financial commitment.
- Staff prioritizes requests based on the approved rebalancing priority system and conducts due diligence on the interested party.
- At the October meetings, the Reservoir Committee and Authority Board direct staff to offer capacity to participants in the queue.

Schedule:

The following items will be considered at the Reservoir Committee and Authority Board at their monthly meetings:

- October: Approval of participation queue, vote to onboard new participants. Final participation levels for current and new members (executed agreements). approval of the final Exhibit A to the Participation Agreement, invoices sent for payment.
- November: First invoice due, includes first cash call and any prior commitments due for new or increasing participants. Staff receives direction on use of any credit reimbursement policy prior commitment payments from new or increasing participants.

Prior Action:

August 26, 2020: Received a status update on preliminary participation levels, outreach efforts related to maintaining project subscription in Second Amendment to 2019 Reservoir Project Agreement (Amendment 2) and the process of rebalancing participation. Participants provided staff informal updates on their participation agreement approval processes.

July 22, 2020: The Reservoir Committee received a status update on preliminary participation levels, outreach efforts related to maintaining project subscription in Second Amendment to 2019 Reservoir Project Agreement (Amendment 2) and the process of rebalancing participation. Staff notified the Reservoir Committee that outreach was proceeding to priorities two and three.

June 18, 2020: The Reservoir Committee received a status update on preliminary participation levels, outreach efforts related to maintaining project subscription in Second Amendment to 2019 Reservoir Project Agreement (Amendment 2) and the process of rebalancing participation.

May 21, 2020: The Reservoir Committee accepted Exhibit B (2020 and 2021 budget) to the Second Amendment to 2019 Reservoir Project Agreement and directed staff to begin outreach to potential participants based on the proposed priority system to explore interest in Sites capacity, if available.

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.

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 period. 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.

Preliminary Amendment 2 Participation Table Reservoir Committee

Working Draft, Subject to Change

Participant	Amendment 2 Agreement Status	Phase 2 (2019) Participation Level (Ref, AF)	Participation Level (AF) or Staff Recommendation	Variance (AF)	Participation Increase Interest (AF)
Antelope Valley East Kern WA	Approved	500	500	0	
Carter Mutual Water Company		300	300	0	
City of American Canyon	Approved	4,000	4,000	0	
Coachella Valley Water District	Approved	10,000	10,000	0	
Colusa County	Approved	10,000	10,000	0	
Colusa County WD**	Approved	11,975	9,373	-2,602	
Cortina WD		450	450	0	
Davis Water District	Approved	2,000	2,000	0	
Dunnigan WD	Approved	2,717	2,717	0	
Desert WA	Approved	6,500	6,500	0	
Glenn Colusa Irrigation District	Approved	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	Approved	4,000	4,000	0	
San Bernardino Valley Municipal Water District	Approved	21,400	21,400	0	
San Geronio Pass Water Agency	Approved	14,000	14,000	0	
Santa Clara Valley WD***		16,000	7,800	-8,200	
Santa Clarita Valley Water Agency	Approved	5,000	5,000	0	
Westside W.D.**	Approved	15,000	2,000	-13,000	
Zone 7 Water Agency	Approved	10,000	10,000	0	
Wheeler Ridge-Maricopa WSD	Approved	3,050	3,050	0	
Irvine Ranch Water District*		0	0	0	5,000
Rio Bravo Rosedale Water District*	In Queue	0	0	0	500
Total		192,892	169,090	-23,802	5,500

Changes from Aug Reservoir Committee Meeting

*New or returning participant indicating interest

7

***This is staff's recommendation to the Water Storage Exploratory Committee. A recommendation to the Board is pending feedback from the committee.