



Topic: **Joint Authority Board and Reservoir Committee Agenda Item 3.1** **2020 September 17**

Subject: **Review Activities Needed to Achieve 75% Local Cost Share Commitment by Jan 1, 2022**

Requested Action:

Provide direction on the assurances participants need in order to make a commitment to fund their share of costs for the Sites Reservoir Project by January 1, 2022 to comply with the Proposition 1 funding requirements.

Detailed Description/Background:

In August, a revised Amendment 2 Work Plan was approved. The work plan included an operating budget through the end of 2021 with a start date of September 1, 2020. A \$1.5 million placeholder was established in the budget to resource the work needed to achieve the 75% local cost share commitment, a requirement under Prop 1 (WSIP). Further direction is needed from the Board to define the activities and deliverables the participating members require to confirm their local cost share commitment. The Prop 1 requirement includes no specific definition of what constitutes the commitment so there appears to be latitude to self-define.

On a broad level, it seems that information answering the following "three big questions" would represent an appropriate framework for providing project agreement participants and Authority Board members with project assurances that would facilitate making the necessary local cost share commitment. Also, since the Prop 1 requirement precedes the State's final contractual commitment of funding, having these questions answered for the local cost share should suffice to meet the State's requirement as well. This is an issue we would engage the CWC staff on once there is Board concurrence with the approach. The proposed "three big questions" are:

- What do we get? ("we" refers to the individual participating agency)
- What does it cost us? ("us" refers to the individual participating agency)
- How do we pay for it? ("we" refers to all of the local agencies together)

The initial discussion involving this topic at the August Strategic Planning session was informative. Additional analysis has been conducted and actions and deliverables have been assigned under each of the "three big questions" as shown in the attached presentation slides for your consideration. Further direction is needed to ensure:

- Staff understands what each individual agency needs to commit to long term financing and project participation.
- The right action plan is in place to provide member assurances within the \$1.5 million placeholder in the Amendment 2 Workplan.

After receiving input from the Reservoir Committee and Authority Board in September 2020, staff plans to bring a focused Project Financing Action Plan (scope, schedule and budget) and contracts forward for approval in October 2020 to execute the required scope. The anticipated resources include project controls consultant, Brown and Caldwell, for overall task leadership, Montague DeRose and Associates for municipal advisory services, Stradling Yocca Carlson and Rauth for bond counsel services, and The Catalyst Group for as-needed facilitation support and strategic plan alignment. No new resources are anticipated.

The Project Financing Action Plan that will be considered in October 2020 represents the Authority's strategy for advancing next steps for Strategic Plan Goal 1 (Affordability) and Goal 4 (Effective).

The development, approval and execution of a Project Financing Action Plan relates to the following Organizational Assessment Action Items:

- 6.1 – Determine process/schedule to deliver cost per acre-foot and long-term debt information to project investors.
- 10.1 – Determine process/schedule to deliver cost of storage vs. cost of yield in a tiered pricing approach.
- 16.2 – Explore the concept of beneficiary pays to account for benefits received by each investor and a tiered pricing approach.

Prior Action:

None

Fiscal Impact/Funding Source:

The \$1.5 million placeholder in the Amendment 2 Work Plan, listed under the line item "Plan of Finance", is anticipated to be sufficient to cover required task orders and task order amendments in support of this effort. The development of the Project Financing Action Plan is included in the Brown and Caldwell Task Order 3.0.

Staff Contact:

JP Robinette

Attachments:

Attachment A – Cost Share Commitment Presentation

JOINT RESERVOIR COMMITTEE / AUTHORITY BOARD MEETING

SEPTEMBER 17, 2020

**Agenda Item 3.1: Review Activities Needed to
Achieve 75% Local Cost Share Commitment
by Jan 1, 2022**

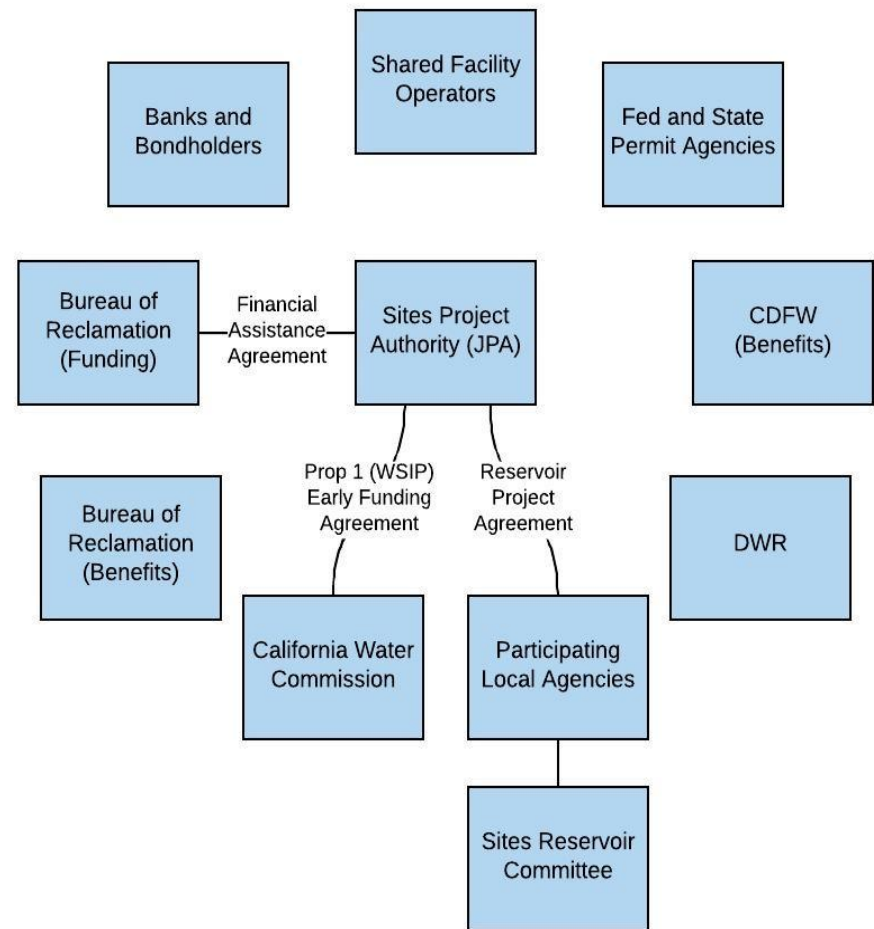


Strategic Plan Goals



What Constitutes 75% Local Cost Share Commitment?

- Prop 1 requires 75% local cost share commitment by 1/1/22.
- No specific conditions are specified in Prop 1.
- Project participants have the opportunity to “self-define”.
- This diagram illustrates the major agreements that are in play.
- \$1.5M placeholder budget currently.



Desired Outcomes Today

- Confirm that the “three big questions” represent the right framework:
 1. What do we get?
 2. What does it cost us?
 3. How do we pay for it?
- Within this framework, agree what agencies collectively need from the Sites team to commit 75% local cost share by 1/1/22 to meet Prop 1 requirements.
- Provide direction to bring an action plan back in October with resources needed to create activities and deliverables that answer the “big three questions”.
- Keep the scope within the \$1.5 million placeholder in the Amendment 2 Workplan.

Poll Instructions

- 2 response methods:
 - Online via - pollev.com/christinarom073
 - Text "CHRISTINAROM073" to 22333
- Anonymous Responses
- Results will be kept for future reference

Poll Question 1

This list represents all of the things individual agencies are seeking from the project:

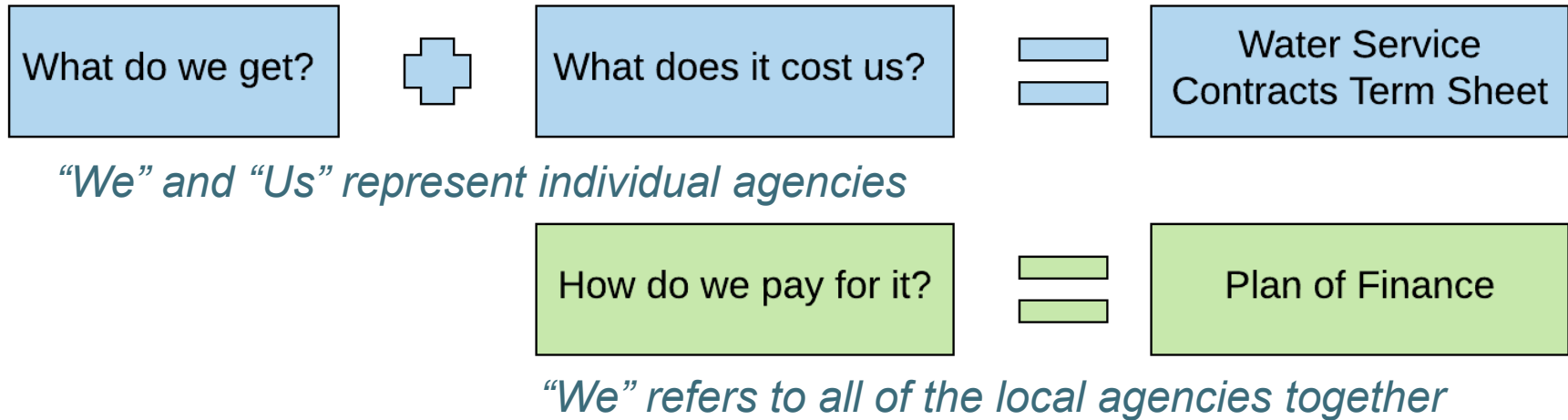
- Annual water supply
- Dry year supply
- Storage
- Water transfers
- Operational flexibility with SWP or CVP
- Environmental benefits
- Local flood control
- New recreation opportunities
- Local economy benefits
- Water Transfers

Multiple choice responses

If other, please explain

Two Key Deliverables

We anticipate that all the assurances needed for agencies to commit to their share of the project are summed up in these two key deliverables.



What do we get? (individual agency)

Inputs:

- Updated operations modeling
- Risk assessment*
- Allocation of benefits and risks
- Delivery Conditions

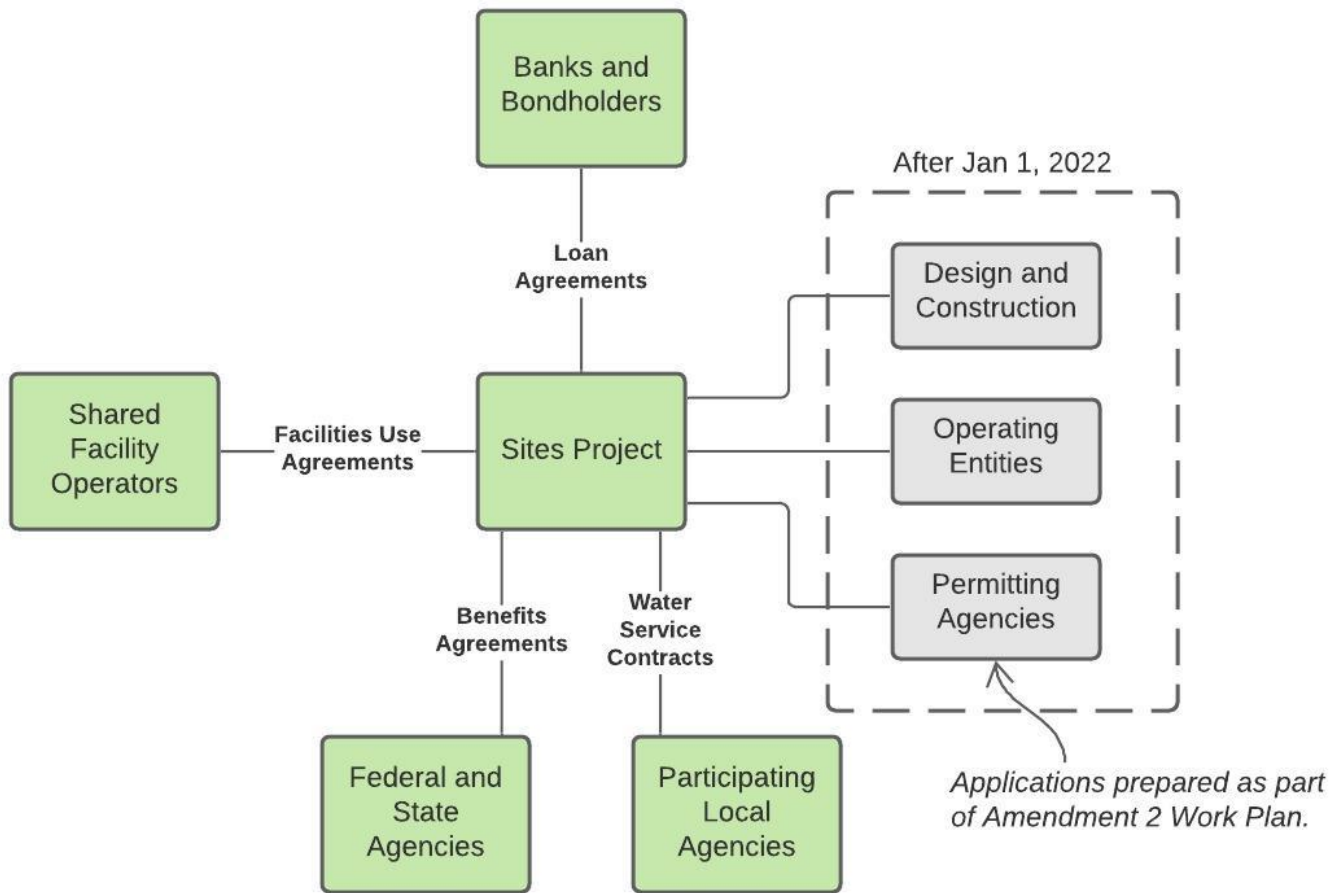
*achieving permits and approvals certainty from regulatory agencies is critical to local cost share commitment, however it is NOT the focus of this discussion.

What do we get? (individual agency)

Deliverables:

- Updated project pro forma – estimated delivered water supplies by participant for different water year types.
- Updated Prop 1 benefits analysis to confirm State funding.
- Confirmed level of federal participation.
- Water service contract term sheet.
- Updated storage policy.
- Operating agreement term sheets with DWR and BOR

Sites Project Assurances Diagram



Elements to be advanced in Amendment 2. An action plan and detailed budget will be developed and brought to the Reservoir Committee and Authority Board in October 2020.

What does it cost us? (individual agency)

Inputs:

- Construction cost estimates
- Operating cost assumptions
- Feasibility Analysis

Deliverables:

- Facility use agreements term sheets (GCID, TCCA, Colusa Basin Drain).
- Beneficiary pays analysis and update to affordability.
- Updated project pro forma – annual cost estimates by agency for varying operating conditions.
- General understanding of WIIN Funding potential to the project.
- Updated estimates of Prop 1 state funding based on updated benefits analysis.

How do we pay for it? (the team)

Inputs:

- Financing alternatives
- Debt structure
- Project design and construction schedule with estimated annual cash flow

Deliverables:

- Updated project plan of finance.
- Successor agreement and work plan (post 1/1/22).
- WIFIA loan application (possibly).
- Clarification of USDA loan conditions.
- Consideration of RC and AB roles and responsibilities for risk allocation.

Risk allocation among the Authority Board and Reservoir Committee

The following is excerpted from the Nov 2016 JPA bylaws and describes the agreed upon roles of the Authority Board.

Role of Board: To provide the overall policy direction and consider approval of activities and actions of the Authority, including approval of the following matters:

- For the Proposition 1, Chapter 8 grant, manage compliance with the terms and conditions of its award.
- Be the CEQA lead agency and work with USBR as the NEPA lead agency to efficiently manage the environmental review process.
- Hold title to the water rights issued by the State Water Resources Control Board.
- Be the owner of record as it related to the dam safety requirements and regulatory obligations.
- Be the applicant for all applicable permits and manage compliance with the respective terms and conditions.
- Review decisions at Project Agreement level to ensure they are in the best interest of the Sites Reservoir Project.
- Acquire property, easements and rights-of-way.

As the project moves through development, the risk allocation associated with these items should be discussed.

Summary of Activities and Deliverables to achieve 75% local cost share commitment

What do we get?

- Updated project pro forma – estimated delivered water supplies by participant for different water year types.
- Updated Prop 1 benefits analysis to confirm State funding.
- Confirmed level of federal participation.
- ***Water service contract term sheet.***
- Updated storage policy.
- Operating agreement term sheets with DWR and BOR

What does it cost us?

- Facility use agreements term sheets (GCID, TCCA, Colusa Basin Drain).
- Beneficiary pays analysis and update to affordability.
- Updated project pro forma – annual cost estimates by agency for varying operating conditions.
- General understanding of WIIN Funding potential to the project.
- Updated estimates of Prop 1 state funding based on updated benefits analysis.

How do we pay for it?

- ***Updated project plan of finance.***
- ***Successor agreement and work plan (post 1/1/22).***
- WIFIA loan application (possibly).
- Clarification of USDA loan conditions.
- Consideration of RC and AB roles and responsibilities for risk allocation.

Items in bold/italics represent deliverables to CWC for Prop 1 compliance

Poll Question 2

Are there any other information needs and/or assurances your agency will require from the Sites team to make your local cost share commitment?

Options: Yes, No

If no, please explain

Next Steps

- Action Plan and Roadmap in October 2020
- Task Orders in October 2020
 - Task Lead – Brown and Caldwell
 - Municipal Advisor – Montague DeRose
 - Bond Counsel - Stradling Yocca Carlson and Rauth
 - Strategic Planner – The Catalyst Group
- Achieve 75% local cost share commitment
December 31, 2021