

**Requested Action:**

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. In summary:

- Based on initial results, full subscription can be achieved.
- Based on projected, reduced participation from Sacramento Valley, approximately 13,000 AF may be available. The Reservoir Committee and Authority Board in May 2020 requested that outreach be conducted to try to achieve the 25% goal for Sacramento Valley participation.
- Outside of the Sacramento Valley, current participants identified interest in 5,000 AF and prior participants expressed interest in 10,000 AF of additional capacity, if available.

**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 is moving to priority two and three of outreach and will provide an update at the August 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 September 10, 2020 to secure a position in the queue. The letter should acknowledge the potential financial commitment. Attachment A shows the remaining contributed credit that participants can apply to prior participant payments.
- Staff prioritizes requests based on the approved rebalancing priority system.
- At the September 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:

- August: Outreach update.
- September: Final participation levels for current members (executed agreements), approval of participation queue, vote to onboard new participants.
- October: Final participation levels for new members (executed agreements), approval of the final Exhibit A to the Participation Agreement, invoices sent for payment.

#### **Prior Action:**

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.

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.

## Preliminary Amendment 2 Participation Table Reservoir Committee

Based on preliminary soft call survey results as of 12pm Wednesday, 7/1/2020

Working Draft, Subject to Change

Participant	Amendment 2 Agreement Status	Phase 2 (2019) Participation Level (Ref, AF)	Participation Level (AF) Staff Recommendation	Variance (AF)	Participation Increase Interest (AF)
Antelope Valley East Kern WA		500	500	0	
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	Approved	10,000	10,000	0	
Colusa County WD**		11,975	11,000	-975	Possibly
Cortina WD		450	450	0	
Davis Water District		2,000	2,000	0	
Dunnigan WD		2,717	2,717	0	
Desert WA		6,500	6,500	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	Approved	21,400	21,400	0	
San Geronio Pass Water Agency		14,000	14,000	0	
Santa Clara Valley WD***		16,000	16,000	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	
Pacific Resources MWC*		0	0	0	10,000
<b>Total</b>		<b>192,892</b>	<b>178,917</b>	<b>-13,975</b>	<b>15,000</b>

\*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

\*\*\*Response is pending, full participation assumed by Sites staff