



Topic: **Reservoir Committee Agenda Item 2.4** **2020 October 16**

Subject: **Project Financing Action Plan**

Requested Action:

Accept the Project Financing Action Plan defining approach, schedule, resources and budget, and next steps to meet 75% local cost share requirement for Prop 1 by January 1, 2022.

Detailed Description/Background:

In August 2020, 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 by January 1, 2022, a requirement under Prop 1 (WSIP). The Prop 1 requirement includes no specific definition of what constitutes the commitment so there appears to be latitude to self-define.

At the joint Reservoir Committee and Authority Board September 2020 meeting, there was concurrence on a set of deliverables to achieve the required local cost share commitment and direction was given to prepare an action plan involving these items. Poll results from that presentation are included in Attachment C.

The action plan in Attachment A represents the Authority's strategy for advancing next steps for Strategic Plan Goal 1 (Affordability) and Goal 4 (Effective) and contains an approach and process for securing local cost share commitment, a schedule for these activities, a set of resources and associated budgets needed, and recommended next steps.

The action plan:

- Allocates \$931,000 of the \$1,500,000 work plan budget. Unallocated funds remain in the action plan budget and will be committed only upon future approval by the Reservoir Committee and Authority Board.
- Demonstrates the need for Authority Board and Reservoir Committee items and required decisions related to principles of agreements with shared facilities and principles for allocation of costs, risks, and benefits.
- Defines key inputs to the process and schedule dependencies with other project work such as operations, feasibility cost estimates and schedules, and an updated storage policy.
- Results in meeting the Prop 1 requirement for 75% local cost share by January 1, 2022 through Authority Board and Reservoir Committee approval of the following:

- Plan of Finance
- Storage and Supply Services Contract (SSSC) Term Sheet
- Successor Agreement and Work Plan (for activities post Jan 1, 2022)

The proposed action plan in Attachment A was reviewed with the Budget and Finance Committee and there were no recommended changes.

Following approval of this action plan, the following implementation steps are recommended:

1. Approve task orders for identified resources in October 2020.
2. Establish an appropriate work group / committee for the local cost share commitment effort.
3. Execute necessary organizational reporting changes as shown in the updated organizational chart found in Attachment B.
4. Begin facilities use agreement negotiations through delegation of lead negotiator responsibilities.

Prior Action:

September 17, 2020: Provided 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.

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.

Staff Contact:

JP Robinette

Attachments:

Attachment A – Project Financing Action Plan

Attachment B – Updated Organizational Chart

Attachment C – Cost Share Commitment Presentation Polling Results

Project Financing Action Plan Technical Memorandum



To: Reservoir Committee and Authority Board
CC: Budget and Finance Committee
Date: October 8, 2020
From: JP Robinette
Authority Agent Review by: Jerry Brown
Subject: Project Financing Action Plan

1.0 Introduction

In August 2020, 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), which is administered by the California Water Commission (CWC). The Prop 1 requirement includes no specific definition of what constitutes the commitment so there appears to be latitude to self-define.

At the joint Reservoir Committee and Authority Board September 2020 meeting, there was concurrence on a set of deliverables to achieve the required local cost share commitment and direction was given to prepare an action plan involving these items.

This action plan represents the Authority's strategy for advancing next steps for Strategic Plan Goal 1 (Affordability) and Goal 4 (Effective) and contains an approach and process for securing local cost share commitment, a schedule for these activities, a set of resources and associated budgets needed, and recommended next steps.

2.0 Cost Share Commitment Approach and Process

At the September joint meeting, it was confirmed that information answering the following "three big questions" represents 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 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 assurances needed for agencies to commit to their share of the project are summed up in two key deliverables: the storage and supply services contract term sheet and the plan of finance (Figure 1). The process for developing these key deliverables is outlined in Figure 2.

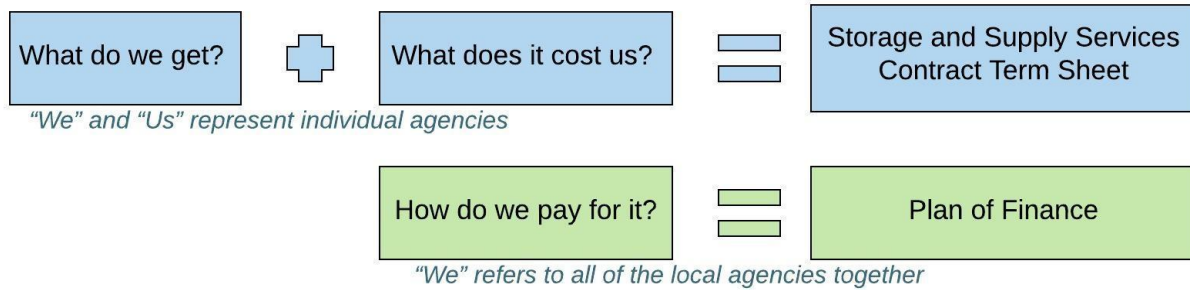


Figure 1. Member Assurances

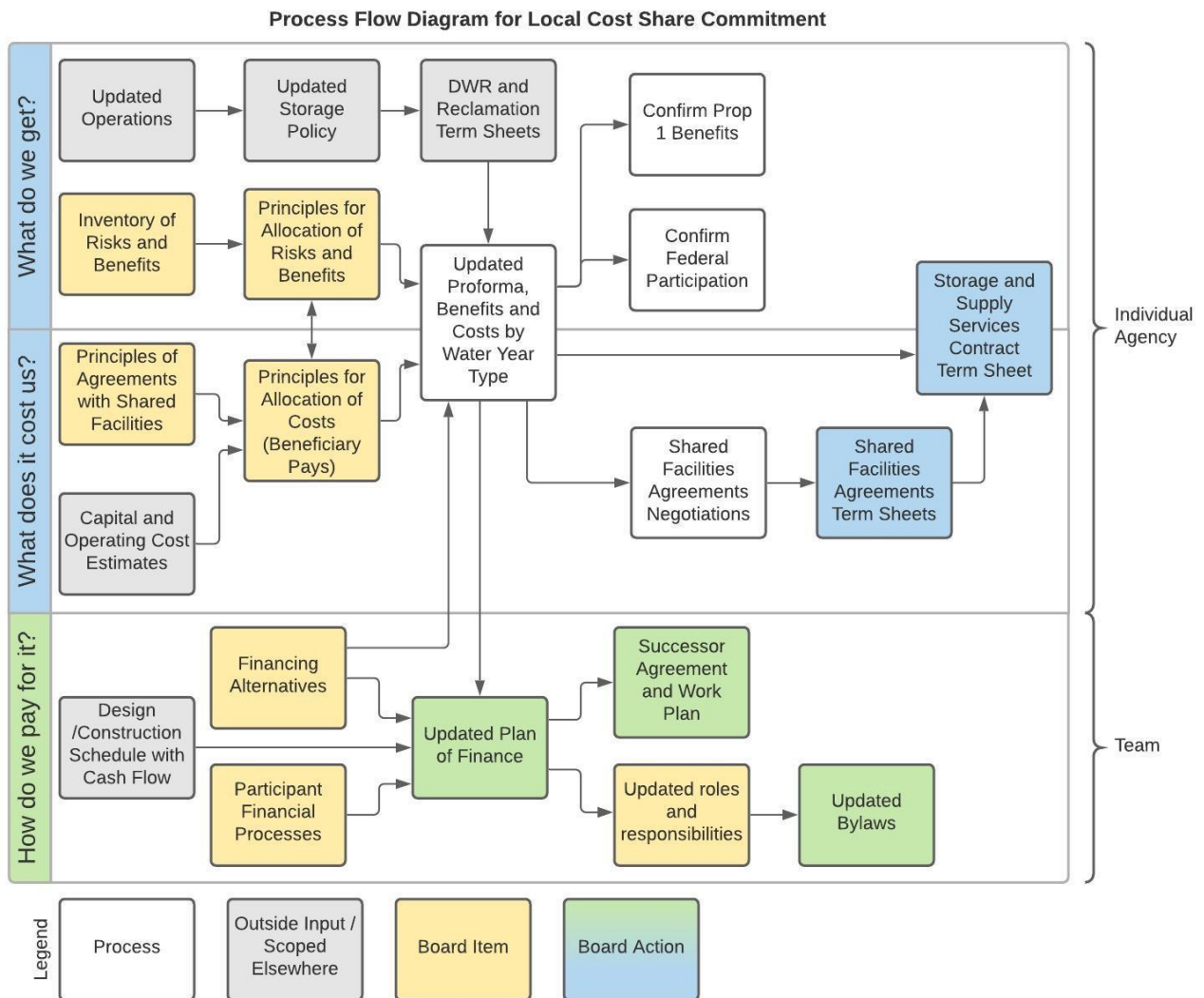


Figure 2. Cost Share Commitment Process

Confirmation will be sought from CWC staff, but it is assumed that Reservoir Committee and Authority Board approval of the following deliverables will satisfy the Prop 1 requirement of 75% local cost share commitment by Jan 1, 2022:

- Plan of Finance
- Storage and Supply Services Contract (SSSC) Term Sheet
- Successor Agreement and Work Plan (for activities post Jan 1, 2022)

In order to complete a term sheet for the SSSC it is expected that shared facilities term sheets for the use of the Glenn Colusa Irrigation District facilities, Tehama Colusa Canal Authority Facilities, and the Colusa Basin Drain will be required. Additionally, should the updated plan of finance impact roles and responsibilities between the Reservoir Committee and Authority Board, an update to the Authority Bylaws would be required.

3.0 Schedule

To meet the Prop 1 due date of 75% local cost share commitment by January 1, 2022, the schedule in Figure 3 has been developed. Critical outside process that impact the schedule are shown in grey.

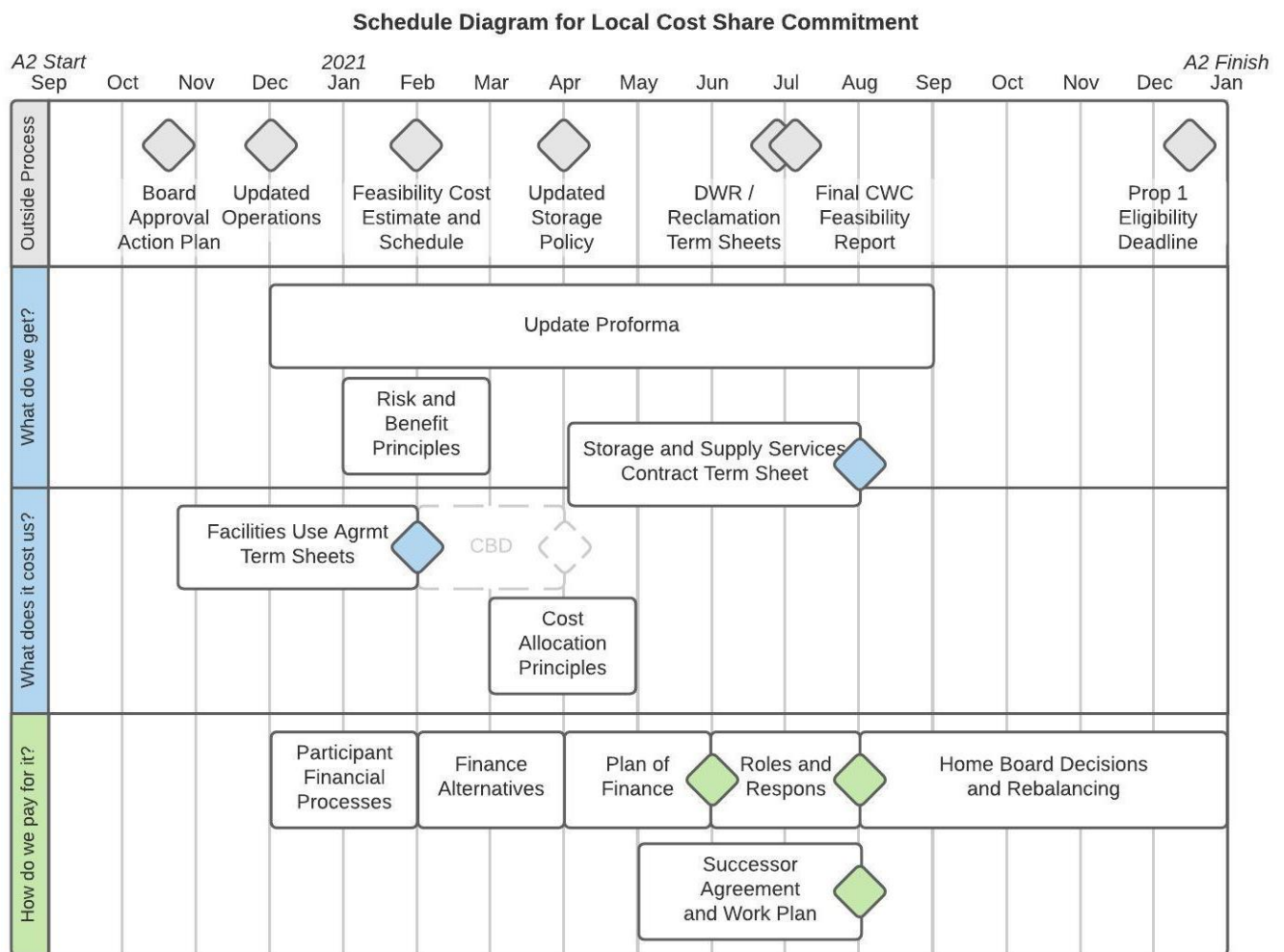


Figure 3. Cost Share Commitment Schedule

4.0 Resources and Budget

The anticipated resources include to deliver the scope on schedule include the 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. Task orders have been developed for these resources and are to be considered at the October Reservoir Committee and Authority Board meetings. Table 1 shows a summary of costs by deliverable for each firm compared to the approved work plan. Unallocated funds remain and will be committed only upon future approval by the Reservoir Committee and Authority Board.

Table 1. Cost Share Commitment Resources

Deliverable / Firm	Work Plan Budget Incl. Placeholder* (\$k)	October '20 Budget Allocations (\$k)
Plan of Finance	\$289	\$447
Brown and Caldwell	\$39	\$169
The Catalyst Group		\$40
Montague DeRose and Associates	\$250	\$148
Stradling Yocca Carlson & Rauth		\$90
Shared Facilities Term Sheets		\$105
Brown and Caldwell		\$105
Storage and Supply Services Contract Term Sheet		\$379
Brown and Caldwell		\$379
Plan of Finance Placeholder	\$1,211	\$569
Unallocated	\$1,211	\$569
Work Plan Budget	\$1,500	\$1,500

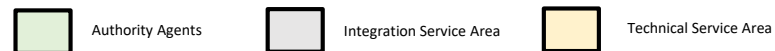
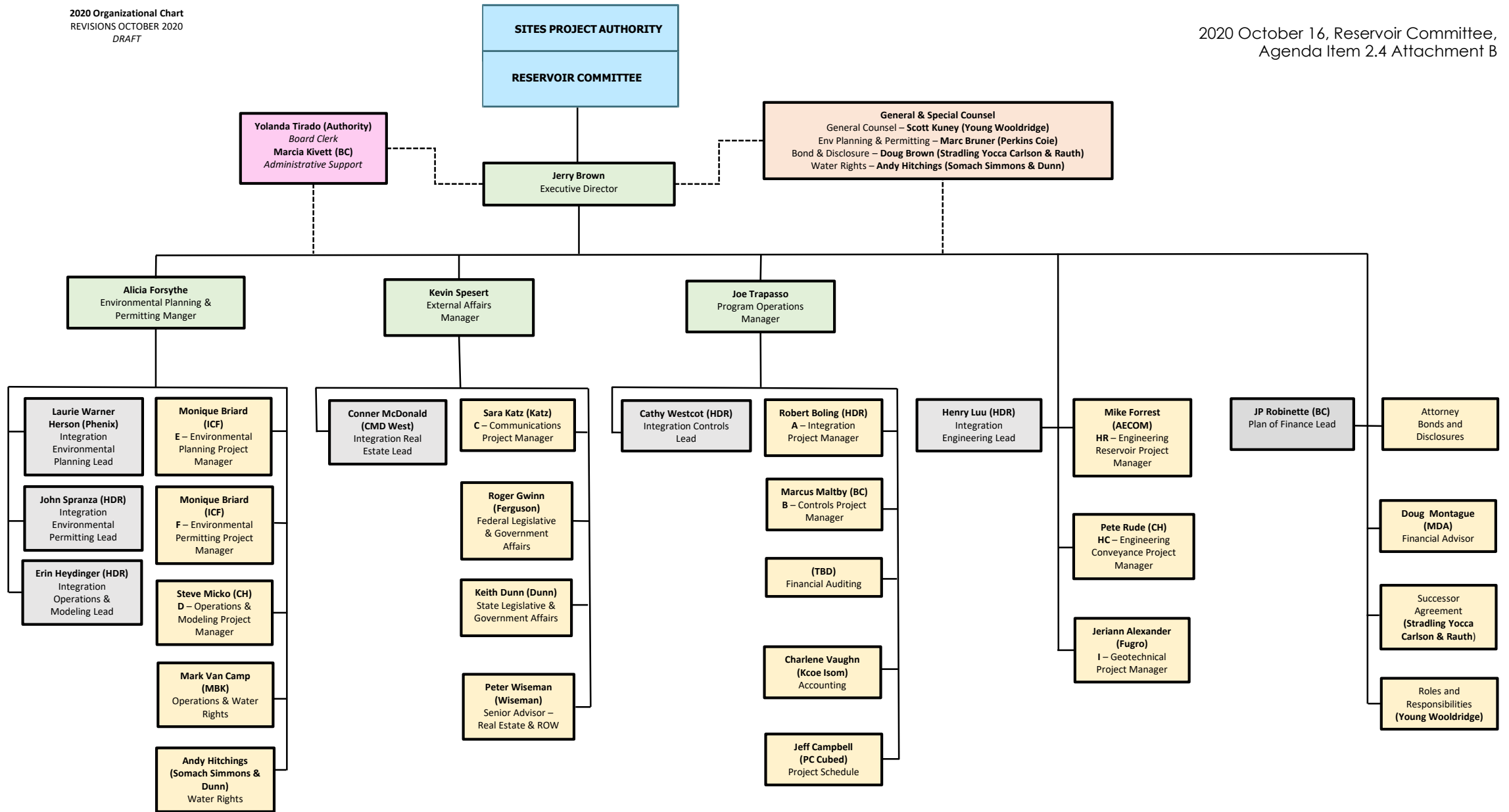
* Per Amendment 2 Work Plan (Rev D) approved in August 2020.

5.0 Recommended Next Steps

Staff recommends the approach, schedule, and budget outlined in this action plan be adopted and implemented. Approval in October 2020 is important for meeting the Prop 1 deadline for 75% local cost share commitment by January 1, 2022.

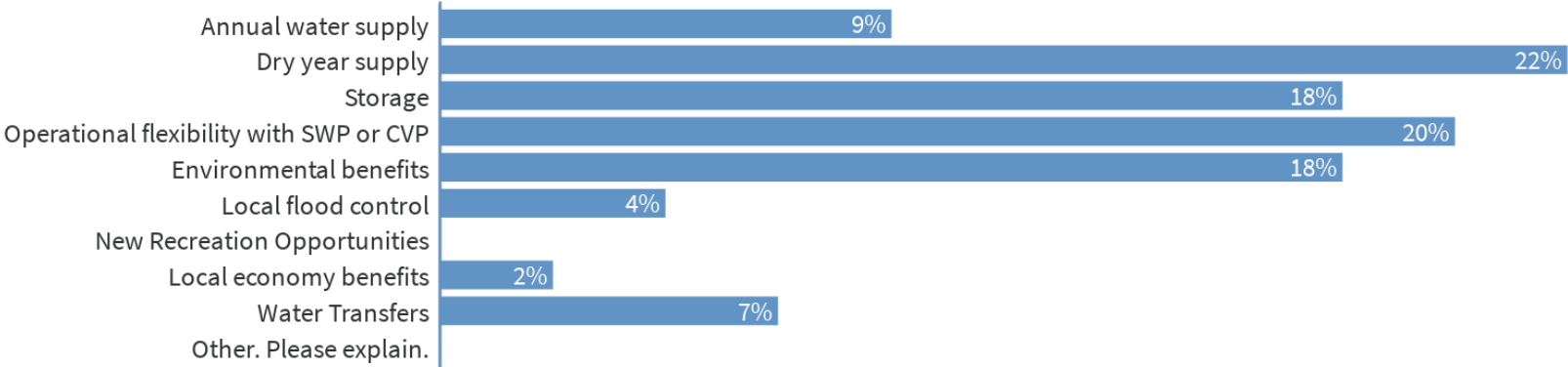
Following approval of this action plan, the following implementation steps are recommended:

1. Approve task orders for identified resources in October 2020.
2. Establish an appropriate work group / committee for the local cost share commitment effort.
3. Execute necessary organizational reporting changes.
4. Begin facilities use agreement negotiations (per Figure 3) through delegation of lead negotiator responsibilities.



Poll results from September 17, 2020 joint meeting presentation on item 3.1: Review Activities Needed to Achieve 75% Local Cost Share Commitment by Jan 1, 2022

This list represents all of the things individual agencies are seeking from the project (select all that apply)



 Answers to this poll are anonymous

Poll results from September 17, 2020 joint meeting presentation on item 3.1: Review Activities Needed to Achieve 75% Local Cost Share Commitment by Jan 1, 2022

Are there any other information needs and/or assurances your agency will require to make your local cost share commitment? (please explain)

“Long term governance structure that provides assurance for securing benefits and empowering decision making”

“Internal water transfer “clearing house” structure.”

“Certainty on contributions from non-water agency sources”

“How much water will the fish agencies be taking?”

“Is there any work being done on a future clearinghouse structure”

“Educational support to help individual investors understand what they are receiving with their investment”

“A schedule of anticipated charges in the upcoming years”

“What do we get in the form of a water storage component for each ac/ft?How is that defined?”

“More certainty on storage”

“Not at this time.”

“financing terms”

“We need to better understand how exchanges between members might work.”

“Ability to place on Statement if Charges”

“Not that I can think of, well done!”

 Answers to this poll are anonymous