



Meeting: **Joint Reservoir Committee & Authority Board September 22, 2021**  
**Agenda Item 2.2**

Subject: **Phase 2 Amendment 3 Project Agreement and Work Plan**

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**Requested Action:**

Consider approval of the Amendment 3 Project Agreement and Work Plan with a period of performance of January 1, 2022 to December 31, 2024 for the purpose of initiating Participant home board review, deliberation and execution of the agreement.

**Detailed Description/Background:**

The Sites Project currently follows a work plan (Amendment 2) that identifies project activities and funding sources through December 31, 2021. It is anticipated that the Reservoir Committee’s current participation agreement will be amended to extend the period of performance through December 31, 2024 (Amendment 3); therefore, a new work plan has been developed to continue advancing the project. Development of this work plan has occurred over several months of input from the Reservoir Committee and Authority Board including April establishing Goals and Objectives and resource needs, May reviewing Initial Expense and Cash Flow Estimates, June decision to Proceed with 36-month Work Plan vs 18-month, and August reviewing the draft agreement modifications and work plan. The work plan (Attachment A) reflects the entirety of this process and has been reviewed and recommended for approval by the Joint Budget and Finance Committee. The work plan includes the below items:

- Key milestones and deliverables categorized under the project goals and objectives established in April.
- Revenue estimates totaling \$142.9M in total revenue over the 36-month work period. Revenue sources include:
  - Approximately \$6M in projected carry-over funds from the Amendment 2 work period.
  - Reservoir Committee Cash Calls totaling up to \$400/AF of water supply participation, which represents approximately \$67M at full participation at the current new water supplies for participants of 167,620 AF.
  - Authority Board membership dues totaling an estimated \$1.5M.
  - Anticipated federal funding through the WIIN Act of approximately \$50M over 36-months with \$34M in the last 18 months of Amendment 3. This total amount stays within the max 25% federal cost share stipulated in the cost sharing MOU with Reclamation.

- State Prop 1 WSIP funding totaling \$18.3M and reaching our current Early Funding Agreement ceiling in late 2022.
- Expense budgets estimated by subject area and broken out by year. Expense budgets for the Amendment 3 Work Plan include \$119.6M in anticipated expenses. The remainder at the end of the work period is to ensure the next work period starts with reserves sufficient to support the expected increasing project expenditures.
- A cash flow analysis providing cash call amounts required to maintain a positive cash position throughout the work plan. While the decision was made for a 36-month work period, there is flexibility to initiate bank financing as early as 18-months (depending on WSIP final award, critical permits, and water right acquisition) and would require another amendment to the project agreement.

Amendment 3 consultant task orders are being prepared and will be provided in October for Authority review and considered for approval in November 2021 to secure the resources needed to complete work plan goals and objectives.

The Third Amendment to the 2019 Reservoir Project Agreement (Amendment 3 Agreement) is being considered for approval this month (Attachment B). A summary of the Amendment 3 work plan budget will be attached to the Agreement as Exhibit B. After a September approval, the work plan accommodates up to a 6-month processing time for all participants to achieve their home board approvals with invoicing of the 1<sup>st</sup> cash call to occur April 1, 2022.

For Reservoir Committee Participants, approval of the Amendment 3 Agreement represents commitment to the following:

- Participants will take the Agreement to their home board for consideration of approval, confirmation of their participation level, and commitment to payment of the first cash call invoice in April 2022.
- The Amendment 3 Work Plan is an accurate representation of the work and pacing needed to achieve Participant goals.
- Recommending the Work Plan (including the budget) for Authority Board approval.

For Authority Board Members, approval of the Amendment 3 Agreement represents commitment to the following:

- The Agreement (with exhibits) is approved to be sent to the Participants for their home boards to consider.
- The Agreement continues to cover the Participant share of project costs and assumptions for other funding sources are reasonable.

- The provisions to secure participant revenue sources will provide sufficient assurance to allow initiating financing for the project on the desired schedule.
- Being in process with securing participant approval contributes to demonstrating Sites remains eligible for Proposition 1 funding.

In addition, as part of seeking your home board approval of Amendment 3, the Authority requests that each RC/AB participant seek affirmation of Primary and Alternate representative designations to the respective bodies (ie RC or AB). Section 3A of the Project Agreement requires that the home board governing body make these assignments.

Periodic updates will be provided by Authority staff over the next six months to keep the RC/AB apprised of individual agency status for consideration of approval. In addition, Authority staff is discussing new participation with interested agencies and will bring reports on this interest when appropriate over the next six months.

Instead of a creating a stand-alone home board packet, the Authority Staff plan to make relevant materials available in a central location for use in communicating with home boards as participants see fit. Please convey to Authority Staff any specific material needs.

**Prior Action:**

August 2021: The Authority Board and Reservoir Committee reviewed and commented on the Draft Amendment 3 Work Plan. No significant changes were requested; however, minor clarifications were incorporated into the document.

February 19, 2021: The Joint Authority Board and Reservoir Committee approved the Sites Amendment 2 Work Plan Update which included a \$40/AF cash call to be paid on April 1, 2021.

August 26, 2020: The Authority Board approved the Sites Amendment 2 Work Plan with a period of performance of September 1, 2020 to December 31, 2021.

**Fiscal Impact/Funding Source:**

The total estimated local funding (Reservoir Committee Cash Call) required for Amendment 3 is up to \$400/AF and will occur in three annual cash calls. The 1<sup>st</sup> cash call is for \$100/AF due April 1, 2022. The 2<sup>nd</sup> and 3<sup>rd</sup> cash calls are for “up to” amounts of \$140/AF due January 1, 2023 and \$160/AF due January 1, 2024, respectively. A work plan progress check-in will occur annually and assess the need for the “up to” amounts in the 2<sup>nd</sup> and 3<sup>rd</sup> cash calls. The decision to bank finance will occur as soon as early 2023. If the decision is made to initiate bank financing for all or a portion of participants, then a revised work plan and successor agreement will be developed to address the changing conditions. Also, results of rebalancing and Reclamation level of investment could affect future cash call timing and amounts.

**Staff Contact:**

Joe Trapasso/Marcus Maltby/JP Robinette

**Primary Service Provider:**

Brown and Caldwell

**Attachments:**

Attachment A: Amendment 3 Work Plan

Attachment B: Third Amendment to 2019 Reservoir Project Agreement



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# Sites Project Authority Work Plan from January 2022 through December 2024

September 22, 2021

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## Attachments

Attachment A – Amendment 3 Budget by Subject Area and Firm

# 1. Introduction

## 1.1 Background

The Sites Reservoir Project (Project) currently follows a work plan (Amendment 2) that identifies Project activities and funding sources through December 31, 2021. The Reservoir Committee's current participation agreement will be amended to extend the period of performance to December 31, 2024; therefore, a new work plan (Amendment 3) is needed to continue advancing the Sites Project.

## 1.2 Overview

This document outlines the work to be performed between January 1, 2022, and December 31, 2024, to meet Project goals and objectives that were developed with input from the Authority Board and Reservoir Committee (Board) in early 2021. The work plan provides key deliverables, schedules, and operational budgets needed to meet Project goals and objectives, including but not limited to obtaining key permits, obtaining a water right, and securing Project financing. It also includes an estimated split of the Authority Board's and Reservoir Committee's revenues and expenses. Activities outlined in this work plan are required for the Sites Project to complete the planning phase (Phase 2). This work plan will be superseded by a new participation agreement and work plan in January 2025 or with the initiation of a new agreement that includes financing provisions, whichever comes first.

If approved by the Authority Board and Reservoir Committee, a summary budget will be included as an exhibit to the Third Amendment to the 2019 Reservoir Project Agreement (Amendment 3). The budget is presented at the subject-area level. Task orders will be developed following the approval of this work plan. Subject-area budgets and key deliverables outlined in this document will be the basis for task order development. Task order budgets will be established for a 36-month period; however, commitments will be determined and executed on an annual basis coinciding with work plan cash call check-in periods. Task orders will be considered for Reservoir Committee and Authority Board approval in November 2021.

While Sites staff have made efforts to incorporate into this work plan any known current Project impacts due to the COVID-19 pandemic, the work plan has not accounted for unknown future changes due to the COVID-19 pandemic, including, without limitation, additional restrictions by government agencies or others (such as the availability of sites for access or the availability of client or consultant staff or others, the timing of revenue, etc.), to the extent they delay or otherwise impact the Project. In that event, Sites staff will notify the Reservoir Committee and Authority Board of the issue and make adjustments to stay within budget and schedule while still meeting deadlines.



## 2. Work Plan Goals and Schedule Targets

Work plan goals and objectives are based on activities required to complete the Project planning phase and achieve Project financing as determined by the Reservoir Committee and Authority Board. Goals and objectives are evaluated to determine deliverables, required revenue and expenses, and a cash flow for the duration of the work plan.

### 2.1 Work Plan Goals

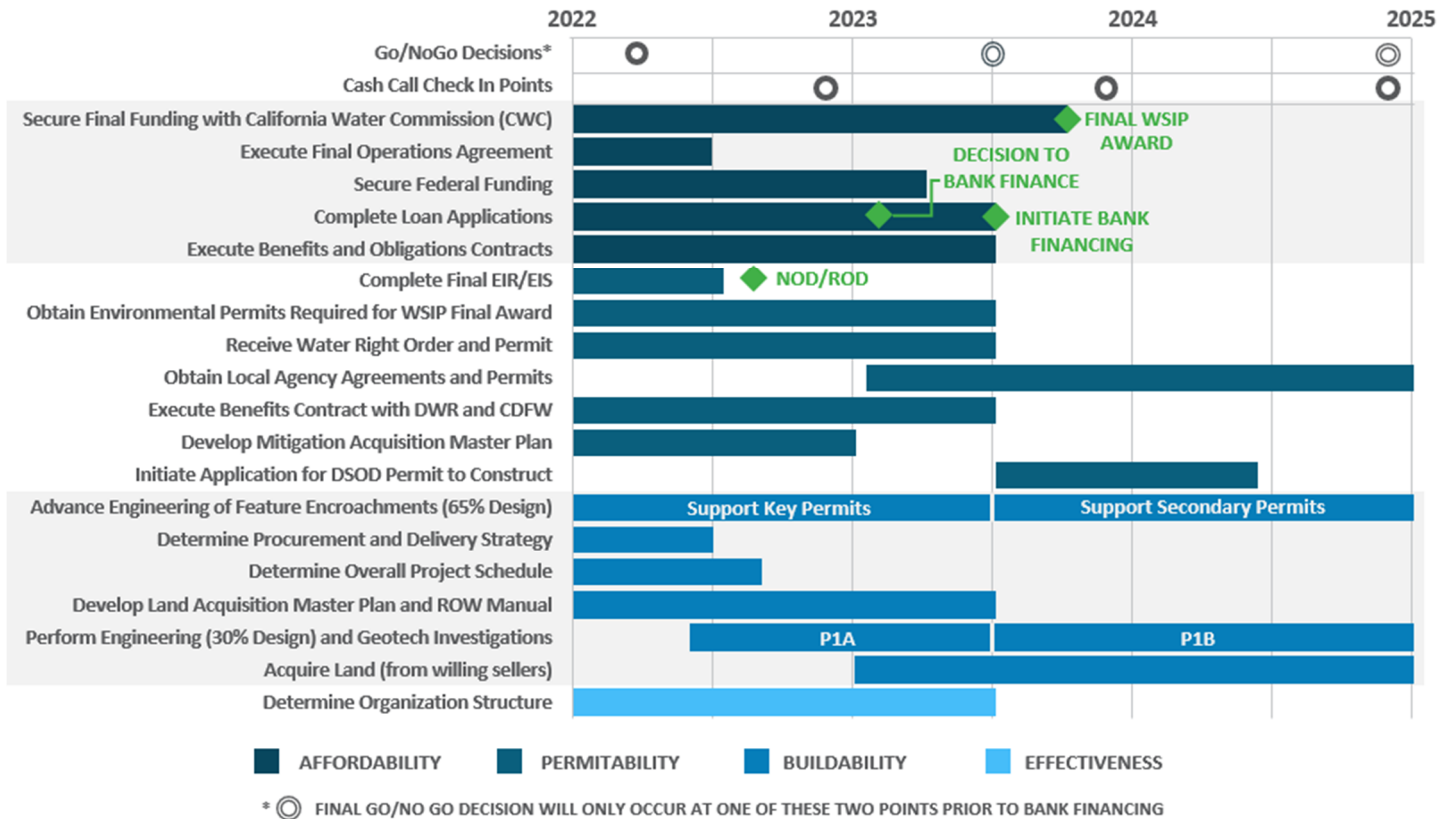
Work plan goals and objectives form the basis of the work plan by providing high-level outcomes and required timing. The Project goals for this work plan are outlined below according to the Strategic Plan Goal Areas:

1. **Affordability** – Securing commitments for Project funding provides the resources needed to execute design, construction, and operational phases of the Project in a manner affordable to participants. Key affordability objectives include:
  - Secure a final funding agreement with California Water Commission for the remainder of the MCED.
  - Execute final operations agreements with facility partners, federal and state agencies.
  - Secure federal funding from the WIIN Act and other sources. Receive final federal commitments for project construction and execute Water Storage and Supply Services Contract with Reclamation.
  - Complete loan applications including WIFIA, USDA Loan, and bank financing and related activities to immediately initiate bank financing at the start of the next phase.
  - Complete and execute Water Supply and Storage Services Contracts (now referred to as “Benefits and Obligations Contracts”) with each Local Agency participating in the Project.
  - Continue to refine affordability analysis based on updated capital and operating cost estimate, cost of capital, cost allocation and benefits analysis, and conduct value engineering studies, independent review boards, and design engineering constructability reviews as necessary.
  
2. **Permittability** – Securing the agreements and permits necessary to build and operate a multi-benefit reservoir. Key permittability objectives include:
  - Complete Final EIR/EIS, Authority approves the Project, certifies the Final EIR, adopts the MMRP and issues the Notice of Determination, and Reclamation executes the Record of Decision.
  - Complete and obtain all key environmental permits for WSIP final award and initiate secondary permits for construction and operations.
  - Receive water right Order and Permit from the SWRCB.
  - Develop draft and/or final all plans, as appropriate, identified in the EIR/EIS (such as the recreation management plan, traffic management plan, land management plan, operations plan, etc).
  - Complete and obtain local agency agreements and permits along with any required city or county actions necessary to support long lead activities necessary for the next Phase.
  - Complete and execute benefit contracts with DWR (flood control and recreation benefits) and CDFW (environmental benefits) for public benefits.
  - Develop a mitigation acquisition master plan and approach for mitigating the Project effects. Begin biological and cultural resources surveys to refine impacts and mitigation obligations on properties where willing land access can be obtained.

- Initiate application for approval of permit to construct from DSOD for all jurisdictional facilities (dams) within the Project.
  - Continue evaluation of operations parameters and support development of final operating agreements.
3. **Buildability** – Completing facilities designs that efficiently manage risk and achieve affordability criteria. Key buildability objectives include:
- Complete engineering design to 30% level and provide updated construction and operations cost estimates. Complete further facility designs as needed to get key permits and approvals required for WSIP funding.
  - Evaluate alternative project delivery methods, determine risks for project variances and recommended risk management strategies, finalize construction bid packages, and determine overall Project schedule.
  - Develop land acquisition master plan and rights of way manual. Conduct preliminary landowner negotiations with willing sellers for potential acquisition of key parcels via options or fee title.
  - Perform geotechnical evaluations of all “willing seller” properties related to long-lead Project facilities (including permitting and monitoring).
  - Continue coordination with local community organizations and agencies to address Project effects during construction and operations.
4. **Effectiveness** – Strengthening the Sites organization as owner of a multibillion-dollar Project. Key effectiveness objectives include:
- Develop and define the organizational culture, values and management approaches.
  - Prepare Project controls and processes to ensure continued transparency and efficient operations through detailed design and construction.
  - Determine the organization structure, insurance and organizational risk management approaches for the remainder of the Project and create the basic infrastructure to effectuate these changes at the start of the next work period.

## 2.2 Project Schedule Targets

The Project master schedule through December 31, 2024, is based on work plan goals and objectives and schedule targets to support key deliverables. The schedule is cost-loaded and provides the basis for revenue and expense budgets discussed in later sections. The following schedule targets are key milestones critical to closing out Phase 2 and securing Project financing during this work plan period. Project schedule targets provided below are based on a full 36-month work plan. Should bank financing occur in mid-2023, a revised work plan and agreements will be developed to reflect an accelerated pace.



**FIGURE 1. WORK PLAN SCHEDULE TARGETS**

Participant funding go / no go decisions are predefined milestones where an adjustment to participation levels can be made (also referred to as rebalancing). Participant funding go / no go decisions will be required:

- 1. Prior to entering Amendment 3:** Target date for all signed participation agreements is March 31, 2022 with cash call invoices going out April 1, 2022 payable in 30 days.
- 2. Prior to entering a new or amended agreement:** Expected at the end of the Amendment 3 agreement (Dec 31, 2024), at which point, a new agreement would be needed. If this agreement needs to be modified to include financing terms, then a new or amended agreement would be developed and a go / no go decision would take place. The earliest anticipated availability of bank financing is at 18 months into the work plan.

Cash call check-ins and budget adjustments will occur annually and per the terms of the participation agreement. The intent of cash call check-ins is to recalibrate goals and objectives, key deliverable progress, expense and revenue assumptions, subject area budgets, cash flow projections, and cash call amounts. Cash call check-in periods will occur approximately in October of 2022 and 2023 to define the Project needs for the following calendar year. An update to the Amendment 3 Work Plan will be prepared by Sites staff and presented to the Reservoir Committee and Authority Board for approval.

### 3. Deliverables

To meet goals, objectives, and schedule targets while providing measurable progress, a list of key deliverables has been developed, as shown in Table 1. This list is not exhaustive but provides the key deliverables, grouped by subject area, that will be used to report progress throughout the work plan. The target status for each deliverable follows an approximate 12-month (January 1, 2023), 18-month (June 1, 2023), or 36-month (December 31, 2024) timeline based on priority, availability, and impact on other deliverables.

Table 1. Work Plan Key Deliverables				
Key Deliverable by Subject Area*	Target completion in			Notes
	12 Months	18 Months	36 Months	
<b>Engineering</b>				
Initiate Application for Permit to Construct from DSOD		✓		
Advance Engineering of Project Feature Encroachments to 65% Design Level in Support of Permitting		✓	✓	Key permit support in first 18 months
Determine Procurement and Delivery Strategy	✓			
Determine Overall Project Schedule	✓			
Preliminary Engineering (30% design level) and P1A/P1B Geotechnical Investigations		✓	✓	Complete P1A in first 18 months
<b>Program Ops</b>				
Execute Benefits Contracts with DWR and CDFW		✓		
Secure Final Funding with CWC			✓	
Execute Final Operations Agreement with Facility Partners, and Federal and State Agencies	✓			
Secure Federal Funding		✓		
Complete Loan Applications		✓	✓	Dependent on bank financing decision
Determine Organization Structure		✓		
Execute Benefits and Obligations Contracts		✓	✓	Dependent on bank financing decision
<b>Permitting</b>				
Obtain Environmental Permits Required for WSIP Final Award		✓		
Develop Mitigation Acquisition Master Plan	✓			
Receive Water Right Order and Permit		✓		
Obtain Local Agency Agreements and Permits			✓	
<b>Planning</b>				
Complete Final EIR/EIS	✓			NOD & ROD in August 2022
<b>Real Estate</b>				
Develop Land Acquisition Master Plan and ROW Manual		✓		
Acquire Land (from willing sellers)			✓	

\*Communications, External Affairs, and General Project Activities subject areas serve a support function to the key deliverables provided in Table 1.

## 4. Revenue Budget

Revenue to be generated during the Amendment 3 Work Plan period is estimated at approximately \$142.9M, of which \$51.6M is anticipated to be generated in the first 12 months. This revenue will be generated from the following sources:

- **Amendment 2 carryover funds:** This revenue represents projected cash on hand as of January 1, 2022 and is available to advance the Project. Approximately \$3M in planned carry-over funds were built into the Amendment 2 cash flow analysis. An additional \$2.5M was identified during the Amendment 2 Work Plan Update as additional revenue over plan.
- **Local Funding (Reservoir Committee cash calls):** These are individual agency cash call invoices based on member agencies' level of water supply participation in terms of dollars per acre foot (\$/AF) of participation. This work plan assumes a total cash call revenue of up to \$400/AF at full participation of 167,620 acre-feet (up to ~\$67M total). Reservoir Committee cash calls will be broken into three cash call invoices based on cash flow projections as outlined in Section 6 and depending on actual annual budgets approved by the RC/AB.
- **Authority Board annual seat dues:** Each Authority Board member pays membership dues annually. The work period includes the estimated membership dues for 2022, 2023, and 2024 at an annual rate of \$55,000 per Authority Board Member and \$5,000 per Associate Authority Board Member. It is assumed that Authority Board annual seat dues will not increase from annual membership dues paid in 2021.
- **State funding:** California provides revenue in the form of reimbursement through Prop 1 (WSIP) early funding. This funding is subject to the terms of the existing Early Funding Agreement (EFA) and is currently capped at \$40.8M. The State reimburses 50 percent of eligible activities in arrears. The current EFA is set to expire prior to the Amendment 3 Work Plan period, and an EFA Extension Amendment is expected to be adopted prior to the start of the work plan. EFA funding is expected to reach its ceiling amount of \$40.8M and thus be exhausted within the first year of the Amendment 3 Work Plan. Prop 1 WSIP EFA funds forecasted in the Amendment 3 Work Plan are contracted amounts and carry a high certainty of being actualized, assuming the local cost share is achieved.
- **Federal funding:** Federal participation is assumed to continue through the Water Infrastructure Improvements for the Nation (WIIN) Act. Projected federal funding is currently in several stages of allocation. Federal funding allocations fall into one of three categories:
  - **Recommended by Reclamation:** Bureau of Reclamation (Reclamation) staff have provided funding recommendations to U.S. Congress.
  - **Appropriated by Congress:** U.S. Congress has appropriated federal funding to allow Reclamation to pursue contract agreements with identified projects.
  - **Contracted with Reclamation:** Reclamation enters agreements with the Authority for specific work to be performed.

The following table outlines the status of projected future federal funding as of the report date:

Table 2. Federal Funding by Category	
FAA Category	Funding
Recommended by Reclamation	\$80.0M
Appropriated by U.S. Congress	\$13.7M
Contracted with Reclamation*	\$0
<b>Total Federal Funding Possible</b>	<b>\$93.7M</b>

\*The current contracted funding under the existing Financial Assistance Agreement (FAA) is set to be exhausted prior to December 31, 2021.

Future federal funding discussions are still in process; therefore, an estimate was used to capture this funding source. This work plan assumes \$50M will be realized and paid in arrears over the 36-month work plan. Any additional funds received will be addressed during the October 2022 cash call check-in period and will include an analysis of future cash call amounts.

<b>Table 3. Forecasted Revenue by Source</b>				
<b>Work Plan Funding Source</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Amendment 3 Total</b>
Carry-over Funds (Projected 1/1/2022)	\$6,000,000	--	--	\$6,000,000
Reservoir Committee Cash Calls	\$16,762,000	\$23,467,000	\$26,819,000	\$67,048,000
Authority Board Seats	\$505,000	\$505,000	\$505,000	\$1,515,000
Federal (WIIN Act) Funding	\$10,000,000	\$20,000,000	\$20,000,000	\$50,000,000
State (Prop 1 [WSIP])	\$18,300,000	--	--	\$18,300,000
<b>Total Revenue</b>	<b>\$51,567,000</b>	<b>\$43,972,000</b>	<b>\$47,324,000</b>	<b>\$142,863,000</b>

Forecasted revenue provided in Table 3 represents estimated funds based on the best available data. In the event of a discrepancy between revenue budgets provided in Table 3 and annual revenue budgets, the annual revenue budgets will govern over work plan estimates.

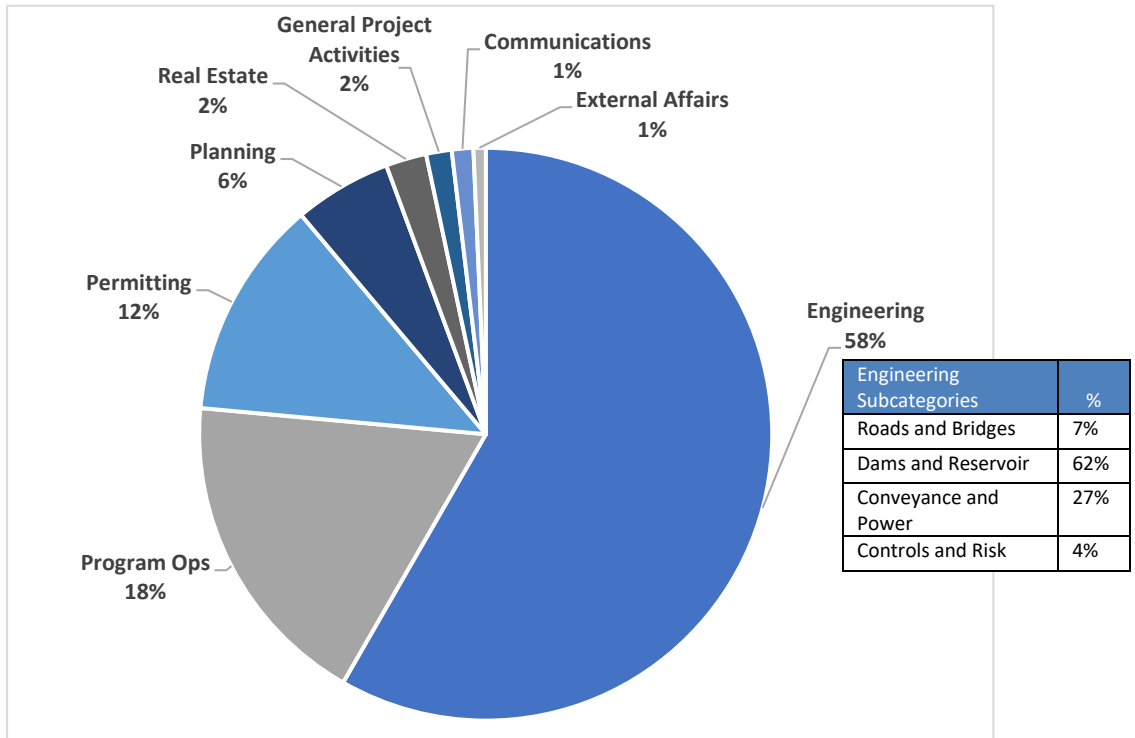
## 5. Expense Budget

Estimated costs for a 36-month work plan period were developed by Sites staff and loaded into the Project master schedule. Preliminary costs, rolled up to the subject-area level, are shown in Table 4 and on Figure 2. Figure 3 shows expense budgets by management type. The attached table, Attachment A, includes information on Authority Board and Reservoir Committee share of expenses.

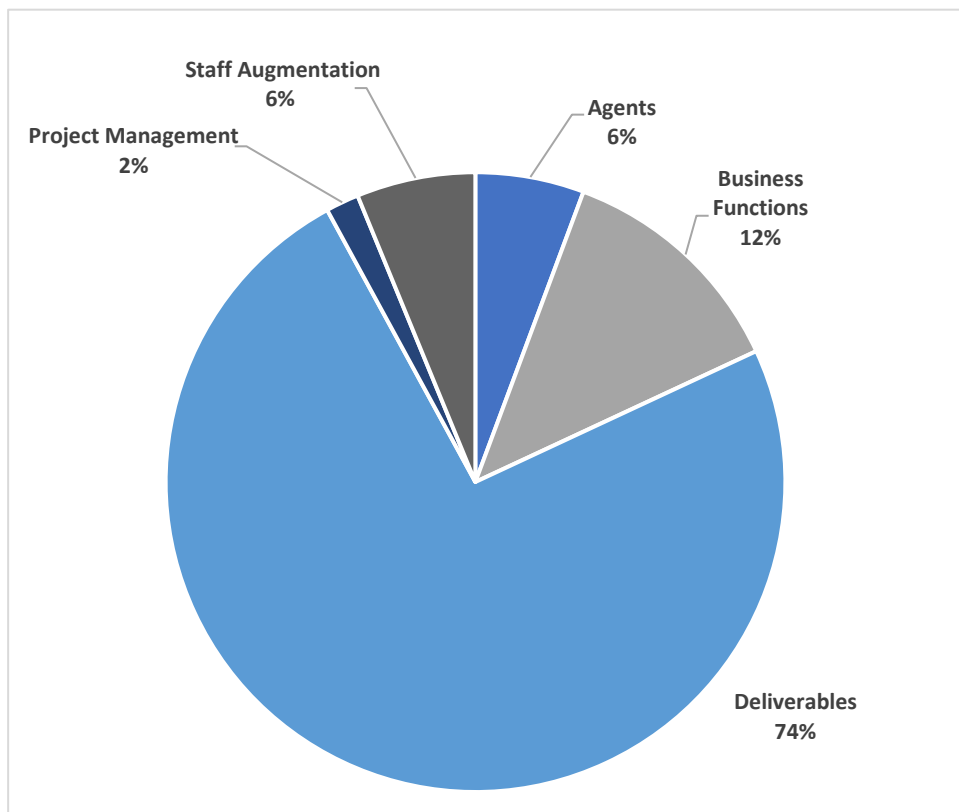
<b>Table 4. Budgets by Subject Area</b>				
<b>Subject Area</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Amendment 3 Total</b>
Communications	\$477,000	\$477,000	\$495,000	\$1,449,000
Engineering	\$18,715,000	\$30,516,000	\$20,485,000	\$69,716,000
External Affairs	\$273,000	\$273,000	\$282,000	\$828,000
General Project Activities	\$620,000	\$545,000	\$565,000	\$1,730,000
Permitting	\$7,503,000	\$4,731,000	\$2,595,000	\$14,829,000
Planning	\$5,092,000	\$1,212,000	\$278,000	\$6,582,000
Program Operations (Ops)	\$8,594,000	\$7,440,000	\$5,690,000	\$21,724,000
Real Estate	\$902,000	\$903,000	\$935,000	\$2,740,000
<b>Total</b>	<b>\$42,176,000</b>	<b>\$46,097,000</b>	<b>\$31,325,000</b>	<b>\$119,598,000</b>

Budgets provided in Table 4 represent an estimated distribution of expenses based on the best available data. In the event of a discrepancy between expense budgets provided in Table 4 and annual expense budgets outlined in consultant task orders, the annual expense budgets will govern.

A summary of work plan expenses will be included, at the same level of detail as Table 4, as an exhibit in the Amendment 3 Successor Agreement. Consultant task order budgets will be finalized and presented for approval at the November 2021 Board meetings.



**FIGURE 2. BUDGET PERCENT BY SUBJECT AREA**



**FIGURE 3. BUDGET BY MANAGEMENT TYPE VS. DELIVERABLES**



## 6. Work Plan Cash Flow

The schedule was used to create a cash flow and determine the required timing of cash calls from the Reservoir Committee. A preliminary cash call schedule has been developed to maintain a cash-positive position and avoid Project delays. Cash call invoices totaling up to \$400/ AF will occur as follows:

- \$100/AF, invoiced April 1, 2022
- Up to \$140/AF, invoiced January 1, 2023
- Up to \$160/AF, invoiced January 1, 2024

The second and third cash call amounts are estimated based on the Project schedule, revenue estimates, and anticipated effort. During cash call check-ins, the Sites team will assess actual work plan progress against forecasted progress and determine the next cash call required to maintain progress in achieving the work plan goals and objectives. An initial work plan cash flow graph is included on Figure 4.

To minimize impacts to the projected cash flow should unforeseen expenses or events arise, the Sites Reservoir Project has established reserve funds. Reserve funds are incorporated in the cash flow curve below. There are two categories of reserves:

- **Restricted Reserves:** Funds intended to cover approximately three months of operations and functions needed to fulfill project obligations. Restricted reserves are a function of cash on hand and are not a dedicated sum of money. Project activities included in determining restricted reserve amounts are estimated to require approximately \$1.25M in monthly expenses. To maintain three months of restricted reserves, the Project must maintain a minimum of \$3.75M cash on hand. Approval by the Reservoir Committee and Authority Board is required to use any amount of restricted reserves.
- **Unrestricted Reserves:** Funds intended to cover unanticipated project expenses, including additional scope of work. Unrestricted reserves are unallocated expenses assigned to each subject area for use according to the Budget Policy, as approved at the July 2021 Reservoir Committee and Authority Board meetings.

Unused reserve funds will be evaluated during work plan cash call check-ins. Excess funds will be considered when determining the upcoming cash call amount.

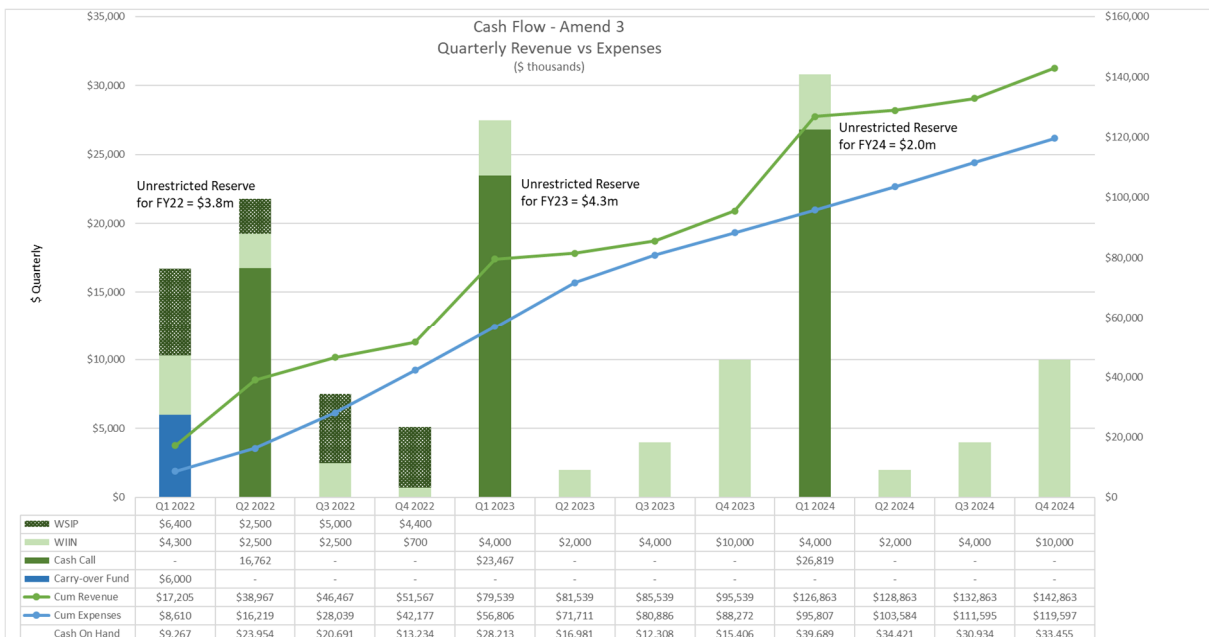


FIGURE 4. AMENDMENT 3 CASH FLOW GRAPH, REVENUE VS EXPENSES

# Attachment A - Amendment 3 Budget by Subject Area and Firm

Subject Area / Firm	Authority Board	Reservoir Committee	Work Plan Budget
<b>Communications</b>	<b>\$166,500</b>	<b>\$1,282,500</b>	<b>\$1,449,000</b>
Katz & Associates	\$162,000	\$1,134,000	\$1,296,000
Other	\$4,500	\$4,500	\$9,000
Unrestricted Reserves		\$144,000	\$144,000
<b>Engineering</b>		<b>\$69,715,520</b>	<b>\$69,715,520</b>
AECOM		\$16,026,250	\$16,026,250
Brown & Caldwell		\$14,580	\$14,580
CH2M (Conveyance)		\$11,535,750	\$11,535,750
Fugro		\$25,200,000	\$25,200,000
HDR		\$1,817,388	\$1,817,388
Other		\$8,900,000	\$8,900,000
Unrestricted Reserves		\$6,221,552	\$6,221,552
<b>External Affairs</b>	<b>\$414,000</b>	<b>\$414,000</b>	<b>\$828,000</b>
Dunn	\$144,000	\$144,000	\$288,000
The Ferguson Group	\$270,000	\$270,000	\$540,000
<b>General Project Activities</b>	<b>\$394,560</b>	<b>\$1,335,360</b>	<b>\$1,729,920</b>
ACWA	\$79,200		\$79,200
Board Clerk	\$45,360	\$181,440	\$226,800
HDR		\$724,428	\$724,428
Other		\$51,000	\$51,000
Unrestricted Reserves		\$108,492	\$108,492
Young Wooldridge	\$270,000	\$270,000	\$540,000
<b>Permitting</b>		<b>\$14,829,108</b>	<b>\$14,829,108</b>
AECOM		\$98,344	\$98,344
CH2M (Conveyance)		\$98,344	\$98,344
CH2M (Operations)		\$655,560	\$655,560
Fugro		\$40,500	\$40,500
HDR		\$1,863,285	\$1,863,285
ICF Permitting		\$7,089,417	\$7,089,417
MBK Engineers		\$720,000	\$720,000
Other		\$1,089,720	\$1,089,720
Perkins Coie		\$675,000	\$675,000
Unrestricted Reserves		\$1,373,939	\$1,373,939
Water Rights Attorney		\$1,125,000	\$1,125,000
<b>Planning</b>		<b>\$6,581,694</b>	<b>\$6,581,694</b>
AECOM		\$112,500	\$112,500
CH2M (Conveyance)		\$112,500	\$112,500
CH2M (Operations)		\$2,597,022	\$2,597,022
HDR		\$1,201,153	\$1,201,153
ICF Permitting		\$1,441,350	\$1,441,350
MBK Engineers		\$90,000	\$90,000
Perkins Coie		\$369,000	\$369,000
Unrestricted Reserves		\$658,169	\$658,169
<b>Program Ops</b>	<b>\$274,050</b>	<b>\$21,450,230</b>	<b>\$21,724,280</b>
Auditor		\$30,000	\$30,000
Authority Agents		\$6,205,360	\$6,205,360
Brown & Caldwell		\$9,568,404	\$9,568,404
HDR		\$2,221,524	\$2,221,524
K-Coe Isom	\$37,800	\$151,200	\$189,000
Montague DeRose & Assoc		\$787,500	\$787,500
Other		\$200,000	\$200,000
Stradling, Yocca, Carlson & Rauth		\$540,000	\$540,000

Subject Area / Firm	Authority Board	Reservoir Committee	Work Plan Budget
The Ferguson Group	\$11,250	\$11,250	\$22,500
Unrestricted Reserves		\$1,509,992	\$1,509,992
Young Wooldridge	\$225,000	\$225,000	\$450,000
<b>Real Estate</b>	<b>\$262,990</b>	<b>\$2,476,510</b>	<b>\$2,739,500</b>
HDR		\$1,555,200	\$1,555,200
Other	\$262,990	\$748,510	\$1,011,500
Unallocated		\$172,800	\$172,800
<b>Grand Total</b>	<b>\$1,512,100</b>	<b>\$118,084,922</b>	<b>\$119,597,022</b>

THIRD AMENDMENT TO 2019 RESERVOIR PROJECT AGREEMENT

BY AND AMONG  
SITES PROJECT AUTHORITY

and

THE PROJECT AGREEMENT MEMBERS LISTED HEREIN

Dated as of January 1, 2022

THIS THIRD AMENDMENT TO 2019 RESERVOIR PROJECT AGREEMENT (this “Third Amendment”), dated as of January 1, 2022, by and among SITES PROJECT AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), and the project agreement members listed in the Agreement referenced below (the “Project Agreement Members”) amends that certain 2019 Reservoir Project Agreement dated as of April 1, 2019 (the “Original Agreement”), as previously amended by the First Amendment to 2019 Reservoir Project Agreement dated as of January 1, 2020 (the “First Amendment”) and by the Second Amendment to 2019 Reservoir Project Agreement dated as of July 1, 2020 (the “Second Amendment” and, together with the Original Agreement, the First Amendment and the Second Amendment, the “Agreement”), each by and among the Authority and the Project Agreement Members;

WITNESSETH:

WHEREAS, Authority and the Project Agreement Members have determined to approve an Amendment 3 Work Plan and to extend the term of the Agreement to December 31, 2024; and

WHEREAS, under Section 11 of the Agreement, the Agreement may be amended by a writing executed by the Authority and at least 75% of the total weighted vote of the then current Committee members as provided in Subsection 3(g); and

WHEREAS, except as provided below in Section 2.07 below, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Third Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Third Amendment;

NOW, THEREFORE, THIS THIRD AMENDMENT WITNESSETH, the Authority and the Project Agreement Members agree, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. **Definitions.** All capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

ARTICLE II

AMENDMENTS TO AGREEMENT

Section 2.01. **Project Agreement Members.**

(a) Effective January 1, 2022, Exhibit A to the Agreement titled “Project Agreement Members” shall be removed and replaced with Exhibit A to this Third Amendment titled “Project Agreement Members.”

Section 2.02. **Work Plan.**

(a) Effective January 1, 2022, the Amendment 2 Work Plan attached as Exhibit B to the Second Agreement shall be supplemented by the Work Plan attached hereto as Exhibit B (the “Amendment 3 Work Plan”).

Section 2.03. **Funding.**

The Agreement is hereby amended to remove Section 4(a) in its entirety and replace it with the following:

“(a) **Budget.** The Committee shall, in cooperation with the Authority’s Board, provide and approve both a Fiscal Year operating budget and reestablish a Phase 2 budget target, annually or more frequently as needed. The Project Agreement Members shall contribute their respective pro-rata share of the budgeted sums reflected in the Amendment 3 Work Plan in accordance with Section 5 of this Project Agreement. The contribution with respect to the pro-rata budgeted sums reflected in the Amendment 3 Work Plan shall be payable by each Project Agreement Member in three installments. The first installment shall be in an amount equal to \$100 per acre-foot and shall be payable by no later than May 1, 2022. The second installment shall be in an amount equal to up to \$140 per acre-foot and shall be payable by no later than January 1, 2023. The third installment shall be in an amount equal to up to \$160 per acre-foot and shall be payable by no later than January 1, 2024. The obligation of the Project Agreement Members to make the second installment and third installment shall be conditioned upon the Authority and the Committee reapproving the Amendment 3 Work Plan or approving an amendment thereto by (i) an affirmative vote of at least 75% of the total number of Directors of the Authority Board and (ii) an affirmative vote of at least 75% of the total weighted vote as provided at Subsection 3(g) of the then-current Committee members, prior to January 1, 2023 or January 1, 2024, as applicable.”

Section 2.04. **Future Development of the Proposed Sites Reservoir Project.**

The Agreement is hereby amended to add the below Sections 6(c), 6(d) and 6(e):

“(c) On or prior to March 31, 2022, each Project Agreement Member shall provide the Authority with a completed Project Agreement Member Project Payment Annex in the form attached hereto as Exhibit C. The Project Agreement Members, upon written request of the Authority, will meet with Authority staff from time to time, but not more often than once per calendar quarter, at which meeting, Authority staff will provide such Project Agreement Members with information regarding the then-current financing options being considered by the Authority and the expected terms of such financing options and the Project Agreement Member will provide updates regarding the status of the items identified in the Project Agreement Member Project Payment Annex.

(d) On or prior to June 30, 2023, each Project Agreement Member shall provide the Authority with a written update (the “Project Agreement Member Update”) with respect to the progress in the implementation of such repayment option, the remaining actions to be taken and the estimated completion dates.

For those Project Agreement Members that identified special benefit assessments or land based charges imposed in an improvement district as a source of repayment for an Authority financing in its Project Agreement Member Payment Annex, the Project Agreement Member Update

will also include a confirmation that such Project Agreement Member has the legal or contractual authority to discontinue water service to a water user that is delinquent in the payment of such special benefit assessment or land based charge, as applicable.

The Project Agreement Member Update will also include a confirmation that the Project Agreement Member has adopted a debt management policy that is compliant with California Government Code Section 8555(i), or, if such Project Agreement Member has not adopted such a debt management policy, the Project Agreement Member Update will include a statement that such Project Agreement Member expects to adopt such a debt management policy or an opinion from the general counsel to such Project Agreement Member to the effect that such a debt management policy is not required to be adopted by the Project Agreement Member to finance its share of the Project.

The Project Agreement Member Update shall also identify any change in the proposed source of repayment from the source identified in the Project Agreement Member Payment Annex previously submitted to the Authority.

(e) The Project Agreement Members that identified the repayment options of either special benefit assessments or land based charges imposed in an improvement district in their respective Project Agreement Member Payment Annexes agree to use best efforts to complete the necessary procedures to comply with the applicable requirements of Proposition 218 by no later than June 30, 2023.”

Section 2.05. **Term.** The Agreement is hereby amended to remove Section 8(b) in its entirety and replace it with the following:

“(b) The term of this Project Agreement shall continue until December 31, 2024. In the event that this Third Amendment is not approved by Project Agreement Members with the requisite percentage of the total weighted vote as set forth in the Agreement by March 31, 2022, the Agreement shall be revived immediately upon approval by such requisite percentage, without any additional approval of the Project Agreement Members, and this Third Amendment shall become effective.”

Section 2.06. **Admission of New Project Agreement Members.** The Agreement is hereby amended to add the following sentence to end of the paragraph included under Section 10 of the Agreement:

“The Authority shall have the right to charge Project Agreement Members executing the Agreement after a date determined by the Board a fee, which such fee shall be established by the Board, to compensate Project Agreement Members who executed the Agreement prior to a date determined by the Board, for providing funding for the initial phases of the Project.”

Section 2.07. **California Environmental Quality Act.** The Agreement is hereby amended to add the following Section 18:

“Section 18 **California Environmental Quality Act**

Notwithstanding any provision of this Agreement, the Authority and the Project Agreement Members fully reserve all of their respective rights, powers, authority and discretion with respect to the proposed Project pursuant to the agencies’ respective obligations and responsibilities under the



California Environmental Quality Act (“CEQA”). This includes: (A) the power and discretion of the Authority as the lead agency, upon the completion of its CEQA review, to adopt feasible mitigation measures or a feasible project alternative, to approve the proposed Project based on the requisite CEQA findings, or to disapprove the proposed Project; and (B) the powers and discretion of the Project Agreement Members concerning the specific matters within their respective jurisdiction and authority acting as responsible agencies under CEQA. Any future decisions on whether to issue an approval of the proposed Project, and if so, how to issue such approval, will not be made until the agency making the decision has first completed its CEQA review of the proposed Project.”

### ARTICLE III

#### PROJECT AGREEMENT MEMBER PARTICIPATION

Section 3.01. **Project Agreement Participation.** Each Project Agreement Member shall specify its participation in the Sites Reservoir Project by indicating its storage amount in the Sites Reservoir Project on the signature page to this Third Amendment. Based upon the respective participation elections of the Project Agreement Members, the Authority shall update Exhibit A pursuant to Section 5 of the Agreement.

### ARTICLE IV

#### MISCELLANEOUS

Section 4.01. **Effectiveness of Agreement.** Except as expressly amended by this Third Amendment, the Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof. The amendments set forth in this Third Amendment shall be incorporated as part of the Agreement upon their effectiveness in accordance with Section 11 of the Agreement.

Section 4.02. **Execution in Several Counterparts.** This Third Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Project Agreement Members shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 4.03. **Laws Governing Third Amendment.** The effect and meaning of this Third Amendment and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State.

IN WITNESS WHEREOF, the Authority and Project Agreement Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: \_\_\_\_\_

SITES PROJECT AUTHORITY

By: \_\_\_\_\_

Name:

Title:

[PROJECT AGREEMENT MEMBER]

Dated: \_\_\_\_\_

\_\_\_\_\_

(Authority & Project Agreement Member)

By: \_\_\_\_\_

Name:

Title:

[PROJECT AGREEMENT MEMBER]

REPRESENTATIVES

The primary and alternate representatives of the [PROJECT AGREEMENT MEMBER] are identified below.

Primary Representative:

Alternate Representative:

ELECTION OF STORAGE AMOUNT

[PROJECT AGREEMENT MEMBER] hereby elects to participate in the Sites Reservoir Project in the below storage amount.

**Storage Amount  
Participation  
(Acre-Feet):**

EXHIBIT A

PROJECT AGREEMENT MEMBERS

Participant	Participation (Third Amendment Annualized Acre-Foot)		Storage Allocation
	Preliminary	Percent	
American Canyon, City of	4,000	2.4%	
Antelope Valley-East Kern Water Agency	500	0.3	
Carter Mutual Water Company #	300	0.2	
Coachella Valley Water District	10,000	6.0	
Colusa County	10,000	6.0	
Colusa County Water District	10,073	6.0	
Cortina Water District	450	0.3	
Davis Water District	2,000	1.2	
Desert Water Agency	6,500	3.9	
Dunnigan Water District	2,972	1.8	
Glenn-Colusa Irrigation District	5,000	3.0	
Irvine Ranch Water District	1,000	0.6	
LaGrande Water District	1,000	0.6	
Metropolitan Water District of S. CA	50,000	29.8	
Reclamation District 108	4,000	2.4	
Rosedale-Rio Bravo Water Storage District	500	0.3	
San Bernardino Valley Municipal Water District	21,400	12.8	
San Geronio Pass Water Agency	14,000	8.4	
Santa Clara Valley Water District	500	0.3	
Santa Clarita Valley Water Agency	5,000	3.0	
Westside Water District	5,375	3.2	
Wheeler Ridge-Maricopa Water Storage District	3,050	1.8	
Zone 7 Water Agency	10,000	6.0	
<b>Total:</b>	<b>167,620</b>	<b>100.0</b>	

Participation Percentages exclude State of California and United States Bureau of Reclamation share of the Project.

# Denotes a non-public agency. Refer to California Corporations Code Section 14300 et. seq. with additional requirements provided in both the Public Utilities Code and Water Code.

EXHIBIT B  
AMENDMENT 3 WORK PLAN

EXHIBIT C

FORM OF PROJECT AGREEMENT MEMBER  
PROJECT PAYMENT ANNEX

**Project Agreement Member:**

**Date:**

<b>Expected Source(s) of Repayment For Authority Financing (Check Each Box That Applies):</b>	<input type="checkbox"/> Amounts Collected Through Department of Water Resources State Water Project Annual Statement of Charges	<input type="checkbox"/> Water Rates and Charges (Proposition 218 Compliance Required)	<input type="checkbox"/> Water Rates and Charges (Proposition 218 Compliance Not Required)	<input type="checkbox"/> Special Benefit Assessment-Districtwide	<input type="checkbox"/> Special Benefit Assessment Levied by District on Certain Lands	<input type="checkbox"/> Land-Based Charges Imposed Within an Improvement District
<b>If An Improvement District, Has It Been Formed?</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<b>If no, is it anticipated to be formed by June 30, 2023?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>If A Special Benefit Assessment, Has the Special Benefit Been Approved In An Amount To Pay Debt Service On The Authority Financing?</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<b>If no, is it anticipated to be presented for landowner approval by June 30, 2023?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>Does the District Have A Debt Management Policy Compliant With Section 8855(i) of the California Government Code?</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No				