



Meeting: **Joint Reservoir Committee & Authority Board  
Agenda Item 3.3**

**February 17, 2023**

Subject: **Benefits & Obligations Contract Development**

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**Requested Action:**

Receive an update on the Benefits and Obligations Contract development.

**Detailed Description/Background:**

Funding the Sites Reservoir Project beyond the planning phase and into final design and construction (Phase 3/4) will require developing a “Sites Reservoir Benefits and Obligations Contract” (Contract) which will be the successor project agreement to the “2019 Phase 2 Reservoir Project Agreement” (currently on Amendment 3). The Contract will also serve as the long-term commitment of the Authority to provide the Participant with its capacity rights in the Sites Reservoir water storage system. It will represent what each Participant will need to take to its Board of Directors to secure the necessary authority committing to its capacity share in the project.

The Reservoir Committee and Authority Board adopted Guiding Principles and Preliminary Terms (Guiding Principles) in Nov 2022 to serve as the foundation and guiding document for drafting the Contract between the Sites Authority and Participants. Staff expects that taking this “building blocks” type of approach will avoid last-minute surprises or unaddressed needs in completing the Contract. This approach requires that each Participant be provided ample opportunity to provide input and requires active and constructive input from all Participants as progress is made.

The Guiding Principles define the basic mechanics for allocating benefits and costs, collecting payments, and remedying defaults through the Contract. Having these basic parameters established allows for an efficient WIFIA loan application process, but more importantly, will facilitate timely development of the Contract.

Staff proposes to use the following approach in the drafting process:

- The objective will be to keep the Contract as simple and streamlined as possible by making reference to policies and other technical information that can be updated without revisiting or amending the Contract.
- The Benefits and Obligations Contract will be the same for all Participants with the only differences being defined in payment annexes.

- The foundation for the Contract will be the existing approved documents (e.g. JPA, Bylaws, Project Agreements), and the recently adopted Guiding Principles and Master Resolution.
- The Contract is to be ready to execute in advance of investor commitment, anticipated in the final six months of 2024. (refer to Attachment A updated flow chart of anticipated activities to reach Phase 3).
- The Contract development will be coordinated with the concurrent development of other agreements and policies.
- The entire Contract document will be issued with annotations of change. A centralized, protected share site will be established. Each Participant will need to provide one set of comments for its entire Agency.
- Develop a “Lean and flexible” approach: where feasible define flexible, durable processes, avoid specifying outcomes. Handle details outside of contract (i.e., losses process).
- Amendment 3 participation levels to be assumed, except for “tentative” changes identified in the Mid-2023 soft call with Participant approval to use.

**Prior Action:**

November 21, 2022: Adopted the Final Guiding Principles and Preliminary Terms.

**Fiscal Impact/Funding Source:**

The Amendment 3 Work Plan includes sufficient budget to cover required resources and activities to develop the Sites Reservoir Benefits and Obligations Contract.

**Staff Contact:**

JP Robinette / Cheyanne Harris

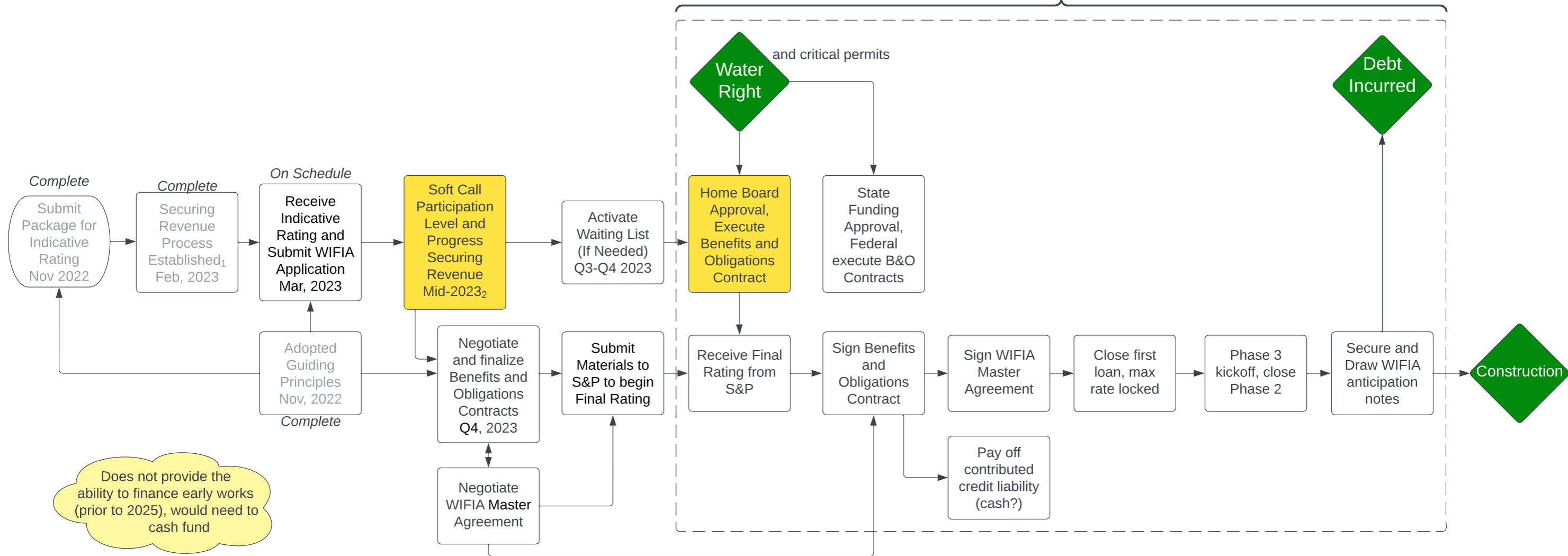
**Primary Service Provider:**

Brown and Caldwell

**Attachments:**

Attachment A: Updated Draft To Phase 3 Flowchart

Final 6 months, 2024



Does not provide the ability to finance early works (prior to 2025), would need to cash fund

**Diagram Key**

- Sites Authority Process
- Home Board Process
- Major Milestone

**Notes:**

1) agreement on approach for contracting between DWR and Sites participating State Water Contractors as needed, CCFCWCD Zone of Benefit Formed and any required annexation started, Land-Based Assessment voting processes started, Sites accounted for in rate planning.

2) the soft call will be initiated once a) Reclamation/New Participant Investments are determined, b) conversion to storage accounts is formalized, and c) an updated pro-forma analysis is provided to Participants.