



Subject: **Draft Waitlist Prioritization and Timeline**

Requested Action:

Review and discuss the prioritization and expected timeline for activating waitlist participation.

Detailed Description/Background:

In March 2022, the Board and Reservoir Committee approved a revision to the Funding and Credit Reimbursement Policy (FCR Policy) (initially adopted August 26, 2020) that included establishing an Opportunity Cost Fee of \$15.21 per acre-foot (AF) applicable to new Participants. The revenue generated from the Opportunity Cost Fee would be applied to paying down the long-term credit reimbursement liability (approximately \$9 million).

Currently, there are 15 agencies and the Bureau of Reclamation on the waitlist. Incentives for these entities include:

- Inclusion of the place of use/points of re-diversion in the Sites Authority's Water Right application.
- Waiver of any 'buy-in' fees subsequent to the Opportunity Cost Fee that the Sites Authority may decide to implement in the future (these participants would only be subject to the Opportunity Cost Fee).

Staff is proposing a prioritization of the waitlist and a timeline and process for activation in sufficient time for waitlist parties to make preparations within their agencies act during the investor commitment period (anticipated Q3 2025).

The primary purpose of this exercise is to evaluate bringing on new participants. It has been assumed that any existing Participant who has an interest in additional capacity in the Project has already come forward by submitting a Letter of Interest and is on the waitlist. However, if that is not the case, there may be a need for an intermediary step prior to activating the waitlist involving assignment or delegation among existing Participants as stipulated in Section 12 of the Phase 2 Project Agreement. Any proposal to assign or delegate per Section 12 would need to occur prior to Resolution to Offer Capacity and would involve written consent of all Participants and the Authority Board.

As discussed at the May 2023 Board and Reservoir Committee meeting, Reclamation will be offered available storage capacity until they reach their 16% requested participation level, assuming federal funding exists. For the remaining waitlisted agencies, the priority system is established in Section 6 of the Funding and Credit Reimbursement Policy (referred to as Round 5 Priority) has been applied. The proposed priority of the current waitlist, included in Attachment A, is summarized as follows:

Priority	Description	Current Number of Agencies
Priority 5.1	Additional or New Participation in the Sacramento River Hydrologic Region in the spirit of the 25% goal.	4
Priority 5.2	Additional Participation from existing Project Agreement Members.	2
Priority 5.3	New Participation from Prior Project Agreement Members that completely withdrew during a prior phase of the Project.	1
Priority 5.4	New Participation from agencies that have not participated in prior phases of the Project.	8

Staff anticipates potentially activating the waitlist at initiation of the Investor Commitment Escrow period – refer the timeline included in Attachment B. The process for working through the waitlisted agencies as capacity may become available is documented in a draft flowchart included in Attachment C.

A Frequently Asked Questions (FAQ) document, included in Attachment D, is meant to explain the waitlist process and supplement the prior FAQs that have been generated and updated to explain the B&O Contract and the investor commitment process.

Staff reviewed the proposed priority system and timeline for activating the waitlist with the Budget & Finance Committee at their meeting on March 14. There was not consensus on all aspects of the proposal. Staff made revisions to the materials felt necessary at this time for clarification, but would like to hear feedback from the full Board before making changes felt to involve interpretation of board policy.

The next step in the use of these materials is to discuss with the waitlisted parties. Assuming no further policy considerations come out of this review, Staff would follow this process and timeline for activating the waitlist and come back to the Board as new participation requires any clarifications of further interpretation of Board policy.

Fiscal Impact/Funding Source:

Sufficient funds exist in the 2025 Budget and A3 workplan to prepare these materials and work with waitlisted parties as participation opportunities arise.

Staff Contact: Jerry Brown/Cheyenne Harris/Scott Brown

Primary Service Provider: Brown and Caldwell & LWA

Attachments:

Attachment A: Waitlist Priorities

Attachment B: Process for Onboarding Waitlisted Agencies

Attachment C: Waitlisting Onboarding Process Flowchart

Attachment D: Waitlist FAQ

Sites Reservoir Project

Waitlist of Interested Participants¹

Working Draft, Subject to Change

Waitlist Priority ²	Participant	Amendment 3 Participation (AF) ³	Participation Increased Interest		Letter of Interest Date	Subject to Opportunity Cost Fee ⁵
			Average Annual Water Supply requested (AF) ³	Equivalent Storage Based Allocation Participation ⁴ (AF)		
5.1	Additional or New Participation in the Sacramento River Hydrologic Region in the spirit of the 25% goal					
	Woodland Davis Clean Water Agency ⁶		5,000	31,170	10/14/2021	
	Glenn County		1,000	6,234	11/16/2021	
	City of Napa		4,000	24,936	1/13/2022	
	City of Fairfield		1,500	9,351	11/13/2023	Yes
5.2	Additional Participation from existing Project Agreement Members					
	Wheeler Ridge - Maricopa WSD	3,050	200	1,247	2/25/2022	
			2,000	12,468	4/19/2022	
			1,500	9,351	7/13/2022	
	Santa Clara Valley WD	500	5,500	34,287	7/14/2022	
5.3	New Participation from Prior Project Agreement Members that completely withdrew during a prior phase of the Project					
	Pacific Resources MWC		2,000	12,468	3/4/2022	
5.4	New Participation from agencies that have not participated in prior phases of the Project					
	Madera County GSA		10,000	62,340	12/14/2021	
	Westlands WD		10,000	62,340	2/28/2022	
	La Cumbre MWC		1,000	6,234	5/3/2022	Yes
	Dudley Ridge		1,500	9,351	7/12/2022	Yes
	Palmdale WD		2,000	12,468	9/12/2022	Yes
	Western Municipal WD		2,000	12,468	12/21/2022	Yes
	Eastern Municipal Water District		1,604	10,000	10/25/2023	Yes
	City of Mountain House		5,500	34,287	9/10/2024	Yes

Notes:

- On May 19, 2023, the Reservoir Committee and Authority Board determined that additional participation to increase Reclamation's participation up to 16% would be accommodated to the extent feasible given their long history with the project and significant funding contributions to advance the project. Increasing Reclamation participation is handled prior to onboarding waitlisted agencies.
- See Section 6 of the Funding Credit Reimbursement Policy, adopted August 26, 2020.
- Participation levels reported in annualized acre-ft (AF).
- See Agenda Item 3.3 from April 21, 2023 Sites Authority Board meeting for the approach taken in determining storage based allocation.
- Opportunity Cost Fee would only apply to new participants that submitted a letter of interest after March 31, 2022. See Agenda Item 2.4 from March 18, 2022 Sites Authority Board Meeting.
- Woodland Davis CWA indicated possibility for lower participation, higher project participation level shown.

Sites Reservoir Project

Timeline for Onboarding Waitlisted Agencies

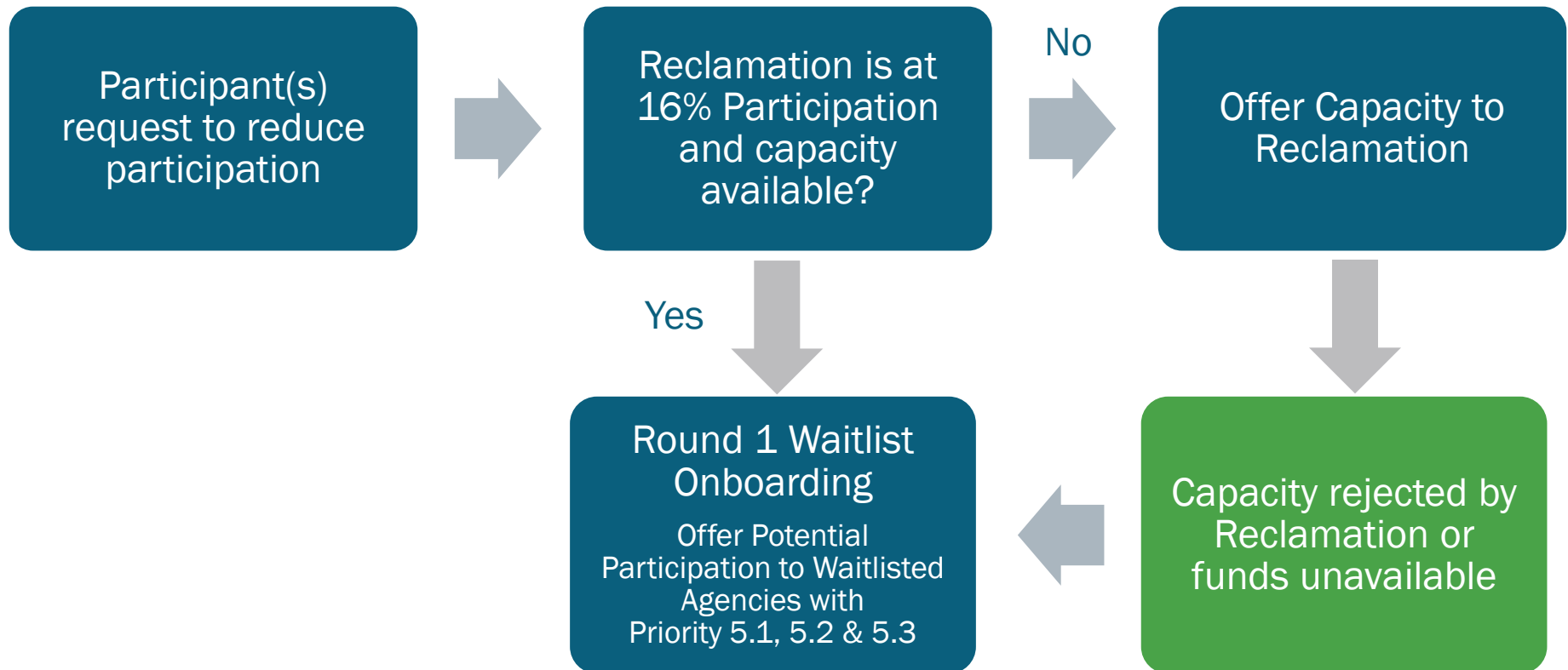
Working Draft, subject to change

	Timeline	Trigger	Action
Finalize Phase 2 Planning & Budgeting	March 2025	Waitlist Priorities Established	Confirm prioritized waitlisted and timeline/process for activating waitlisted agencies participation.
	April 2025	Preliminary Final Draft B&O Contract	
	June 2025	Updated Project Information	Issue updated Total Project Cost Estimate, Draft Program Baseline Report, and draft Plan of Finance. Current Participants to notify Sites Staff of any expected changes to Participation.
	August 2025	Water Right Issued	
	October 2025	Reclamation Participation	Confirm Reclamation's participation.
	October 2025	Resolution to Offer Capacity	Identify block of waitlisted agencies to receive offer of capacity, if any.
Secure Investor Commitments	October 2025 – April 2026	Investor Commitment Period	Home boards to take actions necessary to execute B&O Contracts.
	October – December 2025	First Round of Onboarding of Waitlisted Agencies	If existing Participant(s) reduces or withdraws and Reclamation's participation needs are met, letters of offer issued to entire block. Respondents will evaluate and confirm based on date of request and be required to act within remaining investor commitment escrow period.
	December 2025	Participation Check-in	Identify available storage capacity to offer to Second Round of Waitlisted Agencies.
	February – April 2026	Second Round of Onboarding Waitlisted Agencies	If needed, similar to first round.
	April 2026	Receive executed B&O Contract from all Participants	
Phase 2 Closeout	May - July 2026		Submit Project financing documents. Make initial draws on financing. Pay off Funding Credit & Reimbursement liabilities.

Draft Waitlist Onboarding

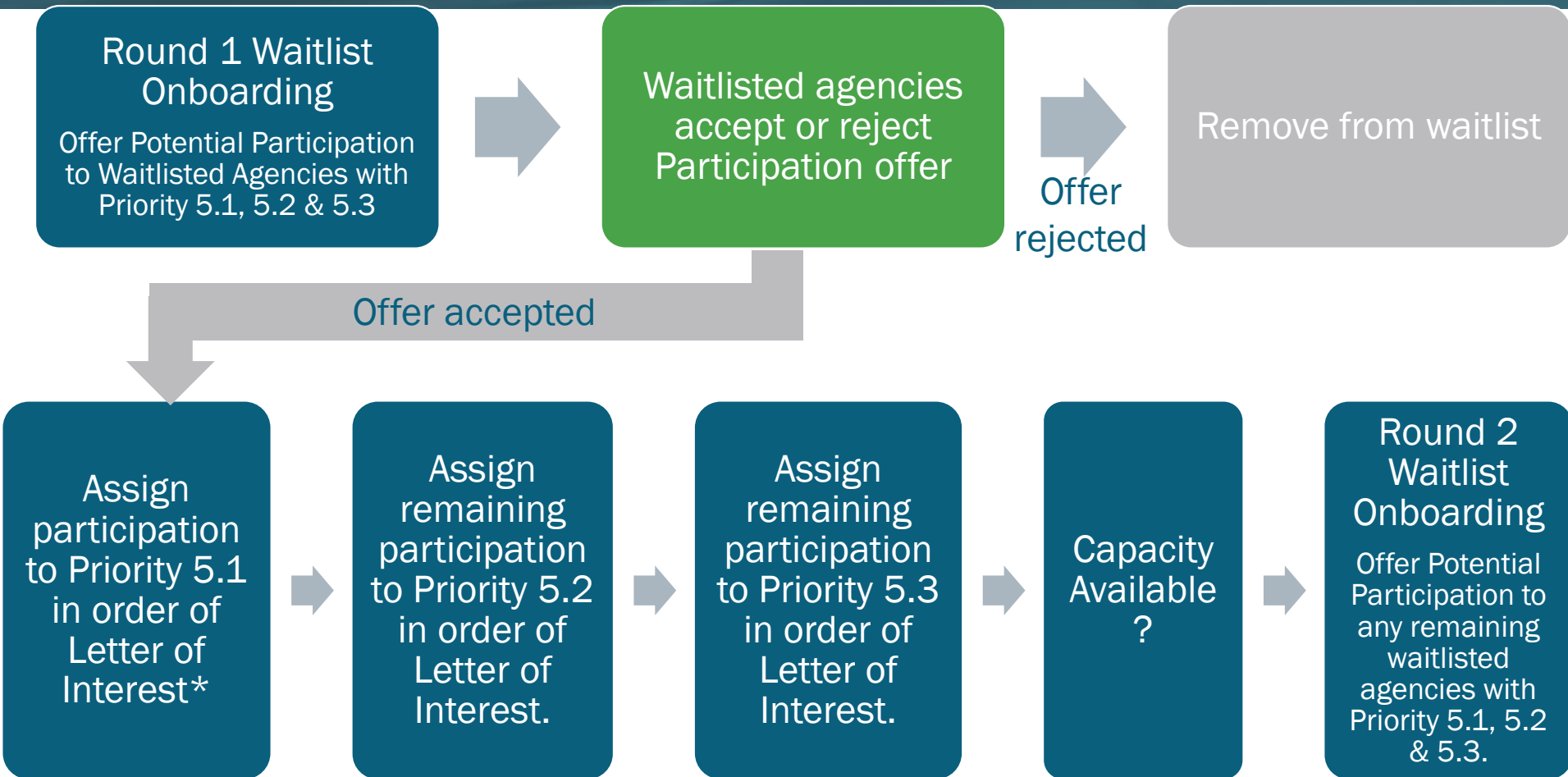
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March 21, 2025, Reservoir Committee & Authority Board
Agenda item 3.4 Attachment C



Draft Waitlist Onboarding

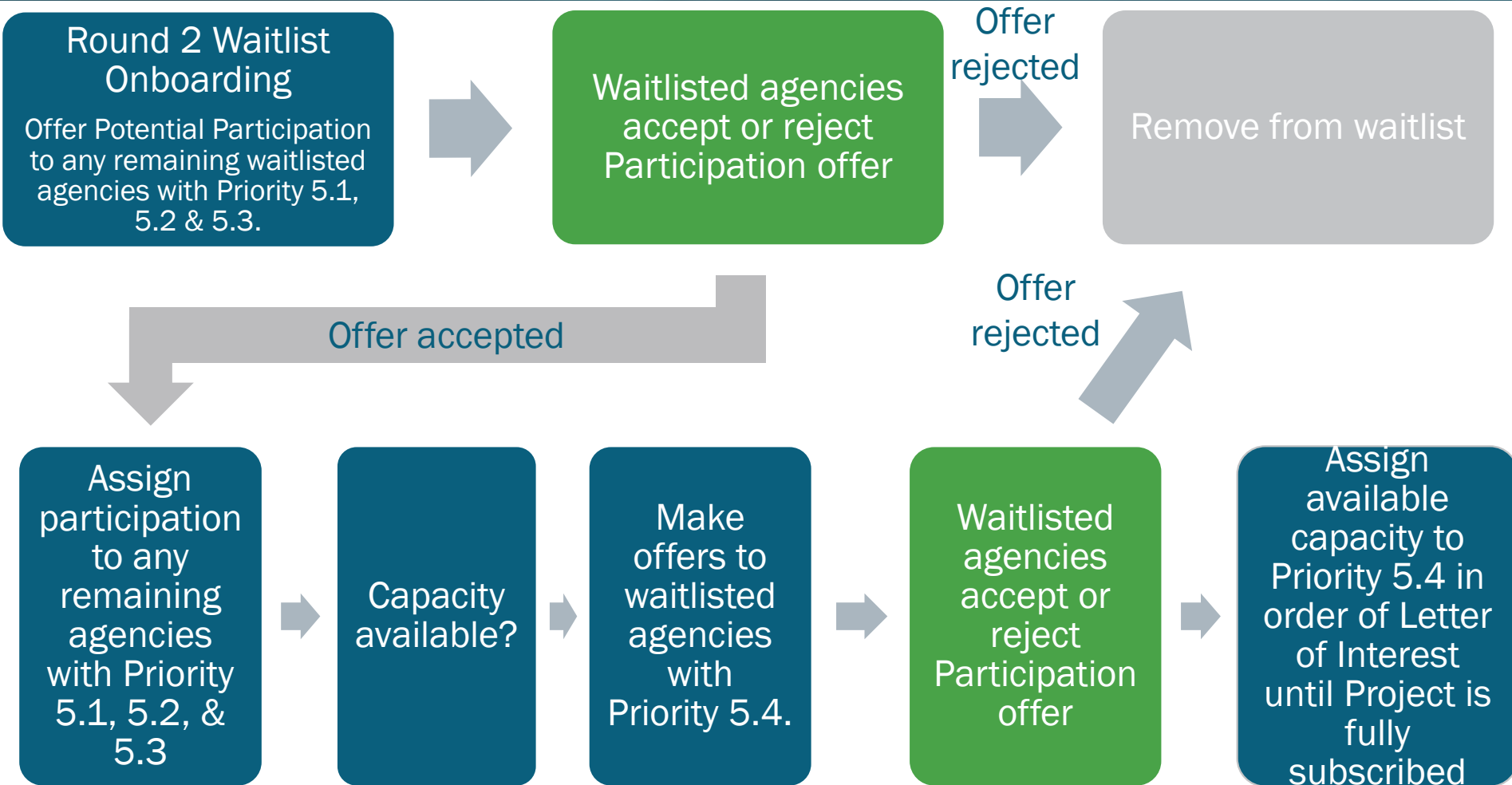
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* If either Santa Clara Valley Water or Wheeler Ridge identify their readiness to accept any or all of the available capacity being offered in Round 1, there will need to be a resolution by the Sites Board of an existing conflict between the Section 6 of the Project Agreement and the Funding and Credit Reimbursement Policy.

Draft Waitlist Onboarding

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Waitlist Onboarding Priorities and Process Frequently Asked Questions (FAQ) (Updated March 2025)

According to the current project schedule, the Sites Authority intends to initiate the process of securing Investor commitments in October 2025 by adopting the Resolution to Offer Capacity and issuing the Benefits & Obligations Contract (B&O Contract) to the Phase 2 Project Agreement Members, also referred to as Participants. The Sites Authority will request that home boards take actions necessary to execute B&O Contracts by April 2026. In anticipation that Participants may decide to reduce their participation, the Sites Authority has secured additional participation interest and has developed a prioritized waitlist of interested agencies (Waitlisted Agencies). This FAQ is intended to inform Waitlisted Agencies of the Sites Authority's process and timeline for offering additional capacity as it becomes available (the Waitlist Onboarding Process).

What are the waitlist priorities? How were they established?

- The SPA Board wishes to make capacity available to Reclamation to meet their 16% participation target, assuming availability of federal funding to Sites is sufficient. This was determined by the Reservoir Committee and Authority Board at the May 16, 2023 meeting.
- The priorities of Waitlisted Agencies are established in Section 6 of the Funding Credit & Reimbursement Policy (FCR Policy). Current Participants hold priorities under rounds 1 through 4. Waitlisted Agencies have been assigned the following Round 5 Priorities:
 - Priority 5.1: Additional or new participation from agencies in the Sacramento River Hydrologic Region.
 - Priority 5.2: Additional participation from existing Participants.
 - Priority 5.3: New participation from prior Participants that withdrew from the Project.
 - Priority 5.4: New participation from agencies that have not participated in prior phases of the Project.
- Within each Round 5 Priority, Waitlisted Agencies are ranked based on the date their Letter of Interest was received by the Sites Authority. Although the application of the Opportunity Cost Fee is identified on the waitlist, this fee was not a consideration for assigning priorities.

What is the Waitlist Onboarding Process?

- Once additional capacity becomes available from existing Participants, the Sites Authority will initiate the Waitlist Onboarding Process, as shown in the flowchart (refer to Attachment C of this same staff report).
 - Capacity will first be offered to Reclamation to achieve its 16% participation target, assuming federal funding is sufficient. Once Reclamation achieves its 16% participation target, or is unable to fund additional participation to get to 16%, the remaining available capacity will be offered to the Waitlist Agencies.
 - The first round of onboarding will include a Block offer of potential participation to all Waitlisted Agencies with priorities 5.1, 5.2 and 5.3. Waitlisted Agencies within these priorities will be expected to accept or reject the offer within two months. If a Waitlisted Agency rejects the offer of potential participation, it will be removed from the waitlist. Based on the accepted offers received, the Sites Authority will assign the available participation to Waitlisted Agencies up to the amount identified in their Letter of Interest, as follows:
 - Participation will be assigned first to Priority 5.1 agencies¹ in the order their Letter of Interest was received.
 - If there is additional participation available, it will be assigned to Priority 5.2 agencies, again in the order their Letter of Interest was received.
 - Lastly, for the first round, any available participation will be assigned to the Priority 5.3 agency (there is only one in this priority).
 - Any available participation that remains after Round 1 assignments will be carried over to Round 2.
 - The second round of onboarding is expected to begin in February 2026 to include any participation remaining from Round 1 plus any additional participation that becomes available during the first three months of the Investor Commitment Period.

¹ Under the Phase 2 Project Agreement, agencies with Priority 5.2 are granted the right to accept any or all of the available capacity being offer in Round 1. If they elect to exercise this right ahead of Priority 5.1, the Authority Board will need to adopt a resolution acknowledging the conflict between the Phase 2 Project Agreement and the FCR Policy, and affirming their right for available capacity.

- If there was insufficient participation available to meet the accepted offers from in Round 1, any additional participation that becomes available will be assigned to the remaining Round 1 Waitlisted Agencies, following the same process for Round 1.
 - If additional participation is still available, the Sites Authority will extend offers of potential participation to Priority 5.4 Waitlisted Agencies. Offers will be limited to the first group of agencies whose letters of interest total two- to three-times the available participation. This limited offer is intended to include sufficient interest to avoid the need for a third round but prevent over-extending offers beyond the reasonable amount of participation available.
 - Waitlisted Agencies receiving offers in this round are expected to accept or reject the offer within 2 months. Agencies that reject the offer will be removed from the waitlist. Based on the accepted offers received, the Sites Authority will assign participation to Priority 5.4 Waitlisted Agencies in the order their Letter of Interest was received.
- Waitlisted Agencies that were not extended offers will remain on the waitlist. However, the Sites Authority has not determined if the waitlist will survive past Phase 2 (i.e. after the B&O Contracts have been executed) nor defined the onboarding process from the waitlist during Phase 3 and beyond.

What kicks off the Waitlist Onboarding Process? When will this occur?

- First, a Participant must notify the Sites Authority of their decision to reduce their level of participation in the project. The Sites Authority will be requesting Participants to notify staff of any expected changes in participation following the release of update project information, expected in June 2025.
- Second, Reclamation must decide whether to increase their participation up to their 16% participation target before any available participation can be offer to the Waitlisted Agencies. Reclamation is expected to confirm their participation by October 2025.
- The first round of onboarding would begin in October 2025, if there is available participation to offer Waitlisted Agencies.
- The second round of onboarding would begin around February 2026, if there are any additional changes in participation or remaining participation available from the first round of onboarding.

What will be required of a Waitlisted Agency?

- The Sites Authority assumes the participation requested in the Letter of Interest submitted by each Waitlisted Agency is a firm amount. Waitlisted Agencies should immediately notify the Sites Authority of any change to the requested level of participation. A reduction in the level of participation will not change the priority assigned to the Waitlisted Agency. However, an increase in the requested participation will be considered a new request and the increase will be ranked separately within the assigned priority.
- The Sites Authority expects that Waitlisted Agencies have reviewed the draft B&O Contract and coordinated any concerns with Sites staff prior to October 2025 when the Resolution to Offer Capacity is adopted by the Reservoir Committee and Sites Authority Board.
- If an offer of potential participation is issued, the Waitlisted Agency is expected to accept or reject the offer within two months. This should allow sufficient time for the Waitlisted Agency's home board to consider and decide whether to accept or reject the offer. Waitlisted Agencies should recognize that accepting the offer does not guarantee they will be assigned participation. However, rejecting an offer of potential participation will result in removal from the waitlist.

- Once the Sites Authority assigns participation to a Waitlisted Agency, the agency's home board is expected to take actions necessary to execute the B&O Contract by April 2026. The Sites Authority recognizes that Waitlisted Agencies assigned participation during the second round of onboarding will have limited time to execute the B&O Contract. Therefore, Waitlisted Agencies should complete their due diligence in advance and be poised to execute the B&O Contract by the April 2026 deadline.