



Requested Action:

Provide Board feedback on the Authority's key terms of an Operations Agreement with Reclamation District 108 (RD 108) for the Lower Colusa Basin Drain (CBD) system.

Detailed Description/Background:

The Sites Reservoir Project (Project) requires the use of the Lower Colusa Basin Drain (CBD) and Knights Landing Outfall Gates (KLOG) system to deliver project benefits. RD108 operates existing infrastructure within the Lower CBD and is a key strategic partner to assist in performing O&M services necessary to support Sites Project operations related to the CBD, KLOG and possibly the Dunnigan Pipeline. Staff have been working with RD108 to develop a draft Operations Agreement that seeks to secure a long-term relationship with RD108 as the Sites Project contract operator for these designated parts of the Sites project operations. The Operations Agreement would focus on defining scope, service performance expectations, and compensation mechanisms for RD 108's role. Board feedback on the key terms of the agreement are necessary to achieve a final agreement prior to execution.

The scope of services to be performed by RD 108 will continue to be refined through coordination with the District and will ultimately be incorporated as an attachment to the Operations Agreement. The scope is anticipated to include agency coordination functions such as serving as a first responder to local operational issues, managing stakeholder communication, and coordinating day-to-day operations. It will also include routine maintenance activities necessary to support the Lower CBD system. These activities may include canal dredging, vegetation management, erosion mitigation, and maintenance of access for operations and maintenance personnel. Maintenance activities will need to be coordinated closely with other Lower CBD stakeholders. The scope will also cover key operational activities, including coordination on Dunnigan Pipeline discharge, flow and stage monitoring and measurement, and administering a diverter metering program to support accurate accounting and system management.

Implementation of an Operations Agreement with RD 108 will require addressing both jurisdictional and financial considerations. Within the Lower CBD system,

multiple entities currently possess differing statutory authorities and operational responsibilities. There are currently no coordinated O&M activities in the drainage canal, and there is not yet a unified consensus on which entity should perform ongoing O&M. As part of the agreement development process, these jurisdictional issues must be clarified to ensure effective and reliable service delivery. In parallel, a compensation framework will need to be established that appropriately reflects RD 108's role and risk. Potential approaches under consideration include a combination of fixed fees to account for capital investments, equipment, and staffing requirements, risk-based compensation mechanisms, and conveyance-based charges that apply when the Sites Project utilizes the Lower CBD system.

To advance this effort, Authority staff have developed a set of key terms for negotiating an Operations Agreement with RD 108. See Attachment A

Prior Action:

March 2026 – Received an update on the RD 108 Operations Agreement.

Fiscal Impact/Funding Source:

There are sufficient funds in the Amendment 3 work plan to pay the costs related to this effort. It is expected that the expenditure of funds will run through the end of the Amendment 3 Work Plan, currently December 31, 2026. Operations and Maintenance scope finalization are expected to be further refined as modeling, design and analysis advances in Phase 3 and 4 of the Project.

Staff Contact:

JP Robinette/Rob Natoli

Primary Service Provider:

Brown and Caldwell/HDR

Attachments:

Attachment A - Proposed Key Terms of RD108 Agreement

Sites Authority's Key Terms of Agreement

Operations Agreement with Reclamation District 108 (RD 108) for the Lower Colusa Basin Drain (CBD) system

The following summarizes the principal business and operational terms proposed for inclusion in the Long-Term Operations Agreement between the Sites Authority and Reclamation District No. 108 (RD 108). These terms are intended to secure a long-term contract operations relationship for RD 108's services to assist with the Sites operations in the Lower Colusa Basin Drain (CBD) system, establishing clear performance expectations and operational boundaries. Importantly, this is an agreement for operations and maintenance (O&M) services of facilities that are not necessarily owned by RD 108. RD 108 provides similar O&M services for other public agencies (e.g. the operation of Wallace Weir for the State Water Contractors).

1. **Preservation of Existing Customer Obligations** – The utilization of the facilities for the Sites Reservoir Project will not negatively impact, modify, or amend RD 108's existing legal or contractual obligations toward its pre-existing customers.
2. **No Contract Modifications Required** – RD 108 will not be required to alter its existing water service, repayment, settlement, or exchange contracts to facilitate the Agreement.
3. **Governance Boundaries** – The agreement does not grant the Sites Authority voting rights on RD 108's governing board, leaving standard operational decisions with the respective owner agencies.
4. **Project Advocacy and Non-Protest** – RD 108 will support (and not protest) the Sites Reservoir Project through ongoing permitting, regulatory compliance proceedings, water rights acquisitions, and ultimate water rights licensing. RD 108 will support the Authority with local landowner and agency outreach and coordination support through design, construction, and operation of the Project.
5. **Sole Authority Decision-Making** – The Sites Authority retains complete ownership of all Sites-owned facilities and has sole decision-making authority regarding the planning, design, permitting, construction, and operation of all aspects of the Sites Project. The Sites Authority also retains its rights to contract with another entity to perform these services if it so desired.
6. **Future Service Framework and Scope** – Prior to the completion of any Sites Facilities, both parties will negotiate and mutually agree to determine operational or maintenance services to be provided, if any, by RD 108. The operation of the Dunnigan

Pipeline in particular, is of interest to the Tehama-Colusa Canal Authority (TCCA) and the final scope will account for input from RD 108, TCCA, and the Sites Authority.

7. Annual Operational Coordination – The parties are to coordinate at least annually to map out anticipated diversion/release schedules, wheeling volumes, routing, and planned maintenance downtime to minimize impacts on project operations.
8. Rate Structures and Reimbursement – Establish a framework for compensating RD 108 for their fixed and variable costs associated with providing services under the Agreement. This framework may include actual cost reimbursement and/or volumetric (i.e. \$/AF) charges. Risk allocation and value-add services will be considered in setting rates and charges.
9. Access and Audit Rights – The Authority has the right to audit RD 108’s books, records, and reports, and to inspect any facilities funded or cost-shared by the Authority, subject to advanced written notice (except in emergencies). The Authority will document its findings and share official inspection reports and engineering recommendations directly with RD 108.
10. Good Faith Amendments – Both parties will consult and work in good faith to amend the agreement to address, mitigate, or resolve any unacceptable operational impacts so that project conveyance can continue smoothly.

Collectively, these terms are intended to establish a reliable, long-term framework for utilizing the Lower Colusa Basin Drain system as an operational conveyance mechanism for Sites Water. By clearly delineating operations and maintenance roles, defining financial structures, and safeguarding pre-existing local rights, this agreement secures a critical strategic partnership with Reclamation District No. 108. Crucially, it preserves the Authority’s long-term commercial and operational autonomy, balances risk between both public agencies, and maintains the flexibility necessary to advance the Sites Reservoir Project into its next phases of implementation.