

Sites JPA 2019 Reservoir Project Agreement and Continued District Participation in the Sites Reservoir Project

Board Meeting
February 12, 2019



Staff Recommendations

- ▶ Receive and discuss information on the Sites Reservoir Project.
- ▶ Authorize the CEO to execute the Sites Project Authority 2019 Reservoir Project Agreement for Phase 2 Year 1 Participation.
- ▶ Authorize the District to participate in Phase 2 Year 1 of the Sites Project, and decide on the specific project participation level (up to 4.8%)
- ▶ Direct Staff to continue engagement in Sites Reservoir Committee and negotiate future funding participation to include stronger governance role

Project Location and Description

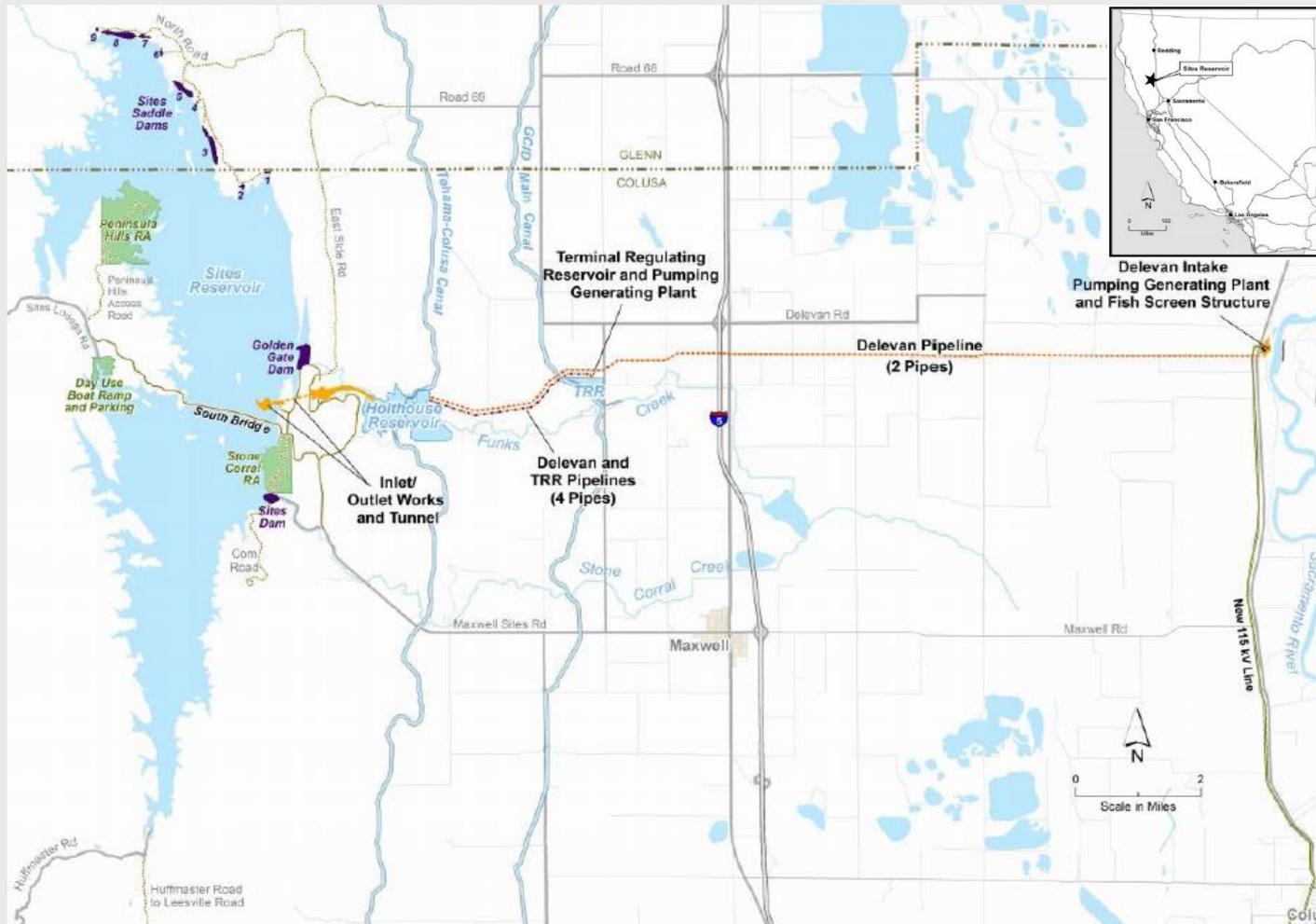


Image from Sites Proposition 1 Application (A4_Drawings' sub-section)

Potential District Benefits

- ▶ An increase in available water supply, primarily in drier years, that may potentially be delivered as SWP project supplies.
 - ▶ Preliminary estimate of 8,000 to 12,000 acre-feet (average) per year at a 4.8% Project Participation level.
- ▶ Storage rights in Sites reservoir proportional to the District Share.
- ▶ Improvement in Shasta Reservoir storage levels and cold-water pool that may provide fishery benefits and help stabilize/increase CVP deliveries.

Sites Project – Phases and Near Term Funding

- ▶ The Sites Project is envisioned to progress in five phases:
 - ▶ Phase 1 - WSIP funding application and EIR/EIS development; **Complete**
 - ▶ Phase 2 - EIR/EIS completion, predesign, critical permits, and water rights; **To begin**
 - ▶ Phase 3 - Final design, land and right of way acquisition, and remaining permits; **Future**
 - ▶ Phase 4 – Construction **Future**
 - ▶ Phase 5 - Transfer to Operations **Future**

Estimated Sites Phase 2 Participant Costs (\$ millions)

	Year 1	Year 2	Years 3-4
Participant Costs	14	90	245
District Share at a 4.8% Project Participation level	1.4	9.2	25.1

Phase 1 Accomplishments

- ▶ Prop1 WSIP funding: \$816 million
 - ▶ Early Funding: \$40.8 million
- ▶ Draft EIR/EIS
- ▶ Draft Federal Feasibility Study
 - ▶ Basis for WIIN Act Funding
- ▶ USDA construction loan: \$449 million
 - ▶ 3.875% interest rate
- ▶ Bipartisan support for Proposition 1 funding, including 43 of California's Congressional Representatives.

2019 Project Agreement (Phase 2, Year 1)

- ▶ Substantially similar to Phase 1 Project Agreement
- ▶ Ability to influence Project through Reservoir Committee.
- ▶ Preserves right to contract for water supply and storage from finished project if executed by Feb. 15, 2019.
- ▶ District cost not to exceed \$1.44 million at current participation level.



Funding Deliverables (Phase 2, Year 1)

- ▶ Define storage benefits and operational rules for participant utilization of storage in Sites Reservoir
- ▶ Better define State and Federal interests and benefits
- ▶ Complete key agreements with DWR and USBR
- ▶ Update and narrow range of operating scenarios and yields
- ▶ Compile data to further refine construction cost estimates

Budget and Funding (Phase 2, Year 1)

- ▶ Phase 2 , Year 1: April 2019 – December 2019
- ▶ Total Budget: \$35 million
 - ▶ Funding from Water Agencies: \$14 million
 - ▶ WIIN Act Funding: \$9 million
 - ▶ WSIP Funding: \$10 million
- ▶ District current cost share at 4.8% Project participation level
 - ▶ No more than \$1.44 million
 - ▶ Approximately 10.3% of water agencies' share

Alternatives: Budget and Funding (Phase 2, Year 1)

Option	Target District Share	Average Annual Yield (acre-feet)	District Costs (\$ millions)	
			Phase 2 Year 1	Capital (2015 Dollars)
A	4.8%	12,000	1.4	265
B	3.2%	8,000	0.96	177
C	1.6%	4,000	0.48	88
D	0%	0	0	0

Alternatives: Pros and Cons (Phase 2, Year 1)

Option	District Participation Level	Pros	Cons
A	4.8% (\$1.4 M)	<ul style="list-style-type: none"> • 12,000 AFY avg. yield • 23,000 AF in D/C years • More influence • May reduce participation later 	<ul style="list-style-type: none"> • Sites benefit may not ultimately be needed if other projects built
B	3.2% (\$0.96 M)	<ul style="list-style-type: none"> • 8,000 AFY avg. yield • 15,000 AF in D/C years • Maintain some influence • Possible credit of prior payments 	<ul style="list-style-type: none"> • May be difficult to increase participation later • Reduced influence as medium investor
C	1.6% (\$0.48 M)	<ul style="list-style-type: none"> • 4,000 AFY avg. yield • 8,000 AF in D/C years • Maintain some influence • Possible credit of prior payments 	<ul style="list-style-type: none"> • May be difficult to increase participation later • Reduced influence as small investor
D	0% (\$0)	<ul style="list-style-type: none"> • Lowest cost • Possible refund of prior payments 	<ul style="list-style-type: none"> • No benefits preserved • May be difficult to rejoin • May increase chance project does not move forward

Staff Recommendations

- ▶ Receive and discuss information on the Sites Reservoir Project.
- ▶ Authorize the CEO to execute the Sites Project Authority 2019 Reservoir Project Agreement for Phase 2 Year 1 Participation.
- ▶ Authorize the District to participate in Phase 2 Year 1 of the Sites Project, and decide on the specific project participation level (up to 4.8%)
- ▶ Direct Staff to continue engagement in Sites Reservoir Committee and negotiate future funding participation to include stronger governance role