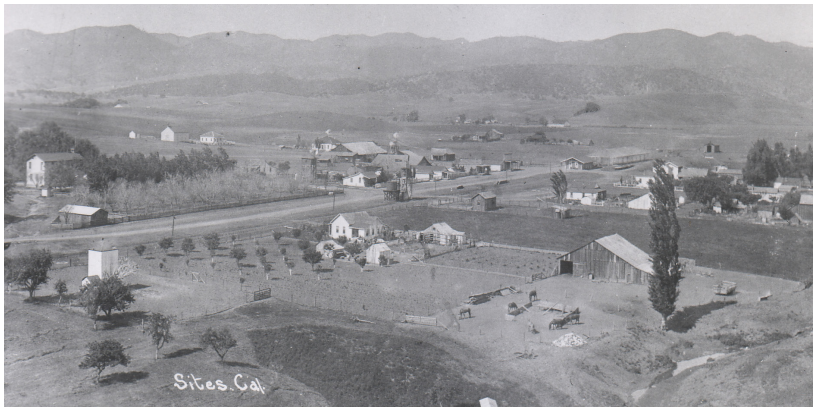




# Sites Project Authority Annual Report

2019



## Bringing resiliency, reliability, and flexibility to California's water supply

We understand how critical it is to have a water system that provides multiple benefits. **Sites Reservoir will produce significant benefits to the environment and secure water supply resiliency across the state for future generations.**



# Letter from the Sites Board Chair

On behalf of the Sites Project Authority (Authority), I am pleased to publish this inaugural annual report to highlight the significant progress we have made in developing Sites Reservoir. Since 2010, the Authority, representing 28 public agencies throughout California, has advanced this important project.

The Authority's strength lies in our participants, which represent the local counties where the project is located, along with cities, and water and irrigation districts throughout the Sacramento Valley, San Joaquin Valley, Bay Area, and Southern California. Through this spirit of teamwork and regional collaboration, the Authority has made great progress in advancing Sites Reservoir.

In 2019, the Authority focused on project permitting, operation modeling, financial analysis, and conducting a proactive stakeholder engagement effort. We have been diligently working on developing a project that meets the needs of our participants and is affordable for our investors. We remain steadfast in our commitment to working in partnership with both landowners and project stakeholders to advance a project that meets the needs of our communities and the environment.

I believe strongly that Sites Reservoir offers a unique and generational opportunity to construct a multi-benefit water storage project that helps restore flexibility, reliability, and resiliency to our statewide water supply, and provide a dedicated supply of water for environmental purposes.

Creating a resilient and reliable water future for California is essential to our environment, economy, and our communities. The Authority is committed to advancing Sites Reservoir and will continue to work in collaboration with our participants, federal and state partners, and stakeholders to deliver this important project for the people of California.

**Fritz Durst**



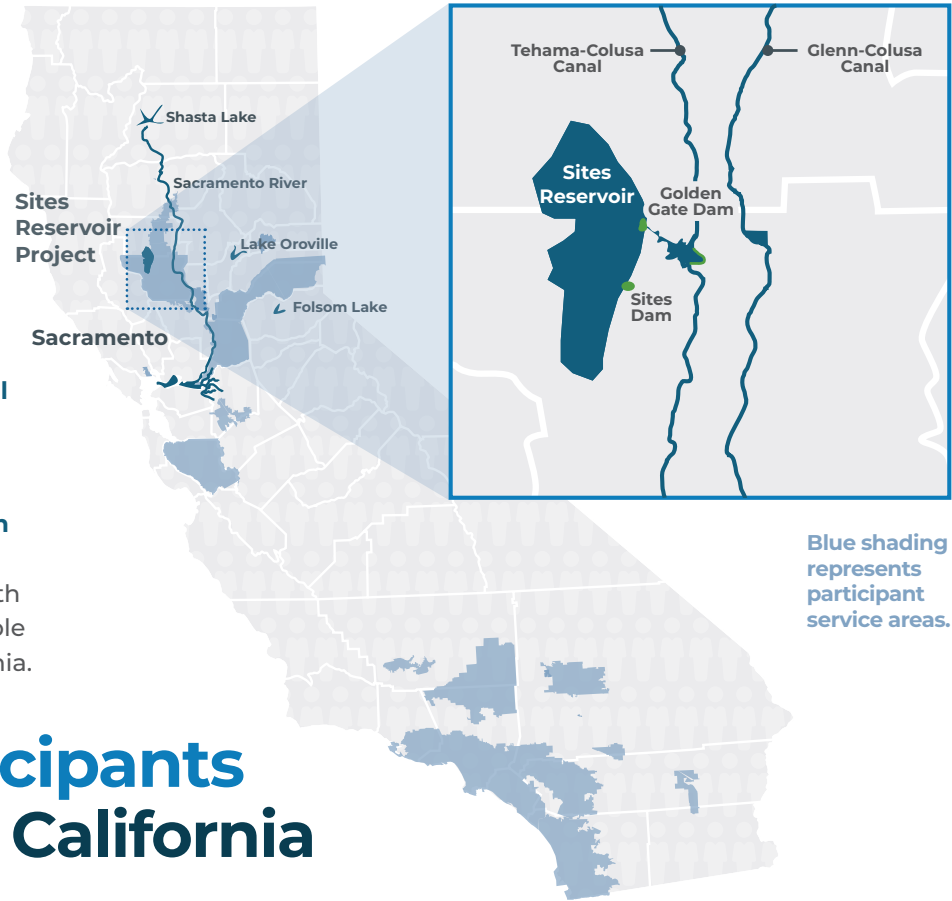
**Chairman, Sites Project Authority Board of Directors**



# Sites Reservoir has **Dedicated Participants** Across California

Now more than ever, California needs to address its statewide water management challenges by implementing innovative solutions that address our need for a sustainable and affordable water supply. **Managing California's water resources remains one of the greatest challenges that will continue to face California policy makers well into the future.**

**Our participants provide water for more than half the population of California.** Each participant is working together as partners with a unified goal of creating a reliable water supply solution for California.

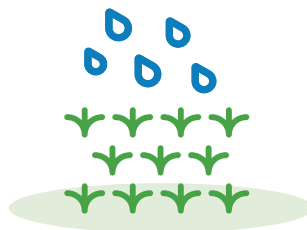


## 28 participants span California

Our participants serve:



Cities/Neighborhoods



Farmland/Irrigation



State/Environment

equating to **24+ million people** and over **500,000 acres of farmland**

# Sites Reservoir Overview: Focusing on Resiliency

## California's current water problem

California's water infrastructure is stressed beyond its capabilities. Our demands for water to serve our communities, fuel our economy, and preserve our environment have increased far beyond what the system was designed to reliably and sustainably support. Changing weather conditions only exacerbate an already unsustainable reality.

As we experienced in the 2012-2016 drought, the current water management system is not able to manage future conditions without severe consequences to our communities, families, farms, businesses, and the environment. Reliable dry year water supply is critical to creating a resilient future for California. Sites Reservoir is a vital part of the solution to improving dry year water supply for generations to come.

## How Sites Reservoir will provide a solution

Sites Reservoir will significantly improve the state's water management system in drier periods and restore much-needed flexibility and reliability that has been lost in the system. Located 10 miles west of the town of Maxwell in rural Glenn and Colusa counties, Sites Reservoir is an off-stream storage facility that captures and stores stormwater flows from the Sacramento River for release in dry and critical years.

When operating, Sites Reservoir will become a new drought management tool providing significantly more water during drier periods. **Sites Reservoir will be one of the state's largest reservoirs, and will add flexibility to California's water infrastructure by providing up to 1.5 million acre-feet of water storage capacity.**

When operated in conjunction with other Northern California reservoirs, such as Shasta, Oroville, and Folsom that function as the backbone to both the Central Valley Project and the State Water Project, Sites Reservoir will greatly increase the flexibility, reliability and resiliency of statewide water supplies in drier years for environmental, agricultural, and urban uses.

A portion of Site Reservoir's annual water supplies will be provided for environmental flows to help improve conditions for Delta smelt; help preserve the cold-water pools in Shasta Lake later into the summer months to support salmon development, spawning, and rearing; and improve Pacific Flyway habitat for migratory birds and other native species.

Sites Reservoir will benefit the local and regional economy by creating hundreds of construction-related jobs during each year of the construction period, and long-term jobs related to operations and recreation.

Simply put, Sites Reservoir can significantly improve the state's existing water management system in drier years and restore the much-needed flexibility that has been lost. The time is right to build on our momentum and growing support to ensure Sites Reservoir gets across the finish line before the next drought.

## Sites Reservoir Fast Facts



Adds significant annual water storage capacity to California's water system **for use in drier periods**



Provides the state of California with up to **1.5 million acre-feet of water storage capacity**



Creates **reliable supplies** for environmental, agricultural, and municipal uses



Provides crucial water for **homes and businesses**



Supported by **28 participating agencies** representing communities across California

# Gaining Momentum from planning through 2019

The beginning of more successes in the years to come

From humble beginnings as a discussion around water needs first referred to in the California Department of Water Resources' (DWR) Bulletin 3 in 1957 to becoming Sacramento Valley's best option for surface water storage, Sites Reservoir is the culmination of the lengthy journey toward finding a reliable water source for California.

Initial discussions surrounding the need for additional water storage were prompted by DWR's initial interest in and studies surrounding a north-of-Delta off-stream storage concept that inspired the first official references to Sites Reservoir. Conversations continued about the need for an additional water source, but there was little funding to advance the project. Then, in 1981, the Bureau of Reclamation published findings from an independent feasibility study that set the groundwork for Sites Reservoir as a valid solution to water reliability in California. Following the study, support for the project continued through the 1990s, but the key issue remained finding adequate project funding to make Sites Reservoir a reality.

The early 2000s saw focused efforts on research and data gathering to gain funding and to support the importance of Sites Reservoir to the goals of the CALFED Bay-Delta Program (CALFED). These research efforts included reports and additional studies targeting engineering feasibility, alternative analysis, testing,

and evaluations of California's water systems, canals, treatment plants, and related facilities. The data from these efforts propelled the project forward, paving the way for the Sites Project Authority to form in 2010.

In November 2014, California voters overwhelmingly approved the passage of Proposition 1 that dedicated \$2.7 billion for water storage projects, dams, and reservoirs throughout the state. After a rigorous evaluation process, the Sites Reservoir Project was awarded \$816 million in state investment to advance the project, the largest award given to any project requesting Proposition 1 support.

Today, the Authority remains committed to Sites Reservoir and is committed to maintaining the trust of the community through transparent and efficient practices, and by honoring the water storage efforts that began more than 60 years ago.

1957

## Initial Project Identification

DWR Bulletin 3 first references the project, and the project is included in the 1957 California Water Plan.

1997

## CALFED Bay-Delta Authorization

The project is evaluated as part of a comprehensive water management framework for ecosystem restoration.

2010

## Joint Powers Authority Formed

The Authority is formed to serve as the lead local agency to advance the project.

2014

## Proposition 1 Passed

The proposition dedicated \$2.7 billion for water storage projects, dams, and reservoirs.

2020

**And beyond**

Additional milestones in the years to come will make this project a reality.

2019

**Water Infrastructure Improvements under the WIIN Act Appropriations**

Through Authority-led outreach in 2019, the project receives \$6 million, bringing the total in Congressional Appropriations from the Water Infrastructure Improvements for the Nation (WIIN) Act to \$10 million.

**California Water Resilience Draft Portfolio**

Sites Reservoir is specifically named as one of only two priority project in the Governor's 2019 Water Resilience Draft Portfolio—a plan to provide reliability and resiliency to statewide water supplies.

2018

**\$816 million investment from the State of California**

The investment meets Proposition 1 criteria in recognition of its significant benefits to the public, the economy, and the environment.

**\$449 million in federal funding from the U.S. Department of Agriculture**

The project receives a construction loan for the Maxwell Water Intertie Project. (U.S. Secretary of the Interior Ryan Zinke, U.S. Secretary of Agriculture Sonny Perdue, and elected officials tour proposed project facilities)

2016

**Reservoir Committee Organized**

Authorization is provided to spend \$27 million over 3 years.

**Draft Environmental Impact Report/Statement (EIR/EIS) Released**

The documents are developed in partnership with the Bureau of Reclamation.

# The Resiliency, Reliability, and Flexibility of Sites Reservoir

Sites Reservoir will capture and store stormwater flows from the Sacramento River—after all other water rights and regulatory requirements are met—for release primarily in dry and critical years for environmental use and for California communities, farms, and businesses when it is so desperately needed.

Rain and snowmelt from mountains feed into our rivers and lakes, providing us with water. A small portion of this water will be stored in Sites Reservoir and released in drier water years to provide water for our crops, support wildlife habitat and at-risk species, and provide water for our communities when it is needed most.



Water from Sites Reservoir **directly benefits:**

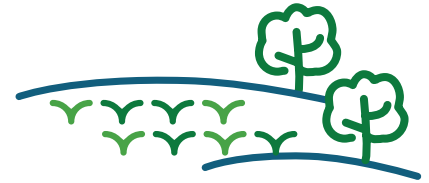
**Environment**



**Communities**



**Agriculture**



**Families**





# California's Water Challenges are multi-layered, but so are the benefits of Sites Reservoir



## Floods put many Californians at risk.

Floods jeopardize our safety and they destroy homes, agricultural land, local businesses, and the environment.

After a severe flood event many homeowners, farmers, and business owners never fully recover. Recently, Sacramento Valley communities have seen local economies suffer overwhelming impacts of flooding. Sites Reservoir will improve local flood control in the Sacramento Valley to help prevent post-flood devastation.



## Droughts are a destructive reality in California.

In harsh drought conditions, the life cycle and habitat of many species are at risk, including the thousands of eggs and newly spawned salmon that rely on the Sacramento River to survive. Orchards and other agricultural crops are particularly vulnerable to drought due to limited groundwater stores. Our businesses and communities are also affected, as droughts bring severe economic and employment impacts. Sites Reservoir will provide water during drought and significantly increase the state's storage.

## The good news is, significant benefits can be possible if Sites Reservoir becomes a reality, including:



### Off-stream Storage

Does not create a barrier to native fish migration



### Cooperative Operation

Increases effectiveness and efficiency of existing water storage infrastructure



### Federal and State Agencies Manage Environmental Water

Adaptable to current and future conditions and priorities



### Adaptable to Climate Change

Improves water system reliability and performance as climate changes



### Local Leadership and Cooperation

Aligns with Sacramento Valley's values and fosters regional and statewide collaboration



### Dry Year Water Supply

Reliable dry year water supply for California communities, farms and businesses



### Recreational Opportunities

Provides northern Sacramento Valley with additional opportunities for recreation



### Environmental Support

Provides environmental water in drier periods for native fish, and habitat for native species and birds

# 2019 Highlights and Milestones

Throughout 2019, the Authority continued to build on the substantial momentum the project gained over the last few years. The Authority focused on several key milestones that position Sites Reservoir for success in 2020. In 2019, the Authority:

## Engaged Federal and State Officials

Sites Reservoir gained congressional support in 2017 when the Authority submitted the Water Storage Investment Program (WSIP) application with a letter signed by 53 California House Representatives and another signed by U.S. Representative Doris Matsui. To continue building support throughout 2019, the Authority participated in three legislative events in Washington, D.C., and facilitated a state legislative day with California elected officials.

**OUTCOME:** With continued outreach and support from elected officials at both the state and federal level, Sites Reservoir continues to receive funding.

## Adopted California Environmental Quality Act (CEQA) Guidelines

In March, the Authority adopted CEQA guidelines which identify decision-making and project approval authority and outline CEQA review procedures.

**OUTCOME:** The guidelines bring the Authority in compliance with State law and identifies an open and transparent process for implementing Sites Reservoir.

## Continued Discussions with Landowners and Project Stakeholders

Throughout the project's history the Authority has dedicated time to discussing project progress with landowners and project stakeholders. 2019 was no exception, as the Authority continued to proactively engage landowners.

**OUTCOME:** The Authority provided transparent communication with affected landowners, local government agencies, project stakeholders, and the general public.

## Discussed Permitting with Federal and State Regulatory Agencies

Throughout 2019, the Authority focused on working with federal and state regulatory agencies to discuss the permitting application process.

**OUTCOME:** The foundation is set to continue the permitting process with the U.S. Fish and Wildlife Service, National Marine Fisheries Service, and California Department of Fish and Wildlife.

## Adopted Real Estate Policy

In April, the Authority adopted a real estate policy that described procedures and protocols for acquiring temporary rights of entry in support of 2019 geotechnical field survey activities.

**OUTCOME:** The team conducted necessary geotechnical investigations efficiently and effectively, helping set the stage for success.

## Executed WSIP/Proposition 1 Early Funding Agreement

In June, the Authority worked with staff at the California Water Commission to execute the WSIP/ Proposition 1 Early Funding Agreement.

**OUTCOME:** The Authority received \$6.1 million in reimbursement of the \$40.8 million early funding agreement with the California Water Commission.

## Initiated an Organizational Assessment

An Authority-directed comprehensive organizational assessment began in August.

**OUTCOME:** The draft assessment provided findings and recommendations in key project areas, including affordability, communications, and governance.

2019 was focused on permitability and affordability. Each key milestone accomplished throughout 2019 sets the stage for success in 2020.



## Conducted an Affordability Analysis

The Authority conducted an Affordability Analysis in the second half of 2019. Information was conveyed in a series of joint Reservoir Committee and Authority Board workshops; the efforts culminated in the rollout of a cash flow tool for participants.

**OUTCOME:** Participants are informed about the cost of water in terms of annual repayment and operations costs.

## Began Focused Geotechnical Investigations

Beginning in the 4th quarter, the Authority began biological and cultural monitoring for the Bureau of Reclamation's geotechnical investigations. The focused investigations involved coordination with landowners and local agencies, including Colusa County, Maxwell Irrigation District, and Glenn Colusa Irrigation District.

**OUTCOME:** Getting "rigs in the field" was an enormous breakthrough for the project and is a significant step toward the next phase.

## Executed Bureau of Reclamation Cost Share Amendment

In December, the amendment to the Cost Share Memorandum of Understanding between the Bureau of Reclamation and the Authority was executed for continued planning and pre-construction activities. The agreement was initially executed in 2015, and this first amendment extends the term for 5 additional years from the signing date.

**OUTCOME:** With support from the Bureau of Reclamation, the Sites Reservoir can continue to advance.

## Executed Value Planning

The Authority embarked on a value planning effort that consists of appraisal-level engineering, environmental, permitting, operations, and financial assessments.

**OUTCOME:** The Authority is identifying the "right-size" project to build under today's conditions through value planning that prioritizes the creation of eligible public benefits (as identified in Proposition 1) and water supply benefits for the public water agencies that have been funding the studies to date.

## Secured WIIN Act Funding

At the close of 2019, President Trump signed a bipartisan spending bill that authorized \$6 million from the federal government and appropriated the authorized WIIN Act funds to the Bureau of Reclamation to advance the Sites Reservoir.

**OUTCOME:** To date, Congress has appropriated roughly \$10 million in WIIN Act funding to the Bureau of Reclamation for Sites Reservoir.

# California's Water Resilience Draft Portfolio identified Sites Reservoir as one of only two critical projects.

Executive Order N-10-19 outlines a plan for a water resilience portfolio to provide reliability and resiliency to statewide water supplies. Sites Reservoir was identified as a priority project that supports the goals presented in this document.

**Sites Reservoir is recognized as a top priority that will support the water needs of California's communities, economy, and environment through the 21st century.**



# Looking Ahead

## Planning for 2020 and Beyond

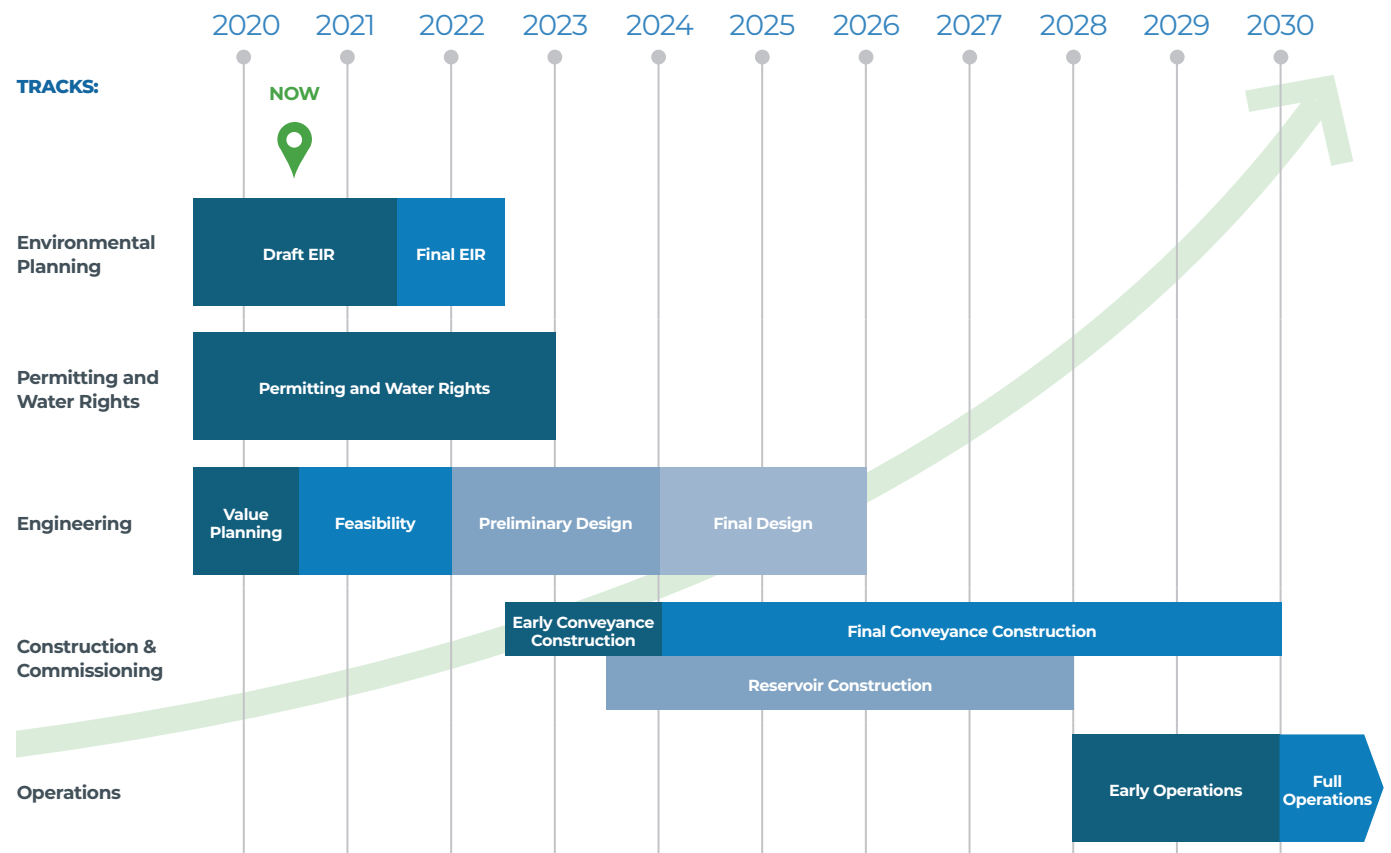
### The Authority will build on the significant achievements of 2019 to advance Sites Reservoir toward operations in 2030.

Efforts will remain focused on project affordability and permitability. Value-planning efforts to right-size project facilities and operations will continue in early 2020, and produce the details needed to complete environmental documentation and advance key project permits.

#### Near-term goals are to:

- Define the reservoir’s operations and integration with the State Water Project and Central Valley Project
- Continue to improve certainty related to the project’s permitability, and prepare applications for key federal and state permits and a state water right permit
- Continue to improve project affordability by advancing engineering and cost estimates
- Secure additional low-interest financing and other grants
- Cultivate and strengthen partnerships with local landowners, communities, and key stakeholders that represent environmental, business, labor, and other interests
- Continue local, state, and federal funding to move the project forward through the planning and feasibility stage and into implementation beginning in 2022

### Sites Reservoir Project Schedule



# What our elected officials are saying about Sites Reservoir

From humble beginnings in 1957, Sites Reservoir is swiftly becoming reality as it moves from planning to execution.

“Sites Reservoir is best positioned to help increase our water supply, improve flood protection, improve water quality, and enhance water resources for the foreseeable future.”

—Senator Jim Nielsen

“Sites Reservoir offers a remarkable opportunity to reoperate California’s longest and largest river, the Sacramento, to provide multiple benefits for fish, farms, and cities in an innovative manner.”

—Senator Dianne Feinstein

“Sites is a critical component of what we need to do to prepare for the next drought... it would be a huge addition to our water storage capacity in California.”

—Assemblyman James Gallagher

“Building Sites Reservoir would bring California closer to achieving a drought-resilient water system... Sites will benefit farmers, our communities, and the environment.”

—U.S. Representative John Garamendi

“Sites is the best opportunity we have to increase water storage in California. Dry years or wet—for habitat, farms and Northern California communities—this project brings water security and benefits. I’ll keep fighting to get this project built.”

—Congressman Doug LaMalfa

## SOURCES:

**Feinstein:** [sitesproject.org/wp-content/uploads/2018/03/Sites\\_Support\\_Letters\\_Website\\_2.23.18.pdf](https://sitesproject.org/wp-content/uploads/2018/03/Sites_Support_Letters_Website_2.23.18.pdf)

**Gallagher:** [sacramentovalley.org/sites-reservoir/](https://sacramentovalley.org/sites-reservoir/)

**Garamendi:** [www.dailydemocrat.com/2020/01/08/sites-reservoir-proposal-receives-6m-in-federal-funds/](https://www.dailydemocrat.com/2020/01/08/sites-reservoir-proposal-receives-6m-in-federal-funds/)

**LaMalfa:** [www.dailydemocrat.com/2020/01/08/sites-reservoir-proposal-receives-6m-in-federal-funds/](https://www.dailydemocrat.com/2020/01/08/sites-reservoir-proposal-receives-6m-in-federal-funds/)

**Nielsen:** [nielsen.cssrc.us/content/senator-nielsen-pushes-construction-sites-reservoir](https://nielsen.cssrc.us/content/senator-nielsen-pushes-construction-sites-reservoir)

# Costs and Funding

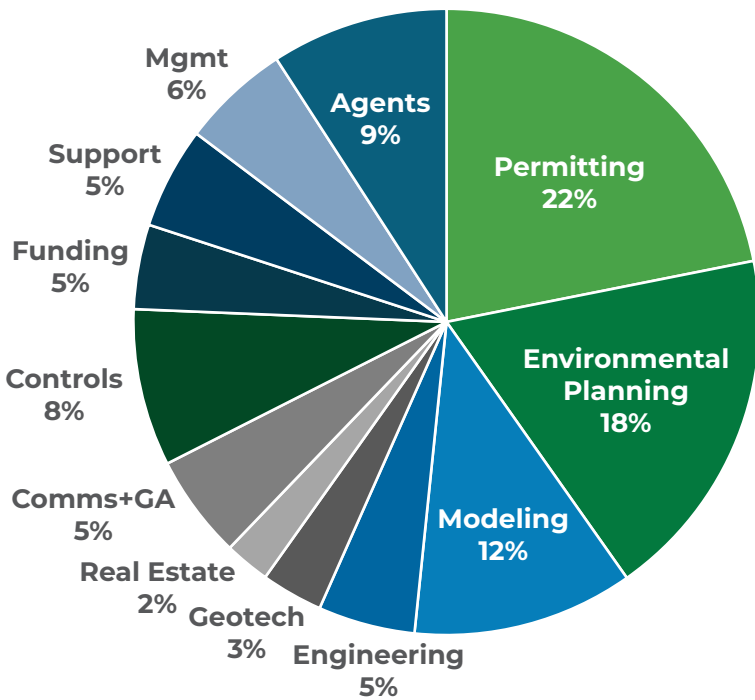
## The Authority leveraged local funds in 2019 to improve certainty on project affordability and permitability.

In 2019 the Authority focused resources on improving certainty related to the project's permitability and affordability. The project went through a re-balancing in early 2019 as the project transitioned from phase 1 to phase 2. As participants changed their investment, the Authority re-prioritized funds through the approval of a new phase 2 work plan and schedule. A change in participation also triggered the implementation of the Authority's credit reimbursement policy. The Authority focused on leveraging local investments by executing an early funding agreement with the state using Proposition 1 funding, totaling a third of the project's revenue in 2019. Coordination with

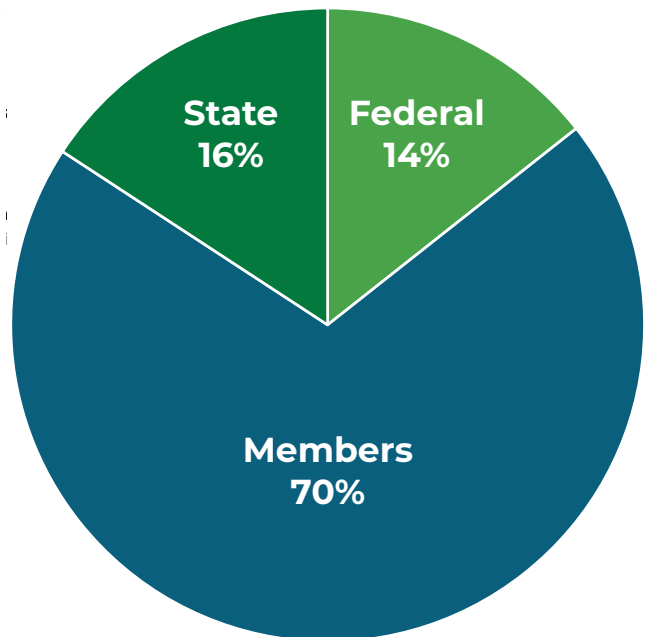
the Bureau of Reclamation also paved the way for a financial assistance agreement to be executed in 2020 to provide federal funds to the Authority and further leverage local investment.

Early in 2019 a management and technical team was assembled to deliver on the Authority's mission. In addition to bolstering critical environmental, permitting, operations, and engineering teams, the team added real estate, outreach, geotech, and project management resources. The team will provide the technical and business infrastructure needed to grow in a way that is efficient, transparent, and responsible.

**2019 Costs by Task**



**Cost Share (Actuals)  
2015 through December 31, 2019**



## Authority 2019 Profit and Loss Report\*

### Income

Membership Admin/Authority	\$505,000
Membership Water	\$11,458,034
Proposition 1 Funding	\$6,123,082
<b>Total Income</b>	<b>\$18,086,116</b>

### Expense

Financial Fees and Subscriptions	\$38,846
Office Expenses	\$12,991
Credit Reimbursement (Phase 1)	\$6,503,713
Total Professional Fees	\$10,820,725
Website, Data, Computer Support	\$10,911
<b>Total Expense</b>	<b>\$17,387,187</b>
<b>Net Ordinary Income</b>	<b>\$698,929</b>
Interest	\$121,536
<b>Net Income</b>	<b>\$820,465</b>

\*rounded to the nearest dollar

# \$27 million

invested by Sites Reservoir participants through 2019.

Sites Reservoir participants are committed to seeing this project constructed.

## The Authority has undergone an independent audit each year since 2016.

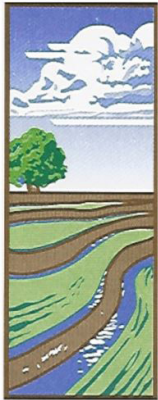
Each audit has confirmed that the Authority has maintained outstanding business practices resulting in efficient and transparent operations.

“In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.”

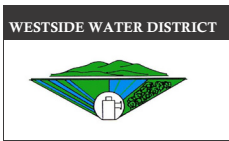
—Sites Project Authority Annual Financial Report with Independent Auditor's Report Theron, December 31, 2018

Auditor/Report Preparer: *Fechter & Company*  
Certified Public Accountants  
Sacramento, California, June 28, 2019

# Diverse Statewide Support for Sites Reservoir



RECLAMATION DISTRICT  
**108**



**TCCA**  
Tehama Colusa Canal Authority



SAN BERNARDINO  
**Valley**  
MUNICIPAL WATER DISTRICT



CITY OF  
**ROSEVILLE**  
CALIFORNIA

**Valley Water**

CITY OF  
**AMERICAN CANYON**



**SACRAMENTO COUNTY**



**SCV WATER**



**DESERT WATER**



— BUREAU OF —  
**RECLAMATION**

Carter Mutual Water Company | Colusa County Water District  
Cortina Water District | Davis Water District | LaGrande Water District

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