



TO: Don Zdeba, General Manager – Indian Wells Valley Groundwater Authority

FROM: Jeff Simonetti, Sr. Vice President – Capitol Core Group

CC: Michael W. McKinney, Capitol Core
Todd Tatum, Capitol Core

DATE: May 8, 2019

SUBJECT: Project Update – March/April 2019

The following is Capitol Core Group's update from project commencement, March 28 2019, through April 30, 2019. This will serve as our first "monthly update." Key-deliverables will be provided through more formal report structures.

PROJECT COMMENCEMENT & KICK-OFF

Capitol Core personnel met with Stetson, Indian Wells Valley Groundwater Authority (IWVGA), and ad-hoc committee members over the course of April to receive formal briefings, additional information and priorities. As approved, Capitol Core has begun work on Tasks One (Determination and Secure Sources of Imported Water Supplies) and Three (Identify and Secure Funding Sources) as contained within the Scope of Work approved by the Board.

We believe that Project Commencement/Kick-Off is well underway. During these "kick-off" meetings we project information and addressed:

1. How much water will the basin eventually need to purchase?
2. Is there a seasonality to these water deliveries? (e.g. more demand in the summer)
3. What is the timing as to when these purchases will commence?
4. Is there an opportunity to "bank" water within the basin, or would purchase water likely be stored somewhere else?
5. What is needed for infrastructure?
6. When is this infrastructure needed?
 - a. Timeline for project deliverables
7. How much is the infrastructure estimated to cost?

We have received direction to seek between 5,000 and 10,000 annual acre feet of imported water supplies based upon current overdraft estimates. In addition, we have been provided an order of magnitude infrastructure costs estimate of +\$56 million to +\$320 million (depending on the potential water transfer partner and the estimated infrastructure necessary to connect into their system) and will utilize that information as necessary in Task Three.

We have begun to address the issues outlined in the Scope of Work and will continue to work towards our first main deliverable of the Technical Memorandum on imported water to be completed in late July. We are also working diligently on the government affairs due diligence items outlined in Task 3. As issues require clarification or additional information is needed, we will seek guidance/data from the aforementioned personnel/committee.

TASK ONE – DETERMINATION AND SECURE SOURCES OF IMPORTED WATER SUPPLIES

Capitol Core has begun development of the Technical Memorandum (Task 1, Subtask B) outlining potential imported water supplies. To develop that memorandum, we are currently meeting with various water agencies, water banks and districts in order to provide IWVGA with a comprehensive picture of potential imported water supplies, water banking options, and delivery methodologies. Those meetings began in April and will continue through next month's "Project Update Memorandum." We are currently on-schedule to provide IWVGA the Technical Memorandum on July 31, 2019. Other subtasks are sequential to the completion of and/or rely upon data contained within the Technical Memorandum.

TASK THREE – IDENTIFY AND SECURE FUNDING SOURCES

Preparation of the Strategic Funding Plan (Task 3, Subtask B) has also begun. Initial briefings in Sacramento with Assembly Member Fong and Senator Grove offices were conducted (Task 3, Subtask C). In addition, Capitol Core met with members of Naval Air Weapons Station China Lake to discuss potential strategies. As part of those initial briefings/meetings, a white paper was developed providing a very broad outline of the issues and order-of-magnitude funding requirements. That white paper was approved by the ad-hoc committee. Potential funding sources are continuing to be researched and funding strategy developed. Based upon construction timeline estimates provided by Stetson, we are approximating funding requirements to begin in Fiscal-Year 2022/2023. Phasing of construction has not been determined and therefore we cannot approximate the full timeline of funding needs.

Initial legislative briefings will continue through May/June 2019.

TASK 4 – BOARD AND STAFF MEETINGS

Todd Tatum was present for the April IWVGA Board meeting to answer any questions concerning project commencement. We are currently planning on attending (in-person) Board meetings on an as-needed basis and when key-milestones/deliverables are made. We are, however; always available to answer questions remotely (video or telephone) at any time.

Should you have any questions, please give me a call at 909.568.5645 or via email at j.simonetti@capitolcore.com.