



Topic: **Joint Reservoir Committee/Authority Board
Agenda Item 2.3**

2021 June 23

Subject: **Amendment Work Plan 3 Timeline**

Requested Action:

Direct staff to prepare the Amendment 3 Work Plan on a 36-month work plan period.

Detailed Description/Background:

Staff continues to develop the Amendment 3 Work Plan to further refine cost and cash flow estimates based on the Authority's work plan goals and objectives. These estimates have been prepared for 18 and 36-month work plan durations. The Authority needs to decide the duration of the Amendment 3 Work Plan for the Successor Agreement to minimize staff cost in developing two separate work plans.

As presented last month, the 18-month work plan will accomplish all the Amendment 3 goals and objectives and aligns with the previously discussed estimated \$350/af cash call. The 36-month work plan also accomplishes the same goals and objectives and completes critical activities within the first 18 months such as securing the water right permit, CDFW incidental take permit, and Federal Biological Opinion. This aligns with the previously discussed estimated \$400/af cash call. However, as previously discussed, after the first 18 months the Authority may decide to secure bank financing for the remaining 18 months. A description of the two options is included in Attachment A.

A soft call Participant survey was conducted to seek feedback on anticipated participation levels and preference for the 18 vs 36-month work period. As of June 17th, the results of the 18 versus 36-month polling were: ten survey responders desired an 18-month work plan and two responders a 36-month work plan.

In coming to the staff recommendation of 36-months the following key considerations were taken into account:

1. Reduced cash flow of \$100/af in 2022 allows desired project development in critical areas while easing the burden on participant's home agency finances from pandemic and the drought. Participants have indicated a willingness to accept the 36-month work period if the 18-month work period means any single participant would not be able to continue.

2. While a 36-month schedule may create an overall project delay and additional inflation cost due to slower engineering development, there are several risk areas outside of the Authority's control (regulator and other outside agency decisions), that occur over the next 18 months and have the potential to delay the schedule to a greater degree.
3. Advancing environmental permitting and land acquisition planning before accelerating engineering development has the benefit of creating greater certainty before incurring these engineering costs. The 36-month schedule includes progress on the most critical engineering activities in the first 18 months.
4. The 36-month schedule allows for bank financing midway through the work period when critical permits and water rights are acquired. This means that remaining activities could be financed by either full cash outlay or interim financing requiring interest only payments resulting in significantly lower cash outlay for each participant.
5. The cash flow of the 36-month work period is sufficient to allow adaptations if conditions change through the period. For example, if there are fewer comments to respond to on the RDEIR/SDEIS than planned for, these funds can be reallocated to accelerating engineering tasks.

This recommendation takes into account the discussion of the issue at the June 18, 2021 Joint Sites Reservoir Committee/Authority Board Plan of Finance Workshop.

Prior Action:

May 2021: Reviewed and commented on the Amendment 3 work plan early budget estimates and cash flow for the 18-month and 36-month work periods.

Fiscal Impact/Funding Source:

There are sufficient funds in the Amendment 2 work plan to cover preparation of the Amendment 3 work plan. Deciding on the work period duration at this time allows staff to avoid duplicating effort of preparing work plans for two periods of time. While the work plan scope is not different between the 18-month and 36-month periods, the difference in timing of activities creates more work to prepare the work plan. Also, it is not expected that better information to make this decision is going to exist in September when the work plan scope, schedule and budget is to be finalized.

Staff Contact:

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Attachments: Attachment A: Amendment 3 Work Plan – Description of Cash Call Options

Work Plan Options

Option	Total Est'd Cash Call	Anticipated # of Cash Calls	Approximate Amt Due Per Cash Call	Holds 2030 Date?
18-month schedule	\$350/af	2	Jan 22 - \$150/af Jan 23 - \$200/af	Yes
36-month schedule w/annual cash calls	\$400/af	3	Jan 22- \$100/af Jan 23 - \$140/af* Jan 24 - \$160/af* <i>*or possible bank financing</i>	Challenging

Cash calls are based on current, yield-based subscription levels