

**Requested Action:**

Review and comment on the draft Amendment 3 Work Plan with a period of performance from January 1, 2022, through December 31, 2024.

**Detailed Description/Background:**

The Sites Project currently follows a work plan (Amendment 2) that identifies project activities and funding sources through December 31, 2021. It is anticipated that the Reservoir Committee's current participation agreement will be amended to extend the period of performance through December 31, 2024 (Amendment 3); therefore, a new work plan has been developed to continue advancing the project. Input from the Reservoir Committee and Authority Board in April (Org Chart and Goals and Objectives), May (Initial Expense and Cash Flow Estimate), June (Decision to Proceed with 36-month Work Plan), and July (Approval of Budget Policy) has been utilized to develop this work plan. The work plan in Attachment A has been reviewed by the Ad-Hoc Budget and Finance Committee. The work plan includes the below key items that staff is seeking Authority comments:

- Key deliverables based on project goals and objectives defined at the April 2021 Board meetings.
- Revenue estimates totaling \$142.9M in total revenue over the 36-month work period. Revenue sources include:
  - Approximately \$6M in projected carry-over funds from Amendment 2 work period.
  - Reservoir Committee Cash Calls totaling up to \$400/AF of water supply participation, which represents approximately \$67M at full participation at the current new water supplies for participants of 167,620 AF.
  - Authority Board membership dues totaling an estimated \$1.5M.
  - Anticipated federal funding through the WIIN Act of approximately \$50M over 36-months with \$34M in the last 18 months of Amendment 3.
  - State Prop 1 WSIP funding totaling \$18.3M and reaching our current Early Funding Agreement ceiling.

- Expense budgets estimated by subject area and broken out by year. Expense budgets for the Amendment 3 Work Plan include \$119.6M in anticipated expenses.
- A cash flow analysis providing cash call amounts required to maintain a positive cash position throughout the work plan and include funding that may be needed to initiate Phase 3 activities in 2025 until bank financing is in place

Amendment 3 consultant task orders will be provided in October for Authority review and considered for approval in November 2021 to secure the resources needed to complete work plan goals and objectives. The Third Amendment to the 2019 Reservoir Project Agreement (Amendment 3) will be considered for approval in as early as September 2021. A summary of this work plan budget will be attached to the Agreement as an exhibit. After a September approval, the work plan accommodates up to a 6-month processing time for all of the participants to achieve their home board approvals with invoice of the 1<sup>st</sup> cash call to occur April 1, 2021.

**Prior Action:**

February 19, 2021: The Joint Authority Board and Reservoir Committee approved the Sites Amendment 2 Work Plan Update which included a \$40/AF cash call to be paid on April 1, 2021.

August 26, 2020: The Authority Board approved the Sites Amendment 2 Work Plan with a period of performance of September 1, 2020 to December 31, 2021.

**Fiscal Impact/Funding Source:**

The total estimated local funding (Reservoir Committee Cash Call) required for Amendment 3 is \$400/AF and will occur in three annual cash calls. The 1<sup>st</sup> cash call is for \$100/AF due April 1, 2022. The 2<sup>nd</sup> and 3<sup>rd</sup> cash calls are for “up to” amounts of \$140/AF due January 1, 2023 and \$160/AF due January 1, 2024, respectively. A work plan progress check-in will occur annually and assess the need for the “up to” amounts in the 2<sup>nd</sup> and 3<sup>rd</sup> cash calls. The decision to bank finance will occur as soon as early 2023. If the decision is made to initiate bank financing for all or a portion of participants, then a revised work plan and successor agreement will be developed to address the changing conditions. Also, results of rebalancing and Reclamation level of investment could affect future cash call timing and amounts.

**Staff Contact:** Joe Trapasso/Marcus Maltby

**Attachments:** Attachment A: Draft Amendment 3 Work Plan



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# Draft Sites Project Authority Work Plan from January 2022 through December 2024

**This document is in Draft form. The content provided below is preliminary and subject to change**

August 20, 2021

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Attachment A – Amendment 3 Budget by Subject Area and Firm - *to be developed for “Action Item” version*

# **1. Introduction**

## **1.1 Background**

The Sites Reservoir Project (Project) currently follows a work plan (Amendment 2) that identifies Project activities and funding sources through December 31, 2021. The Reservoir Committee's current participation agreement will be amended to extend the period of performance to December 31, 2024; therefore, a new work plan (Amendment 3) is needed to continue advancing the Sites Project.

## **1.2 Overview**

This document outlines the work to be performed between January 1, 2022, and December 31, 2024, to meet Project goals and objectives that were developed with input from the Authority Board and Reservoir Committee (Board) in early 2021. The work plan provides key deliverables, schedules, and operational budgets needed to meet Project goals and objectives, including but not limited to obtaining key permits, obtaining a water right, and securing Project financing. It also includes an estimated split of the Authority Board's and Reservoir Committee's revenues and expenses. Activities outlined in this work plan are required for the Sites Project to complete the planning phase (Phase 2). This work plan will be superseded by a new participation agreement and work plan in January 2025 or with the initiation of a new agreement that includes financing provisions, whichever comes first.

If approved by the Authority Board and Reservoir Committee, a summary budget will be included as an exhibit to the Third Amendment to the 2019 Reservoir Project Agreement (Amendment 3). The budget is presented at the subject-area level. Task orders will be developed following the approval of this work plan. Subject-area budgets and key deliverables outlined in this document will be the basis for task order development. Task order budgets will be established for a 36-month period; however, commitments will be determined and executed on an annual basis coinciding with work plan cash call check-in periods. Task orders will be considered for Reservoir Committee and Authority Board approval in November 2021.

While Sites staff have made efforts to incorporate into this work plan any known current Project impacts due to the COVID-19 pandemic, the work plan has not accounted for unknown future changes due to the COVID-19 pandemic, including, without limitation, additional restrictions by government agencies or others (such as the availability of sites for access or the availability of client or consultant staff or others, the timing of revenue, etc.), to the extent they delay or otherwise impact the Project. In that event, Sites staff will notify the Reservoir Committee and Authority Board of the issue and make adjustments to stay within budget and schedule while still meeting deadlines.

## 2. Work Plan Goals and Schedule Targets

Work plan goals and objectives are based on activities required to complete the Project planning phase and achieve Project financing as determined by the Reservoir Committee and Authority Board. Goals and objectives are evaluated to determine deliverables, required revenue and expenses, and a cash flow for the duration of the work plan.

### 2.1 Work Plan Goals

Work plan goals and objectives form the basis of the work plan by providing high-level outcomes and required timing. The Project goals for this work plan are outlined below according to the Strategic Plan Goal Areas:

1. **Affordability** – Securing commitments for Project funding provides the resources needed to execute design, construction, and operational phases of the Project in a manner affordable to participants. Key affordability objectives include:
  - Secure a final funding agreement with California Water Commission for the remainder of the MCED.
  - Execute final operations agreements with facility partners, federal and state agencies.
  - Secure federal funding from the WIIN Act and other sources. Receive final federal commitments for project construction and execute Water Storage and Supply Services Contract with Reclamation.
  - Complete loan applications including WIFIA, USDA Loan, and bank financing and related activities to immediately initiate bank financing at the start of the next phase.
  - Complete and execute Water Supply and Storage Services Contracts (now referred to as “Benefits and Obligations Contracts”) with each Local Agency participating in the Project.
  - Continue to refine affordability analysis based on updated capital and operating cost estimate, cost of capital, cost allocation and benefits analysis, and conduct value engineering studies, independent review boards, and design engineering constructability reviews as necessary.
2. **Permittability** – Securing the agreements and permits necessary to build and operate a multi-benefit reservoir. Key permittability objectives include:
  - Complete Final EIR/EIS, Authority approves the Project, certifies the Final EIR, adopts the MMRP and issues the Notice of Determination, and Reclamation executes the Record of Decision.
  - Complete and obtain all key environmental permits for WSIP final award and initiate secondary permits for construction and operations.
  - Receive water right Order and Permit from the SWRCB.
  - Develop draft and/or final all plans, as appropriate, identified in the EIR/EIS (such as the recreation management plan, traffic management plan, land management plan, operations plan, etc).
  - Complete and obtain local agency agreements and permits along with any required city or county actions necessary to support long lead activities necessary for the next Phase.
  - Complete and execute benefit contracts with DWR (flood control and recreation benefits) and CDFW (environmental benefits) for public benefits.
  - Develop a mitigation acquisition master plan and approach for mitigating the Project effects. Begin biological and cultural resources surveys to refine impacts and mitigation obligations on properties where willing land access can be obtained.

- Initiate application for approval of permit to construct from DSOD for all jurisdictional facilities (dams) within the Project.
  - Continue evaluation of operations parameters and support development of final operating agreements.
3. **Buildability** – Completing facilities designs that efficiently manage risk and achieve affordability criteria. Key buildability objectives include:
- Complete engineering design to 30% level and provide updated construction and operations cost estimates. Complete further facility designs as needed to get key permits and approvals required for WSIP funding.
  - Evaluate alternative project delivery methods, determine risks for project variances and recommended risk management strategies, finalize construction bid packages, and determine overall Project schedule.
  - Develop land acquisition master plan and rights of way manual. Conduct preliminary landowner negotiations with willing sellers for potential acquisition of key parcels via options or fee title.
  - Perform geotechnical evaluations of all “willing seller” properties related to long-lead Project facilities (including permitting and monitoring).
  - Continue coordination with local community organizations and agencies to address Project effects during construction and operations.
4. **Effectiveness** – Strengthening the Sites organization as owner of a multibillion-dollar Project. Key effectiveness objectives include:
- Develop and define the organizational culture, values and management approaches.
  - Prepare Project controls and processes to ensure continued transparency and efficient operations through detailed design and construction.
  - Determine the organization structure, insurance and organizational risk management approaches for the remainder of the Project and create the basic infrastructure to effectuate these changes at the start of the next work period.



## 2.2 Project Schedule Targets

The Project master schedule through December 31, 2024, is based on work plan goals and objectives and schedule targets to support key deliverables. The schedule is cost-loaded and provides the basis for revenue and expense budgets discussed in later sections. The following schedule targets are key milestones critical to closing out Phase 2 and securing Project financing during this work plan period. Project schedule targets provided below are based on a full 36-month work plan. Should bank financing occur in mid-2023, a revised work plan and agreements will be developed to reflect an accelerated pace.

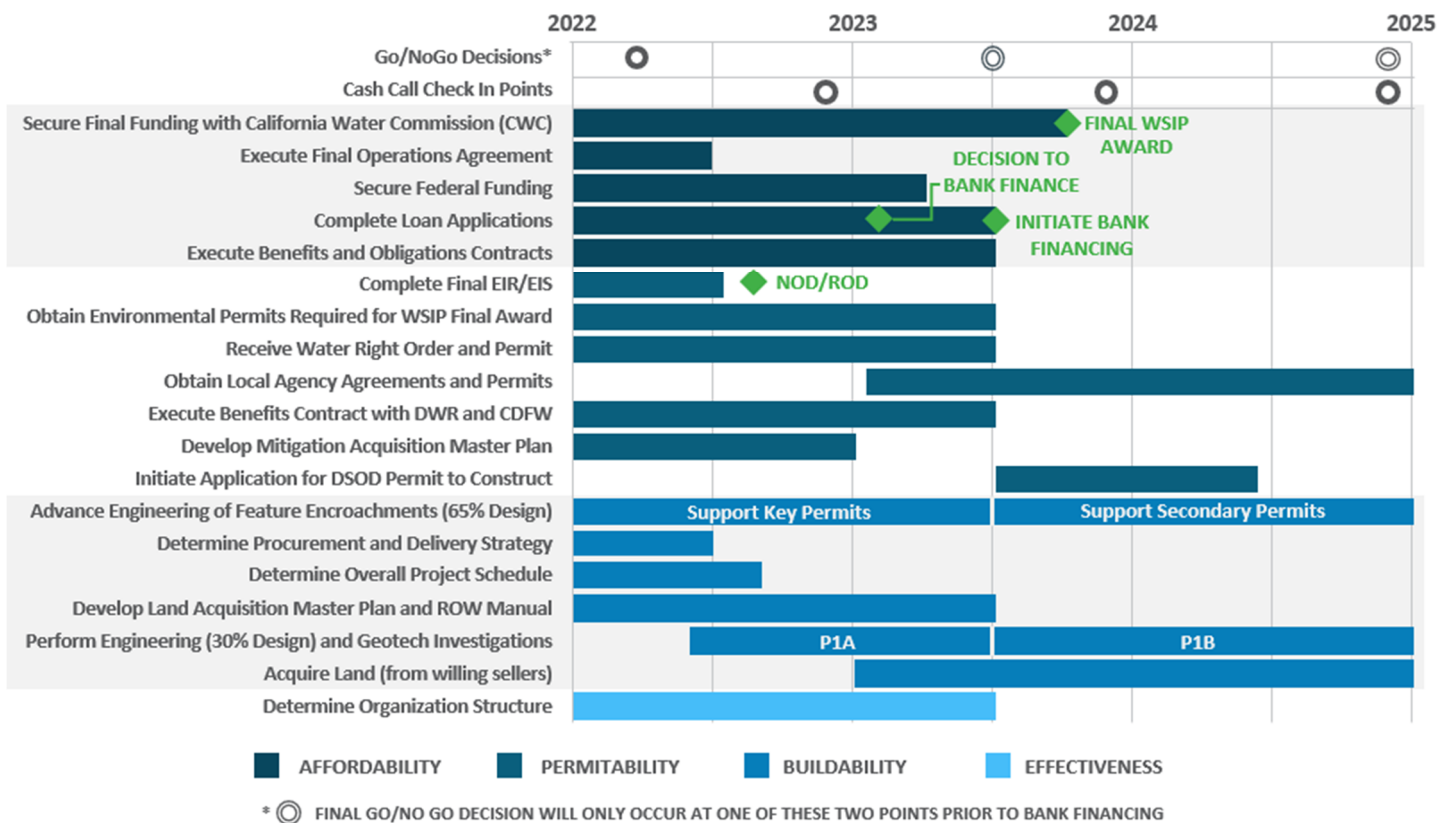


FIGURE 1. WORK PLAN SCHEDULE TARGETS

Participant funding go / no go decisions are predefined milestones where an adjustment to participation levels can be made (also referred to as rebalancing). Participant funding go / no go decisions will be required:

1. **Prior to entering Amendment 3:** Target date for all signed participation agreements is March 31, 2022 with cash call invoices going out April 1, 2022 payable in 30 days.
2. **Prior to entering a new or amended agreement:** Expected at the end of the Amendment 3 agreement (Dec 31, 2024), at which point, a new agreement would be needed. If this agreement needs to be modified to include financing terms, then a new or amended agreement would be developed and a go / no go decision would take place. The earliest anticipated availability of bank financing is at 18 months into the work plan.

Cash call check-ins and budget adjustments will occur annually and per the terms of the participation agreement. The intent of cash call check-ins is to recalibrate goals and objectives, key deliverable progress, expense and revenue assumptions, subject area budgets, cash flow projections, and cash call amounts. Cash call check-in periods will occur approximately in October of 2022 and 2023 to define the Project needs for the following calendar year. An update to the Amendment 3 Work Plan will be prepared by Sites staff and presented to the Reservoir Committee and Authority Board for approval.

### 3. Deliverables

To meet goals, objectives, and schedule targets while providing measurable progress, a list of key deliverables has been developed, as shown in Table 1. This list is not exhaustive but provides the key deliverables, grouped by subject area, that will be used to report progress throughout the work plan. The target status for each deliverable follows an approximate 12-month (January 1, 2023), 18-month (June 1, 2023), or 36-month (December 31, 2024) timeline based on priority, availability, and impact on other deliverables.

Table 1. Work Plan Key Deliverables				
Key Deliverable by Subject Area*	Target completion in			Notes
	12 Months	18 Months	36 Months	
<b>Engineering</b>				
Initiate Application for Permit to Construct from DSOD		✓		
Advance Engineering of Project Feature Encroachments to 65% Design Level in Support of Permitting		✓	✓	Key permit support in first 18 months
Determine Procurement and Delivery Strategy	✓			
Determine Overall Project Schedule	✓			
Preliminary Engineering (30% design level) and P1A/P1B Geotechnical Investigations		✓	✓	Complete P1A in first 18 months
<b>Program Ops</b>				
Execute Benefits Contracts with DWR and CDFW		✓		
Secure Final Funding with CWC			✓	
Execute Final Operations Agreement with Facility Partners, and Federal and State Agencies	✓			
Secure Federal Funding		✓		
Complete Loan Applications		✓	✓	Dependent on bank financing decision
Determine Organization Structure		✓		
Execute Benefits and Obligations Contracts		✓	✓	Dependent on bank financing decision
<b>Permitting</b>				
Obtain Environmental Permits Required for WSIP Final Award		✓		
Develop Mitigation Acquisition Master Plan	✓			
Receive Water Right Order and Permit		✓		
Obtain Local Agency Agreements and Permits			✓	
<b>Planning</b>				
Complete Final EIR/EIS	✓			NOD & ROD in August 2022
<b>Real Estate</b>				
Develop Land Acquisition Master Plan and ROW Manual		✓		
Acquire Land (from willing sellers)			✓	

\*Communications, External Affairs, and General Project Activities subject areas serve a support function to the key deliverables provided in Table 1.

## 4. Revenue Budget

Revenue to be generated during the Amendment 3 Work Plan period is estimated at approximately \$142.9M, of which \$51.6M is anticipated to be generated in the first 12 months. This revenue will be generated from the following sources:

- **Amendment 2 carryover funds:** This revenue represents projected cash on hand as of January 1, 2022 and is available to advance the Project. Approximately \$3M in planned carry-over funds were built into the Amendment 2 cash flow analysis. An additional \$2.5M was identified during the Amendment 2 Work Plan Update as additional revenue over plan.
- **Local Funding (Reservoir Committee cash calls):** These are individual agency cash call invoices based on member agencies' level of water supply participation in terms of dollars per acre foot (\$/AF) of participation. This work plan assumes a total cash call revenue of up to \$400/AF at full participation of 167,620 acre-feet (up to ~\$67M total). Reservoir Committee cash calls will be broken into three cash call invoices based on cash flow projections as outlined in Section 6 and depending on actual annual budgets approved by the RC/AB.
- **Authority Board annual seat dues:** Each Authority Board member pays membership dues annually. The work period includes the estimated membership dues for 2022, 2023, and 2024 at an annual rate of \$55,000 per Authority Board Member and \$5,000 per Associate Authority Board Member. It is assumed that Authority Board annual seat dues will not increase from annual membership dues paid in 2021.
- **State funding:** California provides revenue in the form of reimbursement through Prop 1 (WSIP) early funding. This funding is subject to the terms of the existing Early Funding Agreement (EFA) and is currently capped at \$40.8M. The State reimburses 50 percent of eligible activities in arrears. The current EFA is set to expire prior to the Amendment 3 Work Plan period, and an EFA Extension Amendment is expected to be adopted prior to the start of the work plan. EFA funding is expected to reach its ceiling amount of \$40.8M and thus be exhausted within the first year of the Amendment 3 Work Plan. Prop 1 WSIP EFA funds forecasted in the Amendment 3 Work Plan are contracted amounts and carry a high certainty of being actualized, assuming the local cost share is achieved.
- **Federal funding:** Federal participation is assumed to continue through the Water Infrastructure Improvements for the Nation (WIIN) Act. Projected federal funding is currently in several stages of allocation. Federal funding allocations fall into one of three categories:
  - **Recommended by Reclamation:** Bureau of Reclamation (Reclamation) staff have provided funding recommendations to U.S. Congress.
  - **Appropriated by Congress:** U.S. Congress has appropriated federal funding to allow Reclamation to pursue contract agreements with identified projects.
  - **Contracted with Reclamation:** Reclamation enters agreements with the Authority for specific work to be performed.

The following table outlines the status of projected future federal funding as of the report date:

Table 2. Federal Funding by Category	
FAA Category	Funding
Recommended by Reclamation	\$80.0M
Appropriated by U.S. Congress	\$13.7M
Contracted with Reclamation*	\$0
<b>Total Federal Funding Possible</b>	<b>\$93.7M</b>

*\*The current contracted funding under the existing Financial Assistance Agreement (FAA) is set to be exhausted prior to December 31, 2021.*

Future federal funding discussions are still in process; therefore, an estimate was used to capture this funding source. This work plan assumes \$50M will be realized and paid in arrears over the 36-month work plan. Any additional funds received will be addressed during the October 2022 cash call check-in period and will include an analysis of future cash call amounts.

Table 3. Forecasted Revenue by Source				
Work Plan Funding Source	2022	2023	2024	Amendment 3 Total
Carry-over Funds (Projected 1/1/2022)	\$6,000,000	--	--	\$6,000,000
Reservoir Committee Cash Calls	\$16,762,000	\$23,467,000	\$26,819,000	\$67,048,000
Authority Board Seats	\$505,000	\$505,000	\$505,000	\$1,515,000
Federal (WIIN Act) Funding	\$10,000,000	\$20,000,000	\$20,000,000	\$50,000,000
State (Prop 1 [WSIP])	\$18,300,000	--	--	\$18,300,000
<b>Total Revenue</b>	<b>\$51,567,000</b>	<b>\$43,972,000</b>	<b>\$47,324,000</b>	<b>\$142,863,000</b>

Forecasted revenue provided in Table 3 represents estimated funds based on the best available data. In the event of a discrepancy between revenue budgets provided in Table 3 and annual revenue budgets, the annual revenue budgets will govern over work plan estimates.

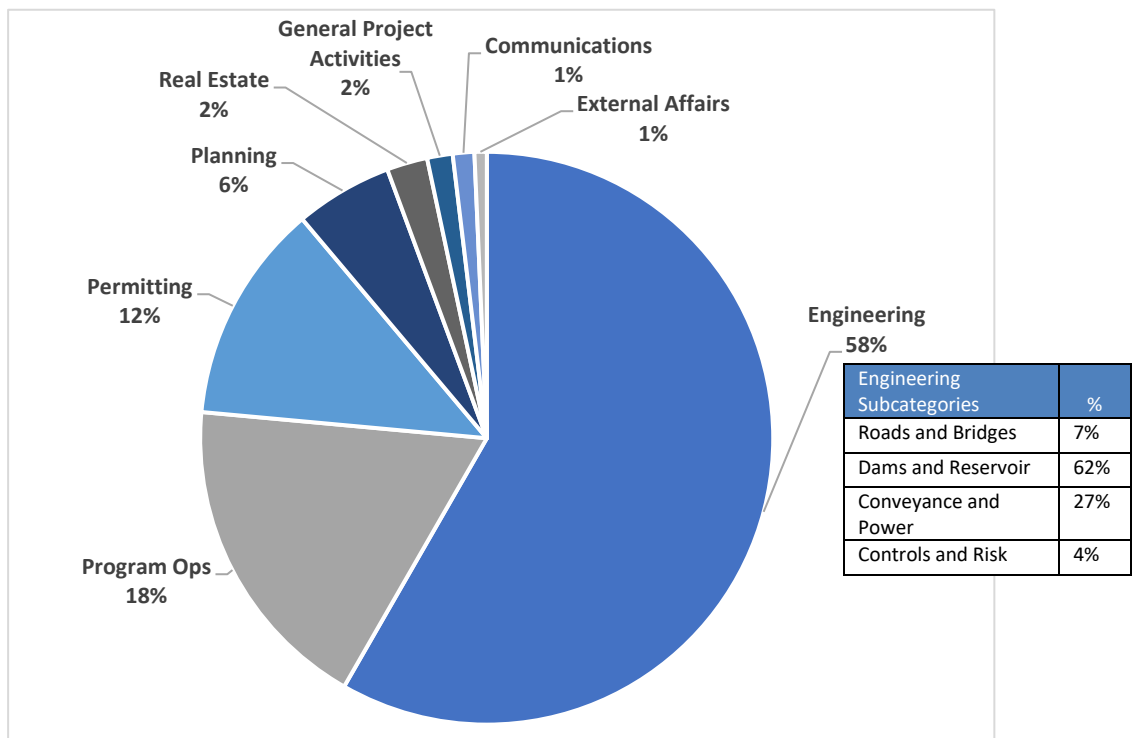
## 5. Expense Budget

Estimated costs for a 36-month work plan period were developed by Sites staff and loaded into the Project master schedule. Preliminary costs, rolled up to the subject-area level, are shown in Table 4 and on Figure 2. Figure 3 shows expense budgets by management type. The attached tables include information on Authority Board and Reservoir Committee share of expenses. *[Attachment A is not included in “Info Item” version, however, will be added to “Action Item” version presented at September 2021 Board meetings].*

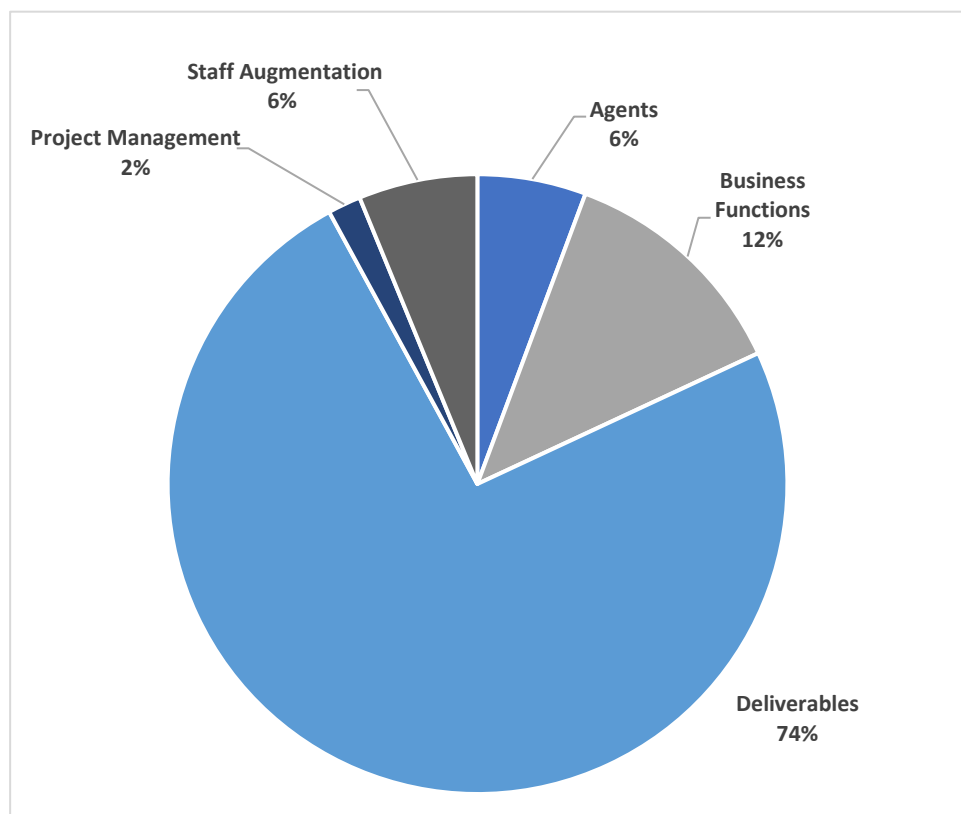
Table 4. Budgets by Subject Area				
Subject Area	2022	2023	2024	Amendment 3 Total
Communications	\$477,000	\$477,000	\$495,000	\$1,449,000
Engineering	\$18,715,000	\$30,516,000	\$20,485,000	\$69,716,000
External Affairs	\$273,000	\$273,000	\$282,000	\$828,000
General Project Activities	\$620,000	\$545,000	\$565,000	\$1,730,000
Permitting	\$7,503,000	\$4,731,000	\$2,595,000	\$14,829,000
Planning	\$5,092,000	\$1,212,000	\$278,000	\$6,582,000
Program Operations (Ops)	\$8,594,000	\$7,440,000	\$5,690,000	\$21,724,000
Real Estate	\$902,000	\$903,000	\$935,000	\$2,740,000
<b>Total</b>	<b>\$42,176,000</b>	<b>\$46,097,000</b>	<b>\$31,325,000</b>	<b>\$119,598,000</b>

Budgets provided in Table 4 represent an estimated distribution of expenses based on the best available data. In the event of a discrepancy between expense budgets provided in Table 4 and annual expense budgets outlined in consultant task orders, the annual expense budgets will govern.

A summary of work plan expenses will be included, at the same level of detail as Table 4, as an exhibit in the Amendment 3 Successor Agreement. Consultant task order budgets will be finalized and presented for approval at the November 2021 Board meetings.



**FIGURE 2. BUDGET PERCENT BY SUBJECT AREA**



**FIGURE 3. BUDGET BY MANAGEMENT TYPE VS. DELIVERABLES**

## 6. Work Plan Cash Flow

The schedule was used to create a cash flow and determine the required timing of cash calls from the Reservoir Committee. A preliminary cash call schedule has been developed to maintain a cash-positive position and avoid Project delays. Cash call invoices totaling up to \$400/ AF will occur as follows:

- \$100/AF, invoiced April 1, 2022
- Up to \$140/AF, invoiced January 1, 2023
- Up to \$160/AF, invoiced January 1, 2024

The second and third cash call amounts are estimated based on the Project schedule, revenue estimates, and anticipated effort. During cash call check-ins, the Sites team will assess actual work plan progress against forecasted progress and determine the next cash call required to maintain progress in achieving the work plan goals and objectives. An initial work plan cash flow graph is included on Figure 4.

To minimize impacts to the projected cash flow should unforeseen expenses or events arise, the Sites Reservoir Project has established reserve funds. Reserve funds are incorporated in the cash flow curve below. There are two categories of reserves:

- **Restricted Reserves:** Funds intended to cover approximately three months of operations and functions needed to fulfill project obligations. Restricted reserves are a function of cash on hand and are not a dedicated sum of money. Project activities included in determining restricted reserve amounts are estimated to require approximately \$1.25M in monthly expenses. To maintain three months of restricted reserves, the Project must maintain a minimum of \$3.75M cash on hand. Approval by the Reservoir Committee and Authority Board is required to use any amount of restricted reserves.
- **Unrestricted Reserves:** Funds intended to cover unanticipated project expenses, including additional scope of work. Unrestricted reserves are unallocated expenses assigned to each subject area for use according to the Budget Policy, as approved at the July 2021 Reservoir Committee and Authority Board meetings.

Unused reserve funds will be evaluated during work plan cash call check-ins. Excess funds will be considered when determining the upcoming cash call amount.



**FIGURE 4. AMENDMENT 3 CASH FLOW GRAPH, REVENUE VS EXPENSES**