



Requested Action:

Review and comment on the Amendment 3 Work Plan Update and Draft 2023 Annual Budget.

Detailed Description/Background:

The Sites Project Authority Amendment 3 Work Plan was approved in September 2021 and included a total scope of work with projected expenditures and revenues necessary to support completing the scope within 36 months beginning January 1, 2022 and extending through December 31, 2024. Total expenses of \$119.6M and total revenues of \$142.9M were approved in the Amendment 3 Work Plan. The cash call amounts were \$100/AF in 2022, “up to” \$140/AF in 2023, and “up to” \$160/AF in 2024.

The approved work plan included annual reviews and approvals of scope updates and an annual budget, including final annual cash call amounts for the 2nd and 3rd years. The Board needs to approve the 2023 annual budget before January 1, 2023. This report is intended to obtain feedback on the draft scope updates, draft 2023 budget, and draft 2023 cash call amount before seeking final approval next month.

The annual review of the work plan yielded the following key takeaways:

- Recommendation for an initial 2023 cash call in the amount of \$100/AF. The reduced cash call is partially offset by applying \$7.3M in unanticipated Amendment 2 carryover funds. It may be necessary later in 2023 to invoice the additional \$40/AF that was previously projected depending on the actual progress of the work and the amount of revenue received. Staff feels it is better to invoice for the \$100/AF at this time because there is some uncertainty that all planned work can be accomplished in 2023 as noted below.
- The 2023 budget reflects shifting of Geotech field activities dependent on land access as well as agency caused delays in permitting and the Water Right.
- The overall Amendment 3 Work Plan is not significantly changing and continues to be achievable within the total planned expenditures and revenues.

The draft expense budget for 2023 is \$65.9M. Budget allocation by subject area is summarized as follows:

- Communications - \$552k
- Engineering - \$36.4M
- External Affairs - \$324k
- General Project Activities - \$706k

- Permitting - \$11.5M
- Planning - \$3.4M
- Program Ops - \$10.3M
- Real Estate - \$2.8M

There is Unrestricted Contingency of \$4.6M included within the above subject area budgets (i.e. 7% of \$65.9M). Unrestricted contingency are funds intended to cover unanticipated project expenses, including additional scopes of work. Unrestricted contingency can be assigned to a specific consultant or vendor within that subject area to be utilized according to the Budget Policy approved in July 2021.

The draft revenue budget for 2023 is \$51.8M based on the latest revenue assumptions. The revenue budget includes projected 2023 revenue along with unspent funds from previous periods. Staff has based these revenue projections on signed and a portion of pending contract amounts and feels confident in securing them through the year. Additional state and federal funding will be pursued but would require certain actions on the part of the agency and have not been incorporated here for conservatism. A summary of assumed revenue by category is as follows:

- Undesignated Carryover from Amendment 2 - \$7.3M
- Designated for Options Agreements (06/2022 Board Mtg) - \$1.0M
- State (Prop 1 [WSIP]) Funding - \$8.8M
- Federal (WIIN Act) Funding - \$18.6M
- Reservoir Committee Cash Calls - \$15.6M
- Authority Board Seat Dues* - \$505k

*Authority Board Seat Dues amount to be reviewed at November 2022 Board Meeting

The proposed expense and revenue budgets show expenses exceeding revenue by approximately \$14.1M in 2023. Table 1 in Attachment A provides a year-by-year comparison of expense and revenue budgets relative to the approved work plan.

Staff is proposing to manage the 2023 budget starting in deficit of revenues to cover expenses for the following reasons:

- The deficit is partially offset by work deferred or delayed in 2022, resulting in approximately \$10.7M in additional funds available to start 2023. This leaves a projected cash negative position at the end of 2023 of \$3.4M.
- History has shown that actual expenditures consistently have come in under budgeted amounts and staff believes there is a likelihood of this occurring during 2023. The expenditures are what the consultants have estimated can be accomplished assuming everything falls into place as planned. Property access is a key variable in 2023. Staff feels that authorizing the planned expenditures gives the best possibility of successfully completing the needed work. If the planned progress occurs, the Board would have the alternative at mid-year to either make the additional \$40/AF cash call or scale back the work of the

consultants to fit existing revenues. Staff will also have a better idea of the state and federal funds available at that time.

- Actual expenditures and forecasts will be closely monitored and reviewed throughout the year to always ensure a positive cash balance. The Board will continue to receive quarterly financial reports with updates on progress.

Annual budgets for fiscal year 2024 will be developed and reviewed with the Authority Board and Reservoir Committee in Q4 of 2023. At that time, planned budgets outlined in the Amendment 3 Work Plan will be reviewed and updated based on the latest Project progress and information. Unused unrestricted contingency, changes in revenue assumptions, changes in scope, and the previous year's budget status will be considered when providing a recommendation for the following year's cash call, not to exceed the amount provided in the work plan.

Prior Action:

December 2021: Approval of the fiscal year 2022 Annual Budget in the amount of \$42,851,000 for the period of performance of January 1, 2022 through December 31, 2022.

September 2021: Approval of the Amendment 3 Project Agreement and Work Plan with a period of performance of January 1, 2022 to December 31, 2024 for the purpose of initiating Participant home board review, deliberation, and execution of the agreement.

Fiscal Impact/Funding Source:

Assuming the Board concurs, Staff will authorize the consultants for the planned amounts in the 2023 budget (less contingency) and make adjustments as needed through the year to maintain a cash positive position at all times.

Staff Contact:

Marcus Maltby/Joe Trapasso

Primary Service Provider:

Brown and Caldwell - Project Controls

Attachments:

Attachment A: Draft Annual Budget Summary Tables and 2023 Cash Flow Curve

Attachment A: Draft Annual Budget Summary Tables and 2023 Cash Flow Curve

Table 1: Approved Work Plan vs Budget Status

Work Plan Summary	2022	2023	2024	Total
Expense	\$42.2M	\$46.1M	\$31.3M	\$119.6M
Revenue	\$51.6M	\$44.0M	\$47.3M	\$142.9M

Work Plan Check-in Status	2022	2023	2024	Total
Expense	\$28.3M	\$65.9M	\$31.8M	\$126.0M
Revenue	\$39.0M	\$51.8M	\$64.5M	\$155.3M

Note: Actual plus forecasted values are provided for 2022. Revised estimated values are provided for 2023 and 2024.

Table 2: 2023 Work Plan Expenses vs. Revised 2023 Expense Budget

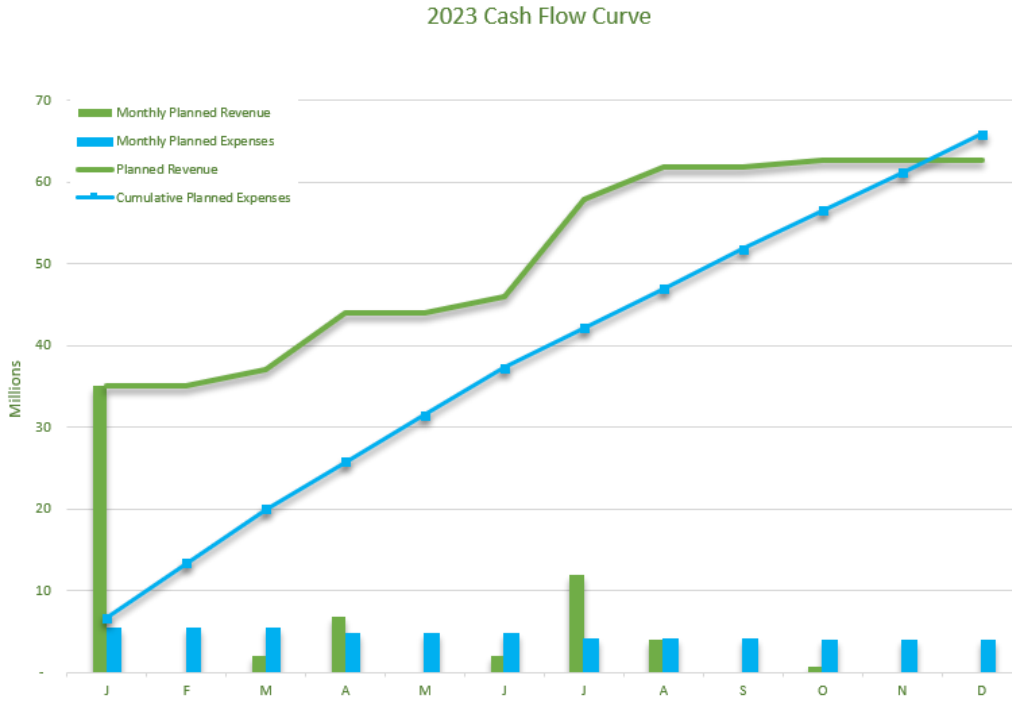
Revised Expense Budget by Subject Area	Work Plan	2023 Budget
Communications	\$0.5M	\$0.6M
Engineering	\$30.5M	\$36.4M
External Affairs	\$0.3M	\$0.3M
General Project Activities	\$0.5M	\$0.7M
Permitting	\$4.7M	\$11.5M
Planning	\$1.2M	\$3.4M
Program Ops	\$7.4M	\$10.3M
Real Estate	\$0.9M	\$2.8M
Total	\$46.1M	\$65.9M

Table 3: 2023 Work Plan Revenue vs. Revised 2023 Revenue Budget

Revised Revenue Budget by Source	Work Plan	2023 Budget
Carryover from A2	--	\$7.3M
Designated for Options Agreements	--	\$1.0M
Reservoir Committee Cash Call	\$23.5M	\$15.6M
Authority Board Seat Dues	\$0.5M	\$0.5M
Federal (WIIN Act) Funding	\$20.0M	\$18.6M
State (Prop 1 [WSIP])	--	\$8.8M
Total	\$44.0M	\$51.8M

Note: Revenue budget includes projected 2023 revenue and unspent funds from previous periods.

Figure 1: Draft 2023 Cash Flow Curve



Note: Revenue includes 2023 revenue along with unspent funds from previous periods