



Meeting: **Joint Reservoir Committee & Authority Board
Agenda Item 2.1**

October 20, 2023

Subject: **Amendment 3 Work Plan Update**

Requested Action:

Reservoir Committee and Authority Board consider the following actions related to the Amendment 3 Work Plan Update:

- a) Adoption of a 7-year Construction Schedule incorporated into an initial overall Program baseline schedule.
- b) Approval of Amendment 3 Work Plan update.
- c) Approval of an extension of Amendment 3 to December 31, 2025.
- d) Approval of FY24 Cash Call Amount.
- e) Approval of FY24 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 complete the scope within 36 months beginning January 1, 2022, and extending through December 31, 2024. The approved work plan included annual review and approvals of changes to the plan including scope updates and an annual budget, including cash call amounts. The Board must approve changes to the work plan and the 2024 annual budget before January 1, 2024. Changes to the work plan priorities, extending the Amendment 3 period, 2024 cash call amount, 2024 expense and revenue budgets, and the programmatic schedule have been reviewed and recommended for approval by the Operations and Engineering Workgroup and the Budget and Finance Committee.

Overall Program Baseline Schedule and Amendment 3 Work Plan Update

Staff have finalized an overall program baseline schedule (**Attachment A**) that would support a projected 7-year construction substantial completion (currently projected as 2032) with the following priorities for the proposed revised Amendment 3 Work Plan:

- Complete required permits, agreements, and cost estimates to support signing the Benefits and Obligations Contracts and financing by the end of 2025. The focus is on the 'conditions precedent' that have been reviewed with the Board and are now progress reported on a quarterly basis.

- Initial Contract Award for Reservoir Package CMAR and Mitigation Contractor early 2025.
- Acquire property for Golden Gate Dam Foundation, Sites Dam Foundation, and Sites Lodoga Detour sub-projects.
- Initiate programmatic pre-construction requirements including securing terrestrial habitat permits, finalizing time-critical environmental plans, and establishing a mitigation strategy that allows efficient and continuous field work.
- Remain in the queue for CA ISO interconnection – i.e., having option(s) for land acquisition, a layout of electrical infrastructure, and paying a total of approximately \$6M in non-refundable deposit.
- Continue to work with DSOD on phased approvals (i.e., permit to construct) for the dams.
- Breakdown the major packages into prioritized modules and initiate focused work on the following highest priority areas including:
 - Golden Gate Dam Foundation sub-project with hyperfocus geotech exploration for this area starting early 2024 (after 30% design).
 - Sites Dam Foundation and Sites Lodoga Detour with hyperfocus Geotech exploration for these areas starting as funding allows.

This proposed initial overall program baseline schedule incorporates Board feedback and more detailed reviews conducted by the Operations and Engineering Workgroup.

Proposed changes to the Amendment 3 Work Plan are intended to maintain key deliverables adopted with the original work plan such as completing investor commitment activities (including execution of the Benefits and Obligations Contract) and completing a 30% design and Class 3 cost estimate for all facilities while also prioritizing activities supporting an earlier substantial completion date for the Project. The amended work plan deliverables are described in **Attachment C**.

For the remaining two years of the revised work plan, staff will provide work plan status check-ins to the Board semi-annually. Work plan check-ins would include reevaluating available revenues and application of contingencies to consider the addition of critical path and near-critical path scope to the work plan. Should funds become available, priority items to be considered include:

- Preparation for construction of the Golden Gate Dam Foundation under the EIR/EIS.
- Complete all Sites Dam Foundation Geotech activities.
- Advance design of the Sites-Lodoga Road detour to 100%, including required fieldwork.

It is important to note, that while the reprioritization of planning and engineering work to a more concentrated focus on critical path activities provides an opportunity for an earlier project completion, and therefore cost savings, new risks must be considered. The proposed plan represents a deferral of geotechnical investigation for many non-critical path features resulting in limited data available for the cost estimate. This is a key policy consideration that the Board makes with this decision. The Staff and consultant experts working on the project have carefully evaluated this consideration and concluded that reprioritizing is the course best suited to result in the lowest overall cost of the project from a sequencing perspective.

Amending the Project Agreement

Based on the anticipated need for additional time to complete key predecessors to the signing of the Benefits and Obligations Contracts, Staff is proposing the following changes to the Amendment 3 Project Agreement:

- Extend the current Amendment 3 work period to a new end date of December 31, 2025 (currently December 31, 2024).
- Revise the timing for invoicing of the \$40/AF 2023 cash call that was not invoiced in 2023 to be invoiced on January 1, 2025, unless otherwise determined by the Participants.

These types of Project Agreement changes have occurred in the past as follows and Staff proposes to use the same approach in this case:

- RC and AB approval by a 75% vote of each body (weighted for the RC). This super-majority vote is required by the Project Agreement and the current Bylaws as a material change.
- The record of the meeting will serve as the formal documentation memorializing these changes and satisfaction of the 75% threshold.
- No home board approvals are required which presumes each Participant representative has been given the authority to commit its agency to this change.

FY24 Proposed Budget and 2024 Cash Call

The proposed revenue budget for 2024 is \$63.8M when including estimated cash on hand at the start of the year. Revenues of this amount will allow the Board's prior direction of maintaining at least 3 months operating reserves to be met. A summary of assumed revenue by source is as follows:

- Estimated Cash on Hand (estimated to be available 1/1/2024) - \$24.7M, Revenues exceeding expenses over the first two years of the work plan have resulted in additional cash available at the start of 2024 which will contribute to funding the activities to be executed in 2024 and 2025.
- Federal (WIIN Act) Funding - \$13.0M, Federal revenues are currently under contract with the Bureau of Reclamation and are provided on a

reimbursement basis. This amount represents a conservative estimate of available reimbursement.

- State Funding (WSIP, Prop 1) - \$0, State funding through Prop 1 (WSIP) is expected to reach the early funding limit of \$43.8M prior to the start of 2024 resulting in no additional state revenue received in 2024 or 2025.
- Authority Board Seat Dues - \$455k, Authority Board Dues are estimated to remain at \$50k for members and \$5k for associate members.
- Reservoir Committee Cash Calls - \$25.6M, Reservoir Committee Cash Call for 2024 is proposed at \$160/AF, consistent with cash call schedule provided in the original Amendment 3 Work Plan and will be invoiced in January 2024. A Reservoir Committee Cash Call for 2025 (\$40/af) is not included in the 2024 revenue budget; however, in the interest of work planning for the remainder of this work plan, Staff will be requesting approval for a \$40/AF cash call at the time that the FY25 Budget is approved in Fall 2024 and to be invoiced January 2025.

The proposed expense budget for 2024 is \$48.9M. Budget allocation by subject area is summarized as follows:

- Communications – \$475K
- Engineering – \$27.3M
- External Affairs – \$392K
- General Project Activities – \$480K
- Permitting – \$7.0M
- Planning – \$436K
- Program Operations – \$6.7M
- Real Estate – \$6.2M

The expense budget includes an unrestricted contingency of \$3.9M captured within the above subject area budgets. Any unused unrestricted contingency will be evaluated at the end of the year when preparing the budget for the following year.

Attachment B provides a summary of the proposed 2024 revenue and expense budgets along with a revised budget summary comparing cumulative revenue and expenses throughout the work plan and a cash flow curve covering 2024 and 2025. The projection into 2025 is meant to illustrate the glidepath toward zero remaining funds at the end of 2025 which coincides with the conclusion of Phase 2 and the start of Phases 3, 4, and 5. This is the point in time when completion of the executed Local, State and Federal agreements that provide for the funding of Phases 3, 4, and 5 is anticipated. If these agreements are not executed by that time, other revenue would need to be sought out to continue to fund work activities on the Project.

As a means to give the board a sense of the progress made to date on this work plan and the work remaining at this halfway point, Staff offers the following

summary level analysis plus your attention is directed to Attachment C for deliverable updates.

Subject Areas	Orig 3-yr WP Totals		Proposed 4-yr Totals		Change in %
	2022 - 2024	%	2022 - 2025	%	
Communications	\$ 1,449,000	1.2%	\$ 2,088,050	1.5%	0.3%
Engineering	\$ 69,716,000	58.3%	\$ 64,840,550	45.6%	-12.7%
External Affairs	\$ 828,000	0.7%	\$ 1,475,500	1.0%	0.3%
General Project Activities	\$ 1,730,000	1.4%	\$ 2,084,000	1.5%	0.0%
Permitting	\$ 14,829,000	12.4%	\$ 25,183,600	17.7%	5.3%
Planning	\$ 6,582,000	5.5%	\$ 8,999,400	6.3%	0.8%
Program Ops	\$ 21,724,000	18.2%	\$ 28,002,500	19.7%	1.5%
Real Estate	\$ 2,740,000	2.3%	\$ 9,586,800	6.7%	4.4%
Total	\$ 119,598,000		\$ 142,260,400		

Observations drawn from changes in the overall work plan budget outlined in the table above are:

- Revenue certainty has improved. Additional funds have now been authorized, awarded, allocated, and/or contracted allowing for an increase in total expenses without increasing cash calls from Participants.
- Permitting and Planning efforts have cost more than initially anticipated which is due to additional complications related to external factors. Additionally, adjustments were made to the project to improve permitability which required rework.
- Engineering was reduced to account for schedule reprioritization and to better align with actual experience and capability to complete fieldwork. A 30% design and associated Level 3 cost estimate update will still be achieved. Phasing of DSOD permit fees also reduced near-term cash needs.
- The Real Estate subject area now includes acquiring fee title land for select properties, which was not included in the original Work Plan.
- Program Operations, Communications, and External Affairs increases are mostly related to adding another year to the Work Plan.
- While several deliverables remain to complete, all are underway and are progressing on a schedule that supports completion within the extended work period.

Prior Action:

February 2023 - Review and comment on development of the overall project schedule through completion of construction.

September 2023 - Review and comment on revised Amendment 3 Work Plan update.

Fiscal Impact/Funding Source:

Assuming the Board concurs, Staff will work with the consultants to identify Task Order contract limits for 2024 and bring these for Board consideration of approval at the December 2023 meeting.

Staff Contact:

Marcus Maltby/Joe Trapasso

Primary Service Provider:

Brown and Caldwell

Attachments:

Attachment A – Initial Overall Program Baseline Schedule

Attachment B – Annual Budget Summary Tables and 2024/2025 Cash Flow Curve

Attachment C – Updated Amendment 3 Work Plan Deliverables

Attachment B: Annual Budget Summary Tables and 2024/2025 Cash Flow Curve

Table 1: Current A3 Budget Totals vs Proposed Revised A3 Budget Totals

Current Budget	2022	2023	2024	2025	Total
Expense	\$24.7M	\$65.9M	\$31.8M	--	\$122.4M
Revenue	\$36.3M	\$54.0M	\$65.0M	--	\$155.3M

Note: Budget includes actual and forecasted values. Amendment 2 carryover funds included as revenue.

Revised A3 Budget	2022	2023	2024	2025	Total
Expense	\$24.7M	\$40.5M	\$48.9M	\$28.1M	\$142.2M
Revenue	\$36.7M	\$53.0M	\$39.1M	\$14.1M	\$142.9M

Note: Budget includes actual and forecasted values. Amendment 2 carryover funds included as revenue.

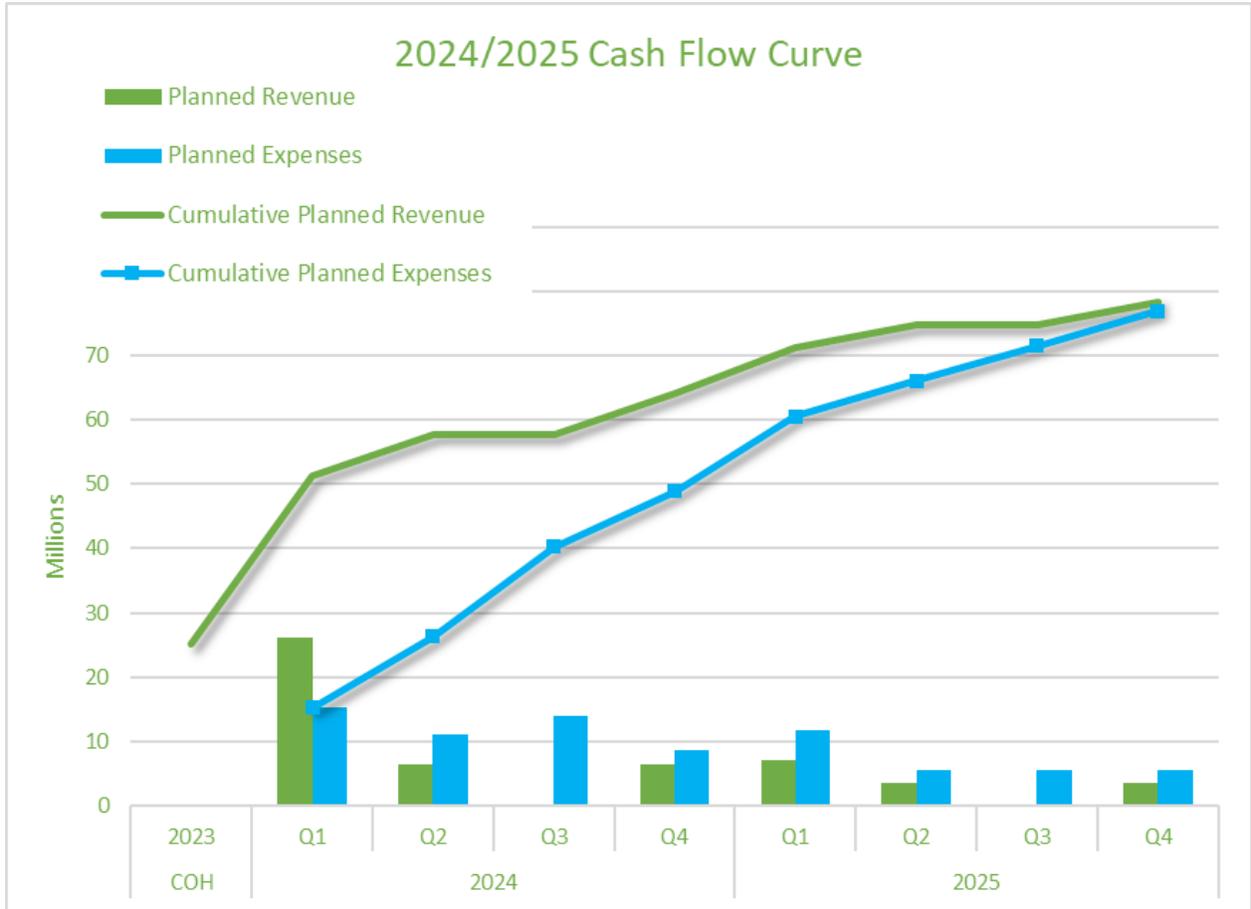
Table 2: 2024 Work Plan Expenses vs Proposed Revised 2024 Expense Budget

Revised Expense Budget by Subject Area	Existing 2024 Work Plan	Revised 2024 Budget
Communications	\$0.5M	\$0.5M
Engineering	\$19.0M	\$27.3M
External Affairs	\$0.3M	\$0.4M
General Project Activities	\$0.3M	\$0.5M
Permitting	\$3.8M	\$7.0M
Planning	\$0.3M	\$0.4M
Program Ops	\$6.2M	\$6.7M
Real Estate	\$1.4M	\$6.2M
Total	\$31.8M	\$48.9M

Table 3: 2024 Work Plan Revenue vs Proposed Revised 2024 Revenue Budget

Revised Revenue Budget by Source	Existing 2024 Work Plan	Revised 2024 Budget
Reservoir Committee Cash Call	\$32.5M	\$25.6M
Authority Board Seat Dues	\$0.5M	\$0.5M
Federal (WIIN Act) Funding	\$32.0M	\$13.0M
State (Prop 1 [WSIP])	--	--
Revenue Total	\$65.0M	\$39.1M
Estimated Cash on Hand 1/1/2024	--	\$24.7M
Estimated Available Funds	--	\$63.8M

Figure 1: 2024/2025 Cash Flow Curve



Note: Cash on Hand (COH) is not new revenue to 2024 or 2025 but is included in the above graph for budgeting purposes

Attachment C: Update to the Amendment 3 Work Plan Deliverables

Update to Work Plan Key Deliverables			
Deliverable	Done?	Target Completion	Notes
Initiate Application for Permit to Construct from DSOD		Q4 2024	
Advance Engineering of Project Feature Encroachments to 65% Design Level in Support of Permitting		N/A	Superseded by reprioritization effort
Determine Procurement and Delivery Strategy	✓	Q3 2022	Contract Strategy
Determine Overall Project Schedule	✓	Q4 2023	
Preliminary Engineering (30% design level) and P1A/P1B Geotechnical Investigations		Q2 2024	Geotechnical activities reprioritized
Execute Benefits Contracts with DWR and CDFW		Q2 2024	
Secure Final Funding with CWC		Q2 2025	Follows Investor Commitment
Execute Final Operations Agreement with Facility Partners, State and Federal Agencies		Q4 2024	
Secure Federal Funding		Q2 2025	Follow Investor Commitment
Complete Loan Applications	✓	Q1 2023	
Determine Organization Structure		Q2 2024	
Execute Benefits and Obligations Contracts		Q1 2025	
Obtain Environmental Permits Required for WSIP Final Award		Q2 2025	ITP/BO's Completed for Water Right Hearing
Develop Mitigation Acquisition Master Plan Develop Draft Mitigation Strategic Master Plan	✓	Q3 2023	
Receive Water Right Order and Permit		Q1 2025	
Obtain Local Agency Agreements and Permits Developer Agreements with Counties		Q4 2024	
Complete Final EIR//EIS		Q4 2023	
Develop Land Acquisition Plan and ROW Manual		Q3 2024	
Acquire Land (from willing sellers)		Q4 2024	Early Acquisition Properties: Golden Gate Dam, Sites Dam, Sites Lodoga Rd Detour
Procurement Plan		Q1 2024	
Initial Contract Award - Reservoir CMAR		Q1 2025	
Begin Program Pre-Construction Requirements		Q1 2024	
Complete CAISO Phase I Studies		Q2 2025	
Initiate Golden Gate Dam Foundation Sub Project		Q1 2024	

Note: Bold text represents new or modified deliverables from 2021 adoption of Amendment 3 Work Plan.