



Meeting: **Reservoir Committee & Authority Board  
Agenda Item 3.1**

**June 21, 2024**

Subject: **Mid-Year FY24 Budget Review & Amendment 3 Workplan Status  
Update**

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**Requested Action:**

Review and comment on the mid-year review of the FY24 budget and workplan status update for the Amendment 3 work period.

**Detailed Description/Background:**

The Sites Project Authority approved the FY24 Budget including a revision to the Amendment 3 Work Plan in October 2023 to include an approved budget of revenues and expenses during FY24 and FY25. The FY24 Budget was amended in December 2023 to capture minor changes to account for final consultant task order authority for FY24. At that time a commitment was made to review the work plan and FY24 budget status with the Reservoir Committee and Authority Board semi-annually. This change from annual reviews to twice per year was brought on due to the acknowledgment of a constrained budget and critical nature of the deliverables set to occur in 2024 and 2025. This report constitutes the FY24 mid-year review.

There have been several changes of significance to the work plan since being revised in October 2023. The below summary highlights key changes over the past 6 months and a description of the impact to the workplan.

- **Reduction in carryover funds from 2023** – Expected carryover funds came in under October estimates by \$1.55M. This reduction was a result of increased effort on the California Environmental Quality Act (CEQA) Admin Record finalization as a result of SB-149 requirements and early advance of 30% engineering design activities.

**Impact:** This reduction in carryover funds reduced the FY24 starting balance. While advancing 30% design efforts lowered carryover funds, it also shifted some of the work into 2023, thus reducing 2024 expenses.

- **CEQA litigation defense** – Litigation defense was not planned in the FY24 budget. Funds to cover expected defense efforts were allocated from unrestricted contingency.

**Impact:** Near depletion of unrestricted contingency which limits flexibility to address unforeseen changes.

- **Increased modeling in support of permitting efforts** – Additional project modeling efforts were needed, specifically relating to CalSim 2 & 3, to support the acquiring of several key project permits.

**Impact:** Additional modeling effort funded from work deferred to 2025 and beyond.

- **Increase in anticipated Division of Safety of Dams (DSOD) fee above budgeted amount** – Recent DSOD fee estimates show an anticipated fee increase of \$1M above what was budgeted. This is due to many factors including rate change schedule, further project definition, and anticipating an increase in the upcoming updated total project cost estimate.

**Impact:** Increase 2024 expenses by \$1M.

- **Decrease in 1<sup>st</sup> California Independent System Operator (CAISO) deposit** – Ongoing discussions with CAISO have provided an update to our initial deposit schedule spreading the deposit amount over several payments. Initial deposit amount expected in 2025 has been reduced by \$3M.

**Impact:** An Amendment 3 expense reduction of \$3M. The \$3M is expected to be due in mid to late 2026, so it is not an avoided expense, but it is an expense that now will fall outside of the Amendment 3 period.

- **Underruns to complete 30% design** – The 30% design packages have been delivered and actual expenses have come in under the budgeted amount by approximately \$0.5M.

**Impact:** This is partially offset by the reduction in carryover funds due to a larger effort on the 30% design occurring in Q4 2023. Considering both 2023 and 2024 expenses has still resulted in a slight expense underrun overall on the 30% design.

- **Water Right hearing delays**—The revised Water Right hearing schedule has delayed reaching a ruling by approximately five months.

**Impact:** A delay in Water Right ruling will result in a delay in the start of the six-month investor commitment escrow period (i.e. signing of the Benefits and Obligations contracts). This will result in the signing process rolling into 2026, without Participant actions to compress home board action. As currently projected the Authority runs out of funds to cover expenses at the end of 2025.

- **Possible deferments within Amendment 3 and beyond** – Project activities that were budgeted in the A3 workplan but are seen as “expense modulators” if needed to accommodate unforeseen conditions (e.g. further water rights delays) include the following:

- Golden Gate Dam Alignment Studies (i.e. value engineering).
- Design Progression of Critical Path Facilities beyond 30%.

**Impact:** Scope and budget identified for 2024 could be deferred to 2025 or beyond. Deferral has the risk of delaying the overall adopted project schedule operational completion date of 2032 and increasing overall project cost.

The approved 2-year budget included an expense budget of \$77.4M and a revenue budget of \$77.9M, resulting in an estimated cash position at the end of

the Amendment 3 work period of \$0.5M. Accounting for the changes outlined above, the anticipated project balance at the end of the 2-year period is now estimated at \$1.7M as summarized in the table below. It's important to note that this is not a requested action to adopt a revised budget but instead a status update of how the project is tracking against our approved budget. Changes to the budget have either previously received Board action or will be brought forward through future board-requested action.

**Work Plan Check-in Budget Status**

	<b>Carryover from 2023<sup>1</sup></b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Expense	--	\$48.8M	\$25.9M	\$74.7M
Revenue	\$23.1M	\$39.2M	\$14.1M	\$76.4M
<b>Delta</b>				<b>+\$1.7M</b>

1 – Revenue figures include carryover funds from previous periods for cash flow planning

**Prior Action:**

December 2023 – Approved the revised Fiscal Year 2024 Expense Budget.

October 2023 – Approved the Amendment 3 Work Plan Update including a 1-yr extension to include 2025 and the 2024 Budgets.

**Fiscal Impact/Funding Source:**

The identified workplan changes would result in an estimated decrease in overall expenses by \$2.7M and decrease in overall revenue (including carryover funds from 2023) by \$1.5M. The balance at the end of the 2-year work period is estimated at \$1.7M. The Amendment 3 performance period is set to end December 31, 2025. However, staff has identified potential delays, specifically in the Water Right hearing and the signing of the Benefits and Obligations Contracts. Staff will continue to closely monitor project schedule and expense and revenue assumptions and provide updates at semi-annual work plan check ins. The next workplan update will be provided in October/November 2024.

**Staff Contact:**

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**Primary Service Provider:**

Brown and Caldwell

**Attachments:**

None