



Topic: **Reservoir Committee Agenda Item 3.2**      **2020 October 16**

Subject: **Amendment 1B Work Plan Progress**

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**Requested Action:**

Review and comment on the final report of Amendment 1B Work Plan Progress and expenditures.

**Detailed Description/Background:**

The Reservoir Committee and Authority Board approved the Amendment 1B work plan in January 2020 and approved task order amendments for service area consultants in February 2020. The Amendment 1B work plan covers activities from January 1, 2020 to August 31, 2020. Attachment A provides metrics for this work plan closeout including a final carryover balance, a discussion on Prop 1 (WSIP) funding, key consultant task order actuals vs. commitments and key deliverable status updates. In summary, the closeout shows that:

- Management of key consultants resulted in all service area actual expenses coming in under commitments (i.e. task order budgets) by ~6% while delivering on critical Amendment 1B deliverables.
- Amendment 1B carryover funds, critical to funding Amendment 2 work and maintaining project schedule in light of COVID-19 concerns expressed in May, were within 1% of the target. The final carryover value is ~\$4.62M and allowed for the first cash call for Amendment 2 to be delayed by two months to November 1, 2020.
- Funding from the water commission through the Prop 1 (WSIP) Early Funding Agreement (EFA) was critical to allowing three no-cost time extensions, ultimately totaling eight months. Funds from the EFA include reimbursements for 50% of eligible costs back to August 2017 and were used to fund \$6.7M of roughly \$7.1M in Amendment 1B expenses.
- The primary objectives of Amendment 1B were to complete the value planning process, develop the preferred project description, and set up the organization for success in Amendment 2. All deliverables were completed with high quality to meet the schedule, including staying on track to meet the Prop 1 eligibility deadline of January 1, 2022.

**Prior Action:**

February 21, 2020: Direction to staff regarding the update of the Amendment 1B Work Plan to include negotiated task orders with key consultants.

January 17, 2020: The Reservoir Committee approved the Work Plan for the period of January 1, 2020 through August 31, 2019 (aka Amendment 1B) as part of the no cost time extension to the current participation agreement for the following uses:

1. Amending existing key consultant contract task orders and developing new task orders as needed, including the engineering service areas HC and HR.

2. Developing a revised Exhibit B to the Phase 2 (2019) Participation Agreement through Aug 31,2020 (aka Amendment 1B).

December 19, 2019: The Reservoir Committee reviewed deliverables related primarily to work through April 2020 and provided feedback to staff that also included extending the participation agreement's end date from June 30, 2020 to August 31, 2020 (aka amendment 1B).

November 21, 2019: The Reservoir Committee provided input to staff to aid in development of a work plan through June 30, 2020.

October 18, 2019: The Reservoir Committee directed staff to extend the Phase 2 (2019) work plan by "180 days" with no additional funding provided by the Reservoir Committee. The revised completion date was proposed to be changed from December 31, 2019 to June 30, 2020.

September 20, 2019: The Reservoir Committee approved the extension of the Phase 2 (2019) Participation Agreement by three months at no additional cost to Participants and directed staff to develop a work plan to accommodate this extension.

**Fiscal Impact/Funding Source:**

None.

**Staff Contact:**

JP Robinette/ Joe Trapasso

**Attachments:**

Attachment A: Amendment 1B Closeout Memo



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# Phase 2 Amendment 1B Closeout Report

October 7, 2020

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# 1. Amendment 1B Work Plan

The Reservoir Committee and Authority Board approved the Amendment 1B work plan in January of 2020 and approved task order amendments for service area consultants in February 2020. The Amendment 1B work plan covers activities from January 1, 2020 to August 31, 2020. The prior work plan was the Phase 2 (2019) work plan, which included work to be performed between April 1, 2019 and December 31, 2019. Additional background on Phase 2 (2019) and the development of the Amendment 1B work plan is provided in Attachment A.

Given the significant change in scope contemplated in the Amendment 1B work plan when compared to the Phase 2 (2019) work plan, a true-up process was completed to close out prior work in each task order and new scopes of work and budgets covering the Amendment 1B period of performance were created. Amendment 1B focused on finalizing the value planning study and developing a project description to support recirculating the environmental document. Additionally, Amendment 1B included scope and budget to complete a rebalancing of participation prior to entering the following work period (Amendment 2).

This report is meant to provide a summary of important metrics and close out the Amendment 1B work plan. The report covers the critical amendment 1B carryover funds, the importance of CWC funding to project progress, a final key consultant contract table, and an update on the key deliverables needed to advance the project.

# 2. 1B Carryover Critical to COVID-19 Adjustments

In response to concerns regarding individual agency funding available for Amendment 2 due to COVID-19 impacts, staff quickly proposed a two-step cash call process in May 2020 that relied on 1B carryover funds. These carryover funds were expected to range from \$4-\$5M and were the result of improved Prop 1 revenue timing, forecasted underspend on 1B tasks through expense management, and a higher Amendment 1B starting balance compared to plan. This funding allowed the project to both extend the deadline for Amendment 2 cash calls by two months and to adjust the second cash call to an “up-to” amount.

In August 2020, the estimated 1B carryover funds available to fund Amendment 2 work was estimated to be \$4.57M. The actual 1B carryover has been calculated as \$4.62M, as shown in Table 1.

**Table 1. Amendment 1B Carryover Funds**

| Description                              | Value               | Comment                      |
|--|---------------------|------------------------------|
| Cash on Hand, RC, Aug 31 2020            | \$ 6,740,320        | September Treasurer's Report |
| AP (September Approved Pmt of Claims)    | \$ (1,286,216)      | September Treasurer's Report |
| AP (1B invoices rec'd in September)      | \$ (835,980)        | As of 10/5/2020              |
| <b>Amendment 1B Carryover Funds</b>      | <b>\$ 4,618,124</b> |                              |
| <b>Comparison to Work Plan</b>           |                     |                              |
| Amendment 2 Work Plan, 1B Carryover Plan | \$ 4,566,000        |                              |
| Difference                               | \$ 52,124           |                              |

An important tool for predicting 1B carryover balance was the use of the project cost accounting system, ODIS, to compare actuals vs projections provided by service areas at the beginning of 1B. Figure 1 below

shows an example of the aggregate spend vs. plan for all service areas by month for the Amendment 1B period for all key consultants. The planned curve is consistently higher than the spent curve, which contributes to a higher carryover balance and facilitated an accurate prediction of funds available for Amendment 2 work.

### Phase 2 Work Plan 1B - Spent versus Planned

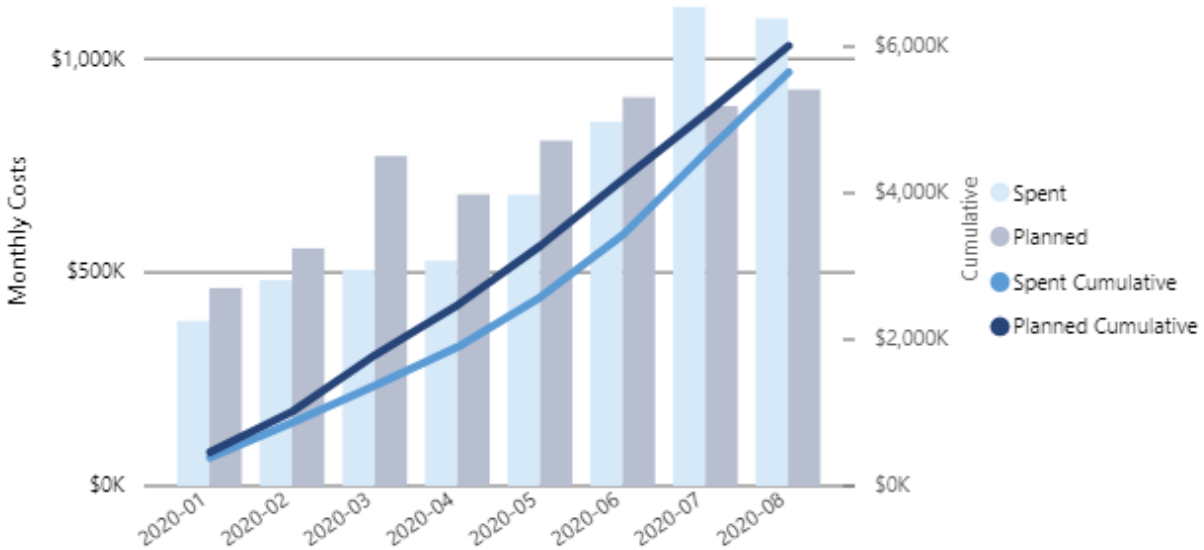


Figure 1. Spent vs. Planned, key consultants

### 3. Leverage of CWC Funds Critical to No-Cost Time Extensions

Through the end of Amendment 1B, the project has received \$8.1M in funds from the CWC through the Prop 1 (WSIP) early funding agreement compared to the \$1.9M budget in the Phase 2 (2019) work plan. Funds from the early funding agreement have been aggressively pursued to eligible expenses from August 14, 2017 resulting in approximately \$6.7M of the ~\$7.1M (94%) in total 1B project expenses being paid using Prop 1 funds. This revenue has been critical to allowing the extension of Phase 2 (2019) by eight months without additional funds from the Reservoir Committee.

### 4. All Key Consultants Spend Under Task Order Budgets

Management of service area consultants resulted in all service area actual expenses coming in under commitments (i.e. task order budgets), as seen in Table 2. Only two areas have variances greater than five percent, Environmental Planning (E) and Permitting (F), both of which ended under budget. Justifications for those variances are provided below.

**Table 1 - Key Consultants Actuals vs. Commitments (note, positive variance indicates under budget)**

| Service Area                | Committed Value | Actual Spend | Variance  | Justification   |
|-----------------------------|-----------------|--------------|-----------|---|
| <b>A_Integration</b>        | \$1,499,864     | \$1,475,130  | \$24,734  |   |
| <b>B_Controls</b>           | \$931,037       | \$924,867    | \$6,170   |   |
| <b>C_Comms</b>              | \$199,930       | \$199,857    | \$73      |   |
| <b>D_Operations</b>         | \$993,000       | \$968,035    | \$24,965  |   |
| <b>E_Environmental</b>      | \$428,000       | \$335,174    | \$92,826  | Meetings with 2017 Draft EIR/EIS key commenters were pushed to fall 2020; both the staff time for meetings and development of meeting materials was no longer needed. Ongoing coordination with Reclamation staff and legal counsel on NEPA approach delayed the start of work on the Annotated Outline deliverable; level of detail was reduced to meet end of August submittal. |
| <b>F_Permitting</b>         | \$708,300       | \$481,182    | \$227,118 | Task order included multiple permits that could have been required for 2020 geotechnical work but were ultimately not needed. As a result of the work locations, some planned work was only taken to draft status as opposed to final. Other work was deferred to amendment 2 as it required input from engineering or Reclamation.   |
| <b>G_Real Estate</b>        | \$762           | \$762        | \$0       |   |
| <b>HC_Eng Conveyance</b>    | \$597,023       | \$597,022    | \$1       |   |
| <b>HR_Eng Reservoir</b>     | \$599,379       | \$584,202    | \$15,177  |   |
| <b>I_Geotechnical</b>       | \$85,995        | \$85,993     | \$2       |   |
| <b>Key Consultant Total</b> | \$6,043,290     | \$5,652,224  | \$391,066 |   |



## 5. Amendment 1B Deliverables Set Foundation for Amendment 2

The primary objectives of Amendment 1B was to complete the value planning process, develop the preferred project description, and set up the organization for success in Amendment 2. Table 3 shows the target deliverables from Amendment 1B and their status as of the end of the work period. All deliverables were completed sufficiently to meet the schedule in the Amendment 2 work plan, including staying on track to meet the Prop 1 eligibility deadline of January 1, 2022.

**Table 2 - Deliverable status at end of Amendment 1b**

| Deliverable/Service Area                                 | Status as of Aug 31, 2020   |
|--|---|
| 01-Value Planning Refinements                            | Completed and approved, April 2020  |
| 02-Draft Operations Plan                                 | Annotated Outline completed. Deferred draft to include CVP/SWP operating parameters and Storage Policy updates. |
| 03-Operations with Shasta Exchange                       | Completed   |
| 04-Cost of Dry Year Deliveries                           | Deferred to include in Plan of Finance activities   |
| 05-Environmental Benefits (Inc Temperature & Biological) | Ongoing   |
| 06-Ongoing Environmental Planning and Permitting         | Completed   |
| 07-Geotech Support to Reclamation Feasibility            | Completed   |
| 08-Response to Direction from Organizational Assessment  | Completed   |
| 09-Qualitative Risk Assessment                           | Completed   |
| 10-Communications and Government Affairs                 | Completed   |
| 11-Work Plan Amend 1B and 2                              | Completed   |
| 12-Financial Assistance Agreement (WIIN Act Funding)     | Completed   |
| 13-WIFIA Loan Application                                | Deferred, evaluate in 2021  |
| 14-Accounts Payable and Accounts Receivable              | Completed   |
| 14-Contract Management                                   | Completed   |
| 14-CWC Invoicing and Other Reporting                     | Completed   |
| 14-Monthly Board/Res Comm Support                        | Completed   |
| 14-Real Estate Landowner Coordination                    | Completed   |
| 15-General Counsel                                       | Completed   |
| 16-Project Description Engineering                       | Completed   |
| 17-Geotech Permitting and Planning                       | Completed   |
| 18-Participation Agreement and Rebalancing               | Started, schedule adjusted with COVID-19  |

## 6. Attachment A: Phase 2 (2019) Background

Phase 2 (2019) began on April 1, 2019 and was originally approved with a \$35M work plan through the end of 2020, at which point interim financing would begin and the program would target encumbering Prop 1 construction funding by the end of 2021, meeting WIIN act construction milestones, and beginning permanent project financing. In April 2019 a reduction in participation occurred while rebalancing between Phase 1 and Phase 2 (2019), reducing revenue by \$2.5M. The WIIN act assumed revenue of \$8.8M was also determined to be uncertain. Both reductions caused the eligible expenses for reimbursement under Prop 1 to be reduced, further reducing available revenue. The net impact was a reduction in work plan revenue from \$35M to \$15M. The expenses were reduced to \$15M to remain cash positive and a work plan was approved in June 2019 that:

- Prioritized work related to reservoir operations, permitting, and environmental planning
- Deferred the ramp up of management, integration, and controls functions
- Deferred engineering design work which was not on the critical path
- Deferred power supply and hydropower generation related work
- Deferred field data collection and surveys, which are not on the critical path or which are dependent upon when WIIN Act funds become available

In August 2019, staff presented a work plan from January 2020 to June 2022 with a target revenue of \$439M. In September 2019, The Reservoir Committee and Authority Board directed staff to develop a plan for a no-cost extension of the current agreement of 90 days (to March 31, 2020) to provide more time for member decisions. Subsequently, the work plan was extended by 180 days (to June 30, 2020) in November 2019 and then by an additional two months (to August 31, 2020) in December 2019. At each of these meetings, key deliverables and draft budgets were discussed. The funding for activities in the work plan through August 31, 2020 was to include no new funding from Reservoir Committee participants and would rely on reimbursements from Prop 1 under the Authority's Early Funding Agreement for new revenue. The period between January 1, 2020 and August 31, 2020 would be referred to as Amendment 1B. Importantly, the work plan would target remaining eligible for Prop 1 construction funding by January 1, 2022 rather than encumbering funds.