



Requested Action:

Accept Phase 2, Amendment 2 Closeout Report and authorize an increase in the Amendment 2 Carryover funds within the Amendment 3 Work Plan Budget to increase from \$6M to \$15.3M.

Detailed Description/Background:

The Reservoir Committee and Authority Board approved the Amendment 2 Work Plan in August 2020 and approved task orders for service area and support consultants in September 2020. The Amendment 2 work plan covered activities from September 1, 2020 to December 31, 2021.

Attachment A, Amendment 2 Closeout Report, provides a summary of important metrics and closes out the Amendment 2 Work Plan. The report covers an update on Amendment 2 key deliverables, a summary of Amendment 2 revenue and expenses actuals, the Amendment 2 closeout budget status summary, and changes to contributed credit. A summary of the Closeout Report is presented below, details are provided in Attachment A.

- Key Amendment 2 deliverables were mostly completed during the work period except for five deliverables that were essentially all deferred to Amendment 3 due to changes to the project implementation plan.
- The Authority received Project revenue exceeding the budgeted revenue in the Work Plan by \$4.3M. Excess revenue is primarily attributed to obtaining an additional \$6.9M in State Prop 1 (WSIP) funding. This was offset by a Reservoir Committee cash call revenue underrun of \$2.5M.
- Management of key consultants, support consultants, vendors and other/permit fees expense categories supported all expense categories coming in under budget. Some expense categories came in significantly under budget due, in part, to the deferral of some key deliverables and associated labor effort to the Amendment 3 work period. In total, actual expenses underrun the budget by \$8.2M.
- Changes to the Contributed Credit increased by \$2,742,012 from \$6,064,653 to \$8,806,665 as presented in Attachment A. The credit balance reflected in the audited 2020 financial statements included these changes with the exception of the refund which occurred in FY2021.
- Revenue and expenses during the Amendment 2 work period resulted in proposed carryover funds of \$15.3M. Of the \$15.3M, \$6M was planned for

carryover into Amendment 3 and \$9.3M was a result of additional revenue and reduced expenses.

The Amendment 3 work plan identified a budgeted \$6M carryover from Amendment 2. This was an estimate of funds needed to ensure continued Project progress during the first four months of the Amendment 3 Work Plan as the cash-call process would be initiated in April 2022. This was not an estimate of the actual carryover.

Staff closely monitored Amendment 2 expenses and revenue and presented to the Authority in December 2021 an estimated \$8.6M of additional carryover funds with the proposed 2022 Budget making the total estimated carryover at that time \$14.6M. The final closeout of Amendment 2 expenses revealed the actual carryover to be \$15.3M.

Staff worked with consultants to project their task order expenses throughout 2021. In many cases their projected expenses were conservative indicating they still needed most of their approved task order budget. Since the approach of having consultants forecast their expenses wasn't successful, staff has created more sophisticated forecasting tools and procedures to ensure consultants more accurately forecast expenses on a monthly basis.

Amendment 2 Carryover Funds

The Authority's past practice is that 100% of funds remaining at the end of a work period within a project Phase are carried over to the next work period while any funds remaining at the end of a project Phase are considered for allocation to pay down the credit balance as a refund to participants. Staff recommends continuing this practice with the \$15.3M carryover from Amendment 2. Uses for the unallocated \$9.3M of carryover funds would be considered when the Authority establishes the 2023 Budget and 2nd cash call for Amendment 3.

Prior Action:

August 2020 – Authority approval of Phase 3 Amendment 2 Work Plan

Fiscal Impact/Funding Source:

The increase in carryover funds in the Amendment 3 work plan from \$6M to \$15.3M could provide flexibility to address unanticipated scope additions such as early real estate transactions, potential litigation, and other items unanticipated in the Amendment 3 work plan.

Staff Contact: Marcus Maltby/Joe Trapasso

Primary Service Provider: Brown and Caldwell

Attachments: Amendment 2 Closeout Report



Sites Project Authority

Phase 2 Amendment 2 Closeout Report

May 13, 2022

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1. Background

The Reservoir Committee and Authority Board approved the Phase 2 Amendment 2 (Amendment 2) work plan in August of 2020 and approved task orders for service area and support consultants in September 2020. The Amendment 2 work plan covered activities from September 1, 2020, to December 31, 2021. The prior work plan was the Amendment 1B work plan, which included work performed between January 1, 2020, and August 31, 2020.

The Amendment 2 work plan had a significant change in scope from the Amendment 1B work plan. As a result, 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 2 period of performance were created. Amendment 2 focused on recirculating the environmental document, advancing engineering design, gaining greater operational certainty, advancing key permits, meeting the CWC 75 percent cost-share requirement, developing and seeking approval on the CWC Feasibility Report, and developing a plan of finance.

This report is meant to provide a summary of important metrics and closeout of the Amendment 2 work plan. The report covers an update on Amendment 2 key deliverables, a summary of Amendment 2 revenue and expenses actuals, the Amendment 2 closeout budget status summary, and changes to contributed credit.

2. Amendment 2 Deliverable Status

The following key deliverables were developed as part of the Amendment 2 work plan to provide measurable progress throughout the Amendment 2 work period. Table 1 provides a status of key deliverables as of the completion of the Amendment 2.

Table 1. Work Plan Key Deliverables

Deliverable	Status as of 12/31/21
Revised Draft EIR/EIS Project Description Chapter	Complete
Revised Public Draft EIR/EIS	Complete
Full Operations Analysis	Complete
Term Sheets for Key Operational Agreements	Complete
Operations Plan, Version 1	Complete
Final Feasibility Report	Complete
Water Right Application	The water right application was delayed due to changes in the modeling that is used to produce the Water Availability Analysis, which is a key component of the application. The current schedule to submit the application is May 2022.
Biological Assessment	An administrative draft Biological Assessment (BA) was completed in July 2021. The team began working with Reclamation in late 2021 to consider changes in the modeling to enhance anadromous fish benefits. As this modeling is used to produce the BA aquatics analysis, revisions to the modeling and subsequent analysis were expected and staff held off on continued development of the BA while revisions to the modeling were underway. The current schedule is to submit the BA in summer 2022.
Section 106 Programmatic Agreement	The Authority provided an administrative draft of the Programmatic Agreement (PA) for Reclamation to review and

Deliverable	Status as of 12/31/21
	continued to work with Reclamation on comments and suggested changes to that administrative draft PA. Reclamation has an extensive internal review process for Section 106 activities that the Authority team did not originally anticipate. As of the end of December 2021, Reclamation was nearing completion of its review and revisions to the administrative draft PA. Reclamation transmitted the draft PA to the State Historic Preservation Office and consulting parties in early March 2022.
ITP – Section 2081 Permit Applications	The Construction ITP application was complete in December 2021 and submitted to CDFW in January 2022. The Operations ITP application was delayed for the same reasons as described above for the BA. The current schedule is to submit this application in summer 2022.
Clean Water Act 404/401 Applications	The 404 and 401 permit applications were significantly advanced in 2021. The Authority’s team held a number of meetings with the U.S. Army Corps of Engineers and State Water Resources Control Board on the approach and timing for submittal of the applications. As part of these discussions, the agencies indicated that final permit applications should not be submitted until completion of the Final EIR/EIS, allowing additional time in the schedule. The Authority’s team also held a number of discussions with local agencies and project team members on how to address some of the unique components of the Project, including lack of land access, along with Project construction sequencing.
Preliminary Hydraulics Model	Complete
WIFIA Letter of Interest	Complete
2021 Draft Plan of Finance	Complete

3. Amendment 2 Revenue Summary

The Project received an additional \$4.3M in funds beyond what was estimated in the Amendment 2 work plan, as shown in Table 2. This additional revenue was primarily attributed to obtaining State Prop 1 (WSIP) funding in excess of initial work plan estimates.

Table 2. Amendment 2 Revenue Summary

Revenue Source	Amendment 2 Estimate (9/1/20)	Amendment 2 Actuals (12/31/21)	Variance*
Carryover Funds from Amendment 1B**	\$4,566,000	\$4,566,000	\$0
Reservoir Committee Cash Calls	\$19,289,000	\$16,762,000	-\$2,527,000
Authority Board Seats	\$500,000	\$505,000	\$5,000
Federal (WIIN Act) Funding	\$3,000,000	\$3,000,000	\$0
State Prop 1(WSIP)	\$9,010,000	\$15,863,000	\$6,853,000
Total Amendment 2 Revenue	\$36,365,000	\$40,696,000	\$4,331,000

* Positive variance indicates revenue in excess of Amendment 2 work plan estimate.

**Carryover funds are not new revenue to the project during Amendment 2. Carryover funds identified in this table represent funds obtained during the previous work period (Amendment 1B) that were budgeted for expenses in Amendment 2.

4. Amendment 2 Expense Summary

Management of Key Consultants, Support Consultants, Vendors, and Others/Permit Fees has resulted in the actual expenses for each category coming in under budget, as seen in Table 3. A justification is provided for instances of a 10 percent or greater variance from the budget.

Table 3. Amendment 2 Budget vs. Actual Expenses

Service Area	Budget	Actual Spend	Variance*	Justification
Key Consultants				
A_Integration	\$4,332,000	\$3,573,000	\$769,000	Lower level of effort than anticipated due to shifts in schedule related to environmental permitting and planning (see below for further description). In addition, the WIFIA Letter of Interest came in below budget, as did the development of Financial Assistance Agreements for WIIN Act Funding.
B_Controls	\$3,120,000	\$2,734,000	\$386,000	Task order included several tasks that were deferred to a later work plan. Those tasks include activities related to the scoping and implementation of a PMIS system and developing a project master schedule.
C_Communications	\$625,000	\$526,000	\$99,000	
D_Operations	\$2,270,000	\$2,128,000	\$141,000	
E_Environmental	\$3,691,000	\$3,535,000	\$156,000	
F_Permitting	\$3,971,000	\$2,353,000	\$1,618,000	There was a lower level of effort in this task due to changes in the modeling to enhance anadromous fish benefits. This modeling is a key component of the state and federal endangered species act permits and the Project's water right application, resulting in delays in completing permit applications until 2022. Additionally, the slower than anticipated schedule for the development of the draft PA led to a lower than expected cost for this effort. Several minor Project permits were also not advanced significantly for a variety of reasons, including agencies wanting more detailed design information than currently available.

Service Area	Budget	Actual Spend	Variance*	Justification
HC_Eng Conveyance	\$3,357,000	\$2,746,000	\$611,000	There was a lower level of effort than anticipated to prepare the feasibility studies and WSIP Feasibility Report. Activities related to electrical/power facilities and interconnection were delayed due to the cancellation of the application window by CAISO; the next potential application window is April 2023. In addition, schedule shifts in environmental permitting activities related to the CVFPB and USACE permit applications, and project management efficiencies, resulted in budget savings.
HR_Eng Reservoir	\$1,766,000	\$1,640,000	\$126,000	
I_Geotechnical	\$2,079,804	\$1,348,822	\$730,981	There was a lower level of effort than anticipated for geotechnical investigations, and Reclamation supported the execution of field activities that resulted in budget savings. Field activities that were planned but not undertaken are anticipated to be executed in future geotechnical investigation phases.
Key Consultant Subtotal	\$25,211,000	\$20,583,000	\$4,637,000	
Budget Area	Budget	Actual Spend	Variance*	Justification
Support Consultants, Vendors, Other/Permits				
Support Consultants	\$5,372,000	\$4,327,000	\$1,045,000	With the delay in schedule to the release of the RDEIR/SDEIS and Water Right Application, Consultant tasks in support of these efforts were also delayed into 2022.
Vendors	\$230,000	\$193,000	\$37,000	
Other/Permits	\$2,741,000	\$282,000	\$2,459,000	Several expenses anticipated for the Amendment 2 period were deferred to Amendment 3, including the Water Right Permit Application fee, DSOD Permit fee, and the majority of CDFW support services reimbursable contract.

Amendment 2 Total – Budget vs. Actual Expense

	Budget	Actual Spend	Variance*	Justification
Amendment 2 Total	\$33,554,000	\$25,385,000	\$8,179,000	

* Positive variance indicates expense actuals came in under budget.

5. Amendment 2 Budget Status Summary

An Amendment 2 budget status summary as of the close of the work period is provided in Table 4, which includes final revenue and expense totals summarized in the preceding sections.

Table 4. Amendment 2 Budget Summary

Budget Item	Amendment 2 Actuals
Revenue*	\$40,696,000
Expense	\$25,385,000
Planned Carryover Funds to Amendment 3	\$6,000,000
Total Amendment 2 Balance (Revenue – Expenses)	\$9,311,000

* Revenue totals include carryover funds from Amendment 1B. Carryover funds were not received during the Amendment 2 work period.

The Amendment 2 work period resulted in approximately \$15,311,000 in funds received in excess of actual expenses. Of the excess funds, approximately \$6M was planned for carryover into Amendment 3. This carryover was to ensure continued progress during the first 4 months of the Amendment 3 work plan, as the cash-call process would not be initiated until April 2022.

A remaining balance of \$9,311,000 has been identified as excess funds for the Amendment 2 work period. Several factors contributed to the excess funds at the end the Amendment 2, including but not limited to:

- **Revenue Exceeding Planning Goals** – As highlighted in Section 3, the Project received an additional \$4.3M in revenue over plan. Additional revenue was a result of capturing additional State Prop 1 (WSIP) funding.
- **Impacts from COVID 19** – The Project team continued to make adjustments to adapt to the new and changing landscape as a result of COVID 19. Some changes led to an increased efficiency by working remotely and using advancements in technology, while other changes led to delays in staffing and responses from outside organizations and agencies.
- **Delays in Key Deliverables** – As highlighted in Section 2, several key deliverables were delayed and are now scheduled to finish in the first half of Amendment 3. The delay to these deliverables resulted in a reduction in staff hours as well as unspent budgets dedicated to permit fee applications.

6. Changes to Credit Reimbursement

The contributed credit balance at the end of Amendment 1B was \$6,064,653. During the Amendment 2 rebalancing process, existing participants reduced participation by 27,027 acre-feet. Existing participants that reduced participation were Colusa County Water District, Santa Clara Valley Water District, and Westside Water District. Each participant reducing participation received a credit for costs incurred for prior payments in the amount of \$108.50 per acre-foot, totaling \$2,932,430. Also, during this rebalancing, two new Reservoir Committee Members, Irvine Ranch Water District, and Rosedale Rio Bravo Water Storage District, executed the Reservoir Project Agreement for 1,000 acre-feet and 500 acre-feet of participation, respectively. These two new participants paid true-up costs for prior phases in the amount of \$108.50 per acre-foot, totaling \$162,750.

True-up costs are the payments for all prior phases to bring new participation costs to the same dollar value per acre-foot.

In addition to new participants, existing participants had the opportunity to increase participation as well. Dunnigan Water District increased participation by 255 acre-feet. An existing credit balance was applied to the Phase 1 costs of Dunnigan Water Districts increase in the amount of \$48.50 per acre-foot, which reduced the credit balance by \$12,368, while true-up costs were collected for Phase 2, Amendment 1B costs of \$60.00 per acre-foot that amounted to \$15,300. All funds received as true-up costs for prior phases totalled \$178,050. These funds were issued to all participants with an outstanding credit balance as a reimbursement based on the percentage of the total credit balance held by each agency. The contributed credit balance at the end of Amendment 2 is \$8,806,665.

Table 5. Amendment 2 Contributed Credit Summary

Contributed Credit Balance at the end of Amendment 1B	Amendment 2 Rebalancing Credit for Reduction in Participation	Contributed Credit Applied for True-Up	Reimbursements Issued from True-Up Funds Received	Contributed Credit Balance at the end of Amendment 2
(\$6,064,652.68)	(\$2,932,429.50)	\$12,367.50	\$178,050.00	(\$8,806,664.68)