

FINANCE COMMITTEE MEETING

MINUTES

REGULAR MEETING

Thursday, April 17, 2025

3:30 p.m.

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The regular meeting of the Delta Conveyance Design and Construction Authority (DCA) Finance Committee was called to order in person, by teleconference, and remotely - Conference Access Information: Phone Number: (669) 444-9171, Code: 88010628777#, <https://dcdca-org.zoom.us/j/88010628777?from=addon> at 3:30 p.m.

2. ROLL CALL

Committee members in attendance from the DCA Boardroom were Gary Martin and Martin Milobar.

Committee member in attendance remotely was Sarah Palmer.

DCA staff members in attendance were Graham Bradner and Josh Nelson.

3. PUBLIC COMMENT

There were no public comment requests received.

4. APPROVAL OF MINUTES: June 06, 2024, Finance Committee Meeting

Recommendation: Approve the June 06, 2024, Finance Committee Meeting

Motion to Approve Minutes from June 06, 2024, as

Noted:	Palmer
Second:	Milobar
Yeas:	Martin, Milobar, Palmer
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	3 Yeas; 0 Nays; 0 Abstain; 0 Absent. (Motion passed as MO 25-04-01).

5. DISCUSSION ITEMS:

a) DCA Fiscal Year FY 2025-26 Budget Overview and Approach

Informational Item

DCA Executive Director Graham Bradner presented an overview of the budget to the committee. The purpose of the presentation and meeting was to highlight the fiscal year (FY) 2025-26 budget development requirements and approach and to provide a reminder of the DCA Work Breakdown Structure (WBS). This structure guides how the budget is developed and how items are categorized, with a forward-looking approach that allows for financial tracking through the various phases of the program.

He proceeded to outline the FY 2025-26 Committee plan, referencing the calendar that shows how DCA will work its way through the next couple of meetings, to arrive at an adopted budget by the June Board meeting. The DCA Finance Committee is a standing committee of the Board of Directors, subject to the Brown Act, that provides the initial review and makes recommendations to the Board on key financial matters. These include the adoption and proposed amendments of the DCA annual budget, preparation and review of the annual financial audit and Comprehensive Financial Reports, and other finance-related matters as directed by the Board or requested by the Executive Director or Treasurer.

Mr. Bradner explained that the fiscal year runs from July 1st to June 30th of each year, and approval of the budget by the Board is required by the end of June. This year, the June meeting is scheduled for June 18, 2025, moved forward by one (1) day to avoid a conflict with the Juneteenth holiday. The Joint Exercise of Powers Agreement (JEPA) requires the DCA to provide a draft budget to the Department of Water Resources (DWR) Delta Conveyance Office (DCO) at least 60 days prior to adoption, to allow for oversight and early feedback. DCA can then address those items before presenting the budget scope to the Board. The matter will be initially discussed at the committee meeting in May, with further deliberations occurring through subsequent committee meetings and culminating in final adoption. This review period is essential for DWR to fulfill its financial oversight responsibilities.

He continued, noting that vendor task orders are executed annually under multi-year master services agreements with maximum values set for the duration of the contract. The approved budget becomes executable only when task orders are issued. The fiscal year budget and scope form the DCA's annual baseline, which is used for the financial reporting in the monthly Board reports. The initial annual budget plan, gathered from vendors, is compared to actual expenditures throughout FY 2025-26, with variances tracked. Over the past four (4) years, actual spending has consistently come in 15-20% under budget, due largely to variations in expectations for Geotechnical (Geotech) work.

Next, Mr. Bradner outlined the internal budgeting approach and expectations. This information is primarily conveyed to the vendors and internally, with close collaboration to ensure strict adherence. Billing rates may include reimbursable expenses under the DCA's reimbursement policy, which may include vendor travel expenses, and must also anticipate escalation. Remaining budgets and scope at the end of a fiscal year do not automatically roll over. Instead, incomplete items are de-scoped from the current year and transferred to the next FY. Acknowledging the current state of progress, DCA will then establish new metrics related to due dates and costs associated with completing the remaining tasks. New tasks arising throughout the year may be added to task orders through a change management process. This fixed baseline approach is how DCA manages the annual scope and budget. He also explained that DCA typically holds a reserve under the Executive Office (EO) for allowances, categorized as unallocated reserves. The amount has ranged from \$750,000 to \$2M in prior years, depending on uncertainty levels and assessed needs.

Turning to the WBS, Mr. Bradner described the three (3) primary program phases: Program Management Office (PMO) Program Initiation (PI), and Program Delivery (PD). The PMO supports cross-organizational functions such as EO, communications, sustainability, quality, risk, health, and safety. PI is associated with the permit support work, where the engineering and fieldwork efforts were initially housed. As the permit phases are completed and the program progresses as anticipated, this phase will come to a close and DCA will enter the PD phase.

PD has begun pursuing pre-design work, including Geotech and survey activities targeted toward the selected project alternative from the California Environmental Quality Act (CEQA) process. DCA is shifting focus from a Geotech data collection and survey phase, initially addressing Delta-wide conditions supporting a broad range of alternatives. The effort is now concentrated on the selected alternative. These efforts support both the continued permitting process and the delivery of the program. The costs have been separated from PI to ensure accurate financial reporting and avoid misrepresenting Geotech costs or inflating permitting costs by folding them into PI. A year or two (2) ago, the PD phase was established to separately track costs essential to the program's overall delivery. While only a limited number of tasks have been initiated under PD thus far, this phase will ultimately encompass major components such as procurement of feature design teams responsible for final design and the construction contracts. The only phase that has been established but has not yet been opened is Program Closeout. All remaining activities, from the completion of permitting through to closeout, will fall under either PD or the PMO.

.

Committee Member Palmer asked for clarification regarding how Geotech activities are categorized. She noted that Geotech appears under multiple program phases and questioned whether the lack of categorization could be contributing to external confusion.

Mr. Bradner explained that Geotech management, including oversight of Geotech contract, resides under the PMO. When the PD phase opened and Geotech data collection costs were allocated along the selected project alignment, a corresponding Geotech Management task was also initiated within the PMO to oversee the management of vendors and contractors. This structure reflects the intended framework for the program moving forward: engineering management activities will reside within the PMO, while engineering design and delivery efforts will be carried out under PD. Geotech fieldwork associated with PI has been completed and is no longer funded. These closed activities continue to appear in the WBS as tasks cannot be removed from the financial system of record. In contrast, current Geotech fieldwork under PD supports implementation based on the selected alternative. He affirmed that no funds or scope are currently allocated to the PI Geotech activities. Addressing the confusion mentioned, Mr. Bradner stated that there are ongoing issues related to geotech matters, primarily associated with CEQA litigation. He deferred to legal counsel to speak further on that.

DCA General Counsel, Josh Nelson, confirmed that issues have not been raised in the courts concerning how the DCA accounts for Geotech work. Still, he acknowledged the importance of accurate communication regarding all activities.

Committee Member Palmer explained her concern that, as stakeholders review the broader scope of various DCA information sources, the absence of precise categorization for Geotech work could lead to confusion. Without proper distinction, there's a risk that the Geotech efforts may be conflated with other elements of the program, potentially obscuring the intent and scope of those activities.

Mr. Bradner agreed and thanked Committee Member Palmer for her attention to clarity, adding that as the committee moved into the details, particularly at the next committee meeting when reviewing where funds and scope are being applied, it would become clear that funds and scope were not being allocated to the PI geotechnical work. Those activities closed out with the completion of the Environmental Impact Report (EIR).

In response to Committee Member Palmer's request, Mr. Bradner directed Chief of Staff, Claudia Rodriguez, to include a clarifying footnote in future budget materials indicating that the PI Geotech fieldwork has been completed and is no longer active.

Mr. Bradner continued by providing an overview of the function of the PMO, including the WBS at Level Two (2). The previously presented material reflected Level One (1), which generally represents the PMO; Level Two (2) delineates specific tasks. This level clearly outlines the activities, including program assurances, administration, community engagement, and the executive office. It also encompasses engineering management, Geotech management, survey and mapping management, and eventually, construction management, all housed within the PMO.

Mr. Bradner then highlighted the two (2) subcategories within PI: Engineering and Fieldwork. The engineering component remains active, as full engineering development for implementation has not yet begun. Funding continues to be allocated to the PI Engineering function; however, no further funding is being directed to the PI Fieldwork function, as those activities have been transitioned to the PD phase.

He continued to PD, which commenced with a series of pre-design activities. These include continued evaluation of the preferred project, support for ongoing permitting activities, and refining the features and definition of design criteria. Activities also include field investigations, Geotech work, field surveys, and other exploratory efforts to better define the selected project.

Mr. Bradner explained that budget information is structured across multiple WBS levels. Development begins at Level Four (4), where detailed data is captured in the master workbook. This includes traditional cost estimating practices, task-level detail, rate structures, and activity definitions. From there, information is rolled up progressively to higher levels of summary. All budget data is shared with the DWR as part of its vetting and review process. For the Finance Committee, presentations and discussions typically begin at Level Three (3), which retains significant detail, and build up to higher-level summaries, including task orders and related materials.

Mr. Bradner presented Level One (1) of the WBS, a high-level summary of the FY 2024-25 budget, where the total budget was \$43M. The primary program phases were identified as PMO, PI, and PD. Underneath those phases is the Level Two (2) subcategories that further group relevant components.

Within the PMO, Level Two (2) includes designations such as EO. Further breakdowns occur within PMO-EO, including subcategories such as Management, General Counsel, Audit, Treasury, Human Resources, and Undefined Allowance. He noted that at Level Three (3), vendor-specific budget details are introduced. A key complexity is the consolidation of individual vendor task budgets into the WBS framework. Vendor budgets must be translated and grouped within the WBS to accurately represent the total budget and its distribution across vendors and activities.

Committee Member Palmer asked for clarification regarding the term “undefined allowance,” specifically referencing the \$1.8M allocation and inquiring what types of expenses might fall under that category.

Mr. Bradner explained that this category represents a reserve amount available as a contingency for the FY. Similar to a contingency in a construction contract, this amount is expected to be spent, but without specific predetermined uses. It is allocated with the understanding that unanticipated needs will arise during the FY, and the DCA's flexibility to address them is a critical element.

Committee Member Palmer asked whether the undefined allowance could be used in situations such as engineering items that come in over budget.

Mr. Bradner confirmed this and elaborated that the budget includes an unallocated, undefined allowance that the Board can adopt, which can be redistributed throughout the year as needed. He noted that this will become increasingly important as the program transitions into the delivery phase. Appropriate management of this allowance will require substantial Board engagement, particularly when funds need to be assigned to new efforts or modified scopes of work. He added that use of the allowance is currently limited by policy requirements, including procurement thresholds that mandate Board approval for contracts over \$250,000. The allowance could also support sole-source procurements or augmentations to existing contracts. Historically, the pattern has been to draw from the allowance early in the FY when initial task orders are issued or unexpected needs arise. However, during midyear reconciliations, funds are often returned from unspent task orders and reallocated to the undefined allowance, sometimes resulting in a higher end-of-year allowance balance than the starting amount.

Committee Member Palmer concluded her question by observing that the undefined allowance may need to grow beyond \$1.8M as the program enters more complex phases and begins delivery.

Mr. Bradner confirmed this and noted that DCA has a meticulous change management process, which governs changes to budget and scope. He emphasized that any proposed changes from vendors or internal managers are subject to a formal evaluation process. Initially, each potential change is reviewed to determine whether it constitutes a material or administrative change. This assessment is based on strict thresholds. If the change is deemed material, it proceeds to the Change Control Board, which includes representatives from both DWR and DCA, including the Program Controls Manager, the Chief Engineer, the Executive Director, and a representative from DWR. This panel reviews and makes decisions on all material changes, which may lead to amendments to existing contracts, task orders, or related documents.

Resuming the presentation, Mr. Bradner then referred to the FY 2025/26 schedule, highlighting the current Finance Committee meeting. A draft budget and task orders would be delivered to the DCO for review the following week. During that period, DCA staff would work with the DCO to explain the rationale behind the budget items, provide necessary context, and address any feedback.

The next Finance Committee meeting will take place on May 21, 2025, where the draft will be reviewed in detail. Any refinements would be finalized before a subsequent Finance Committee meeting on June 12, 2025, at which point the committee would collect final comments and prepare to recommend budget adoption to the Board at its June 18, 2025 meeting.

Mr. Bradner explained that the budgeting process typically begins in February, when the DCA begins working with vendors to gather scope and budget items. An official internal kickoff generally occurs in March. As of the date of this meeting, the DCA has been engaged in this process for approximately six (6) weeks and is preparing to share the draft with DWR the following week.

Before opening the floor to other Committee Members, Committee Chair Martin took a moment to clarify his perspective to benefit those listening. He reflected on his initial involvement with the Finance Committee, noting that his primary concern in previous years had been transparency, specifically, ensuring that the committee could clearly see the origins of the budget numbers. He emphasized that the key to this process was reviewing the task orders, proposals, and the scope of work associated with those numbers. He pointed out that this approach had worked well the previous year. He then inquired whether any changes would be made to this approach for the current year.

Mr. Bradner confirmed that there would be no change, reassuring the committee that the task orders and scope of work would be shared with them in advance of the next meeting, giving them time for review.

Committee Chair Martin expressed confidence that this process had been effective in the past. He noted that the overview provided a good direction and outlined where the numbers would come from. He acknowledged that the work this year would differ from the previous year and appreciated the staff for making the presentation. He concluded that the committee was ready to proceed.

Mr. Bradner thanked the committee and mentioned that, as this was the second year of the process, there would likely be refinements along the way. He noted that some parts of the presentation might appear out of sequence but expressed confidence that it would all align in the end. He mentioned that the two (2) year plan would be presented, which should clarify the scope and budget, and emphasized that the task orders would be reviewed before the plan. He also mentioned that the plan would be presented at the May Board meeting, which may initially cause some confusion; however, the overall plan is intended to help synchronize the process, and that will be made clear.

Committee Chair Martin recalled to Mr. Bradner the point he had made earlier regarding allowances. He requested clarification on whether the numbers would come from an allowance for a known unknown or from a proposal for a task order.

Mr. Bradner confirmed that at the current phase, allowances were only present in one (1) place, within the EO. He assured the Committee that the budget would clearly distinguish between allowances and task orders, with all task orders being based on a defined scope.

6. REPORTS AND ANNOUNCEMENTS:

a. Verbal Reports

No reports.

7. ADJOURNMENT:

Chair Martin adjourned the meeting at 4:02 p.m., in person, by teleconference, and remotely -
Conference Access Information: Phone Number: (669) 444-9171, Code: 88010628777#,
<https://dcdca-org.zoom.us/j/88010628777?from=addon>.