



Topic: **Authority Board Agenda Item 5-2A**

2018 April 23

Subject: **Independent Advisory Services, Finance**

Requested Action:

1. Consider approving a sole-source contract justification to retain David G. Houston as a recognized and independent expert in finance to advise the Authority, Reservoir Committee, and Staff (refer to Figure 1) in the development and implementation of the finance plan (Attachment A).
2. Consider approving the agreement with David G. Houston (Attachment B).

Detailed Description/Background:

The working draft risk assessment identified delayed decision-making in critical path areas as a concern that should be managed. The use of seasoned experts in key areas will help to manage this risk.

Execution of Phase 2 Participation Agreements, which are required before Phase 2 can officially start, requires the approval of a funding/financing plan. Given the estimated cost for Phase 2, it is important the Sites Project participants and staff have access to the opinions of an additional expert in finance.

On April 19, the Reservoir Committee will consider this matter and is expected to provide a recommendation for the Authority’s consideration.

Prior Authority Board Action:

None.

Fiscal Impact/Funding Source:

The approved work plan included budget for technical advisory services, which will be used to fund this work.

Staff Contact:

Joe Trapasso

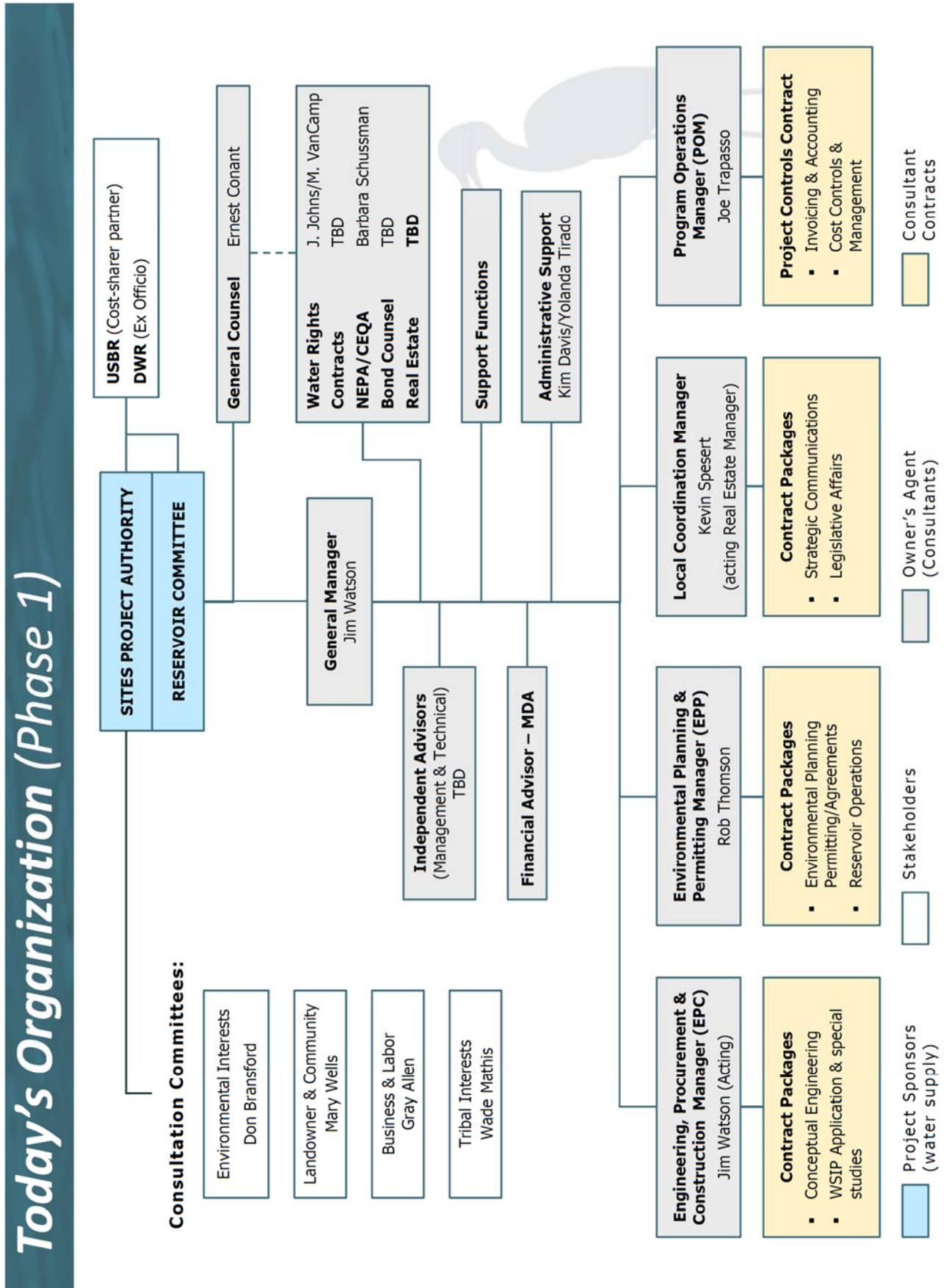
Attachments:

Attachment A: Sole-source justification for expertise in Finance and bio for David G. Houston.

Attachment B: Agreement with David G. Houston.

Status:	Final	Preparer:	Spesert	Phase:	1	Version:	0
Purpose:	Sites Reservoir Committee Staff Report	Checker:	Watson	Date:	2018 April 19		
Caveat:	Informational	QA/QC:		Ref/File #:	12.221-210.018		
Notes:				Page:	1	of	2

Figure 1: Phase 1 Organization Chart





ATTACHMENT A

Sole-Source Contract Justification – David G. Houston

Background

Completion of Phase 1 and expectation of funding from Prop 1 and WIIN act, dictates the need to develop a financial strategy for how best to finance the Project. This strategy is being used to prepare a procurement plan for Phase 2 in a manner that facilitates future operations and contracts to construct the project.

In developing and implementing the financial strategy, the Authority has retained a registered Municipal Advisor to prepare a comprehensive financial plan considering financial options and structures for the Project. In addition, the Authority is also currently pursuing, through a competitive procurement process, Bond Counsel who will play a critical overall strategy for the interim and permanent financing for the project. They will also play a significant role in the structuring of any potential debt financing transactions; including the Phase 2 participation agreements.

The Authority has the need for an expert financial advisor who has extensive experience in large debt structuring projects, especially for California State water projects, to ensure that project financial activities, such as work conducted by the Municipal Advisor, Bond Counsel, are conducted in a manner to ensure overall quality and consistency with industry standards and practices.

The approved Phase 1 work plan includes budget to retain expertise in key areas to develop a well-defined procurement plan to ensure the Sites Project is completed in a thorough, cost-effective and as expeditiously as possible. Expertise needed includes an expert in financing to improve the Authority's ability to construct the Sites Project in a manner that will provide the greatest benefits to the participants. This expert will serve in an advisory role to the Authority and Reservoir Committee. In addition, they will serve as a resource to staff to ensure overall quality and consistency with industry standards and practices.

Staff explored financial experts who have exceptional experience in successfully managing large scale and diverse water projects, such as the Sites Project, and with extensive expertise in financing and construction of water facilities.

Staff determined that Mr. David G. Houston has the exceptional qualifications to meet Sites Project needs. With over 40 years in the water industry, Mr. Houston is a well-recognized leader in water management and financing for large scale water projects. As Regional Director of the



Mid-Pacific Region of the Bureau of Reclamation and as Deputy Assistant Secretary of the U.S. Department of the Interior, his responsibilities included management of some of the largest and geographically diverse water projects in the Country. As Citi Bank's managing Director in the Municipal Securities Division and Head of their national water financing practice, Mr. Houston was senior manager of more than 850 water and wastewater financings totaling in excess of \$65 billion for public water enterprises across the country, including many water agencies in California. Attached is Mr. Houston's impressive bio.

Recommendation

It is recommended that pending the Reservoir Committee's recommendation, the Authority Board retain the services of Mr. Houston to serve as an independent advisor to the Sites Project providing financial expert advice. This recommendation is based on the existing urgency to obtain a financial expert for the current critical Phase 2 financial planning process and the rather uniqueness of Mr. Houston's expertise and experience related to the significant requirements of the position.

David G. Houston

Mr. Houston has been in the water industry for more than 40 years. Prior to joining Citigroup in 1990, Mr. Houston had 15 years of management experience with local and federal agencies. His experience ranges from developing regional plans for air and water quality to the design, financing and construction of facilities for water and wastewater, flood control and general government infrastructure. As Regional Director of the Mid-Pacific Region of the U.S. Bureau of Reclamation and as Deputy Assistant Secretary of the U.S. Department of the Interior, his responsibilities included management of some of the largest and most geographically diverse water and power projects in the Country.

At Citi, Mr. Houston was a Managing Director in the Municipal Securities Division and Head of Citi's national water finance practice where he senior managed more than 850 water and wastewater financings totaling in excess of \$65 billion for public water enterprises across the country. Examples include multiple transactions for States: such as California, Indiana, Illinois, Michigan, Nevada, New York, Texas, Utah and Wisconsin; Authorities and Joint Action Agencies: Central Coast Water Authority, Great Lakes Water Authority, Guam Water Authority, Houston Area Water Corp., Orange County Sanitation District, Peace River Water Authority, San Diego County Water Authority, San Luis and Delta Mendota Water Authority, Southern Nevada Water Authority, Tampa Bay Water, Truckee Meadows Water Authority, Washington DC Water and Sewer Authority; Cities and Counties: Clark, Cleveland, Dallas, DeKalb, Detroit, El Paso, Fresno, Honolulu, Houston, Los Angeles, Portland, San Antonio, San Diego, San Francisco, Seattle, Stockton, Tacoma, and Tucson;. Special Agencies and Districts; Central Basin MWD, Castaic Lake Water Agency, Eastern MWD, East Bay MUD, Inland Empire Utilities Agency, Kern County Water Agency, Las Vegas Valley Water District, Metropolitan Water District of Southern California, Mojave Water Agency, MWD of Orange County, Orange County Water District, Santa Clara Valley Water District, Sacramento Regional Sanitation District, Sacramento Suburban Water District, West Basin MWD, Westlands Water District, and many others.

Prior to retiring in November, 2017, Mr. Houston was a Registered Representative and Municipal Securities Principal with the NASD, MSRB and held securities licenses Series 52, 53, 63 and 79. Mr. Houston graduated from Utah State University with a BS in Pre-Law and MS in Political Science/Economics and completed post-graduate work in engineering and chemistry at the University of Nevada Reno.



**SITES PROJECT AUTHORITY
LETTER AGREEMENT**

2018 April 17

Mr. David Houston
1850 Maple Glen Road
Sacramento, CA 95864

Dear Mr. Houston:

Following up on our discussions, this letter agreement is to memorialize terms and conditions for David Houston (“Consultant”) being retained by the Sites Project Authority (“Authority”) as an independent advisor.

- a. **Scope of Services.** Consultant is retained as an independent advisor to advise the Board of Directors and participants in the Reservoir Project Agreement Committee, on matters involving capital project development and financing, water operations associated with the State’s water system; which includes the Central Valley Project and State Water Project, and the development of agreements with project participants, administering agencies, cooperative agencies, and/or financing entities. In this capacity Consultant would review the recommendations of other consultants and staff for overall quality, consistency with industry standards and practices, and provide other advice related to overall advancement of the Sites Project (“Services”).
- b. **Independent Contractor Status.** Consultant enters into this Agreement as, and shall remain throughout the term, an independent contractor, and is not, and shall not become by virtue of this Agreement an employee, partner, agent or principal of Authority. Consultant shall determine the method, details and means of performing the Services, as an independent contractor. Consultant shall not have the power to enter into contracts on behalf of Authority, and Consultant shall not represent that he has such power.
- c. **Fees and Taxes.** Consultant shall pay taxes and costs related to the compensation provided hereunder, including income taxes, any payroll taxes, self-employment taxes, social security and other contributions based on the compensation paid to Consultant, and all other taxes or fees assessed or levied in connection with the Services herein provided for.
- d. **Insurance.** Consultant shall carry during the term of this agreement general liability insurance and automotive coverage and upon request provide proof of such insurance to the Authority.



- e. **Compensation.** Consultant will be compensated for his time at a rate of \$450 per hour, plus reasonable and necessary expenses to carry out the Services herein provided for. Consultant will periodically, but no more frequently than monthly, submit invoices to the Authority detailing by date each task performed and the time worked, plus expenses incurred to perform Services with documentation of such expenses. The Authority will process and make payment of invoices within 45 days of receipt.
- f. **Budget.** On at least a quarterly basis, the General Manager, or his designee, and Consultant will review the budget allocated to Consultant to perform the requested Services and make adjustments accordingly. In no event shall the fees associated with the Consultant performing the Services exceed the Board-approved budget amount.
- g. **Confidentiality.** Notwithstanding Authority's status as a governmental entity, Authority may nevertheless be authorized from time to time under applicable law to assert privilege and/or claims of confidentiality to select information exchanged between the parties or produced in connection with or as a result of Services provided under this Agreement. Consultant must therefore treat all information exchanged between the parties or produced in connection with or as a result of this Agreement as confidential information, and shall not directly or indirectly, use, reveal, publish or disclose any such information, unless the Authority has otherwise made such information publically available or provided its prior written consent.
- h. **Term.** This agreement shall commence upon having been executed by both parties and extend no later than three months beyond the end of Phase 2, which is currently the date of December 31, 2021 (e.g. expire on March 31, 2022). This Agreement may be terminated by either party upon providing 30 days written notice.

We look forward to you working with us to help advance the Sites Project.

Sincerely,

Fritz Durst, Chair

ACCEPTED AND APPROVED this ____ day of April, 2018

David G. Houston