

Project Financing Action Plan Progress Update

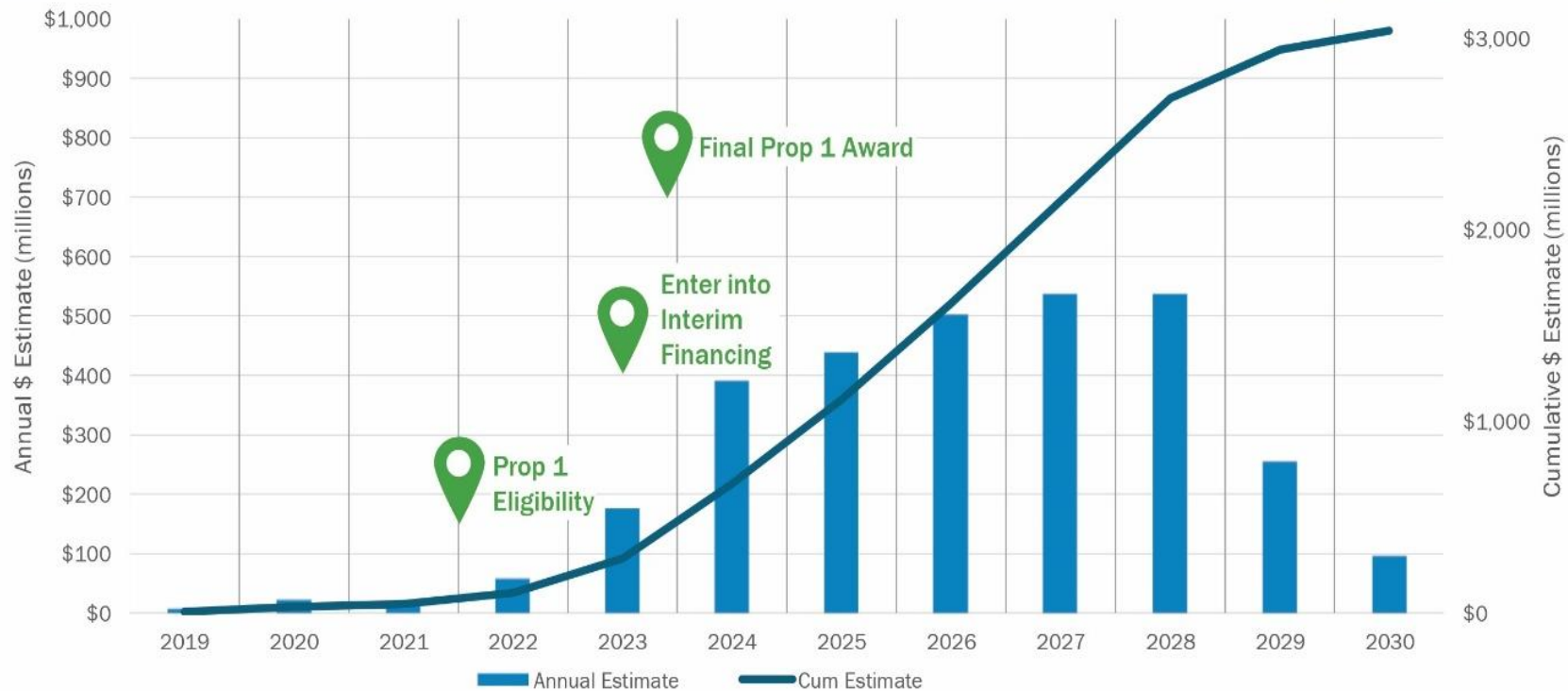
Authority Board Items 3.1 and 3.2

January 27, 2021

Outline

1. Financing Action Plan Schedule and Roadmap
2. Successor Agreement: Participant Financial Processes
3. Contract Term Sheet: Balanced Development
4. Financial Model 2.0 High Level Overview and Timing
 - a) Preliminary Options

Sites Reservoir Project Cash Flow to Construction Completion



From Nov 2020 meeting
Costs shown are in 2019 dollars

Draft – Not for Distribution

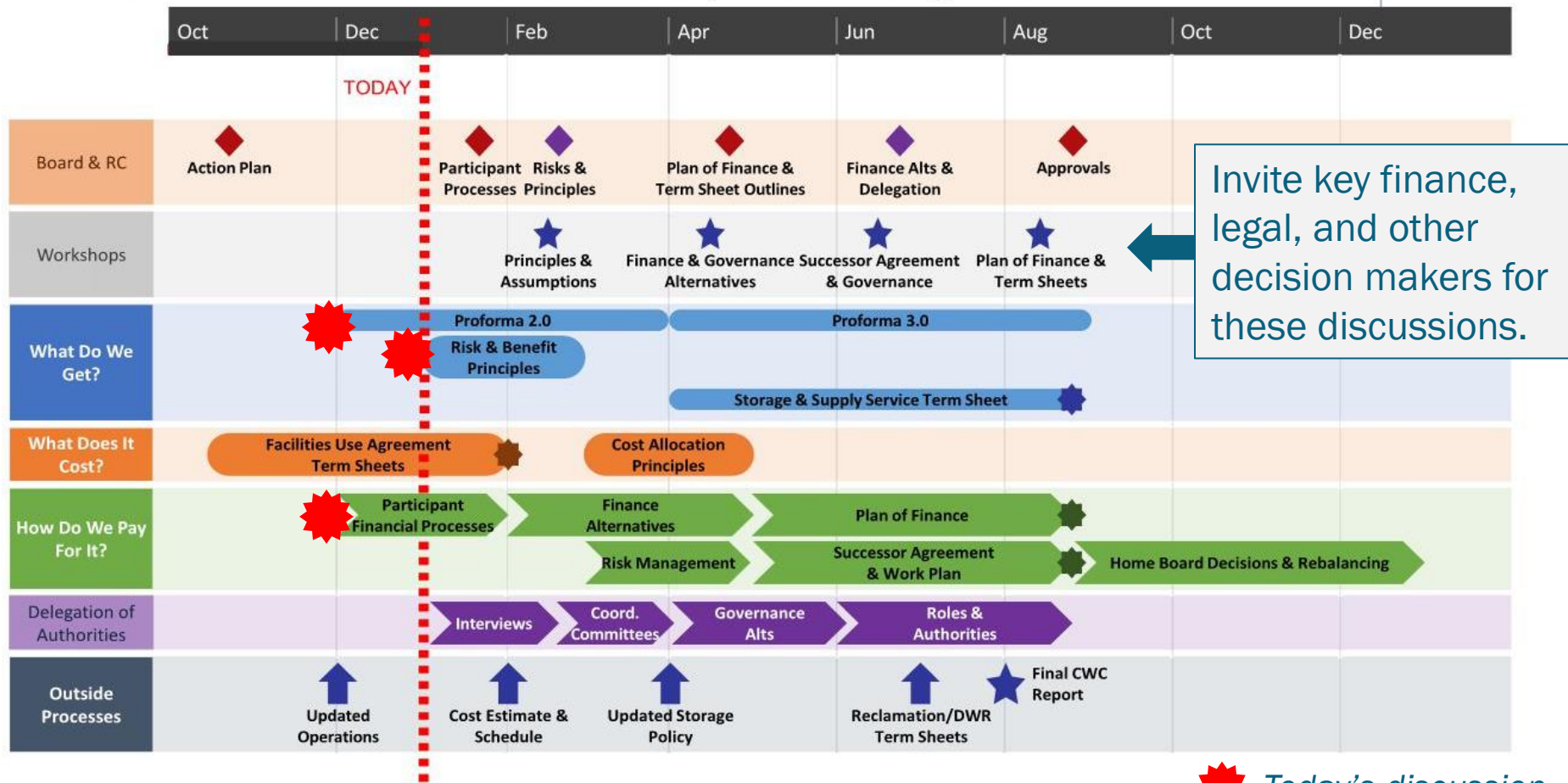
	2022	2023
Cash Call (Est.)	\$150/AF	\$200/AF
Interim Financing	\$0	\$100 million



Road Map

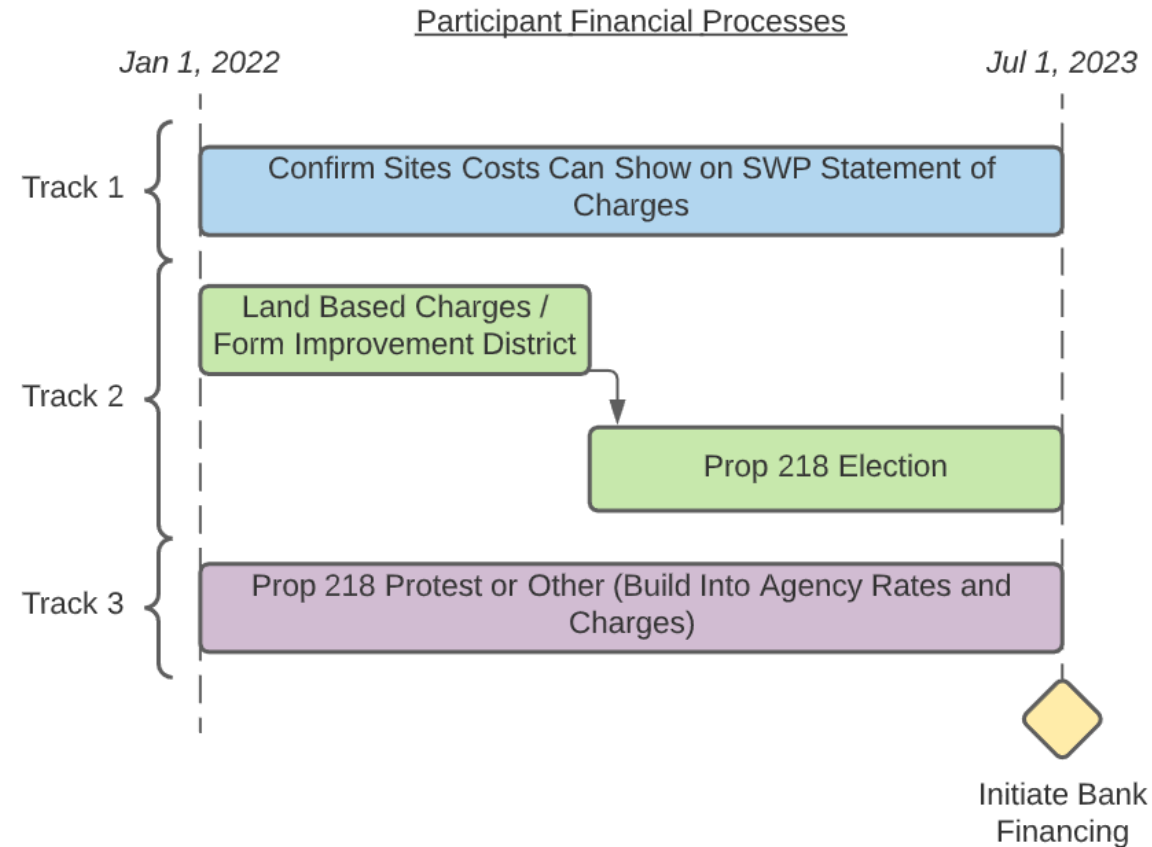
Plan of Finance & Participation Agreements

Prop 1 Eligibility
Deadline



Today's discussion

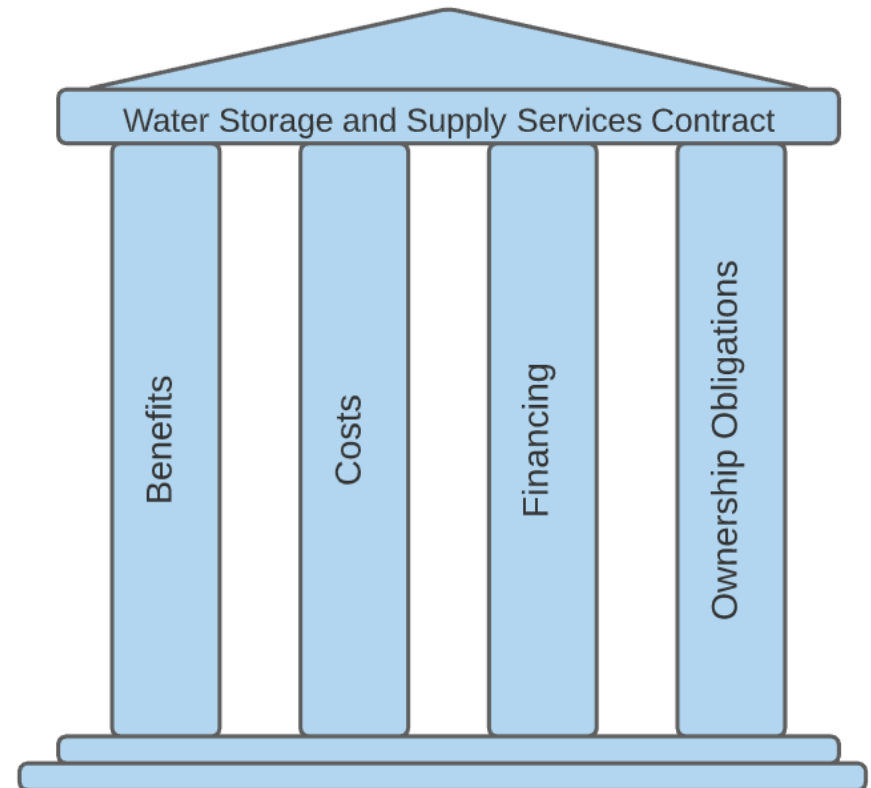
Successor Agreement: Preparation for Financing



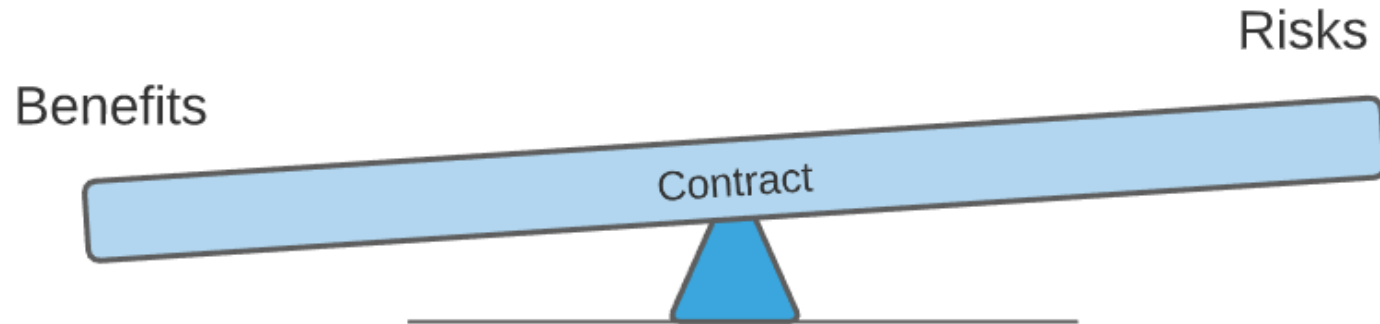
- Successor Agreement will include requirements for agencies to secure funding for its share of the project.
- Authority will monitor progress and support agencies. Communication will be critical.

Contract Term Sheet Elements

- Four pillars of the contract will be explored in the term sheet deliverable:
 - Benefits to individual agencies
 - Allocating project costs for the benefits received
 - Financing the project
 - Ownership obligations and responsibilities



Balancing Risks and Benefits



- Balancing requires a discussion of project benefits and risks for participants and board members.
- The Water Storage and Supply Services Contract is where a common understanding is manifested in writing.
- Working with B&F Committee to develop the term sheet.

Sample Terms for Development

Term	Description
Water Delivery Priorities	
Hydrologic Conditions	
Allocation of Cost of Services	
Financial Provisions	
Upstream and Downstream Costs	
Offramps	
O&M Responsibilities	
Water Marketplace	
...	

Financial Model 2.0 List of Changes, March 2021

1. Move to cost of financing (vs. w/ and w/o WIFIA)
 - a) Two options – with step-up and without
2. Update costs, estimate due Feb 2021
3. Incorporate beneficiary pays (cost of facilities)
4. Public benefit OM&R accounting (state and federal)
 1. Prop 1 (WSIP) Inflationary Adjustment, 2.5% (\$20.4M)
5. Update finance assumptions, including rates
6. Update operating cost assumptions, OM&R
7. Update participation levels, local, state, fed
8. Update operations

Preliminary Financing Options

Step-up	No Step-up
Group financing, pooled credit	Pay as you go, individual financing or cash
50-60% debt covered by rated entities, 10-25% step-up for all	Smaller group financing possible
Improved certainty on project payments	Authority responsible for collecting project payments
Lower rate for non-rated participants vs. market	Higher interest rate for non-rated participants vs. market
May be required for WIFIA loan	Leverage programs such as USDA loan for non-rated agencies
Allows for increased participation of non-rated entities	May require a reduction in non-rated participation



Questions?