

Project Financing Action Plan Update

Reservoir Committee Items 3.4 and 3.5

March 18, 2021



Outline

- Proforma 2.0 - Confirm the Outputs Meet Participant Needs
- Principles and Assumptions Workshop Follow Up
 - Cost Allocation Framework for Use of Facilities
 - Financing the Amendment 3 Cash Call

Proforma 2.0

Item 3.4



What is a proforma?

A tool for investors to...

- Analyze long-term project benefits and costs based on a set of scenarios *and* how investors plan to use their assets (storage space and water)
- Evaluate alternative financing approaches
- Evaluate different levels of investment
- Understand the impact of new information throughout project development

How is this different than prior financial modeling efforts?

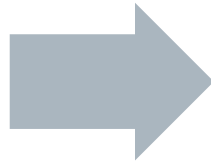
Proforma 2.0 will build on prior financial modeling from value planning by...

- Allowing participants to select how they use their storage and water based on scenarios
- Evaluating stored water, deliveries, debt service, and revenues over ten years of hydrology for each participant
- Presenting a range of cost of capital

Are there other inputs or outputs needed?

Inputs

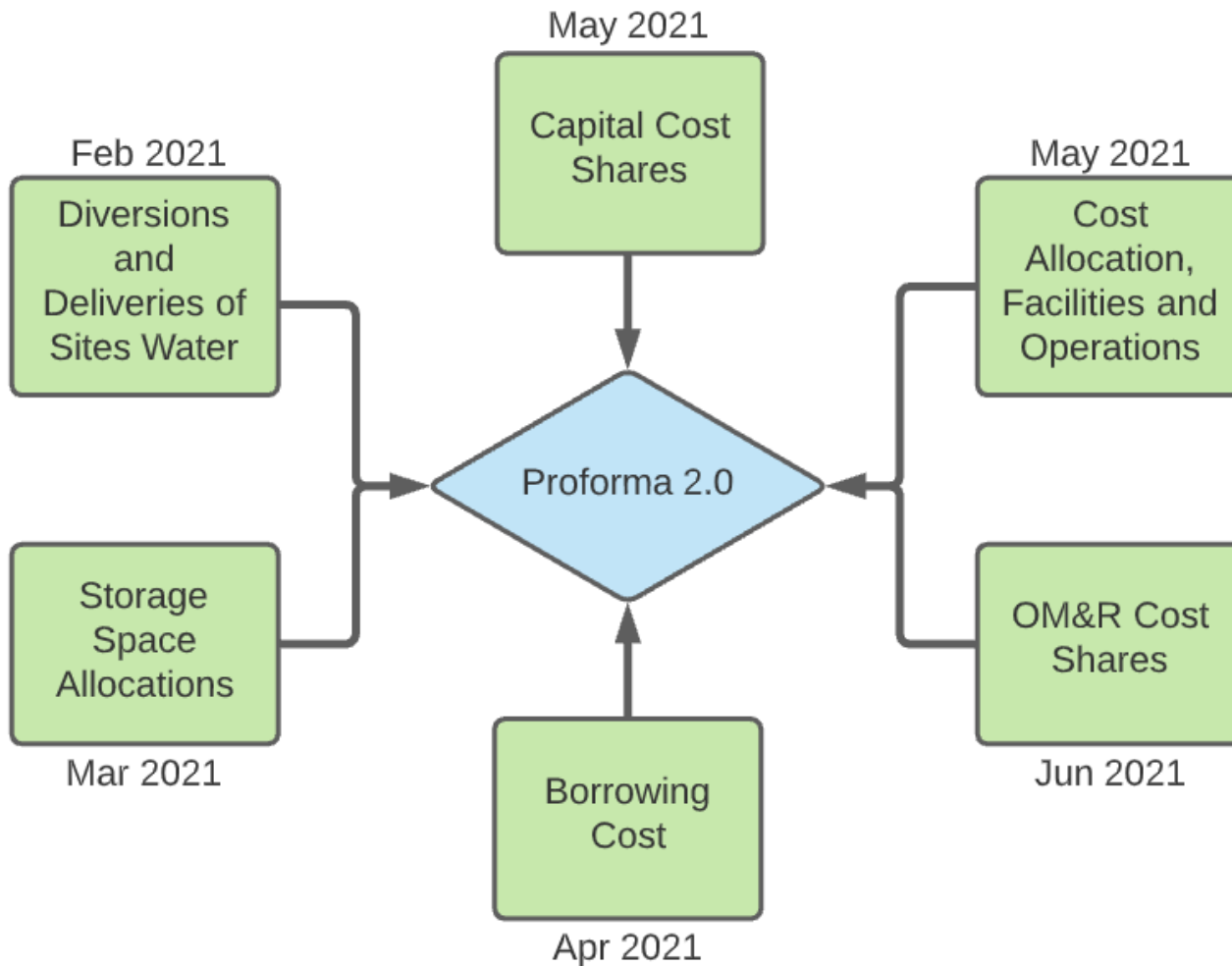
- Alternative operating decisions (drives benefits)
- Storage account size
- Participant water user type (ex: North-of-Delta Ag)
- Revenue from sales of Sites Water
- Losses
- **Others?**



Outputs

- 10-year stored water, revenue, and cost model by participant grouping (ex: downstream)
- Deliveries
- Range of annual debt service
- Annual OM&R costs (fixed and variable)
- **Others?**

What are the building blocks and timeline of a Proforma for Sites?



February Workshop Follow Up

Item 3.5



Workshop Follow Up

Input deadline was March 15th

- Open Items to be addressed as part of Contract Term Sheet development

Ongoing Staff Work

- Follow up on specific concerns
- Refinement of financing scenarios
- Proforma 2.0 development

Workshop Dates


- April 23, Finance and Governance Alternatives
- June 18, Successor Agreement and Governance
- July 23, **NEW**, Affordability Review
- September 2, Plan of Finance and Term Sheets

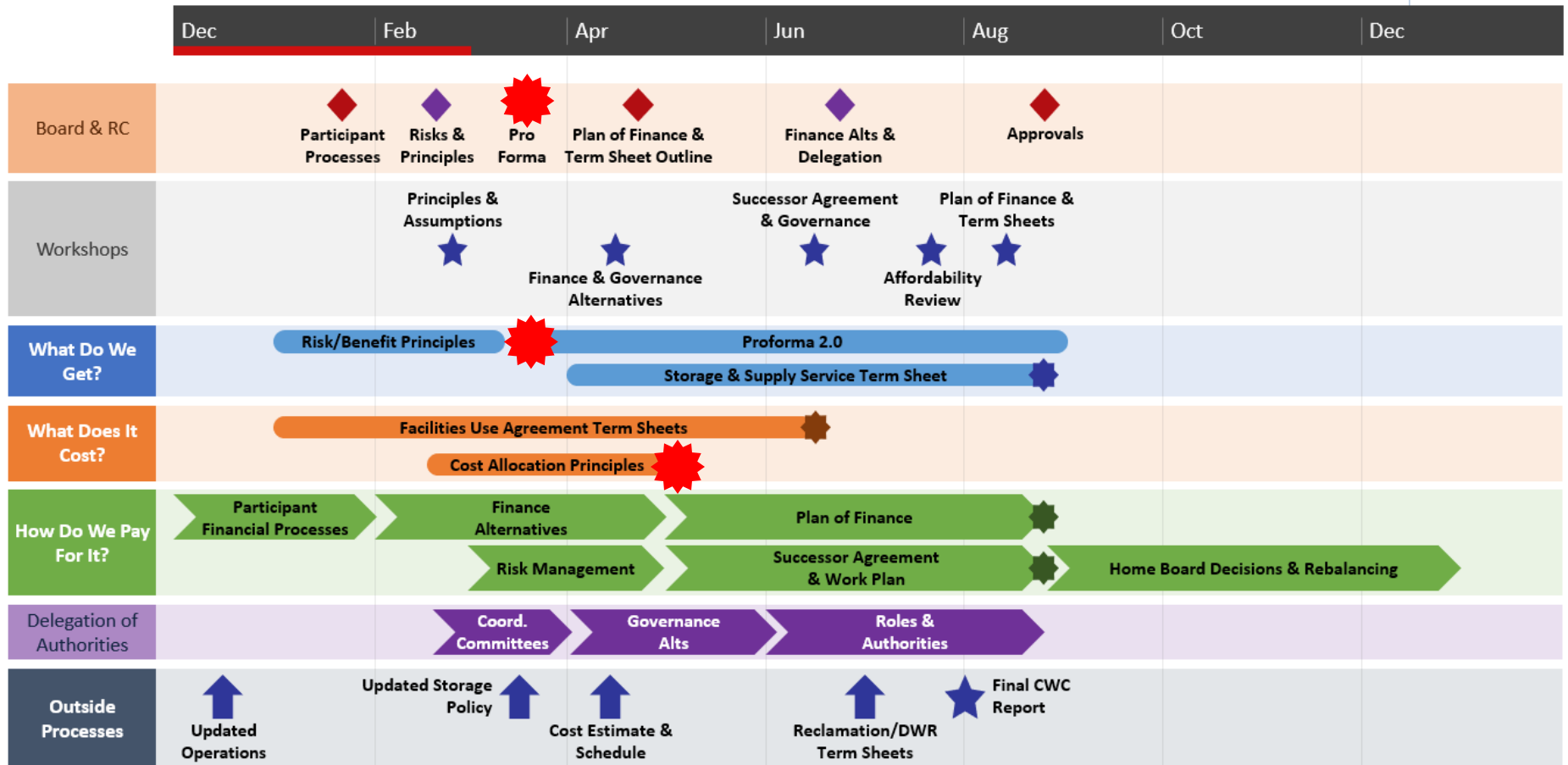
Proposed Approach to Term Sheet Development

- Focus is on high-level terms important to near-term decision making
- Term sheet will be developed with the Budget and Finance Committee discussing individual terms
- Final term sheet will be reviewed by the Reservoir Committee and Authority Board
- Escalate key issues to the Reservoir Committee and Authority Board

Updated Road Map

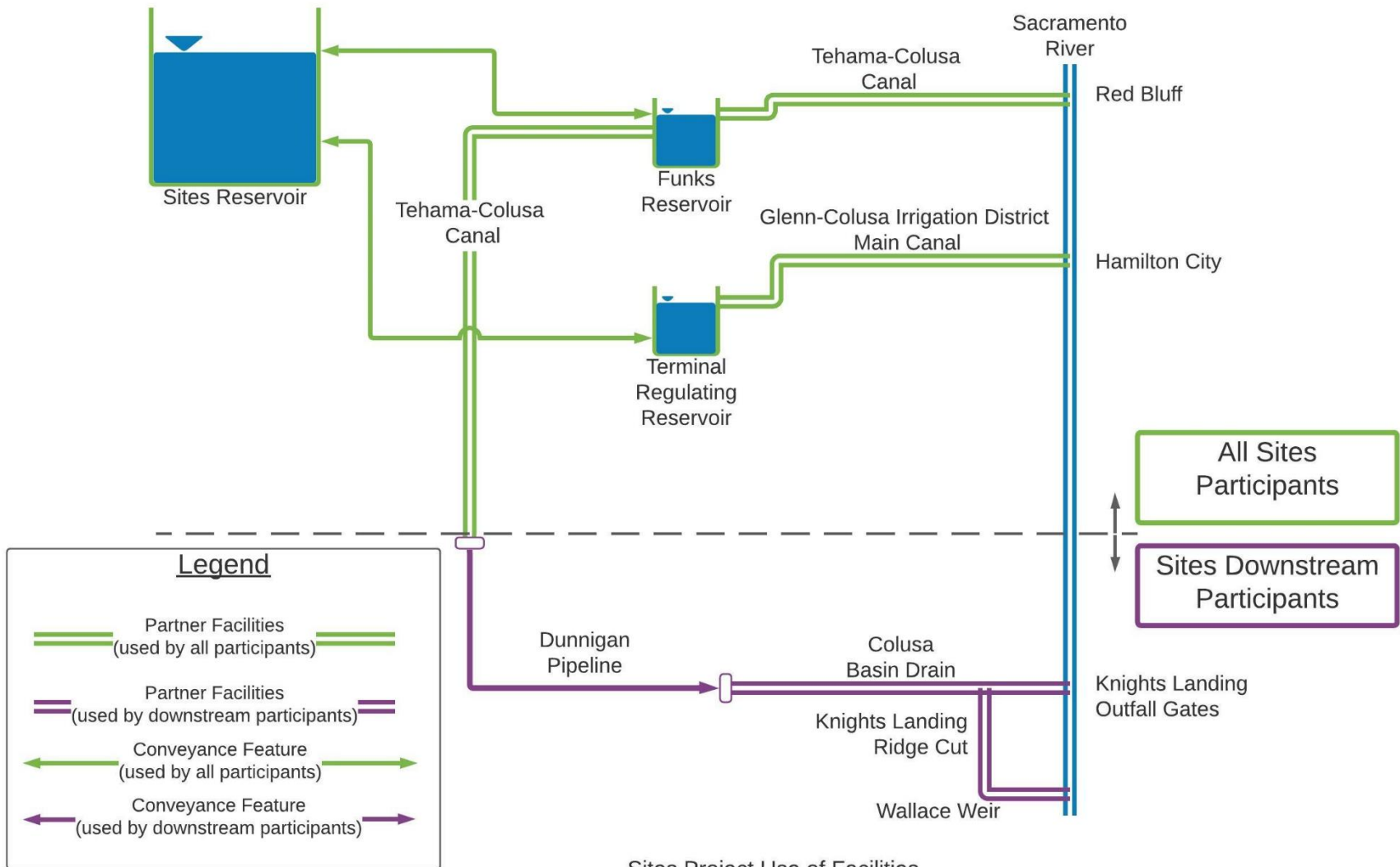
Plan of Finance & Participation Agreements

 Prop 1 Eligibility Deadline



 Today's discussion

Cost Allocation Framework for Use of Facilities



Sites Project Use of Facilities

Sites Downstream Participants

- State of California
- Bureau of Reclamation
- Antelope Valley-East Kern
- City of American Canyon
- Coachella Valley
- Desert
- Irvine Ranch
- Metropolitan WD of Southern California
- Rosedale-Rio Bravo
- San Bernardino Valley
- San Gorgonio Pass
- Santa Clara Valley
- Santa Clarita Valley
- Wheeler Ridge-Maricopa
- Zone 7
- **Others?**

Costs Allocated to Sites Downstream Participants Only

Sites Downstream Participants pay capital, mitigation, and OM&R costs related to:

- Dunnigan Pipeline
- Improvements (if needed) Related to Partner Facilities:
 - Tehama Colusa Canal
 - Colusa Basin Drain
 - Knights Landing Outfall Gates
 - Wallace Weir
 - Associated mitigation and monitoring costs

A wheeling agreement will be developed in Phase 3 for other Sites participants to use Downstream Facilities for transfers.

Joint Budget and Finance Committee Direction

Staff proceed with developing a cost allocation framework to account for which participants use which facilities

Financing the Amendment 3 Cash Call

~\$59M total cash call covering Amendment 3 work period
Jan 1, 2022 to water right acquisition, target mid-2023

Challenges:

- Borrowing ahead of an asset, such as a water right
- Current agreement does not include finance provisions
- Legal mechanics to collect debt payments not in place for some participants
- Size of borrowing coupled with complex security limits commercial interest

Joint Budget and Finance Committee Direction

The JPA does not issue debt prior to making sufficient progress in advancing the project (such as securing a water right) such that the Reservoir Committee/Authority Board decide that long-term debt issuance is warranted.

Next Steps – Future Workshops

Workshop Dates

- April 23, Finance and Governance Alternatives
- June 18, Successor Agreement and Governance
- July 23, **NEW**, Affordability Review
- September 2, Plan of Finance and Term Sheets

Questions?