

Requested Action:

Review and comment on the Financing Action Plan February workshop summary, schedule including upcoming workshops, and action item follow-up.

Detailed Description/Background:

The Project Financing Action Plan, approved in October 2020, provides the scope and budget to meet the 75% local cost share requirement for Prop 1 by January 1, 2020 and provide participants with assurances related to Project benefits, obligations, risks, costs, and financing. The action plan includes Authority Board and Reservoir Committee approval of a Water Storage and Supply Services Contract Term Sheet (Term Sheet), a Plan of Finance and a Successor Agreement.

A joint Authority Board and Reservoir Committee workshop was held on February 26, 2021 to discuss the foundational principles and assumptions for the allocation for benefits, costs, and risks to be addressed in the Term Sheet along with proposed financing alternatives. A summary of key discussion items and staff's follow-up items from the workshop are included in Attachment A.

Staff will work with the Joint Budget & Finance Committee to develop the Term Sheet, the Plan of Finance, and the Successor Agreement with a focus on high-level terms to inform near-term decision making. Individual terms will be discussed as part of monthly Joint Budget & Finance Committee meetings and key issues will be escalated to the Reservoir Committee and Authority Board as they arise. The final deliverables will be brought to the Reservoir Committee and Authority Board for approval. An updated roadmap and schedule are included in Attachment B. The following workshops are scheduled to support execution of the Project Financing Action Plan:

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

Staff met with the Joint Budget & Finance Committee on March 10th to discuss workshop follow-up activities and actions. The committee provided direction on a proposed cost allocation approach and a response to a question about financing the Successor Agreement which will be incorporated into the deliverables including:

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

Prior Action:

October 21, 2020: Project Financing Action Plan approved by the Authority Board

Fiscal Impact/Funding Source:

None.

Staff Contact:

JP Robinette

Attachments:

Attachment A – Financing Action Plan Workshop 1 Summary

Attachment B – Updated Plan of Finance and Participation Agreements Road Map

Summary of Key Issues and Follow-up Finance Team Actions Plan of Finance Workshop #1 February 26, 2021

A. Benefits, Obligations, and Risks

1. **Customers.** Revise framing graphics to show and acknowledge customers in benefits and obligations.
2. **Benefits.** Emphasize storage benefits, flexibility and resilience for each participant and resilience benefits for entire state. Identify if project could benefit voluntary settlement agreements.
3. **Beneficiary Pays.** Principle is broadly supported. Document specific beneficiaries and what benefits cannot be assigned; address recreation and O&M costs.
4. **“Export” Facilities.** Clarify and list users for Dunnigan Pipeline and Colusa Basin Drain.
5. **O&M Costs.** Work with DWR, Reclamation, and others to identify a mechanism to recover O&M costs for public benefits.
6. **Contract.** Document the uniform elements of all water supply and service contracts to demonstrate equity.
7. **Risks and Mitigation.** Add these risks and mitigation measures:
 - Regulatory risks, including future dam safety requirements and FERC coordination.
 - Downstream land development.
 - Long-term risk of aging infrastructure.
 - Water quality.
 - Funding sources for catastrophic risks (FEMA, OES) as mitigation.
 - Cost increases due to delays, inflation, and escalation.

B. Costs

1. **Allocation.** Provide details on the allocation of costs to beneficiaries.
2. **Federal Participation.** Clarify the percent participation by the federal government and how this might change.
3. **Storage Policy.** Clarify the linkage to the storage policy and how the policy might change based on cost allocation.
4. **SWP Operations.** Clarify SWP operations and exchanges, facilities needs and costs, minimum participation by State Water Contractors to make exchange operations viable, and related cost allocation.

C. Financing Scenarios

1. **SWP Statement of Charges.** Clarify how incorporating Sites into statement of charges is reflected in the financing scenarios.
2. **Step-up Provisions.** Describe purpose, benefits, and approaches for step-up provisions and other credit assurances. Review examples, including SWP contracts.
3. **Pay-Go.** Describe how pay-go approaches can be incorporated into Plan of Finance.
4. **Credit Ratings.** Review and describe value of credit ratings and if getting rated provides benefits.
5. **Financing Timeline.** Provide additional information on financing decisions timeline for participants and home boards.
6. **Information for Home Boards.** Begin preparing:
 - Tables of benefits, obligations, and risks
 - Cash flow estimates
 - Recording Sites as an asset

Questions, comments, and additional information should go to JP Robinette, JRobinette@BrwnCald.com.

Plan of Finance & Participation Agreements

 Prop 1 Eligibility
Deadline

