Sites Project
2021 Draft Plan of Finance

I. Executive Summary

The purpose of this memorandum is to provide the Authority and Reservoir Committee with a draft Project Plan of Finance for their consideration and comment. While the Plan of Finance may evolve with the passage of time and with more clarity regarding key Project critical path events, much has been accomplished in 2021 in terms of the evaluation of financing and security options for the Project. This plan provides the Authority and Reservoir Committee with the Project Financing Team's recommendations regarding critical path activities and decisions and key credit structuring components.

Financing Credit Pool – The mix of participants in the Project is very diverse in terms of geography and the nature of their customer bases. This diversity is both a strength and a weakness. The involvement of participants from northern California and southern California demonstrates the importance of the Project to the entire state. The inclusion of agricultural and urban water agencies again shows the importance of the Project to all classes of water users in the state, but the inclusion of smaller agricultural agencies will also get scrutiny from future lenders who will be concerned about the perceived weaker credit quality of the agricultural participants who do not have credit ratings from the national credit rating agencies.

Financing Requirements – While the Authority has been successful in securing a significant portion of the funding for Project planning and capital costs including State Proposition 1 funds, a USDA loan and ongoing Federal funding, the majority of the financing for the Project is yet to be secured. The balance of Project pre-construction costs is expected to be paid primarily through participant cash calls with a portion possibly being funded by an interim bank line of credit or the proceeds of a federal WIFIA loan (discussed in detail in Section V) but a large share of Project construction costs will be funded from a variety of external sources including long-term tax-exempt bonds, WIFIA loans and additional Federal monies, if they become available. The Authority plans to utilize financing vehicles with the goal of creating the lowest overall cost of borrowing without undue restrictions on financing terms or onerous construction requirements.

While the strongest credit that can be presented to the capital markets will be for all Project participants to participate in all external Project financing, the Authority will work to provide an alternative for those participants who would prefer to pay cash or arrange their own financing for their share of Project costs. Participants not joining in the group financing will be required to have their share of project costs on deposit with the Authority well ahead of each planned group borrowing. If, as the Authority pursues its long-term financing options, it becomes clear that the absence of those participants that have a preference for self-financing will compromise the ability to secure group financing at a reasonable cost, the Authority may require all participants to borrow as a group.

Securing Revenue Sources – Participants will have three potential sources of funds that can be used to meet the anticipated future financial obligations relating to the Project: 1) include the costs of the Project on the participant's DWR State Water Project Annual Statement of Charges; 2) levy benefit assessments or other land-based charges on land located within a participant's boundaries; or 3) incorporate the costs into current water rates and charges. It will likely take 12 to 18 months to put in place any of these sources of funding. Therefore, participants should begin planning now so that their required processes are complete in time to satisfy potential lenders (e.g., banks, EPA/WIFIA, bond investors and rating agencies) and before revenues need to be collected. To be prepared for the earliest possible external financing possibility, participants should plan to have all revenue collection processes in place by the time permits and water rights are expected to be secured.

Borrowing Security Provisions – Banks or external agencies (e.g., the EPA) that lend to the Authority, the credit rating agencies and bond investors will all require strong security pledges from the Authority before agreeing to lend or buy bonds to finance the Project. It is likely that a key provision of the Project credit will be the commitment of all participants to a “Project sufficiency pledge” which will ensure that funds will be available to cover any shortfall in Project debt service and ensure the Project’s continued viability should a Project participant be unable to make their share of debt service payments. This commitment can be met through the funding of a “liquidity reserve” or possibly by participants pledging to cover shortfalls with cash as they occur. The Project sufficiency pledge would be required of all participants whether they borrow as a group or self-finance.

Take-or-Pay Contracts - The Authority will structure its Project agreements based on the “take-or-pay” principal. The take-or-pay principal is the concept that each Project Participant has a contractual obligation to pay for its predetermined share of the Project’s capital costs (i.e., bond debt service and other related costs) regardless of Project performance (i.e., amount of water actually stored or availability of water for delivery).

Participation Off-Ramps - Once the Authority secures either interim or long-term external financing, Participation off-ramps will not be possible and participants will not be able to terminate or withdraw from the Project agreements. This is because lenders and investors will want certainty regarding the participants and their participation levels before committing to lend or invest.

Audited Financial Statements – In order to be prepared to secure external financing, all Project participants must provide the Authority with audited financial statements (preferably for the last 3 years). Without audited financial statements, potential lenders and the rating agencies will have no way to assess the key credit characteristics of each participant. If participants do not currently have audited financial statements prepared each year, they should engage a reputable CPA firm to prepare their financial statements going forward. It is understood that those Participants planning to form improvement districts that do not include all of the customers of their agency will only be able to provide audited financials for the agency as a whole.

II. Sites Reservoir Project

The Sites Project Authority (the ”Authority”) was formed in 2010 to facilitate the development, construction and operation of the Sites Reservoir (the “Project”). Since the formation of the Authority, significant progress has been made, including the securing of State funding as well as a USDA loan for a significant portion of Project costs.

Projected Cost – In 2018, the Project underwent a value planning exercise that reduced the size of the Project and simplified its engineering and construction requirements. The result was a significantly less expensive project and potentially a shorter construction period. Authority staff and consultants have recently updated Project cost estimates that reflect the current planned project configuration as well as updated permitting, design, engineering and construction cost estimates. These updated cost estimates were presented to the Authority Board and Reservoir Committee in May 2021 and have since been used in pro forma financial modeling.

Planning and Construction Schedule – The Project construction schedule will be driven primarily by the time required to secure environmental permits and water rights. Based on current planning estimates, permits and water rights should be secured by mid-2023 and Project construction should begin approximately in mid- to late-2024. Project completion and the beginning of operations is projected by 2030. Should there be delays in securing permits or water rights, the Project construction schedule will need to be adjusted accordingly.

III. Project Participants

The participants in the Project constitute the Reservoir Committee (the "Participants" or "Reservoir Committee Members"). The Reservoir Committee is diverse and includes small agricultural districts as well as large urban water wholesalers. The agricultural participants are primarily located in the Sacramento Valley ("North of Delta") while the urban participants are downstream and south of the Sacramento-San Joaquin Delta ("South of Delta"). Each Participant has subscribed for a portion of reservoir storage capacity based on its projected long-term needs ("Project Subscription" or "Project Participation").

The North of Delta Participants are generally small and have not incurred public debt and are therefore not rated by any of the nationally recognized credit rating agencies. Many are so small and have such limited customer bases that they are likely not ratable. North of Delta Participants currently comprise 43% of the Reservoir Committee Members and 25% of total public water agency Project Subscriptions.

The South of Delta Participants are generally larger, urban and rated by one or more of the rating agencies. The South of Delta Participants comprise 57% of Reservoir Committee Members and 75% of total Project Subscriptions.

The following table provides information regarding the current participation levels and credit ratings of the Reservoir Committee Members. Participants with credit ratings are highlighted in blue.

Sites Participants	Credit Ratings (Moody's/S&P/Fitch)	Acre Foot Participation	Percentage Participation
Antelope Valley-East Kern WA	A1/AA/NR	500	0.3%
Carter MWC		300	0.2%
City of American Canyon	NR/AA/NR	4,000	2.4%
Coachella Valley WD	NR/AA+/AAA	10,000	6.0%
Colusa County		10,000	6.0%
Colusa County WD		10,073	6.0%
Cortina WD		450	0.3%
Davis WD		2,000	1.2%
Desert WA	NR/AA/NR	6,500	3.9%
Dunnigan WD		2,972	1.8%
Glenn-Colusa ID		5,000	3.0%
Irvine Ranch WD	Aa1/AAA/AAA	1,000	0.6%
La Grande WD		1,000	0.6%
Metropolitan Water District of SC	Aa1/AAA/AA+	50,000	29.8%
Reclamation District 108		4,000	2.4%
Rosedale-Rio Bravo WD	NR/A/NR	500	0.3%
San Bernardino Municipal WD	NR/AAA/NR	21,400	12.8%
San Gorgonio Pass WA		14,000	8.4%
Santa Clara Valley WD	Aa1/AA/AA+	500	0.3%
Santa Clarita Valley WA	NR/AA/AA-	5,000	3.0%
Westside WD		5,375	3.2%
Wheeler Ridge - Maricopa WSD		3,050	1.8%
Zone 7 WA	NR/AA+/AA+	10,000	6.0%
Total		**167,620**	**100.00%**

From a credit perspective, 48% of Reservoir Committee Members have credit ratings and these Participants account for 65% of total Project Subscriptions. The two Participants with the largest Project Subscriptions, the Metropolitan Water District of Southern California and San Bernardino Municipal Water District, both have credit ratings and together account for 43% of total Project Subscriptions. We will discuss later the strengths and challenges presented by the composition of the Project credit pool.

It will be in the Project's best interest for unrated Participants that may be able to secure an "A" rating from one of the credit rating agencies to begin exploring the process for requesting an underlying issuer rating from a rating agency. If more Participants are rated, it may improve the likelihood of securing financing or lower the cost of interim or permanent financing for the Project.

IV. Funding Secured

The Authority has made meaningful progress in securing funding for a significant portion of Project costs and currently pays a portion of Project development costs with funding from both State and federal sources.

State Proposition 1 – The Authority aggressively pursued, and in 2018 was awarded, State Proposition 1 ("Prop 1") funding for the Project from the California Water Commission. The initial Prop 1 award from the Water Commission was for $816 million, some of which (approximately $20 million) has already been used for planning and permitting costs. With the withdrawal of other projects that received Prop 1 awards, the Authority has received a commitment from the State for an additional $20 million in Prop 1 monies bringing the total award amount to $836 million. The majority of the Prop 1 funding will be available for general Project design and construction costs, once permitting and water rights are secured.

USDA Rural Development Loan – In 2018, the Authority pursued and received approval for a USDA Rural Development Community Facilities loan to be used for the construction of the Project's canal intertie facilities. This type of USDA loan is only available to communities with populations of less than 20,000 and the Project's eligibility is therefore tied to the participation of the smaller, rural Project Participants. The loan can be used for the reimbursement of up to $449 million of qualified facility construction costs including the refinancing of short-term canal intertie construction debt once the intertie is completed.

Other Federal Funding – While the Authority has not yet received a commitment of federal Water Infrastructure Improvements for the Nation Act ("WIIN Act") monies, it continues to receive modest funding from the U.S. Bureau of Reclamation ("Reclamation") for Project-related studies (e.g., Congressional appropriations totaling $6 million and $13.7 million in Fiscal Years 2020 and 2021, respectively). As part of WIIN Act funding recommendations to Congress for Fiscal Year 2022, Reclamation is recommending $80 million for the Sites Reservoir Project. The Authority is continuing its discussions with Reclamation regarding future WIIN Act commitments and other forms of federal funding.

V. Funding Needed

Cash Calls - While progress has been made in securing some State and federal funding commitments for the Project, the majority of this funding will not be available until the Project is permitted and has secured water rights. Until this occurs (currently project to be mid-2023), it is expected that Project Participants will continue to be responsible for funding Project development costs from internal sources or "cash calls". The Authority and Reservoir Committee have recently made the decision to proceed with annual cash calls through the end of 2024. The most recent estimate of the cash calls needed are $100 per acre-foot of Project Subscription for 2022, $140 per acre-foot for 2023 and $160 per acre-foot for 2024.

Interim Financing - Once Project permits and water rights are secured, the Authority and the Participants will have the option of continuing to fund the balance of pre-construction costs through cash calls or to secure external financing for these costs. Assuming the Participants decide to pursue external borrowing for the balance of pre-construction costs, the Authority will plan to secure either a direct line of credit with a commercial bank or utilize the proceeds of a federal Water Infrastructure Finance and Innovation Act ("WIFIA") loan to pay these Project costs (assuming that the Project be selected for a WIFIA loan).

Bank Line of Credit - Given the inherent complexity involved with educating potential lenders or investors regarding a pooled credit of the Project's nature with dozens of participants, the majority of whom are not rated, we recommend pursuing a direct or private placement of debt for interim financing rather than a public sale of securities that would require educating a large number of investors as well as the rating agencies. Assuming the Authority is able to answer the key credit questions regarding the Project (e.g., permitting, water rights, composition of the borrower pool, sources of repayment etc.) the level of bank interest should be sufficient to secure multiple bank offers for a line of credit. We have continued to brief several key banks on the progress of the Project to maintain their interest and generate a feeling of “ownership” in the Project’s success. A bank line of credit in the current market would cost approximately 1.50%-1.75%, based on recent discussions with banks potentially interested in providing a line of credit to the Authority. Given that the Authority is some time away from formally soliciting bank proposals, current modelling projections incorporate a conservative assumption of 3% for the cost of a bank line.

WIFIA Loan for Interim Costs – While a bank line of credit may be the most conventional source of financing for Project costs once cash calls have ended but before Project construction begins, it may also be possible to use the proceeds of a federal WIFIA loan to finance these costs. In July 2021, the Authority submitted a Letter of Interest for a $600 million WIFIA loan and expects a decision in October or November whether the Project has been accepted to apply for and negotiate a WIFIA loan. We will provide more details regarding WIFIA loans below in our discussion of long-term financing options.

Regardless of which form of external funding is selected to pay for the balance of pre-construction costs, the commitments with lenders entered in to by Project Participants will be binding. Because lenders will want to understand and evaluate the mix of credits involved in the Project pool of borrowers before making a lending decision, they will require a level of certainty regarding which Participants will be obligated for the loan. Bank lenders will also be evaluating the likelihood of the Authority securing long-term financing to pay off the bank line of credit. Therefore, Participants executing Project Agreements that will be in effect during the interim lending period will be obligated to continue with the Project through completion. Participants will only be able reduce their participation or exit the Project in the future if there is another current Participant, or a new participant that is approved by both the Authority and lending bank, that is willing to assume the exiting Participant’s interim financing obligations.

Long-Term Financing – After all permitting, planning and design is complete but before Project construction contracts can be awarded, the Authority will need to identify the sources of funding for construction. Some of the funding will come from already identified State and federal sources such as Prop 1 funds, USDA loan proceeds and potentially WIFIA loan proceeds. The Authority plans to prioritize the use of available funding based on the cost of borrowing, taking advantage of the lowest cost of funds first. However, if a funding source has as a condition or any covenant that will increase the overall cost of the Project (e.g., construction material limitations or wage requirements), the Authority will take these increased costs into consideration when comparing the overall cost of borrowing of different sources.

WIFIA Loans – Assuming the Authority is invited to submit an application and negotiate a loan agreement for the $600 million WIFIA loan for which it recently submitted a Letter of Interest, the WIFIA loan may well provide the Authority with its lowest cost of long-term financing and may, therefore, be the first form of external long-term financing used.

In 2014, Congress enacted the Water Infrastructure Finance and Innovation Act which established a low-cost loan funding program to be administered by the United States Environmental Protection Agency (“EPA”). WIFIA authorizes the EPA to issue long-term, low-interest loans or loan guarantees to a wide variety of water and wastewater infrastructure projects. WIFIA financing is broadly available to public, private, and mixed public-private entities and the EPA can enter into loans to fund qualifying projects for up to 49% of the total cost of the project. Previously selected projects demonstrate that the WIFIA Program can finance a broad range of projects, including wastewater, drinking water, stormwater, and water recycling projects.

The WIFIA Program offers loans with low, fixed interest rates and flexible financial terms which can provide savings to borrowers and their customers. Importantly, a single, fixed, interest rate is established at closing for the loan. This means that a borrower may receive multiple disbursements over several years at the same fixed interest rate which is locked at loan closing. This functionality can allow borrowers to utilize a WIFIA loan as an interest rate hedge in a rising interest rate environment and as such, provides borrowers with diversity and flexibility in their funding source as they contemplate future capital projects.

Moreover, another key benefit of a WIFIA loan is that the interest rate locked at loan closing is not impacted by the borrower's credit or loan structure. All borrowers benefit from borrowing at a rate based on the US Treasury yields, regardless of whether they are rated AA or BBB, and the WIFIA Program does not charge an interest rate dependent on specific financial terms or covenants.

Eligible project costs include development-phase activities (i.e., planning, feasibility analysis, environmental review, permitting, and preliminary engineering and design work); construction, reconstruction, rehabilitation, and replacement activities; acquisition of real property; environmental mitigation; construction contingencies; equipment; capitalized interest necessary to meet market requirements; reasonably required reserve funds; capital issuance expenses; carrying costs during construction and WIFIA application and credit processing fees. Further, prospective borrowers may request that costs incurred prior to receipt of the WIFIA loan be included as part of eligible project costs. Previously incurred costs must be directly related to the development or execution of the project including preliminary design, right-of-way acquisition, and NEPA compliance related costs. The WIFIA Program approves such requests on a case-by-case basis.

The WIFIA loan program has the following key program features:

- Minimum project size of $20 million for large communities
- Minimum project size of $5 million for small communities (population of 25,000 or less)
- Maximum portion of eligible project costs that WIFIA can fund is 49%
- Subject to EPA approval, costs incurred, and in-kind contributions made prior to receipt of a WIFIA loan, may count toward the 51% of project costs to be funded by non-WIFIA dollars
- Total federal assistance may not exceed 80% of a project's eligible costs
- WIFIA and SRF funding can be used to co-finance a project
- Maximum final maturity date is 35 years from "substantial completion" of a project
- Maximum time that repayment may be deferred after substantial completion of the project is five years

The interest rate on WIFIA loans will be equal to the U.S. treasury rate of a similar maturity. The WIFIA Program estimates the yield on a comparable Treasury securities by adding one basis point (.01%) to the State and Local Government Series (SLGS) daily rate with a maturity that is equal or greater than the weighted average life of the WIFIA loan. Use of the weighted average life means that the interest rate on a WIFIA loan will be lower than the 30-year SLGS rate in most cases. This rate is locked in at loan closing, even if loan disbursement is deferred until later in the process of project implementation. A WIFIA loan with a weighted average life of 22 years would have a rate of 1.88%, based on current market rates. For purposes of modeling, we have used a 3.50% assumed rate for WIFIA loans.

WIFIA funding offers several meaningful benefits for the Project, primarily its flexibility with regards to structure, repayment timing, drawdown flexibility and the reduced rate risk resulting from the Authority's ability to lock-in an interest rate at the time the WIFIA loan closes. Moreover, the ability to use WIFIA funds for planning, permitting, and design costs, as well as for previously incurred project costs would be valuable to the Authority. If an interim bank line of credit is used for some preconstruction costs, the WIFIA loan could likely be used to refinance the bank loan.

The Authority will be notified in October/November if it has been selected to submit a full WIFIA loan application for its requested $600 million loan, and it has a year from its date of invitation to complete a full loan application (it typically takes new borrowers at least 6 months to complete a full application). Once the application is submitted, it takes the EPA an average of 6 months to conduct due diligence, develop loan documentation, and execute a WIFIA loan. Based on the Financing Team's experience with other clients that submitted Letters of Interest and were invited to apply in previous WIFIA rounds, the process to apply and then close a WIFIA loan can range from 12-18 months or more, depending on the borrower and the complexity of the project.

Given the limited amount of federal funding for the WIFIA Program each year, many projects are not selected to proceed with the WIFIA loan process on their first attempt. If the Authority is not successful in securing a WIFIA loan based on its recent Letter of Interest submission, it can apply again next July for the next round of funding. There is a favorable history of projects being selected on their second attempt. The Authority may also apply for additional WIFIA loans in the future subject to the 49% of eligible project cost limitation for WIFIA funding and 80% of eligible cost limit for total federal assistance.

USDA Rural Development Loan – As discussed in Section IV, the Authority was successful in securing approval for a USDA Rural Development Community Facilities loan to be used for the construction of the Project's canal intertie facilities. The loan is expected be used for the reimbursement of up to $449 million of qualified facility construction costs including the refinancing of short-term canal intertie construction debt once the intertie is completed. The loan, if utilized, will have an interest rate that is the lesser of 3.875% or the USDA loan rate determined at the time of the closing of the loan. The current published USDA loan rate is 2.125%. The USDA also leaves open the possibility of refinancing the loan in the future, if interest rates decline after the loan closing. The loan can have a term of up to 40 years. The USDA loan has a requirement that in the event of a Participant default on loan payments, the remaining Participants will be required to make up the debt service shortfalls, subject to a limit of 25% of each Participant's own debt service obligation. With the 2019 reconfiguration of the Project, the location and cost of the canal intertie facilities has changed but it is anticipated that the Authority will still be able to utilize the majority of the available loan amount, if it is advantageous to do so.

Fixed Rate Bonds – While a WIFIA loan and the USDA loan may cover construction costs for the first several years, eventually the Authority will need to secure additional long-term financing from the capital markets. The most common form of long-term borrowing for projects such as the Sites Project is the public sale of long-term tax-exempt municipal bonds.

Fixed rate bonds pay interest semi-annually at a fixed interest rate and would be structured with annual maturities beginning after the projected Project completion date to provide Participants with level annual debt service. Participants will be required to remit their share of semi-annual debt service payments to the Authority six months or more ahead of the date that the Authority makes its debt service payments to bond investors or interim lenders (i.e., if the Authority has to make a debt service payment to bond investors/lenders annually on December 1st, Participants will be required to remit their share of that December 1st payment six months in advance on June 1st each year). The fact that the interest rate on the bonds does not change makes all future annual debt service obligations known and will aid Participants in budgeting and setting future rates and charges. The final maturity of long-term bonds is customarily 30 years but could be as long as 40 or more years. Interest accrues on the total amount of bonds issued even if the proceeds of the borrowing are not spent for several years. However, unspent bond proceeds can be invested until needed (for up to 3 years without adverse tax consequences), thereby partially offsetting the impact of the interest being paid on the bonds. The Authority's current modeling projections assume a fixed rate bonds cost of 5%, whereas current rates are closer to 3.5%.

The Authority may also use the proceeds of a long-term bonds to repay an interim bank line of credit, if used.

In order for the Authority's bonds to be tax-exempt, the Authority must comply with IRS rules that limit the time that the Authority will have to spend bond proceeds on Project costs (in general, 85% of bond proceeds are to be spent within 3 years, though this can be extended to 5 years for certain construction projects). This will need to be factored into the plan of finance along with other factors to determine the most efficient borrowing plan.

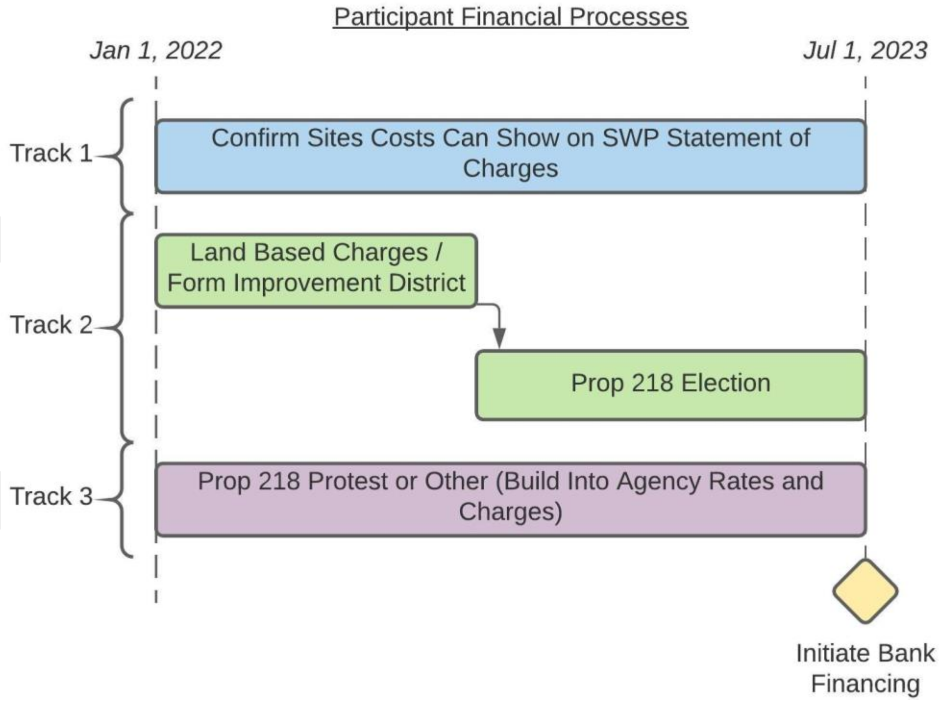
Other long-term financing vehicles including variable rate securities will also be available to the Authority and may be utilized to meet specific objectives but at this time are not included in the Plan of Finance.

At the appropriate time, Project staff and its financial consultants will also evaluate the economics of purchasing municipal bond insurance for long-term bonds sold for the Project. Municipal bond insurers provide insurance that guarantees the timely payment of bond principal and interest on bonds in the event the borrower fails to make timely payment. The decision whether to purchase bond insurance will depend on whether the reduction in the Authority's borrowing cost that results from having the insurance is greater than to the cost of the bond insurance. We would note that in recent years the use of bond insurance has been relatively limited, and generally is only cost effective for "BBB" rated credits and some "A" rated credits that investors perceive as having higher credit risk or reduced secondary market liquidity.

VI. Securing Revenue Streams for Future Project Costs

The three potential Participant sources of funds that can be used to meet the anticipated future financial obligations relating to the Project are:

(1) include the costs of the Project on the Participant's DWR State Water Project Annual Statement of Charges (Track 1);
(2) levy benefit assessments or other land-based charges on land located within a Participant's boundaries (Track 2); or
(3) incorporate the costs into current water rates and charges (Track 3).



The sources of funds available to a specific Participant will depend on the legal organization and powers of the agency, the nature of its customer base (wholesale vs. retail) and whether all customers of the agency will be participating in the Project or only a subset. We believe most Participants will have at least one of these sources of funding available to them, with the implementation of each funding approach having its own legal requirements, timing requirements and critical path. We also believe that most Participants will be able to treat their Project debt service obligations as an operating expense (similar to the State Water Project and Central Valley Project contracts). This is generally the highest priority of payment obligations for the Participants [which is an important factor in the perceived credit quality of the Authority's debt].

It will likely take 12 to 18 months to put in place any of these sources of funding. Participants should begin planning now so that their required processes are complete in time to satisfy potential lenders (e.g., banks, EPA/WIFIA, bond investors and rating agencies) and before revenues need to be collected. To be prepared for the earliest possible external financing possibility, Participants should plan to have all revenue collection processes in place by the time permits and water rights are expected to be secured.

As noted earlier, Participants will also need to plan so that payments for debt service obligations can be remitted to the Authority at least 6 months before the Authority's debt service payments are due to lenders and/or bond investors.

Funding Through State Water Project Statement of Charges – Track 1

A number of Project Participants that are also participants in the State Water Project have indicated a desire to have their share of Project costs billed and collected through their DWR State Water Project Annual Statement of Charges. Monies collected by DWR on behalf of the Project through a Participant's Statement of Charges would then be transferred to the Authority for payment of the respective Participant's Project obligations. Discussions between DWR and the State Water Contractors regarding the process for including Project costs in DWR's Statements of Charges are in progress.

If the Statement of Charges approach to securing revenues does not end up being possible, Participants that have been planning on this approach will need to assess their position and determine if one of the other revenue-raising approaches outlined below is workable for them.

Funding Through Special Benefit Assessments – Track 2

A second option for financing the costs of the Project is to levy special benefit assessments or other land-based charges on parcels of land located within a Participant's boundaries. This option may appeal to Participants that wish to have Project costs billed and collected through the property tax roll and secured by the real property of customers or those Participants that have less than all the customers in their service area participating in the Project.

Participants interested in this approach will need to comply with Article XIIID of the California Constitution. Article XIIID provides substantive and procedural requirements on the increase of any "fee" or "charge" levied by a local government upon a parcel of real property or upon a person as an incident of property ownership, including specific procedural requirements applicable to special benefit assessments. Under Article XIIID, an assessment for special benefits requires the preparation of an engineer's report, notice and the distribution of ballots to the public, a public hearing and an affirmative vote of a majority of the votes received (counted and weighted in accordance with Proposition 218) before the assessment can be imposed.

In addition, an assessment is only permitted to be imposed if there is a "special benefit" to the property that is over and above the benefits conferred upon the general public at large. General enhancement of property value, by itself, does not constitute a special benefit. Any assessment must be proportional to the benefit actually received by a parcel and the assessment may not exceed the proportional benefit.

The specific procedural requirements of Article XIIID need to be taken into consideration by a Participant when developing a financing plan and timeline if the Participant decides to fund its costs through a special benefit assessment. Article XIIID requires that the proposed assessment be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California. The engineer's report must identify the parcels to be assessed, distinguish between general benefits and special benefits (only special benefits are assessable), and apportion the costs of the project to each specially benefitted parcel according to the proportionate special benefit of each parcel. Generally, these reports take

6 to 9 months to prepare including procuring an assessment engineer, so the time and costs involved must be considered by the Participant.

Participants will be required to mail notice to the recorded owner of each parcel subject to the proposed assessment at least 45 days prior to the mandatory public hearing regarding such proposed assessment. The notice must include specific information including the reason for the assessment, the basis upon which the amount of the proposed assessment was calculated, the duration of payments, the time, place and date of the public hearing to consider objections and protests to the proposed assessment, among other requirements. The notice must also include the assessment ballot, which is the ballot used by property owners to favor or oppose the proposed assessment. The ballots are counted at the public hearing, and the proposed assessment cannot be imposed unless the assessment ballots favoring the assessments exceed the assessment ballots opposing the assessment. The weight of a ballot is determined according to the proportional financial obligation of the property owner.

It should be noted that the preceding is a general summary of the Proposition 218 procedural requirements relating to the imposition of a special benefit assessment. Proposition 218 does not provide independent authority to levy an assessment. Such authority must be granted elsewhere in the California Code. As a result, there may be procedural requirements associated with approving an assessment that are not summarized above.

If less than all of the property within a Participant’s boundaries will participate in the Project, it may be advisable to create an improvement district for purposes of imposing the land-based charge. While each Participant’s formation statute will vary, typically either a petition process or election process is necessary to create an improvement district. The terms and requirements of such creation will need to be incorporated into the Participant’s financing timeline.

Funding Through Current Water Rates and Charges – Track 3

Certain Participants may decide to meet the planned annual debt service obligations of the Project through increases in the current rates and charges they apply to their water users. Similar to the funding through special benefit assessments described earlier, for Participants that provide retail water to their water users, any rate increases to existing water rates or charges will need to comply with the protest provisions of Proposition 218, specifically Article XIIID. As noted previously, Article XIIID provides substantive and procedural requirements on the increase of any “fee” or “charge” levied by a local government upon a parcel of real property or upon a person as an incident of property ownership. As a result, the Participant providing retail water will need to provide written notice of the proposed increase to the record owner of each identified parcel upon which the increased rate or charge is to be imposed and hold a public hearing regarding the potential increase. The public hearing must be held at least 45 calendar days after the mailing of the notice. The increase will be subject to the majority protest provisions of Article XIIID, meaning that if a majority of owners of the identified parcels file written protests against the proposed increase, the increased rate or charge cannot be imposed.

Rates and charges charged by Participants that provide wholesale water to their customers are not subject to the provisions of Article XIIID because such rates and charges constitute the price charged by the wholesaler to retail suppliers for the water provided, and not charges to persons or properties as an incident of property ownership. However, wholesale Participants may have other statutory rate setting requirements applicable to them.

For Participants considering this option, their governing boards must be briefed on Project progress, educated regarding the benefits of the Project and the near-term and long-term financial obligations the agency will be undertaking and ultimately, the board must take formal action approving each new funding agreement for the Project. In addition, Participants should consider whether increased rates or charges are a palatable option for their customers.

VII. Credit Drivers

Before the Authority can access a WIFIA loan or the credit markets for either interim or long-term Project financing, there are several key credit structuring decisions that will need to be made. These decisions will not only affect the cost of borrowing for the Project but may, in some cases, affect the Authority's ability to access capital at all.

While the credit and security requirements of lenders and long-term debt holders will not be known until the Authority actually undertakes a bank solicitation, negotiates a WIFIA loan or prepares for a bond offering, we have received some informal feedback from potential bank lenders regarding their likely requirements for providing the Authority with an interim financing line of credit. This feedback has informed our recommendations regarding the following key credit issues.

Who Will be Obligated to Repay Debt

The diversity in size and financial strength of the members of the Reservoir Committee (i.e., the Participants), as well as the sheer number of agencies involved, creates both opportunities and challenges in structuring a marketable credit for the Project. At least one of the rating agencies views pooled credits with 20 or more participants, such as the Project, as stronger than smaller pools, due to the credit diversification. However, given that 12 of the 23 water districts involved in the Project do not have credit ratings from any of the three primary rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings), investors will be uncomfortable purchasing the Project's securities unless a reasonable number of the rated Project Participants are obligated for a significant portion of the Project debt. This being said, there are several ways to structure the Project credit that may be acceptable to commercial lenders and long-term bond investors.

Single Finance Plan – The strongest credit that the Authority can present to the capital markets is one in which all Participants participate together in each financing. It would provide the Authority with the least complex approach to coordinating borrowing activities for the Project and would provide the unrated Participants with the fewest obstacles to accessing the capital markets. Under this approach, the Authority would be responsible for issuing all debt for the Project on a schedule to accommodate initial construction as well as necessary repairs and replacements and future capital improvements.

The Authority debt would be secured by provisions included in Project Agreements executed with Participants once Project permits and water rights have been secured. Amounts owed by the Reservoir Committee Members under the Project Agreements would include fixed and variable operation and maintenance expenses, repairs and replacements, capital improvements and Authority debt service with some level of debt service coverage (e.g., an additional coverage amount equal to 20% of total annual debt service, which, subject to agreed upon covenants, may be returned to the Participants annually, if not needed).

As discussed earlier, amounts owed by Participants under the Project Agreements would likely be considered as an operation and maintenance expense of each Participant's water system and would therefore, be high priority payments for each agency.

The Project Agreements would provide some limited level of sufficiency pledge to protect the Authority and Authority debt holders from defaults by other Participants (similar to the State Water Project contracts). The sufficiency pledge concept is discussed in more detail in the next section ("What Happens If There are Project Shortfalls").

All Participants will agree to participate in the Authority financings as a single plan of finance credit pool unless they opt for the "Pay-As-You-Go" approach described below and the Pay-As-You-Go approach will only be available if it does not jeopardize the viability of the pooled financing.

Pay-As-You-Go - Under the Pay-As-You-Go approach, a Participant with sufficient credit worthiness could opt out of Authority financing for the initial Project construction in return for agreeing to provide to the Authority its pro-rata share of capital costs allocable to the Participant under the Project Agreement in order to maintain the Project construction schedule.

Payments for these capital costs would be due prior to the date the Authority posts a preliminary offering document or executes a debt financing agreement for each Authority debt issue for initial construction costs. If payment is not received, the Project Agreement would authorize the Authority to include the Participant's share of the capital costs in the Authority's debt issue (that is, increase the amount of debt borrowed to cover that Participant's share) to eliminate the risk that not all construction funding will be available when needed. In this case, the Participant would be obligated to pay the debt service associated with its share of the capital cost.

Amounts owed by a pay-as-you-go Participant over time under the Project Agreement would include fixed and variable operation and maintenance expenses, repairs and replacement and capital improvement and Authority debt service for repairs and replacements and capital improvements other than initial construction costs.

As with the Single Plan of Finance, amounts owed by the pay-as-you-go Participant under its Project Agreement would be payable to the Authority as an operation and maintenance expense.

Project Agreement sufficiency pledge provisions related to Authority debt would also apply to pay-as-you-go Participants.

Is the Project Affordable

Banks, rating agencies and investors will be assessing the affordability of the Project for each of the Participants. This is less of an issue for the urban Participants with their broader customer bases and generally higher water costs, but will be looked at closely in connection with the Project's agricultural Participants. The Project Financing Team has developed preliminary Project cost estimates for each of the Participants for their use in their internal planning exercises. Samples of these Participant cost reports as presented to a Joint Authority Board and Reservoir Committee Financing Workshop in July 2021 are found in the Appendix to this report.

What Happens If There are Project Shortfalls

As stated in the Joint Exercise of Powers Agreement, the Authority's primary purpose is to pursue the development and construction of the Project in order to increase and develop water supplies, to improve the operation of the State's water system, and to improve the environment. The Authority has established central values which guide its mission, including the principle of shared responsibility for shared benefits. A unique aspect of the Project is the level of partnership and the spirit of collaboration demonstrated by the broad coalition of Participants and stakeholders to advance this vital project. This partnership culture must inform how the Authority can address a Participant's shortfall in fulfilling its share of financial obligations related to the Project. The Authority's provisions for addressing a Participant's failure to fund its debt service obligation in a timely manner will be a very important consideration for banks and the federal government considering lending to the Authority, as well as for investors evaluating the Authority's long-term bonds.

Project Sufficiency Pledge - It is likely that a key provision of the Project credit will be the commitment of all Participants to a "Project sufficiency pledge" which will ensure that funds are made available to cover any shortfall in Project debt service and ensure the Project's continued viability should a Participant be unable to make their share of debt service payments. Participants have agreed that the Project's ongoing viability is paramount and committing to a Project sufficiency pledge will help ensure the Project's long-term future.

Moreover, this type of commitment will give investors comfort that in the event that a Participant is unable to meet its financial obligations for some reason, the remaining Participants will meet their obligations for them. A sufficiency pledge could take the form of a liquidity reserve to ensure there are funds on hand to cover any shortfalls. Subject to input from lenders and the rating agencies, it may be possible to fund this reserve in one of two ways. It could be funded by all Participants in proportion to their Subscription percentage at the outset of the Project (perhaps using accumulated and unused debt service coverage amounts) with an agreement to replenish the liquidity reserve if it is ever drawn upon. Alternatively, subject to the approval of the rating agencies and lenders, it could be structured such that Participants could choose to not fund their share of the liquidity reserve upfront but rather pledge to provide cash in the future if needed to cover shortfalls. In return for committing to fund a Project liquidity reserve or agreement to a contingent sufficiency pledge, Participants would receive their proportionate share of the Project entitlements forfeited by any defaulting Participant.

The sufficiency pledge options described above are subject to input from the rating agencies and potentially federal lending programs. As noted previously, the USDA loan has a requirement that in the event of a Participant default on loan payments, the remaining Participants will be required to make up the debt service shortfalls, subject to a limit of 25% of each Participant's own debt service obligation. A potential future WIFIA loan may have similar requirements given it is also a federal lending program, though we may be able to negotiate new terms with the USDA, given that there have been significant changes to the Project and improvement to the credit pool mix since the loan was approved in 2018.

Regardless of the structure of the liquidity reserve, the rating agencies and investors will still expect creditworthy, rated Participants to be required to cover a high percentage of scheduled annual debt service. The current Project participation by rated Participants is 65%.

Banks have indicated that under all circumstances a Project sufficiency pledge by Participants would be required and that it would also be required of "pay-as-you-go" Participants. In other words, all Participants would be required to comply with sufficiency obligations/commitments to ensure Project durability in the event that there are Participants who fail to meet their obligations.

Project Sufficiency Waterfall - Project Agreements would incorporate a "waterfall" of events that would be followed before Participants are asked to fulfill their Project sufficiency pledges. A basic outline of this type of waterfall arrangement is below:

> **Waterfall Triggering Event**: Project Participant defaults on its debt obligation for the Project.
>
> **Step 1**: Notify Participants of the default and allow them to volunteer to meet the debt service obligations as well as the sufficiency obligation of the defaulting Participant in exchange for receiving the defaulting Participant's Project entitlement (Example: 60 days for Participants to volunteer).
>
> **Step 2**: If there are no Participant volunteers, the Authority can seek outside entities interested in joining the Project to assume the defaulting Participant's obligations and entitlements. The new entity would have to be acceptable to the Authority, Reservoir Committee and the banks to be approved to step in (Example: 60 days for Authority to identify external entity to step in).
>
> **Step 3**: If no acceptable outside entities agree to step in, all non-defaulting Participants comply with their agreed upon sufficiency pledge to either pay their share of the debt service shortfall or pay their proportional share of the replenishment of the liquidity reserve if it has been drawn upon to cover a defaulted payment (Example: 60 days for non-defaulting Participants to fulfill pledge if no external entity identified).
>
> Note: In call cases, a defaulting Participant would be removed from the Project and not entitled to any Project entitlements going forward.

Given feedback from the banks, failure to include a Project sufficiency pledge in the Project Agreements will significantly reduce the likelihood of securing financing and will increase costs. Lack of a Project sufficiency pledge may also jeopardize the Authority's ability to secure a WIFIA loan as the EPA may view it as a credit weakness.

Take-or-Pay - The Authority will structure its Project Agreements based on the "take-or-pay" principal. The take-or-pay principal is the concept that each Project Participant has a contractual obligation to pay for its predetermined share of the Project's capital costs (i.e., bond debt service and other related costs) regardless of Project performance (i.e., amount of water actually stored or availability of water for delivery). This contrasts with the take-and-pay principal in which Project Participants' payments would be contingent on Project performance (i.e., payment is for actual water storage or water delivered). Take-or-pay Project Agreements will be a cornerstone of the credit.

Participation Off-Ramps – In Project Agreements executed to date, Participants have had the ability to reduce their participation level in the Project or exit the Project completely ("off-ramps") and, through "rebalancing" receive reimbursement for their past investments in the Project from the remaining Participants. While this rebalancing has been somewhat problematic, since the source of Project funding to date has been cash calls, this accommodation to downsizing or exiting Participants has been a policy matter for the Authority and the Reservoir Committee to resolve. However, once the Authority secures either interim or long-term external financing, these off-ramps will not be possible and Participants will not be able to terminate or withdraw from the Project Agreements. This is because lenders and investors will want certainty regarding the Participants and their participation levels before committing to lend or invest.

VIII. Feasibility Hurdles/Risks

As mentioned earlier, there are critical path milestones that must be met and decisions that must be made that will affect both the willingness of Project Participants to remain involved in the Project as well as the ability of the Project to secure external financing. These include but may not be limited to the following:

DWR Statements of Charges – If DWR and the Authority conclude that the Project's costs can be billed to participating State Water Contractors through DWR's annual Statement of Charges process, it may improve the credit characteristics of the participating State Water Contractors for Project purposes. However, several Participants have indicated that the ability to use the DWR billing process may be a "make or break" decision that could determine whether or not they are able to participate in the Project.

Federal Participation – As discussed earlier, in addition to State participation in the Project, it is unclear how much federal participation there may be or in what form it may come (e.g., grants, loans or delivered Project components). At this point, commitments for federal participation in the Project consist of the $449 million USDA Rural Development loan that was secured by the Authority in 2018 and $24 million of Bureau of Reclamation grants for Project-related studies. If there is a future federal commitment to participate, it is likely to require a "rebalancing" or reduction of the Project entitlements of the existing Participants, due to the smaller reservoir that is currently being contemplated. On balance, we believe that federal participation in the Project would be viewed by the credit markets as a positive. The Authority and its legal and financial advisors will work to assure that the potential tax and other consequences of federal participation in the Project are understood and that decisions made by the Authority regarding federal participation will be informed decisions.

Litigation – While joint powers authorities such as the Authority have broad authority under State law, the Authority will still need to determine with its legal advisors if the Authority should be validating its authority to sell Project-related debt. Legal validation of bonding authority is often a protracted process that affects project timelines. If there is any litigation outstanding related to the Project that has the potential to jeopardize project permitting, water rights, construction or financing, it will be very difficult to secure interim or permanent financing.

Delays – It should also be noted that, even if it is determined that no validation of Project debt is required or recommended by counsel, any sale of public debt will still be subject to the risk of litigation based on legal and environmental claims and could therefore be delayed by court action. These delays could impact the Authority's ability to proceed with the Project and to refinance any interim debt with long-term debt. The risk of delays will need to be carefully assessed and disclosed to potential interim and permanent lenders.

Permitting – If the Authority were to seek external financing prior to all environmental permits being in place, interim lenders would be concerned about lending to the Authority as this potentially transfers some of the permitting risk associated with the Project to the lenders themselves. This is not to say that lenders will not consider lending in these circumstances, but fewer banks would consider doing so and they would likely require higher interest rates and stricter lending terms. For this reason, the Authority does not plan to proceed with external financing until all key permits have been secured.

Water Rights - Securing water rights for the operation of the Project is obviously essential for Project feasibility. In 1977, DWR filed claims for surplus water rights on certain rivers in the State, thereby potentially giving the State a priority claim on the water rights. This reserve of water rights rests with the State (not DWR specifically) and is controlled by the State Water Resources Control Board. The Authority has petitioned the State Water Resources Control Board for a portion of these reserved water rights to supply the water needed for the operation of the Project. Project staff estimates that these water rights will be secured by mid-2023. Similar to assuming environmental and permitting risks discussed above, interim lenders would have difficulty lending prior to the securing of the needed water rights as it would require them to assume the risk that the water rights may not ultimately be secured. Therefore, Project permits, the Authority does not plan to proceed with external financing until water rights have been secured.

IX. Critical Future Actions

The following actions are in the near-term critical path for execution of this Plan of Finance.

Securing Participant Revenue Streams – One of the most significant logistical risks to the Plan of Finance is the action required by each Participant to: 1) identify its source of revenue to pay project costs when cash calls are replaced with external borrowing and 2) take all steps required to legally secure the revenue source. This will be particularly time and labor intensive for Participants planning to secure funding through special benefit assessments as the formation of improvement districts can take as long as 18 months once the decision to proceed is made. Failure of even one Participant to complete all legal requirements to secure its revenue stream will likely prevent or delay the Authority from securing external financing when it is needed.

Audited Financial Statements – In order to be prepared to secure external financing, all Participants must provide the Authority with audited financial statements (preferably for the last 3 years). Without audited financial statements, potential lenders and the rating agencies will have no way to assess the key credit characteristics of each Participant. If Participants do not currently have audited financial statements prepared each year, they should engage a reputable CPA firm to prepare their financial statements going forward. It is understood that those Participants planning to form improvement districts that do not include all of the customers of their agency will only be able to provide audited financials for the agency as a whole.

Participation in Pooled Financing – Those Participants considering the Pay-As-You-Go or self-financing approach to Project financing should notify the Project Financing Team as soon as possible so that the impact of removing them from the pooled financing can be assessed. While the Authority's goal is to provide Participants with financing flexibility, it cannot be done at the expense of Project viability. A financing impact assessment will determine whether a Participant may or may not be allowed to self-finance its share of Project costs.

Appendix

Sites Project Cost Tables

Presented to Sites Financing Action Plan Workshop

July 23, 2021

Sites Project Cost Tables
Financing Action Plan Workshop

The attached tables have been developed by the Sites Project Authority's municipal advisor, Montague DeRose and Associates, to support the joint Authority Board and Reservoir Committee workshop on July 23, 2021. The tables were developed using the following source materials:

- Storage allocations are based on the methodology approved by the Reservoir Committee and Authority Board in April 2021
- Bifurcation of costs is based on direction received from the Reservoir Committee and Authority Board in March 2021 to develop a cost framework that accounts for which participants use which facilities
- Capital costs are based on the class 4 cost estimate for Alternative 1 approved by the Reservoir Committee and Authority Board in June 2021
- Annual fixed and variable cost estimates are based on technical memos provided by Jacobs and AECOM prepared in February through June 2021

Using this information, the following tables have been developed and are included in the following pages:

- Table 1: Water Yield and Storage Allocations
- Table 2: Allocation of Construction Costs (Including Bifurcation)
- Table 3: Annual Bifurcated Debt Service (Post Construction)
- Table 4: Annual Operating Costs (Non-Debt Service)
- Table 5: Bifurcated Debt Service + Annual Operating Cost
- Table 6A: Financed Construction Costs by Participant
- Table 6B: Pay-Go Construction Costs by Participant

Table 1

Water Yield and Storage Allocations

Entity	Yield Allocation	Yield Percentage Allocation	Storage Allocation	Storage Percentage Allocation
	(AF)	(%)	(AF)	(%)
Antelope Valley-East Kern Water Agency	500	0.30%	3,117	0.2%
Carter Mutual Water Company	300	0.18%	1,870	0.1%
City of American Canyon	4,000	2.39%	24,937	1.8%
Coachella Valley Water District	10,000	5.97%	62,343	4.5%
Colusa County	10,000	5.97%	62,343	4.5%
Colusa County Water District	10,073	6.01%	62,799	4.6%
Cortina Water District	450	0.27%	2,805	0.2%
Davis Water District	2,000	1.19%	12,469	0.9%
Desert Water Agency	6,500	3.88%	40,523	2.9%
Dunnigan Water District	2,972	1.77%	18,528	1.3%
Glenn-Colusa Irrigation District	5,000	2.98%	31,172	2.3%
Irvine Ranch Water District	1,000	0.60%	6,234	0.5%
La Grande Water District	1,000	0.60%	6,234	0.5%
Metropolitan Water District of Southern California	50,000	29.83%	311,717	22.6%
Reclamation District 108	4,000	2.39%	24,937	1.8%
Rosedale-Rio Bravo Water Storage District	500	0.30%	3,117	0.2%
San Bernardino Valley Municipal Water District	21,400	12.77%	133,415	9.7%
San Gorgonio Pass Water Agency	14,000	8.35%	87,281	6.3%
Santa Clara Valley Water District	500	0.30%	3,117	0.2%
Santa Clarita Valley Water Agency	5,000	2.98%	31,172	2.3%
Westside Water District	5,375	3.21%	33,510	2.4%
Wheeler Ridge-Maricopa Water Storage District	3,050	1.82%	19,015	1.4%
Zone 7 Water Agency	10,000	5.97%	62,343	4.5%
Total	**167,620**	**100.00%**	**1,044,998**	**75.7%**
State			244,000	17.7%
Federal			91,000	6.6%
Total			**335,000**	**24.3%**
Grand Total	**167,620**	**100.0%**	**1,379,998**	**100.0%**

Notes:
1. Participation (AF of yield) is used primarily as the basis of local agency participation and allocation of local cost share of planning/development costs
2. The storage allocation for the State of California and Bureau of Reclamation are estimated as placeholders and will be determined at a later date. The storage allocations for local project participants are estimates until federal and state participation is finalized.

Table 2

Allocation of Bifurcated Construction Cost ($1000s)

Entity	Total Const. Cost Prior to Bifurcation	Total Const. Cost Prior to Bifurcation	% of Costs for "Base Facilities"	"Base Facilities" Cost Allocation	Down-stream Storage Partner?	% of Costs for "Down-stream Facilities"	"Down-Stream Facilities" Cost Allocation	Share of Const. Costs	PWA Share of Const. Costs	Const. Costs per AF Storage	% Change Due to Bifurcation
	(2021$)	(future$)	(%)	(future$)		(%)	(future$)	(future$)	(%)	(fut$/AF-St)	(%)
Antelope Valley-East Kern Water Agency	8,664	9,611	0.2%	9,247	yes	0.3%	459	9,706	0.3%	3,114	1%
Carter Mutual Water Company	5,198	5,766	0.1%	5,548	no	-	-	5,548	0.2%	2,967	-4%
City of American Canyon	69,318	76,893	1.8%	73,978	yes	2.2%	3,673	77,651	2.4%	3,114	1%
Coachella Valley Water District	173,296	192,234	4.4%	184,946	yes	5.5%	9,182	194,129	6.0%	3,114	1%
Colusa County	173,296	192,234	4.4%	184,946	no	-	-	184,946	5.8%	2,967	-4%
Colusa County Water District	174,563	193,640	4.4%	186,299	no	-	-	186,299	5.8%	2,967	-4%
Cortina Water District	7,797	8,649	0.2%	8,321	no	-	-	8,321	0.3%	2,967	-4%
Davis Water District	34,660	38,448	0.9%	36,990	no	-	-	36,990	1.2%	2,967	-4%
Desert Water Agency	112,642	124,952	2.9%	120,215	yes	3.6%	5,969	126,184	3.9%	3,114	1%
Dunnigan Water District	51,503	57,131	1.3%	54,965	no	-	-	54,965	1.7%	2,967	-4%
Glenn-Colusa Irrigation District	86,649	96,119	2.2%	92,475	no	-	-	92,475	2.9%	2,967	-4%
Irvine Ranch Water District	17,329	19,222	0.4%	18,494	yes	0.6%	918	19,412	0.6%	3,114	1%
La Grande Water District	17,329	19,222	0.4%	18,494	no	-	-	18,494	0.6%	2,967	-4%
Metropolitan Water District of Southern California	866,485	961,177	22.0%	924,737	yes	27.7%	45,913	970,649	30.2%	3,114	1%
Reclamation District 108	69,318	76,893	1.8%	73,978	no	-	-	73,978	2.3%	2,967	-4%
Rosedale-Rio Bravo Water Storage District	8,664	9,611	0.2%	9,247	yes	0.3%	459	9,706	0.3%	3,114	1%
San Bernardino Valley Municipal Water District	370,856	411,384	9.4%	395,788	yes	11.9%	19,651	415,438	12.9%	3,114	1%
San Gorgonio Pass Water Agency	242,616	269,130	6.2%	258,927	yes	7.8%	12,856	271,783	8.5%	3,114	1%
Santa Clara Valley Water District	8,664	9,611	0.2%	9,247	yes	0.3%	459	9,706	0.3%	3,114	1%
Santa Clarita Valley Water Agency	86,649	96,119	2.2%	92,475	yes	2.8%	4,591	97,066	3.0%	3,114	1%
Westside Water District	93,148	103,328	2.4%	99,410	no	-	-	99,410	3.1%	2,967	-4%
Wheeler Ridge-Maricopa Water Storage District	52,856	58,633	1.3%	56,410	yes	1.7%	2,801	59,210	1.8%	3,114	1%
Zone 7 Water Agency	173,296	192,234	4.4%	184,946	yes	5.5%	9,182	194,129	6.0%	3,114	1%
Total	**2,904,797**	**3,222,244**	**73.8%**	**3,100,081**		**70.2%**	**116,113**	**3,216,194**	**100.0%**		
State	754,009	836,409	19.2%	804,699	yes	21.7%	35,939	840,638		3,445	1%
Federal	275,394	305,490	7.0%	293,908	yes	8.1%	13,403	307,312		3,377	1%
Total	**1,029,403**	**1,141,899**	**26.2%**	**1,098,607**		**29.8%**	**49,342**	**1,147,949**			
Grand Total	**3,934,200**	**4,364,143**	**100.0%**	**4,198,688**		**100.0%**	**165,455**	**4,364,143**			

notes
1. PWA is Participating Water Agencies

Table 3					
Annual Bifurcated Debt Service (Post Construction) ($1000s)					
Entity	Case 1: Historical Average Rates (no WIFIA)	Case 2: Historical Average Rates with WIFIA	Case 3: Current Rates (no WIFIA)	Case 4: Current Rates with WIFIA	Case 5: Current Rates with Larger WIFIA Loan
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	427	410	376	360	341
Carter Mutual Water Company	244	234	214	205	195
City of American Canyon	3,418	3,279	3,006	2,881	2,730
Coachella Valley Water District	8,545	8,198	7,515	7,203	6,825
Colusa County	8,121	7,791	7,142	6,846	6,486
Colusa County Water District	8,181	7,848	7,195	6,896	6,533
Cortina Water District	365	351	321	308	292
Davis Water District	1,624	1,558	1,429	1,369	1,297
Desert Water Agency	5,555	5,329	4,885	4,682	4,436
Dunnigan Water District	2,414	2,315	2,123	2,035	1,928
Glenn-Colusa Irrigation District	4,061	3,895	3,571	3,423	3,243
Irvine Ranch Water District	855	820	752	720	682
La Grande Water District	812	779	714	685	649
Metropolitan Water District of Southern California	42,727	40,989	37,577	36,017	34,123
Reclamation District 108	3,248	3,116	2,857	2,738	2,594
Rosedale-Rio Bravo Water Storage District	427	410	376	360	341
San Bernardino Valley Municipal Water District	18,287	17,543	16,083	15,415	14,605
San Gorgonio Pass Water Agency	11,964	11,477	10,522	10,085	9,554
Santa Clara Valley Water District	427	410	376	360	341
Santa Clarita Valley Water Agency	4,273	4,099	3,758	3,602	3,412
Westside Water District	4,365	4,188	3,839	3,680	3,486
Wheeler Ridge-Maricopa Water Storage District	2,606	2,500	2,292	2,197	2,082
Zone 7 Water Agency	8,545	8,198	7,515	7,203	6,825
Total	141,493	135,737	124,438	119,271	112,999

Notes:
1. Case 2 and Case 4 assumes a WIFIA loan amount of $600 million.
2. Maximum WIFIA loan is $2.1 billion (49% of project costs). Case 5 depicts a $1.4 billion loan amount so further savings are possible.

Table 4

Annual Operating Costs ($1000s)

Entity	Fixed Costs	Variable Costs	Total	Minimum Variable Costs	Maximum Variable Costs	Minimum Non-Debt Service Cost (Fixed + Variable)	Maximum Non-Debt Service Cost (Fixed + Variable)
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	37	20	57	-	60	37	98
Carter Mutual Water Company	22	12	34	-	36	22	59
City of American Canyon	299	160	459	-	482	299	781
Coachella Valley Water District	747	400	1,147	-	1,206	747	1,953
Colusa County	747	400	1,147	-	1,206	747	1,953
Colusa County Water District	753	403	1,156	-	1,215	753	1,967
Cortina Water District	34	18	52	-	54	34	88
Davis Water District	149	80	229	-	241	149	391
Desert Water Agency	486	260	746	-	784	486	1,269
Dunnigan Water District	222	119	341	-	358	222	580
Glenn-Colusa Irrigation District	374	200	574	-	603	374	977
Irvine Ranch Water District	75	40	115	-	121	75	195
La Grande Water District	75	40	115	-	121	75	195
Metropolitan Water District of Southern California	3,736	2,001	5,737	-	6,029	3,736	9,765
Reclamation District 108	299	160	459	-	482	299	781
Rosedale-Rio Bravo Water Storage District	37	20	57	-	60	37	98
San Bernardino Valley Municipal Water District	1,599	856	2,455	-	2,581	1,599	4,179
San Gorgonio Pass Water Agency	1,046	560	1,606	-	1,688	1,046	2,734
Santa Clara Valley Water District	37	20	57	-	60	37	98
Santa Clarita Valley Water Agency	374	200	574	-	603	374	977
Westside Water District	402	215	617	-	648	402	1,050
Wheeler Ridge-Maricopa Water Storage District	228	122	350	-	368	228	596
Zone 7 Water Agency	747	400	1,147	-	1,206	747	1,953
Total	12,524	6,707	19,231	-	20,213	12,524	32,737

Notes:
1. A&G and Fixed OM&R allocated by capital cost
2. Variable O&M could be zero due to AN/W years resulting in full reservoir preceding a D/CD years resulting in releases but no filling
3. Assumes the State and Federal participants pay annual fixed and variable operating costs

Table 5

Bifurcated Debt Service + Annual Operating Cost (Average) ($1000s)					
Entity	Case 1: Historical Average Rates (no WIFIA)	Case 2: Historical Average Rates with WIFIA	Case 3: Current Rates (no WIFIA)	Case 4: Current Rates with WIFIA	Case 5: Current Rates with Larger WIFIA Loan
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	485	467	433	418	399
Carter Mutual Water Company	278	268	249	240	229
City of American Canyon	3,877	3,738	3,465	3,340	3,189
Coachella Valley Water District	9,693	9,345	8,663	8,351	7,972
Colusa County	9,269	8,938	8,290	7,993	7,633
Colusa County Water District	9,336	9,004	8,350	8,052	7,689
Cortina Water District	417	402	373	360	343
Davis Water District	1,854	1,788	1,658	1,599	1,527
Desert Water Agency	6,300	6,074	5,631	5,428	5,182
Dunnigan Water District	2,755	2,656	2,464	2,375	2,269
Glenn-Colusa Irrigation District	4,634	4,469	4,145	3,997	3,817
Irvine Ranch Water District	969	934	866	835	797
La Grande Water District	927	894	829	799	763
Metropolitan Water District of Southern California	48,464	46,726	43,314	41,754	39,860
Reclamation District 108	3,707	3,575	3,316	3,197	3,053
Rosedale-Rio Bravo Water Storage District	485	467	433	418	399
San Bernardino Valley Municipal Water District	20,743	19,999	18,538	17,871	17,060
San Gorgonio Pass Water Agency	13,570	13,083	12,128	11,691	11,161
Santa Clara Valley Water District	485	467	433	418	399
Santa Clarita Valley Water Agency	4,846	4,673	4,331	4,175	3,986
Westside Water District	4,982	4,804	4,456	4,296	4,103
Wheeler Ridge-Maricopa Water Storage District	2,956	2,850	2,642	2,547	2,431
Zone 7 Water Agency	9,693	9,345	8,663	8,351	7,972
Total	160,724	154,968	143,669	138,502	132,230

Table 6A

Financed Construction Costs by Participant ($1000s)										
Entity	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	3	9	96	184	282	397	465	508	554	2,498
Carter Mutual Water Company	2	5	55	105	161	227	266	290	317	1,428
City of American Canyon	21	76	768	1,473	2,256	3,174	3,718	4,064	4,433	19,984
Coachella Valley Water District	54	190	1,921	3,683	5,639	7,934	9,296	10,160	11,083	49,960
Colusa County	51	181	1,830	3,509	5,372	7,559	8,856	9,679	10,559	47,597
Colusa County Water District	51	182	1,844	3,535	5,412	7,614	8,921	9,750	10,636	47,945
Cortina Water District	2	8	82	158	242	340	398	435	475	2,142
Davis Water District	10	36	366	702	1,075	1,512	1,771	1,936	2,112	9,520
Desert Water Agency	35	123	1,249	2,394	3,665	5,157	6,042	6,604	7,204	32,474
Dunnigan Water District	15	54	544	1,043	1,597	2,246	2,632	2,877	3,138	14,145
Glenn-Colusa Irrigation District	26	90	915	1,755	2,686	3,779	4,428	4,840	5,279	23,799
Irvine Ranch Water District	5	19	192	368	564	793	930	1,016	1,108	4,996
La Grande Water District	5	18	183	351	537	756	886	968	1,056	4,759
Metropolitan Water District of Southern California	268	950	9,606	18,417	28,196	39,669	46,480	50,799	55,415	249,800
Reclamation District 108	20	72	732	1,404	2,149	3,023	3,542	3,872	4,223	19,038
Rosedale-Rio Bravo Water Storage District	3	9	96	184	282	397	465	508	554	2,498
San Bernardino Valley Municipal Water District	115	406	4,111	7,882	12,068	16,979	19,894	21,742	23,718	106,915
San Gorgonio Pass Water Agency	75	266	2,690	5,157	7,895	11,107	13,015	14,224	15,516	69,944
Santa Clara Valley Water District	3	9	96	184	282	397	465	508	554	2,498
Santa Clarita Valley Water Agency	27	95	961	1,842	2,820	3,967	4,648	5,080	5,542	24,980
Westside Water District	27	97	984	1,886	2,888	4,063	4,760	5,203	5,675	25,584
Wheeler Ridge-Maricopa Water Storage District	16	58	586	1,123	1,720	2,420	2,835	3,099	3,380	15,238
Zone 7 Water Agency	54	190	1,921	3,683	5,639	7,934	9,296	10,160	11,083	49,960
Total	888	3,146	31,829	61,024	93,425	131,443	154,010	168,321	183,614	827,699

Notes:
1. Case 1 Displayed

Table 6B

Pay-Go Construction Costs ($1000s)										
Entity	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	70	199	827	1,620	2,133	2,074	1,254	336	223	8,735
Carter Mutual Water Company	40	114	473	926	1,219	1,185	716	192	127	4,993
City of American Canyon	557	1,594	6,620	12,959	17,067	16,589	10,029	2,687	1,784	69,886
Coachella Valley Water District	1,393	3,985	16,549	32,397	42,667	41,474	25,072	6,718	4,461	174,717
Colusa County	1,328	3,797	15,766	30,864	40,649	39,512	23,886	6,401	4,250	166,453
Colusa County Water District	1,337	3,824	15,881	31,090	40,946	39,801	24,061	6,447	4,281	167,670
Cortina Water District	60	171	709	1,389	1,829	1,778	1,075	288	191	7,489
Davis Water District	266	759	3,153	6,173	8,130	7,903	4,777	1,280	850	33,292
Desert Water Agency	906	2,590	10,757	21,058	27,734	26,958	16,297	4,367	2,900	113,566
Dunnigan Water District	395	1,128	4,686	9,173	12,081	11,743	7,099	1,902	1,263	49,469
Glenn-Colusa Irrigation District	664	1,898	7,883	15,432	20,325	19,756	11,943	3,200	2,125	83,228
Irvine Ranch Water District	139	398	1,655	3,240	4,267	4,147	2,507	672	446	17,471
La Grande Water District	133	380	1,577	3,086	4,065	3,951	2,388	640	425	16,644
Metropolitan Water District of Southern California	6,967	19,926	82,745	161,984	213,338	207,371	125,360	33,593	22,305	873,590
Reclamation District 108	531	1,519	6,306	12,346	16,260	15,805	9,554	2,560	1,700	66,580
Rosedale-Rio Bravo Water Storage District	70	199	827	1,620	2,133	2,074	1,254	336	223	8,735
San Bernardino Valley Municipal Water District	2,982	8,528	35,415	69,329	91,309	88,755	53,654	14,378	9,547	373,897
San Gorgonio Pass Water Agency	1,951	5,579	23,169	45,356	59,735	58,064	35,101	9,406	6,246	244,606
Santa Clara Valley Water District	70	199	827	1,620	2,133	2,074	1,254	336	223	8,735
Santa Clarita Valley Water Agency	697	1,993	8,275	16,199	21,334	20,737	12,536	3,359	2,231	87,360
Westside Water District	714	2,041	8,474	16,590	21,849	21,238	12,839	3,440	2,284	89,470
Wheeler Ridge-Maricopa Water Storage District	425	1,215	5,048	9,881	13,014	12,650	7,647	2,049	1,361	53,290
Zone 7 Water Agency	1,393	3,985	16,549	32,397	42,667	41,474	25,072	6,718	4,461	174,717
Total	23,086	66,023	274,172	536,726	706,884	687,113	415,374	111,307	73,908	2,894,592

Notes:
1. Case 1 Displayed