Sites

Meeting: **Authority Board Agenda Item 2.1** **October 27, 2021**

Subject: **Final WSIP 75% Non-Public Cost Share Commitment Materials**

Requested Action:

Consider authorizing the Executive Director to submit the Final WSIP 75% Non-Public Cost Share Commitment materials to comply with Prop 1 conditions and continued eligibility of WSIP funds as follows:

a) Letter Demonstrating Commitment of Non-Public Benefit cost. (Attachment A)

b) Endorse 2021 Drafts of the Plan of Finance and Guiding Principles and Preliminary Terms and direct the Executive Director to transmit 2021 Drafts to Project Members for their Agency review and comment. (Attachment B & C)

Detailed Description/Background:

Water Code section 79757 and California Code of Regulations, Title 23, Division 7, section 6013(f)(2) requires a Water Storage Investment Program (WSIP) applicant to complete the following before January 1, 2022 as a condition of continued WSIP eligibility:

- Draft environmental documentation is available for public review. (EIR/EIS Draft issues in 2017, RDEIR/SDEIS being processed for release on Nov 12, 2021)
- The Director of the Department of Water Resources receives commitments for at least 75 percent of the non-public benefit cost shares of the project. (Subject of this report)
- All feasibility studies are complete. (Previously authorized for transmittal)

Additionally, as a condition of continued eligibility, the Commission must, by January 1, 2022:

- Make a finding that the project is feasible and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta. (Currently scheduled for December 15, 2021)

The Sites Reservoir Project is positioned to fully comply with all of these conditions and continue eligibility for the $836M of Prop 1. There is also the potential to provide added benefits without impacting other participants should additional funds become available.

The Reservoir Committee and Authority Board adopted a Financing Action Plan in October of 2020 which outlined the Authority's approach to meeting the Prop 1 75% non-public cost share commitment requirement by January 1, 2022. The approach included answering "three big questions" for participants by developing 2021 Draft Guiding Principles and a 2021 Draft Plan of Finance. The "three big questions" are:

- What do we get?
- What does it cost us?
- How do we pay for it?

Starting in February, a series of public workshops were conducted to formulate the Authority's approach to address these questions for Reservoir Committee Participants and for Authority Board members. At the September 2, 2021 Project Financing Action Plan Progress Review and Next Steps workshop, staff presented an overview of and received feedback on the:

- Third Amendment to 2019 Reservoir Project Agreement
- 2021 Draft Plan of Finance
- 2021 Draft Guiding Principles and Preliminary Terms
- Confirming documentation of 75% commitment

These materials were also shared with CWC staff in August for comment. Staff received input on the documents from participants and CWC staff and discussed the approach with the Joint Budget & Finance Committee at their September meeting. Based on feedback received to date, Authority staff has adjusted the approach for demonstrating the 75% Non-Public Cost Share Commitment in letter form to DWR (Attachment A) from the Executive Director.

Staff intends to submit the final WSIP 75% Non-Public Cost Share Commitment materials to the CWC before the end of October 2021 to coincide with the submittal of the Final WSIP Feasibility Report and in advance of the December 15 scheduled consideration by the CWC.

A workshop was held on October 15th to discuss the 2021 Draft Plan of Finance (Attachment B) and the 2021 Draft Guiding Principles and Preliminary Terms (Attachment C). These documents have been updated and will be transmitted to Participants for their agency's review and comment. During the upcoming Amendment 3 work plan, these documents will be finalized, considering input from agencies, and will be used as a basis for Sites Reservoir Benefits and Obligations Contracts between Participants and the Authority.

Prior Action:

September 22, 2021: Authorized the Executive Director to submit the Final WSIP Feasibility Report to California Water Commission to comply with Prop 1 conditions and receive a status update on the other conditions required for project advancement and continued eligibility of WSIP funds.

May 26, 2021: Reviewed and commented on the contents and timing for the California Water Commission Proposition 1 Water Storage Investment Program Feasibility Report submittal.

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

Fiscal Impact/Funding Source:

None.

Staff Contact:

JP Robinette

Primary Service Provider:

Brown and Caldwell

Attachments:

Attachment A: Draft Authority Letter to DWR Regarding 75% Commitment

Attachment B: 2021 Draft Plan of Finance

Attachment C: 2021 Draft Guiding Principles and Preliminary Terms

October 28, 2021

Karla Nemeth
Director of the California Department of Water Resources
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Subject: Sites Project Authority Commitment for Not Less Than 75% of the Non-Public Benefits Cost Share of the Sites Reservoir Project

Dear Ms. Nemeth,

The Sites Project Authority (the "Authority") is writing to express and demonstrate its continued commitment to developing the Sites Reservoir Project (the "Project"). This letter along with the body of work completed to date in developing the project represents the Authority's compliance with Section 6013(f) of Title 23, Division 7, Chapter 1 of the California Code of Regulations.

Water Code §79757 states that a project is not eligible for Water Storage Investment Program ("WSIP") funding unless, by January 1, 2022, the applicant has the project's draft environmental document out for public review; the Director of the Department of Water Resources ("DWR") has received commitment of at least 75% of the non-public benefit cost share; the feasibility documents are complete; and the California Water Commission (the "CWC") makes a finding that the project is feasible. The below project and agency background information, discussion on non-public benefit and public benefit funding sources, fulfills the Authority's commitment to continue to fund at least 75% of the non-public benefit cost share. The Authority also wishes to clarify this commitment within the context of its CEQA obligations as the responsible agency for the project.

Project and Agency Background

The Congress of the United States of America and the California State Legislature have declared that the Sacramento-San Joaquin Delta watershed and California's water infrastructure are in crisis, and they have encouraged regional and local public agencies to form joint powers authorities to improve the operation of the State of California's (the "State") water system. The proposed Project has been identified by the State and the federal government as an important component of integrated water management in the Sacramento River watershed that could support the state's co-equal policy to improve water management and restore the ecological health for beneficial uses of the Sacramento-San Joaquin Delta and the Sacramento River Watershed in a manner consistent with the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement.

The Authority was formed in 2010 as a joint exercise of powers agency duly organized and existing under and pursuant to the Constitution and laws of the State and a Fourth Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016 (the "JPA Agreement") and governed by an Authority Board ("Board of Directors") for the purpose of developing the Project. The JPA Agreement provides the mechanism for Project Agreements to undertake specific work activities to develop the Project and commits the signatories to certain project cost obligations. The current 23 "Project Members" including water agencies, cities, and counties, and districts participate in the development of the Project through a Reservoir Committee (the "Reservoir Committee"). The Reservoir Committee currently acts in an advisory capacity to the Authority Board.

The Authority released a Draft Environmental Impact Report/Draft Environmental Impact Statement in 2017, received comments and proceeded to define a more affordable, permittable, and buildable project through the value planning process culminating in the April 2020 approval of the value planning report and the decision to recirculate the draft environmental documents. The value planning report committed to continued delivery of public benefits under Prop 1 to the levels determined by the CWC in the Maximum Conditional Eligibility Determination arrived at in 2018.

The Reservoir Committee and Authority adopted a strategic plan in December 2020 updating the mission of the Authority to build and operate a climate-resilient, 21st Century water storage system to responsibly manage and deliver water, improve the environment, and provide flood control and recreation benefits. Since then, the Authority has advanced the design of the Project through engineering and exploration to approximately a 10% design level and completed a "Feasibility Project Cost Estimate" for the Project which was recommended for approval by the Reservoir Committee and adopted by the Authority on June 23, 2021.

A Revised Draft Environmental Impact Report/Supplemental Draft Environmental Impact Statement is being processed for public release (anticipated on November 12, 2021) with respect to the Project (the "RDEIR/SDEIS"). After 5 public meetings reviewing the proposed content of the document, the Reservoir Committee recommended release of the RDEIR/SDEIS and the Authority Board authorized release of the document at its July 21, 2021 meeting.

Non-Public Benefit Funding Sources

1. **Project Members**

Building on the approximately $43.8 million in support already received from the Project Members and Authority Board to date under the JPA Agreement and various project agreements, the Reservoir Committee and the Authority Board have unanimously approved a Third Amendment to the 2019 Reservoir Project Agreement (the “Project Agreement”). The Project Agreement provides the opportunity for the current 23 Project Members and potentially others to participate in the next stage of project development. As part of the agreement, Project Members agree to pay up to $67 million to fund the costs of the Amendment 3 Work Plan (the “Work Plan”) with respect to the Project over a 36-month period. In addition, each Project Member is required to designate its revenue sources sufficient to secure funding for their share of the Project in anticipation of bank financing to occur in 2023 which will also coincide with the final project participation decision by Project Members.

Approval of the Project Agreement and Work Plan represents a significant milestone in funding the Project by securing the funding and establishing the scope of work needed to finalize the Environmental Impact Report, obtain all key permits including a water right, advance engineering on all facilities to a minimum of 30%, and draft critical agreements. With these key deliverables complete, it is anticipated the Authority will secure bank financing for the remainder of project design and construction costs. The Reservoir Committee unanimously recommended approval of the Project Agreement and the Work Plan, which was then unanimously approved by the Board of Directors on September 22, 2021.

Through the executed Project Agreement, the Project Members will fund all Project costs not covered by federal or State funding in exchange for entitlement to a share of the Project’s storage, diversion, and conveyance when complete. With the Authority’s approval of the Project Agreement and Work Plan, each Project Member commits to bringing the Project Agreement to their home board for consideration, determination of participation level, and execution with their agency ready to pay an April 1, 2022 invoice. In addition, the Authority is openly receiving Letters of Interest from other agencies with interest in becoming a Project Member. Collectively, the Project Members signatory to the Project Agreement are a source of committed cost share for the non-public benefits.

Looking beyond this near-term Project Agreement, the Authority is laying the groundwork to defining important financing and contractual arrangements for the entire Project costs which further demonstrates non-public benefit cost share commitment toward the total project. Advancing beyond the immediate Work Plan funding needs, a 2021 Draft Plan of Finance for the Project (the “Plan of Finance”) was endorsed by the Reservoir Committee and then by the Board of Directors on October 27, 2021. At the same meetings, the Reservoir Committee and the Authority Board endorsed the 2021 Draft of the Sites Reservoir Benefits and Obligations Contract Guiding Principles and Preliminary Terms (the "Guiding Principles"). The Plan of Finance provides the vetted options for financing the Project Members' share of the Project costs and the Guiding Principles provide the basis for the allocation of the benefits and obligations of the Project amongst Project Members. Each agency will present these documents to their home boards and provide feedback to the Authority in 2022. These critical agreements are on track to be in place prior to the initiation of bank financing in 2023.

2. Federal Funding

The United States of America, acting through the Bureau of Reclamation ("Reclamation"), has committed approximately $100 million to the Project to date, $80 million of such amount was recently appropriated by Congress. The Final Federal Feasibility Report was submitted to Congress on December 22, 2020 and the Secretary of Interior made the determination of federal feasibility and federal investment of up to a 25% cost share under the WIIN Act. These funds represent another source of committed cost share for the non-public benefits.

In addition to federal investment through the WIIN Act, the Authority is pursuing federal low interest loans to cover project costs. The Authority received a letter of conditions dated September 26, 2018 from the United States Department of Agriculture ("USDA") relating to a loan from the USDA in the amount of $449,559,000. The Authority is working with the USDA to fulfill the loan conditions to secure loan funding by 2023. On July 23, 2021, the Authority submitted a letter of interest under the Water Infrastructure Finance and Innovation Act ("WIFIA") to the United States Environmental Protection Agency declaring the Authority's interest in participating in the WIFIA loan program for a loan up to $600 million. The Authority is awaiting EPA's response and envisions executing loan agreements sometime in 2023.

Public Benefit Funding Source - State Funding

The Authority views the State's participation in the Project as a critical element for statewide success. The State, acting through the CWC determined that the Project was conditionally eligible for funding under WSIP on July 27, 2018 of up to $816,377,686. State benefits for the project include incremental Level 4 Refuge water supply, Yolo Bypass water supply, flood control, and recreation.

The Authority entered into a Funding Agreement between the State of California (CWC) and the Authority for Sites Reservoir Project Water Storage Investment Program (WSIP) - Early Funding Agreement Number 4600012890 dated June 17, 2019 (the "Early Funding Agreement"). On February 3, 2021 the CWC adjusted the maximum conditional eligibility determination for the Project to $836,787,128. Under the current financial model and assumptions, the public benefit share of costs amounts to approximately 21% of the total project costs.

Authority's Commitment within CEQA Obligations

Collectively the body of work completed to date by the Authority in developing the Project clearly demonstrates the commitment of the Authority, subject to and contingent upon first fulfilling its obligations under CEQA, to fund not less than 75% of the non-public benefit cost share and deliver the public benefits authorized by the CWC. More specifically, the recent completion of the Project Agreement, the Feasibility Analysis, substantial State and federal involvement and the public release of the RDEIR/SDEIS demonstrate commitment of the Project Members to continued development of a successful project delivering the public and non-public benefits of the Project with funds identified in this letter.

Consistent with the Authority's CEQA obligations to exercise its independent judgment based on the analysis in the RDEIR/SDEIS in deciding whether, and if so how, to approve and proceed with the proposed Project, the Authority commits to continue to be a proponent and facilitator to design, fund, permit, construct, manage, govern, operate, and maintain the Project through the ongoing development of partnerships between Project Members, the federal government DWR, and the State to complete the Project in the next decade. Consistent with these same CEQA obligations, the Reservoir Committee and Authority Board have authorized the Executive Director or the designee thereof, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to comply with WSIP requirements with respect to the funding of the non-public benefit costs of the Project.

Pursuant to the requirements of California law, the provision of funding by the Authority for the Project and the other actions by the Authority pursuant to this letter are contingent on the Authority completing its CEQA review and exercising its discretion on whether to approve the proposed Project based on that CEQA review. The Authority therefore reserves all of its rights, powers, responsibilities, obligations and discretion with respect to the proposed Project under CEQA, including the authority to adopt mitigation measures and/or a Project alternative in order to reduce any significant environmental impacts identified in the RDEIR/SDEIS; the authority to disapprove the Project based on any significant impacts that cannot be mitigated (in which case the Project funding referenced herein will not be provided); and the authority to approve the Project notwithstanding any significant environmental impacts that cannot be mitigated, if the Authority determines that these impacts are outweighed by the Project's social, economic, environmental or other benefits.

The previous and ongoing agreements, expenditures, and project development since the 2018 WSIP determination together with the ongoing statewide and diverse partnerships among local, state and federal agencies developed over the past 11 years, demonstrate an established commitment of cost-sharing that is expected to endure through the Project secure full funding from the CWC.

Thank you in advance for your continued support of the Project. The Authority is committed to continuing to partner with the State to develop this generational project.

Sincerely,

Jerry Brown, Executive Director

Sites Project Authority

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 current recommendations regarding critical path activities and decisions and key credit structuring components. This 2021 draft Plan of Finance will be integrated into and will ultimately be superseded by the Sites Reservoir Benefits and Obligations Contracts ("SRBO Contracts") with participants, as well as superseded by individual loan agreements and does not represent a participant commitment of any kind.

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). A large share of Project construction costs is expected to 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 select financing vehicles with the goal of creating the lowest overall cost of borrowing without undue restrictions on financing terms or onerous construction requirements.

Pay-Go and Group Financing - A number of Project participants have expressed a preference to meet their ongoing Project development obligations on a "pay-go" basis with their share of Project costs being paid from available funds on hand or by arranging their own financing. The Authority plans to provide the ability for participants that have sufficient financial resources to use this financing approach. The Authority will also arrange group financing for those participants desiring to borrow as a pool. 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.

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 (mid-2023).

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 operating expenses or debt service and ensure the Project's continued viability should a Project participant be unable to pay its share of Project costs. 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, without finding an acceptable party as a replacement. 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 June 2021 and show a total estimated project cost of $3.9 billion in 2021 dollars. These updated cost estimates have been used in all subsequent 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 in approximately 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 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. Some are very 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 Valley MWD	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 the San Bernardino Valley 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.

Given the large number of unrated Participants, it may be beneficial 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 favorable interim and 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). Congress has appropriated $80 million for the Sites Reservoir Project for Fiscal Year 2022. 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 projected 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, up to $140 per acre-foot for 2023 and up to $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 lending 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 into 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 security 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. It may also be possible to lower near-term borrowing costs by issuing short-term "loan anticipation notes" at short-term rates and then refinance the short-term notes with the proceeds of the long-term WIFIA loan when drawn upon.

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. 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 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.

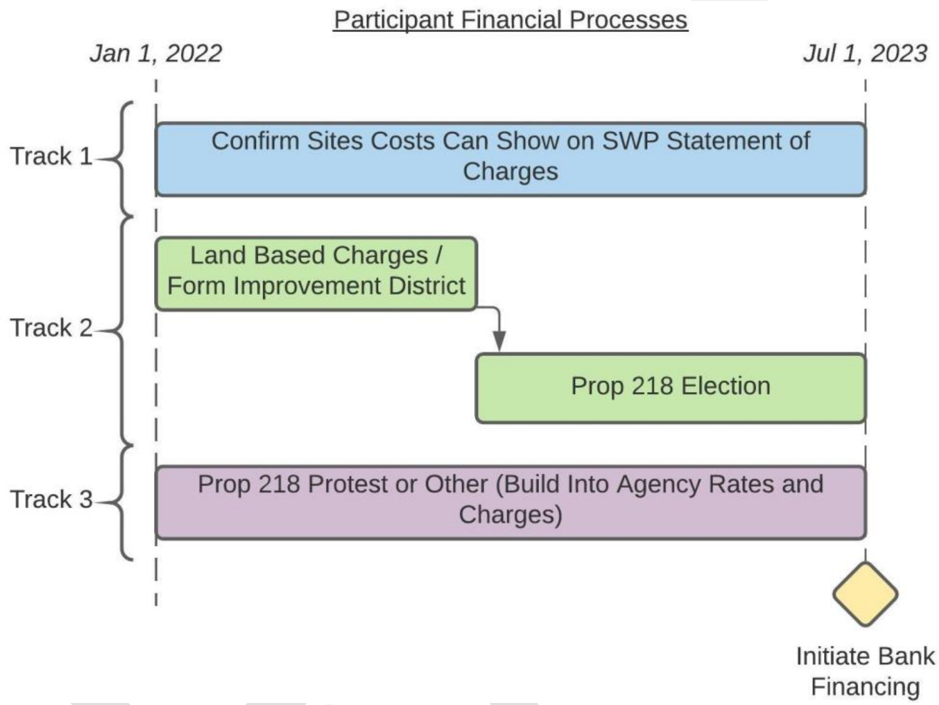
Other long-term financing vehicles, including variable rate securities, will also be available to the Authority and may be utilized to meet specific objectives but at this time are not included in the Plan of Finance.

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. The process for each Participant will start with identifying its approach to securing revenue in the Project Payment Annex included in the Third Amendment to the 2019 Reservoir Project Agreement.

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. Each Participant planning to impose special benefit assessments should, therefore, work with legal counsel to confirm the procedures and requirements for its specific situation.

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 universe of lenders and investors that will be interested in investing in the Project. The decisions will be memorialized in the Sites Reservoir Benefits and Obligations Contracts ("SRBOCs") with participants and will be an important part of the credit package evaluated by lenders.

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, the Authority plans to provide Project Participants with two options for meeting their ongoing Project development obligations:

1) Participants will be able to join together to complete group financings; or

2) Participants with sufficient financial resources will be able to "pay-go" or arrange their own financing.

> **Group Financing –** 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.
>
> If less than all of the Participants participate in group financing there will still be significant benefits, the greatest being the value of having rated credits combined in the credit pool with smaller, unrated Participants.
>
> For those Participants using group financing, the Authority debt would be secured by provisions included in SRBOCs executed with Participants once Project permits and water rights have been secured. Amounts owed by the Reservoir Committee Members under the SRBOCs 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 up to 20% of total annual debt service, which, subject to agreed-upon covenants, will be returned to the Participants annually, if not needed).

As discussed earlier, amounts owed by Participants under the SRBOCs 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 SRBOCs would provide some limited level of sufficiency pledge to protect the Authority and Authority debt holders from defaults by 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's group financings unless they opt for the "Pay-Go" approach described below.

Pay-Go - Under the Pay-Go approach, a Participant with sufficient financial resources could opt out of Authority's group financings and would instead agree to provide to the Authority its pro-rata share of capital costs allocable to the Participant under the SRBOC 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 SRBOC 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-go Participant over time under the SRBOC 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 group financing, amounts owed by the pay-go Participant under its SRBOC would be payable to the Authority as an operation and maintenance expense.

SRBOC sufficiency pledge provisions related to Authority debt would also apply to pay-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 were presented to a Joint Authority Board and Reservoir Committee Financing Workshop in July 2021 and updated versions 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 - Whether Participants choose to participate in the group financing or pay-go their share of obligations, 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, there is a process for the remaining Participants to meet their obligations for them. Participants could meet their sufficiency pledge by participating in a liquidity reserve that would be established to ensure there are funds on hand to cover any shortfalls. Subject to input from lenders and the rating agencies, the liquidity reserve could be funded by some or 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 that liquidity reserve Participants will replenish the reserve if it is ever drawn upon. Funds on deposit in the liquidity reserve would be invested and the interest earnings would be tracked and credited to the liquidity reserve Participants to serve as an offset to their debt or operating obligations.

Alternatively, subject to the approval of the rating agencies and lenders, it may be possible for Participants with strong credit ratings to meet their sufficiency pledge by committing to provide cash in the future if needed to cover shortfalls, in lieu of participating in the liquidity reserve. The commitment to fund a liquidity reserve upfront, and/or the commitment to a future contingent cash call, are two ways in which Participants can meet their sufficiency pledge and will also ensure the Project's long-term viability. In any event, if a Participant defaults, their share of entitlements are forfeited. The forfeited entitlements will be allocated based upon the manner in which the defaulting debt obligations are resolved.

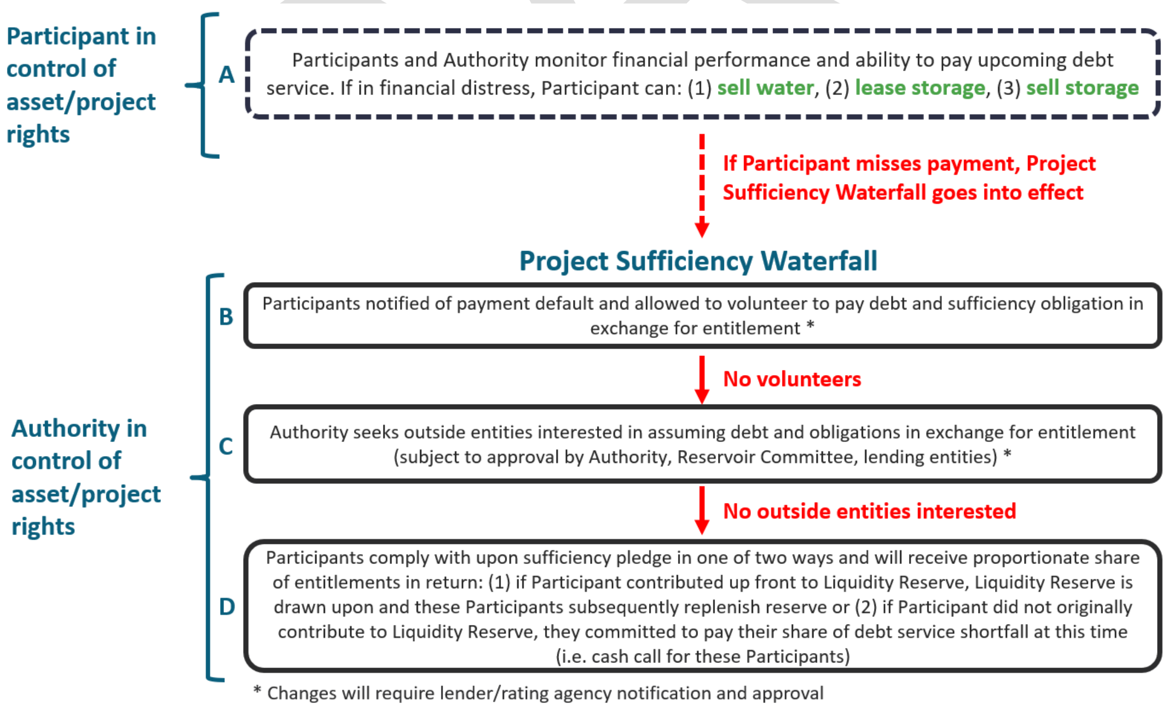
The sufficiency pledge options described above are subject to input from the rating agencies and potentially federal lending programs. As noted previously, the USDA loan has a requirement that in the event of a Participant default on loan payments, the remaining Participants will be required to make 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.

Banks have indicated that under all circumstances a Project sufficiency pledge by Participants would be required and, as noted, that it would also be required of "pay-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. 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.

Ongoing Credit Monitoring – Vigilant monitoring of the financial condition of each Project Participant will be key to maintaining lender and investor confidence in the plan of finance. This internal monitoring of financial health should be part of the management practices of each Participant. The Authority will also monitor Participant financial condition either directly or through the use of a financial oversight committee comprised of Authority and Reservoir Committee representatives. Early awareness of a Participant experiencing financial stress that could impact its ability to meet its Project-related financial obligations will allow the Participant to take remedial actions to avoid a debt service default and the forfeiture of Project entitlements. These actions may include the imposition of rate increases to address revenue shortfalls or the reduction or deferral of planned expenditures. It may also include the sale of Project water, the leasing of storage to another Participant or to an outside party, or even the sale of some or all of the Participant's Project entitlements.

If a Participant fails to take corrective action and defaults on a scheduled debt service payment, it effectively forfeits its Project entitlements and a process we will call the "Project sufficiency waterfall" is triggered.

Project Sufficiency Waterfall – The SRBOCs would incorporate a "waterfall" of events that would be followed before Participants are asked to fulfill their Project sufficiency pledges. A basic schematic of this type of waterfall arrangement follows.



Note: In all cases, a defaulting Participant would be removed from the Project and not entitled to any Project entitlements going forward.

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.

Appendix

Sites Project Cost Tables

(Updated as of October 18, 2021)

Sites Project
2021 Draft Plan of Finance
Cost Tables

The attached tables have been developed by the Sites Project Authority's municipal advisor, Montague DeRose and Associates, to supplement information in the 2021 Draft Plan of Finance. The first set of tables, labeled early ramp up work plan, are revised versions of the tables presented at the joint Authority Board and Reservoir Committee workshop on July 23, 2021. The second set of tables, labeled 3 Year Work Plan, were developed based on the Authority Board's and Reservoir Committee's approval of 36 month work plan for the Amendment 3 period. 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

Early Ramp Up

- 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

3 Year Work Plan

- 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.

EARLY RAMP UP TABLES

Table 2

Early Ramp Up Work Plan

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	8,659	9,604	0.2%	9,228	yes	0.3%	475	9,703	0.3%	3,113	1%
Carter Mutual Water Company	5,195	5,762	0.1%	5,536	no	-	-	5,536	0.2%	2,960	-4%
City of American Canyon	69,278	76,838	1.8%	73,824	yes	2.2%	3,799	77,623	2.4%	3,113	1%
Coachella Valley Water District	173,196	192,096	4.4%	184,562	yes	5.5%	9,498	194,060	6.0%	3,113	1%
Colusa County	173,196	192,096	4.4%	184,562	no	-	-	184,562	5.7%	2,960	-4%
Colusa County Water District	174,462	193,501	4.4%	185,912	no	-	-	185,912	5.8%	2,960	-4%
Cortina Water District	7,793	8,643	0.2%	8,304	no	-	-	8,304	0.3%	2,960	-4%
Davis Water District	34,640	38,420	0.9%	36,914	no	-	-	36,914	1.1%	2,960	-4%
Desert Water Agency	112,577	124,863	2.9%	119,965	yes	3.6%	6,174	126,139	3.9%	3,113	1%
Dunnigan Water District	51,473	57,090	1.3%	54,851	no	-	-	54,851	1.7%	2,960	-4%
Glenn-Colusa Irrigation District	86,599	96,050	2.2%	92,282	no	-	-	92,282	2.9%	2,960	-4%
Irvine Ranch Water District	17,319	19,209	0.4%	18,455	yes	0.6%	950	19,405	0.6%	3,113	1%
La Grande Water District	17,319	19,209	0.4%	18,455	no	-	-	18,455	0.6%	2,960	-4%
Metropolitan Water District of Southern California	865,984	960,487	22.0%	922,816	yes	27.7%	47,491	970,307	30.2%	3,113	1%
Reclamation District 108	69,278	76,838	1.8%	73,824	no	-	-	73,824	2.3%	2,960	-4%
Rosedale-Rio Bravo Water Storage District	8,659	9,604	0.2%	9,228	yes	0.3%	475	9,703	0.3%	3,113	1%
San Bernardino Valley Municipal Water District	370,641	411,089	9.4%	394,966	yes	11.9%	20,326	415,292	12.9%	3,113	1%
San Gorgonio Pass Water Agency	242,476	268,937	6.2%	258,389	yes	7.8%	13,298	271,687	8.5%	3,113	1%
Santa Clara Valley Water District	8,659	9,604	0.2%	9,228	yes	0.3%	475	9,703	0.3%	3,113	1%
Santa Clarita Valley Water Agency	86,599	96,050	2.2%	92,282	yes	2.8%	4,749	97,032	3.0%	3,113	1%
Westside Water District	93,094	103,254	2.4%	99,204	no	-	-	99,204	3.1%	2,960	-4%
Wheeler Ridge-Maricopa Water Storage District	52,826	58,591	1.3%	56,293	yes	1.7%	2,897	59,190	1.8%	3,113	1%
Zone 7 Water Agency	173,196	192,096	4.4%	184,562	yes	5.5%	9,498	194,060	6.0%	3,113	1%
Total	**2,903,118**	**3,219,932**	**73.8%**	**3,093,642**		**70.2%**	**120,105**	**3,213,747**	**100.0%**		
State	754,114	836,409	19.2%	803,604	yes	21.7%	37,174	840,779		3,446	1%
Federal	276,968	307,193	7.0%	295,144	yes	8.1%	13,864	309,008		3,396	1%
Total	**1,031,082**	**1,143,602**	**26.2%**	**1,098,749**		**29.8%**	**51,038**	**1,149,787**			
Grand Total	**3,934,200**	**4,363,534**	**100.0%**	**4,192,391**		**100.0%**	**171,143**	**4,363,534**			

notes

1. PWA is Participating Water Agencies

Table 3

Early Ramp Up Work Plan

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	403	389	355	343	328
Carter Mutual Water Company	230	221	202	195	187
City of American Canyon	3,228	3,109	2,841	2,747	2,624
Coachella Valley Water District	8,070	7,773	7,103	6,868	6,561
Colusa County	7,655	7,374	6,738	6,515	6,224
Colusa County Water District	7,711	7,428	6,788	6,563	6,270
Cortina Water District	344	332	303	293	280
Davis Water District	1,531	1,475	1,348	1,303	1,245
Desert Water Agency	5,245	5,052	4,617	4,464	4,265
Dunnigan Water District	2,275	2,191	2,003	1,936	1,850
Glenn-Colusa Irrigation District	3,828	3,687	3,369	3,258	3,112
Irvine Ranch Water District	807	777	710	687	656
La Grande Water District	766	737	674	651	622
Metropolitan Water District of Southern California	40,349	38,865	35,516	34,339	32,806
Reclamation District 108	3,062	2,950	2,695	2,606	2,490
Rosedale-Rio Bravo Water Storage District	403	389	355	343	328
San Bernardino Valley Municipal Water District	17,269	16,634	15,201	14,697	14,041
San Gorgonio Pass Water Agency	11,298	10,882	9,944	9,615	9,186
Santa Clara Valley Water District	403	389	355	343	328
Santa Clarita Valley Water Agency	4,035	3,887	3,552	3,434	3,281
Westside Water District	4,115	3,964	3,622	3,502	3,346
Wheeler Ridge-Maricopa Water Storage District	2,461	2,371	2,166	2,095	2,001
Zone 7 Water Agency	8,070	7,773	7,103	6,868	6,561
Total	133,559	128,647	117,562	113,666	108,591

Notes:
1. Case 2 and Case 4 assumes a WIFIA loan amount of $600 million.
2. Case 5 assumes $1.4 billion WIFIA loan. Maximum WIFIA is $2.2 billion equal to 49% of total project costs (not to exceed 80% of total Federal support)

Table 4

Early Ramp Up Work Plan

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	38	9	46	(26)	100	12	137
Carter Mutual Water Company	21	5	27	(15)	60	6	81
City of American Canyon	301	69	370	(205)	799	96	1,100
Coachella Valley Water District	752	172	924	(512)	1,997	241	2,750
Colusa County	716	172	887	(512)	1,997	204	2,713
Colusa County Water District	721	173	894	(515)	2,012	206	2,733
Cortina Water District	32	8	40	(23)	90	9	122
Davis Water District	143	34	177	(102)	399	41	543
Desert Water Agency	489	112	601	(332)	1,298	157	1,787
Dunnigan Water District	213	51	264	(152)	594	61	806
Glenn-Colusa Irrigation District	358	86	444	(256)	999	102	1,356
Irvine Ranch Water District	75	17	92	(51)	200	24	275
La Grande Water District	72	17	89	(51)	200	20	271
Metropolitan Water District of Southern California	3,762	858	4,621	(2,558)	9,986	1,205	13,748
Reclamation District 108	286	69	355	(205)	799	82	1,085
Rosedale-Rio Bravo Water Storage District	38	9	46	(26)	100	12	137
San Bernardino Valley Municipal Water District	1,610	367	1,978	(1,095)	4,274	516	5,884
San Gorgonio Pass Water Agency	1,053	240	1,294	(716)	2,796	337	3,850
Santa Clara Valley Water District	38	9	46	(26)	100	12	137
Santa Clarita Valley Water Agency	376	86	462	(256)	999	120	1,375
Westside Water District	385	92	477	(275)	1,073	110	1,458
Wheeler Ridge-Maricopa Water Storage District	230	52	282	(156)	609	73	839
Zone 7 Water Agency	752	172	924	(512)	1,997	241	2,750
Total	12,462	2,877	15,338	(8,574)	33,476	3,887	45,938

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

Table 5

Early Ramp Up Work Plan

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
Bifurcated Debt Service + Annual Operating Cost (Average) ($1000s)					
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	450	435	401	390	374
Carter Mutual Water Company	256	248	229	222	213
City of American Canyon	3,597	3,479	3,211	3,117	2,994
Coachella Valley Water District	8,994	8,697	8,027	7,792	7,485
Colusa County	8,543	8,261	7,626	7,402	7,112
Colusa County Water District	8,605	8,322	7,682	7,457	7,164
Cortina Water District	384	372	343	333	320
Davis Water District	1,709	1,652	1,525	1,481	1,422
Desert Water Agency	5,846	5,653	5,218	5,065	4,865
Dunnigan Water District	2,539	2,455	2,266	2,200	2,114
Glenn-Colusa Irrigation District	4,271	4,131	3,813	3,701	3,556
Irvine Ranch Water District	899	870	803	779	748
La Grande Water District	854	826	763	740	711
Metropolitan Water District of Southern California	44,969	43,485	40,136	38,960	37,426
Reclamation District 108	3,417	3,304	3,050	2,961	2,845
Rosedale-Rio Bravo Water Storage District	450	435	401	390	374
San Bernardino Valley Municipal Water District	19,247	18,612	17,178	16,675	16,018
San Gorgonio Pass Water Agency	12,591	12,176	11,238	10,909	10,479
Santa Clara Valley Water District	450	435	401	390	374
Santa Clarita Valley Water Agency	4,497	4,349	4,014	3,896	3,743
Westside Water District	4,592	4,440	4,099	3,979	3,823
Wheeler Ridge-Maricopa Water Storage District	2,743	2,653	2,448	2,377	2,283
Zone 7 Water Agency	8,994	8,697	8,027	7,792	7,485
Total	148,898	143,986	132,900	129,005	123,930

Table 6A

Early Ramp Up Work Plan

Entity	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Participant Costs if Financing ($1000s)											
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	51	71	96	164	292	352	392	400	390	387	2,596
Carter Mutual Water Company	29	40	55	94	167	201	224	228	222	221	1,481
City of American Canyon	405	567	770	1,311	2,338	2,819	3,137	3,200	3,119	3,099	20,766
Coachella Valley Water District	1,012	1,417	1,926	3,279	5,845	7,047	7,843	8,001	7,797	7,748	51,916
Colusa County	963	1,348	1,832	3,118	5,559	6,702	7,459	7,609	7,415	7,369	49,375
Colusa County Water District	970	1,358	1,845	3,141	5,600	6,751	7,514	7,665	7,469	7,423	49,736
Cortina Water District	43	61	82	140	250	302	336	342	334	332	2,222
Davis Water District	193	270	366	624	1,112	1,341	1,492	1,522	1,483	1,474	9,875
Desert Water Agency	658	921	1,252	2,131	3,800	4,581	5,098	5,201	5,068	5,037	33,745
Dunnigan Water District	286	401	544	927	1,652	1,992	2,217	2,261	2,204	2,190	14,674
Glenn-Colusa Irrigation District	481	674	916	1,559	2,780	3,351	3,730	3,805	3,708	3,685	24,688
Irvine Ranch Water District	101	142	193	328	585	705	784	800	780	775	5,191
La Grande Water District	96	135	183	312	556	670	746	761	741	737	4,937
Metropolitan Water District of Southern California	5,061	7,085	9,629	16,394	29,227	35,237	39,216	40,005	38,984	38,743	259,581
Reclamation District 108	385	539	733	1,247	2,224	2,681	2,984	3,044	2,966	2,948	19,750
Rosedale-Rio Bravo Water Storage District	51	71	96	164	292	352	392	400	390	387	2,596
San Bernardino Valley Municipal Water District	2,166	3,032	4,121	7,017	12,509	15,082	16,784	17,122	16,685	16,582	111,101
San Gorgonio Pass Water Agency	1,417	1,984	2,696	4,590	8,184	9,866	10,980	11,202	10,915	10,848	72,683
Santa Clara Valley Water District	51	71	96	164	292	352	392	400	390	387	2,596
Santa Clarita Valley Water Agency	506	709	963	1,639	2,923	3,524	3,922	4,001	3,898	3,874	25,958
Westside Water District	517	724	984	1,676	2,988	3,603	4,009	4,090	3,986	3,961	26,540
Wheeler Ridge-Maricopa Water Storage District	309	432	587	1,000	1,783	2,149	2,392	2,440	2,378	2,363	15,835
Zone 7 Water Agency	1,012	1,417	1,926	3,279	5,845	7,047	7,843	8,001	7,797	7,748	51,916
Total	16,762	23,467	31,893	54,297	96,804	116,709	129,886	132,502	129,118	128,319	859,757

Notes:
1. Case 1 Displayed: historical average rates, no WIFIA
2. 2022-2024 are cash calls with financing beginning in July 2024
3. Includes estimates of amounts needed to fund debt-related reserves

Table 6B

Early Ramp Up Work Plan

	Participant Costs if 'Pay-Go' ($1000s)										
Entity	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	51	71	826	1,616	2,129	2,069	1,286	335	205	51	8,639
Carter Mutual Water Company	29	40	471	922	1,215	1,181	734	191	117	29	4,929
City of American Canyon	405	567	6,606	12,931	17,031	16,555	10,288	2,682	1,637	411	69,112
Coachella Valley Water District	1,012	1,417	16,514	32,329	42,578	41,387	25,720	6,704	4,091	1,028	172,782
Colusa County	963	1,348	15,706	30,747	40,494	39,362	24,461	6,376	3,891	977	164,325
Colusa County Water District	970	1,358	15,821	30,972	40,790	39,649	24,640	6,423	3,920	984	165,527
Cortina Water District	43	61	707	1,383	1,822	1,771	1,101	287	175	44	7,393
Davis Water District	193	270	3,141	6,150	8,099	7,873	4,892	1,275	778	195	32,866
Desert Water Agency	658	921	10,734	21,014	27,676	26,902	16,718	4,358	2,659	668	112,308
Dunnigan Water District	286	401	4,668	9,138	12,035	11,698	7,270	1,895	1,156	290	48,836
Glenn-Colusa Irrigation District	481	674	7,853	15,374	20,247	19,681	12,231	3,188	1,946	489	82,164
Irvine Ranch Water District	101	142	1,651	3,233	4,258	4,139	2,572	670	409	103	17,277
La Grande Water District	96	135	1,571	3,075	4,049	3,936	2,446	638	389	98	16,432
Metropolitan Water District of Southern California	5,061	7,085	82,572	161,646	212,892	206,938	128,603	33,522	20,457	5,138	863,914
Reclamation District 108	385	539	6,282	12,299	16,198	15,745	9,785	2,550	1,556	391	65,729
Rosedale-Rio Bravo Water Storage District	51	71	826	1,616	2,129	2,069	1,286	335	205	51	8,639
San Bernardino Valley Municipal Water District	2,166	3,032	35,341	69,184	91,118	88,569	55,042	14,348	8,756	2,199	369,755
San Gorgonio Pass Water Agency	1,417	1,984	23,120	45,261	59,610	57,943	36,009	9,386	5,728	1,439	241,896
Santa Clara Valley Water District	51	71	826	1,616	2,129	2,069	1,286	335	205	51	8,639
Santa Clarita Valley Water Agency	506	709	8,257	16,165	21,289	20,694	12,860	3,352	2,046	514	86,392
Westside Water District	517	724	8,442	16,527	21,766	21,157	13,148	3,427	2,092	525	88,326
Wheeler Ridge-Maricopa Water Storage District	309	432	5,037	9,861	12,987	12,623	7,845	2,045	1,248	313	52,699
Zone 7 Water Agency	1,012	1,417	16,514	32,329	42,578	41,387	25,720	6,704	4,091	1,028	172,782
Total	16,762	23,467	273,487	535,386	705,118	685,397	425,944	111,029	67,755	17,018	2,861,362

Note:
1. 2022-2024 are cash calls with financing beginning in July 2024

3 YEAR WORK PLAN TABLES

Table 2

3 Year Work Plan

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	8,725	9,967	0.2%	9,576	yes	0.3%	489	10,065	0.3%	3,229	1%
Carter Mutual Water Company	5,234	5,980	0.1%	5,745	no	-	-	5,745	0.2%	3,072	-4%
City of American Canyon	69,802	79,741	1.8%	76,612	yes	2.2%	3,914	80,527	2.4%	3,229	1%
Coachella Valley Water District	174,506	199,353	4.4%	191,532	yes	5.5%	9,785	201,318	6.0%	3,229	1%
Colusa County	174,506	199,353	4.4%	191,532	no	-	-	191,532	5.7%	3,072	-4%
Colusa County Water District	175,782	200,811	4.5%	192,933	no	-	-	192,933	5.8%	3,072	-4%
Cortina Water District	7,852	8,970	0.2%	8,618	no	-	-	8,618	0.3%	3,072	-4%
Davis Water District	34,902	39,872	0.9%	38,308	no	-	-	38,308	1.1%	3,072	-4%
Desert Water Agency	113,429	129,580	2.9%	124,496	yes	3.6%	6,361	130,857	3.9%	3,229	1%
Dunnigan Water District	51,862	59,247	1.3%	56,922	no	-	-	56,922	1.7%	3,072	-4%
Glenn-Colusa Irrigation District	87,254	99,678	2.2%	95,768	no	-	-	95,768	2.9%	3,072	-4%
Irvine Ranch Water District	17,450	19,934	0.4%	19,152	yes	0.6%	979	20,131	0.6%	3,229	1%
La Grande Water District	17,450	19,934	0.4%	19,152	no	-	-	19,152	0.6%	3,072	-4%
Metropolitan Water District of Southern California	872,533	996,773	22.2%	957,668	yes	27.7%	48,928	1,006,596	30.2%	3,229	1%
Reclamation District 108	69,802	79,741	1.8%	76,612	no	-	-	76,612	2.3%	3,072	-4%
Rosedale-Rio Bravo Water Storage District	8,725	9,967	0.2%	9,576	yes	0.3%	489	10,065	0.3%	3,229	1%
San Bernardino Valley Municipal Water District	373,445	426,619	9.5%	409,882	yes	11.9%	20,941	430,823	12.9%	3,229	1%
San Gorgonio Pass Water Agency	244,310	279,097	6.2%	268,148	yes	7.8%	13,700	281,848	8.5%	3,229	1%
Santa Clara Valley Water District	8,725	9,967	0.2%	9,576	yes	0.3%	489	10,065	0.3%	3,229	1%
Santa Clarita Valley Water Agency	87,254	99,678	2.2%	95,768	yes	2.8%	4,893	100,661	3.0%	3,229	1%
Westside Water District	93,799	107,154	2.4%	102,951	no	-	-	102,951	3.1%	3,072	-4%
Wheeler Ridge-Maricopa Water Storage District	53,225	60,804	1.4%	58,419	yes	1.7%	2,985	61,403	1.8%	3,229	1%
Zone 7 Water Agency	174,506	199,353	4.4%	191,532	yes	5.5%	9,785	201,318	6.0%	3,229	1%
Total	**2,925,074**	**3,341,574**	**74.3%**	**3,210,480**		**70.2%**	**123,738**	**3,334,218**	**100.0%**		
State	732,158	836,409	18.6%	803,596	yes	21.7%	38,299	841,895		3,450	1%
Federal	276,968	316,405	7.0%	303,992	yes	8.1%	14,284	318,276		3,498	1%
Total	**1,009,126**	**1,152,814**	**25.7%**	**1,107,588**		**29.8%**	**52,582**	**1,160,170**			
Grand Total	**3,934,200**	**4,494,389**	**100.0%**	**4,318,068**		**100.0%**	**176,321**	**4,494,389**			

notes

1. PWA is Participating Water Agencies

Table 3

3 Year Work Plan

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
Annual Bifurcated Debt Service (Post Construction) ($1000s)					
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	407	394	356	345	331
Carter Mutual Water Company	232	224	202	197	189
City of American Canyon	3,258	3,148	2,847	2,764	2,651
Coachella Valley Water District	8,145	7,871	7,116	6,909	6,628
Colusa County	7,727	7,466	6,751	6,554	6,288
Colusa County Water District	7,783	7,521	6,800	6,602	6,334
Cortina Water District	348	336	304	295	283
Davis Water District	1,545	1,493	1,350	1,311	1,258
Desert Water Agency	5,294	5,116	4,626	4,491	4,308
Dunnigan Water District	2,296	2,219	2,006	1,948	1,869
Glenn-Colusa Irrigation District	3,863	3,733	3,376	3,277	3,144
Irvine Ranch Water District	814	787	712	691	663
La Grande Water District	773	747	675	655	629
Metropolitan Water District of Southern California	40,725	39,353	35,582	34,545	33,142
Reclamation District 108	3,091	2,987	2,700	2,622	2,515
Rosedale-Rio Bravo Water Storage District	407	394	356	345	331
San Bernardino Valley Municipal Water District	17,430	16,843	15,229	14,785	14,185
San Gorgonio Pass Water Agency	11,403	11,019	9,963	9,673	9,280
Santa Clara Valley Water District	407	394	356	345	331
Santa Clarita Valley Water Agency	4,073	3,935	3,558	3,455	3,314
Westside Water District	4,153	4,013	3,629	3,523	3,380
Wheeler Ridge-Maricopa Water Storage District	2,484	2,401	2,171	2,107	2,022
Zone 7 Water Agency	8,145	7,871	7,116	6,909	6,628
Total	134,805	130,263	117,781	114,347	109,705

Notes:
1. Case 2 and Case 4 assumes a WIFIA loan amount of $600 million.
2. Case 5 assumes $1.4 billion WIFIA loan. Maximum WIFIA is $2.2 billion equal to 49% of total project costs (not to exceed 80% of total Federal support)

Table 4

3 Year Work Plan

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)
	Annual Operating Costs ($1000s)						
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	38	9	47	(26)	100	13	138
Carter Mutual Water Company	22	5	27	(15)	60	6	82
City of American Canyon	305	69	375	(205)	799	101	1,104
Coachella Valley Water District	763	173	937	(512)	1,997	252	2,761
Colusa County	726	173	900	(512)	1,997	215	2,723
Colusa County Water District	732	175	906	(515)	2,012	216	2,743
Cortina Water District	33	8	40	(23)	90	10	123
Davis Water District	145	35	180	(102)	399	43	545
Desert Water Agency	496	113	609	(332)	1,298	164	1,794
Dunnigan Water District	216	52	267	(152)	594	64	809
Glenn-Colusa Irrigation District	363	87	450	(256)	999	107	1,362
Irvine Ranch Water District	76	17	94	(51)	200	25	276
La Grande Water District	73	17	90	(51)	200	21	272
Metropolitan Water District of Southern California	3,817	867	4,685	(2,558)	9,986	1,259	13,803
Reclamation District 108	291	69	360	(205)	799	86	1,089
Rosedale-Rio Bravo Water Storage District	38	9	47	(26)	100	13	138
San Bernardino Valley Municipal Water District	1,634	371	2,005	(1,095)	4,274	539	5,908
San Gorgonio Pass Water Agency	1,069	243	1,312	(716)	2,796	353	3,865
Santa Clara Valley Water District	38	9	47	(26)	100	13	138
Santa Clarita Valley Water Agency	382	87	468	(256)	999	126	1,380
Westside Water District	390	93	484	(275)	1,073	115	1,464
Wheeler Ridge-Maricopa Water Storage District	233	53	286	(156)	609	77	842
Zone 7 Water Agency	763	173	937	(512)	1,997	252	2,761
Total	12,644	2,908	15,552	(8,574)	33,476	4,069	46,120

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

Table 5

3 Year Work Plan

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
Bifurcated Debt Service + Annual Operating Cost (Average) ($1000s)					
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	454	440	403	392	378
Carter Mutual Water Company	259	251	229	224	216
City of American Canyon	3,633	3,523	3,221	3,138	3,026
Coachella Valley Water District	9,082	8,807	8,053	7,846	7,565
Colusa County	8,627	8,366	7,651	7,454	7,188
Colusa County Water District	8,690	8,427	7,707	7,508	7,240
Cortina Water District	388	376	344	335	323
Davis Water District	1,725	1,673	1,530	1,491	1,438
Desert Water Agency	5,903	5,725	5,235	5,100	4,917
Dunnigan Water District	2,564	2,486	2,274	2,215	2,136
Glenn-Colusa Irrigation District	4,313	4,183	3,825	3,727	3,594
Irvine Ranch Water District	908	881	805	785	756
La Grande Water District	863	837	765	745	719
Metropolitan Water District of Southern California	45,410	44,038	40,267	39,229	37,827
Reclamation District 108	3,451	3,346	3,060	2,982	2,875
Rosedale-Rio Bravo Water Storage District	454	440	403	392	378
San Bernardino Valley Municipal Water District	19,435	18,848	17,234	16,790	16,190
San Gorgonio Pass Water Agency	12,715	12,331	11,275	10,984	10,592
Santa Clara Valley Water District	454	440	403	392	378
Santa Clarita Valley Water Agency	4,541	4,404	4,027	3,923	3,783
Westside Water District	4,637	4,497	4,112	4,007	3,864
Wheeler Ridge-Maricopa Water Storage District	2,770	2,686	2,456	2,393	2,307
Zone 7 Water Agency	9,082	8,807	8,053	7,846	7,565
Total	150,357	145,815	133,332	129,899	125,256

Table 6A

3 Year Work Plan

Entity	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Participant Costs if Financing ($1000s)											
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	51	71	81	26	131	205	291	361	389	397	2,002
Carter Mutual Water Company	29	40	46	15	75	117	166	206	222	227	1,143
City of American Canyon	405	567	648	209	1,051	1,638	2,329	2,884	3,109	3,176	16,015
Coachella Valley Water District	1,012	1,417	1,619	523	2,626	4,095	5,823	7,211	7,772	7,939	40,038
Colusa County	963	1,348	1,541	498	2,499	3,896	5,540	6,860	7,394	7,553	38,091
Colusa County Water District	970	1,358	1,552	501	2,517	3,924	5,581	6,910	7,448	7,609	38,370
Cortina Water District	43	61	69	22	112	175	249	309	333	340	1,714
Davis Water District	193	270	308	100	500	779	1,108	1,372	1,479	1,511	7,619
Desert Water Agency	658	921	1,053	340	1,707	2,662	3,785	4,687	5,052	5,161	26,024
Dunnigan Water District	286	401	458	148	743	1,158	1,646	2,039	2,197	2,245	11,321
Glenn-Colusa Irrigation District	481	674	770	249	1,249	1,948	2,770	3,430	3,697	3,777	19,046
Irvine Ranch Water District	101	142	162	52	263	409	582	721	777	794	4,004
La Grande Water District	96	135	154	50	250	390	554	686	739	755	3,809
Metropolitan Water District of Southern California	5,060	7,085	8,097	2,616	13,132	20,475	29,116	36,053	38,858	39,697	200,189
Reclamation District 108	385	539	616	199	999	1,558	2,216	2,744	2,958	3,021	15,236
Rosedale-Rio Bravo Water Storage District	51	71	81	26	131	205	291	361	389	397	2,002
San Bernardino Valley Municipal Water District	2,166	3,032	3,465	1,120	5,620	8,763	12,462	15,431	16,631	16,990	85,681
San Gorgonio Pass Water Agency	1,417	1,984	2,267	733	3,677	5,733	8,152	10,095	10,880	11,115	56,053
Santa Clara Valley Water District	51	71	81	26	131	205	291	361	389	397	2,002
Santa Clarita Valley Water Agency	506	708	810	262	1,313	2,048	2,912	3,605	3,886	3,970	20,019
Westside Water District	518	725	828	268	1,343	2,094	2,978	3,687	3,974	4,060	20,475
Wheeler Ridge-Maricopa Water Storage District	309	432	494	160	801	1,249	1,776	2,199	2,370	2,422	12,212
Zone 7 Water Agency	1,012	1,417	1,619	523	2,626	4,095	5,823	7,211	7,772	7,939	40,038
Total	16,762	23,467	26,819	8,666	43,498	67,822	96,443	119,420	128,714	131,491	663,100

Notes:
1. Case 1 Displayed: historical average rates, no WIFIA
2. 2022-2024 are cash calls
3. Includes estimates of amounts needed to fund debt-related reserves

Table 6B

3 Year Work Plan

Entity	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Participant Costs if 'Pay-Go' ($1000s)											
	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)	(2021$)
Antelope Valley-East Kern Water Agency	51	71	81	512	1,230	1,886	2,114	1,699	799	314	8,757
Carter Mutual Water Company	29	40	46	292	702	1,077	1,207	970	456	179	4,998
City of American Canyon	405	567	648	4,097	9,839	15,089	16,914	13,592	6,390	2,514	70,055
Coachella Valley Water District	1,012	1,417	1,619	10,243	24,597	37,723	42,285	33,980	15,976	6,286	175,139
Colusa County	963	1,348	1,541	9,745	23,402	35,889	40,229	32,328	15,200	5,980	166,626
Colusa County Water District	970	1,358	1,552	9,817	23,573	36,152	40,524	32,565	15,311	6,024	167,844
Cortina Water District	43	61	69	438	1,053	1,615	1,810	1,455	684	269	7,497
Davis Water District	193	270	308	1,949	4,681	7,178	8,046	6,466	3,040	1,196	33,326
Desert Water Agency	658	921	1,053	6,658	15,988	24,520	27,485	22,087	10,384	4,086	113,840
Dunnigan Water District	286	401	458	2,896	6,955	10,666	11,956	9,608	4,517	1,777	49,520
Glenn-Colusa Irrigation District	481	674	770	4,873	11,701	17,945	20,115	16,164	7,600	2,990	83,314
Irvine Ranch Water District	101	142	162	1,024	2,460	3,772	4,228	3,398	1,598	629	17,513
La Grande Water District	96	135	154	974	2,340	3,589	4,023	3,233	1,520	598	16,662
Metropolitan Water District of Southern California	5,060	7,085	8,097	51,216	122,988	188,616	211,425	169,901	79,881	31,430	875,699
Reclamation District 108	385	539	616	3,898	9,361	14,356	16,092	12,931	6,080	2,392	66,650
Rosedale-Rio Bravo Water Storage District	51	71	81	512	1,230	1,886	2,114	1,699	799	314	8,757
San Bernardino Valley Municipal Water District	2,166	3,032	3,465	21,921	52,639	80,728	90,490	72,718	34,189	13,452	374,799
San Gorgonio Pass Water Agency	1,417	1,984	2,267	14,341	34,437	52,813	59,199	47,572	22,367	8,800	245,196
Santa Clara Valley Water District	51	71	81	512	1,230	1,886	2,114	1,699	799	314	8,757
Santa Clarita Valley Water Agency	506	708	810	5,122	12,299	18,862	21,143	16,990	7,988	3,143	87,571
Westside Water District	518	725	828	5,238	12,579	19,291	21,624	17,377	8,170	3,214	89,563
Wheeler Ridge-Maricopa Water Storage District	309	432	494	3,124	7,502	11,506	12,897	10,364	4,873	1,917	53,418
Zone 7 Water Agency	1,012	1,417	1,619	10,243	24,597	37,723	42,285	33,980	15,976	6,286	175,139
Total	16,762	23,467	26,819	169,648	407,381	624,767	700,319	562,776	264,595	104,106	2,900,639

Note:
1. 2022-2024 are cash calls

Sites Reservoir Benefits and Obligations Contract Guiding Principles and Preliminary Terms 2021 Draft

Preamble

The Sites Reservoir Project (the Project) is a proposed 1.3-1.5 million acre-foot off-stream reservoir located approximately 10 miles West of the town of Maxwell, California. The Project includes development and operation of infrastructure including necessary dams, pipelines, pump stations, power transmission lines, and other facilities needed to provide new water supply and storage. The Project will utilize existing and new conveyance facilities to divert water from the Sacramento River for storage in the reservoir and for releases. The Project will provide public benefits) including environmental water supply, recreation, and regional flood control benefits. The Project also will provide water storage and water supply benefits to participating water agencies.

The Project is being developed by the Sites Project Authority (the JPA), a public agency formed in 2010 through execution of a Joint Exercise of Powers Agreement (the JPA Agreement) whose members are public agencies in the Sacramento River Watershed. The JPA Agreement and associated Bylaws identify requirements and obligations for membership in the JPA and allow for Project Agreements to govern funding and participation in any project the JPA undertakes. The JPA has created a Reservoir Committee consisting of certain JPA members and other municipal entities and special districts that will pay to participate in and receive benefits from the Project ("Participants"). The JPA may also enter into agreements with other agencies for the purposes of developing the Project (see Related Agreements).

The Project is being developed in phases including Phase 1 (*complete*) — formation of the JPA and state funding award, Phase 2 (*in progress*) — certification of environmental impact report and statement and acquisition of key permits, Phase 3 — final design and right-of-way acquisition, Phase 4 — construction and commissioning, and Phase 5 — construction close-out and operations.

The JPA has entered into Project funding agreements for the development of the Project through Phase 2 with Participants, and with State agencies and the federal government.

It is anticipated that beginning in Phase 3 and/or upon the initiation of long-term or short-term Project financing, the JPA will enter into a Sites Reservoir Benefits and Obligations Contract (the Contract) with Participants. The purpose of this document is to establish guiding principles and preliminary terms to help guide development of the Contract between the JPA and the Participants (where the JPA and Participants are collectively referred to as "the parties").

Several details still need to be finalized for a full and complete Contract to be reached; however, the parties believe this document represents their mutual understanding of the allocation of Project benefits, costs, risks, financing obligations, and ownership obligations. The parties agree to take this document to their agency management and governing bodies to receive their feedback and input and then will work cooperatively and in good faith to consider the feedback and input and work to resolve issues identified and to establish the Contract by approximately Summer 2023, prior to initiating Project financing.

Addressed principles include:

- Roles and Responsibilities
- Project Assets and Ownership
- Beneficiary Pays
- Financing
- Leasing of Storage and Sales of Water
- Minimum Contract Term, Successor Agreements, and Changes

Related Agreements

The Participants acknowledge that the JPA intends to enter into Agreements for the Administration of Public Benefits with various agencies of the State of California and to enter into an agreement with the Bureau of Reclamation for federal government funding a portion of the Project in exchange for agreed upon Project benefits. While these state and federal agencies are not Participants and will not be party to the Contract, they have crucial roles in providing some Project funding, in administering public benefits and in coordinating Project operations with the State Water Project (SWP) and federal Central Valley Project (CVP) operations. Through future agreements between the JPA and the State of California agencies and between the JPA and the federal government, the JPA intends to share Project risks, obligations, and costs in a manner that is proportional to the public benefits that these entities will receive from the Project. As a result, Project obligations, costs and risks will be borne by the Participants, various State agencies, and the federal government although the allocation of costs, risks, obligations and benefits will require a number of separate agreements.

The Participants also acknowledge that the Project relies on existing conveyance facilities to receive and transmit water in and out of the Reservoir and the JPA is working cooperatively to negotiate Facilities Use Agreements for use of the Glenn-Colusa Irrigation District (GCID) Main Canal, fish screen and pump station; the Tehama Colusa Canal, and associated fish screen and pump station, operated by the Tehama Colusa Canal Authority (TCCA); and the Colusa Basin Drain and associated facilities (altogether referred to as “Partner Facilities”). The JPA bylaws Section 2.5 requires that written consent be secured from the GCID and TCCA prior to certain actions being taken by the JPA which carries an added limitation on the JPA’s independent activities.

Definitions

Throughout this document, a number of defined terms are used. These terms are defined below and their relationship to other definitions used in various Project Agreements and other Project documents are explained.

Cost Allocation Framework: approach to be developed by the JPA to account for which Participants use which Project facilities and Partner Facilities based on input provided by the Participants. The Cost Allocation Framework distinguishes between Base Facilities and Downstream Facilities and also accounts for the use of Project and Partner Facilities by State of California agencies and the federal government.

> **Base Facilities:** Project facilities and Partner Facilities that are used and paid for by all Participants, the State of California, and the federal government. Examples include Sites Reservoir, Funks Reservoir, the Terminal Regulating Reservoir, portion of the Tehama Colusa Canal upstream of the Sites Reservoir Project, and the portion of the Glenn Colusa Irrigation District Main Canal upstream of the Sites Reservoir Project.
>
> **Downstream Facilities:** Project facilities and Partner Facilities that are used and paid for by certain Participants, the State of California, and the federal government. Examples include the Dunnigan Pipeline and Colusa Basin Drain.

Participants: Also referred to as Reservoir Committee members, Participants are the entities that pay to participate and receive benefits in the Sites Reservoir Project including certain JPA members and other municipal entities and special districts. Participants are not the same as Storage Partners.

Partner Facilities: existing conveyance facilities owned and operated by other entities that have excess capacity that can be used by Project Participants to access benefits from the Project.

Plan of Finance: the plan identifying and evaluating feasible funding options, including financing and pay-go options, and describing the requirements for funding the non-public cost share of all project costs.

Principles for the Storage, Delivery and Sale of Sites Reservoir Project Water (Storage Principles): reviewed by the Reservoir Committee and adopted by the JPA in April 2021, the Storage Principles serve as the basic framework for development, adoption, and/or execution of additional or more formal agreements, policies, and procedures related to the storage, delivery, and sale of Sites Project water, as needed.

Project Water Right (Water Right): The water right obtained and owned by the JPA for the Sites Reservoir Project.

Reservoir Committee: A JPA authorized committee consisting of certain JPA members and other municipal entities and special districts to fulfill certain obligations under the Joint Exercise of Powers Agreement.

Reservoir Project Agreement: the agreement in which Participants indicate their individual participation levels (percentage of non-public benefits to be invested in) and commitment to project funding based on authorization by the respective home agency. The Reservoir Project Agreement is also referred to as the Participation Agreement.

Sites Reservoir Project (Project): Sites dams, reservoirs, certain associated diversion and conveyance facilities, and other associated facilities, mitigation lands, and Water Right.

Sites Project Authority (JPA): an independent joint powers authority established to exercise powers common to the Authority Members to, among other things, effectively study, promote, develop, design, finance, acquire, construct, manage, and operate Sites Reservoir and related facilities such as recreation and power generation.

Storage Allocation: the amount of storage space (storage volume) in Sites Reservoir allocated to a Storage Partner, as agreed upon in that Storage Partner's Contract. Dead storage is not allocated to any Storage Partner.

Storage Partners: as defined in the Storage Principles, the governmental agencies, water organizations, and others who have funded and received a Storage Allocation in Sites Reservoir and the resulting water supply or water supply related environmental benefits from the Project. Storage Partners include the Participants, State of California, and the federal government.

Principles and Preliminary Terms

1. Roles and Responsibilities

1.1 The JPA, as currently defined by its governing documents and agreements, will act as the developer and operator of the Project and is responsible for obtaining input from the Participants to help guide its decisions.

1.1.1 As the developer, the JPA is responsible for obtaining the required Project Water Right, securing the Project site and any required property rights, acting as the lead agency with regard to complying with CEQA requirements, obtaining Project permits, evaluating funding options, obtaining financing for a portion of Project capital costs, collecting funds for administration and payment of financing costs , payment of Project capital costs during construction (including debt service and reserves), entering into agreements needed to support development of the Project, and overseeing Project design and construction.

As the operator, the JPA will be responsible for: allocating water to and from storage in accordance with the Storage Principles (or its successor) and requests from individual Participants, the terms of the Contract and other agreements, and with the Project Water Right; operating, maintaining, and replacing Project Facilities; permit and agreement compliance; collecting funds for administering financing and payment of Project capital costs (including debt service and reserves); operations, maintenance, replacement and administrative / management costs; and all other functions related to administration of the Project and the Project Agreements. The JPA and Participant roles in Project financing are further described in Section 4, Financing.

1.2 The Participants (Reservoir Committee members), as currently defined by the JPA's Bylaws and Reservoir Project Agreement, as amended, are responsible for: implementing responsibilities under the authorities delegated to the Reservoir Committee by the JPA; covering Project costs (except for those obligations covered by grants, by Agreements for the Administration of Public Benefits with various agencies of the State of California, or by federal agreements); assuming certain Project risks and obligations as will be described in the Contract; and providing input to the JPA regarding Project funding, governance, and risk management.

1.2.1 As it relates to covering Project costs, the Participants are responsible for using their individual authorities (authority to establish and collect rates, taxing authority etc.) to ensure reliable cashflow to the JPA to provide for the timely payment of Project costs (including debt service and reserves).

1.2.2 As it relates to assuming certain Project risks and obligations, the parties agree that the Participants must have the opportunity for meaningful input into the definition and management of those risks and obligations. For clarity, risk management decisions that will materially affect Project costs and / or Participant's risk exposure should be made by the JPA consistent with duly authorized recommendations of the Reservoir Committee. For example, any decision to expand the Project scope to include significant purchase of property downstream of the dam as a means of mitigating flooding or dam failure risk would fall into this category.

1.2.3 As it relates to providing input to the JPA more broadly, the Participants are all individual members of the Sites Reservoir Committee (and its workgroups) established by the JPA to undertake specific work activities for the development of the Sites Reservoir Project.

1.3 Future Changes to Roles and Responsibilities. The parties acknowledge that future changes in the roles and responsibilities (governance and decision making) between the JPA and Participants will need to be considered as the Project progresses. Such changes will be considered prior to initiation of each subsequent Project phase 3, 4, and 5. The parties acknowledge that Sacramento Valley leadership and Project participants from outside of the Sacramento Valley are both equally essential for Project success and have governance needs that must be met. The parties have agreed that the attached diagram (see page 12) represents an accurate representation of these interests. Any changes to the existing governance and decision making would require approval of the JPA via a change to the JPA governing documents and bylaws. Loan agreements and borrowing agreements executed by the JPA may also limit the type of governance changes that may be made.

2. Project Assets and Ownership

2.1 Project Infrastructure. Project infrastructure, including the land on which Project facilities are sited, including buffer and mitigation lands and physical features of the Project (excluding Partner Facilities) will be owned by the JPA.

2.2 Other Assets. Other assets as described below, will be owned by the JPA and / or by Participants.

2.2.1 Water Right. The Project Water Right will be owned by the JPA.

2.2.2 Storage. A Participant's Storage Allocation will be an asset owned and controlled by the Participant consistent with certain operating limits established by the JPA and the Contract. Storage Allocations and the associated rights to Sites water will be considered saleable and leasable assets, subject to certain terms to be determined in the Contract. (See Section 5 below). A preliminary schedule of Storage Allocations among the Participants is included in Amendment 3 to the Reservoir Project Agreement.

2.2.3 Stored Water. Water stored in Sites Reservoir and allocated to individual Participants in accordance with the Contract will be owned by said Participants.

2.2.4 Conveyance. Capacity ownership, priority, use, and ability to sell or lease capacity rights in Project conveyance is to be determined in a subsequent draft of the Guiding Principles and Preliminary Terms.

3. Beneficiary Pays

3.1 The parties agree that, in principle, Project costs should be allocated consistent with the flow of Project benefits and obligations. For clarity, this means that a Participant receiving benefits from the Project or from a Partner Facility agrees to pay a pro-rated share of fixed and variable Project costs (minus those costs covered by State agencies and the federal government under separate agreements) and, if applicable, wheeling charges assessed by the JPA to cover the cost of use of Partner Facilities. The JPA will develop a Cost Allocation Framework to account for which Participants use which Sites Facilities and Partner Facilities, with input from the Participants. The Cost Allocation Framework will also account for use of the Sites Reservoir and Partner Facilities by State of California Agencies and the federal government.

3.2 Project Costs include actual costs of Project development (i.e., land, Water Right, permits, mitigation), design, construction, debt service, operation and maintenance, major renewals and replacements, and administrative costs. Project development costs to date have been funded on a pay as you go basis.

3.2.1 Project fixed costs (excluding fixed costs associated with Partner Facilities) will include debt service (finance participants only), administrative and general costs of the JPA, operations and maintenance costs (including any ongoing mitigation and monitoring costs), costs of replacements and renewals, and costs to develop and maintain financial sufficiency reserves. Project fixed costs (excluding fixed costs associated with Partner Facilities) will be allocated between all Participants based on their Storage Allocation (excluding any storage allocated to federal and California state agencies whose fixed costs will be allocated based on their percent shares, under separate agreements).

3.2.2 Project variable costs generally include power consumption (pumping) net any revenues from power generation and wheeling costs to account for use of Partner Facilities. Variable costs will be allocated based on the estimated annual amount of water moved into and out of storage by each Participant as a percent share of the total annual amount of water moved into and out of storage by all Participants. At the end of the year a true-up process will be used to align estimated and actual quantities of water moved. State agency and federal government allocation of Project variable costs will be defined in separate agreements with those entities.

3.3 Partner Facility Costs. The parties recognize that certain Partner Facilities are needed to realize Project benefits but that not all Participants need to use all the Partner Facilities. Partner Facility costs will be allocated to Participants based on actual use and wheeling rates established in the respective Facilities Use Agreements.

3.4 Preliminary allocation of Project costs among Participants are attached to the Plan of Finance; these allocations are subject to change.

4. Financing

4.1 The parties agree that the JPA will issue debt to fund all or a portion of the Project capital costs at such time that the JPA has obtained the water right and has otherwise made sufficient progress such that the JPA, as advised by the Reservoir Committee, has determined that debt issuance is warranted.

4.2 The parties further recognize that benefits to the Project as a whole would result from group financing (i.e., lower interest rates, ability of all Participants to fund their obligations) and that financing entities that lend to the Project may impose conditions on the financing that will likely impact each of the Participants. The parties agree to continue to evaluate group financing along with other financing methods beneficial to the Project.

4.2.1 Group Financing and Ratings of Individual Participants

4.2.1.1 Group financing will depend on the shared risk of default among all Participants, not only on those Participants participating in the group financing. Participants' ability to lease or sell their Storage Allocation and/ or to sell Sites water will help serve as a backstop to default for those Participants included in the group financing. In addition, the Participants agree to explore and develop other risk management approaches to support the group financing.

4.2.1.2 Not all of the Participants that may wish to participate in group financing are rated by recognized credit rating agencies and are therefore unable to lend their credit rating to a group financing. Therefore, for group financing to be viable, the financing will need to be based on the credit ratings of a significant subset of those Participants that are rated. To the extent that an unrated Participant may be able to obtain a rating of "A" or better, the parties agree that such Participants are encouraged to inquire into the process for obtaining an individual credit rating.

4.2.1.3 The parties acknowledge that those Participants lending their rating to a group financing are taking additional risk and the parties agree to explore means to offset this risk, including those measures described in 4.2.1.1.

4.2.2 Obligations of "pay-go" Participants to Support Project Financing

4.2.2.1 The parties recognize that some Participants may wish to obtain their own financing or to pay Project costs as they are incurred out of their own available revenues ("pay-go").

4.2.2.2 "Pay-go" Participants recognize that they will receive an indirect benefit from Project group financing in that it provides a greater assurance there will be a sufficient number of Participants committed to a long-term investment in the Project which assures viability of the Project.

4.2.2.2.1 "Pay-go" will be allowed as long as it does not materially adversely affect the ability to obtain group financing for the Project.

4.2.2.3 "Pay-go" Participants also recognize the JPA's need for reliable cash-flow to fund Project design and construction. Therefore each "pay-go" Participant will commit to fund reserves through early payment to reliably meet the JPA's funding obligations.

4.2.3 For group financing to be viable, financing entities have indicated they will require any financing agreement to include a "Project Sufficiency Pledge" or other means for all Participants to share the risk of default. All Participants will need to agree to these obligations, even if they select a "pay-go" option.

5. Leasing or Sale of Storage and Sales of Water

5.1 Storage. Participants may share, lease, or sell their Storage Allocation with other Participants and with other entities. The terms of storage sharing, leasing, or sale are at the discretion of the Participant who is a party to the storage or lease agreement must not negatively impact other Participants' proportional share of first priority allocated benefits. Any sharing, leasing, or sale of a Storage Allocation must be consistent with the Project Water Right and Project permits. Any sharing, leasing or sale will be coordinated with the JPA so that proper Project operations and water accounting can be maintained. A Participant may not transfer or assign any of its rights or obligations to the JPA as part of any sharing or leasing agreement; the Participant will be ultimately responsible for meeting any such obligations to the JPA.

5.1.1 Any lease of a Storage Allocation must specify rights to stored water at the beginning and end of the lease period, which would likely cover a multi-year term. Leasing of a Storage Allocation may provide a Participant with a means to generate revenue to help cover Project costs.

5.1.2 Any sale or lease agreement for a Storage Allocation must specify how conveyance constraints will limit withdrawals from storage and how reservoir losses will be accounted for; these provisions shall be consistent with any procedures and policies established by the JPA.

5.1.3 Any sale of a Participant's Storage Allocation cannot result in a change to the Project's bond rating, violate any agreed-to financing covenants, or otherwise pose any risk to Project financing, and may be subject to the approval of the financing entity(ies) depending on the terms of any financing agreement. The sale of a Participant's Storage Allocation will require approval by the JPA regardless of whether or not the sale is to another Participant or to a non-Participant because, in addition to affecting financing, sales could affect the allocation of water north and south of the Sacramento Delta which in turn could affect access to conveyance because of capacity constraints of the conveyance infrastructure. Such approval shall not be unreasonably withheld by the JPA.

5.1.4 Any Participant selling or leasing its Storage Allocation must first pay any money due to the JPA and thus receive payment "net" of any payments owed the JPA.

5.1.5 Participants will be given "right of first refusal" with respect to the sale or lease of a Storage Allocation by another Participant. While the JPA may act in an administrative role with respect to such sales or leases, the JPA will not act to set the price for water at the Sites reservoir. The JPA will, however, set charges for wheeling water from the reservoir to the point where conveyed water exits the Sites system.

5.2 Water Sales. Participants may sell water held in their Storage Allocation to other Participants or other entities. The terms of sales of water held in Sites Reservoir under a Participant's Storage Allocation are at the discretion of the Participant. Sales terms must not negatively impact other Participants' proportional share of first priority allocated benefits. In addition, the terms of wheeling and cost of wheeling the water, if not made within the Participant's first priority allocated capacity, will be determined and assessed by the JPA. Any sale of water held in a Storage Allocation will be coordinated with the JPA so that proper Project operations and water accounting can be maintained. A Participant may not transfer or assign any of its rights or obligations as part of any sale of water. The receiving entity must either have sufficient available Storage Allocation to store the water, release the water upon purchase, or utilize that Participant's Storage Allocation until the sold water is released.

6. Minimum Contract Term, Successor Agreements, and Changes

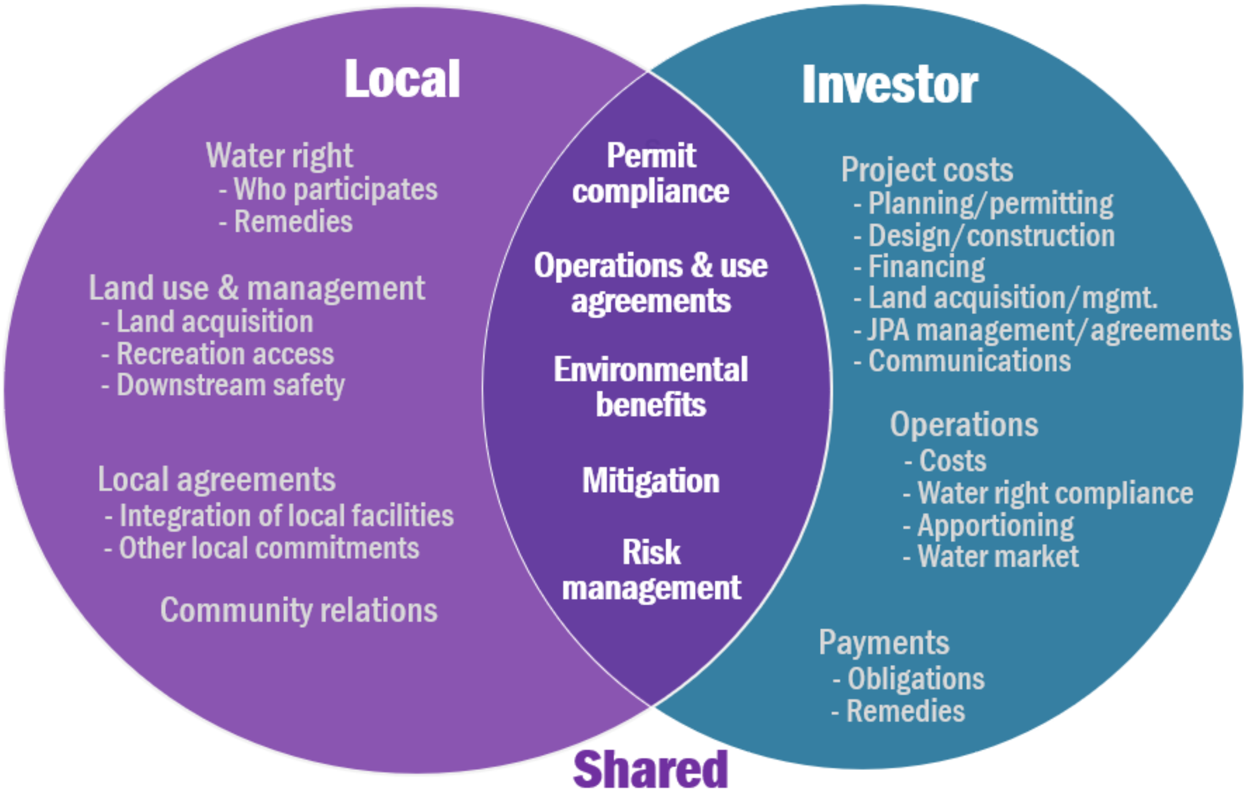
6.1 The parties agree that the term for the Contract will, at a minimum, coincide with the length of the financing agreement and will contain provisions for extensions.

6.2 The parties further acknowledge that it will be necessary to develop successor agreements and that the Contract will detail the process and timeline for developing, negotiating and agreeing to such successor agreements.

6.3 The parties agree that Participants will be provided the ability to opt out of the Project, with an associated rebalancing of storage, before Amendment 3 and before financing.

6.4 The parties acknowledge that future regulatory changes and permit conditions may affect Project obligations (i.e., costs, storage, financing, operations etc.) although such changes are currently unknown. The parties agree to cooperate with one another and the JPA to allocate the impact of such changes. Agreements with State agencies and the federal government must also address allocation of the impacts of any such future changes.

Governance Interests



Meeting: **Reservoir Committee Agenda Item 2.1** **October 22, 2021**

Subject: **Final WSIP 75% Non-Public Cost Share Commitment Materials**

Requested Action:

Authorize the Executive Director to submit the Final WSIP 75% Non-Public Cost Share Commitment materials to comply with Prop 1 conditions and continued eligibility of WSIP funds as follows:

a) Letter Demonstrating Commitment of Non-Public Benefit cost. (Attachment A)

b) Endorse 2021 Drafts of the Plan of Finance and Guiding Principles and Preliminary Terms and direct the Executive Director to transmit 2021 Drafts to Project Members for their Agency review and comment. (Attachment B & C)

Detailed Description/Background:

Water Code section 79757 and California Code of Regulations, Title 23, Division 7, section 6013(f)(2) requires a Water Storage Investment Program (WSIP) applicant to complete the following before January 1, 2022 as a condition of continued WSIP eligibility:

- Draft environmental documentation is available for public review. (EIR/EIS Draft issues in 2017, RDEIR/SDEIS being processed for release on Nov 12, 2021)
- The Director of the Department of Water Resources receives commitments for at least 75 percent of the non-public benefit cost shares of the project. (Subject of this report)
- All feasibility studies are complete. (Previously authorized for transmittal)

Additionally, as a condition of continued eligibility, the Commission must, by January 1, 2022:

- Make a finding that the project is feasible and will advance the long-term objectives of restoring ecological health and improving water management for beneficial uses of the Delta. (Currently scheduled for December 15, 2021)

The Sites Reservoir Project is positioned to fully comply with all of these conditions and continue eligibility for the $836M of Prop 1. There is also the potential to provide added benefits without impacting other participants should funds be available.

The Reservoir Committee and Authority Board adopted a Financing Action Plan in October of 2020 which outlined the Authority's approach to meeting the Prop 1 75% non-public cost share commitment requirement by January 1, 2022. The approach included answering "three big questions" for participants by developing 2021 Draft Guiding Principles and a 2021 Draft Plan of Finance. The "three big questions" are:

- What do we get?
- What does it cost us?
- How do we pay for it?

Starting in February, a series of public workshops were conducted to formulate the Authority's approach to address these questions for Reservoir Committee Participants and for Authority Board members. At the September 2, 2021 Project Financing Action Plan Progress Review and Next Steps workshop, staff presented an overview of and received feedback on the:

- Third Amendment to 2019 Reservoir Project Agreement
- 2021 Draft Plan of Finance
- 2021 Draft Guiding Principles and Preliminary Terms
- Confirming documentation of 75% commitment

These materials were also shared with CWC staff in August for comment. Staff received input on the documents from participants and CWC staff and discussed the approach with the Joint Budget & Finance Committee at their September meeting. Based on feedback received to date, Authority staff has adjusted the approach for demonstrating the 75% Non-Public Cost Share Commitment in letter form to DWR (Attachment A) from the Executive Director.

Staff intends to submit the final WSIP 75% Non-Public Cost Share Commitment materials to the CWC before the end of October 2021 to coincide with the submittal of the Final WSIP Feasibility Report and in advance of the December 15 scheduled consideration by the CWC.

A workshop was held on October 15th to discuss the 2021 Draft Plan of Finance (Attachment B) and the 2021 Draft Guiding Principles and Preliminary Terms (Attachment C). These documents have been updated and will be transmitted to Participants for their agency's review and comment. During the upcoming Amendment 3 work plan, these documents will be finalized, considering input from agencies, and will be used as a basis for Sites Reservoir Benefits and Obligations Contracts between Participants and the Authority.

Prior Action:

September 22, 2021: Authorized the Executive Director to submit the Final WSIP Feasibility Report to California Water Commission to comply with Prop 1 conditions and receive a status update on the other conditions required for project advancement and continued eligibility of WSIP funds.

May 26, 2021: Reviewed and commented on the contents and timing for the California Water Commission Proposition 1 Water Storage Investment Program Feasibility Report submittal.

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

Fiscal Impact/Funding Source:

None.

Staff Contact:

JP Robinette

Primary Service Provider:

Brown and Caldwell

Attachments:

Attachment A: Draft Authority Letter to DWR Regarding 75% Commitment

Attachment B: 2021 Draft Plan of Finance

Attachment C: 2021 Draft Guiding Principles and Preliminary Terms