

# Plan of Finance Workshop Guiding Principles

Reservoir Committee and Authority Board

July 12, 2022



# Workshop Objective and Agenda

Receive an update on the **development of the Sites Reservoir Benefits and Obligations Contract** and provide input to staff

## Agenda:

- Updated Guiding Principles (Attachment)
- Q2 Agency Financing Check-ins
- WIFIA Sub-Committee
- Governance Sub-Committee
- Next Steps

# Introductory Remarks

JP Robinette



# 3 Paths to Investor Commitment

## From April 2024 Amendment 3 Schedule Roll-out

### Construction



### Investor Commitment – July 2024



#### What do we get?

- Water Right Permit
- Participant Specific Model
- ESA Permits

December 2023

#### What does it cost?

- Updated Project Cost Estimate
- Geo Work Packages 3 & 4
- Mitigation Cost Estimate
- Land Cost Established

July 2024

#### How do we pay for it?

- **Indicative Rating (Submit Nov 2022)**
- Finalize WIFIA Application
- Benefits and Obligations Contracts
- WIFIA Negotiations

**March 2024**

# WIFIA Loan Milestone Schedule

Today's Discussion

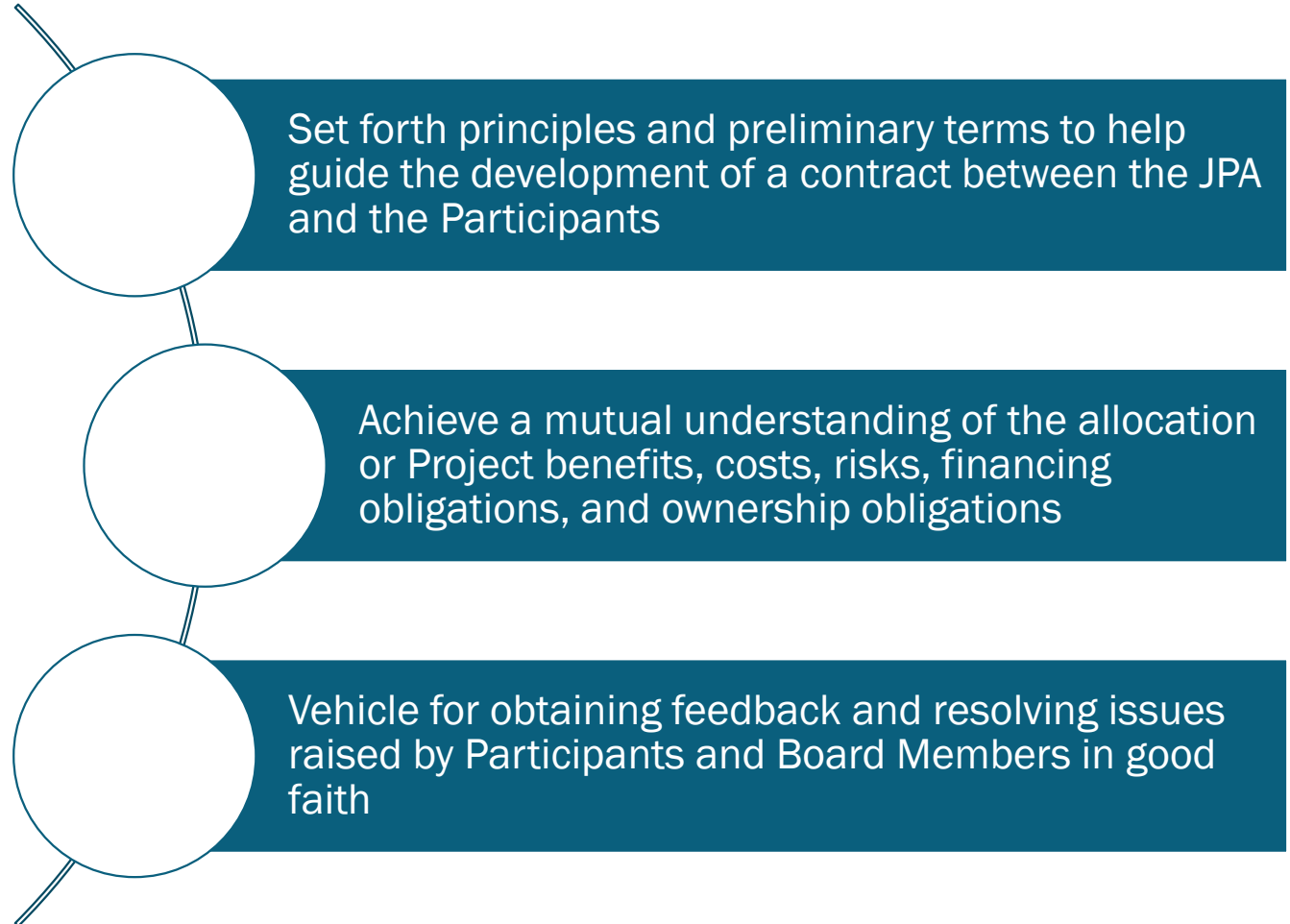
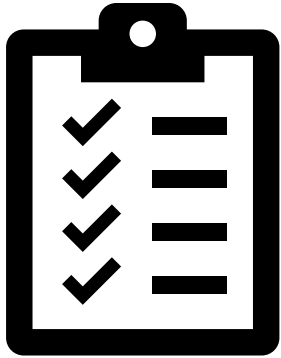


# Guiding Principles and Preliminary Terms

JP Robinette with Pat Tangora and Doug Brown



# Purpose of the Guiding Principles document



# Topics covered by the Guiding Principles

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Related Agreements

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Roles and Responsibilities

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Project Assets and Ownership

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Beneficiary Pays

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Financing

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Leasing/Sales of Storage and Water Sales (“Sites Water Market”)

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Other Provisions



# Guiding Principles Update – Structure of the Benefits and Obligations Contract

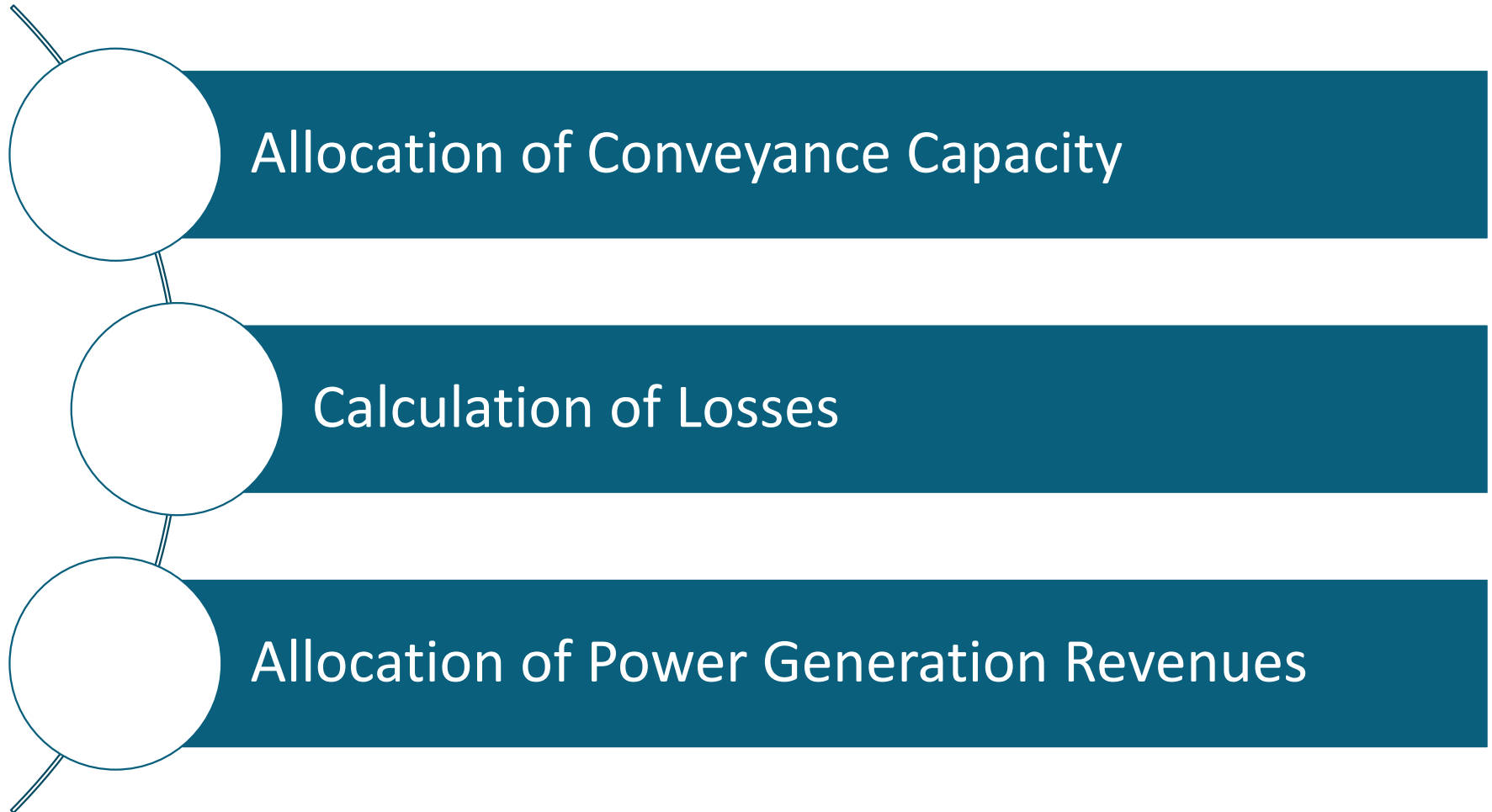


Intent is enter into a materially identical contract with all Participants



Where funding methods or other circumstances warrant additional requirements, they will be written as appendices to the Benefits and Obligations Contract

# Guiding Principles Update – Identification of Additional Topics to be defined in the Benefits and Obligations Contract



# The Authority plans to secure an indicative rating using the updated Guiding Principles

The Authority's rating will depend on two primary factors.

- Participant credit mix: driven by **who participates** and **for how much**.
- JPA liquidity: driven by the amount of **reserves held at the JPA level** and **the payment terms** it negotiates with Participants.

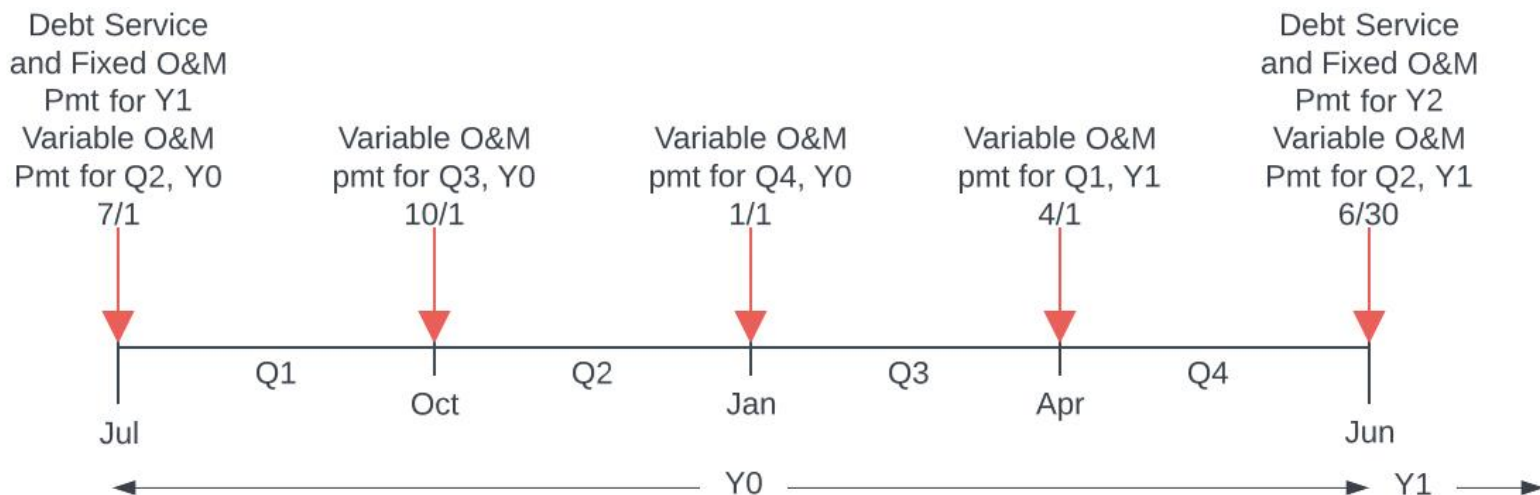
# Guiding Principles Update – Reserves and Payment Terms

- Feedback during the finance plan workshop indicated an interest in having **fewer debt related reserves** at Sites JPA in part to improve affordability
- Structure being presented to rating agency (to obtain a low investment grade credit rating) reflects:
  - No debt service reserve funds funded from debt proceeds
  - General liquidity reserve equal to 10% of principal amount of outstanding debt
- Sites JPA may determine to have other operating reserves unrelated to financing requirements.

# Guiding Principles Update – Reserves and Payment Terms

In lieu of no debt service reserve funds and to **assure Sites JPA cash flow**:

- Participants will be invoiced fixed costs (including WIFIA payments and other debt service) annually in advance
- Participants will be invoiced for variable costs quarterly in advance (on a budget basis with a true-up at end of year)



# Guiding Principles Update – Reserves and Payment Terms

Liquidity reserve available to cover all late payment or non-payment of invoices by any participant while Sites JPA exercises default remedies

- Proceeds of default remedies will be applied prior to drawing on liquidity reserve
- Proceeds of default remedies will be applied to replenish the liquidity reserve (or reimburse participants)
- Liquidity reserve will be replenished, if necessary, as a fixed project cost

# Next Steps for Guiding Principles



# Discussion Questions



**What are some other reserves the Authority may want to evaluate?**



**What does the WIFIA sub-committee need to address prior to submitting the guiding principles draft to a rating agency in November?**



**Should staff engage differently with your agency as we move to drafting contract language? If yes, how?**



# Participant Q2 Financing Check-In Updates

JP Robinette



# Participants have made progress defining how they will pay for their share of project costs.

## Normal Rates and Charges or Benefit Assessment, w/ or w/o Prop 218

- MWD of Southern California
- Santa Clarita Valley WA
- Zone 7 WA
- Santa Clara Valley WD
- GCID
- City of American Canyon
- Rosedale-Rio Bravo
- RD108 (1)

## Colusa County Flood Control and Water Conservation District with Zone of Benefit

- Dunnigan WD
- Davis WD
- Colusa County
- Cortina WD
- Colusa County WD
- Westside WD
- La Grande WD
- RD108 (1)

## Land based charges imposed via recorded Benefits and Obligations Contracts on Certain Lands

- Wheeler Ridge

## State Water Project Statement of Charges

- Desert WA
- San Bernardino Valley MWD
- San Geronio Pass WA
- Antelope Valley-East Kern
- Coachella Valley WD

### *Notes:*

- 1. TBD District-Wide or through CCFCWCD*
- 2. Pay-go participation indicated by Irvine Ranch WD*

# Q2 Finance Check-in: Districts in the Sacramento Valley may participate through a regional entity

- April 2022 Ag Structuring Workshop featuring Wheeler Ridge Case Study
- Two meetings with participants from Sac Valley Water Districts and Sites Bond Counsel
- Involves Colusa County Flood Control and Water Conservation District creating a zone of benefit
  - ✓ Colusa County BOS authorized the CCFCWCD begin this activity and the hiring of a consultant
- District has indicated willingness to annex in landowners in Glenn and Yolo Counties if requested
- Next Steps: Sites to interact with the consultant, formation of a zone council, voting implications on RC/AB

# Discussion Questions



**Do you have an update on your agency's financial planning process related to Sites?**



**What information is critical to your agency securing revenue to pay for Sites?**

# WIFIA Ad Hoc Joint Subcommittee Charter

Attachment C



# WIFIA Ad Hoc Joint Subcommittee

## Purpose

- Provide advice and input to Budget and Finance Committee, the Reservoir Committee, and Authority

## Roles and Responsibilities

- Provide strategic input on the JPA's approach to receiving an investment grade indicative rating
- Evaluate tradeoffs between various credit factors
- Provide input on the development of an application for a WIFIA Loan

## Anticipated timeframe

- July 2022 through submittal of WIFIA loan application (anticipated to be March 2023)

# Governance Ad Hoc Workgroup

Attachment B



# Governance Ad Hoc Purpose and Charter

***Purpose*** The Governance workgroup is charged with providing advice and input to the Reservoir Committee and Authority Board in their evaluation of project governance changes that may be necessary as the Project progresses through future phases of work.

***Process*** Discussion and deliberation through 2023:

- ✓ No substantive changes until Phase 3/4, Final Design and Construction
- ✓ Ad Hoc discussion of issues and options
- ✓ Joint meetings for review and direction
- ✓ Drafting any proposed bylaws changes in 2023
- ✓ Consideration and adoption before project financing



# Governance Ad Hoc Purpose and Charter

**Members** Representatives from AB and RC:

- ✓ Jeff Sutton, TCCA
- ✓ Jamie Traynham, TC 4 Districts
- ✓ Thad Bettner, GCID
- ✓ Rob Kunde, Wheeler Ridge-Maricopa
- ✓ Paul Weghorst, Irvine Ranch
- ✓ Bob Tincher, San Bernardino

## **Charter**

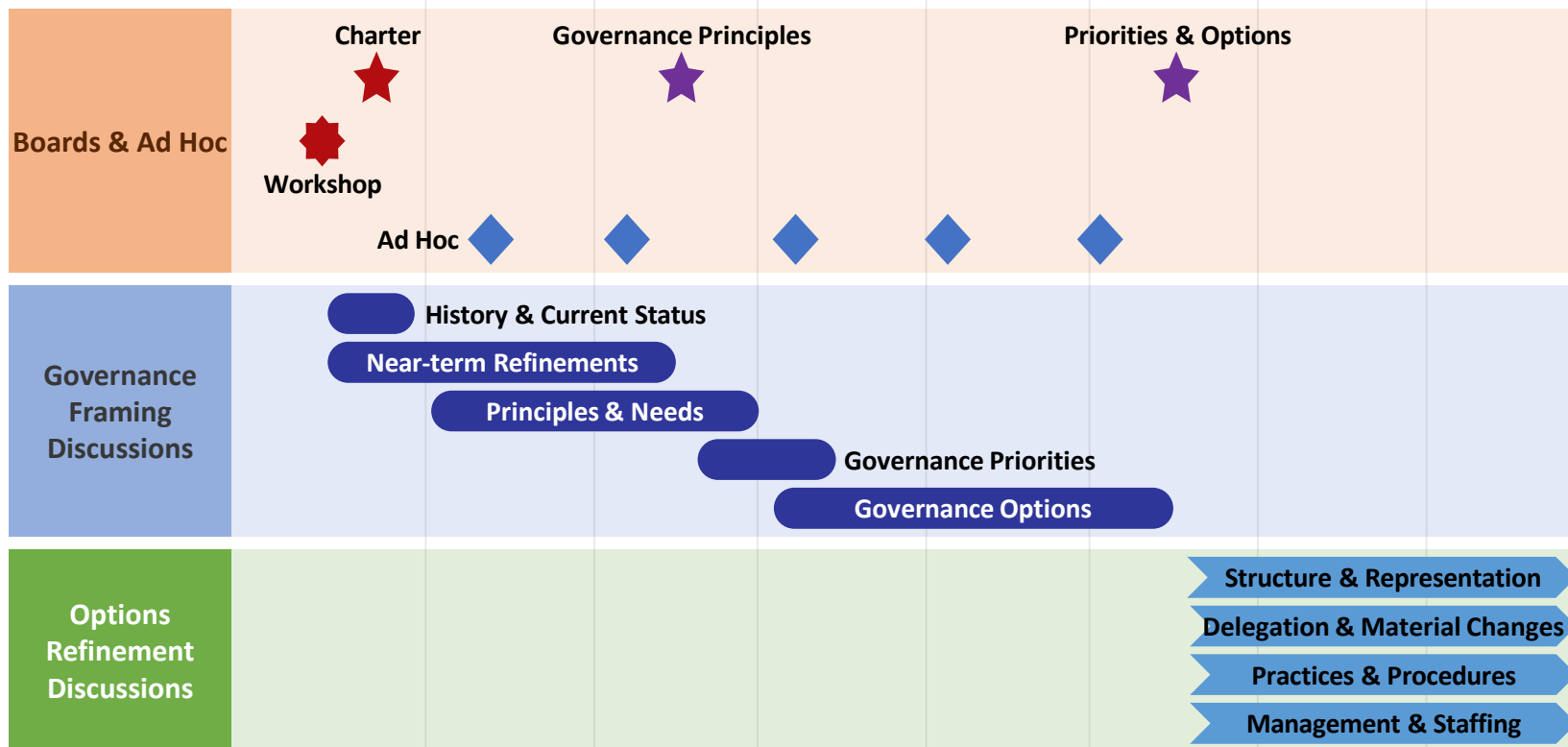
For approval by RC and AB at July meetings (July 22 and 27)

# Near-term Governance Discussion Timeline

2022



2023



Draft 7-6-22



# Questions & Discussion

# Wrap Up and Next Steps



# Next Steps

## Participating Agencies

- **Provide comments to updated draft of Guiding Principles by August 1st**
- Review and comment on ad hoc WIFIA and governance charter documents at July RC and AB meetings

## Team

- Coordinate with ad hoc WIFIA and Governance Workgroups

# Next Steps

## Near Term

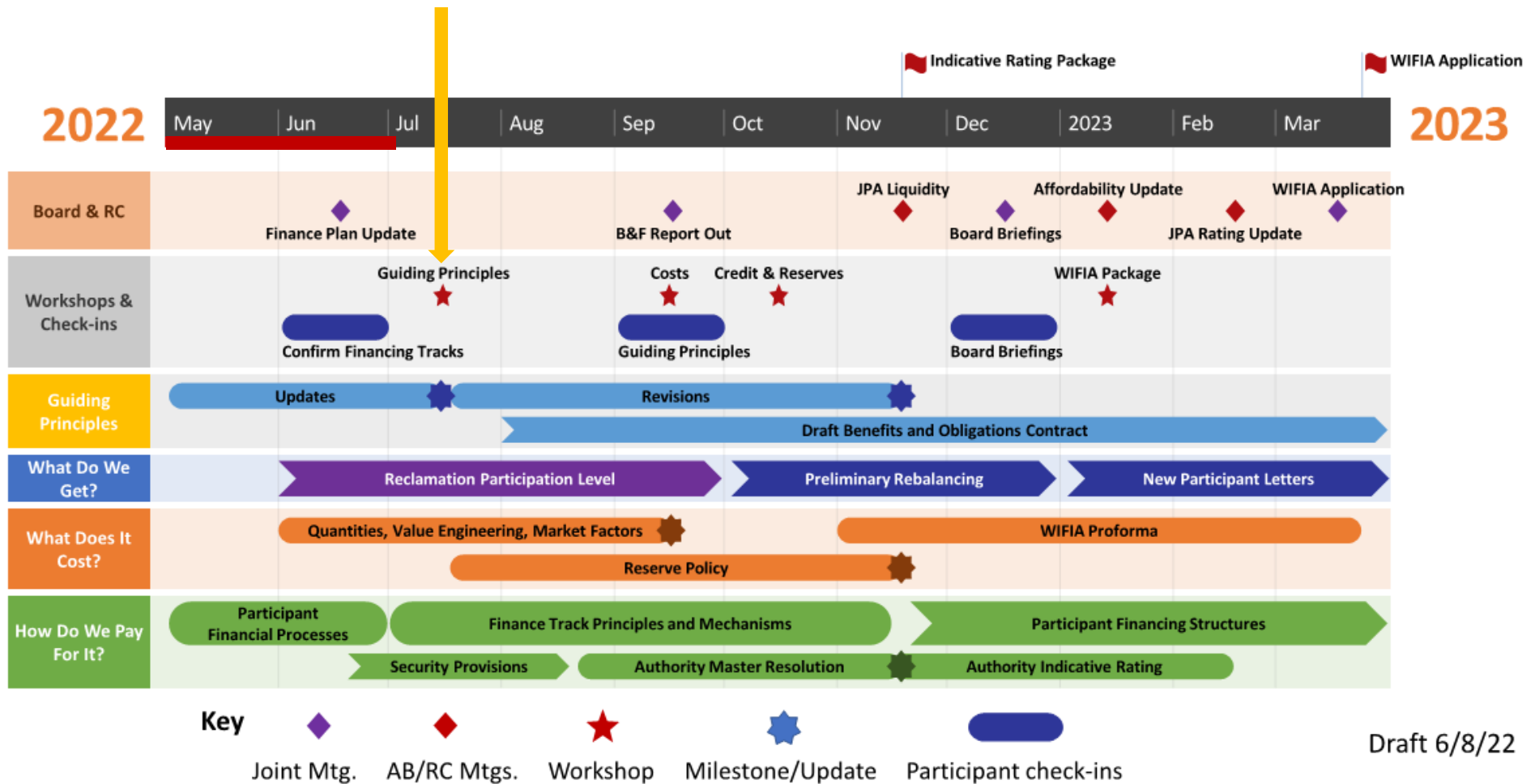
July (Reservoir Committee and Authority Board):

- WIFIA Ad Hoc Subcommittee Charter
- Governance Ad Hoc Subcommittee Charter

## Longer Term

- September: Two-Way Financing Check Ins (focused on Guiding Principles)
- October: Amendment 3 Work Plan Update
- November: Financing Proposal for Rating Agencies (WIFIA Loan Indicative Rating)

# Questions?



Draft 6/8/22