

**DELTA CONVEYANCE FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

REGULAR MEETING

Thursday, July 19, 2018

11:00 a.m.

1121 L Street, Suite 1045, Sacramento, CA 95814

AGENDA

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested person must request the accommodation at least two working days in advance of the meeting by contacting support staff at (916) 347-0486 or info@dcdca.org.

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. PUBLIC COMMENT

Members of the public may address the Authority on matters that are within the Authority's jurisdiction. Speakers are limited to three minutes each. Persons wishing to speak are requested to complete speaker cards.

5. OTHER MATTERS

a. Introduction of Board Members:

- i. Paul Sethy– President of the Board of Directors, Alameda County Water District
- ii. Valerie Pryor – General Manager, Alameda Co. Flood Control and Water Conservation Dist., Zone 7
- iii. Randy Record – Chairman of the Board of Directors, Metropolitan Water District of Southern California
- iv. Jeff Davis – General Manager, San Geronio Pass Water Agency
- v. Gary Kremen – Director, Santa Clara Valley Water District

b. Election of Board Officers

c. Adopt Resolution 18-1 designating regular meeting time and place

6. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.

a. No Consent Calendar Items

DELTA CONVEYANCE FINANCE AUTHORITY

BOARD MEETING AGENDA

July 19, 2018

7. SCHEDULED ITEMS

- a. Adopt Resolution 18-2 adopting the CEQA determination for actions related to California Water Fix – that the Board has reviewed and considered the BDCP/California WaterFix environmental documentation and adopts the lead agency’s Findings of Fact, Statement of Overriding Considerations, Mitigation Monitoring and Reporting Program
- b. Authorize execution of professional service agreement with Michael Bell Consulting, Inc., for a not-to-exceed amount of \$75,000 to retain the services of Brian Thomas as Interim Executive Director, and authorize Member Contributions for payment of invoices for said services, to be allocated equally among Members
- c. Authorize the Executive Director to negotiate and execute a services agreement with the Metropolitan Water District of Southern California to provide treasury/controller and accounting services in an amount not to exceed \$30,000.
- d. Report on Water Infrastructure Finance and Innovation Act (WIFIA) program and authorize the Executive Director to take actions to develop and submit a Letter of Interest to the U.S. Environmental Protection Agency for assistance under the WIFIA program to assist in financing the California WaterFix
- e. Authorize Executive Director to prepare and file all necessary documents related to the formation of a joint powers authority and to take other steps necessary and convenient limited to the creation of a public agency and that do not have a monetary obligation that exceeds \$5,000.

8. REPORTS AND ANNOUNCEMENTS

- a. Executive Director Report

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

Board Memo

AGENDA DATE: July 19, 2018

Item No. 7b

Subject:

Professional Services Agreement for Executive Director Services

Summary:

The Finance Authority will require basic initial filing and ministerial actions after its formation and ongoing general executive services, including organizing meetings, assisting in the creation of bylaws, administering the Authority's policies, managing accounts as required, meeting state filing requirements, etc. As such, it is appropriate to engage a contract administrative and management officer at this time.

A professional services agreement for Interim Executive Director services with Michael Bell Consulting, Inc., to procure the services of Brian Thomas, PhD, for a not-to-exceed amount of \$75,000, to be paid with member contributions, allocated equally among the Finance Authority members, would be utilized to meet these administrative needs.

Detailed Report:

Brian Thomas, Ph.D., is available and willing to provide these executive director services to the Finance Authority through the business entity, Michael Bell Consulting, Inc. Dr. Thomas has served in the areas of public agency and public sector finance for over 30 years. He is currently serving as the Chief Financial Officer for the Las Vegas Valley Water District and Southern Nevada Water Authority. Prior to his recent work in Nevada, he was a Managing Director with PFM Financial Advisors, serving as financial advisor to many of the largest water and wastewater agencies in California and Nevada. In addition to his role as Chief Financial Officer in Las Vegas, Dr. Thomas continues to provide consulting services to water utilities in California. Dr. Thomas has participated in over \$7 billion of debt issuance as an advisor and issuer and is very familiar with the various aspects of public finance, including fixed and variable tax-exempt debt, taxable debt, private placements, and other products. Dr. Thomas has developed and implemented long range finance plans, water rates and charges, debt policies, investment policies, reserve policies and administrative policies for a wide variety of organizations. Dr. Thomas has also advised water agencies on the financial elements associated with alternative procurement strategies.

Dr. Thomas previously served as the chief financial officer and assistant general manager for the Metropolitan Water District of Southern California, and the assistant general manager for the public utilities of the cities of Anaheim and Riverside. Dr. Thomas was a member of the Southern California Public Power Authority's Finance Committee while at Riverside. While at Anaheim, he was an alternate board member for the Southern California Public Power Authority and served on the Intermountain Power Project's Coordinating Committee.

The engagement would be on an interim basis.

Recommended Action:

Award a professional services agreement with Michael Bell Consulting, Inc., to procure the services of Dr. Brian Thomas for Interim Executive Director services for a not-to-exceed amount of \$75,000, and authorize member contributions for payment of invoices for said services, to be allocated equally among the Finance Authority members.

ATTACHMENTS:

Professional Services Agreement for an amount not to exceed \$75,000. [To be Provided Separately from Board Packet].

Board Memo

Contact: Brian Thomas, Interim Executive Director

AGENDA DATE: July 19, 2018

Item No. 7d

Subject:

Letter of Interest for Water Infrastructure Finance and Innovation Act Program

Executive Summary:

The Water Infrastructure Finance and Innovation Act (WIFIA) is a program administered by the Environmental Protection Agency (EPA), and provides loans reflecting long-term Treasury rates for water infrastructure projects such as California WaterFix. Congress established the WIFIA program in the Water Resources Reform and Development Act (WRDA) of 2014. The WIFIA program objective is to accelerate developing needed water and wastewater infrastructure projects by providing long-term credit assistance to fund creditworthy projects that have national and regional significance.

Detailed Report:

WIFIA completed its first funding round earlier this year. EPA issued an additional notice of funding availability on April 12, 2018, announcing that as much as \$5.5 billion in federal subsidized loans (based on the federal budget appropriation of \$55 million in the current budget year) were being made available in the second year of the program. This round of funding will prioritize projects that improve water quality and repair and rehabilitation of aging infrastructure and conveyance systems. Given WaterFix's regional and national significance, this second funding round provides an opportunity to secure WIFIA financing for a portion of the project.

WIFIA is a flexible, wide ranging program that provides funding for borrowers and a variety of projects as shown below:

- 1) Eligible borrowers:
 - a) Local, state, tribal and federal entities
 - b) Corporations, trusts, partnerships and joint ventures
 - c) State Revolving Fund (SRF) programs
- 2) Eligible projects:
 - a) Projects that are eligible for SRF funding
 - b) Enhanced energy efficiency projects at drinking water and wastewater projects
 - c) Brackish or seawater desalination, aquifer recharge, alternative water supply and water recycling projects
 - d) Projects that help mitigate droughts
 - e) Repair and rehabilitation projects that enhance conveyance
- 3) Projects must be at least \$20 million (there is an exception for communities of less than 25,000 people)

The WIFIA program will fund up to 49% of eligible project costs, which include planning, permitting, design and construction costs. The program is a reimbursement program (similar to the SRF programs) in which eligible costs are reimbursed after they are incurred. The financing features are also flexible:

- 1) Term: Up to 35 years from substantial completion of the project
- 2) Interest Rate: A single rate set at the time of financial close. The rate is based on the US Treasury rate and is calculated by using the weighted average life of the WIFIA loan and comparable State and Local Series (SLGS) interest rate plus one basis point (.01%).
- 3) Payments: Debt payments can be structured to meet cash flow needs and do not need to start until 5 years after substantial completion of the project
- 4) Prepayments: The loan may be prepaid at any time without penalty
- 5) Federal Requirements: The project must comply with all relevant federal laws and regulations, including Davis-Bacon, American Iron and Steel Act, all environmental regulations (e.g., NEPA, Clean Air Act, Safe Drinking Water Act, etc.)

Letter of Interest

The first step in the WIFIA loan process is to submit a Letter of Interest (LOI). The LOI describes the project, the financing needs, the credit worthiness of the borrower, the project plan and schedule, and provides preliminary pro forma financial projections (finance plan). Funding is limited, and financing is awarded on a competitive basis, with projects evaluated on the following criteria:

- 1) Project Impact. Projects are evaluated based on national and regional significance in terms of economic and public benefits (e.g., reduction of flood risk, improved water quality, source water protection, support of international commerce, etc.) The use of innovated approaches, protection against extreme weather events, addressing regional priorities, and repair and replacing aging infrastructure are examples of other project impacts.
- 2) Project readiness. Projects are evaluated on their readiness to proceed (e.g., permit requirements, completed preliminary engineering and feasibility analyses, etc.)
- 3) Credit worthiness. Projects are evaluated on the basis of the credit worthiness of the participants, the revenue sources, the financing plan, the needed budget authority, and whether the granting of a WIFIA loan will enable the project to proceed more quickly, among other things.

The LOI prepared on behalf of the Delta Conveyance Finance Authority for the California WaterFix will address these criteria with a detailed project plan, project impacts and financing analyses, and a financial plan. The LOI will seek an initial borrowing in the amount of \$1.6 billion to support the next four years of project expenditures. In addition, the LOI will express interest in additional amounts up to 49%

of the total California WaterFix costs. and encourage the WIFIA program to consider alternative financing arrangements, including establishing a “master credit agreement” to enable the WIFIA program to grant loans in different amounts over an extended period of time, and to permit “self-funding” part of the loan, reducing the need for federal appropriations.

Process and Timeline

As noted above, submitting a LOI is the first step in the process. There are no fees to submit a Letter of Interest. The project selection schedule and timeline are shown below.

<u>Action</u>	<u>Date or Time Period</u>
Letter of Interest	July 31, 2018
Evaluation of Letter of Interest	3-4 months
Project Selection	Fall 2018
Application Process	4-12 months
Close	Summer/Fall 2019

If the California WaterFix is selected, the Delta Conveyance Finance Authority, working with the participating members, would negotiate the terms and conditions associated with the WIFIA loan. This process may require up to a year, depending on the complexity of the loan, the credit structure, and riskiness of the project. The Delta Conveyance Finance Authority would be responsible for application and credit processing fees during this stage, including funding the credit evaluation by EPA’s WIFIA program. Typically, these fees range from \$350,000 to \$600,000 for most projects, and can be financed through debt and/or the WIFIA loan.

The allocation of application and credit processing fees and costs among the Delta Conveyance Finance Authority members would be evaluated by the Executive Committee and approved by the board if the LOI is accepted by WIFIA.

Recommended Action:

That the Board authorize the Executive Director to take necessary actions to develop and submit a Letter of Interest to the U.S. Environmental Protection Agency for credit support of \$1.6 billion under the WIFIA program..

WIFIA Letter of Interest

Delta Conveyance Finance Authority

Board Meeting

July 19, 2018

Agenda

- What is WIFIA?
- Eligibility
- Summary of WIFIA loan terms
- Process and timeline

What is WIFIA?

- Water Infrastructure Finance and Innovation Act (WIFIA) is designed to accelerate investment in needed water and wastewater infrastructure
 - Passed as part of WRRDA in 2014
 - Modeled after the successful TIFIA Program for transportation infrastructure
 - Administered by the Environmental Protection Agency
 - Congress appropriated \$55 million in FY 2018 for the program – leverage up to \$5.5 billion in federal loans
 - Priorities for this round of funding are water quality and repair and rehabilitation of aging infrastructure and conveyance

Eligibility

- Eligible borrowers

- Public agencies
- Tribes
- Corporations
- Joint Ventures
- SRF Programs
- Creditworthy

- Eligible projects

- Minimum project cost of \$20 million
- Regional significance
- Brackish/seawater desalination
- SRF eligible projects
- Enhance energy efficiency
- Drought prevention, mitigation

Competitive Process Based on Three Primary Criteria

- Project impact
 - Regional and national significance
 - Innovative technology, process, etc.
- Readiness to proceed and technical feasibility
- Creditworthiness

WIFIA Loan Terms

- Term: Up to 35 years
- Interest Rate: Based on US Treasury Rates
- Construction draws: Reimbursement basis
- Debt Service: Can be “sculpted” to meet cash flow
- Rates are locked in at financial close
- Initial Debt Service Payment can be deferred until 5 years after substantial completion of the project
- WIFIA can fund up to 49% of eligible project costs
- No prepayment penalty

Other Requirements

- All Federal laws apply (e.g., Davis Bacon, environmental regulations, American Iron & Steel, etc.)
- Common security pledge – revenues that pay senior debt also pledged to WIFIA loan
- Rate covenant and coverage ratios

Process and Timeline

- Letter of Interest (LOI) due on July 31
- Evaluation of LOIs by EPA – 3-4 months
- Project selection – Fall 2018
- Application and loan negotiations – up to 12 months
- Close – Summer/Fall 2019

Recommendation

That the Board authorize the Executive Director to take necessary actions to develop and submit a Letter of Interest to the U.S. Environmental Protection Agency for credit support of \$1.6 billion under the WIFIA program