



**LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY
FINANCE COMMITTEE
AGENDA**

Regular Meeting
December 5, 2023 – 9:30 a.m.

Directors participating telephonically:

Anthea Hansen	17840 Ward Avenue, Patterson, California 95363
Paul Sethy	46961 Zapotec Drive, Fremont, California 94539
Rebecca Eisenberg	2345 Waverly Street, Palo Alto, California 94301
Michael Tognolini	375 Eleventh Street, Oakland, California 94607

This meeting will be conducted remotely and any member of the public who desires to participate in the open session items of this meeting may do so by accessing the Zoom link below without otherwise complying with the Brown Act's teleconference requirements.

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/83441356184>

Or One tap mobile: +16699006833,,83441356184# US (San Jose)

Or Telephone 1-669-900-6833 Webinar ID: 834 4135 6184

Any member of the public wishing to make any comments to the Committee may do so by accessing the above-referenced link where they may select the option to join via webcam or teleconference. Members of the public may also submit written comments to the Clerk by 4:00 p.m. on the business day prior to the meeting for the Clerk to read into the record (subject to three-minute limitation). The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making their comment. Members of the public will be disconnected from the meeting prior to any Closed Session, if applicable.

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in this Committee meeting, please contact the Authority's Clerk at rperea@lagerlof.com by 4:00 p.m. on the day prior to inform the Authority of your needs and to determine if accommodation is feasible. Each item on the Agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item. Materials related to items on this Agenda are available for public review at: www.losvaquerosjpa.com/board-meetings.

CALL TO ORDER

ROLL CALL OF COMMITTEE MEMBERS

Anthea Hansen – Chair, San Luis & Delta-Mendota Water Authority

Paul Sethy – Vice Chair, Alameda County Water District

Michael Tognolini – East Bay Municipal Utility District

Rebecca Eisenberg – Santa Clara Valley Water District

PUBLIC COMMENT ON NON-AGENDA ITEMS

Any member of the public wishing to address the Finance Committee regarding items not on the Agenda should do so at this time. The Committee welcomes your comments and requests that speakers present their remarks within established time limits and on issues that directly affect the Authority or are within the jurisdiction of the Authority.

DISCUSSION ITEMS (may include action to recommend forwarding items to Board of Directors for adoption or approval)

- 1.1 October 26, 2023 Finance Committee Meeting Summary**
- 1.2 Draft Treasurer’s Report – Month Ended October 31, 2023**
- 1.3 Summary of Invoices – Month Ended October 31, 2023**
- 1.4 Plan of Finance Update**
- 1.5 JPA Administration Cost Estimate – Escalation Assumptions**
- 1.6 LVE JPA Capital Preservation Strategy Update**

FUTURE AGENDA ITEMS

ADJOURNMENT

ITEM 1.1: OCTOBER 26, 2023 FINANCE COMMITTEE MEETING SUMMARY

RESPONSIBLE/LEAD STAFF MEMBER:

James Ciampa, General Counsel

DISCUSSION:

Attached for the Committee's information is the summary prepared for the October 26, 2023 Finance Committee meeting.

ALTERNATIVES:

Any suggested revisions to the attached summary will be considered.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Summary from October 26, 2023 Finance Committee meeting



SUMMARY OF REGULAR MEETING OF FINANCE COMMITTEE

October 26, 2023 – 8:30 a.m.

Directors Participating Telephonically:

Anthea Hansen	107 Cayuga, Santa Cruz, California 95063
Paul Sethy	46961 Zapotec Drive, Fremont, California 94539
Rebecca Eisenberg	2345 Waverly Street, Palo Alto, California 94301
Michael Tognolini	375 Eleventh Street, Oakland, California 94607

Chair Anthea Hansen called the meeting to order at 8:34 a.m. Authority staff and members of the public also attended the meeting.

Chair Hansen called for public comments on non-agenda items; none were received.

1.1 September 18, 2023 Finance Committee Meeting Summary. The draft summary of the September 18, 2023 Finance Committee meeting was presented for the Committee’s review and discussion. The draft summary was approved by the Committee, as presented.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.2 Draft Treasurer’s Report – Month Ended September 30, 2023. Jacqueline Harris, Program Controls Manager, presented the draft Treasurer’s Report for the month ended September 30, 2023, which showed Local Agency Partner funds received through September 30, 2023 from EBMUD and ACWD, and funds received from Zone 7 Water Agency as of October 25, 2023. The Committee asked that acronyms for Zone 7 Water Agency and San Francisco Public Utilities Commission be added to the Acronym Key on the Treasurer’s Report. Chair Hansen asked whether the outstanding receivables from the California Water Commission and the Bureau of Reclamation would be applied to JPA’s or CCWD’s cash on hand. She was advised those funds would be applied to CCWD’s cash on hand. Committee Member Sethy stated the JPA’s cash on hand appeared low and asked whether any additional payments are expected to be added to the cash on hand. He was advised that none were expected. Following the contributions from the three Local Agency Partners described above, the cash on hand in the JPA account is \$2.667M as of October 26, 2023.

The Treasurer's Report for the month ended September 30, 2023 was approved with the recommended additions.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.3 Summary of Invoices – Month Ended September 30, 2023. Ms. Harris reviewed the summary of the Authority's invoices for September 30, 2023.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.4 JPA Administration Cost Estimate Update. Chuck Gardner, LVE JPA Program Manager, and the program management team presented an estimated cost at completion table to the Authority's Board of Directors at its October 11, 2023 meeting. That table needed an updated analysis of estimated Authority Administrative Costs. Upon reviewing initial assumptions and methodologies used to develop the amounts previously reported in the 2022 cost estimate, staff developed an updated budget and Administrative Cost estimate for discussion with the Committee.

Mr. Gardner and the Program Management team reviewed the updated 2023 cost estimate, and the sources of change noted in and between the 2022 to 2023 JPA Administrative Cost estimates, which included:

- The 2022 cost estimate assumed only a 3-year period, until funding was expected to be secured, which was assumed to be at the end of FY2023. The current 2023 version estimates costs through the end of construction, which is scheduled to be complete at the end of the first quarter of FY2032.
- In the 2022 cost estimate, CCWD Technical Services and Administrative Costs were included in JPA Administrative Costs; however, because costs for those services are contemplated in the 2023 Construction Cost estimate, those costs were reclassified to construction in the current 2023 cost estimate.
- Initial placeholder assumptions were used for consulting teams prior to procurement, and the scope and support for Authority administration was further defined through a competitive bidding process, resulting in an overall Authority administrative cost increase in the 2023 estimate as the proposals received exceeded those assumptions.
- Several professional services (legal, financial advisory services, external affairs, and program management) costs were estimated to be much lower in the 2022 estimate than in the 2023 estimate.
- The 3% annual escalations in the 2022 cost estimate were increased to 4% annual escalations in the current 2023 cost estimate based on the ENR rate for the SF area.
- Contingency was not included in the 2022 cost estimate but has been added to the current 2023 cost estimate at \$621K in FY2024, then at 10% of all costs excluding WIFIA fees for all remaining years, amounting to a total of \$3.3M through the end of the construction period. The 2023 cost estimate assumes contingency will be used; however, if the contingency amount is not used, it will be carried over to the next fiscal year.

- The 2023 cost estimate contemplates schedule delays reflected in the July 2023 updated construction schedule.
- WIFIA fees were not included in the prior cost model and are estimated to be a one-time fee of \$300K, plus ongoing maintenance fees of \$20,000 per year.
- The current 2023 estimate also includes an assumption for an agreement support position at an estimated annual cost of \$300,000 per year for three years.

The combined result of the updated assumptions in the 2023 cost estimate is an expected net difference/increase of \$15.6 million through the end of the construction period.

Chair Hansen asked for clarification on the “Agreement Support” position included in the 2023 cost estimate. Executive Director Ravazzini advised the person or persons appointed to this proposed role, which may be broken up into two positions, would be responsible for helping the Authority implement agreements negotiated in coming years, which would likely include internal and external coordination of Project agreements as they are implemented and outreach to Members, Project partners and stakeholders to ensure the requirements of each adopted contract are met. Chair Hansen requested more information be provided on this item.

Committee Member Sethy asked Executive Director Ravazzini whether she anticipates the need for any additional support staff at this time. Executive Director Ravazzini advised that the Program Management team is providing the required support at this time; however, she may want to revisit this question when her contract is up for review in 2025, depending on any changed needs at that time. Chair Hansen also questioned the one-time social media cost estimate and asked whether additional expenses are anticipated going forward. Executive Director Ravazzini advised that this expense is a one-time expense to comply with the California Water Commission’s WSIP requirement to present a short video that showcases the Project. Chair Hansen asked that the reference to “social media” be changed to “Water Commission Compliance.” Executive Director Ravazzini agreed to make that proposed change. Committee Member Sethy complimented the Program Management team on the updated Authority Administrative Cost Estimate and thanked the team for bringing some of the issues it discovered with the 2022 cost estimate to the Committee’s attention.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

1.5 Finance Committee Reschedule Dates. Executive Director Ravazzini noted the upcoming November 23, 2023 and December 28, 2023 Finance Committee meetings conflict with holidays, which will reduce availability and participation by the Committee and public. She advised that she will follow-up with the Finance Committee members to determine alternate dates for rescheduling those meetings as a combined session, or possibly canceling one of those meetings. Chair Hansen requested that any revised dates be placed on the calendar soon as possible for planning purposes.

Chair Hansen called for comments from members of the Committee and for public comments; none were received.

FUTURE AGENDA ITEMS:

1. Evaluation on spending in the months ahead.
2. Update on Plan of Finance.
3. Master Resolution.

The meeting adjourned at 9:27 a.m.

Reid Miller

Reid Miller
General Counsel

ITEM 1.2: DRAFT TREASURER’S REPORT – MONTH ENDED OCTOBER 31, 2023

RESPONSIBLE/LEAD STAFF MEMBER:

Jacqueline Harris, Program Controls Manager

DISCUSSION:

The draft Treasurer’s Report for October 2023 will be presented for the Committee’s review and discussion.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Draft Treasurer’s Report for October 2023



DRAFT TREASURER’S MONTHLY REPORT FOR PERIOD ENDED OCTOBER 31, 2023

DECEMBER 5, 2023

UPCOMING ACTIVITIES

January 25, 2023 – Finance Committee Meeting via Zoom

February 22, 2023 – Finance Committee Meeting via Zoom

FINANCE COMMITTEE

Chair: Anthea Hansen, SLDMWA
 Vice-Chair: Paul Sethy, ACWD
 Rebecca Eisenberg, SCVWD
 Michael Tognolini, EBMUD

ACRONYM KEY

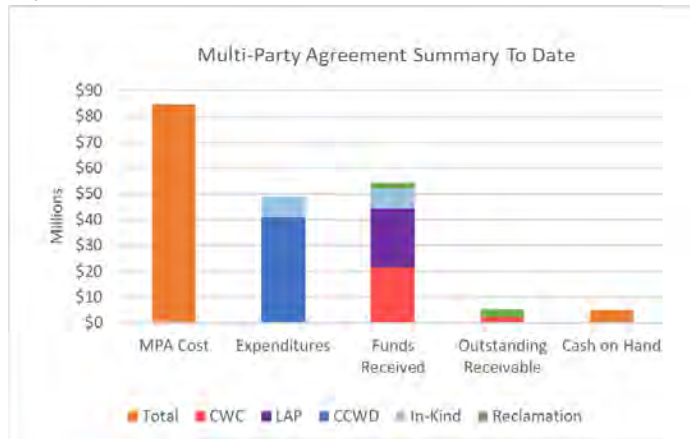
- ACWD – Alameda County Water District
- CCWD – Contra Costa Water District
- CWC – California Water Commission
- EBMUD – East Bay Municipal Utility District
- GWD – Grassland Water District
- MPA – Multi-party Cost Share Agreement
- SFPUC – San Francisco Public Utilities Commission
- SCVWD – Santa Clara Valley Water District (Valley Water)
- SLDMWA – San Luis & Delta-Mendota Water Authority
- Zone 7 – Alameda County Flood Control

MULTI-PARTY AGREEMENT STATUS

Amendment No. 5 to the Multi-Party Cost Share Agreement (MPA) has been fully executed by the JPA, CCWD and all other JPA Members. The first invoice of \$619,500 was mailed to the seven participating member agencies on September 1, 2023, and as of October 31, 2023, five of the seven payments had been received. The last two payments were received in early November.

MPA EXPENDITURES

The following chart provides an overview of the MPA expenditures through October 31, 2023, in addition to in-kind services, funds received, outstanding receivable, and cash on hand. All Member Agencies remain in good standing and the Project cash on hand remains positive.



MPA Cost:	\$84,610,865 (Amendment No. 5)
Expenditures:	
CCWD:	\$41,026,923
LVRJPA:	\$1,021,409 (Consultants and Legal)
In-kind:	\$7,752,368 (Member Agencies and Reclamation)
Total:	\$49,800,699
Funds Received:	
CWC:	\$21,387,546
Reclamation:	\$2,420,227
Member Agencies:	\$26,024,077 (Cash Contributions)
In-kind:	\$7,752,368 (Member Agencies and Reclamation)
Total:	\$57,584,217
Outstanding Receivables:	
CWC:	\$2,204,696 (Invoices and Retention)
Reclamation:	\$3,025,702
LVRJPA	\$1,239,000 (Member Agencies)
Cash on Hand:	
CCWD:	\$5,063,150
LVRJPA:	\$3,042,675

FEDERAL FUNDING STATUS

On July 27, 2023, the Bureau of Reclamation announced an additional allocation of \$10M to the project increasing Federal funding under the Bipartisan Infrastructure Law to a total of \$92M.

A total of \$82 million was allocated to the Project in the Bipartisan Infrastructure Law FY22 Spend Plan. The Authority was allocated \$18 million in FY23 from the Water Infrastructure Improvements for the Nation (WIIN) Act. Previous awards of Federal funding during FY21 and FY22 include \$10 million in pre-construction funding and \$54 million in construction funding. CCWD executed an assistance agreement with Reclamation for a total of \$7.2 million in federal funding for permitting, design, and other pre-construction activities and Reclamation has paid the first two invoices. Staff are working with Reclamation to develop an amendment to allocate approximately \$800,000 in additional pre-construction funding.

Future Federal funding requests include the remainder of the requested federal share of 21 percent of the total project cost (approximately \$39 million).

STATE FUNDING STATUS

The Project qualified for funding under the Water Storage Investment Program and received an adjusted Maximum Conditional Eligibility Determination of \$477,558,343 from the California Water Commission (CWC) on March 16, 2022. This amount reflects an additional inflation adjustment of 1.5 percent and an increase of over \$7 million from the previous award.

The Early Funding Agreement with the CWC provides for a cost share of 50 percent of eligible costs during pre-construction. An amendment was executed in November 2022 that extended the agreement through December 31, 2023 and added \$927,917 in additional early funding as a result of the inflation adjustments to the total award amount. The summary below reflects the Total Budget and other budget status information of the amended Early Funding Agreement.

Early Funding Agreement Summary to Date:

Total Budget:	\$47,755,834
Total Program Funding:	\$23,877,917 (50% cost share)
Total Billed To Date:	\$47,184,484 (99% spent to date)
Total Amount Remaining:	\$571,350
Total Retention To Date:	\$72,506
Outstanding Invoices:	\$2,204,696

ITEM 1.3: SUMMARY OF INVOICES – MONTH ENDED OCTOBER 31, 2023

RESPONSIBLE/LEAD STAFF MEMBER:

Jacqueline Harris, Program Controls Manager

DISCUSSION:

At the request of the Authority Board of Directors, the Finance Committee will be provided a summary of the monthly invoices received. The Summary of Invoices for October 2023 will be presented for Committee discussion.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Summary of Invoices – Month Ended October 31, 2023



**SUMMARY OF INVOICES
FOR THE MONTH ENDED OCTOBER 31, 2023**

The invoices below have been reviewed and approved for payment.

Vendor/Consultant	Billing Period	Invoice Total
Clean Energy Capital	October 2023	\$38,065.00
Eide Bailly	October 2023	\$3,330.00
Hallmark Group	October 2023	\$136,741.46
J. Comm	August 2023	\$1,715.59
Lagerlof, LLP	October 2023	\$24,422.61
Natural Resources Results	October 2023	\$15,000.00
Regional Government Services	October 2023	\$3,227.00
T. Ravazzini Consulting, LLC	October 2023	\$38,581.87
Total Cost		\$261,083.53

The total cost above is included in the Expenditures section of the Treasurer’s Report. The JPA’s bank balance at J.P. Morgan Chase was \$3,042,675 as of October 31, 2023.

ITEM 1.4: PLAN OF FINANCE UPDATE

RESPONSIBLE/LEAD STAFF MEMBER:

David Moore, Financial Consultant

DISCUSSION:

LVE JPA staff, working together with the Plan of Finance Sub-Group comprising Member financial representatives, has developed a draft Plan of Finance and a draft Prioritization Resolution for the JPA. Staff will make a presentation to the LVE Finance Committee summarizing these draft documents.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- Finance Committee PowerPoint Presentation
- Draft LVE Plan of Finance
- Draft LVE Prioritization Resolution



Los Vaqueros Reservoir JPA Plan of Finance Update

Plan of Finance Sub-Group

Agency	Individual(s)
ACWD	Martin Koran, Sydney Oam
CCWD	Herman Williams, Maureen Martin
EBMUD	Robby Hannay
SFPUC	Nikolai Sklaroff
Valley Water	Charlene Sun, Steve Peters
Zone 7	Lizzie Foss
Stradling Yocca	Doug Brown, Jonathan Guz
Clean Energy Capital	David Moore, Will Lockwood
JPA	Taryn Ravazzini, Chuck Gardner, Jim Ciampa

Plan of Finance (Draft)

- Role and purpose of Plan of Finance
 - Single document setting forth a consensus plan of the JPA and Members (Members are still reviewing and considering the Plan of Finance and Prioritization Resolution)
 - Plans and expectations as of the date of drafting
 - General approach to be applied by staff and consultants
 - Revisions are required only if there are fundamental changes

Plan of Finance (Draft)

- What is covered:
 - Financial Goals and Objectives of the Authority
 - Plan for Permanent Financing
 - Plan for Interim Financing



Plan of Finance (Draft)

- Interim Financing recommendations
 - Utilize Interim Financing for initial capital funding
 - Arrange for Interim Financing to be immediately available upon Service Agreement execution
 - Initially pursue a Drawable Facility (either a Bank Loan or TECP) available upon Service Agreement execution
 - Use an RFP to select counterparty and determine debt instrument

Prioritization Resolution (draft)

- ❑ Role and purpose of Prioritization Resolution
 - ❑ Set forth common terms for all JPA borrowings, including the Interim Financing and WIFIA Loan
 - ❑ Establish a starting point for documentation of individual borrowings

Prioritization Resolution – Key Terms (draft)

Revenues

- Defined as payments from Members under Service Agreement and other miscellaneous revenues, such as hydroelectric energy sales
- Does not include public benefits funding, which is generally “outside” the Prioritization Resolution and will be segregated and separately tracked



Prioritization Resolution – Key Terms (draft)

- Revenues Waterfall
 - Revenue Fund
 - Payment of O&M
 - Senior debt; replenishment of any senior debt reserves
 - Subordinate debt; replenishment of any subordinate reserves
 - Renewal and Replacement and extraordinary costs
 - Deposit to Available Reserves



Prioritization Resolution – Key Terms (draft)

- Rate Covenant
 - Net Revenues (including Available Reserves, if allocated) of at least 1.00 times senior debt
 - Remaining Net Revenues of at least 1.00 times sub debt

- Additional Bonds Test
 - No material event of default on Authority Debt
 - Service Agreement in full force and effect

Prioritization Resolution – Key Terms (draft)

- Reserves
 - No debt service reserve fund
 - Available Reserves Requirement of 17% (2 months/12 months) of budgeted administrative and operating expenses and Authority Debt
 - JPA has right to establish higher reserve requirements from time to time

Update of JPA Reserve Policy

Resolution No. 6.22.03

1. Administrative and Operating Fund Reserve
 - 17% (2/12 months) of budgeted administrative and operating expenses
2. Debt Service Fund Reserve
 - maximum annual debt service coverage attributable to each Member
3. Capital Project Fund Reserve
 - 17% (2/12 months) of annual capital budget

Replaced by the Available Reserve Requirement

Maintained Outside of the Prioritization Resolution (Not Pledged to Lenders)



LVE PLAN OF FINANCE
WORKING DRAFT

Prepared by:



DRAFT – December 1, 2023

This Plan of Finance is preliminary, non-binding, and for discussion purposes only.

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1. Plan of Finance Overview

This plan of finance (“Plan of Finance”) is a plan for funding the capital and operating costs to be incurred by the Los Vaqueros Reservoir Joint Powers Authority (the “Authority”) for the development, construction, and operations of the Los Vaqueros Reservoir Expansion Project (“Project”). This section provides certain summary information informing the Plan of Finance.

<p>1.1 Plan of Finance</p>	<p>This Plan of Finance sets forth the Authority’s plans and expectations for the Interim Financing and Permanent Financing as of the date of drafting. The approach described herein will be applied by staff, consultants and attorneys. This Plan of Finance will be revised only if there are fundamental market or other changes requiring a different approach to Interim Financing and/or Permanent Financing.</p>
<p>1.2 Service Agreement as Security for Authority Indebtedness</p>	<p>All JPA indebtedness, including the Permanent Financing and the Interim Financing, will be secured by a Service Agreement between the Authority and its Members. The Service Agreement is currently under development. It will provide a commitment by the Members to pay all Authority costs including debt service.</p>
<p>1.3 Financial Closing Date</p>	<p>The “Financial Closing Date” refers to the date on which Interim Financing and/or Permanent Financing are available to the Authority. Because Interim Financing and Permanent Financing will be secured by the Service Agreement, the Financial Closing Date can be no earlier than the Effective Date of the Service Agreement. The Authority intends to dual-track preparation and documentation of the Interim Financing and Permanent Financing such that Financial Closing will occur on or shortly following the Effective Date of the Service Agreement.</p> <p>The draft Service Agreement defines the Effective Date as the date the last Member signs the Agreement, but further provides that effectiveness is conditioned upon the execution of the Final Funding Agreement by the Authority and the California Water Commission.</p>
<p>1.4 Sources of Funds prior to the Financial Closing Date</p>	<p>Prior to the Financial Closing Date, the Authority has funded and will continue to fund its costs with early Public Benefits funding and Member pay-go contributions.</p>
<p>1.5 Sources of Funds following the Financial Closing Date</p>	<p>On and after the Financial Closing Date, the Authority expects to fund capital costs through the Interim Financing and Permanent Financing as described herein. The Authority expects to fund operating costs, and to pay debt service on the Permanent Financing, through revenues received from Members pursuant to the Service Agreement.</p> <p>Provisions are being developed for the funding of renewal and replacement costs, and for the funding of future capital modifications.</p>

1.6 Self-Funding Option	Pursuant to the terms of the draft Service Agreement, each Member shall have the right to self-fund its share of capital costs for specific Project components. The Self-Funding Option shall apply to the Interim Financing as well as the Permanent Financing.
1.7 Indicative Credit Rating	The Authority has received a confidential indicative credit rating from Standard & Poor's assessing the Authority's credit strength following Service Agreement execution.
1.8 Prioritization Resolution	The Authority is working with its financial advisor and bond counsel to draft a Prioritization Resolution setting forth terms for borrowings of the Authority.
1.9 Proforma Financial Model	The Authority is currently updating its proforma financial model for the Project.
1.10 Defined Terms	Capitalized terms not defined herein have the meaning set forth in the draft Service Agreement.

2. Financial Goals and Objectives of the Authority

The Plan of Finance is intended to support the Authority's financial goals and objectives as identified in this section.

2.1 Lowest Cost of Financing	Lowest cost of financing refers to minimizing the all-in cost of financing activities of the Authority, including debt service, issuance expenses, and processing/monitoring time by the Authority and Members.
2.2 Financial Flexibility	Financial flexibility refers to the ability of the Authority to respond effectively to changing conditions including financial market variability, construction cost and timing variability, and other factors arising during the long-dated construction period and operating period of the Project.
2.3 Risk Minimization	Risk minimization refers to the identification of financial risks and development of risk mitigation strategies in the context of the Authority's financial goals and objectives.
2.4 Cost Certainty (Predictability)	Cost certainty and predictability refers to the ability of the Authority and Members to establish fixed and predictable short-term and long-term costs.
2.5 Simplicity and Ease of Execution	Simplicity and ease of execution refer to the minimization of unnecessary complexity in the Plan of Finance and financial affairs of the Authority, especially during the early implementation stage during which the Authority is pursuing multiple financial and non-financial initiatives.

2.6 Compliance with Law	Compliance with law means that the Authority’s Plan of Finance will comply with applicable laws and regulations.
2.7 Cost Allocation Among Members According to Benefits Received	Financial costs will be allocated among Members in proportion to benefits received. The Service Agreement will address those allocations.

3. Plan for Permanent Financing

Permanent Financing refers to long-term financing with terms of 30 years or more, as distinguished from Interim Financing.

3.1 Permanent Financing Sources of Funds	The Authority’s sources of Permanent Financing for the project are expected to be a borrowing from the EPA under the WIFIA program (the “WIFIA Loan”), Public Benefits Funding from the State and the Bureau of Reclamation under various funding programs (WSIP, WIIN Act, BIL), and additional Permanent Financing as needed, as described in this section.
3.2 Public Benefits Funding	<p>The Authority has received, and expects to further receive, public benefits funding (“Public Benefits Funding”) from the State of California and the Bureau of Reclamation under various funding programs (WSIP, WIIN Act, BIL).</p> <p>Public Benefits Funding is provided without expectation of Authority repayment, in consideration of the public benefits to result from the Project. Documentation for Public Benefits Funding, and funding specifics, are currently being developed by the Authority and the Authority’s State and Federal counterparties.</p> <p>A portion of Public Benefits Funding is “early funding” available prior to the Financial Closing Date. Other than this early funding, the receipt of Public Benefits Funding by the Authority is conditioned upon execution of the Service Agreement and subsequent hearings and processing.</p> <p>Public Benefits Funding is expected to reimburse the Authority for eligible expenditures of the Authority. The time period separating expenditure by the Authority from reimbursement by the State or Federal administering agency has not been established.</p>
3.3 WIFIA Loan	The Authority was invited by the EPA to submit a WIFIA Loan application for up to \$675 million, and submitted its application in September 2023. The Authority intends to use the WIFIA Loan to provide Permanent Financing for up to 49% of eligible Project costs, the statutory limit for the WIFIA Loan program. It is expected that the WIFIA Loan will fund repayment of the Interim Financing and/or reimburse the Authority for

	<p>eligible Project cost expenditures. The WIFIA Loan will bear a fixed interest rate established upon Financial Closing as a function of then-current long-term Treasury Bond interest rates. Interest will accrue on the WIFIA Loan from the date of drawdown such that the total accrued interest during construction will be added to the WIFIA Loan amount upon completion of construction. The WIFIA Loan is expected to amortize over 30 years from the date of completion of construction on a level debt-service basis.</p> <p>The terms and provisions of the WIFIA Loan will be consistent with the Prioritization Resolution.</p>
<p>3.4 Other Long-Term Financing</p>	<p>The Authority may additionally receive other Permanent Financing through grants or subsidized loan programs. In the event that funds received through the WIFIA Loan, grants or other subsidized loan programs; together with advances received by the Authority from Members (if any) exercising the Self-Funding Option; are insufficient to fund capital costs of the Project, the Authority expects to issue long-term tax-exempt revenue bonds to fund such shortfall.</p> <p>The terms and provisions of other long-term financing will be consistent with the Prioritization Resolution.</p>
<p>3.5 Sequence of Issuance and Drawdown</p>	<p>To minimize its cost of funds, the Authority intends to draw down its lowest-cost Permanent Financing first to the extent permitted under the applicable agreements, with higher cost Permanent Financing drawn subsequently.</p> <p>This approach would draw Public Benefits Funding (with no interest cost or repayment requirements) first, followed by WIFIA financing, followed by Revenue Bond financing to the extent necessary.</p>
<p>3.6 Debt Allocation to Members</p>	<p>The Authority will develop principles for allocating Authority-issued debt to individual Members. It is expected that debt will first be allocated to Facilities, such that the Members’ Storage Buy-In Percentages and TBPL Buy-In Percentages as set forth in the Service Agreement can further allocate debt service to individual Members based on the Members’ respective participation.</p>

4. Interim Plan of Finance

The Authority will establish an interim funding facility (the “Interim Financing”) intended to bridge between the date of development / construction expenditures and the date of Permanent Financing. The debt instrument for the Interim Financing is currently under review, with the expectation that the JPA will pursue a bank loan, interim notes issuance, tax-exempt commercial paper program, or some combination of these instruments.

<p>4.1 Development of Interim Plan of Finance</p>	<p>Interim Financing is intended to bridge between the date of development and construction expenditures by the Authority and the date that drawdowns or advancements of Permanent Financing are received.</p> <p>For costs to be permanently financed through the WIFIA Loan, Interim Financing (i) will be used to bridge the time period between Authority expenditure and WIFIA Loan reimbursement, (ii) may be used to take advantage of potentially-lower Interim Financing interest rates as compared to the WIFIA Loan rate, and (iii) may be used to preserve the WIFIA Loan interest rate reset option, which expires on first WIFIA Loan drawdown.</p> <p>For costs to be permanently financed through Public Benefits Funding, Interim Financing will be used to bridge the time period between expenditure and reimbursement.</p> <p>The Authority established a Plan of Finance Subgroup comprised of Authority staff, financial advisor and Member representatives to develop the Interim Plan of Finance. The group is currently reviewing the appropriateness of three primary debt instrument alternatives for interim financing: a bank loan, tax-exempt commercial paper, and medium-term notes.</p> <p>In the course of its review, the Plan of Finance Subgroup received presentations from selected commercial and investment banks regarding funding alternatives for Interim Financing as well as the advantages and disadvantages of each. Interim Financing in advance of a WIFIA Loan is customary in the California water infrastructure sector. One of the items considered by the Plan of Finance Subgroup was debt instrument selection by other water utilities for their interim financings. This data is summarized in Exhibit A hereto. It shows that for the 10 largest WIFIA Loan borrowers (the peer group for the LVE project), commercial paper was the most common interim debt instrument, followed by bank loans and then by notes issuance. These debt instruments, and their relative advantages and disadvantages for the Authority, are summarized in the remainder of this Section 4.</p>
<p>4.2 Drawable Facility</p>	<p>A “Drawable Facility” refers to a credit facility that can be drawn down periodically (i.e. monthly or quarterly) by the Authority to fund expenditure requirements. The two primary debt instruments for a Drawable Facility are a Bank Loan and Tax-Exempt Commercial Paper.</p> <p><u>Bank Loan</u> A “Bank Loan” as used herein refers to a lending arrangement between the Authority and one or more institutional lenders (the “Lender”), typically commercial banks. Under a Bank Loan, the Lender and the Authority would agree on a maximum credit facility amount, procedures</p>

for drawdowns and repayment, and other credit terms. The maximum loan amount would reflect the creditworthiness of the Authority, the Lender's appetite for exposure to the Authority, and other factors. Typically, the Bank Loan would charge one rate for committed and undrawn funds, and another rate for drawn amounts. Typically, drawn amounts would accrue interest based on the specified rate as an adder to a variable rate index. In a Bank Loan, the Lender would perform credit due diligence but would not receive an official statement or other disclosure document. The all-in cost of funds for a Bank Loan is the undrawn rate plus the drawn rate, both of which are negotiated with the Lender, plus transaction costs, primarily the costs of loan documentation.

TECP

"Tax-Exempt Commercial Paper" or "TECP" as used herein refers to a commercial paper program issued through public offering. Commercial paper consists of short-term fixed rate promissory notes with maturities up to 270 days, backed by a line of credit from a bank. In a commercial paper program, a commercial paper underwriter markets initial and subsequent commercial paper offerings, with subsequent commercial paper placements funding maturing commercial paper issued previously, as well as incremental development and construction costs. The line of credit bank commits to repay maturing commercial paper if it cannot be remarketed. As publicly-offered debt, TECP requires an official statement. However, because investors look to the commercial bank line of credit rather than the Authority as their primary source of repayment, limited Authority disclosure is required. The market for TECP is deep, with no maximum size limitations relative to the size of the LVE Project. The all-in cost of funds for TECP is the interest rate on the individual commercial paper offerings, which is determined by then-current market conditions, remarketing fees paid to the commercial paper dealer, the cost of the line of credit, plus costs of issuance.

Comparison of Drawable Facility Alternatives

The primary advantages of a Bank Loan relative to TECP are its ease (and low costs) of issuance and administration. The primary advantage of TECP is broad market support from institutional investors and resulting lender appetite. Both alternatives require participation of a commercial bank either as Lender or as line-of-credit provider.

The primary advantages of a Drawable Facility relative to a Note Offering are the greater flexibility in sizing and drawdown, and the lower disclosure requirements and associated savings in terms of costs of issuance. The primary disadvantage of a Drawable Facility relative to a Note Offering is the variable interest rate exposure of a Drawable Facility, which reduces cost certainty (predictability).

The relative all-in borrowing cost of a Bank Loan versus TECP fluctuate with changing market conditions, specific implementation decisions such

	<p>as TECP tenor and roll-over strategy, program size, negotiations with commercial banks and commercial paper dealers, and other factors.</p>
<p>4.3 Note Offering</p>	<p>A “Note Offering” as used herein refers to a public offering of fixed-rate, medium-term notes with a maturity of approximately 2 to 7 years. Notes would be publicly offered through an underwriter and would require a full official statement describing the Authority, Project and Members.</p>
<p>4.4 Comparison of Drawable Facility and Note Offering</p>	<p>The primary advantages of a Drawable Facility relative to a Note Offering are the greater flexibility in sizing and drawdown, and the lower disclosure requirements and associated issuance cost savings. The primary disadvantage of a Drawable Facility relative to a Note Offering is the variable interest rate exposure of a Drawable Facility, which reduces cost certainty (predictability).</p> <p>Relative pricing (all-in borrowing cost) of a Drawable Facility (whether Bank Loan or TECP) versus a Note Offering fluctuates with the factors listed above.</p>
<p>4.5 Interim Financing Issuance Strategy</p>	<p>In consideration of the relative advantages and disadvantages of a Drawable Facility versus a Note Offering, the Authority’s Interim Plan of Finance is to implement a Drawable Facility on dual track with finalization of the Service Agreement such that the Drawable Facility is immediately available upon the effective date of the Service Agreement. The Financial Closing Date for the Drawable Facility will be the effective date of the Service Agreement (see above discussion of Financial Closing Date).</p> <p>The terms and provisions of the Drawable Facility will be consistent with the Prioritization Resolution.</p> <p>The Authority will use an RFP process to select financial counterparties for the Drawable Facility and to make decisions on whether the Bank Loan or TECP is preferable, or whether a dual track implementation of both alternatives best meets the Authority’s financial goals and objectives.</p> <p>Subsequent to the Financial Closing Date, the Authority will evaluate whether a Note Offering at some point during the long-dated construction period can supplement or replace the Drawable Facility in order to better meet the Authority’s financial goals and objectives.</p> <p>The terms and provisions of the Note Offering, if any, will be consistent with the Prioritization Resolution.</p> <p>This approach provides the following advantages to the Authority and its Members:</p> <ul style="list-style-type: none"> • It is not considered practical to implement a Drawable Facility and a Note Offering simultaneously and on dual-track with finalization

	<p>of the Service Agreement, such that either could be available to the Authority upon Financial Closing. Rather, the phased approach of beginning with a Drawable Facility and then developing a Note Offering appears a more practical alternative for the Authority.</p> <ul style="list-style-type: none"> • The Drawable Facility maximizes the Authority’s financial flexibility as it approaches commencement of construction. • The Drawable Facility has lower issuance cost and staffing requirements due to its lesser disclosure requirements. • It could be difficult to determine the appropriate sizing and maturity of a Notes Offering on dual track with finalization of the Service Agreement, given uncertainties associated with the construction schedule and cashflow requirements. A Drawable Facility better allows these uncertainties to be resolved over time. • The all-in cost of funds associated with a Drawable Facility is considered to be competitive with a Note Offering in the context of uncertainties regarding market conditions on the Financial Closing Date. Significant cost-of-funds variations exist within each of the financial instruments under consideration.
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Exhibit A. Form of Interim Financing Used by other California Water Utilities

What Others Have Done

Borrower	Description	State	WIFIA Loan Amount (\$ million)	Commercial Paper	Bank Loan Interim Financings	Notes
Los Vaqueros Reservoir JPA	Los Vaqueros Reservoir Expansion	CA	675			
San Francisco PUC	Biosolids Project	CA	699	✓ cft		
City of San Diego	Pure Water	CA	614	✓ cft		
San Francisco PUC	Treatment Plant	CA	514	✓ cft		✓ cft
Los Angeles County Sanitation District	Outfall Tunnel	CA	441			
East County Advanced Water Purification JPA	East County Advanced Purification Project	CA	388		✓	
San Francisco PUC	Water Resilience Program	CA	369			
Union Sanitary District	Enhanced Treatment Project	CA	250			
City of San Diego	Stormwater CIP	CA	225	✓ cft	✓	
City of Los Angeles	Advanced Water Purification	CA	224	✓		
City of Sunnyvale	Cleanwater Program	CA	220			
Silicon Valley Clean Water	RESCU Program	CA	218			✓
City of San Mateo	Treatment Plant	CA	210			✓
Inland Empire Utilities Agency	Recycling Plant	CA	196			✓ cft
Santa Clara Valley Water District	Anderson Dam/Anderson Projects	CA	173			✓ cft
Poseidon Resources	Carlsbad Desalination Plant	CA	170		✓	
Orange County Water District	Groundwater Replenishment System	CA	135			✓
Orange County Water District	PFAS Projects	CA	131			✓
City of Santa Cruz	Santa Cruz Water Program	CA	128			
City of San Diego	Pure Water	CA	120	✓ cft		✓
Inland Empire Utilities Agency	Wastewater Improvements	CA	120			✓ cft
City of Ventura	VenturaWaterPure	CA	110			
City of Stockton	Wastewater Facility	CA	108			✓ cft
Soquel Creek Water District	Pure Water Soquel	CA	89		✓	
City of San Mateo	Collection System	CA	85			
Sacramento County Water Authority	Distribution and Meter Projects	CA	81			✓ cft
Yucaipa Valley Water District	Watershed Connect	CA	81			
Santa Clara Valley Water District	Anderson Projects Pecheco Reservoir	CA	74			
Silicon Valley Clean Water	Wastewater Treatment Plant	CA	74			✓
Upper Santa Ana River Watershed IFA	Enhanced Recharge Project	CA	70			✓ cft
City of Oceanside	Pure Water Oceanside and Recycled Water	CA	69			
Silicon Valley Clean Water	RESCU Program	CA	69			✓
Esterio Municipal Improvement District	Waterwater Plant	CA	67			✓
City of Ventura	VenturaWaterPure	CA	63			
Coachella Valley Water District	Stormwater and Flood Control	CA	59			✓
City of Oxnard	Aquifer Storage Project	CA	48			
Santa Clara Valley Water District	Flood Protection	CA	41			✓ cft
City of Morro Bay	Reclamation Facility - Drinking Water	CA	37			
City of Roseville	Water Future Initiative	CA	33			
City of Morro Bay	Reclamation Facility - Wastewater	CA	25			
Oro Loma Sanitary District	Sewer Projects	CA	25			
Helix Water District	Drinking Water Reliability Project	CA	19			

Note: Based on publicly available information.

Source: Citigroup

RESOLUTION NO. 2023-___

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS VAQUEROS
RESERVOIR JOINT POWERS AUTHORITY PROVIDING FOR THE
PRIORITIZATION OF USE OF LOS VAQUEROS RESERVOIR PROJECT SERVICE
AGREEMENT REVENUES**

WHEREAS, the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority (the “Board” and the “Authority,” respectively), pursuant to the Authority’s procedures and the California Government Code, from time to time, may adopt policy for the administration of the Authority;

WHEREAS, the Authority is developing a water storage and water conveyance project commonly referred to as the “Los Vaqueros Reservoir Expansion Project” and related facilities;

WHEREAS, the Authority expects to receive certain revenues (as further defined below, the “Revenues”) from members of the Authority;

WHEREAS, the Authority expects to receive certain amounts (as further defined below, the “Non-Member Payments”) from the California Water Commission, the United States Bureau of Reclamation and others; and

WHEREAS, the Board, by adoption of this Master Resolution, desires to adopt guidance providing for the prioritization of use of the Revenues.

NOW, THEREFORE, the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority hereby adopts the following:

Section 1. Recitals. The facts stated in the recitals above are true and correct, and the Board so finds and determines.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein. Such definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

(a) **Authority.** “Authority” means the Los Vaqueros Reservoir Joint Powers Authority, an independent joint powers authority established pursuant to the Joint Exercise of Powers Agreement to exercise powers common to the Authority members to, among other things, effectively study, promote, develop, design, finance, acquire, construct, manage, and operate the Project and related facilities.

(b) **Authority Debt.** “Authority Debt” shall have the meaning set forth in the Service Agreement.

(c) Authorized Officer. “Authorized Officer” means (i) the Executive Director of the Authority or, if there is no officer designated as the Executive Director, the Treasurer of the Authority or (ii) the highest ranking member of the finance staff of the Authority; and, in each case, the written designee thereof.

(d) Available Reserves. “Available Reserves” means amounts on deposit in the “Administrative and Operating Fund Reserve” and such other funds and accounts the Board determines by Board action to be available to pay amounts described in Section 3.2(a) through (e) maintained by the Authority in accordance with Section 3.5 hereof. For avoidance of doubt, Available Reserves shall not include the Authority’s existing Capital Project Fund Reserve.

(e) Available Reserves Requirement. “Available Reserves Requirement” means, for any Fiscal Year, an amount equal to two months of budgeted administrative and operating expenses and Authority Debt and shall generally be calculated at 17% (2 months/12 months) of the annual operating budget.

(f) Board. “Board” means the Board of Directors of the Authority.

(g) CWC. “CWC” means the California Water Commission, including any successor thereto.

(h) Extraordinary Costs. “Extraordinary Costs” shall have the meaning ascribed thereto in the Service Agreement, as more particularly determined in accordance to the Service Agreement.

(i) Fiscal Year. “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the succeeding year, or any other accounting period hereafter selected and designated by the Board as the Fiscal Year of the Authority.

(j) Fixed Costs. “Fixed Costs” shall have the meaning ascribed thereto in the Service Agreement, as more particularly determined in accordance with the Service Agreement.

(k) Fixed O&M Costs. “Fixed O&M Costs” shall have the meaning ascribed thereto in the Service Agreement, as more particularly determined in accordance with the Service Agreement.

(l) Joint Powers Agreement. “Joint Powers Agreement” means the Los Vaqueros Reservoir Joint Exercise of Powers Agreement, effective October 6, 2021, by and among the parties set forth on the execution page thereof, as amended and supplemented from time-to-time in accordance therewith.

(m) Master Resolution. “Master Resolution” means this resolution as this resolution may be amended from time-to-time in accordance with Section 4.3 hereof.

(n) Members. “Members” means the members of the Authority set forth in Appendix A to the Service Agreement from time-to-time.

(o) Net Revenues. “Net Revenues” means, for any Fiscal Year, Revenues minus Fixed O&M Costs and Variable Costs (net of any Fixed O&M Costs, Variable Costs or other operation and maintenance costs paid, or reasonably expected to be paid, with proceeds of the Non-Member Payments).

(p) Non-Member Payments. “Non-Member Payments” means, with respect to any Fiscal Year, all amounts received by the Authority from state and federal entities for the construction, operation, repair and replacement of the Project, including but not limited to the amounts received under the Final Funding Agreement with the California Water Commission and agreements with federal agencies but not including amounts received from any master agreement or loan agreement with the United States Environmental Protection Agency pursuant to the Water Infrastructure Financing and Innovation Act.

(q) Project. “Project” means a water storage and water conveyance project commonly referred to as the Los Vaqueros Reservoir Expansion Project, as more particularly described in the Service Agreement.

(r) R&R Costs. “R&R Costs” shall have the meaning ascribed thereto in the Service Agreement, as more particularly determined in accordance to the Service Agreement.

(s) Reclamation. “Reclamation” means the United States of America, Department of the Interior, Bureau of Reclamation, including any successor thereto.

(t) Revenue Fund. “Revenue Fund” means, collectively, the “Revenue Fund” maintained by the Authority in accordance with Section 3.1 hereof, and any other funds and accounts into which the Authority currently deposits Revenues or created in the future by the Board into which Revenues will be deposited as part of the Revenue Fund pursuant to Section 3.1.

(u) Revenues. “Revenues” means, with respect to any Fiscal Year, all amounts received by the Authority with respect to the Project from the Members under the Service Agreement, and all other income, revenues, receipts and amounts received by the Authority in connection with the Project other than Non-Member Payments or payments which are related to capital costs of the Project, including but not limited to amounts received from hydroelectric energy sales, all income from the investment of any Revenues in the Revenue Fund and any other fund or account created with respect to any Authority Debt to the extent investment earnings thereon are required by the terms of such Authority Debt to be transferred to the Revenue Fund. Revenues shall not include any Non-Member Payments and all other revenues generated by the Project.

(v) Service Agreement. “Service Agreement” means the Los Vaqueros Reservoir Joint Powers Authority Service Agreement, by and among the Authority and the Members set forth in Appendix A to the Service Agreement, as such Service Agreement may be amended or supplemented from time-to-time but shall not include any agreement or arrangement with CWC or Reclamation with respect to the Project.

(w) Variable Costs. “Variable Costs” shall have the meaning ascribed thereto in the Service Agreement.

Section 3. Prioritization of Use for Revenues.

Section 3.1. Revenue Fund.

The Authority hereby agrees to create and maintain, so long as any Authority Debt remains unpaid, the Revenue Fund to be held by the Authority. Amounts in the Revenue Fund shall be disbursed, allocated and applied solely to the uses and purposes hereinafter described in this Master Resolution, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority, including but not limited to Non-Member Payments.

All Revenues and all amounts on deposit in the Revenue Fund are hereby allocated to the payment of the Fixed O&M Costs and Variable Costs, Authority Debt and other costs as set forth in Section 3.2. The Revenues and all amounts on deposit in the Revenue Fund shall not be used for any other purpose while any Authority Debt remains unpaid. Any investment earnings on amounts on deposit in the Revenue Fund shall be retained in the Revenue Fund.

Section 3.2. Prioritization of Use for Revenues.

All Revenues received by the Authority shall be deposited into the Revenue Fund established and held by the Authority pursuant to Section 3.1 hereof and allocated in the following priority:

- a. to the payment of Fixed O&M Costs and Variable Costs;
- b. to the payment of senior lien Authority Debt;
- c. to replenish bond reserve funds established for senior lien Authority Debt, if any;
- d. to the payment of subordinate lien Authority Debt;
- e. to replenish bond reserve funds established for subordinate lien Authority Debt, if any;
- f. to restore the amount on deposit in the Available Reserves to the Available Reserves Requirement;
- g. as long as the Authority determines there will be sufficient Revenues to make the payments set forth in (a) through (f) above, to pay any other Project costs, including, but not limited to, R&R Costs and Extraordinary Costs, not previously paid under (b) through (e) above; and
- h. Any remaining Revenues shall be deposited into the Available Reserves, unless otherwise directed by an action of the Board to be applied to a lawful purpose permitted by the Joint Powers Agreement and the Service Agreement.

Section 3.3. Authority Debt. The Authority shall not issue or incur any additional senior lien or subordinate lien Authority Debt unless the Authority has certified that (i) no material event of default has occurred under any Authority Debt and is continuing, (ii) the Service Agreement is in full force and effect, and (iii) such additional senior lien or subordinate lien Authority Debt is entitled to the benefits of this Master Resolution.

Section 3.4. Rate Sufficiency. (a) The Authority hereby covenants to establish charges under the Service Agreement at the beginning of each Fiscal Year which are reasonably expected to be at least sufficient to yield Net Revenues, together with amounts on deposit in the Available Reserves, of at least 1.00 times Authority Debt service on senior lien Authority Debt payable during such Fiscal Year.

(b) The Authority hereby covenants to establish charges under the Service Agreement at the beginning of each Fiscal Year which are reasonably expected to be at least sufficient to yield Net Revenues, remaining after payment of senior lien Authority Debt and replenishment of Authority Debt reserve funds created with respect thereto, if any, in accordance of Section 3.2 (a) and (b) above, together with amounts on deposit in the Available Reserves, of at least 1.00 times Authority Debt service on subordinate lien Authority Debt payable during such Fiscal Year.

(c) So long as the Authority has complied with its obligations set forth in subsections (a) and (b) above, the failure of Net Revenues to meet the threshold in the prior subsections (a) or (b) with respect to a Fiscal Year shall not constitute a default or an event of default hereunder so long as the Authority has complied with its obligation set forth in subsections (a) and (b) above with respect to the following Fiscal Year.

(d) For avoidance of doubt, Authority Debt service due during a Fiscal Year but which the Board of Directors have determined as a part of the budget process for a Fiscal Year is expected to be refinanced from Authority Debt or paid from sources other than Revenues shall not be included in the calculation of Authority Debt service for purposes of Section 3.4 (a) and (b).

Section 3.5. Available Reserves. The Authority hereby covenants and agrees to maintain, so long as any Authority Debt remains outstanding, the Available Reserves to be held by the Authority. Amounts in the Available Reserves shall be disbursed, allocated and applied solely to the uses and purposes hereinafter described in this Master Resolution, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

So long as any Authority Debt remains outstanding, the Authority shall maintain in the Available Reserves an amount equal to the Available Reserves Requirement. Nothing herein shall prevent the Board from time to time from establishing minimum reserve levels for the Available Reserves that are higher than the Available Reserves Requirement.

On or prior to the date of incurrence of any Authority Debt, the Authority shall deposit to the Available Reserves an amount necessary, if any, to increase the amount on deposit in the Available Reserves to the Available Reserves Requirement, including in the calculation of the

Available Reserves Requirement any debt service payable during the then-current Fiscal Year with respect to such Authority Debt.

In the event of any deficiency in the Available Reserves, the Authority shall replenish such deficiency in accordance with Section 3.2 hereof.

Amounts in the Available Reserves shall be withdrawn by the Authority upon the written direction of an Authorized Officer solely for the purposes set forth in Sections 3.2(a) through (e) hereof. Any amounts withdrawn from the Available Reserves shall be deposited into the Revenue Fund and applied pursuant to Section 3.2 hereof. Any amounts in the Available Reserves in excess of the Available Reserves Requirement on the last day of any Fiscal Year may be transferred in accordance with the written direction of an Authorized Officer from the Available Reserves to the Revenue Fund and applied pursuant to Section 3.2 hereof. Any investment earnings on amounts on deposit in the Available Reserves shall be transferred on the last day of any Fiscal Year into the Revenue Fund and applied pursuant to Section 3.2 hereof unless such transfer would cause the amount on deposit in the Available Reserves to be less than the Available Reserves Requirement.

Section 3.6. Enforcement Provisions. The Authority hereby covenants to enforce the Service Agreement and other agreements pursuant to which the Authority receives revenues with other parties, including Reclamation and CWC, to the fullest extent necessary to assure sufficient Revenues will be available to pay all amounts with respect to Fixed O&M Costs, Variable Costs and Authority Debt (net of Fixed O&M Costs and Variable Costs paid from Non-Member Payments) when due.

Section 3.7. Investment. All amounts on deposit in the Revenue Fund and the Available Reserves shall be invested in accordance with the Authority investment policy as in effect from time-to-time.

Section 3.8. Financial Statements. The Authority will prepare annually within two hundred and seventy (270) days after the close of each Fiscal Year, an audited financial statement for the Authority (prepared in accordance with Generally Accepted Accounting Principles) for the preceding Fiscal Year.

Section 4. Miscellaneous.

Section 4.1. Benefits of this Master Resolution Limited to Certain Parties. Nothing contained herein, expressed or implied, is intended to give any person other than the Authority or the parties to, or owners of, Authority Debt any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority shall be for the sole and exclusive benefit of such other parties.

Section 4.2. Successor is Deemed Included in all References to Predecessor. Whenever the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, and all agreements and covenants required hereby to be performed by or on behalf of

the Authority shall bind and inure to the benefit of the successors thereof whether so expressed or not.

Section 4.3. Amendments. Except as may be otherwise provided in Authority Debt, the Authority may amend the provisions of this Master Resolution in accordance with the provisions of the Joint Powers Agreement and the bylaws of the Authority in effect from time-to-time.

Section 4.4. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority hereby declares that it would have adopted this Master Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 4.5. Repeal of Inconsistent Resolutions. Any resolution of the Authority and any part of any resolution inconsistent herewith is hereby repealed to the extent of such inconsistency.

Section 4.6. Additional Covenants. Nothing in this Master Resolution shall prohibit the Authority from entering into additional covenants with or for the benefit of parties to, or owners of, Authority Debt.

Section 4.7. Effect. This Master Resolution shall take effect immediately.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority this ___ day of _____ 202_ by the following roll call vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

Angela Ramirez Holmes, Chair

ATTEST:

Ellen Wehr, Secretary

ITEM 1.5: JPA ADMINISTRATION COST ESTIMATE ESCALATION ASSUMPTIONS

RESPONSIBLE/LEAD STAFF MEMBER:

Chuck Gardner, LVE JPA Program Manager

RECOMMENDATION:

That the cost escalation used in the Cost to Completion model be assumed at 4% per year.

DISCUSSION:

During the November Board Meeting, the Cost at Completion model was presented to the Board, which estimated costs through the duration of the project. The cost escalation factor used in this model was 4% per year. The Board requested that the Finance Committee make a formal recommendation on that escalation factor. The model presented was based on three sources: ENR CCI, United States (U.S.) Bureau of Reclamation Construction Cost Trend 20-23, U.S. Army Corps of Engineers Cost Indices dated September 2022. These were outlined in the June 2023 Project Cost Update Basis of Estimate (Revision 1). In addition, the construction budget for the Los Vaqueros project uses a 4% escalation through construction. The recommendation to the Finance Committee is a 4% escalation per year.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Each 1% change in escalation results in \$835K over the life of the project (Q1 FY32).

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- LVE JPA Admin Cost at Completion



JPA Administrative Cost Estimate

October 31, 2023

Los Vaqueros JPA Cost at Completion October 31, 2023											
Primary Responsibility	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32 (1QTR)	Total Project	
JPA Insurance Policy	\$ 62,261	\$ 64,751	\$ 67,341	\$ 70,035	\$ 72,837	\$ 75,750	\$ 78,780	\$ 81,931	\$ 21,302	\$ 594,989	
Finance/Credit Support	\$ 594,826	\$ 618,619	\$ 643,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,856,810	
Accounting Services	\$ 50,000	\$ 75,000	\$ 98,000	\$ 101,920	\$ 105,997	\$ 110,237	\$ 114,646	\$ 119,232	\$ 31,000	\$ 806,032	
Project Mgmt/Controls	\$ 1,112,391	\$ 1,988,201	\$ 2,067,729	\$ 2,150,438	\$ 2,236,456	\$ 2,325,914	\$ 1,935,160	\$ 2,012,567	\$ 523,267	\$ 16,352,124	
Project Video - CWC Requirement	\$ 22,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,000	
Legal	\$ 300,000	\$ 312,000	\$ 324,480	\$ 337,459	\$ 350,958	\$ 364,996	\$ 303,677	\$ 315,824	\$ 82,114	\$ 2,691,507	
Federal Relations	\$ 190,000	\$ 197,600	\$ 205,504	\$ 213,724	\$ 166,705	\$ -	\$ -	\$ -	\$ -	\$ 973,533	
Agency Facilitation	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	
Water Supply Manager	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 312,000	\$ 324,480	\$ 936,480	
Board Clerk/Administration	\$ 25,000	\$ 26,000	\$ 27,040	\$ 28,122	\$ 29,246	\$ 30,416	\$ 31,633	\$ 32,898	\$ 8,554	\$ 238,909	
Legal - Bond Counsel	\$ 225,000	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305,000	
Executive Director	\$ 456,015	\$ 456,015	\$ 474,256	\$ 493,226	\$ 512,955	\$ 533,473	\$ 443,850	\$ 461,604	\$ 120,017	\$ 3,951,409	
JPA Financial Audit	\$ 6,250	\$ 6,250	\$ 8,000	\$ 10,000	\$ 10,400	\$ 10,816	\$ 11,249	\$ 11,699	\$ 12,167	\$ 86,830	
WIFIA Loan Application Fees	\$ 100,000	\$ 210,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 450,000	
Reimbursable Expenses	\$ 55,000	\$ 60,000	\$ 62,400	\$ 64,896	\$ 67,492	\$ 70,192	\$ 72,999	\$ 75,919	\$ 19,739	\$ 548,637	
Contingency	\$ 621,000	\$ 396,944	\$ 401,811	\$ 346,982	\$ 355,304	\$ 352,179	\$ 329,199	\$ 342,367	\$ 114,264	\$ 3,260,052	
	\$ 3,944,743	\$ 4,576,381	\$ 4,439,926	\$ 3,836,802	\$ 3,928,349	\$ 3,893,973	\$ 3,641,193	\$ 3,786,041	\$ 1,276,904	\$ 33,324,311	
	\$ 3,944,743	\$ 8,521,124	\$ 12,961,050	\$ 16,797,852	\$ 20,726,201	\$ 24,620,174	\$ 28,261,367	\$ 32,047,407	\$ 33,324,311	\$ 33,324,311	

Note: The escalation rate of 4 percent is based on a review of several cost indices, including: ENR CCI, United States (U.S.) Bureau of Reclamation Construction Cost Trend 20-23, U.S. Army Corps of Engineers Cost Indices dated September 2022

Escalation Comparison



4.0% **\$33,324,311**

2.4% **\$32,000,174**

Difference **\$1,324,137**

ITEM 1.6: LVE JPA CAPITAL PRESERVATION STRATEGY UPDATE

RESPONSIBLE/LEAD STAFF MEMBER:

Chuck Gardner, LVE JPA Program Manager

RECOMMENDATION:

Not applicable.

DISCUSSION:

The LVE JPA is projecting a schedule delay due to the development of the various partner agreements. Although the schedule is still under review with member agencies, staff has developed several potential scenarios for Finance Committee to consider in order to ensure sufficient interim funding for Project activities. Chuck Gardner will present an overview of the various options for discussion.

ALTERNATIVES:

For discussion purposes.

FISCAL ANALYSIS:

Not applicable.

ENVIRONMENTAL REQUIREMENTS:

Not applicable.

EXHIBITS/ATTACHMENTS:

- LVE JPA Capital Preservation Strategy Presentation

The logo for the Los Vaqueros Reservoir Expansion Project is centered in the upper half of the image. It features the words "LOS VAQUEROS" in a bold, blue, sans-serif font. Below this, "RESERVOIR EXPANSION PROJECT" is written in a green, sans-serif font. To the right of the text is a vertical graphic element consisting of four stacked, trapezoidal shapes that resemble a dam or a reservoir cross-section, colored in shades of blue and green.

LOS VAQUEROS RESERVOIR EXPANSION PROJECT

The background of the slide is a scenic landscape photograph. It shows a large blue reservoir in the middle ground, surrounded by rolling green hills. In the distance, a line of white wind turbines is visible against a clear sky. The foreground shows a paved road and a concrete dam structure. The overall scene is bright and clear, suggesting a sunny day.

LVE JPA Capital Preservation Strategy Update
December 5, 2023



Agenda

1. Background
2. Approach
3. Next Steps
4. Questions

Background

- Member feedback on schedule
- Refinement reflecting delay is underway
- Anticipated delay until February 2025
- Potential cash preservation scenario development is in progress



Capital Preservation Strategy

Conserve capital and focus on mission-critical activities

- Maintain administrative functions of the JPA
- Focus on agreement completion
- Maintain critical design activities

Funding Needed

Current average monthly burn rates:

- JPA \$283K/mo
- CCWD \$1.1M/mo





\$0 cost time extension may possible if we achieve the following:

- Reduce JPA burn rate by ~12%
- Reduce CCWD burn rate
- CCWD transfers \$1.55M contingency to JPA
- JPA enters into FAA with Reclamation
- Extend MPA 5 for time-only and request contingency transfer to JPA

Next Steps

- Finalize Schedule Assumptions
- Refine Scenarios
- Reconvene Finance Committee
- Seek Direction from Board

Questions

