



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

Regular Meeting  
April 28, 2022 – 3:00 p.m.

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**SPECIAL NOTICE OF TELECONFERENCE ACCESSIBILITY**

Pursuant to the provisions of Government Code Section 54953(e), as amended by Assembly Bill 361, any Committee Member 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 meeting/webinar:**

**<https://lagerlof.zoom.us/j/87029861416?pwd=dmZ1QlI0ejFOa25wTHp4ZF1xRjhlUT09>**

**Meeting/Webinar ID: 870 2986 1416**

**Passcode: 586619**

**One tap mobile:**

**+1-669-900-6833 870-2986-1416# \*586619# or**

**+1-253-215-8782 870-2986-1416# \*586619#**

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 Interim Clerk by 4:00 p.m. on the day prior to the meeting for the Interim 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 Interim Clerk at [rperea@lagerlof.com](mailto:rperea@lagerlof.com) by 4:00 p.m. on April 27, 2022 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](http://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

John Coleman – East Bay Municipal Utility District

Linda J. LeZotte – 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 Approval of March 31, 2022 Finance Committee Meeting Minutes**

**1.2 FY 23 Budget Overview**

**1.3 Draft Reserve Policy**

**1.4 Draft Finance Committee Charter**

**1.5 Procedures regarding Board Action on Treasurer’s Report**

**FUTURE AGENDA ITEMS**

**ADJOURNMENT**

**ITEM 1.1: APPROVAL OF MARCH 31, 2022 FINANCE COMMITTEE MEETING MINUTES**

**RESPONSIBLE/LEAD STAFF MEMBER:**

James Ciampa, Interim General Counsel

**RECOMMENDATION:**

That the Finance Committee approve the attached minutes from the March 31, 2022 Finance Committee meeting.

**DISCUSSION:**

The Interim Clerk, with input from the Interim General Counsel and Interim Administrator, has prepared the attached draft minutes from the March 31, 2022 Finance Committee meeting.

**ALTERNATIVES:**

Any suggested revisions to the draft March 31, 2022 Finance Committee meeting minutes will be considered.

**FISCAL ANALYSIS:**

Not applicable.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable.

**EXHIBITS/ATTACHMENTS:**

Draft minutes from March 31, 2022 Finance Committee meeting.



**LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY  
MINUTES**

Regular Meeting of Finance Committee  
March 31, 2022 – 1:30 p.m.

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**CALL TO ORDER** at 1:37 p.m. by Chair Anthea Hansen

**PLEDGE OF ALLEGIANCE** – led by Director Coleman

**ROLL CALL OF COMMITTEE**

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

Paul Sethy – Vice Chair, Alameda County Water District (arrived at approximately 1:50 p.m.)

John Coleman – East Bay Municipal Utility District

Linda J. LeZotte – Santa Clara Valley Water District

**ABSENT**

None

**OTHERS PRESENT**

Marguerite Patil, Contra Costa Water District, Interim Administrator

Maureen Martin, Contra Costa Water District

Mimi Mehaouchi, Contra Costa Water District

James Ciampa, Lagerlof, LLP, Interim General Counsel

Rosemarie Perea, Interim Board Clerk

David Moore, Clean Energy Capital

13 others

**PUBLIC COMMENT ON NON-AGENDA ITEMS**

None.

## **DISCUSSION ITEMS**

### **1.1**

#### **Review of WIFIA Funding Approach**

Marguerite Patil, Interim Administrator, introduced David Moore of Clean Energy Capital, the financial consultant who has been working with the Local Agency Partners on the Phase 2 Los Vaqueros Reservoir Expansion Project for the past several years. Mr. Moore made a presentation that reviewed the Water Infrastructure Finance and Innovation Act (“WIFIA”) funding process and proposed next steps.

Mr. Moore stated WIFIA provides for low-interest loans to qualified projects. He stated a single interest rate is used, which is tied to the U.S. Treasury rate for a similar maturity (currently, that rate for a 30-year loan would be 2.60%). That rate would be applied even if draws from the loan are deferred. The maximum loan term is 35 years.

Director Coleman noted the JPA members’ favorable credit ratings are advantageous in the financing process. Director Hansen asked whether the short timeline to gather information required for the Letter of Interest would be a challenge. Mr. Moore advised the required information already exists and will be included in that Letter of Interest.

### **1.2**

#### **Draft Investment Policy**

James Ciampa, Interim General Counsel, advised that Government Code Section 53646(a)(2) authorizes local agencies to adopt statements of investment policy. Mr. Ciampa provided an overview of the Draft Investment Policy that has been prepared which tracks the Government Code’s provisions regarding permissible investments and applicable limitations and includes a quarterly reporting requirement in compliance with Section 53646(b).

A motion was made by Director Coleman and seconded by Director Sethy to recommend the proposed Draft Investment Policy for approval by the Board of Directors at its April 13, 2022 meeting. The motion was approved by the following roll call vote:

AYES:           Anthea Hansen, Chair, San Luis & Delta-Mendota Water Authority  
                  Paul Sethy, Alameda County Water District  
                  John Coleman, East Bay Municipal Utility District  
                  Linda J. LeZotte, Santa Clara Valley Water District  
NOES:           None  
ABSENT:       None  
ABSTAIN:      None

The motion passed with a 4-0 vote.

### 1.3

#### **Draft Debt Management Policy**

Interim General Counsel Ciampa then reviewed the Draft Debt Management Policy included in the meeting materials that includes written guidelines, allowances, and requirements that guide the debt issuance practices of a government agency, including the issuance process, management of a debt portfolio, adherence to various laws and regulations, post-issuance compliance for IRS purposes, and post-issuance compliance for continuing disclosure purposes.

Director LeZotte requested clarification on paragraph 2, “Purpose and Use of Debt”, and on paragraph 4, “Capital Improvements and Budget.” Mr. Ciampa provided clarification on these paragraphs.

A motion was made by Director Sethy and seconded by Director LeZotte to recommend the proposed Debt Management Policy for approval by the Board of Directors at its April 13, 2022 meeting. The motion was approved by the following roll call vote:

AYES:           Anthea Hansen, Chair, San Luis & Delta-Mendota Water Authority  
                  Paul Sethy, Alameda County Water District  
                  John Coleman, East Bay Municipal Utility District  
                  Linda J. LeZotte, Santa Clara Valley Water District  
NOES:           None  
ABSENT:       None  
ABSTAIN:       None

The motion passed with a 4-0 vote.

### 1.4

#### **Scheduling Future Committee Meetings**

Marguerite Patil, Interim Administrator, recommended the Committee discuss the establishment of regular Committee meeting dates and times to reduce the administrative burden for scheduling meetings and support more effective planning for future meetings.

Director Hansen asked whether virtual attendance would continue or whether in-person attendance will be required. Interim General Counsel Ciampa provided clarification on AB 361 and advised that as long as current circumstances regarding social distancing and imminent risk of health to in-person attendees continue, the Authority can continue to conduct its Board and committee meetings virtually.

After further discussion, consensus was reached for the Finance Committee to meet on the fourth Thursday of each month at 1:00 p.m. via Zoom. Staff was asked to send out the Zoom invites for the next several meetings to members of the Finance Committee and interested staff members.

**FUTURE AGENDA ITEMS**

Interim Administrator Patil mentioned the following upcoming items:

1. Fiscal Year 2023 Budget.
2. Water Infrastructure Finance and Innovation Act updates.
3. Federal and State Funding updates.

The meeting was adjourned at 2:27 p.m.

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Anthea G. Hansen, Chair  
Finance Committee

ATTEST:

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Rosemarie Perea, Interim Board Clerk

**ITEM 1.2: FY23 BUDGET OVERVIEW**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Marguerite Patil, Interim Administrator

**DISCUSSION:**

The Los Vaqueros Reservoir Joint Exercise of Powers Agreement (JPA Agreement) requires that the Board of Directors adopt a budget prior to the start of each Fiscal Year. The Budget may be adopted on a single Fiscal Year or bi-annual basis, in the Board of Directors' discretion. In prior Board of Directors' meetings, the Board was provided an overview of the Budget development process and the Board concurred with the Interim Administrator's recommendation to proceed with development of Budget for a single Fiscal Year 2022-23 ("FY23", for the period of July 1, 2022 through June 30, 2023). This item is to provide the Finance Committee with further details on the status of that process, provide an overview of the Draft FY23 Budget at this stage, and to obtain input from the Committee members regarding the Draft FY23 Budget.

**ALTERNATIVES:**

For discussion purposes.

**FISCAL ANALYSIS:**

Fiscal impact will vary based upon the approved FY23 Budget.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable.

**EXHIBITS/ATTACHMENTS:**

None. Slide deck shown during Finance Committee meeting will be posted separately.



**ITEM 1.3: DRAFT RESERVE POLICY**

**RESPONSIBLE/LEAD STAFF MEMBER:**

James Ciampa, Interim General Counsel

**DISCUSSION:**

Although the Authority will be funded by the Members on a pass-through basis based on the respective Members' Service Agreements, to ensure adequate monies are on hand to meet the Authority's financial obligations, it would be prudent for the Authority to establish monetary reserves that can be drawn upon if necessary to meet Authority financial obligations and then be subsequently replenished. The attached Draft Reserve Policy has been prepared to provide a framework for the holding of such reserves. Several of the reserve levels are left blank pending Committee input.

**ALTERNATIVES:**

The Committee could recommend revisions to the draft policy or could defer discussion of the Draft Reserve Policy until a later date.

**FISCAL ANALYSIS:**

Fiscal impact will depend on the reserve levels eventually set forth in the Reserve Policy.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Draft Reserve Policy.

**RESOLUTION NO. \_\_\_-22-\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY  
ESTABLISHING A RESERVE POLICY**

**WHEREAS**, it is prudent for a public agency to maintain established levels of reserves;  
and

**WHEREAS**, reserves serve as a risk management tool to provide a buffer and mitigation against both uncertain and known risks, and whereas established reserves provide financial resiliency and stability to an agency; and

**WHEREAS**, the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority deems it prudent to establish a policy to provide guidance and to monitor the establishment and maintenance of reserves; and

**NOW THEREFORE**, the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority hereby adopts the following Reserve Policy.

**Los Vaqueros Reservoir Joint Powers Authority Reserve Policy**

**Purpose**

Establishment of proper reserves is an integral part of the fiscal health of the Los Vaqueros Reservoir Joint Powers Authority (the “Authority”). Specifically, this policy is set forth to:

1. Define Reserve Funds, their funding sources and allowable uses; and
2. Establish Reserve Fund Targets that -
  - a. Provide sufficient funds on hand with the Authority to pay operating, capital improvement, and debt service obligations on time; and
  - b. Minimize the amount of funds held with the Authority as compared to with its Members, as well as minimize the need to request advanced Member funding contributions; and
3. In conjunction with the Service Agreements, establish the allocation basis for how much each Member contributes to fund reserves to meet reserve fund targets; and
4. Assign authority to the Executive Director or their delegee to invoice required contributions and advances from the Members to meet the Reserve Fund Targets as established in this policy.

**General Background**

The Authority was created in October of 2021 through the approval of a Joint Exercise of Powers Agreement (JPA Agreement), among the Authority’s eight members: Alameda County Water District, Contra Costa Water District (“CCWD”), East Bay Municipal Utility District, Grassland Water District, San Francisco Public Utilities Commission, San Luis & Delta-Mendota

Water Authority, Santa Clara Valley Water District and Zone 7 Water Agency. The Authority was formed in connection with the Phase 2 Los Vaqueros Reservoir Expansion Project. The Authority was formed with a financial structure that essentially acts as a pass-through entity of the expenses to its Members through operating fund and non-operating fund cost allocations assigned to each Member as determined by the Service Agreements into which each Member and the Authority will enter.

### Operating Funds

The Authority operates on a model where it contracts out its operations and administrative functions and retains no staff of its own. CCWD was designated as the Authority's Interim Administrator and subsequently an Executive Director will be retained to assist with the management of the Authority's activities. The Authority will enter into separate Service Agreements with each Member that will allocate various administrative and operating costs among the Members. When necessary, the Administrator will invoice Members in accordance with their respective Service Agreement to obtain funds necessary to meet the Authority's payment obligations.

### Non-Operating Funds

Both costs for capital improvement projects (CIP) and debt service payments are incurred and paid directly by the Authority and have separate revenue streams from each Member that are established in the annual non-operating fund budget. Debt Service costs are highly predictable due to their predetermined nature but have severe consequences for late or non-payment. Each Member is required to make its own debt service payments in alignment with the debt service schedule. Due to the strong credit history and ratings of each Member, there is no expectation of a Member not being able to make payments. However, it is prudent to mitigate any risk of potential technical difficulties in making payments, such as with a bank error, by having sufficient cash on hand to cover a Member's payment in the event of unforeseen complications.

Alternatively, capital costs can vary significantly in both amount and timing from projections due to the nature of construction costs and progress. Overall budgets for CIP are approved on a per project basis, and each project's respective funding requirements are anticipated for the upcoming fiscal year in the non-operating fund budget and its related capital contribution requirements. These capital contributions are billed to Members in advance on a quarterly basis based on the estimated funding requirements of the approved CIP to ensure sufficient funding to make project payments.

### **Operating Fund Reserve**

Purpose: To establish a permanent reserve that provides sufficient liquidity as working capital to fund operating expenses of the Authority.

Reserve Target: This reserve target is set on the basis of providing for a minimum of two months of budgeted operating expenses and shall generally be calculated at 17% (2 months / 12 months) of the annual operating budget. It is initially established at a minimum amount of \$\_\_\_\_\_ and shall be updated every year in the budget review and approval process, and may be set at amounts higher than this as approved by the Board in consideration of special circumstances at that time.

Source of Funds: Contributions shall be assessed to each Member based on its operating expense allocation as specified in its Service Agreement and updated in the operating budget for the fiscal year applicable to when the contribution is required. Any necessary replenishment of the Operating Fund Reserve is to be determined and included in the operating budget for the following fiscal year, except as otherwise necessary and approved by the Board. An advance of the Members' annual operating expense contributions may be assessed to the Members at any time in the year upon a determination by the Executive Director that such an advance is necessary to meet payment obligations of the Authority.

Allowable Uses: Funds from this reserve may be used for payment of operating expenses and may also be used to temporarily advance capital costs or debt service costs if reserves established for such purposes are insufficient to meet payment obligations and repayment is anticipated within six (6) months.

### **Debt Service Fund Reserve**

Purpose: To establish a permanent reserve that mitigates risk of non-payment on the Authority's debt service obligations due to temporary delays in payment from Members.

Reserve Target: This reserve target is set on the basis of having sufficient funds on hand to pay the highest single debt service payment of any single Member should a delay in payment occur. It is initially established at a minimum amount of \$\_\_\_\_\_ and shall be reviewed upon every additional incurring of debt to determine if the amount needs to be increased. Such a revision to the amount of this reserve target will be brought to the Board for approval.

Source of Funds: Contributions shall be assessed to each Member based on the percentage of its share of the aggregate amount of long-term debt as specified in its Service Agreement.

Allowable Uses: Funds from this reserve may be used to advance a payment on debt service should payment on debt service contributions by Members not be made timely. If funds are used for such a purpose, they shall be reimbursed by the Member(s) benefitting by the advance.

### **Capital Project Fund Reserve**

Purpose: To establish a temporary reserve that provides sufficient working capital for authorized capital expenditures.

Reserve Target: A temporary working capital reserve is established by invoicing Members in advance on a quarterly basis based on projected funding needs for CIP for that quarter. Total project budgets are approved by the Board individually but are typically approved as a package in the annual CIP budget process. Amounts estimated to be needed for funding in a fiscal year are included in the non-operating budget. Due to uncertainty associated with such projections, these advances are reconciled on a Member-by-Member basis semi-annually and the difference to actual capital expenses charged or credited to the respective Members.

Additional advances in the interim of the quarterly invoices may be required if the Executive Director determines that funds above those on hand are required to meet capital payment obligations. This would be typically used to cover funds for projects that will be reimbursed by external sources, such as with state or federal loans or grants.

Source of Funds: Contributions shall be assessed to each Member based on the capital cost sharing allocation as set forth in the Member’s Service Agreement and can be up the aggregate amount of the approved budgets for the applicable CIP projects. Advanced cash to be reimbursed by external sources (loans, grants, etc.) will be credited back to the respective Member once the temporary reserve is no longer needed.

Allowable Uses: Funds from this reserve may be used for payment of capital expenses and may also be used to temporarily advance debt service costs if funds in the Debt Service Fund Reserve are insufficient and repayment is anticipated within six (6) months.

**Accounting/Record Keeping**

Each reserve fund shall be accounted for separately on the Authority’s accounting records, including recording in sufficient detail to delineate the sources of funds on a per Member basis, in addition to tracking of the uses of such reserves. Advances of cash from Members will be tracked separately to allow proper crediting to the total contributions due from each Member. Reporting to the Board of Directors on the status of the reserves shall be made no less frequently than annually and will typically be included in the analysis provided during the budget review and approval process.

**PASSED, APPROVED AND ADOPTED** by the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority this \_\_\_ day of \_\_\_\_\_, 2022, by the following roll call vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

\_\_\_\_\_  
Angela Ramirez Holmes, Chair

**ATTEST:**

\_\_\_\_\_  
Ellen Wehr, Secretary

**ITEM 1.4: DRAFT FINANCE COMMITTEE CHARTER**

**RESPONSIBLE/LEAD STAFF MEMBER:**

James Ciampa, Interim General Counsel

**DISCUSSION:**

Section 4.3 of the Authority's Bylaws states that after each committee is formed, it is to develop a charter that sets forth the subject matter areas and scope of activities for that committee and, in conjunction with the Administrator or Executive Director, to develop an annual work plan for the committee. Section 4.3 further provides that committee charters are to be provided to and approved by the Board of Directors.

Attached for the Committee's review and discussion is a draft Finance Committee Charter.

**ALTERNATIVES:**

The Committee could recommend revisions to the draft Charter or defer action on this item to a later date.

**FISCAL ANALYSIS:**

None.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable

**EXHIBITS/ATTACHMENTS:**

Draft Finance Committee Charter.

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## **LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY FINANCE COMMITTEE CHARTER**

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### **INTRODUCTION AND PURPOSE**

The Finance Committee will provide general oversight of the Authority's finances and interface with the Authority's Treasurer, the Financial Workgroup and Authority staff in connection with financial matters to further the public's trust in the Authority's activities. The Finance Committee will coordinate with Authority staff regarding preparation of the Authority's budget. The Finance Committee will also review various Authority finance-related policies to ensure such policies are properly updated and that compliance with established provisions is adhered.

### **STRUCTURE AND ORGANIZATION**

The Finance Committee will be served by a minimum of three members appointed by the Chair of the Authority's Board of Directors.

### **MEETINGS AND OPERATIONS**

The Finance Committee will establish a regular meeting schedule to accommodate the availability of its members. Meetings will be held in accordance with the Brown Act (Government Code Sections 54950 et seq.). The Finance Committee will keep minutes of meetings and report activities, discussions and recommendations to the Board of Directors.

### **SCOPE OF WORK AND RESPONSIBILITIES**

The Finance Committee shall have the following responsibilities, and any other responsibilities reasonably related to its purpose or assigned by the Chair of the Board of Directors:

- Provide input to Authority staff in connection with the preparation of the Authority's budget and provide recommendations to the Board of Directors regarding the budget.
- Review the Authority's annual audit and accompanying materials and submit any comments or recommendations to the Board of Directors.
- Review and make recommendations to the Board of Directors regarding long-term capital plans and financial plans for Project improvements.
- Provide input to the Board of Directors with respect to the undertaking of debt.
- Advise the Board of Directors of any finance-related local, state and/or federal policies, legislation or trends that may impact Authority goals and priorities.
- Oversee the Authority's compliance with all legal and regulatory requirements concerning its financial reporting.
- Ensure implementation of all audit recommendations concerning the Authority's system of internal controls over financial reporting.

- Review the policies adopted by the Board of Directors on a periodic basis to determine necessary revisions that ensure compliance with the Authority’s internal controls and current practices, processes and procedures.
- Evaluate, with the assistance of Authority staff, the qualifications, competencies and independence of audit firms to complete the annual audit of the Authority’s financial statements, when necessary.
- Provide input on other issues determined by the Board of Directors or Chair of the Finance Committee.
- Annually review this Charter and make appropriate recommendations to the Board of Directors for any necessary revisions.

**CHARTER APPROVAL AND ADOPTION**

This Charter represents the framework for the conduct of the Finance Committee. As recommended by the Finance Committee, this charter shall be reviewed, considered and adopted by the Authority’s Board of Directors and reviewed from time to time by the Committee and Board.

**ADOPTED** by the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority on \_\_\_\_\_, 2022.

\_\_\_\_\_  
Angela Ramirez Holmes, Chair

ATTEST:

\_\_\_\_\_  
Ellen Wehr, Secretary



**ITEM 1.5: PROCEDURES REGARDING BOARD ACTION ON TREASURER'S REPORT**

**RESPONSIBLE/LEAD STAFF MEMBER:**

Marguerite Patil, Interim Administrator

**DISCUSSION:**

Treasurer Sethy raised the issue concerning how the Treasurer's Report should be approached from a Board consideration and approval standpoint. The governing boards at many agencies receive and file their financial reports. As that would be a Board action rather than simply a report to the Board, it would be appropriate to move the Treasurer's Report to the Action Items in future Board meetings if the Treasurer's Report was handled in that manner. Alternatively, the Treasurer's Report could be included on the Consent Calendar. However, that does not lend itself to discussion of that report.

Staff would like direction from the Finance Committee as to how to address this issue with respect to future Board meetings.

**ALTERNATIVES:**

The Committee could defer discussion of this item to a later date.

**FISCAL ANALYSIS:**

Not applicable.

**ENVIRONMENTAL REQUIREMENTS:**

Not applicable.

**EXHIBITS/ATTACHMENTS:**

None.

A scenic landscape view of the Los Vaqueros Reservoir. The reservoir is a large body of water in the center, surrounded by rolling green hills. In the background, a line of wind turbines is visible against a blue sky with scattered white clouds. A road or path winds through the hills in the foreground.

**Los Vaqueros Reservoir  
Joint Powers Authority  
Finance Committee  
Agenda Item 1.2 - FY23 Budget Overview**

**April 28, 2022**

# Goals for Agenda Item 1.2

- **Review JPA Agreement budget requirements and sources of funds**
- **Get feedback on proposed FY23 Budget development approach and structure**
- **Discuss next steps and presentation of the Draft FY23 Budget to the full JPA Board on May 11**

# JPA Agreement: Budget

**Section 7 of JPA Agreement includes terms regarding finances**

- **Fiscal year established as July 1 – June 30**
- **JPA Board approves single or bi-annual budget at their discretion**
- **Includes provisions for:**
  - **Capital**
  - **Operating**
  - **Reserves**

# Key Milestones in FY23

- **Hire Executive Director (contractor to JPA)**
- **Competitively procure Program Management Consultant**
- **Complete Permitting**
- **Execute Contracts for Administration of Public Benefits (with DWR and CDFW)**
- **Apply for WIFIA Loan for construction costs**
- **Execute Service Agreements**
- **Prepare for California Water Commission (CWC) Final Award Hearing**



# **JPA FY23 Budget Overview**

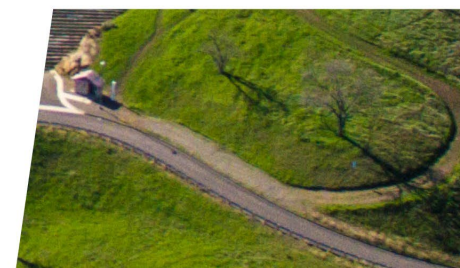
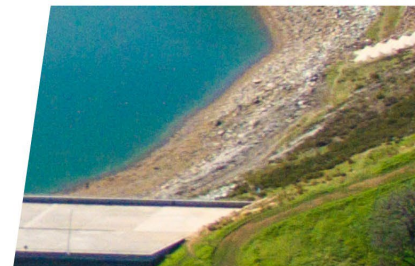
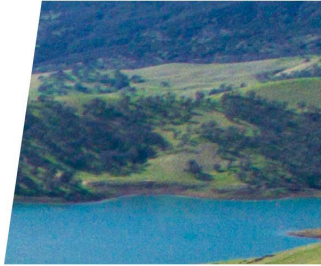
## **Purpose of FY23 Budget**

- **Meet requirements of JPA Agreement**
- **Provide for smooth transition of LVE banking services from CCWD to JPA in early 2023**
- **Establish procedures for budget development, review and adoption**
- **Determine JPA Member cost share for Multiparty Cost Share Agreement Amendment No. 4 and Interim Funding Agreement**
- **Support acquisition of JPA insurance**
- **Provide adequate funding for ongoing activities to support completion of key milestones in alignment with JPA Major Policy Calendar**

# JPA FY23 Budget Overview (cont.)

## Key Assumptions

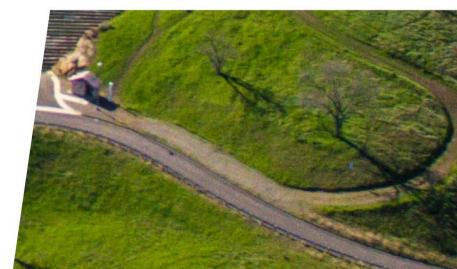
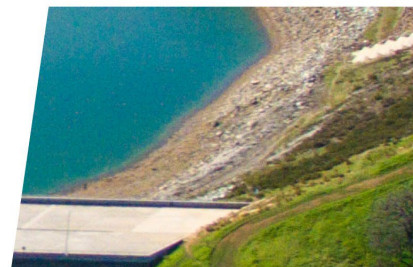
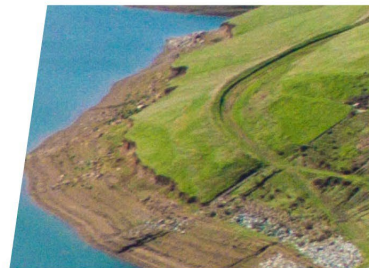
- **CWC Early Funding Agreement fully expended in FY23**
- **\$50 million in WIIN Act construction funding not under contract until FY24**
- **Budget task structure aligns with CWC Early Funding Agreement and Multiparty Agreement**
- **No new starts of engineering or construction included in FY23**



# JPA FY23 Budget Overview (cont.)

## Outline of FY23 Budget Document

- **Agency Background Information**
- **Sources of Funds**
- **Use of Funds**
  - **Capital**
  - **Operating**
  - **Reserves**



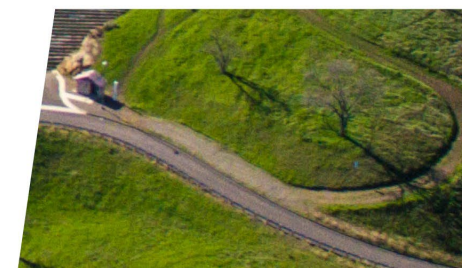
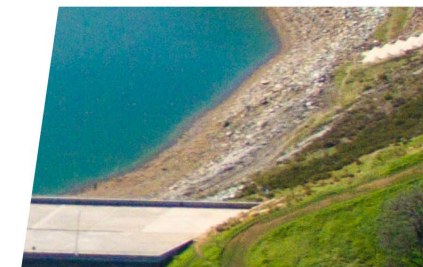
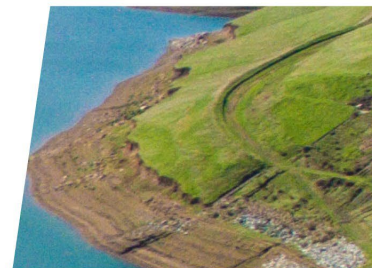
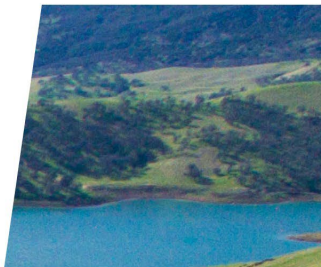


# FY23 Budget Summary

Source of Funds	\$1,000
State	\$4,100
Federal	\$5,100
Local	\$10,800
Carryover from FY22	\$2,500
Total	\$22,500

Use of Funds	\$1,000
JPA Services	\$1,400
CCWD Services	\$13,400
CCWD Labor	\$6,400
Contingency	\$1,300
Total	\$22,500

- **JPA Services: Services that are contracted with JPA**
- **CCWD Services: Services that are contracted with CCWD**



# Sources of Funds in FY23

## State

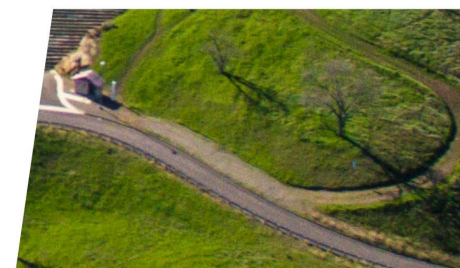
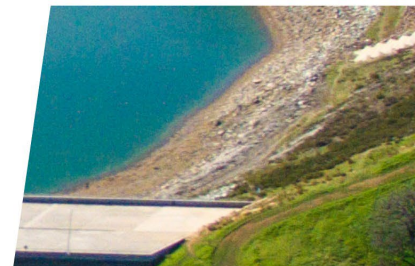
- **Early Funding Agreement (ongoing thru December 2022)**
  - **Between CCWD and CWC**
  - **Seeking an amendment to extend through December 2023**
  - **Additional funds sought due to additional inflation adjustment pending CWC meeting May 18<sup>th</sup>**

## Federal

- **Reclamation Assistance Agreement (January 2021 - December 2023)**
  - **Between CCWD and Reclamation**
  - **24% cost share reimbursement**

## Local

- **Multiparty Agreement Amendment No. 3 (July - December 2022)**
  - **Between CCWD and JPA Members**
  - **Second invoice covers costs for the first half of FY23**
- **Multiparty Agreement Amendment No. 4 (January 2023 – June 2023)**
  - **Between CCWD and JPA Members**
  - **Funds collected cover costs for the second half of FY23**



# Source of Funds Summary

	FY23	Notes
State - Early Funding Agreement	\$4,100,000	Assumes amendment to include \$900k in additional funds and a time extension.
Federal - Reclamation Assistance Agreement	\$5,100,000	Assumes Reclamation Assistance Agreement pays 24% of anticipated costs thru term of FY23.
Multiparty Agreement Amendment No.3	\$3,100,000	Second payment to cover July 1, 2022-December 2022
Multiparty Agreement Amendment No. 4	\$7,700,000	Amount of funding needed to fund all anticipated FY23 expenses at the JPA that is not covered by previously collected funds, state, and federal funds.
Carryover (rebudget) funding from FY22	\$2,500,000	Estimate of funds on the books at CCWD as of June 30, 2022. Assumed to be state funding in summary budget.
<b>Total</b>	<b>\$22,500,000</b>	



# Use of Funds: FY23 Expenditures

- **JPA Services - \$1.4M**
  - **Executive Director**
  - **Program Management Consultant**
  - **Interim General Counsel**
  - **CPA/Auditor**
  - **Financial Advisor**
    - **Credit Rating**
    - **Plan of Finance**
    - **WIFIA Loan**
- **CCWD Services - \$13.4M**
- **CCWD Labor - \$6.4M**
- **Contingency - \$1.3M**
- **Total = \$22.5M**

# JPA Services

JPA Services	July 2022 - December 2022 <sup>a</sup>	January 2023 - June 2023 <sup>b</sup>	FY 23 Total <sup>c</sup>
State/Fed Funding			
Administration Support (JPA)	\$50,000	\$50,000	\$100,000
Program Management (JPA)	\$125,000	\$125,000	\$250,000
Clerk to JPA Board	\$75,000	\$75,000	\$150,000
Credit Rating (JPA)	\$0	\$100,000	\$100,000
Executive Director (JPA)	\$0	\$150,000	\$150,000
Insurance (JPA)	\$0	\$20,000	\$20,000
Financial Advisor	\$160,000	\$200,000	\$360,000
CPA/Auditor	\$0	\$120,000	\$120,000
Interim General Counsel	\$60,000	\$80,000	\$140,000
<b>Total</b>	<b>\$470,000</b>	<b>\$920,000</b>	<b>\$1,390,000</b>

**a – Collected thru Multiparty Agreement Amendment No.3**

**b – Collected thru Multiparty Agreement Amendment No.4**

**c - Contingency not included**

# CCWD Services and Labor

- **Services**
  - **Project Management**
  - **Environmental Planning**
    - **Operations Modeling**
  - **Engineering Feasibility**
  - **Legal**
  - **Fees**
- **Labor**
- **Contingency**

# CCWD Services

	FY23	Notes
<b>Task 1 – Project Management</b>	100,000	Includes contract administration and meeting facilitation.
<b>Task 2 – Environmental Permitting</b>	2,300,000	Completion of final permits and water rights.
<b>Task 3 – Engineering Feasibility</b>	8,600,000	Continues design work in progress, cost estimates, easement development, and support for WIFIA application and agreements.
<b>Legal</b>	600,000	Supports permitting, water rights, easement acquisition, and agreement development.
<b>Fees</b>	1,800,000	Assumes all water rights change petitions and time extensions filed. All permit fees filed and paid. Does not include purchase of mitigation land.
<b>Total</b>	<b>13,400,000</b>	Contingency not included

# CCWD Labor

- **Project Management - \$0.4M**
  - **Grant Administration**
  - **Agreement Development**
  - **Communications and Outreach**
    - **JPA website hosting/posting**
    - **Fact Sheets**
- **Environmental Planning - \$3.3M**
  - **Environmental**
  - **Permitting**
    - **Compensatory Mitigation Package**
  - **Water Rights**
- **Engineering Feasibility – \$2.7M**
  - **Design**
  - **Management of Design Consultants**
  - **Risk Management**



# JPA Budget Structure

- **Assume all budget is treated as capital in FY23 consistent with CCWD budget and Capital Improvement Program**
- **No operating budget in FY23**
- **In the future, after JPA Members are receiving benefits, operating budget would be adopted**

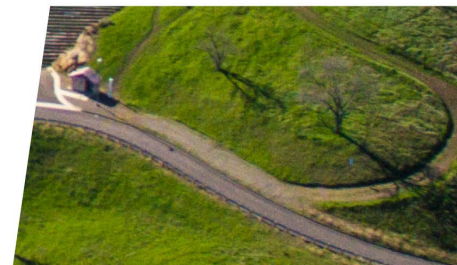
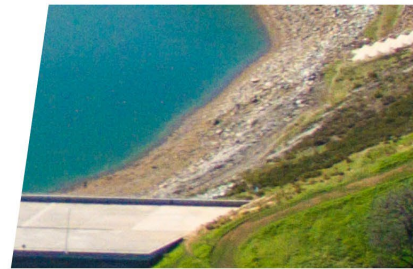
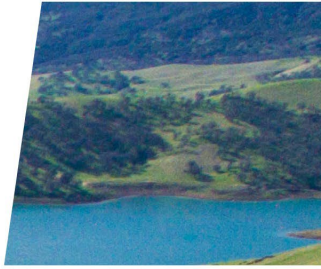
# JPA Agreement Section 7.11 - Reserves

**“The Authority and each Member shall establish in that Member’s Service Agreement, or in any Related Activity Agreement, and each Member shall pay into, reserve accounts established for administrative, operational, debt service and capital costs. The respective Service Agreements and, if applicable, Related Activity Agreements, shall specify how the reserve accounts will be replenished in the event such reserves are used. The Authority shall hold those reserves to provide readily available funds in the event a Member is not able to pay its share of the applicable type of costs as provided in that Member’s Service Agreement and herein.”**

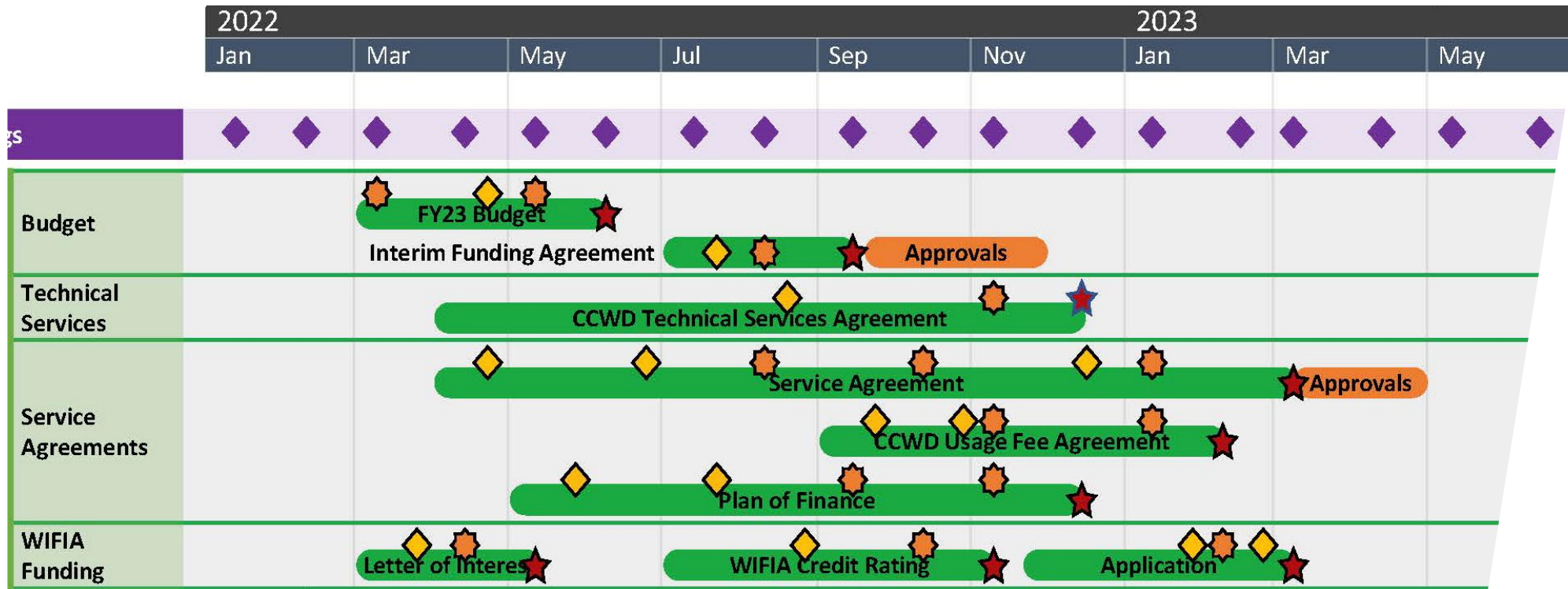


# JPA Budget Options: Reserves

- **Assume no reserves collected in FY23**
- **Collection of reserves begins once project transitions to construction and operations**
  - **After execution of Service Agreements**
- **As the JPA establishes itself as a stand-alone financing entity, some liquidity or working capital reserves may be appropriate**
  - **A cash-fund working capital reserve**
  - **A bank credit facility**
- **Contingency funds would be included in FY23 Budget and related agreements consistent with current practice in the Multiparty Agreement**



# Major Policy Calendar - Financial



# Multiparty Agreement (MPA) Amendment No. 4

- **Agreement currently expires December 31, 2022**
- **Extend the term until June 2023 in order to provide more time for JPA to establish banking services and financial procedures**
- **Execution required by all Members but not JPA**
- **CCWD would collect January 2023 JPA member payments**
- **Once Interim Funding Agreement executed**
  - **JPA takes necessary steps to become ‘the bank’**
  - **CCWD would transfer funds to JPA**

# Interim Funding Agreement

- **Cover JPA costs in FY23 that are not provided by State and Federal Funding and Local Funding beyond FY23**
- **Term of the agreement will be thru FY24, covering period of January 1, 2023 through June 30, 2024**
- **Scope of work & budget would be updated to coincide with JPA adoption of JPA FY24 budget**
- **Draft will be provided to staff of JPA Members by June**
- **Finance Committee review in July**
- **JPA Board review in August, consider approval in September**
- **Approval needed by all JPA members by November**



# CCWD Technical Services Agreement

- **CCWD role similar to role described in MPA No. 3 (minus current responsibilities as Interim Administrator that will be transferred to JPA Executive Director and JPA contractors)**
  - **Environmental**
  - **Permitting and Water Rights**
  - **Other Agreements**
  - **Design**
  - **In future: Land acquisition, Final Design, Construction, etc.**
- **Scope of work and budget funded through Interim Funding Agreement**
- **Term January 2023 – June 2024 to align with Interim Funding Agreement**

# **CCWD Technical Services Agreement (cont.)**

- **Assumes a 10% contingency for design and construction costs**
  - **Covers unexpected expenses or changes**
  - **Applied to total services costs (not individual line items)**
- **Draft agreement will be provided to Member agency staff for review by June**
- **Finance Committee Review in August**
- **JPA Board Review of Draft Agreement in November**
- **Approval needed from JPA Board by December**
- **CCWD will schedule a separate workshop with Member agency staff to review**



# Next Steps

- **Update FY23 Budget based on feedback from committee**
- **Send backup spreadsheet to Member agency staff to verify budget assumptions and calculations**
- **May 11 - JPA Board review of Draft FY23 Budget**
- **June 8 - JPA Board consider adoption of FY23 Budget**
  - **Board may consider passing a Reimbursement Resolution simultaneous with adopting FY23 Budget so expenditures are eligible for reimbursement through potential future issuance of tax-exempt revenue bonds**