

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







- 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







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















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 18th

Federal

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

<u>Local</u>

- 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.
Total	\$22,500,000	



















- 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











	July 2022 -	January 2023 -	
JPA Services	December 2022 ^a	June 2023 ^b	FY 23 Total ^c
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
Total	\$470,000	\$920,000	\$1,390,000

- a Collected thru Multiparty Agreement Amendment No.3
- b Collected thru Multiparty Agreement Amendment No.4
- c Contingency not included











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









	FY23	Notes
Task 1 – Project Management	100,000	Includes contract administration and meeting facilitation.
Task 2 – Environmental Permitting	2,300,000	Completion of final permits and water rights.
Task 3 – Engineering Feasibility	8,600,000	Continues design work in progress, cost estimates, easement development, and support for WIFIA application and agreements.
Legal	600,000	Supports permitting, water rights, easement acquisition, and agreement development.
Fees	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.
Total	13,400,000	Contingency not included













- 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."











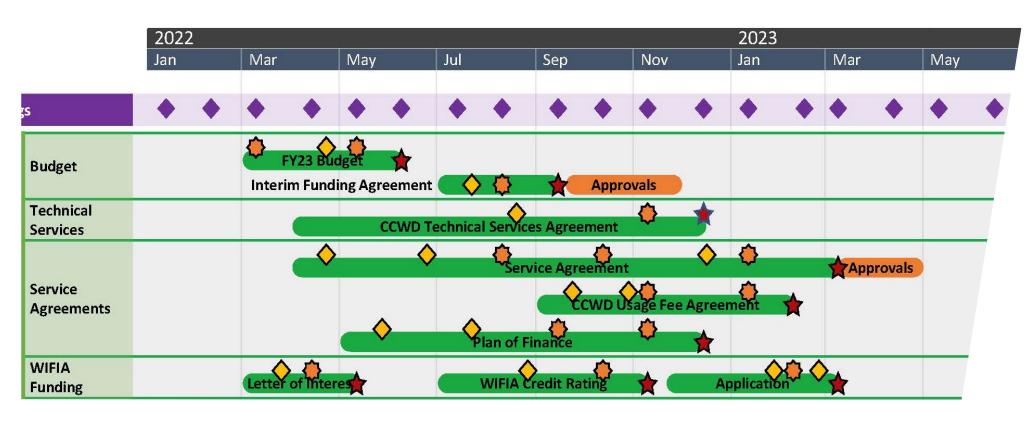
JPA Budget Options: Reserves

- 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 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







- 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