



PAJARO VALLEY WATER MANAGEMENT AGENCY

FINANCING PLAN FOR PAJARO VALLEY WATER SUSTAINABILITY PROJECTS

PRESENTATION TO FINANCE COMMITTEE

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

March 7, 2023

Projects Description and Cost

- ▶ Total Project cost \$115.4 million
 - ▶ \$14.5 million spent to date
- ▶ Projects will provide new sources of water to the area
- ▶ Target completion in 2025
 - ▶ WSS-MARR dependent on water permit

College Lake Integrated Resources Management Project (CLIRMP)	
Construction Cost	\$75,566,880
Construction Management	\$7,956,452
Engineering Services	\$3,035,974
Environmental Compliance	\$672,162
Total CLIRMP Cost (Based on Contracts)	\$87,231,468

Watsonville Slough System Managed Aquifer Recharge and Recovery (WSS-MARR)	
Estimated Project Cost (Still in Planning Stages)	\$28,199,600
Total WSS-MARR Cost (Estimate)	\$28,199,600

Total Estimated Cost of Both Projects	
	\$115,431,068



Harkins Slough Recharge Basin



Struve Slough

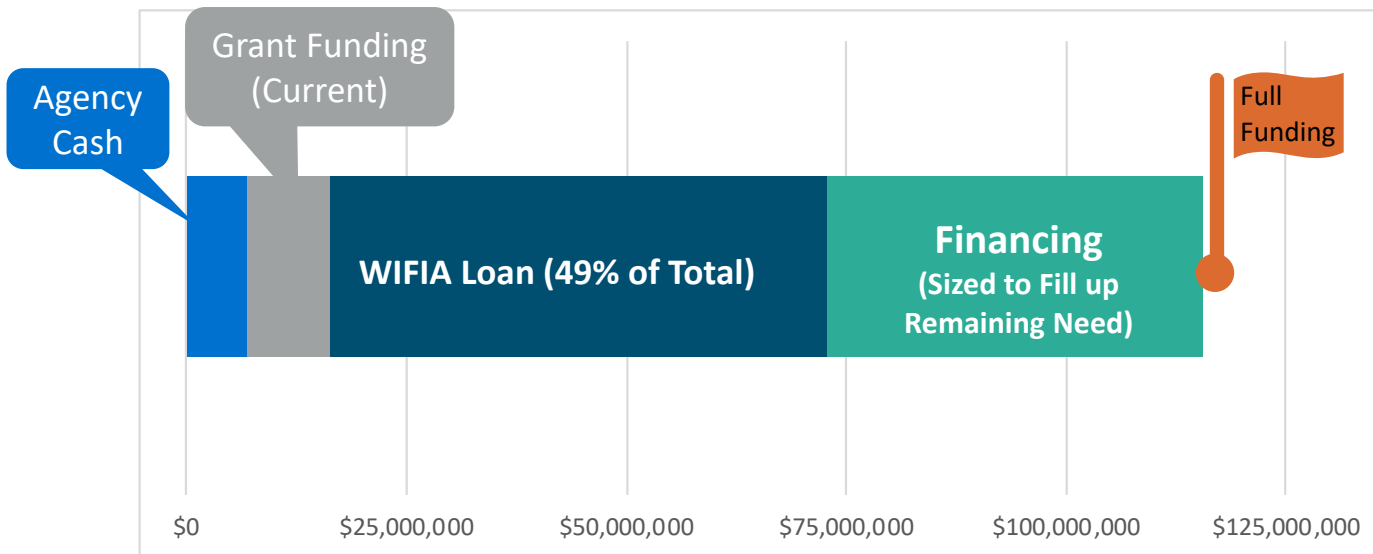


Aerial view of College Lake looking East

Funding Sources

- ▶ Project funding includes grants, reserves, WIFIA Loan, and Water Revenue Financing
 - ▶ Reserve ~\$7M
 - ▶ Grants ~\$9.4M (applications for additional grant funding anticipated)
 - ▶ WIFIA ~\$55M
 - ▶ Water Revenue Financing; first series (~\$35M) and second series (~\$8-10M, depending in WSS-MARR cost)

Funding Sources for the Projects



WIFIA Loan – Process and Timing

- ▶ WIFIA Loan - ~\$55M for project costs
 - ▶ 49% of the total \$115M cost of both Projects
- ▶ EPA invitation to apply for WIFIA Loan in hand
 - ▶ EPA will reserve funds for the Agency’s project pending application
 - ▶ Deadline to complete application is March 2024
- ▶ Application Process:
 - ▶ Application submittal - June 2023
 - ▶ Target Funding Date - February 2024

Overview of WIFIA Loan Process

Key Step	Estimated Timing
Invitation to Apply	February 2023
PVWMA engineers and finance team work on Application	March – May 2023
Credit Review Process (S&P)	April
Board Approval of Loan Application	June 2023
Application Submittal to EPA	End of June
EPA Due Diligence (3 Phases)	July - September
Agency negotiates terms with EPA	October - November
Final Credit Review Process	December
Board Approval of WIFIA Loan Agreement	January
Loan Closes, Funds Available	February 2024

Water Revenue Financing – Process and Timing

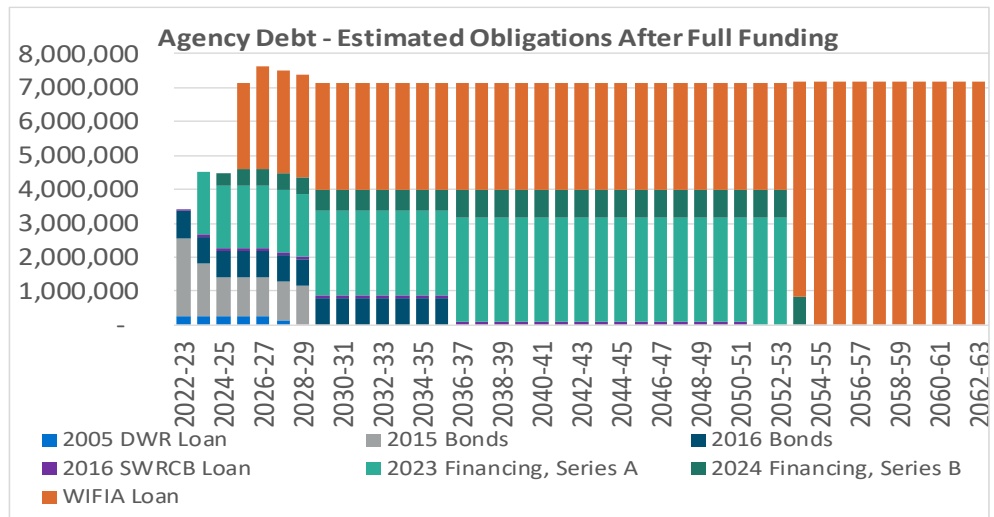
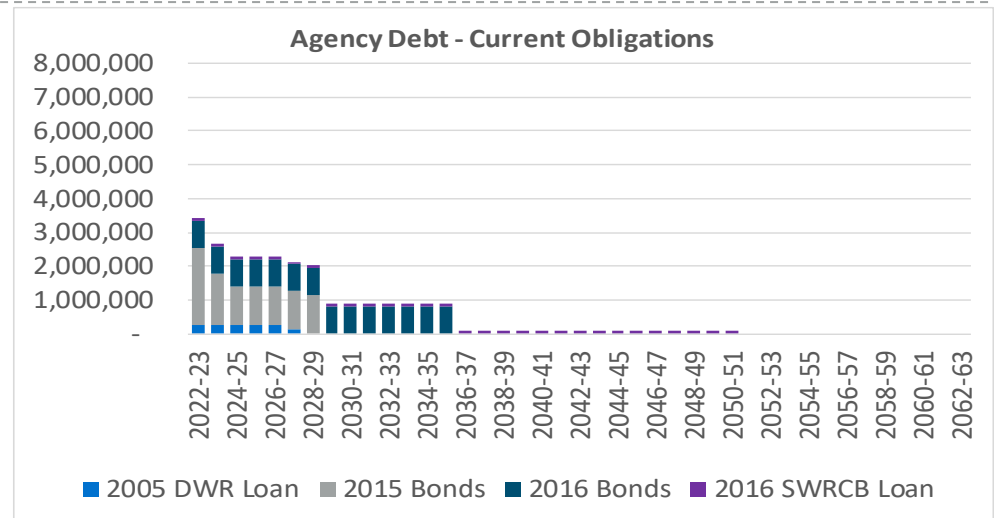
- ▶ Series A financing to raise ~\$35M in project costs to cover a portion of the Agency’s 51% share of the cost of CLIRMP
 - ▶ Last Agency financing was in summer 2016
 - ▶ Current credit rating - “A”
- ▶ Targeting May/June for proceeds
- ▶ Given timing of WSS-MARR Project, Series B financing for that project will wait until water permit is received
 - ▶ Will save interest on financing

Overview of Debt Issuance Process 2023 Financing, Series A

Key Step	Estimated Timing
Start Process	Early March
Draft Legal and Disclosure Documents	March to mid-April
Credit Review Process (S&P)	Early-Mid April
Committee Considers Financing	April 11, 2023
Board Approval of Financing	April 19, 2023
Financing Sold to the Public	Early May
Financing Closes, Funds Available	Late May

Outstanding Agency Debt Obligations

- ▶ Currently, the Agency has a total of ~\$18 million in outstanding debt
 - ▶ Low debt load given Agency's size due to strategic use of pay-go/cash for capital projects
- ▶ WIFIA Loan and matching financing for the Projects will significantly increase the Agency's annual debt service payments
- ▶ Agency staff proactively planned for this additional debt service during 2021 Rate Study
 - ▶ Future rate studies will take these annual debt obligations into account to ensure sufficient revenues to pay debt service



Overall Project Timeline

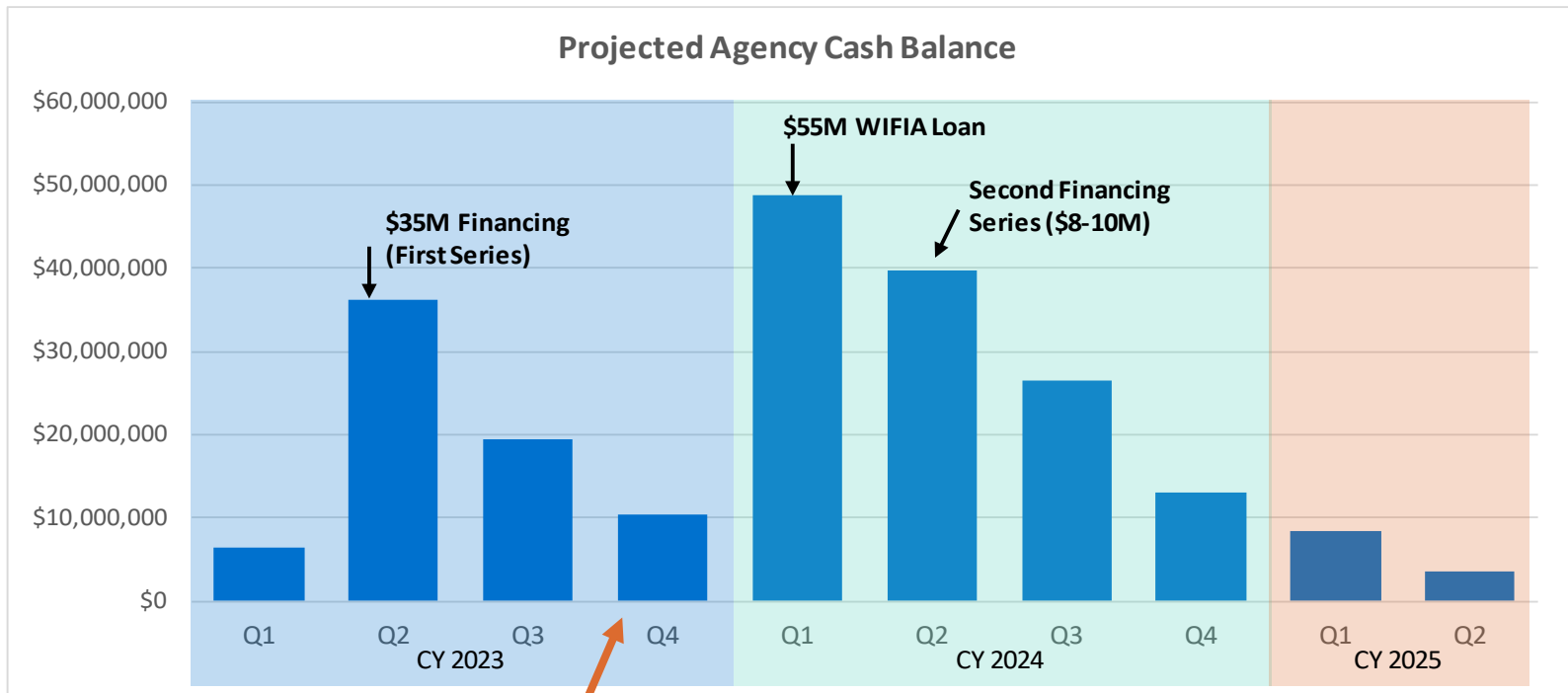
- ▶ Construction expected to be complete on CLIRMP by end of 2024; complete on WSS-MARR by end of 2025
 - ▶ Timing of water permit will drive the construction schedule for WSS-MARR
- ▶ Targeting a submission of the WIFIA Loan application by end of June 2023 and closing/funding of WIFIA Loan by end of March 2024
- ▶ First series of Financing to close by June 2023 to provide funding for CLIRMP construction
 - ▶ Interim funding only on an “as needed” basis (depends on timing of the WIFIA Loan and timing of the WSS-MARR project permits)

	Calendar Year 2023				Calendar Year 2024				Calendar Year 2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Construction Schedule												
WSS-MARR Project Schedule*		Design			Construction							
CLIRMP Project Schedule	Construction											
WIFIA Loan Schedule												
WIFIA Application	■											
Finalize WIFIA Loan (Funds Available)			■		■							
Bond Financing Schedule												
First Series (CLIRMP Financing)	■											
Interim Funding (<i>Only if Needed</i>)			■									
Second Series (WSS-MARR Financing)*					■							

*Timing of water permit will influence this schedule

Illustrative/Projected Cash Balance

- ▶ **Illustrative** cash balance graph is based on preliminary project drawdown schedule
- ▶ Cash balances will drive the timing and need for second series and/or interim funding
 - ▶ WIFIA Loan timing delay could require an interim funding option
 - ▶ Additional Grant Funds received will also impact this schedule
 - ▶ Contractor is working on updated project drawdown and will be providing that in mid-April 2023



Key point we are watching; interim funding may be required to prevent cash balances from getting too low

Interim Funding Options (If Needed)

- ▶ If Agency cash balances get too low due to an unforeseen delay in closing the WIFIA Loan, there are several interim funding options available

Option 1: Bank Letter of Credit Option

- 3-year Line of Credit (“LOC”) secured from a bank; draws on LOC as needed for construction
- Agency pays interest only on amounts withdrawn from the LOC
- **Potentially the cheapest option, but subject to availability of LOC from bank**

Option 2: Private Placement Option

- 3-year note issued directly to a bank; interest accrues on full principal of loan from closing (no draw schedule)
- No public sale, no rating process, no disclosure documents
- **Lowest impact on Agency staff time; but likely higher interest rate than Option 3**

Option 3: Public Offering Option

- 3-year Bond Anticipation Note (“BAN”); interest accrues on full principal of BAN from closing (no draw schedule)
- BAN sold to the public markets (rating process, disclosure documents, etc.)
- **Higher impact on Agency staff time; but likely lower interest rate than Option 2**



ANY QUESTIONS?