



MEMORANDUM

TO: SLDMWA Finance and Administration Committee/Board of Directors, Alternates

FROM: Pablo Arroyave, Chief Operating Officer

DATE: October 5, 2020

RE: Discussion regarding Jones Pumping Plant Unit Rewind Project Financing, including Sources

BACKGROUND

The JPP Unit Rewind Project consists of six units. Two unit rewinds have been completed and the third is in progress. Funding for the fourth unit is required by November 1, 2020 in order to stay on schedule with the current contractor (NEC).

Reclamation provided a loan to fund the first unit and the Water Authority funded the 2nd unit. The Water Authority recently entered into a second Repayment Contract with Reclamation to fund two (2) units. The Water Authority needs to secure additional funding for the remaining two (2) units.

In the September 2020 Board of Directors meeting, the Board adopted a Resolution Providing for the Issuance of Revenue Bonds to Finance a Portion of the Cost of Extraordinary Maintenance to the Jones Pumping Plant, Authorizing the Execution of Certain Documents, and Authorizing Certain Other Actions in Connection Therewith. In this Resolution, the Board authorized staff to take necessary actions to move forward with public financing of the remaining two units, with the understanding that staff would return to the Board in October to discuss whether public financing or a WIFIA loan was the preferred source of funding for the project.

ITEMS FOR DISCUSSION

1. Continued pursuit of public financing with a 25-year term rather than a WIFIA loan to finance the remaining two units of the JPP Unit Rewind Project
2. Exploration of an agreement with the Friant Water Authority (FWA) that would allow separate payment of the FWA share of funding (approximately 40%) outside of bond issuance

ANALYSIS

Since the Board action in September, staff has proceeded in finalizing documents and scheduling meetings necessary to move forward with the public financing, over a 25-year term, to finance the remaining two units of the JPP Unit Rewind Project. The current schedule has the final POS coming to the Board for approval in November 2020.

The WIFIA application process is currently in the due diligence phase of the loan review. Water Authority staff has been working on the application process with EPA. However, significant questions still persist regarding the Water Authority’s eligibility for WIFIA financing and there is no assurance that the Authority would be successful in acquiring the WIFIA loan. While legislation that would address federal nexus concerns has been introduced and has passed the Senate as a part of that chamber’s version of the Water Resources Development Act, enactment of that legislation before the end of 2020 is uncertain and will be significantly influenced by the outcome of the November elections.

In addition, FWA has expressed an interest in paying their approximately 40% share of the obligation for the 2 units separately and not participate in the public bond process. FWA is proposing a payment schedule below that corresponds to the timing of the payments the Water Authority will need for NEC. In addition, this proposal will be discussed with Moody’s Rating Agency on October 12th to ensure that there are no outstanding concerns with this approach. Assuming no adverse impacts to Water Authority members associated with such a payment scheme, an agreement or MOU to allow separate payment by FWA of their share of the obligation would be brought to the Board for approval in November 2020.

Payment	Date	Friant Share at 40% of Total
Unit 1 NTP	11/1/2020	1,755,108.40
Unit 1 Mid	6/1/2021	-
Unit 2 NTP	7/1/2021	995,154.34
Unit 1 Test	11/1/2021	701,918.68
Unit 2 Mid	4/1/2022	778,678.00
Unit 2 Test	8/1/2022	709,007.00
	Totals	4,939,866.41

The above payment schedule is based on the estimated costs of the remaining two units of the Rewind Project, as well as FWA’s estimated share of the cost of the two units (the estimate is based on a 40% share, while FWA’s most recent calculated average allocation is around 38%). Consistent with the Water Authority’s invoicing and accounting practices, the actual amount of funding to be provided by FWA will be reconciled and “trued-up” such that FWA will pay their appropriate share based on the Reserve Fund allocation methodology and the actual cost of the two units of the Rewind Project. As such, FWA may receive a credit for any overpayment or an

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additional billing if necessary to ensure FWA pays its appropriate share to ensure there is no impact to other Contractors.

**Jones Pumping Plant
Unit Rewind Project
PROJECT COST SUMMARY**

	Scheduled Start Date	Scheduled Completion Date	NEC Construction Cost	Construction Contingency Cost (10%)	Total Construction Contract Cost	USBR Oversight Cost	DHR PSA Cost	Total Contracts	SLDMWA Planned Labor	Totals
Unit 6 TOTAL COST ¹ :	Apr-18	Feb-19						\$ 5,000,000	\$ 403,298	\$ 5,403,298
Units 1-5 Design ² :	Mar-19	Jun-19	\$ -	\$ -	\$ -	\$ 60,000	\$ 69,036	\$ 129,036	\$ 8,428	\$ 137,464
First Unit (U-2):	Sep-19	Jun-20	\$ 4,420,365	\$ 442,037	\$ 4,862,402	\$ 50,000	\$ 497,130	\$ 5,409,532	\$ 686,000	\$ 6,095,532
Second Unit (U-5):	Jun-20	Mar-21	\$ 4,373,881	\$ 437,388	\$ 4,811,269	\$ 51,500	\$ 505,550	\$ 5,368,319	\$ 711,400	\$ 6,079,719
Third Unit (U-1):	Mar-21	Nov-21	\$ 4,387,771	\$ 438,777	\$ 4,826,548	\$ 52,700	\$ 514,170	\$ 5,393,418	\$ 736,533	\$ 6,129,951
Fourth Unit (U-4):	Nov-21	Aug-22	\$ 4,431,356	\$ 443,136	\$ 4,874,492	\$ 53,900	\$ 532,790	\$ 5,461,182	\$ 758,533	\$ 6,219,715
Fifth Unit (U-3):	Aug-22	May-23	\$ 4,564,878	\$ 456,488	\$ 5,021,366	\$ 55,200	\$ 546,410	\$ 5,622,976	\$ 780,533	\$ 6,403,509
Totals:			\$ 22,178,251	\$ 2,217,825	\$ 24,396,076	\$ 323,300	\$ 2,665,086	\$ 32,384,462	\$ 4,084,726	\$ 36,469,188

Notes:

- Unit 6 costs are final.
- Units 1-5 design costs are final.

Unit Order	First Progress Payment Date	Construction Start Date	Construction Finish Date
First Unit (U6)		18-Apr	19-Feb
Second Unit (U2)	19-Aug	19-Sep	20-Jun
Third Unit (U5)	20-Mar	20-Jun	21-Mar
Fourth Unit (U1)	20-Nov	21-Mar	21-Nov
Fifth Unit (U4)	21-Jul	21-Nov	22-Aug
Sixth Unit (U3)	22-Apr	22-Aug	23-May

- Start of Fourth Unit
- Completion of Fifth Unit

	Date	JPP Unit Rewind Construction Cost (w/Contingency)	Contractor Progress Payments	Unit # & PP #	USBR Project Management Cost	DHR PSA Monthly Charge	Total SLDMWA Non-Labor Cost	FY Non Labor Funding Needs	SLDMWA Labor Cost	SLDMWA FY Labor Cost	Total Cash Flow Needs	SLDMWA Fiscal Year Totals
Unit 6	Mar-19						\$ 5,000,000	\$ 5,000,000	\$ 403,298	\$ 403,298	\$ 5,403,298	\$ 5,403,298
Unit 2	Mar-19											
	Apr-19											
	May-19											
	Jun-19											
	Jul-19	\$ -	\$ -		\$ 60,000	\$ 69,036	\$ 129,036		\$ 8,428		\$ 137,464	
	Aug-19	\$ 4,862,402	\$ 1,944,961	U2 PP1		\$ 55,237	\$ 2,000,197	\$ 3,969,374	\$ 8,575	\$ 368,578	\$ 2,008,772	\$ 4,337,952
	Sep-19					\$ 55,237	\$ 55,237		\$ 308,700		\$ 363,937	
	Oct-19				\$ 50,000	\$ 55,237	\$ 105,237		\$ 8,575		\$ 113,812	
	Nov-19					\$ 55,237	\$ 55,237		\$ 8,575		\$ 63,812	
	Dec-19					\$ 55,237	\$ 55,237		\$ 8,575		\$ 63,812	
Jan-20		\$ 1,458,720	U2 PP2		\$ 55,237	\$ 1,513,957		\$ 8,575		\$ 1,522,532		
Feb-20					\$ 55,237	\$ 55,237		\$ 8,575		\$ 63,812		
Unit 5	Mar-20	\$ 4,811,269	\$ 1,924,508	U5 PP1		\$ 55,237	\$ 1,979,744		\$ 8,575		\$ 1,988,319	
	Apr-20					\$ 55,237	\$ 55,237		\$ 8,575		\$ 63,812	
	May-20					\$ 56,172	\$ 56,172		\$ 308,700		\$ 364,872	
	Jun-20		\$ 1,458,720	U2 Final		\$ 56,172	\$ 1,514,893		\$ 320,130		\$ 1,835,023	
	Jul-20				\$ 51,500	\$ 56,172	\$ 107,672		\$ 11,857		\$ 119,529	
Unit 1	Aug-20					\$ 56,172	\$ 56,172	\$ 7,481,881	\$ 11,857	\$ 1,368,690	\$ 68,029	\$ 8,850,571
	Sep-20					\$ 56,172	\$ 56,172		\$ 11,857		\$ 68,029	
	Oct-20		\$ 1,443,381	U5 PP2		\$ 56,172	\$ 1,499,553		\$ 11,857		\$ 1,511,410	
	Nov-20	\$ 4,826,548	\$ 1,930,619	U1 PP1		\$ 56,172	\$ 1,986,791		\$ 11,857		\$ 1,998,648	
	Dec-20					\$ 56,172	\$ 56,172		\$ 11,857		\$ 68,029	
Unit 4	Jan-21					\$ 56,172	\$ 56,172		\$ 320,130		\$ 376,302	
	Feb-21					\$ 57,130	\$ 57,130		\$ 331,440		\$ 388,570	
	Mar-21		\$ 1,443,381	U5 Final	\$ 52,700	\$ 57,130	\$ 1,553,211		\$ 12,276		\$ 1,565,486	
	Apr-21					\$ 57,130	\$ 57,130		\$ 12,276		\$ 69,406	
	May-21					\$ 57,130	\$ 57,130		\$ 12,276		\$ 69,406	
	Jun-21		\$ 1,447,964	U1 PP2		\$ 57,130	\$ 1,505,094		\$ 12,276		\$ 1,517,370	
	Jul-21	\$ 4,874,492	\$ 1,949,797	U4 PP1		\$ 57,130	\$ 2,006,927		\$ 12,276		\$ 2,019,202	
	Aug-21					\$ 57,130	\$ 57,130	\$ 7,089,542	\$ 12,276	\$ 784,360	\$ 69,406	\$ 7,873,901
	Sep-21					\$ 57,130	\$ 57,130		\$ 331,440		\$ 388,570	
	Oct-21					\$ 57,130	\$ 57,130		\$ 9,482		\$ 66,612	
Nov-21		\$ 1,447,964	U1 Final		\$ 59,199	\$ 1,507,163		\$ 341,340		\$ 1,848,503		
Dec-21				\$ 53,900	\$ 59,199	\$ 113,099		\$ 9,482		\$ 122,581		
Unit 3	Jan-22					\$ 59,199	\$ 59,199		\$ 9,482		\$ 68,681	
	Feb-22					\$ 59,199	\$ 59,199		\$ 9,482		\$ 68,681	
	Mar-22					\$ 59,199	\$ 59,199		\$ 9,482		\$ 68,681	
	Apr-22	\$ 5,021,366	\$ 3,470,894	U3 PP1 & U4 PP2		\$ 59,199	\$ 3,530,093		\$ 9,482		\$ 3,539,574	
	May-22					\$ 59,199	\$ 59,199		\$ 9,482		\$ 68,681	
	Jun-22					\$ 59,199	\$ 59,199		\$ 9,482		\$ 68,681	
	Jul-22					\$ 59,199	\$ 59,199		\$ 341,340		\$ 400,539	
	Aug-22		\$ 1,462,347	U4 Final		\$ 54,641	\$ 1,516,988	\$ 7,173,332	\$ 351,240	\$ 789,046	\$ 1,868,228	\$ 7,962,379
	Sep-22				\$ 55,200	\$ 54,641	\$ 109,841		\$ 9,757		\$ 119,598	
	Oct-22					\$ 54,641	\$ 54,641		\$ 9,757		\$ 64,398	
Nov-22					\$ 54,641	\$ 54,641		\$ 9,757		\$ 64,398		
Dec-22		\$ 1,506,410	U3 PP2		\$ 54,641	\$ 1,561,051		\$ 9,757		\$ 1,570,807		
Unit 2	Jan-23					\$ 54,641	\$ 54,641		\$ 9,757		\$ 64,398	
	Feb-23					\$ 54,641	\$ 54,641		\$ 9,757		\$ 64,398	
	Mar-23					\$ 54,641	\$ 54,641		\$ 351,240		\$ 405,881	
	Apr-23					\$ 54,641	\$ 54,641		\$ 9,757		\$ 64,398	
	May-23		\$ 1,506,410	U3 Final		\$ 54,641	\$ 1,561,051		\$ 9,757		\$ 1,570,807	
	Jun-23					\$ -	\$ -					
	Jul-23					\$ -	\$ -					
	Aug-23					\$ -	\$ -	\$ 1,670,333		\$ 370,753		\$ 2,041,086
	Sep-23					\$ -	\$ -					
	Oct-23					\$ -	\$ -					
Nov-23					\$ -	\$ -						
Dec-23					\$ -	\$ -						
Jan-24					\$ -	\$ -						
Feb-24					\$ -	\$ -						
Totals:			\$ 24,396,076	\$ 24,396,076		\$ 323,300	\$ 2,665,086	\$ 32,384,462	\$ 32,384,462	\$ 4,084,726	\$ 4,084,726	\$ 36,469,188