



# Review P3 Project Cost and Financing Sensitivity Analysis

August 6, 2020

# Water Rate Projection Assumptions

- Assumes 0% increase to North County (Zone W-2) M&I Groundwater charge for entirety of FY 21
- Based on FY 21 Adopted Budget and CIP
- WIFIA loan funded alternatives assume repayment of 49% of capital costs 5 years after facility is operational
- P3 (private financing) alternatives assume payments begin when facility is operational, less VW 30% share of debt financing
- Alternative results expressed in terms of annual % increase in North County M&I Groundwater charge for FY 22 thru FY 30

# Water Rate Projection Estimates - SUMMARY

Shown to Board on  
June 16, 2020

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	Path A		Path B			
Project Size	11.2 TAF	11.2 TAF	11.2 TAF	11.2 TAF	20.2 TAF	20.2 TAF
Capital (\$M)	\$500	\$500	\$500	\$500	\$650	\$650
Annual O&M (\$M)	\$12.30	\$12.30	\$12.30	\$12.30	\$20.20	\$20.20
Construction Year Start	2025	2025	2027	2027	2027	2030
Operations Year Start	2031	2028	2033	2030	2030	2033

Current CIP



## FY 22-FY 30 annual % increase Zone W-2 M&I GW charge

DBB	9.6%	10.2%	9.0%	10.0%	10.5%	9.2%
P3	9.0%	9.9%	8.6%	9.5%	10.0%	8.8%
DBB + WIFIA	8.8%	9.4%	8.3%	9.2%	9.6%	8.5%
P3 + WIFIA	8.7%	9.5%	8.3%	9.2%	9.6%	8.4%

DBB = Design/Bid/Build

P3 = Public Private Partnership

WIFIA = Water Infrastructure Finance & Innovation Act (low cost Federal loan)

No financial advantage  
for P3 over DBB if  
WIFIA loan is assumed



# Water Rate Projection Sensitivity

	<b>Path A</b>	<b>Construction Bid Climate Sensitivity</b>		<b>Aggressive Borrowing Rate Scenario</b>
Project Size	<b>11.2 TAF</b>			
Capital (\$M)	\$500	\$400	\$600	\$500
Annual O&M (\$M)	\$12.30			
Construction Year Start	<b>2025</b>			
Operations Year Start	<b>2028</b>			

- Construction bid climate sensitivity based on 20% better or worse than current capital project estimate
- Aggressive SCVWD borrowing rate forecast based on AA+ rating
  - P3 aggressive weighted borrowing rate at 6% vs 7% (BBB rating)

**FY 22-FY 30 annual % increase Zone W-2 M&I GW charge**

DBB	10.2%			
P3	9.9%	9.6%	10.2%	9.3%
DBB + WIFIA	9.4%			
P3 + WIFIA	9.5%	9.2%	9.7%	8.7%

DBB = Design/Bid/Build  
 P3 = Public Private Partnership  
 WIFIA = Water Infrastructure Finance & Innovation Act (low cost Federal loan)

	Current		Aggressive		Variance	
	Tax		Tax		Tax	
	Exempt Fixed	Taxable Fixed	Exempt Fixed	Taxable Fixed	Exempt Fixed	Taxable Fixed
FY 21	3.7%	4.2%	2.7%	3.0%	-1.0%	-1.2%
FY 22	4.0%	4.7%	3.0%	3.3%	-1.0%	-1.4%
FY 23	4.3%	5.2%	3.3%	3.6%	-1.0%	-1.6%
FY 24	4.6%	5.7%	3.6%	3.9%	-1.0%	-1.8%
FY 25	5.0%	6.2%	3.9%	4.3%	-1.1%	-1.9%
FY 26	5.4%	6.7%	4.2%	4.6%	-1.2%	-2.1%
FY 27	5.5%	6.9%	4.5%	5.0%	-1.0%	-1.9%
FY 28	5.5%	6.9%	4.9%	5.3%	-0.6%	-1.6%
FY 29	5.5%	7.0%	5.2%	5.7%	-0.3%	-1.3%
FY 30	5.5%	7.0%	5.6%	6.2%	0.1%	-0.8%

- Notes:
- Future rates are mathematically calculated based on market-standard approach for calculating forward rates using current rates as of 7/8/2020.
  - Actual future borrowing rates may differ from those shown.