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PFFC Overview and 2025 Debt Management Program Update

Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC)

November 10, 2025 (Regular Annual Meeting)

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Agenda

- PFFC Overview
- 2025 Debt Management Program Update
  - Financial Status as of June 30, 2025 (unaudited)
    - Cash and Investments
    - Outstanding Debt
    - Short-Term Debt Credit Facilities
  - Results of Recent Water Utility System Debt Financing
  - WIFIA Agreements Review
  - Upcoming Debt Management Activities

Santa Clara Valley Water District

Public Facilities Financing Corporation (PFFC) Overview

REASONS FOR USING A FINANCING CORPORATION (PFFC) TO ACQUIRE WATER UTILITY AND WATERSHED FACILITIES

- District may issue or incur debt under various provisions of the District Act and California Government Code.
- Long term debt can be issued under the District Act including:
  1) General obligation bonds supported by property taxes (voter approval required)
  2) Revenue bonds (voter approval required)
  3) Refunding revenue bonds (no voter approval required)
  4) Installment purchase agreements issued to PFFC who issues Certificates of Participation (no voter approval required)
- The District has generally used installment purchase agreements for long term new money projects for water utility and watershed systems.
- The creation of a financing corporation (the PFFC) was a necessary step to allow Certificates of Participation payable from the installment payments to be sold in public credit markets.
- PFFC Board meets to approve documents for a Certificate of Participation financing to which it is a party.
- Using of financing corporations by special districts is quite common and has been upheld by the state of California courts.
- The Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) is a separate legal entity, with its own employer identification number (EID), but it does not have any physical assets, liabilities, revenues or expenses. The PFFC is governed by 5 board members who are appointed by the District Board of Directors through a competitive application process; the PFFC board members do not have any term limitations.

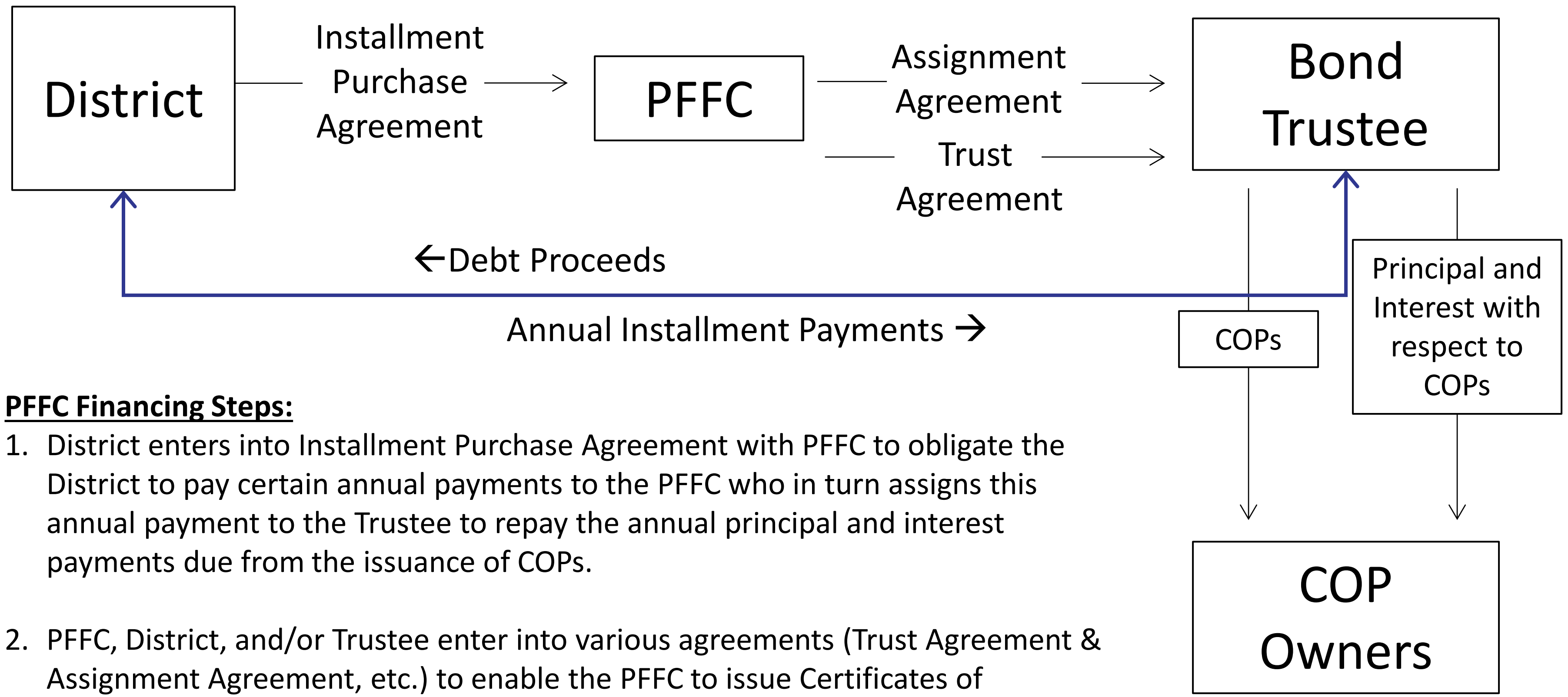
ROLES OF PFFC OFFICERS

- President:
  - Serves as the Chief Executive Officer of the PFFC and presides over meetings of the Board of Directors.
  - Execute documents as authorized by the Board of Directors.
- Vice President:
  - Perform duties of the President in the President’s absence.
  - Perform such other duties at the direction of the Board of Directors.
- Chief Financial Officer:
  - Receive and have charge of PFFC funds, if any (PFFC generally does not hold funds or assets).
  - Perform such other duties at the direction of the Board of Directors.

AMENDMENTS TO DISTRICT ACT EFFECTIVE IN 2024

- With respect to debt financing, the following amendments to the District Act went into effect on January 1, 2024:
  - Authorizes District to use revenues from ad valorem taxes or assessments to pay debt service on bonds (i.e. general obligation bonds).
    - Voter approval required.
  - Authorizes the District to issue bonds secured by *net* water utility system revenues (previously, bonds were required to be secured by *gross* water utility system revenues)
  - Authorizes the District to issue short-term debt without an election with no limit on principal amount (previously principal was limited to $8,000,000).
    - Limitation to 85% of estimated District revenues still applies.

PFFC FINANCING FLOWCHART



PFFC Financing Steps:

1. District enters into Installment Purchase Agreement with PFFC to obligate the District to pay certain annual payments to the PFFC who in turn assigns this annual payment to the Trustee to repay the annual principal and interest payments due from the issuance of COPs.

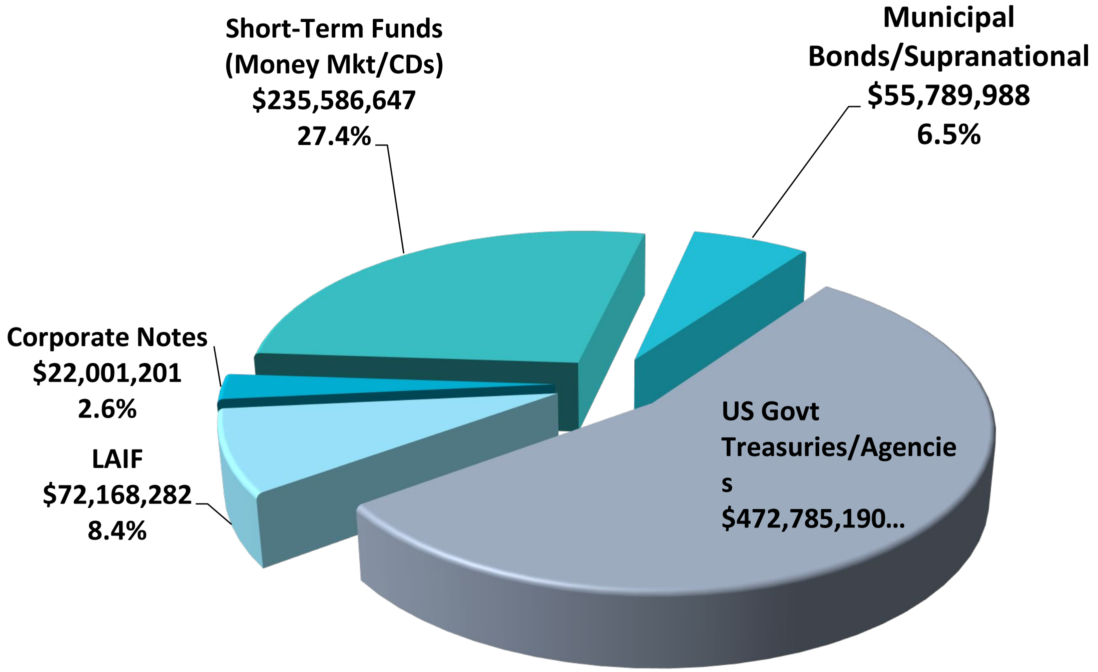
2. PFFC, District, and/or Trustee enter into various agreements (Trust Agreement & Assignment Agreement, etc.) to enable the PFFC to issue Certificates of Participation (COPs) to COP Owners who will receive annual principal and interest repayment over the term of the COPs.

3. District receives lump sum debt proceeds from the sale of the COPs, which is used to acquire eligible capital projects per the Installment Purchase Agreement.

2025 Debt Management Program Update

Financial Status Update – Cash & Investments

$547M or 64% of portfolio very liquid (<=1-year maturity)



SCVWD Portfolio Book Value as of June 30, 2025: $857.6 Million

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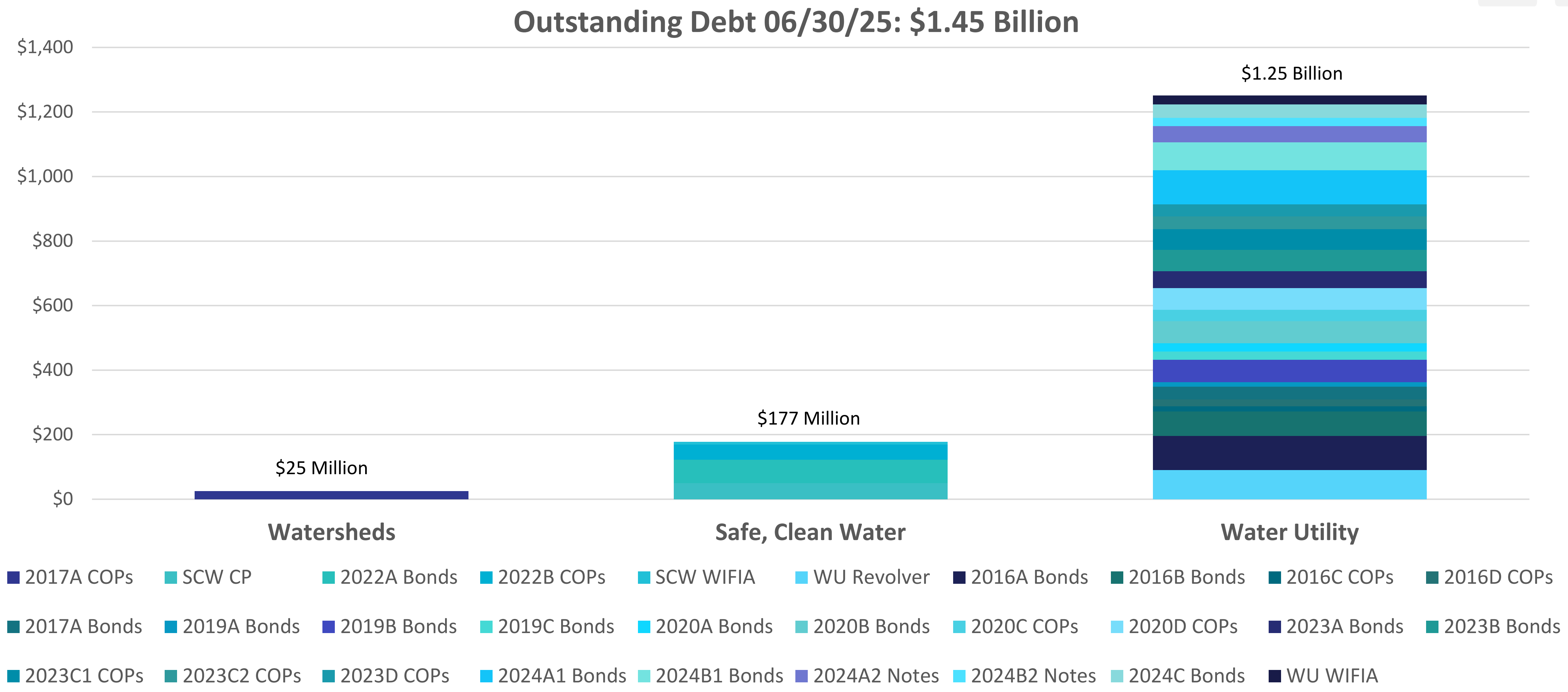
Financial Status Update – Outstanding Debt



Financial Status Update – Credit Facilities

$400 million in combined credit capacity for short-term borrowings

- $250 million commercial paper program
  - Supported by Sumitomo Mitsui Banking Corporation letter of credit
- $150 million bank revolving line of credit
  - U.S. Bank

September 2025 Water Utility Financing

Series:	2025A	2025B	Total
Tax Status:	Tax-Exempt	Taxable	
Purpose:	Refund 2016AC Debt for Savings	Refund Revolving Certificate	
Sources			
Proceeds	$ 122,557,051	$ 90,520,068	$ 213,077,119
12/1/25 Interest Payment	3,084,375	-	3,084,375
	$ 125,641,426	$ 90,520,068	$ 216,161,494
Uses			
Escrow Deposit	$ 125,238,285	$ -	$ 125,238,285
Repay Short-Term Debt	-	90,000,000	90,000,000
Costs of Issuance	403,141	520,068	923,209
Total	$ 125,641,426	$ 90,520,068	$ 216,161,494
Debt Information			
Maturity Date (June 1)	*2046*	*2055*	
All-In True Interest Cost	*3.69%*	*5.47%*	*4.56%*
Net Present Value (NPV) Savings	*$12,964,725*	-	-
NPV % of Refunded Bonds	*10.51%*	-	-

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WIFIA Loan Program

- PFFC and Valley Water Board Approvals (October – December 2022)
- EPA Water Infrastructure and Finance Innovation Act (WIFIA) Loans provide for up to 49% of total project costs
- Flexible Financial Terms, including:
  - Loan interest rates set at U.S. Treasury rate plus 0.01% based on life of loan
  - Long repayment period
    - Up to 35 years after substantial completion
    - Cost prohibitive to issue > 30-year debt in the public markets
    - Long-lived assets / intergenerational equity

WIFIA Agreements

1. Anderson Dam Seismic Retrofit and Coyote Percolation Dam Replacement (Water Utility project)
    - $1.2 billion prior estimated cost
    - $579 million Master Agreement loan program
        - 10 individual loans can be entered into through February 14, 2031
    - $74 million initial Loan Agreement
        - Design/Planning costs only
        - 3.77% annual interest rate
        - $41.2 million drawn
    - Agreements executed February 14, 2023

WIFIA Agreements

2. Sunnyvale East-West Channels, Coyote Creek, and Upper Penitencia Creek flood protection (SCW project)
   - $299 million prior estimated cost
   - $147 million Master Agreement loan program
     - 5 individual loans can be entered into through February 14, 2028
   - $41 million initial Loan Agreement
     - Design/Planning costs – all projects
     - Construction costs - Sunnyvale East-West Channels only
     - 3.77% annual interest rate
     - $14.4 million drawn
   - Agreements executed February 14, 2023

WIFIA Agreements

3. Pacheco Reservoir Expansion (Water Utility project)
   - $3.0 billion prior estimated cost
   - $1.5 billion Master Agreement loan program
     - 10 individual loans can be entered into through October 30, 2031
   - $92 million initial Loan Agreement
     - Design/Planning costs only
     - 5.08% annual interest rate
     - $0 drawn
   - Agreements executed October 30, 2023
   - Valley Water's Board directed staff to terminate Pacheco WIFIA agreements at its meeting on August 26, 2025. Staff is requesting approval of termination of the Pacheco WIFIA agreements by the PFFC Board separately at its November 10, 2025, regular meeting.

Recent/Upcoming Debt Management Activities

- Anderson Dam Seismic Retrofit WIFIA Loan Commitment Upsizing [March 2025]
  - Amend existing Master Agreement to upsize loan commitment to $1.2 billion
  - Awaiting approval from OMB
- SCW WIFIA Loan Agreement #2 [August 2025]
  - Coyote Creek and Sunnyvale East-West Channels flood protection – $105 million construction loan
  - Awaiting approval from OMB
- CWIFP Valley Water Board Approval [September 2025]
  - $1 billion for Calero, Guadalupe, Almaden and Coyote dam seismic retrofit projects
  - Army Corps approval package awaiting transmittal to OMB

Recent/Upcoming Debt Management Activities

- Water Utility Bonds Issuance [May - September 2026]
  - FY 2026 Budgeted New-Money Debt Proceeds
    - Water Utility: $220 million
    - SCW: $45 million
  - Water Utility Refundings
    - Water Utility interim notes maturing June 1, 2026
      - 2023C-1, 2023D, 2024A-2, 2024B-2 ($177 million)
    - 2017A bonds callable December 1, 2026 ($37 million)
      - Only for economic savings
- PFFC Approved Debt [Future]
  - Safe, Clean Water new-money COPs; WIFIA Agreement amendments; new tax-supported debt

QUESTIONS

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