

State Water Project Contract Extension Amendment

December 12, 2018



Recommendation

- Adopt a resolution making CEQA findings
- Authorize CEO to execute the State Water Project Contract Extension Amendment

Why the Extension Amendment is Needed

- Bond financing for terms extending beyond 2035
- Avoids escalation of charges to meet 2035 termination date
- Mismatch between DWR debt service obligations (30 years) and SWP Contractor capital repayment terms (M&I: 50 years, AG: 75 years)

Purpose of Extension Amendment

1. Ensure continued water service from the State Water Project (SWP) beyond 2035
2. Improve financial management of the SWP

Agreement Development

Step 1

Negotiate
Terms of
Extension
Amendment



2013 – Mar 2014

Step 2

Develop
Agreements
in Principle
(AIP)



Mar – July 2014

Step 3

CEQA Process



2014 -2018

Step 4

Extension
Amendment



2018

Key terms of Extension Amendment

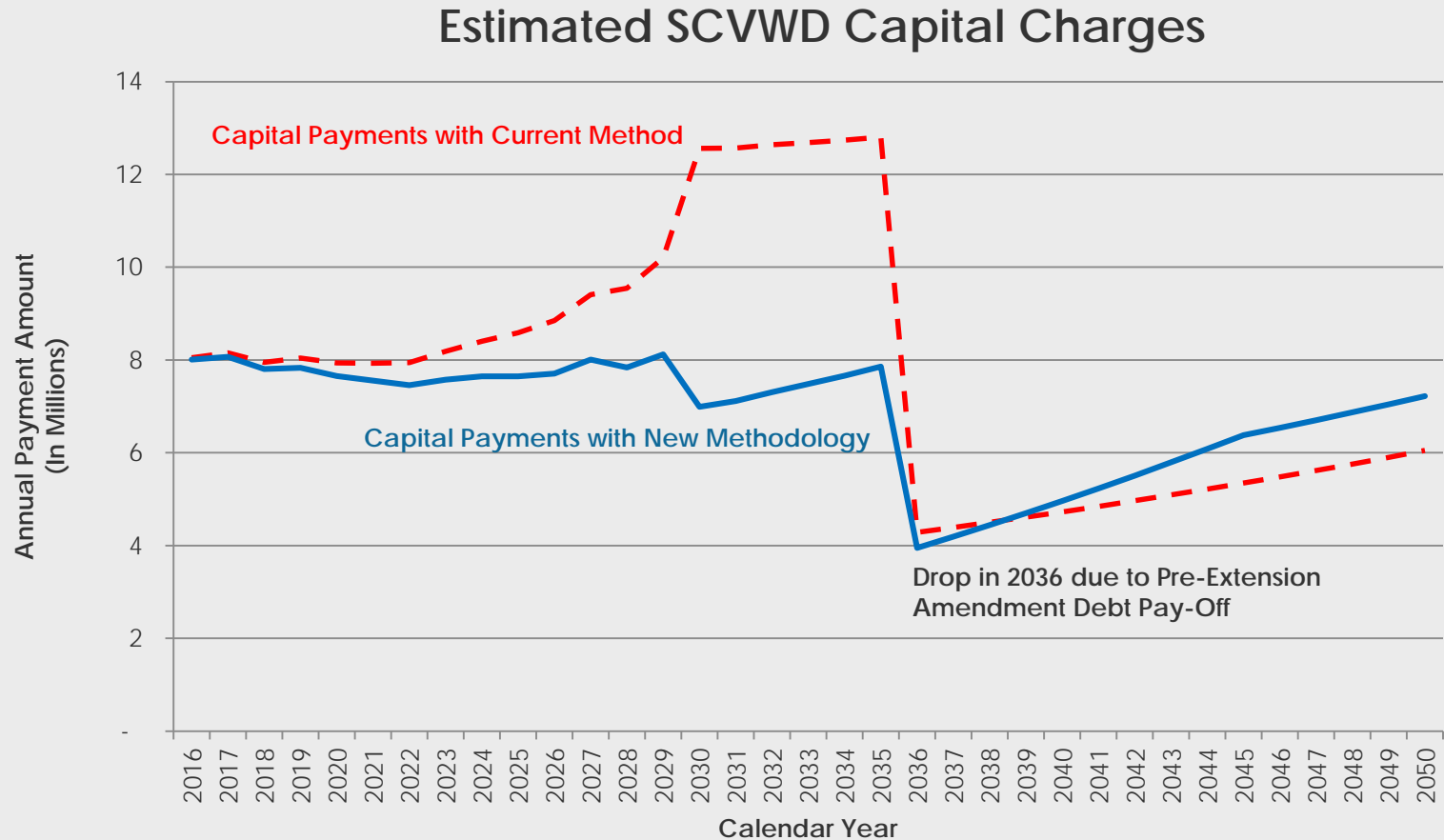
1. Extends term of contract to 2085
2. Implementation of “Pay-as-You-Go” billing methodology
3. Creation of a new financial structure
4. Creation of a joint Finance Committee

Key terms of Extension Amendment

“Pay-As-You-Go” billing provisions

- Applies to O&M expenses and debt service on capital costs
- Matches project expenditures with contractor repayment obligations
- Maintains short and long term affordability

Impact on Annual SWP Payments



Key terms of Extension Amendment

New financial structure

- Increases DWR's operating reserves
- Creates a new State Water Resources Development System Reinvestment Account (SRA)
- Creates a new State Water Resources Development System Support Account (SSA)

Key terms of Extension Amendment

New Finance Committee

- Provides forum & framework for contractors to participate in financial policy development
- Provides recommendations on financial policy and use of funds
- Acts as a check and balance on DWR's new financial structure
- Governed by a new charter agreement

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