

# Eastern San Joaquin Subbasin Groundwater Sustainability Workgroup February 13, 2019



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# Agenda



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- Meeting Objectives
- Roadmap & Deliverables Update
- Financing
- Informational Meeting Recap
- Announcements



# Meeting Objectives

# Meeting Objectives



1. Review and discuss roadmap and deliverable schedule update
  - Presentation and discussion of new deliverable schedule
2. Review options for GSP funding and financing
  - Discussion Item: What financing options should be considered for GSP project implementation?
3. Wrap up and summary
  - Discussion Item: Develop a summary of funding/financing considerations to share with the Board



# Roadmap and Deliverables Update

# Request for Administrative Review



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- There has been a request for an administrative review of the chapters by GSA attorneys/staff prior to release to the GWA Board, Advisory Committee, and the public.



# Financing

# Financing Agenda



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- Funding Sources
  - Capital Funding Sources
    - Federal Funds
    - State Funds
    - Capital Markets (bonding)
    - PayGo (cash financing from revenue)
    - P3 (contractual arrangements)



# Financing Agenda (cont.)



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- Financing Strategies
  - Property / Sales Taxes
  - Targeted taxes
  - Usage rates / charges
  - Benefits allocation and billing of GSAs
  - “Blended” approach
- Considerations specific to ESJ
- Examples of other successful multi-party cost sharing



# Funding Sources

# Funding Sources: Federal



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Funding Program	Description	Terms	Pros	Cons
WIFIA	Federally sponsored lending vehicle to communities and utilities to fund large water infrastructure projects	Minimum loan size = \$20M Loans are for 35 years or expected life of the project Interest Rates based upon federal bond rates at time of loan closure	Low interest rate; currently 2.93% Longer life than many other funding sources	Significant up-front application fees Can only fund 49% of the value of any project
Bureau of Reclamation WaterSMART: Title XVI Water Reclamation and Reuse Program	Program to fund the reclamation and reuse of wastewaters and naturally impaired ground or surface waters.	Grants up to \$20M, requiring at least a 75% match No minimum grant size >\$50 M was available in most recent grant cycle	Grant funding for 25% of capital	Highly competitive
Bureau of Reclamation WaterSMART: Small Scale Water Efficiency Projects Program	Funding for small-scale water efficiency projects which have been prioritized through planning efforts	Maximum grant of \$75,000	Grant funding up to 50% of project	Might not be appropriate scale considering the projects GWA is considering
Bureau of Reclamation WaterSMART: Drought Response Program	Funding vehicle to projects which increase the reliability of water supplies, improve water management, and provide benefits for fish, wildlife, and the environment	Grants of \$300,000 to \$750,000, depending upon project duration	Grant funding up to 50% of project	Highly competitive
MANY OTHER FEDERAL PROGRAMS WHICH MAY BE ABLE TO PROVIDE FUNDING (NOAA, FEMA, HUD, etc)				

# Funding Sources: State



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Funding Program	Description	Terms	Pros	Cons
SRF (Both DWSRF and CWSRF)	State subsidized funding vehicle for water and sewer projects	30 years financing Interest rates = 50% of state GO bonding rates in preceding year	Lots of money available Subsidized interest rates	
CIED (ISRF)	State lending program to help communities fund a wide range of infrastructure projects	Financing for the life of a funded project (up to 30 years)		
WRCB Water Recycling Funding Program	Program to administer grants for both planning and construction projects	Planning grants up to \$75,000 Construction grants up 35% of total project cost (<\$15M)	Grant funding	
WRCB Stormwater Grant Program – Round 2	Program to administer the Prop 1 Stormwater Funds			
CDFA – Water Efficiency Grant Program	Program that administers the SWEEP to provide an incentive to agricultural interests to reduce on-site water use and GHG emissions	Total funding available = \$9.5M Maximum individual grant = \$100,000	Match is not required, but strongly encouraged	
CDWR – Integrated Regional Water Management	CDWR program to administer \$510M in Prop 1 Funds to	>\$0.5B in available funds	Grant Funding Intended to encourage regional collaboration	
CDWR – San Joaquin Riverine Stewardship	Still in comment period – funding to enhance creeks, steams, and rivers in the San Joaquin basin – targeted towards fish habitat.	>\$47M in grant funding	Grant Funding	Need to align with Fisheries Recovery Plan

# Funding Sources: Bonding



- General Obligation Bonds - Long-term borrowing used by local governments to raise money for long-lived infrastructure asset projects

# Funding Sources: PayGo



- Also known as pay as you go – where municipalities pay for capital projects by saving or using free cash

# Funding Sources: P3



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## Public Private Partnerships (P3)

- Alternative project delivery system
- Private project financing of public infrastructure
- Allows borrower to pay over time versus making large up-front capital investments



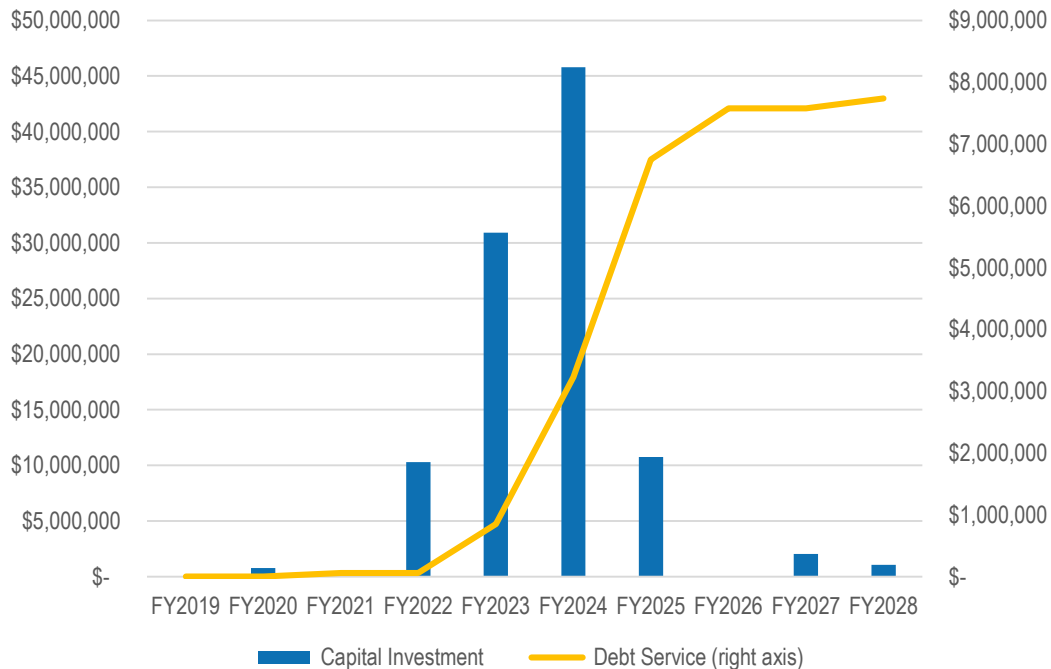
# Financing Strategies



# How will we determine annual funding requirements?



### Capital Investment and Debt Service



### Cash Flows for Capital Improvements Projects

- Financing for ~\$85M in FY2019 CCE
- (~\$102M escalated)
- Assumes 4.5%, 20-year financing
- Linked to construction schedule, the annual debt service obligation grows to \$7.75M by FY2028

# ESJ Specific Considerations



- Basin-scale, GSA-scale, or hybrid approach
- Which GSAs will have implementation projects?
- Cost allocation for administrative costs
  - Monitoring and reporting
  - Data collection and analysis
  - Project implementation
  - Administrative actions
  - 5-year update
  - DMS updates
  - Public outreach
  - Website maintenance
  - Legal support
  - Grant writing

# Financing Strategies



Four primary ways of raising revenue

1. Usage Rates / Charges
2. Property / Sales Taxes
3. Targeted Taxes
4. Benefits allocation and billing of GSAs

Most multi-party organizations use a “blended” approach

# Prop 218 – Example Fee Structure



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1. Flat Assessment by Parcel: All parcels assessed the same fee or tax
2. Flat Assessment by Class and Parcel: All parcels of the same class assessed the same fee or tax.
3. Agricultural Flat Fee, Non-Agricultural by Parcel Size (Gross Area): All agricultural parcels assessed the same fee or tax; all non-agricultural parcels assessed in accordance with size
4. Lot Size (Gross Area): All parcels assessed in accordance with size
5. Parcel Factor: Parcel assessed using a factor that estimates groundwater use of that parcel based on the customer class
6. Account Specific (e.g. actual pumping volume, etc.): Calculation of actual pumping volume, calculations of recharge areas, any calculation of credits based on groundwater conservation activity to create a highly unique assessment by parcel



# **Cost Sharing Models & Case Studies**

# Case Studies in Cost Sharing



Case Study	Corollary to ESJ
<b>Water Conserv II</b> : Largest water recharge and reuse operation in the US	Effective cost-share model developed for complicated, multi-agency project
<b>MWRA</b> : Regional utility with over 50 members which has collaboratively funded >\$6 billion in aggregate infrastructure	Successful cost allocation developed between very different agencies
<b>Nurse River</b>	Regional effort similar to single GSAs developing plans
<b>Sonoma County</b>	Local effort melds various revenue streams to fund compliance
<b>Salinas Valley Basin GSA</b>	SGMA compliance fee-based funding: \$2.27 non-agricultural; \$4.81 per irrigated acre for agricultural users to fund the agency

# *Discussion*



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*What financing options should be considered for GSP project implementation?*



# Informational Meeting Recap



# Informational Meeting Recap



- Thank you for attending!
- Open House materials are posted to the website
- Feedback on the event – for those of you who attended, what would you like to see done differently next time?





# Wrap Up & Summary Discussion

# *Wrap Up & Summary Discussion*



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Goal: Develop a summary of funding/financing considerations to share with the Board



# Announcements

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