

SEPTEMBER 2015

California Water Commission **Water Storage Investment Program** Funding Mechanisms

Funding Mechanisms

- Purpose: Initial tee up of topics that are not addressed through the regulations, but may influence applicant's decision-making process
- No actions requested with this item

Continuous Appropriation

- Constitutional or statutory expenditure authorization which is renewed each year without further legislative action.
 - The amount available may be a specific, recurring sum each year
 - All or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose
 - Whatever amount is designated for the purpose as determined by formula, e.g., school apportionments.
- Entire authorization was appropriated
- DOF/Legislature review only for position requests
- Appropriation ≠ Cash on hand

“Cash on hand” Bond Sale Revenues – Commercial Paper

Comparison	General Obligation Bond	Commercial Paper
	Tax Exempt Non-Exempt Build America Green	Short-term notes Actual expenditures must have occurred
Frequency	Spring and Fall	Monthly
Cash Flow Projections	Next 6, 12, 18, and 24 months	Next 12 months

Factors that can limit availability of funds

- Cash Flow Predictions
 - Under-estimate short on funds
 - Over-estimate incur interest costs
- Bond Sale and Commercial Paper Proceeds
 - If proceeds are less than need, DOF and Treasury's Office decides allocation
- Factors outside the control of the agency administering the funds
 - Example: 2008 Bond Freeze

Reimbursement of Grant Expenses

- Pay in Arrears
- Advance Payment
 - Does the Commission have the authority to authorize advances?
 - If the Commission does have that authority, should the Commission allow for advance payments?

Grant Reimbursement

Pay in Arrears

- Default process
- Not more frequently than monthly
- Progress report covering period of claimed expenses
- Supporting documentation

Advances

If specifically authorized

- Lump-sum
 - Typically one-time
 - Acquisitions
 - DGS Appraisal
 - DGS Execution
- Progress Payment
 - Not more frequently than quarterly
- Reporting & funds tracking
 - Non-interest bearing holding account

Contracts

- State Contracts Manual § 7.32 · ADVANCE PAYMENTS
 - Advance payments by the State are permitted only when specifically authorized by statute and should be made only when necessary.
 - Contracts or agreements containing provisions for advance payments by the State should preferably provide for small periodic payments rather than the total contract price or lump-sum advances
- Government Code §11019
 - Provides limited authority to CNRA and its member organizations
 - But not in a manner that is relevant to WSIP

Proposition 1

- Chapter 5
 - “**79724.**(a) (1) Of the funds authorized by Section 79720, two hundred sixty million dollars (\$260,000,000) shall be available for grants and loans for public water system infrastructure improvements.... Not more than 25 percent of a grant may be awarded in advance of actual expenditures.”
- Chapter 8
 - No express authority for advances

Joint Powers Authority

- Gov. Code §6504 allows for advances to JPAs
- May not make advances to JPAs with State agencies as members
 - Restrictions on State-State advances
 - 2003 Resources Agency memo
- Water Code §79759.(b) – JPAs for CALFED Storage shall include DWR, as an ex officio member
- Appears that such JPAs cannot receive advances

Reimbursable Costs

- Working on specific definition for WSIP
- Capital costs associated with construction of storage facilities that will provide public benefits
- Typically also provide examples of what is not reimbursable, such as
 - Purchase of water supplies
 - Establishing a reserve fund
 - Operation & maintenance costs
 - Purchase of land or equipment not integral to the project

Reimbursement of Past Costs

- Cannot reimburse for costs incurred prior to effective date of Proposition (November 4, 2014)
 - Gov. Code §16304
- Period between passage of Proposition and agreement execution is a policy call
- DWR Policy
 - Reimburse cost incurred after entering into a binding agreement
 - Guidelines may use set earlier date, such as award
 - Must further the purpose of the program
 - May allow cost after effective date of Proposition and before execution of agreement to count towards mandated cost share

Financial Documentation – Phased approach

Financially Feasible

- Submitted with application
- Focused on whether the project makes sense from a financial perspective

Audited Financial Statements

- Submitted in Commitment Phase
- Indicator of financial stability of grantee
- Alternatives possible – credit analysis

Financial Plan

- Submitted as part agreement development or as a deliverable
- Grantee has financial resources to fund its portion of the construction and assume O&M expenses and other obligations
- Will also need cash flow predictions