

*San José – Santa Clara
Regional Wastewater Facility*

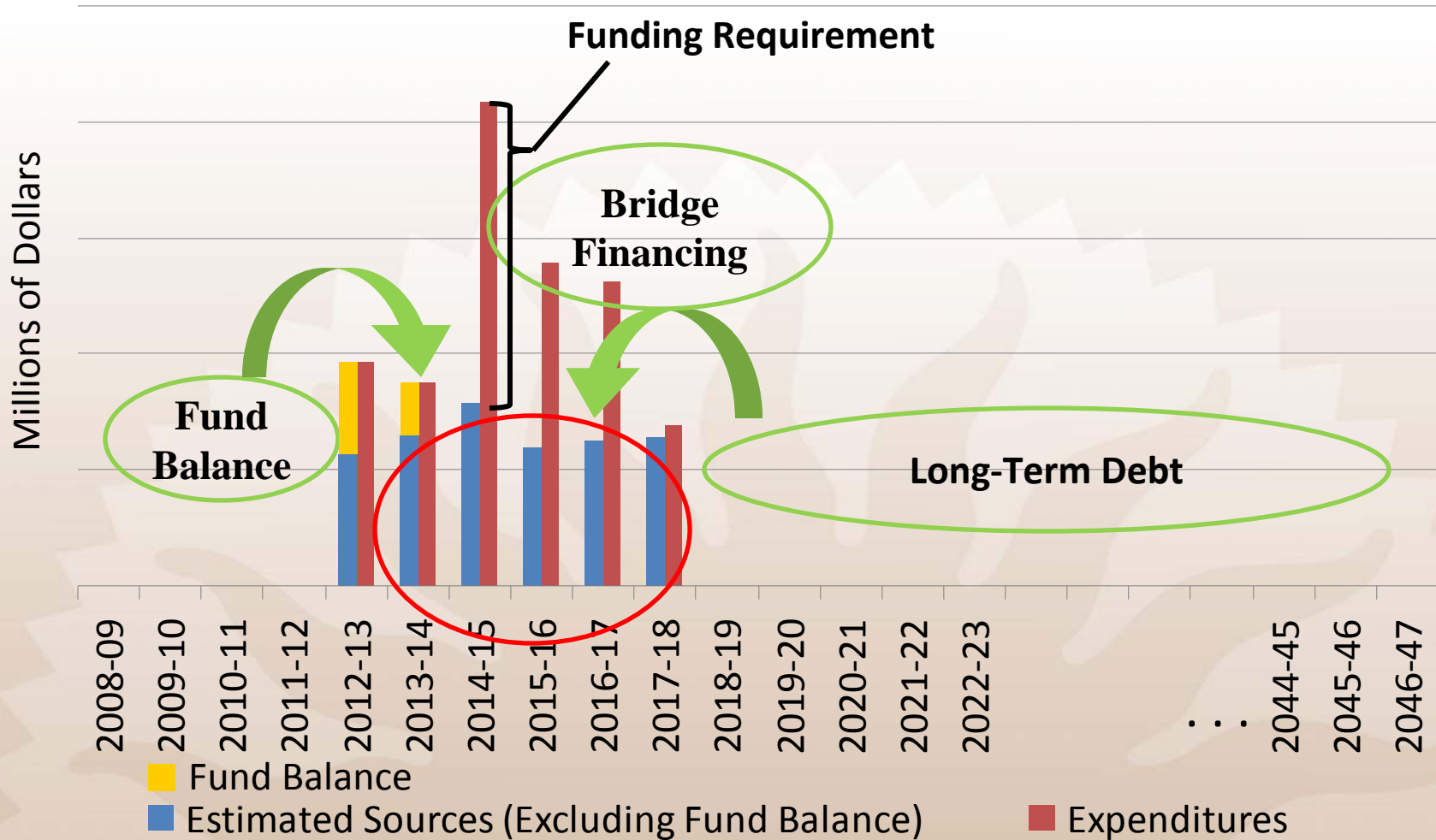
*Initial Capital Improvement Program
Financing Schedule*

*TPAC Meeting
September 12, 2013*

Objectives

- Overview of funding strategies
- Discuss initial timing for funding the Regional Wastewater Facility Capital Improvement Program
- Discuss options to fund initial capital costs

Capital Improvement Program – Funding Strategies



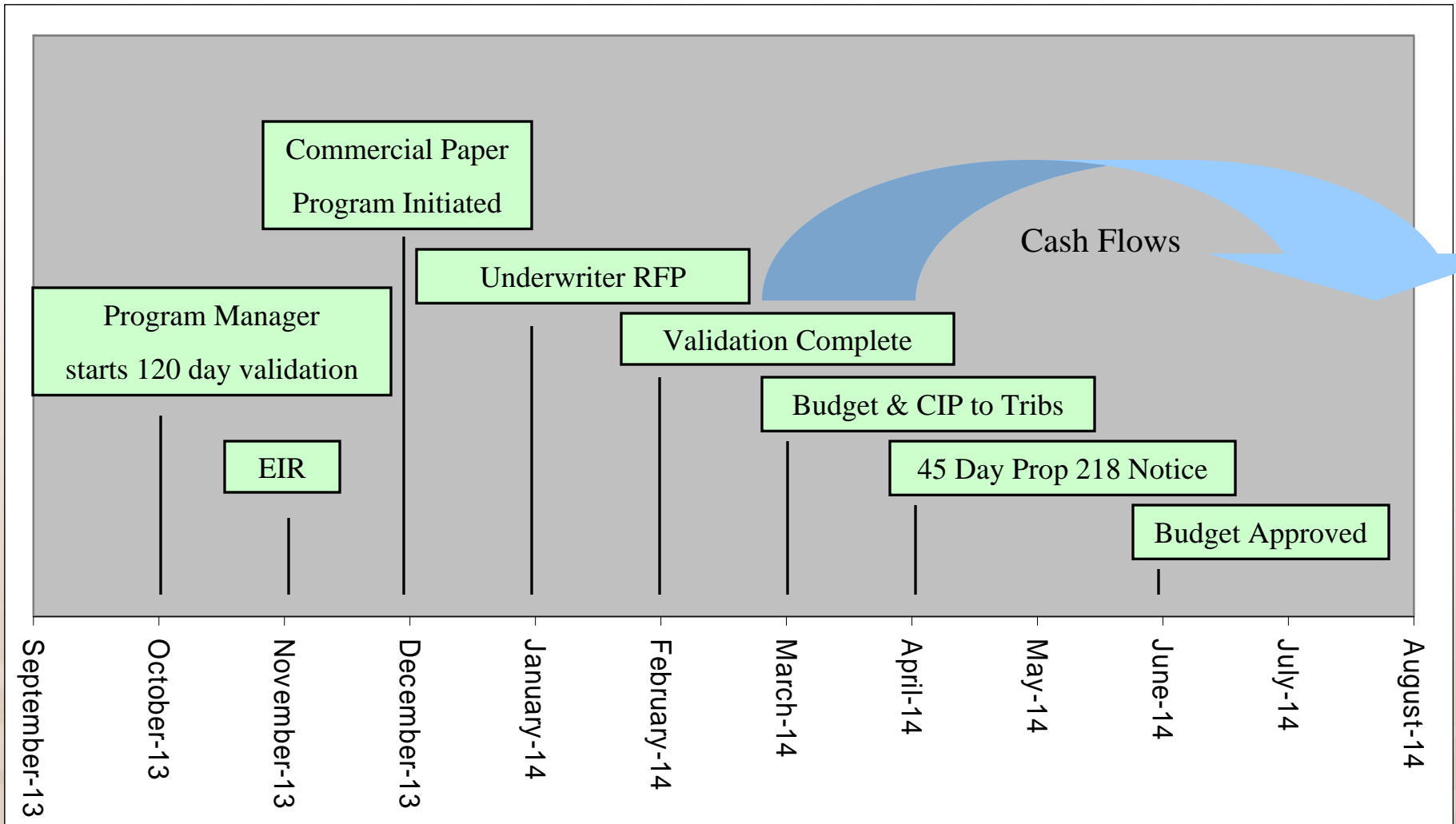
Bridge Financing Option: Commercial Paper

- Short-term Financing mechanism with a fixed maturity of up to 270 days
- Variable Interest Rate
- Security
 - Pledged Revenues
 - Pledged assets
 - Letter of credit – typically 3-year term
- Historically has provided a low cost of financing
- Set-up and Idle Fees

Commercial Paper Benefits & Risks

- Benefits
 - Short-term bridge financing
 - Lower costs of funds
 - Allows Flexibility - Capitalized Interest
- Risks
 - Letter of Credit Renewal
 - Interest Rate
 - Marketability

Initial Funding Timeline



Funding Implementation

- Interim Debt Financing Implementation
 - Establish Bridge Financing Program - CP
 - CP Implementation timeline 4 to 6 months
 - Incremental structure to minimize costs –scalable
 - Efficient utilization of reserves
- Long-term Debt Financing Implementation
 - Early on boarding of bond underwriter
 - Review of proposed projects for immediate long-term financing versus CP

Fund 512 Budget Process for Capital Contributions

- Two Step Process in February-March Timeframe
 - Step One: Calculate required cash contributions
 - Step Two: Agency chooses cash, CP, or bond financing (if available)
- ESD Fiscal will provide the updated Contributions based on the Financing selected
- Agency uses for Rate Setting

Invoicing for Capital Contributions

- Cash Funded Projects –Same Methodology
 - Based on budget
 - Third Quarter Adjustment based on actual audited expenditures
- Bond Participation- Same Methodology
 - Participation rate
 - Billed Semi-annually based on actual debt service
- Commercial Paper – New Methodology
 - Participation rate
 - Billed on actual expenditure basis, quarterly

Questions?