

Item 3
Submitted at
9/11/13 committee
meeting.

Monterey Peninsula Water Supply Project
Legislative Briefings
August 28, 2013

Jason Burnett, Mayor of Carmel-By-The-Sea &
Vice President, Monterey Peninsula Regional Water Authority

Dave Stoldt, General Manager, Monterey Peninsula Water Management District

AGENDA

- 1) Discuss sponsorship; Possible principal co-authors?
- 2) Schedule and Implementation
- 3) Potential Committee Referral(s); Discuss Needs, if any.
- 4) Review Public Outreach
- 5) Overview of Deal Structure
- 6) Information on Potential Benefit to Ratepayers

Timeline	Activity
August 28, 2013	Meet with legislative delegation regarding timeline and implementation
Early September	Initial Revision and Redline of Legislation
September 13	Recess begins upon adjournment
Late September	Obtain Cal-Am input on draft legislation
Early October	Revise financial comparisons; Show benefit to ratepayers
October	Develop 1-2 page "fact sheet" describing bill
October – December	Meet with city councils, community, and business groups
November	Further revise legislation as necessary
December	Draft summary of legislation
January 6, 2014	Legislature reconvenes
Early January	Legislative Counsel prepares cover and digest
Mid-January	Bill introduced in Assembly
Within 7 Days	Chief Clerk sends to be printed and Rules Committee refers bill to relevant policy committee
Late-January	Meet with legislative delegation regarding committee assignment and lobbying strategy, if any
After 30 Days	Committee schedules hearing (with at least 4 day notice)
Late February/Early March	Bill reported out of Committee; Preferably with recommendation to Consent Calendar
Within a few days	Second Reading; Send to Engrossing & Enrolling
Late March	Third Reading or on Consent Calendar; Passes in Assembly
By April 1	Transmit to Senate
By mid-May	Passes in Senate; Back to Engrossing & Enrolling; Printing; Forward to Governor
Early June	Governor has 12 days from receipt to sign or veto

Potential Assembly Committees

Utilities and Commerce	Water, Parks, & Wildlife
Steven Bradford (Chair)	Anthony Rendon (Chair)
Jim Patterson (Vice Chair)	Franklin Bigelow (Vice Chair)
Susan Bonilla	Travis Allen
Joan Buchanan	Bob Blumenfield
Rocky Chavez	Raul Bocanegra
Paul Fong	Brian Dahle
Beth Gaines	Paul Fong
Christina Garcia	Jim Frazier
Jeff Gorell	Beth Gaines
Roger Hernandez	Mike Gatto
Brian Jones	Jimmy Gomez
Bill Quirk	Adam Gray
Anthony Rendon	Jim Patterson
Nancy Skinner	Mariko Yamada
Das Williams	Vacant

Potential Senate Committees

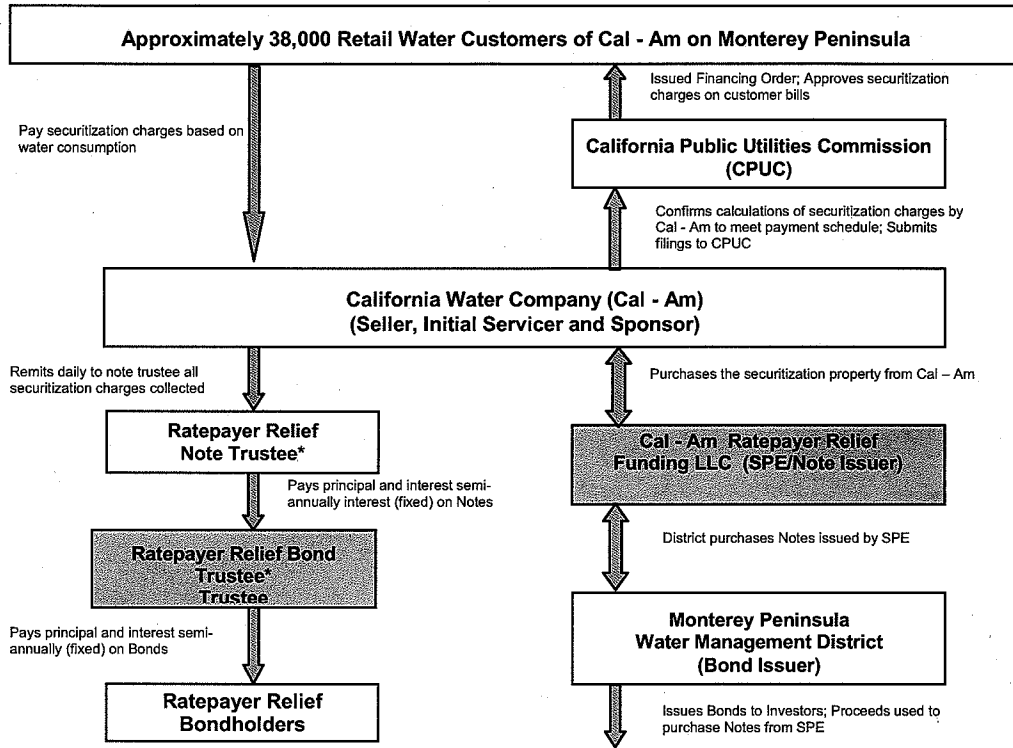
Energy, Utilities and Communications	Natural Resource And Water
Alex Padilla (Chair)	Fran Pavely (Chair)
Jean Fuller (Vice Chair)	Anthony Cannella (Vice Chair)
Anthony Canella	Noreen Evans
Ellen Corbett	Jean Fuller
Kevin DeLeon	Hannah-Neth Jackson
Mark DeSaulnier	Richard Lara
Jerry Hill	Bill Monning
Steve Knight	Ben Hueso
Fran Pavely	Lois Wolk
Lois Wolk	
Roderick Wright	

Public Outreach Activities

- Prepare 1-2 Page Fact Sheet
- 6 City Council meeting presentations
- Business Group meeting presentations
 - ✓ Monterey County Hospitality Association
 - ✓ Monterey County Association of Realtors
 - ✓ Monterey Commercial Property Owners Association
 - ✓ Monterey Chamber of Commerce
 - ✓ Pacific Grove Chamber of Commerce
 - ✓ Monterey Peninsula Taxpayers Association
- Community Group presentations
 - ✓ Carmel Valley Association
 - ✓ Citizens for Public Water/Public Water Now
 - ✓ WaterPlus
- Advocacy Group presentations
 - ✓ LandWatch
 - ✓ League of Women Voters
- Editors/Reporters
 - ✓ Herald
 - ✓ PineCone
 - ✓ Weekly

PARTIES TO TRANSACTION AND RESPONSIBILITIES

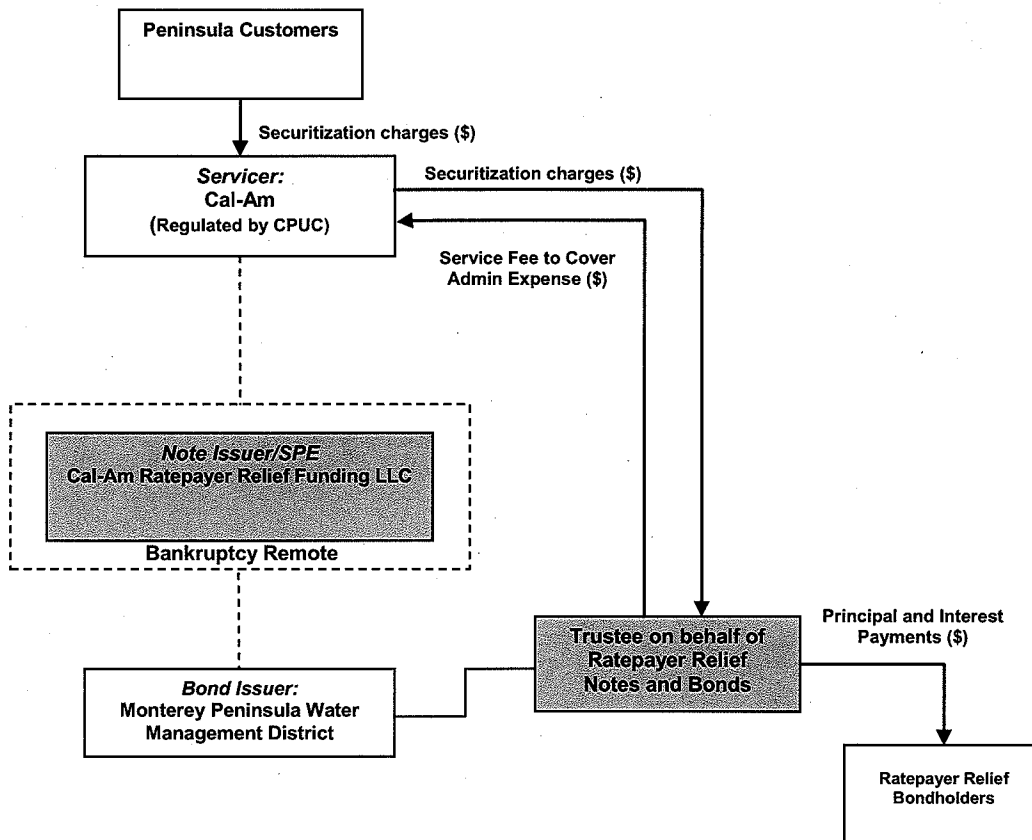
The following chart represents a general summary of the parties to the transactions underlying the offering of the Ratepayer Relief Bonds, their roles and their various relationships to the other parties:



* Note Trustee and Bond Trustee will be same entity

FLOW OF FUNDS

The following chart represents a general summary of the flow of funds:



* Note Trustee and Bond Trustee will be same entity

Comparison of Capital Financing Methods

August 2013

Monterey Peninsula Water Management District

How is Cal-Am Actually Financed?

- 1) Depreciation each year
- 2) Equity Return = Book Value x 9.99% x 53%
- 3) Debt Return = Book Value x 5.0% x 47%

4) But Ratepayers have to cover income taxes and uncollectibles:

[(Pre-Tax Return Required x (1- State Tax Rate)) x (1-Fed Tax Rate)] x Collection Rate

Or

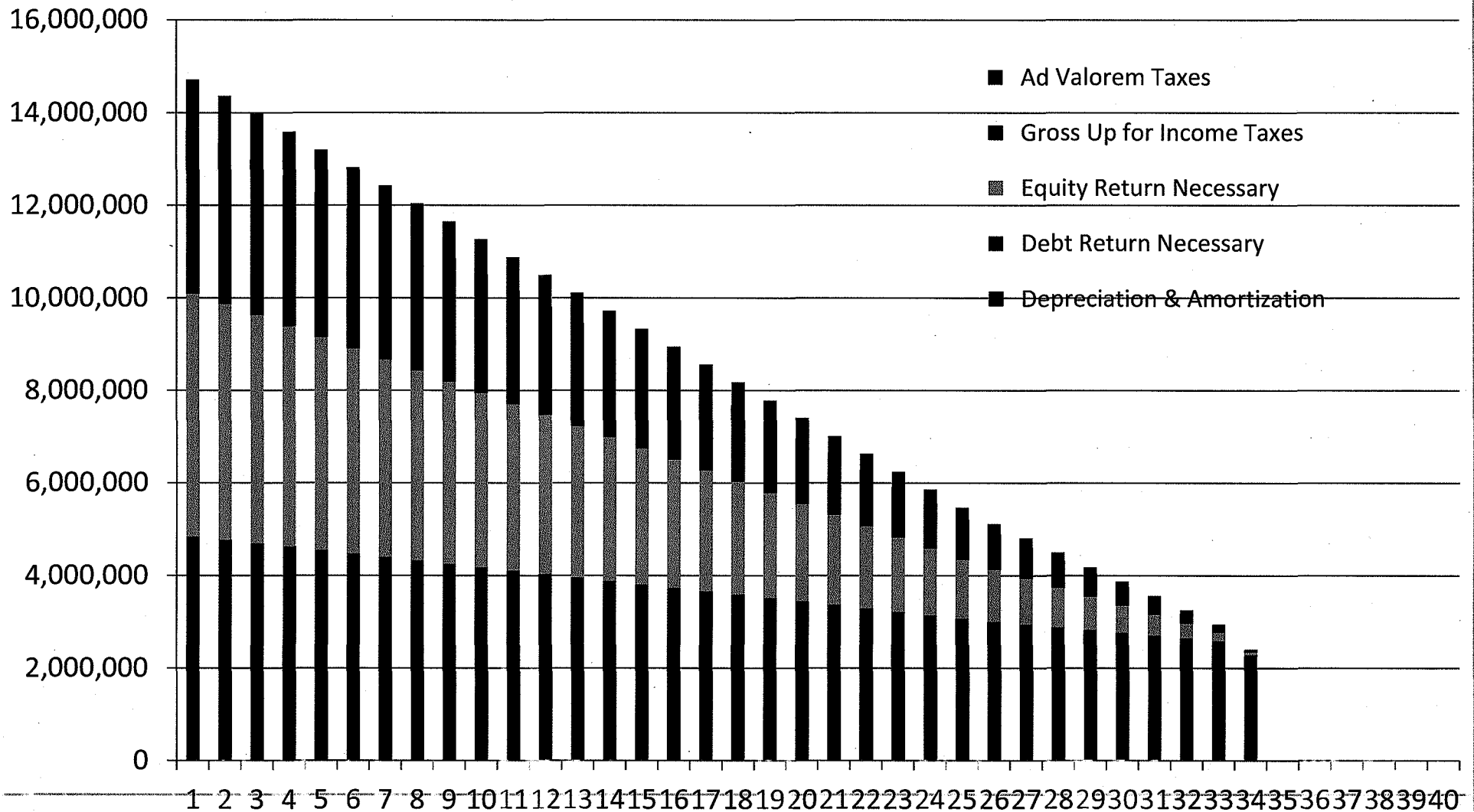
$$\text{padding-left: 40px; } = [(PTRR \times .9116) \times (.65)] \times .99736 = PTRR \times .590976$$

Or

$$\text{padding-left: 40px; } \text{Combined Return} \times 1.69 = \text{Pre-Tax Return Required}$$

- 5) But, must adjust for interest deduction, a credit back equal to the Debt Return x Effective Tax Rate x Gross-Up Factor
- 6) And Property Taxes

Generic \$100 Million Cal-Am Capital Recovery



How is Public Debt Actually Financed?

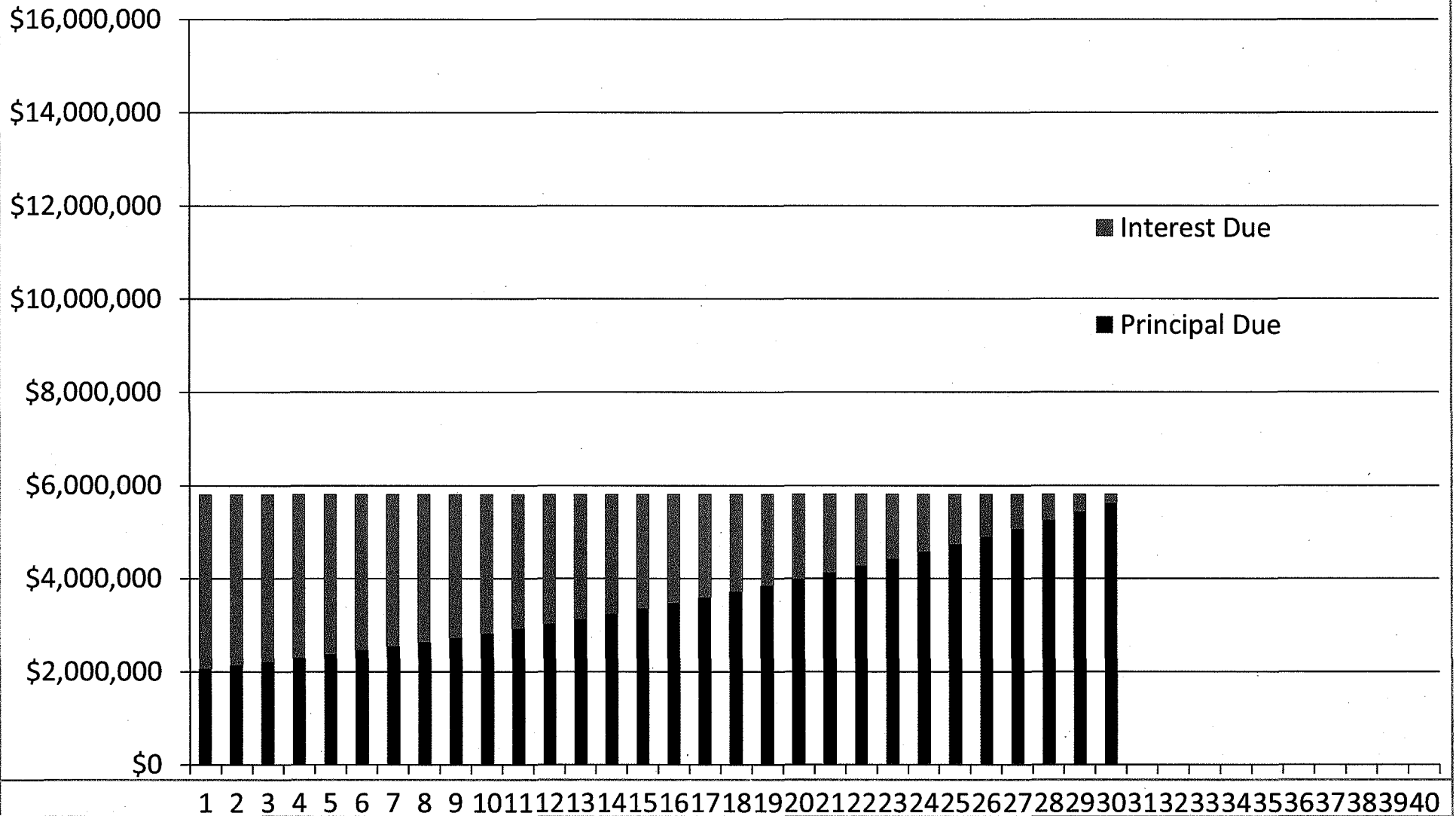
Public debt must include borrowed interest during construction, issuance costs, and a reserve fund.

Bond Sizing:

Proceeds	100,000,000
Capitalized Interest	0
Debt Service Reserve Fund	5,810,392
Debt Issuance Costs	1,058,104
Balancing Amount	<u>-3,496</u>
Issuance Amount	106,865,000

Public debt is offset by earnings during construction, reserve fund earnings, and reserve fund in final year.

Generic \$100 Million Public Debt Repayment



Problems With Single “Test Year” Comparisons

- Period for capital amortization may be different
- Cal-Am capital recovery is front-loaded
- Different costs of capital, tax treatment, principal and interest recovery
- Look at Net Present Value of lifecycle costs

Comparison of Public v. Cal-Am

