RE-Act: Reclamation Efficiency Act of 2015

Proposed Tools for Managing Water Resources in the Drought Impacted West

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BRYANT & ASSOCIATES
The RE-Act proposal aggregates and amends existing Reclamation authorities to provide assistance to water managers across the West:

- Includes innovative RIFIA loan proposal – provide loans to cover up to 49% project costs
- Increases maximum competitive grants for small-scale water storage, conveyance and, water recycling projects up to $20M or 25% of project costs
- New Transfer of Title Authority language
Other Key Provisions in RE-Act

- Deauthorization process to create budget offset:
  - Expedited process to deauthorize Reclamation projects and programs no longer viable
  - Reclamation would work with Congress and project/program sponsors to identify projects and programs no longer viable
  - Create a budget offset (savings) to pay for:
    - Competitive grant programs
    - Guaranteed and secured loan program

- Congressional oversight – Grants
  - Before final grant awards are made, recommendations would be submitted to congressional committees of jurisdiction
  - Encourage congressional consultation on funding priorities
RE-Act/RIFIA Loans

- New Reclamation financing tool - for water infrastructure projects in Western States (including Title XVI Projects) that provides:
  - Credit assistance for up to 49% of total project costs with a repayment period of up to 35 years at Treasury interest rates
  - Ability to defer initiation of repayment for up to 5-years following substantial completion of a project
  - Annual debt service savings of 10-20% or more
  - Improved flexibility and cost-savings in comparison to municipal financing
RE-Act/RIFIA Loans

- Who’s Eligible? - Water management and supply improvements, energy efficiency or hydropower, water reuse/desalination, or other projects that complement other federal interests
- Projects must be in Western States – includes Alaska and Hawaii
- Congressional Budget Office (CBO) only scores the subsidy associated with risk exposure
- Huge leveraging of small federal investment
Additional RE-Act/RIFIA Loan Benefits

- No requirement to borrow for a debt service reserve fund (Muni Bonds)
- A 5-year or longer deferral on initiation of repayment
- Amortized over 35-years rather than 30-year maximum for municipal bonds
- Ability to refinance existing water infrastructure debt
**Difference between RE-Act/RIFIA Loans and WIFIA Loans**

- WIFIA loans cannot be matched with municipal financing
- WIFIA loans cannot be used to support water storage projects beyond those otherwise eligible under the drinking water SRF
  - Generally limited to above ground, contained storage
- RE-Act/RIFIA loans can be used to refinance existing debt, if refinancing creates additional capacity to invest more in water infrastructure; WIFIA is silent on this authority
- RE-Act/RIFIA loans will not compete with funds available to the SRFs
Transfer of Title Authority

- Allow transfer of title to a Reclamation project or a component of a Reclamation project to a non-federal entity where certain requirements are met
  - Construction and other obligations have been, or will be, paid out by non-federal project beneficiaries
- Allow non-federal operating entity to obtain loan guarantee under RE-Act/RIFIA that does not constitute ‘third-party’ finance obligation
- Transfer subject to federal environmental requirements
  - NEPA
  - ESA
  - National Historic Preservation Act
Grants for Small-scale Storage, Integrated Regional Water Management and Recycling projects

- Allows participation with local water management agencies to develop storage and conveyance facilities and other water supply infrastructure improvements
- Provides authority to participate in projects with cost-shared grants of up to $20M per project or 25% of total, whichever is less
Title XVI Reform

- Authorize Reclamation to provide assistance to currently unauthorized water reuse and desalination projects
- Eligibility contingent upon completed feasibility study
- Secretary authorized to provide same level assistance as provided under Title XVI: 25% of total project costs or $20M, whichever is less
Case Study from Northern California
North Bay Water Reuse Program

- 10 members agencies; 3 counties and 7 water and wastewater districts
- Portions of Marin, Sonoma and Napa Counties around San Pablo Bay
We have a 2-phased regional water recycling program

Phase 1 is valued at $100M in infrastructure implemented with:

- $25M in USBR Title XVI funds
- $4.8M in CA Prop 50 and 84 funds
- $74.2M in local rate payer funds
Why We are Advocating for RE-Act

- Phase 2 is currently being studied
- Identified an additional 25,000 AFY of recycled water that can be captured, stored and put to beneficial use
- Initial cost estimates value Phase 2 infrastructure at $250M
- We need funding tools that provide financial assistance to implement Phase 2 projects
## RE-Act/RIFIA Loan Program

- A $95M project would qualify to borrow 49% or $46.5M

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan amount</td>
<td>$46,500,000</td>
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<tr>
<td>RE-Act Loan interest rate: June 17, 2015</td>
<td>3.15%</td>
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<tr>
<td>30-year Municipal Bond rate (Revenue Bond Index)</td>
<td>4.55%</td>
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<tr>
<td>RE-Act Loan Annual Debt Service</td>
<td>$2,399,872.90</td>
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<tr>
<td>30-year Municipal Bond Annual Debt Service</td>
<td>$2,839,581.60</td>
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<tr>
<td>Annual Savings vs 30-year Municipal Bond</td>
<td>$439,708.70</td>
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</table>

**Savings**                                           **15.48%**
RE-Act Transfer of Title Authority

- Provo River Water Users Association PRCEP
  - Provo River Canal Enclosure Project (PRCEP)
  - 2004 federal legislation authorizing the transfer of title for the Provo Reservoir Canal & corridor and other property from Reclamation
  - Reclamation interpretation of the language of the federal Provo River Project Transfer Act delayed title transfer
  - Further federal legislation was enacted to finalize the transfer

- RE-Act language would allow the Secretary to make these Title Transfers without need for complicated legislative process (still subject to tacit approval by Congress)
RE-Act Grants for Small-scale Storage, Integrated Regional Water Management and Recycling projects

- Small-scale storage and distribution project - $11.5M
  - Could benefit from a grant for 25% of the project cost or $2.875M in assistance
  - The remaining $8.625M would be financed by state grants and local ratepayers
Maximizing RE-Act Funding Tools

- Project would qualify for both the Small-scale Storage, Recycling and Integrated Water Management Projects and RIFIA/RE-Act loans which could provide assistance with the balance of the project financing.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Total Project Cost</td>
<td>$49,800,000</td>
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<tr>
<td>Grant Assistance ($20M or 25% of project cost)</td>
<td>$12,450,000</td>
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<tr>
<td>Balance</td>
<td>$37,350,000</td>
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<tr>
<td>RE-Act/RIFIA loan amount (49% of balance above)</td>
<td>$18,301,500</td>
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<tr>
<td>RE-Act/RIFIA loan interest rate: June 17, 2015</td>
<td>3.15%</td>
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<tr>
<td>30-year Municipal Bond rate (Revenue Bond Index)</td>
<td>4.55%</td>
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<tr>
<td>RIFIA/RE-Act loan Annual Debt Service</td>
<td>$944,543</td>
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<td>30-year Municipal Bond Annual Debt Service</td>
<td>$1,117,604</td>
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<td>Annual Savings vs 30-year Municipal Bond</td>
<td>$173,060</td>
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<tr>
<td>Potential Savings</td>
<td>15.48%</td>
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</tbody>
</table>

NORTH BAY WATER REUSE PROGRAM
Water Supply Reliability through Regional Reuse
Building Support for RE-Act

- Outreach to Key Members of the Western Water Community
  - WateReuse: Nationally, CA and AZ
  - WSWC in South Lake Tahoe
  - Assn of California Water Agencies
  - Family Farm Alliance
  - The North Bay Water Reuse Authority
  - Other state water agency associations in coming months
Various aspects and versions of RE-Act are included in:

- Water Resource Reform and Development Act (WRRDA) of 2014 – Title V(C) Water Infrastructure Finance and Innovation Act (WIFIA)
- “Water 21” bills (S. 176 and H.R. 291), introduced by Senator Boxer and Representative Napolitano
- H.R. 2983, the Drought Recovery and Resilience Act of 2015, introduced by Rep. Jared Huffman, Ranking Member of the House Natural Resources Subcommittee on Water and Power
We invite you to work with us in advocating for the tools in RE-Act

- Letters to your Congressional representatives advocating support for new water infrastructure funding and financing tools:
  - Federal Direct and Guaranteed Loans (RIFIA)
  - Transfer of Title to Reclamation Facilities or Elements of Facilities
  - Cost-Shared Competitive Grants for Small-scale Storage, Integrated Regional Water Management and Water Recycling projects
  - Title XVI Reform – Give unauthorized water reuse projects a chance to compete for funds

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