

# Agenda Item 2.4 Credit Reimbursement Policy Updates

Reservoir Committee & Authority Board

March 18, 2022



# Credit Reimbursement Policy Updates

## Three Recommendations:

1. Establish an **Opportunity Cost Fee** for new participants
2. Establish key terms related to a **waiting list** of new participants
3. Establish a **priority system** for allocating available capacity to participants **(discussion only)**

# Opportunity Cost Fee

- Additional fee to be charged to new participants.
  - Not applicable to current or prior participants
  - Not applicable to state or federal funding
- Acknowledges the investment by early Reservoir Project Agreement members enabling project progress. Intended to represent:
  - the time-value-of-money
  - opportunity cost from other investments incurred by early members
- Revenue from fees to be applied to long-term credit reimbursement liability
- Will be based on **3% fixed rate** on the schedule of cumulative cash contributions, coming to **\$15.21/af** of supply



# Calculating the Opportunity Cost Fee

## Investment Return Rate:

Fee represents a reasonable expected return on investment for funding the project, striking a balance between savings and borrow cost rates. Recommend a fixed rate of 3%.

Year	Cash	Cummulative	Opportunity	Annual Fee	Opportunity Cost Fee	
	Contribution	Contribution	Cost Rate	Increment	\$/AF supply	\$/AF storage
	\$/AF supply	\$/AF supply		\$/AF		
2017	\$32.84	\$32.84	3.00%	\$0.99	\$0.99	\$0.16
2018	\$15.66	\$48.50	3.00%	\$1.46	\$2.44	\$0.39
2019	\$60.00	\$108.50	3.00%	\$3.26	\$5.70	\$0.91
2020	\$0.00	\$108.50	3.00%	\$3.26	\$8.95	\$1.44
2021	\$100.00	\$208.50	3.00%	\$6.26	\$15.21	\$2.44
2022	\$100.00	\$308.50	3.00%	\$9.26	\$24.46	\$3.92
2023	\$140.00	\$448.50	3.00%	\$13.46	\$37.92	\$6.08
2024	\$160.00	\$608.50	3.00%	\$18.26	\$56.17	\$9.01

# Waiting List

- Creation of a waiting list for new participants based on submission of a Letter of Interest by March 31, 2022
- Assures the project remains fully subscribed
- Will be subject to **2022 opportunity cost fee** when/if invited to participate
  - Will **not** be subject to any **future additional fees**
- Will be considered in place of use and points of re-diversion

# Priority System – 2020 Rebalancing

- Discuss the priority system for allocating available capacity to participants utilized by the Authority in 2020
  - Maintains the goal of total Sacramento Valley Participation of 25%
  - Sub-priorities would be based on seniority or exit date of prior participants
- **2020 Priority System:**
  - Sacramento Valley participants with the following sub-priorities:
    - Current participant
    - Prior participant
    - New participant
  - Current Reservoir Committee participating members
  - Prior participant outside of the Sacramento Valley
  - New participant outside of the Sacramento Valley

# Priority System - Discussion

- What changes are needed to reflect our preferred project and the potential for increased federal investment?
- Should we adjust the 25% Sac Valley target? If so, what is the right target?
  - *Current participation level is 26% Sac Valley*
- Should priority be different once the Sac Valley Target has been met?

# Actions and Next Steps

## Actions Today:

1. Establish an Opportunity Cost Fee for new participants
2. Establish key terms related to a waiting list of new participants

## Next Steps:

- Consider changes to priority system in April
- Work to complete rebalancing April-June
- Revise policy and bring back to Budget and Finance Committee, including other administrative updates