



# **COUNTY of VENTURA**

## **Financial Planning Committee**

**February 6, 2024 at 3:00 pm or Soon Thereafter**

**County Government Center  
Hall of Administration  
Channel Islands Conference Room – 4<sup>th</sup> Floor**

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### **AGENDA**

1. Public Comment
2. Minutes of the April 11, 2023 Financial Planning Committee Meeting
3. County Service Area No. 29 North Coast Request for \$1.5 Million Loan from General Fund
4. Waterworks District No. 16 Piru Wastewater Treatment Plant Request to Apply for \$812,889 Loan from the California Energy Commission and Approval of a \$1,354,815 Million Cash Flow Loan from Waterworks District No. 38 Lake Sherwood
5. Waterworks District No. 1 Moorpark Water Reclamation Facility Request to Apply for a \$1,028,942 Loan from the California Energy Commission
6. Committee Member Comments on Any Other Items



**COUNTY of VENTURA**  
**County Executive Office**  
**MEMORANDUM**

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DATE: February 6, 2024  
 TO: Financial Planning Committee  
 FROM: Bryan Friedman, County Executive Office  
 SUBJECT: **April 11, 2023 FINANCIAL PLANNING COMMITTEE MEETING MINUTES**

**Attendance:**

Committee Members Present:

Matt LaVere, Board of Supervisors  
 Kelly Long, Board of Supervisors  
 Sevet Johnson, Chair, Interim County Executive Office  
 Jeff Burgh, Auditor-Controller  
 Tiffany North, County Counsel  
 Sue Horgan, Treasurer-Tax Collector

County Staff

Kaye Mand, County Executive Office  
 Bryan Friedman, County Executive Office  
 Janet Valdivia, County Executive Office  
 Terry Theobald, Information Technology Systems Department  
 Terri Yanez, Information Technology Systems Department  
 Joanne McDonald, Auditor-Controller's Office  
 David Melendez, Auditor-Controller's Office

Courts Staff

Robert Sherman, Courts  
 Brenda McCormick, Courts

Chair Sevet Johnson called the meeting to order at 2:30 p.m. on April 11, 2023.

**1. Public Comment**

No Public Comments were submitted.

**2. Approval of Minutes of the April 26, 2022 Financial Planning Committee Meeting**

Supervisor LaVere made a motion to approve the minutes and Mr. Burgh seconded the

motion. Ms. Horgan abstained, as she indicated that she was not present for the April 26, 2022, meeting. The motion passed.

**3. Revolving Credit Agreement (RCA) – Financing the Courts portion of the Ventura County Integrated Justice Information System Software (VCIJIS) 2.0 Upgrade**

Mr. Theobald introduced the Ventura County Integrated Justice Information System Software (VCIJIS) 2.0 Upgrade and indicated that along with Courts this software will be utilized by Sheriff, Probation, Public Defender, and District Attorney. Currently it appears that the Courts has opted to update the existing system architecture, rather than seek an Off the Shelf Software solution. Mr. Theobald stated that Courts prefers to keep the systematic functionality they currently enjoy. Courts had indicated they did not currently have an existing funding source for this \$6.1M upgrade, so the County's Budget and Finance Team was able to identify the Revolving Credit Agreement as a suitable funding mechanism.

Ms. Mand noted that the Memorandum of Understanding to allow the Courts to utilize the County's Revolving Credit Agreement is set to go before the Board of Supervisors on April 25<sup>th</sup>.

Supervisor LaVere made a motion to approve the VCIJIS RCA recommendation and Mr. Burgh seconded the motion. There was no opposition and the motion passed.

**4. FY 2023-24 Tax Revenue Anticipation Note (TRAN) Issuance Recommendations and Timeline**

Ms. Mand presented the request to issue tax and revenue anticipation notes in an amount not to exceed \$200M. The financing is a means of bridging the cash flow shortfall prior to receipt of property taxes in December and to prefund the County's retirement contribution (\$162M pre-funded for FY23). The pre-funding provides about \$5M in annual savings. She indicated that the FY23 TRANs was issued for \$87M at a cost of 2.25%.

Ms. Mand indicated that based on discussions with the County's financial advisor the FY 2023-24 TRANs issuance rates are expected to range between 4.5% to 5.5% for a taxable issuance and 3.0% to 4.0% for a tax-exempt issuance. For FY 2024, Ms. Mand is expecting the TRANs issuance to be on a taxable basis. The need to issue a taxable TRANs is due to ARPA funds received by the County and their effect on the cash flows and their impact on reaching a point of Safe Harbor. Supervisor LaVere inquired if ARPA funds are to be shown as available funds even if ARPA funds were earmarked and Ms. Mand confirmed that they did.

Ms. Mand then continued to explain the remaining recommendations. The Notes are expected to be sold on a fixed rate competitive basis, however, due to market volatility, Ms. Mand indicated that she would like to preserve the flexibility to issue on a negotiated basis. She stated that the estimated \$250K costs of financing the TRANs include Bond Counsel, Financial Advisor, Rating Agency, and other expenditures.

In closing, Ms. Mand noted the issuance timeline was attached to the committee packet.

Supervisor LaVere inquired if the meeting with the rating agencies would be in person or virtual and Ms. Mand indicated that she had not received the meeting confirmation e-mail but was expecting it to be virtual.

Ms. Johnson asked the committee if there were any additional questions, and none were noted.

Mr. Burgh made a motion to approve the TRANs recommendations and Supervisor LaVere seconded the motion. There was no opposition and the motion passed.

**5. Revolving Credit Agreement – London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR) Conversion Amendment**

Ms. Mand brought up the need to convert benchmarks for calculating the interest rate associated with the Revolving Credit Agreement, due to the LIBOR standard being phased out by June 30, 2023. Ms. Mand indicated that the SOFR index is being utilized by various entities and this benchmark is being proposed by Wells Fargo for County use. Given the County's highest credit rating our interest cost basis is currently 1-month LIBOR plus a 0.32% spread. Under the conversion the basis would be the daily SOFR plus a 0.42% spread. Our financial advisor, KNN, has indicated this additional 10 basis point spread is consistent with what they are seeing for other financial institutions, and it should allow for the net interest cost to the County to be comparable to the existing agreement.

Supervisor Long inquired if Wells Fargo was in agreement with utilizing the SOFR method and Ms. Mand confirmed.

Ms. North made a motion to approve the recommendation for the LIBOR to SOFR conversion and Supervisor Long seconded the motion. There was no opposition and the motion passed.

**6. Committee Member Comments on Any Other Items**

Ms. Horgan mentioned that she was pleased to be a new member of the Committee and wanted everyone to know that Property Tax collections were exceeding prior year collection rates. Additionally, she noted that the County's portfolio was earning approximately 3.5% in interest currently but many of the instruments being purchased recently were yielding a much higher amount.

Ms. Johnson asked the committee if there were any additional questions, and none were noted. The meeting was adjourned at 2:45 p.m.



**County of Ventura  
County Executive Office  
MEMORANDUM**

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**DATE:** February 6, 2024

**TO:** Financial Planning Committee

**FROM:** Kaye Mand, County Chief Financial Officer

**SUBJECT:** County Service Area #29 (CSA) North Coast Request for \$1.5 Million Loan from General Fund

**Recommendation:**

Approval of \$1.5 million Cash Flow Loan from the General Fund to CSA #29 for a term of 15 years with interest to accrue at the Treasury Pool rate.

**Background:**

Please see attached memo for background and detail for this request provided by the Public Works Agency (PWA).

**Discussion Summary:**

CSA #29 provides sewer service to the communities of Solimar Beach, Faria Beach, Seacliff and Mussel Shoals. The sewer collection system is over 40 years old and requires significant modernization. Over the last few years, emergency repairs and increased maintenance costs have resulted in depletion of cash.

The requested loan will fund the following items:

- Repayment of short-term loans from CSA #30 and #34 totaling \$650,000. The timing of revenues from sewer service charges to customers collected through property tax bills and increasing operations and maintenance costs required borrowing from the two CSAs. These loan amounts must be repaid by June 30, 2024.
- Reimbursement to Caltrans of \$390,000 for relocation of a sewer pipeline project expected to be completed at the end of FY 2024.
- \$350,000 to fund a study for design costs of a sewer system modernization project.

Central Services  
 Joan Araujo, Director

 Engineering Services  
 James O'Tousa, Director

 Roads & Transportation  
 Anitha Balan, Director

 Water & Sanitation  
 Joseph Pope, Director

 Watershed Protection  
 Vacant

**Date:** February 6, 2024

**To:** Financial Planning Committee  
**From:** Joseph Pope, Director, Water and Sanitation

**Via:** Jeff Pratt, Agency Director

**Subject:** County Service Area No. 29 (North Coast) Sewer System Request for Multi-Year Loan from the General Fund

### **Background**

Public Works Agency Water and Sanitation (PWA-WS) is responsible for the administration, operation, and maintenance of the North Coast sewer collection system through County Service Area No. 29 (CSA 29). CSA 29 serves the communities of Solimar Beach, Faria Beach, Seacliff and Mussel Shoals. The North Coast sewer system is a Septic Tank Effluent Pump system (STEP) which serves over 300 customers. CSA 29 pumps the sewage to the City of Ventura sewer system for wastewater treatment and disposal. Under a contract, the system was operated and maintained by the Ventura Regional Sanitation District (VRSD) for 39 years. On May 11, 2021 the Board of Supervisors approved the cancellation of the VRSD contract and approved the transfer of the operations and maintenance responsibility to PWA-WS, effective July 1, 2021.

The CSA 29 collection system is over 40 years old and requires significant modernization to improve system reliability and reduce odor issues. Since taking over the system operations and maintenance in 2021, PWA-WS has made several minor improvements to increase system reliability and maintain compliance with the City of Ventura discharge permit. The system is expensive to operate and even after multiple years of rate increases, CSA 29 remains financially constrained from pursuing any major system improvements.

### **Discussion**

Over the past three fiscal years, increased system maintenance costs, unplanned emergency repairs and sewer spill responses have resulted in a depletion of cash



reserves. The sewer service charges for CSA 29 are collected via the County Property Tax bill as a separate charge for residential and commercial customers. The receipt of revenue from the tax rolls occurs in January and May of each year, creating asymmetry in the timing of cash flows into CSA 29 for funding operations and maintenance expenditures. The timing of the receipt of revenue combined with the increased system costs required short-term borrowing of reserve funds from County Service Areas No. 30 and No. 34 (CSA 30 & CSA 34). CSA 29 borrowed \$750,000 from CSA 34 in November 2019 and \$200,000 in June 2023. CSA 29 re-paid \$450,000 to CSA 34 in January 2020 and will repay \$200,000 from sewer service charges received from the January 2024 bi-annual tax roll receipts, leaving an outstanding loan balance of \$300,000. CSA 29 borrowed \$350,000 from CSA 30 in October 2022 and has not made any re-payments. The Board continued the loans from CSA 30 and CSA 34 until FY 2023-2024. These loans will need to be re-paid by June 30, 2024. To prevent future short-term cash flow borrowing, staff recommend increasing the minimum cash balance reserves to 50% of annual operating expenditures.

Additional financial strain will be put on CSA 29 due to the requirement to reimburse Caltrans for the relocation of a sewer line as part of a planned replacement of the Willow Creek Bridge on the Old Pacific Coast Highway. The estimated cost for this project is \$390,000 and is expected to be completed by the end of FY 2025.

To put CSA 29 on a path towards sustainable fiscal and operational management, staff recommends a comprehensive engineering study be completed to determine the scope of work required for a full system modernization. Staff propose to fund a preliminary study and engineering design over the course of the next three fiscal years. The estimated cost of the study and design is \$350,000. Upon completion of the design, staff will then be able to pursue project financing through loans and grants. Although, subject to change based on the final design concept, for planning purposes staff currently estimate the modernization project to cost \$10 million, to be phased across fiscal years 2027 through 2029. Upon completion of the modernization project, staff expects to see a 30% reduction in labor costs and 25% reduction in system maintenance and repair costs.

### **Financial Analysis**

Each year a rate analysis is performed to establish the appropriate sewer charges to fund operations, maintenance, capital expenditures, and debt service. The most recent rate analysis performed included all known financial obligations, an increase in the cash reserve requirement to 50% of annual operating expenditures, and revenue from a \$1.5 million loan with a 15-year pay-back at 4% interest. To meet the future fiscal obligations, a 10% rate increase in the sewer service charges was approved by the Board June 20, 2023 for Fiscal Year 2023-24. Future year rate increases of approximately 8% per year through FY 2028 will be required. Staff estimates the service charges to stabilize on par



with inflation once the system modernization project is complete in FY 2029. Exhibit 1 shows the projected cash balances of CSA 29 under the above scenario will meet the reserve cash targets through FY 2035.

### **Public Engagement**

In March 2023, at a series of three meetings coordinated by Supervisor LaVere's office, staff presented a long-term financial plan for CSA 29 to the Homeowners Associations of Solimar, Faria Beach, Seacliff, and Mussel Shoals. During the meetings staff explained the history of the sewer system, the ongoing operational and maintenance challenges, and a preliminary plan to modernize the sewer system to bring long-term financial stability to CSA 29.

### **Request:**

CSA 29 is seeking to borrow from the County's General Fund for three purposes: re-pay \$650,000 borrowed from CSA 30 and CSA 34; fund \$390,000 Caltrans pipeline replacement project; and fund \$350,000 for the study and design of a sewer system modernization project. Since the Caltrans project costs and the design study costs are subject to change, staff recommend approval of a loan up to \$1.5 million with a term of 15 years to be paid back with interest accruing at the Treasury Pool rate.

The fiscal analysis in Exhibit 1 shows that with the planned rate increases, CSA 29 will be able to afford the debt service on the proposed General Fund loan. Although rate increases are subject to Proposition 218 protest provisions, the completed public outreach efforts indicate that the community is supportive of the proposed plan and a successful protest of proposed future rate increases is unlikely.



Joseph C. Pope, PE  
Director  
Water and Sanitation

### **Attachments:**

Exhibit 1      CSA 29 Financial Analysis Spreadsheet









**County of Ventura  
County Executive Office  
MEMORANDUM**

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**DATE:** February 6, 2024

**TO:** Financial Planning Committee

**FROM:** Kaye Mand, County Chief Financial Officer

**SUBJECT:** **Waterworks District No. 16 Piru Wastewater Treatment Plant Request to Apply for \$812,889 Loan from the California Energy Commission (CEC) and Approval of a \$1,354,815 Million Cash Flow Loan from Waterworks District No. 38 Lake Sherwood**

**Recommendations:**

1. Approval to Apply for a loan in the amount of \$812,889 from CEC at 1% interest for a term of 17 years
2. Approval of a \$1,354,815 Cash Flow Loan from Waterworks District No. 38 Lake Sherwood

**Background:**

Please see attached memo for background and detail for this request provided by the Public Works Agency (PWA).

**Discussion Summary:**

Waterworks District 16 provides sewer collection, treatment and disposal services to the community of Piru. In 2023, the District completed a Treatment Plant that uses advanced processes to meet State permit requirements. The new processes increased energy consumption. To offset the resulting increased costs, installation of a renewable Solar Photovoltaic (PV) Energy System is recommended, at a cost of \$1.35M. Funding for the project will be through the CEC loan and a direct tax credit payment of \$541,926 authorized by the Inflation Reduction Act (IRA). Current analysis shows the project would reduce costs by \$3.1M over 30 years.

The CEC loan of \$812,889 is at an interest rate of 1% with a term of 17 years. The \$1,354,815 cash flow loan from Waterworks District 38 will be paid back as disbursements of loan proceeds are received from CEC (30-45 days after submission of invoices) along with interest calculated at the Treasury Pool rate. The IRA tax credit payment is to be received approximately four months after project completion.

Central Services  
 Joan Araujo, Director

 Engineering Services  
 James O'Tousa, Director

 Roads & Transportation  
 Anitha Balan, Director

 Water & Sanitation  
 Joseph Pope, Director

 Watershed Protection  
 Vacant

**Date:** February 6, 2024

**To:** Financial Planning Committee  
**From:** Joseph Pope, Director, Water and Sanitation

**Via:** Jeff Pratt, Agency Director

**Subject:** Waterworks District No. 16 Request to Apply for a Loan and California Energy Commission Loan for Installation of Solar Energy System at the Piru Wastewater Treatment Plant and Approval of a Construction Cash Flow Loan from Waterworks District No. 38

### **Background**

Public Works Agency Water and Sanitation (PWA-WS) is responsible for the operation and maintenance of the Waterworks District No. 16 (District) Piru Wastewater Treatment Plan (PWTP). In 2023, the District completed construction of the Piru Tertiary Treatment facility, which uses advanced treatment processes to reduce the total dissolved solids and chlorides in order to meet State permit requirements. With the addition of the new treatment process comes an increase in energy consumption. To help offset the increased energy consumption of the expanded PWTP, staff recommends the installation of a renewable Solar Photovoltaic (PV) Energy System, financed using a low-interest loan through the California Energy Commission's (CEC) Energy Conservation Assistance Act (ECAA) Loan. In 2022, the District installed a Tesla Battery Energy Storage System (BESS) using a grant from the California Public Utility Commission (CPUC) Self-Generation Incentive Program (SGIP). In addition to generating renewable solar energy, the proposed PV system will integrate seamlessly with the Tesla BESS, allowing the PWTP to leverage the lowest cost of electricity through off-peak time-of-use pricing.

### **Discussion**

The proposed project will be built through an Energy Services Agreement with Enovity Inc., a Veolia North America Company (Enovity). Enovity estimates it will cost \$1,354,815 to design and construct a 262.7 kilowatt (kW) PV system. The size of the system is limited by the land available at the PWTP but is of a sufficient size to provide significant savings through avoided electricity costs of approximately \$3.1 million over 30 years as shown in



Exhibit 1. This will ultimately help mitigate sewer cost increases for Piru residents due to future electricity rate increases.

Enovity estimates that project Engineering, Procurement and Construction will take approximately one year, with emphasis on expediting the procurement of long lead time electrical distribution equipment. Enovity is proposing to finance the project using the CEC ECAA 1% interest loan and the tax credit authorized by the Inflation Reduction Act (IRA) of 2022. The 2022 IRA contains a "direct pay" provision that enables certain tax-exempt customers, including state and local governments, to receive a direct cash payment in lieu of an investment tax credit. Entities that qualify for direct pay are eligible to receive a 30% direct payment, assuming they meet the IRA established prevailing wage, and apprenticeship requirements. Low-income communities, such as Piru, are also eligible for a bonus tax credit of up to 10%. Based on the project cost, the IRA tax credit direct payment of 40% total would be \$541,926 and the CEC ECAA Loan would be \$812,889.

Pending approval of the CEC ECAA loan, construction is expected to start by October 2024 and be completed by March 2025. The CEC ECAA loan installments are received based on progress of the construction and can take 30 to 45 days to receive after submission of invoices for completed work. The IRA tax credit is paid approximately four (4) months after completion of the project. Therefore, a Cash Flow loan from Waterworks District (WWD) No. 38 (Lake Sherwood) of \$1,354,815 covering the full project cost is required to fund construction and offset delays in reimbursement from the CEC ECAA loan and tax credit payment. WWD No. 38 has a cash reserve balance of \$7.8 million and has no major capital improvement projects planned over the next five years. Based on timing of the receipt of the IRA tax credit, full re-payment of the WWD No. 38 cash flow loan, with interest paid at the Treasury Pool rate, will be made by July 2025.

### **Financial Analysis**

The District currently has two outstanding loans: a State Revolving Fund (SRF) loan with a \$3.4 million balance and a General Fund (GF) loan with a \$1.2 million balance. The original Piru Wastewater Treatment Plant, constructed in 1974, was replaced in February 2010. Replacement was required because the Los Angeles Regional Water Quality Control Board issued a Waste Discharge Requirement on January 29, 2004, mandating that the District upgrade and expand its wastewater treatment plant to meet the new effluent levels of treatment. The SRF loan was used to finance a portion of the costs to re-build the PWTP. The SRF loan is a 30-year loan and will be re-paid in full by 2041. On August 1, 2017 the County Board of Supervisors approved a \$2.0 million loan to the District to enable it to meet its operating costs and debt service payments as a result of the downturn in the economy and resulting slowdown in planned housing developments. As part of a deferred re-payment plan approved by the Board, the GF loan will be paid in full by 2027.



Each year a rate analysis is performed to establish the appropriate sewer charges to fund operations, maintenance, capital expenditures, and debt service. An update to the annual rate analysis was performed to show the fiscal impact of the proposed project, including debt service payments and electricity savings. Exhibit 2 is the cash reserves projection from this analysis across the 17-year CEC ECAA loan re-payment period. Assuming average inflationary conditions and 5% per year rate increases until 2029 and 2% increases thereafter, the District will have a decrease in its cash reserve below target levels from 2026 to 2029 due to the large GF loan repayments in fiscal years 2024 through 2027. From 2030 and beyond the District increases its cash reserves above target levels through the remainder of the 17-year CEC ECAA loan payback period. The updated analysis shows that the project will reduce the overall operating costs of the District by \$3.1 million over the next 30 years and therefore will not cause an increase in sewer rates above assumed average inflationary conditions.

For municipal utilities, rating agencies such as Moody's, use annual debt service coverage as a means for assessing the financial health of the utility. Annual debt service coverage is defined as the annual net revenue divided by the annual principal and interest payments of all debt. Moody's assigns a AAA rating for utilities that have an annual debt service coverage greater than two (2) times net revenues and a AA rating for utilities with debt service coverage less than two (2) times but greater than 1.7 times net revenues (Source: <https://ratings.moody.com/api/rmc-documents/386721>). Exhibit 3 shows the District's debt coverage ratio from 2024 through 2041. Once the GF loan is re-paid at the end of 2027, the debt coverage ratio climbs to 1.79 in 2028 and from 2029 through 2041 it remains above two (2).



**Request:**

The District staff is requesting approval from the Financial Planning Committee to seek approval from the Board of the Waterworks District to apply for a \$812,889 CEC ECAA loan at 1% interest rate and a term of 17 years. The District staff is also requesting approval of a \$1,354,815 Cash flow loan from WWD No. 38 (Lake Sherwood) to help offset delays in reimbursement from the CEC ECAA loan and IRA tax credit payment. The cash flow loan would be paid back as disbursements from the CEC loan are received and paid in full upon receipt of the IRA tax credit payment, or by July 2025, approximately four (4) months after project completion. The cash flow loan would accrue interest at the Treasury Pool rate.



Joseph C. Pope, PE  
Director  
Water and Sanitation

**Attachments:**

- Exhibit 1      Energy Cost Comparison
- Exhibit 2      Cash Reserve Analysis Chart
- Exhibit 3      Annual Debt Coverage Ratio Chart



# Exhibit 1

## Energy Cost Comparison

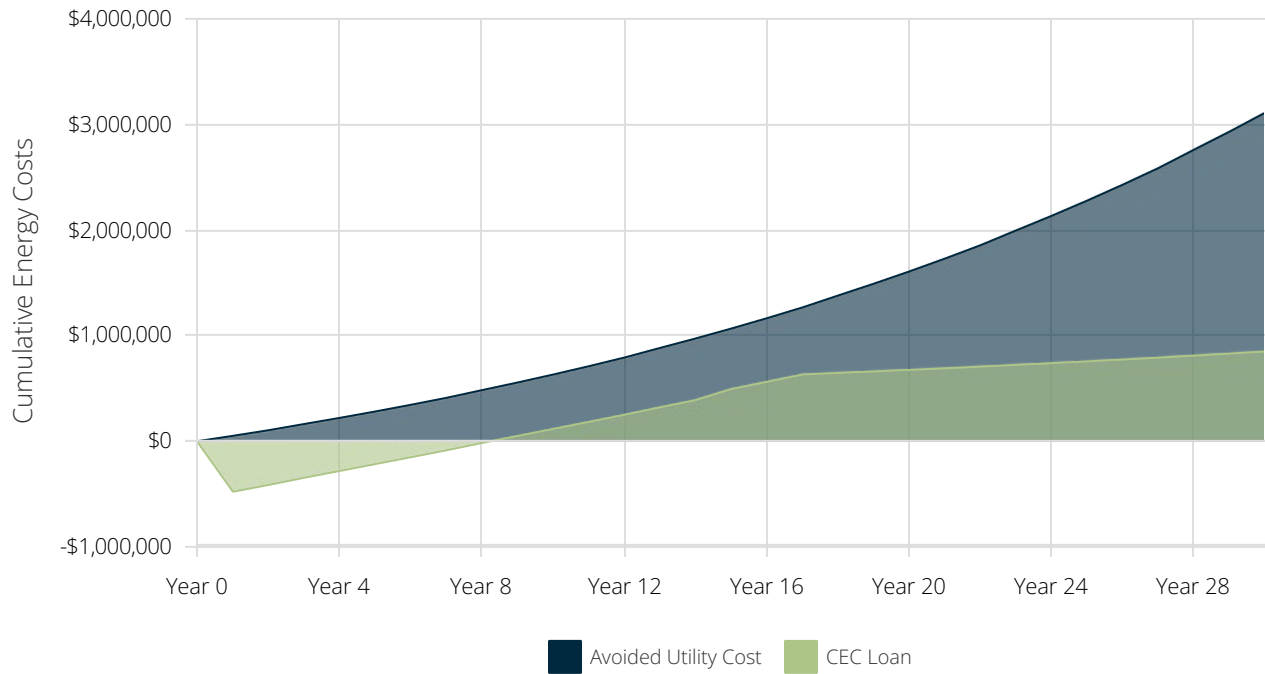
Payment Options	CEC Loan
Total PV System Cost	\$1,354,815
Customer Contingency	\$64,515
Total Loan Payments	\$955,475
Electric Bill Savings - Term	\$3,110,158
Total Incentives	\$541,926

### Combined Solar PV Rating

Power Rating: 262,700 W-DC

Power Rating: 228,828 W-AC-CEC

**Cumulative Energy Costs By Payment Option**



## EXHIBIT 2 – Cash Reserves Analysis Chart

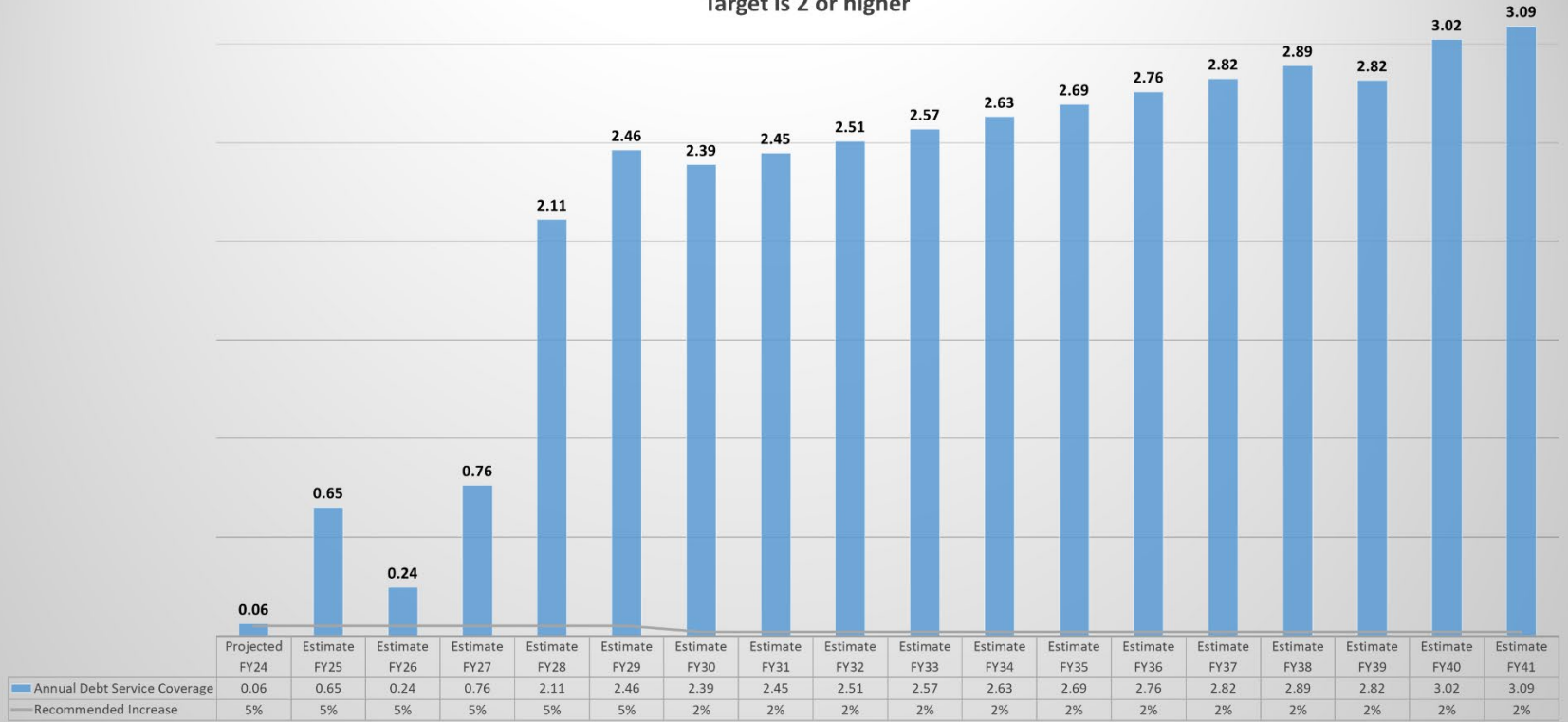
WW#16 Piru Cash Reserve Forecast





### EXHIBIT 3 – Annual Debt Service Coverage Ratio Chart

WW#16 Annual Debt Service Coverage Ratio  
Target is 2 or higher





**County of Ventura  
County Executive Office  
MEMORANDUM**

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**DATE:** February 6, 2024

**TO:** Financial Planning Committee

**FROM:** Kaye Mand, County Chief Financial Officer

**SUBJECT:** Waterworks District No. 1 Moorpark Water Reclamation Facility (MWRF) Request to Apply for \$1,028,942 Loan from the California Energy Commission (CEC)

**Recommendation:**

Approval to Apply for a loan in the amount of \$1,028,942 from CEC at 1% interest for a term of 17 years

**Background:**

Please see attached memo for background and detail for this request provided by the Public Works Agency (PWA).

**Discussion Summary:**

Waterworks District 1 MWRF treats approximately 1.9 million gallons per day of wastewater from the city of Moorpark. Currently, a 1 megawatt (MW) Photovoltaic (PV) Energy System at the facility produces about 50% of electricity used. To reduce operating costs and increase onsite renewable energy production, it is recommended that another 411 kilowatt PV system be installed at a cost of \$1.47M. Funding for the project will be through the CEC loan of \$1,028,942 and a direct tax credit payment of \$440,975 authorized by the Inflation Reduction Act (IRA). The project would reduce costs by \$3.6M over 30 years and help mitigate increased sewer costs resulting from future electricity rate increases for Moorpark residents.

The CEC loan of \$1,028,942 is at an interest rate of 1% with a term of 17 years. The IRA tax credit payment is to be received approximately four months after project completion.

Central Services  
 Joan Araujo, Director

 Engineering Services  
 James O'Tousa, Director

 Roads & Transportation  
 Anitha Balan, Director

 Water & Sanitation  
 Joseph Pope, Director

 Watershed Protection  
 Vacant

**Date:** February 6, 2024

**To:** Financial Planning Committee  
**From:** Joseph Pope, Director, Water and Sanitation

**Via:** Jeff Pratt, Agency Director

**Subject:** Waterworks District No. 1 Request to Apply for Energy Conservation Assistance Act Loan for Installation of Solar Energy System at the Moorpark Water Reclamation Facility

### **Background**

Public Works Agency Water and Sanitation (PWA-WS) is responsible for the operations and maintenance of the Waterworks District No. 1 Moorpark Water Reclamation Facility (MWRP). The MWRP treats approximately 1.9 million gallons per day of wastewater from the City of Moorpark. A one (1) megawatt (MW) Photovoltaic (PV) Energy System has operated at the MWRP since 2013 and produces approximately 50% of the electricity used by the facility. Staff is seeking financing to construct an additional PV System to increase onsite renewable energy production and decrease operating costs. Staff proposes financing the design and construction of the new PV System using a low-interest loan available through the California Energy Commission's (CEC) Energy Conservation Assistance Act (ECAA) Loan and through the 2022 Inflation Reduction Act direct payment tax credit.

### **Discussion**

The proposed project will be built through an Energy Services Agreement with Enovity Inc., a Veolia North America Company (Enovity). Enovity estimates it will cost \$1,469,917 to design and construct a 410.9 kilowatt (kW) PV system. The new system will provide significant savings through avoided electricity costs of approximately \$3.6 million over 30 years as shown in Exhibit 1. This will ultimately help mitigate sewer cost increases for Moorpark residents due to future electricity rate increases.

Enovity estimates that project Engineering, Procurement, and Construction will take approximately one year, with emphasis on expediting the procurement of long lead time electrical distribution equipment. Enovity is proposing to finance the project using the CEC ECAA 1% interest loan and the tax credit authorized by the Inflation Reduction Act (IRA) of 2022. The 2022 IRA contains a "direct pay" provision that enables certain tax-exempt



customers, including state and local governments, to receive a direct cash payment in lieu of an investment tax credit. Entities that qualify for direct pay are eligible to receive a 30% direct payment, assuming they meet the IRA established prevailing wage and apprenticeship requirements. Based on the project cost, the IRA tax credit direct payment would be \$440,975.

The CEC ECAA loan installments are received based on progress of the construction and can take 30 to 45 days to receive after submission of invoices for completed work. The IRA tax credit is paid approximately four (4) months after completion of the project. The Waterworks District No. 1 has adequate cash reserves to make timely construction progress payments while waiting for reimbursement from the CEC.

### **Financial Analysis**

Each year a rate analysis is performed to establish the appropriate sewer charges to fund operations, maintenance, capital expenditures, and debt service. An update to the annual rate analysis was performed to show the fiscal impact of the proposed project, including debt service payments and electricity savings. Exhibit 2 is the cash reserves projection from this analysis across the 17-year CEC ECAA loan re-payment period. Assuming average inflationary conditions, the District will increase its cash reserves over the 17-year period. The updated analysis shows that the project will reduce the overall operating costs of the District by \$3.6 million over the next 30 years and therefore will not cause an increase in sewer rates above assumed inflationary conditions.

For municipal utilities, rating agencies such as Moody's, use annual debt service coverage as a means for assessing the financial health of the utility. Annual debt service coverage is defined as the annual net revenue divided by the annual principal and interest payments of all debt. Moody's assigns a AAA rating for utilities that have an annual debt service coverage greater than two (2) times net revenues (Source: <https://ratings.moodys.com/api/rmc-documents/386721>). The District currently has no outstanding debt and analysis shows that with the addition of the CEC ECAA loan and future planned capital project debt, the District's annual debt service coverage ratio will never go below 2.7 during the 17-year CEC ECAA loan re-payment period.



**Request:**

The District staff is requesting approval from the Financial Planning Committee to seek approval from the Board of the Waterworks District to apply for a \$1,028,942 CEC ECAA loan at 1% interest rate and a term of 17 years.



Joseph C. Pope, PE  
Director  
Water and Sanitation

**Attachments:**

- Exhibit 1      Energy Cost Comparison
- Exhibit 2      Cash Reserve Analysis Chart



# Exhibit 1

## Energy Cost Comparison

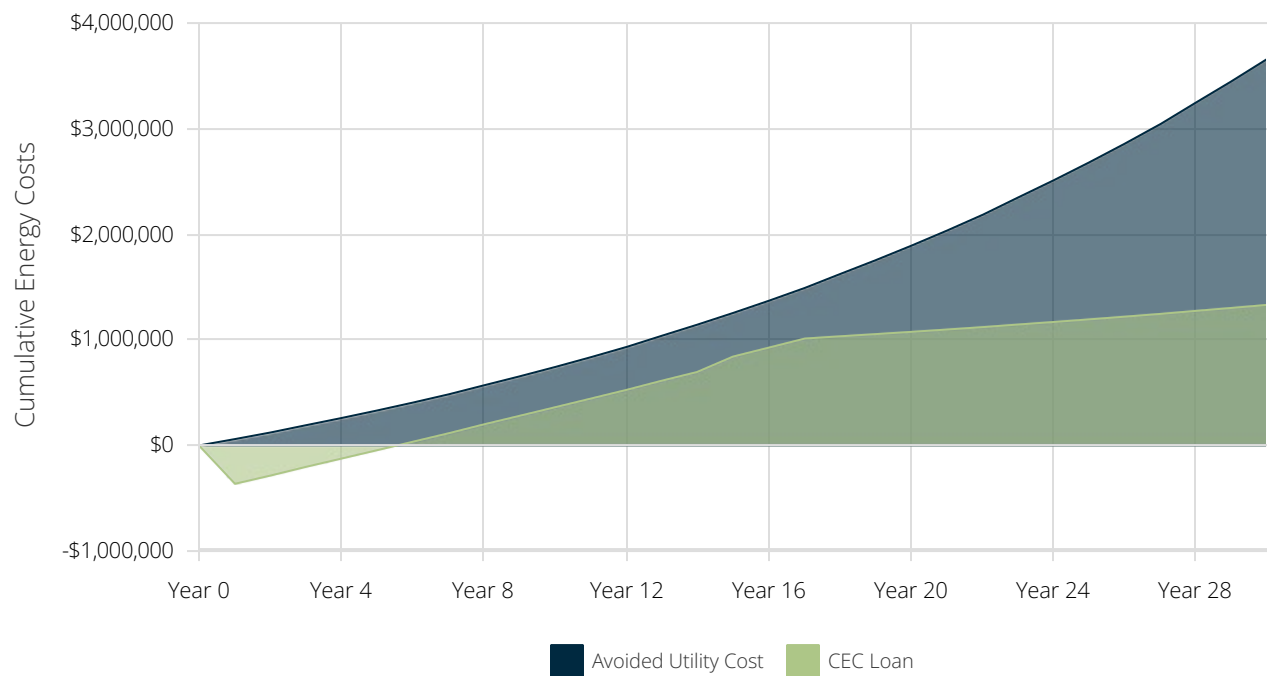
Payment Options	CEC Loan
Total PV System Cost	\$1,469,917
Customer Contingency	\$4,513
Total Loan Payments	\$1,124,003
Electric Bill Savings - Term	\$3,658,720
Total Incentives	\$440,975
ROI	144.01%

### Combined Solar PV Rating

Power Rating: 410,900 W-DC

Power Rating: 357,919 W-AC-CEC

**Cumulative Energy Costs By Payment Option**



## EXHIBIT 2 – Cash Reserves Analysis Chart

