



Alternative Water Source Program Finance Committee Update

December 21, 2021

PRESENTATION AGENDA



- Water Commission Approach
- Joliet Funding Strategy for 2022
- Water Rate Analysis Approach

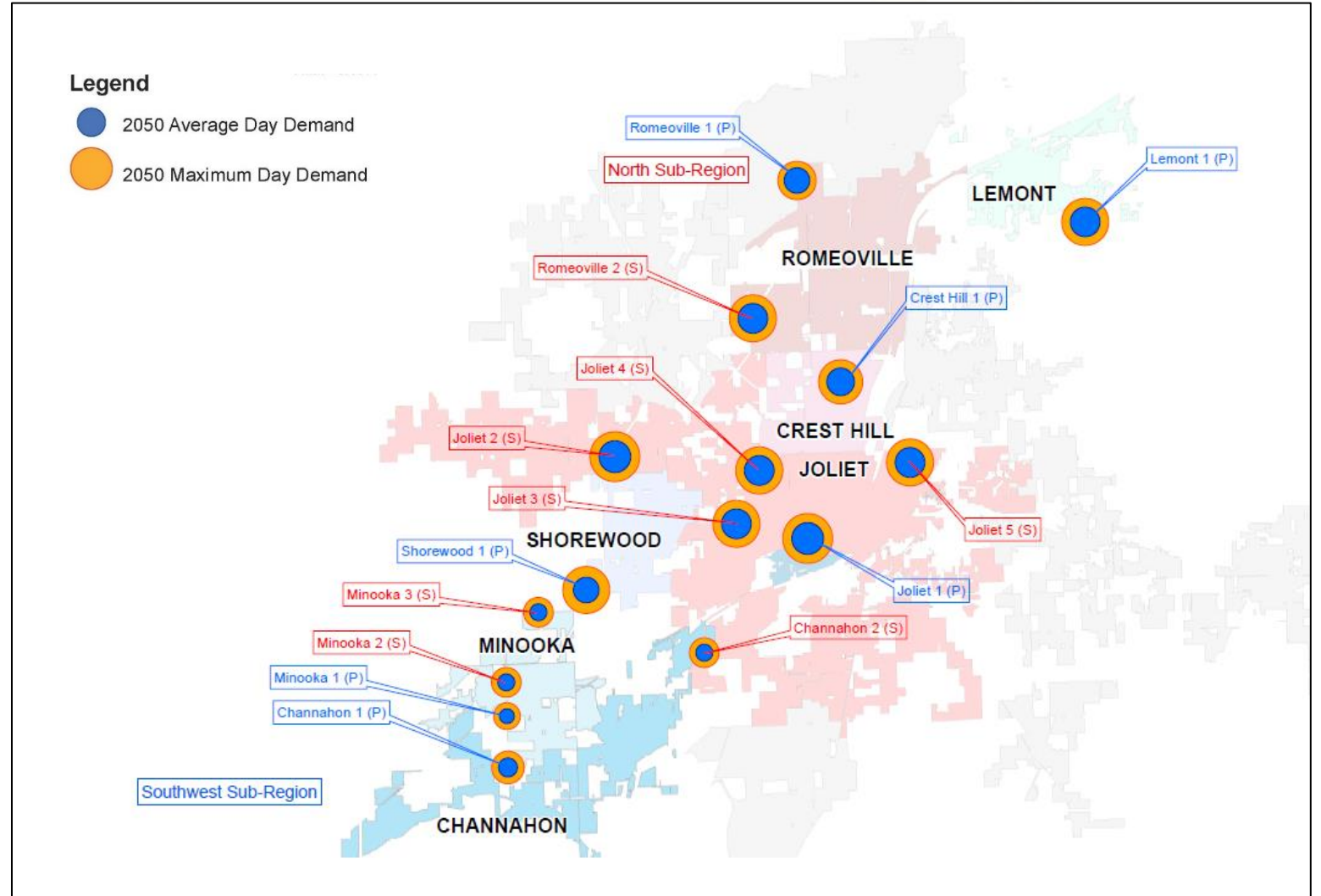


WATER COMMISSION APPROACH

REGIONAL COORDINATION UPDATE



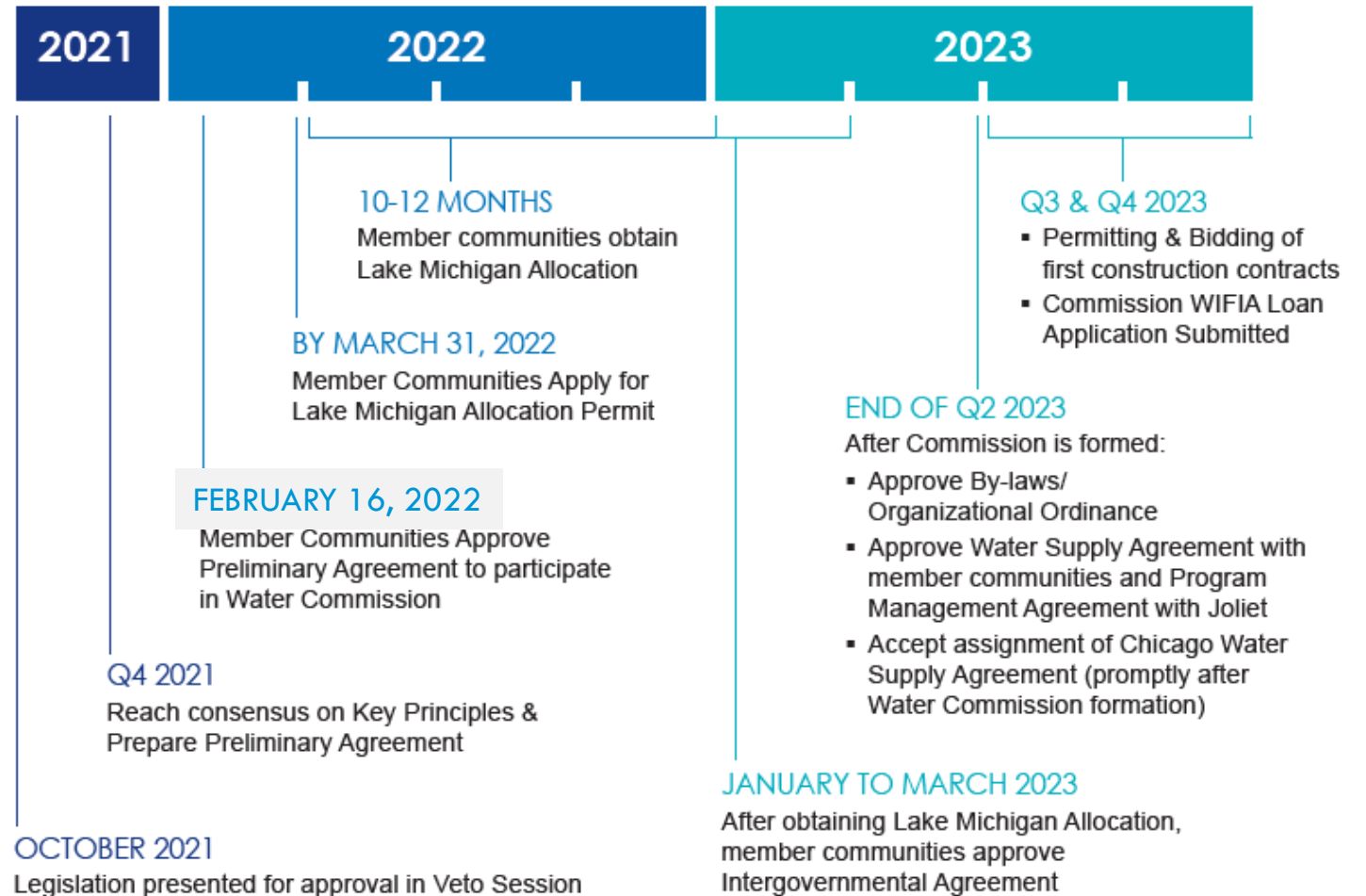
- Discussions with 7 potential Commission Partners ongoing
- Decisions and 2050 Demand Declarations expected in Jan/Feb 2022



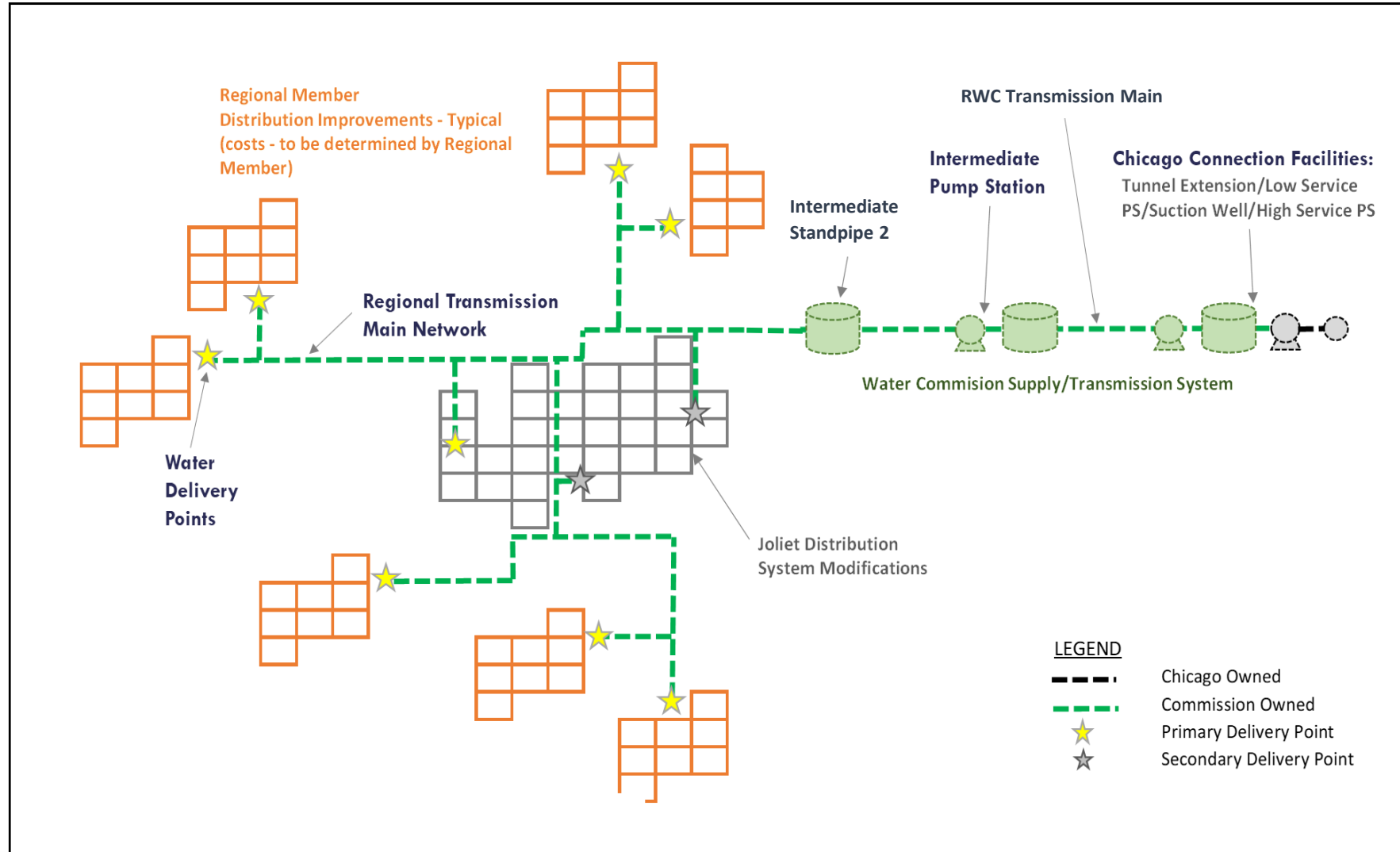
REGIONAL COORDINATION TIMELINE



- Water Commission legislation approved October 2021
- Commission Partners will be known in Jan/Feb 2022
- Partner commitments will establish:
 - System Design Capacity
 - Members' shares of cost
 - System Configuration
- Commission formation expected Q1 2023



ALL FOR ONE APPROACH



Regional Water Commission (RWC) will own and operate all infrastructure between Chicago Connection and Member Delivery Points

REGIONAL COMMISSION IMPLEMENTATION COSTS



Implementation Costs	Cost Responsibility
Program Management, Design and Construction Engineering for Regional System	Joliet, as Program Manager for RWC, will hold, manage, and finance costs associated with contract. RWC will reimburse Joliet for other members' share of costs
Land Acquisition, Permitting for Regional System	Joliet, as Program Manager for RWC, will finance costs associated with land acquisition and permitting. RWC will reimburse Joliet for other members' share of costs
Construction of Regional Infrastructure	RWC will hold construction contracts, finance construction costs and own regional infrastructure. Capital and Debt Service Costs will be paid by RWC Members based on proportion of 2050 Design Capacity
Design and Construction of Individual Commission Member System Improvements	Individual RWC Members will be responsible for design, construction, and financing of costs for all improvements required within their water systems

JOLIET COSTS AS RWC MEMBER



Cost Category	Basis for Cost	2022	2023	2024	2025	2026	2027	2028	2029	2030
Water Supply	Volumetric based on actual water usage (\$ per 1,000 gallons) subject to minimum take									X
Capital Costs/ Debt Service	Based on Member's 2050 "Contractual Maximum Day Demand" (\$ per MGD)					X	X	X	X	X
Operations, Maintenance & Replacement/ Reserve Costs	O&M: Volumetric based on actual water usage (\$ per 1,000 gallons)									X
	R: Based on Member's 2050 "Contractual Maximum Day Demand" (\$ per MGD)				X	X	X	X	X	
Commission Administration	Annual costs split equally between all members	X	X	X	X	X	X	X	X	X



JOLIET FUNDING STRATEGY - 2022

AWSP FUNDING TOOLS



\$ CASH-ON-HAND



WIFIA – Low interest, flexible draw down, flexible repayment



SRF LOAN – Very low interest, familiar process, good target for stimulus funding



REVENUE BONDS – Shorter issuance process, structuring options, currently lower rates



BOND ANTICIPATION NOTE – Short-term source of funding ahead of large bond issue

BOND ANTICIPATION NOTE (BAN)



- short-term debt security issued by a municipal government
- often used to “kick-start” project funding ahead of future bond issue
- commonly paid off within one year using proceeds from future bond issue
- considered money market securities with relatively low-risk
- rated by Moody’s Investment Grade (MIG)

FUNDING STRATEGY - GENERAL



- CAPITAL to SUPPORT DEVELOPMENT to meet SCHEDULE
- IDENTIFY and SECURE LOWEST COST CAPITAL
- TARGET FUNDING TERMS that reduce barriers to participation from prospective COMMISSION MEMBERS
- MITIGATE COST IMPACTS on JOLIET CUSTOMERS

FUNDING STRATEGY - SPECIFIC



- Use available **CASH** and **SHORT-TERM BORROWING** to defer need for incurring large scale debt
- Lock-in available **WIFIA** funding and flexible repayment options for on-going costs to be incurred by Joliet
 - Water Main Replacement Program
 - Program Mgmt, Design and Construction Engineering
- Identify individual projects for **SRF LOAN** funding on an annual basis
- Use **REVENUE BONDS** as needed to compliment other options and maintain desired cash reserve
- Aggressively seek out and pursue **EXTERNAL FUNDING OPPORTUNITIES**

2022 FUNDING MILESTONES



- **\$59M Bond Anticipation Note (Q1 2022)**

Short-term borrowing to fund:

- 2022 AWSP design, land acquisition, program management (\$23M)
- 2022 Water Main Replacement Program (\$36M)

- **Close of first WIFIA Loan for \$308M (Q1 2022)**

Long-term, flexible credit agreement to fund up to 49% of:

- AWSP design, land acquisition, program management
- Water Main Replacement Program (through 2030)

- **Federal Community Project Funding (expected)**



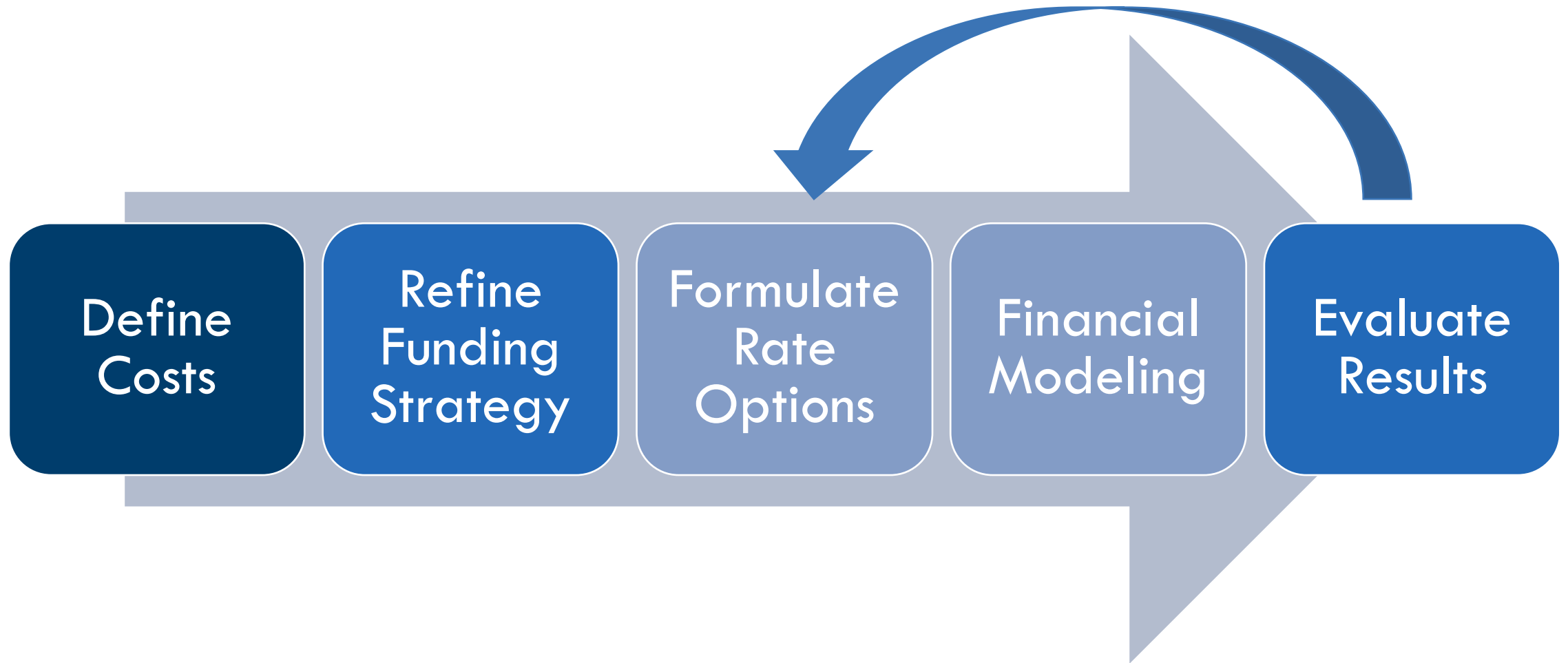
WATER RATE ANALYSIS APPROACH

WATER RATE ANALYSIS



- The last year of Joliet's prior 3-year water rate plan was implemented on November 1, 2021
- Historic practice has been to adopt a three-year plan for new rates
- 2022 - 2024 rate adjustments must consider the impact of:
 - Water Main Replacement Program
 - Alternative Water Source Program
 - Affordability Concerns

RATE ANALYSIS APPROACH



RATE ANALYSIS PROCESS



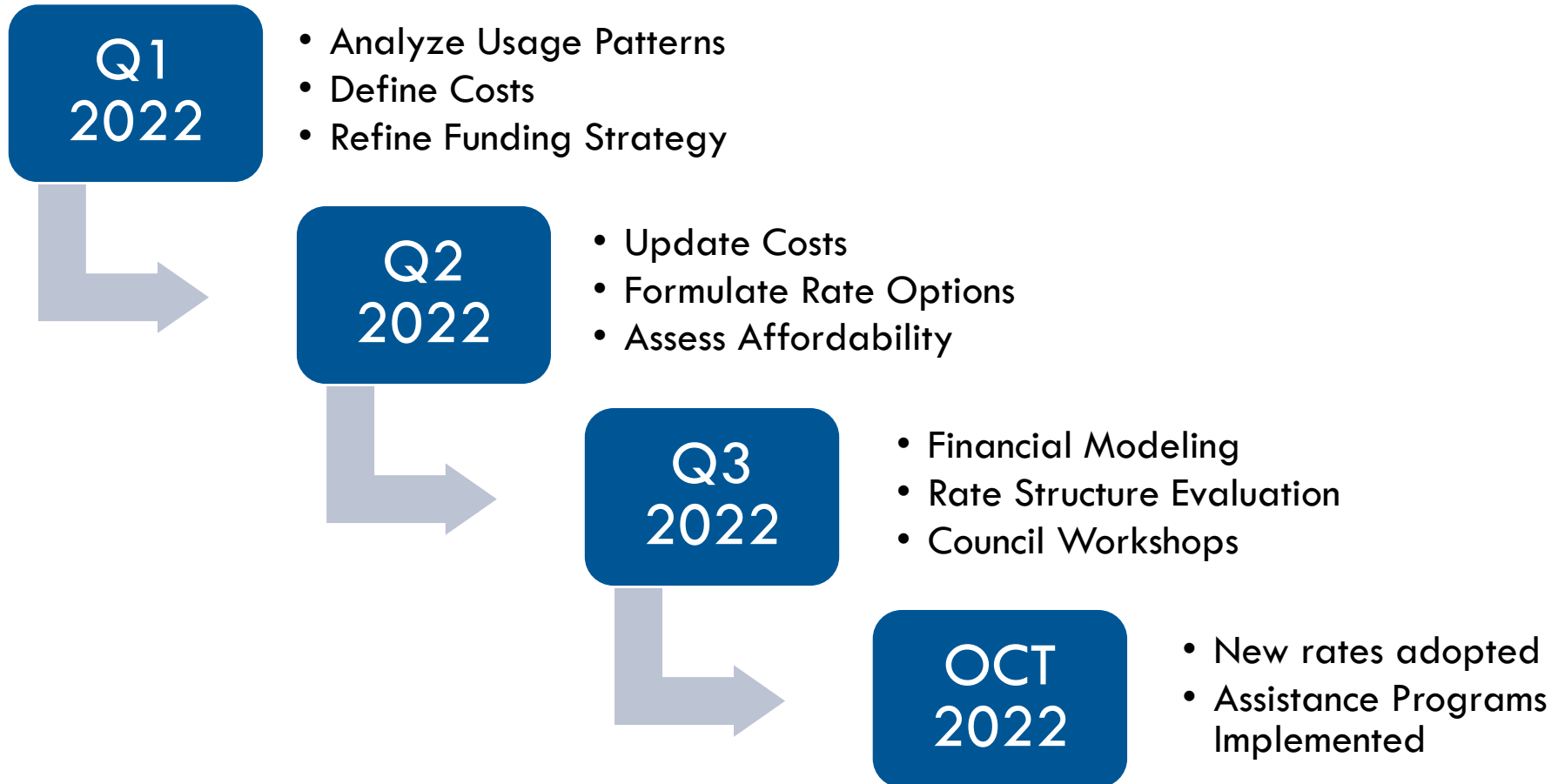
Rate Analysis Inputs

- Updated Capital Costs
 - Water Main Replacement Program
 - Alternative Water Source Program
 - Water and Sewer CIP
- OM&R Cost Projections
- Funding Strategy
- Cash Flow/Debt Service Schedule
- Demographic, Economic Data

Rate Analysis Outputs

- Water Rates: 2022-2024
- Revenue Generation Forecasts
- Considerations:
 - Rate structure adjustments
 - Modified customer assistance programs

2022 RATE ANALYSIS TIMELINE





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