

Follow-up: Financing Plan for FY2017

Board of Directors

October 11, 2016

Agenda



1. FY 2017 Financing Plan
2. Cost Savings
3. Wells Fargo Corporate Structure
4. District Business with Wells Fargo
5. State of CA's Actions
6. Recommendation

FY17 Proposed Debt Issuance



Category	Description	Issue/ Approximate Size	Date of Board Action	Pricing or Issuance Date
Administration of Existing Debt Portfolio	1. Extend or replace Wells Fargo Bank Standby Bond Purchase Agreement for Water Series 2008A-1 and A-4	Water 2008A-1: \$32.4 million Water 2008A-4: \$24.3 million	10/25/2016	12/1/2016
New Money Needs	2. Issue additional “new money” Wastewater Revenue Bonds	Water: \$111 million Wastewater: \$24 million	4/25/2017	6/2017
Potential Market Opportunities	3. Opportunistic Water and Wastewater restructurings for de-risking and fixed rate refundings	Based on market opportunities	TBD	TBD

Note: Dates are approximate and subject to change.

Offer To Maintain Current Fee In Rising Rate Environment



- Wells Fargo's offer of 27 bp annual fee for 3 years is very competitive



- Lower than recent market comparables provided by Financial Advisors
- Lower than bids received Dec. 2015 from RFP for similar liquidity facility
- Each basis point costs roughly \$18,000 over three year term
- Savings over 3-years range from approximately \$81,000 to \$415,000
- Selecting a new provider also adds estimated \$230,500 cost of issuance

Alternative is Costly



- Not extending the SBPA agreement with Wells Fargo may result in penalty interest cost of approximately \$370,000 per month until bonds are refunded
 - District would draw on the SBPA before it expires
 - Wells Fargo would own the bonds
 - Interest on the bonds would be at the estimated penalty rate of 8%
 - The District would also incur costs of issuance for refunding debt
- Drawing on the SBPA could also have a negative impact on the District's reputation with rating agencies, investors, and other market participants

Wells Fargo Corporate Structure



Wells Fargo & Co.
(Bank Holding
Company)

Community Banking

Wealth and
Investment
Management

Wholesale
Banking

Securities

Banking Scandal

District's Interaction

- Approximately 25% of the Bank's Bay Area workforce lives in the District's service area

District Business with Wells Fargo



- Commercial Banking
- Bond Underwriter
- Liquidity Provider
- Remarketing Agent
- Brokerage Services
- Occasional Investment in Wells Fargo CDs
- Paying Agent and Registrar for GO bonds

State of CA actions regarding Wells Fargo



- The State Treasurer announced several measures his office will take which will be in place for at least one year:
 - Suspension of investments by the Treasurer’s Office in all Wells Fargo securities
 - Suspension of the use of Wells Fargo as a broker-dealer for purchasing investments
 - Suspension of Wells Fargo as underwriter on negotiated sales of bonds
- The State doesnot preclude use of Wells Fargo for other purposes
 - State’s banking relationships with Wells Fargo include cash management, treasury services, and approximately \$500 million in letters of credit

Recommendation



- Staff recommends the following:
 - The District maintain current business relationships with Wells Fargo and extend existing SBPA
 - The District send Wells Fargo a letter requesting that bank management hold themselves accountable to the highest standards of ethical behavior and transparency
 - Consider any other actions appropriate such as those taken by the State of California

Questions



Orinda Water Treatment Plant Improvements Project

Advance Outreach

October 11, 2016

Outreach Timeline

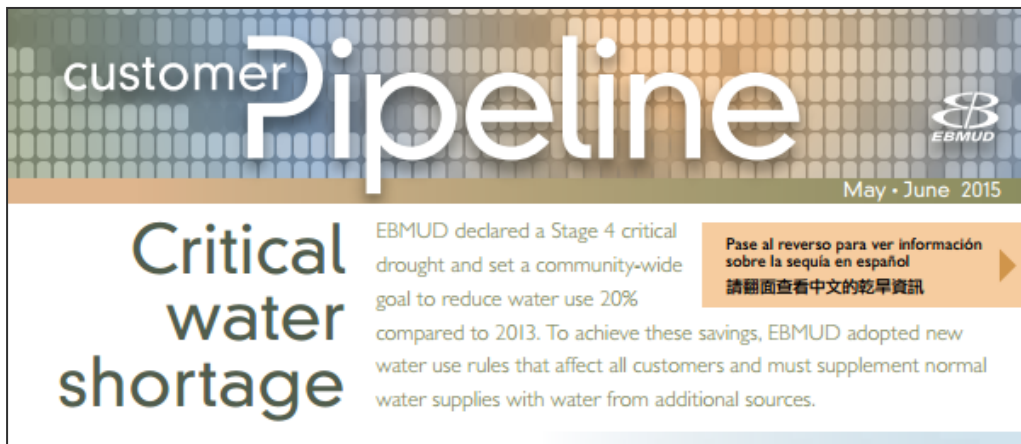


- Sept. 26** **Initial Orinda WTP & Taste and Smell Advisory Issued**
- Oct. 13** **San Pablo WTP Restart**
Distribute Updated Advisory
- Oct. 17** **Media Outreach on Orinda WTP Project**
Week
- Oct. 24** **Media Coverage of Orinda WTP Project**
Week
- November 1** **Orinda Water Treatment Plant Offline**

Outreach Tools



- Media
- Website
- Twitter
- NextDoor
- Customer Pipeline



Nextdoor

Private social network defined by geographic communities; Members must verify location



Meeting to engage community on proposed changes to Park Use Rules

Public Information Officer Harry Hamilton from City Administrator's Office · 2h ago

Oakland Parks & Recreation and the Parks and Recreation Advisory Commission are hosting a public meeting to gather insight from the Oakland community on proposed changes to the City's Park Use Rules in the Oakland Municipal Code.

Wednesday, September 14, 5pm
Lakeside Park Garden Center, 666 Bellevue Ave.

Proposed changes can be found at <http://www.oaklandnet.com/parks>

Edited 2h ago · Shared with all areas in City Administrator's Office in General



Several thousand residents in south Vallejo were ordered to stay indoors Tuesday night after a strong gas smell of unknown origins was reported by residents in the area, officials said.

A few people went to a hospital complaining of nausea, Vallejo Police Lt. Herman Robinson reported.

A Coast Guard official said an oil sheen was reported on San Pablo Bay Tuesday night.

The city of Vallejo announced the order through the neighborhood network Nextdoor.

City of Vallejo
Notifications Example