

FY 17 Bond Financings

Finance/Administration Committee

April 25, 2017

Agenda



- Proposed Debt Issues
- Details of Water and Wastewater Bond Sales
- Green Bonds
- Recommend authorization for issuance of Water and Wastewater Revenue Bonds

FY17 Proposed Debt Issuance



Category	Description	Issue/ Approximate Size	Date of Board Action	Pricing or Issuance Date
New Money Needs	2. Issue additional “new money” Water and Wastewater Revenue Bonds	Water: \$275 million Wastewater: \$20.5 million	4/25/2017	6/7/2017
Potential Market Opportunities	3. Opportunistic Water and Wastewater restructurings for de-risking and <u>fixed rate refundings</u>	W 2007B and 2010A: \$190.6 million WW 2007B and 2010A: \$55.2 million	4/25/2017	6/7/2017

Note: Dates are approximate and subject to change.

- Larger issuance for Water than FY 17 financing plan in order to meet needs for FY 17 and FY 18
- No issuance needed for FY 17 for WW; new sale will meet FY 18 needs

Water New Money Bonds



- The District intends to sell approximately \$275 million of “new money” revenue bonds for Water
- \$125 million is for FY 17 projects and \$150 is for FY 18 projects
- Combining the two years’ sales and issuing at the end of FY 17 provides significant savings
 - Saves interest costs of roughly \$4.5 million for FY 17
 - Saves nearly \$700,000 in issuance costs for FY 18

Water Refunding Bonds



- The District continues to look for refunding opportunities that can save debt service costs without extending maturity
- In the current market, the District's 2007B and 2010A Water revenue bonds are attractive candidates for savings
- Currently, refunding \$13.1 million of outstanding 2007B bonds and \$169.3 of 2010A bonds will elicit roughly \$17 million in PV savings
- These numbers represent 97.5% of outstanding 2007Bs and 2010As, but, of course, the market could shift leading up to the sale
- Water new money and refunding bonds will be sold via negotiated sale

Wastewater New Money and Refunding Bonds



- The District intends to sell \$21 million of “new money” revenue bonds for Wastewater
- Similarly to the Water side, the Wastewater bond proceeds will provide liquidity for FY 18 projects
- Wastewater 2007B and 2010A bonds are attractive refunding candidates in the current market with \$6 million in estimated PV savings
- Wastewater bonds will be sold via competitive sale

What are Green Bonds?



- The District intends to sell a portion of the new money Water bonds in the form of “Green Bonds” similar to its 2015 Water bond sale
- Green Bonds are bonds that finance “green” infrastructure
- Green Bonds offer investors a way to invest in sustainable infrastructure
- District is committed to sustainability and is a leader in the bond finance community
- District has combined these strengths to help development of the Green Bond market

Water Green Bonds



- There is not a standard set of criteria or legal distinction for what constitutes “green”
- Discussions between Engineering, Environmental Affairs, and Finance have identified \$209 million of green projects
- Selections were made in accordance with the “Guidance for Issuing Green Bonds” adopted by the Board (4/21/15)

Green Bond Guidance



Board-adopted Green Bond Criteria:

1. Maintain water quality
2. Improve water use efficiency, including conservation through reduced water loss
3. Improve biodiversity and ecosystem quality
4. Protect against flooding
5. Reduce pollution
6. Improve resilience (adaptation) to climate change
7. Reduce the combustion of fossil fuels
8. Reduce greenhouse gas emissions
9. Implement “reduce, reuse, recycle” practices in preference to raw materials
10. Adhere to sustainable purchasing guidelines

Green Bond Projects



- Some examples of the projects being funded by the new Water green bonds:
 - Pipeline infrastructure renewal
 - Treatment plant upgrades
 - Pumping plant rehabilitation
 - Reservoir rehabilitation
 - Dam seismic upgrades
 - Pressure zone improvements

Recommend Authorization of 2017 Bond Issues



- Water System Revenue Bonds, Series 2017A (Green Bonds) and Water System Revenue/Refunding Bonds, Series 2017B
 - Aggregate not to exceed \$500 million
 - True interest cost not to exceed 5.5%
 - Refundings must meet savings threshold of 3% of par amount refunded
 - Negotiated sale
- Wastewater System Revenue/Refunding Bonds, Series 2017A
 - Not to exceed \$80 million
 - True interest cost not to exceed 5.5%
 - Refundings must meet savings threshold of 3% of par amount refunded
 - Competitive sale