

Extend Standby Bond Purchase Agreement For Water Revenue Bond Series 2008 A-2 and A-3

Finance/Administration Committee

April 24, 2018

FY18 Proposed Debt Issuance



Category	Description	Issue/ Approximate Size	Date of Board Action	Pricing or Issuance Date
Administration of Existing Debt Portfolio	A. Extend or replace U.S. Bank Standby Bond Purchase Agreement for Water Series 2008A-2 and A-3	Water 2008A-2: \$24.3 million Water 2008A-3: \$24.3 million	4/24/18	6/1/18
New Money Needs	B. 1) Issue additional “new money” Water and Wastewater Revenue Bonds	None expected	N/A	N/A
	2) Enter into SRF loans	Approximately \$41 million	Various	TBD
Potential Market Opportunities	C. 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.

Liquidity Providers for Series 2008A Bonds



- Current SBPA providers: Wells Fargo & US Bank
 - Entered into current agreement with US Bank in 2008

	Liquidity Provider	Principal Outstanding (000)	Term End	Liquidity Fee	Liquidity Annual Cost
2008 A-1	Wells Fargo	\$32,395	12/10/19	27 bp	\$87,467
2008 A-2	US Bank	\$24,285	7/2/18	35 bp	\$84,998
2008 A-3	US Bank	\$24,285	7/2/18	35 bp	\$84,998
2008 A-4	Wells Fargo	\$24,285	12/10/19	27 bp	\$65,570

Liquidity Support Series 2008A Bonds



- As variable rate demand bonds, the District's 2008A bonds require liquidity support
- This support is provided in the form of a standby bond purchase agreement (SBPA)
- The District's SBPA with US Bank is set to expire July 2, 2018
- US Bank offered to extend the agreement an additional three and a half years with improved terms

Expiring Liquidity Support for Series 2008A Bonds



- US Bank has offered to lower their fee from 35 basis points (bps) to 32 and extend for three and a half years
- We also received an unsolicited bid from another bank of 28 bps for three years
- The cost of replacing with a new provider is estimated to be at least \$120,000 whereas the cost to extend is roughly \$30,000
- The cost difference between 32 bps and 28 bps bid is \$60,000 which is not enough to offset the additional \$90,000 in costs to switch providers

Recommendation



- Recommend the Board approve the extension of the 2008 A-2 and A-3 SBPA with U.S. Bank

Questions



Wastewater Cost of Service Study



Finance/Administration Committee Meeting

April 24, 2018

Project Overview



- Cost of Service Study
- District Background
- Purpose/Rationale
- District Strategic Plan
- Scope of Work
- Project Schedule
- Next Steps



Cost of Service (COS) Study



Philosophy:

Customers pay in proportion to use of the wastewater system

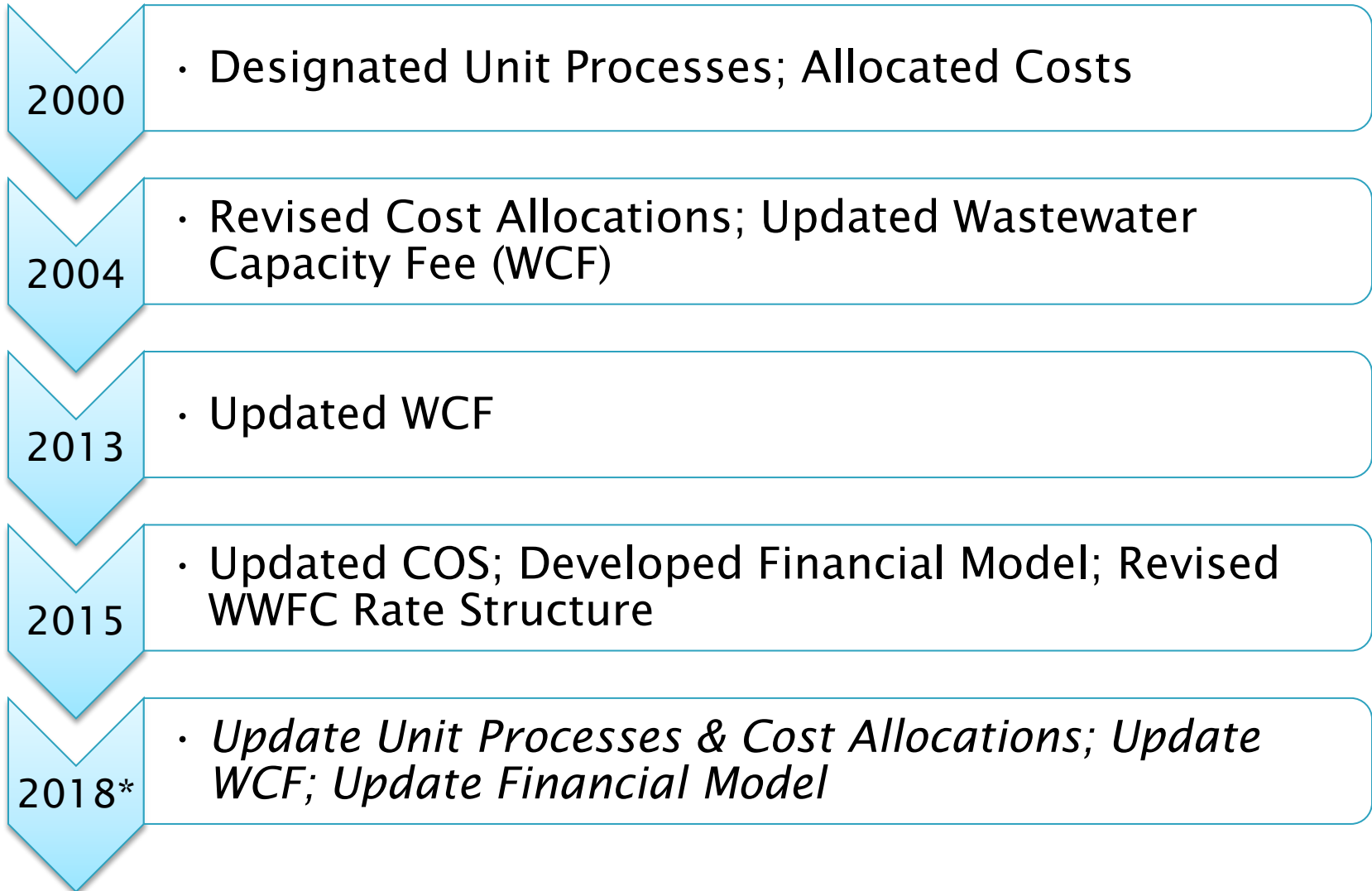
Goal: To establish nexus between usage and cost – basis for setting rates and charges

Method: Allocate costs based on customer wastewater characteristics and system design and operations



Background

Recent Wastewater COS Studies



Purpose & Rationale



State Law & District Policy

Periodically review & update COS to ensure rates and fees remain correctly proportioned in light of changing conditions

Updated Conditions

Customer Composition

Unit Processes - New Facilities/Upgrades

Service Area Assumptions

Purpose & Rationale – cont'd



Update customer composition in service area

- Continued loss of industrial/manufacturing dischargers
- Replaced largely by multifamily and commercial mixed uses

Update unit processes at the plant

- New Facilities: R2 Receiving Stations (Septage, SLW, High Strength)
- Facility Upgrades: PGS, Dewatering

Update service area assumptions & WCF procedures

- Unprecedented redevelopment activity
- Service area assumptions
- Complicated WCF calculations

District Strategic Plan



Long-Term Water Supply

Water Quality &
Environmental Protection

Long-Term Infrastructure
Investment

Long-Term Financial
Stability

· Strategy #2: Implement water and wastewater rates and charges that are legal, fair, reasonable, and equitable

Customer & Community
Services

Workforce Planning &
Development

Proposed Scope of Work



Review & Update
Unit Processes & Cost
Allocations

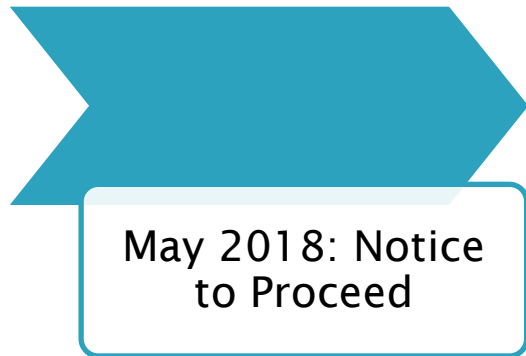


Update WCF and Improve
Program Procedures



Update Financial
Planning/Rate Model

Schedule



Next Steps



- Recommend to the Board to authorize a contract with the selected consultant at its May 22, 2018 meeting