

Proposed FY20 Financing Plan

Board of Directors

September 24, 2019

Agenda

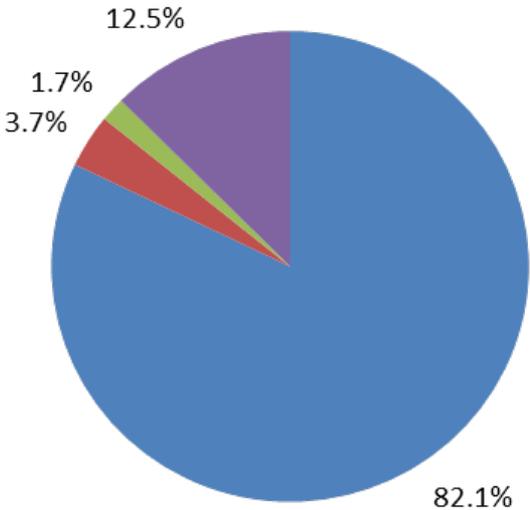


- Debt Composition
- Credit Ratings
- FY19 Debt Activity
- FY20 Proposed Debt Activity
- Recommendation

Debt Composition

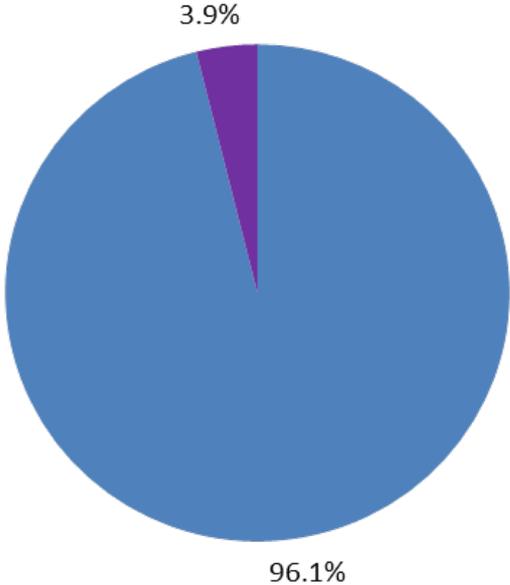


Water System Debt
\$2.87 billion



- Fixed Rate Revenue Bonds
- Synthetic Fixed Rate RevBonds
- State Parity Loans
- Commercial Paper

Wastewater System Debt
\$385 million



- Fixed Rate Revenue Bonds
- Commercial Paper

Debt as of June 30, 2019

Credit Ratings



- Credit Strengths

- Cash reserves are above medians
- Prudent financial and debt management
- Large service area with little concentration

- Credit Challenges

- High levels of outstanding debt
- Lower debt service coverage relative to other highly-rated systems

	Water	Wastewater
S&P	AAA	AAA
Moody's	Aa1	Aa1
Fitch	AA+	AA+

Moody's upgraded the Wastewater Revenue Bond Rating in March 2019



Review of FY19 Debt Activity



Description	Proposed Size of Issuance	Actual Issuance
1. Extended Bank of America Revolving Credit Agreement for Commercial Paper Notes (Water Series) Subseries A-2	\$160 million	\$160 million
2. Issued new money Water System Revenue Bonds	\$200 million	\$162 million
3. Issued no refunding or de-risking financings	Based on market opportunities	None

FY20 Proposed Debt Activity



Description	Issue/Approximate Size	Date of Board Action	Pricing or Issuance Date
1. Extend Wells Fargo Standby Bond Purchase Agreement	\$57 million	10/22/19	11/30/19
2. No new money Revenue Bonds anticipated	Water: None Wastewater: None	TBD	TBD
3. Pursue State Revolving Fund or WIFIA loans	As appropriate	TBD	TBD
4. Issue refunding and de-risking financings	Based on market opportunities	TBD	TBD

Extend Wells Fargo Liquidity



- The \$57 million Wells Fargo Standby Bond Purchase Agreement (SBPA) backing the Water System 2008A-1 and A-4 variable rate bonds expires on December 9, 2019
- Wells Fargo has proposed a three year extension with an annual fee of 30 basis points (0.30%) -- higher than the current 27 basis point rate
- The District's financial advisor analyzed the fee proposal and considers it low in the current market
- A new provider would have to propose a fee of 23.5 basis points to offset additional transaction costs associated with switching
- Our financial advisor believes a proposal this low is unlikely
- Staff plans to bring extension documents to the Board on October 22

New Money Needs



- The District issued \$162 million in Water System Revenue Bonds as Green Bonds in June 2019
- Both the Water and Wastewater Systems had strong financial results in FY19
- For these reasons, staff does not anticipate the need for new money bonds for the Water or Wastewater Systems in FY20
- Pursuing State Revolving Fund (SRF) Loans:
 - The Wastewater System's \$27.3 million SRF loan application for the South Interceptor / 3rd Street Rehabilitation project is on the fundable list, but the timing of funding is uncertain
 - Other low-interest loans will be pursued when available

Recommendation



- Approve FY20 Financing Plan