



Valley Water

Clean Water • Healthy Environment • Flood Protection

SCW and WU Debt Issuances

Presented by:

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Discussion Outline

- I. Recommendations**
- II. Financing Schedule**
- III. Financing Plan**
- IV. SCW Legal Provisions and Flow of Funds**
- V. WU Legal Provisions and Flow of Funds**
- VI. Conclusion**

Recommendations

A. Adopt Resolution Authorizing Safe Clean Water (SCW) Debt Obligations:

- Up to \$120M Safe, Clean Water Refunding Revenue Bonds
- Up to \$165M Tax-Exempt Interim Obligations (TEIOs)/Certificates of Participation (COPs) for SCW Projects

B. Adopt Resolution Authorizing Water Utility (WU) Debt Obligations :

- Up to \$200M Water Utility System Refunding Revenue Bonds
- Up to \$408M TEIOs/COPs for WU Projects

C. Authorize certain actions to consummate the sale and delivery of the Debt Obligations

Financing Schedule¹



Description	SCW Obligations (negotiated)	WU Obligations (competitive)
PFFC Meeting	10/28/22	
VW Board Meeting	11/08/22	
Ratings	10/21/22	11/09/22
Print Prelim. Official Statement	11/08/22	11/17/22
Pricing ²	11/16/22	12/05/22
Closing	12/06/22	12/20/22

1. Financing schedule is tentative, subject to change
2. Water Utility (WU) obligations are recommended to be sold on a competitive basis because it's an established credit; Safe, Clean Water (SCW) obligations are recommended to be sold on a negotiated basis because this is the first time to market.

Financing Plan - Refunding Bonds, Interim Obligations/COPs



	SCW Refunding Bonds*	SCW IOs/COPs	WU Refunding Bonds*	WU IOs/COPs
Not-to-Exceed Amount	\$120M	\$165M	\$200M	\$408M
Purpose	Refund outstanding short-term obligations	Interim funding for SCW capital projects	Refund outstanding short-term obligations	Interim funding for WU capital projects
Repayment Term	30 years	4 years	30 years	3.5 years
Debt Service	Level basis	Capitalized interest for 4 years, expected to be refunded at maturity	Level basis	Capitalized interest for 3.5 years, expected to be refunded at maturity
Security	SCW Revenues pursuant to the Safe, Clean Water Master Resolution (21-34)		Water Utility System Revenues pursuant to the Parity Master Resolution (16-10 and 16-82)	
Lien Level	First Lien (Parity)	First Lien (Parity)	First Lien (Parity)	First Lien (Parity)

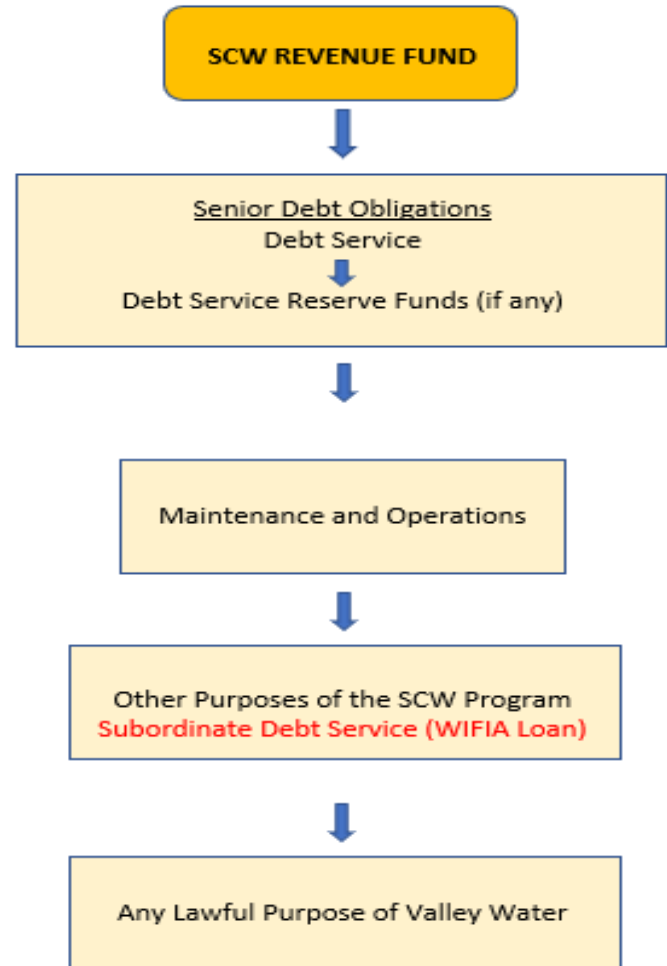
* Refund approximately \$220M of outstanding short-term debt; the not-to exceed amounts provide flexibility in case additional short-term debt is issued prior to the pricing dates of the Refunding Bonds.

SCW Legal Covenants

Safe, Clean Water Master Resolution

- “SCW Revenues” includes
 - Parcel Tax
 - Property taxes allocated by Board
 - +/- transfers to/from the SCW Rate Stabilization Reserve Fund and SCW Contingency Reserve Fund
 - + transfers from Special Purpose Funds of the Water Utility
 - Requires Board to continue levy of parcel tax as long as Bonds or Contracts remain outstanding
- Rate Covenant – Sum sufficient on a budget basis
- Additional Bonds and Contracts Test
 - New Money: 1.25x
 - Refunding: no increase in Average Annual Debt Service

Flow of Funds from SCW Revenue Fund (in order of priority)



Water Utility Legal Structure

- **Parity Master Resolution**

- No Senior Lien (2006B fully redeemed on 06/01/22)
- Defines “Net Water Utility System Revenue” as Water Utility System Revenues less O&M
- Rate Covenant – Net Water Utility System Revenue of no less than 125% of all outstanding debt service on a budget basis
- Parity Debt Test
 - (i) Net Water Utility System Revenue of no less than 125% of outstanding and proposed debt service for FY of issuance
 - (ii) estimated Net Water Utility System Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project shall produce a sum equal to at least 125% of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years
- No DSRF required

Water Utility Parity Master Resolution Flow of Funds



**Parity Master Reso
Flow of Funds**

Current Water Utility System Revenue ----- Special Purpose Funds ^{1,2}

**Water Utility
System Revenues** ----- +/- Rate Stabilization Reserve Fund ²

Less: Operating and Maintenance

NET Water Utility System Revenues

Less: Parity Debt Service
Less: Deposits to Parity DSRF (if any)

**NET Water Utility Revenues for
Subordinate Debt**

**Subordinate Debt Service
(CP, Revolver, WIFIA Loan)³**

Parity Debt Rate Covenant
1.25x All Parity Debt Service

**Subordinate Debt Rate
Covenant**
1.10 x Subordinate Debt Service

- Notes:
- 1.) Requires Board resolution and limited to the amount of reduced Current Water Utility System Revenue as a result of non-routine expenditures resulting from extraordinary events.
 - 2.) Transfers during or within 270 days after the end of the FY.
 - 3.) WIFIA loan springs to parity lien in case of bankruptcy related event

Conclusion

- **Approval of the financing plan allows Valley Water the flexibility to finance SCW and WU capital projects at low long-term costs**
- **Board not obligated to approve the construction of any of the projects**
- **No limit on Board's actions related to California Environmental Quality Act (CEQA) review:**
 - Consider other feasible alternatives and mitigation measures
 - Make modifications to reduce project impacts
 - Take Board action not to proceed
- **Good Faith Estimate*:**

SCW: (1) true interest cost 4.047%; (2) finance charge \$511,129; (3) proceeds \$133,101,004; (4) total payment amount \$188,259,444

WU: (1) true interest cost 4.401%; (2) finance charge \$1,557,968; (3) proceeds \$339,295,391; (4) total payment amount \$443,769,682

* Estimates based on market rates on 9/7/22 + 0.50%, subject to change pending pricing in Nov/Dec 2022.

Recommendations

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QUESTIONS





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