

SANTA CLARITA VALLEY WATER AGENCY

CONSIDERATION OF ISSUANCE OF SERIES 2020A AND
SERIES 2020B BONDS



Board Meeting of February 4, 2020

BACKGROUND/OBJECTIVES

- As part of the merger of CLWA with two retail divisions and Newhall County Water District to create the SCVWA, SCVWA is preparing to provide a rate case in July 2021 that will forecast no wholesale rate and therefore no wholesale water sales revenues
 - New rate structure will still be paid from same customer base
- Establish a single retail rate
- Eliminate Wholesale Rate
- Streamline Accounting Structure
 - Avoids potential additional operating cost of approximately \$441,000 annually
- To achieve objectives FRA and SYC&R were tasked with developing strategy for a cost-effective restructuring of existing and future debt with these objectives

STRATEGY TO ACHIEVE OBJECTIVES

- The wholesale division has existing annual debt service of approximately \$25 million all of which is secured by a pledge of “wholesale revenues” – primarily: facility capacity fees, Agency’s share of 1% property taxes, settlement receipts and wholesale water rates
 - Customers will still be charged for debt associated with legacy retail system debt allocable to their service areas
- Options to create a new pledge for the wholesale division:
 - (i) Refund outstanding debt that generates positive savings, and
 - (ii) Strategically use cash to refund portions of retail division debt
 - (iii) Direct 1% property tax revenues from the Counties directly to the bond trustee to pay for outstanding debt that cannot be refunded cost effectively

SCVWA WHOLESALE DEBT

➤ 1999 Capital Appreciation Bonds

- **Non-callable**; can only be advance refunded with taxable debt **which is not cost effective**
- Final maturity 8/1/2030

➤ 2008A Adj. Rate COPs

- **Callable on any interest payment date**
- Final maturity 8/1/2020, **thus no need to refund**

➤ 2010A COP

- **Callable 8/1/2020 at par**; can only be refunded with tax-exempt debt after 5/3/2020; **and refunding is cost effective**
- Final maturity 8/1/2030

➤ 2014A Bonds

- **Non-callable**
- Final maturity 8/1/2020, **thus no need to refund**

➤ 2015A Bonds

- **Callable 8/1/2025** at par with tax-exempt debt; advance refundable with taxable debt anytime, **which is cost effective**
- Final maturity 8/1/2035

➤ 2016A Bonds

- **Callable 8/1/2026** at par with tax-exempt debt; advance refundable with taxable debt anytime, **which is currently cost effective**
- Final maturity 8/1/2046

➤ 2018A Bonds (Taxable)

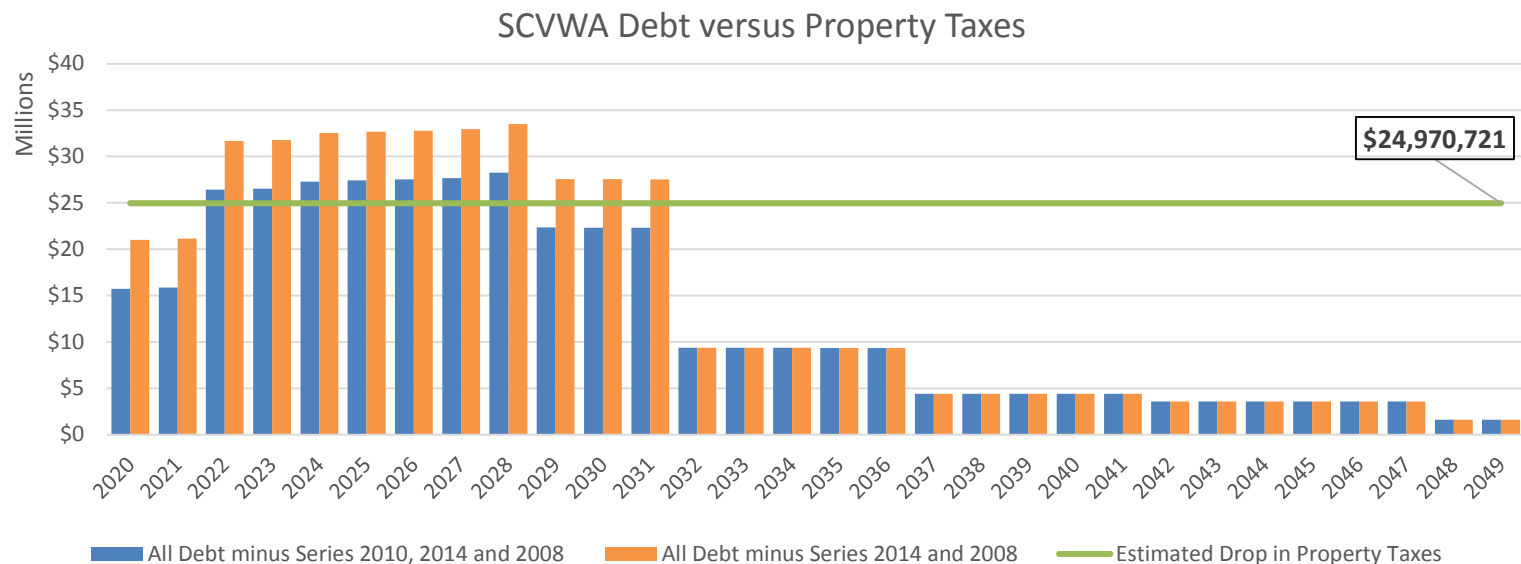
- **Callable 8/1/2028** at par, **which is not cost effective**
- Final maturity 8/1/2048

OVERVIEW OF FINANCING OBJECTIVES

- Agency will need a 4/5ths majority vote to approve new money bonds since some of the new money proceeds target retail projects (i.e. PFAS and Solar Panels)
- Strategically use cash reserves to reduce debt issuance
- Interest savings can be applied to post-merger integration OPEB costs
- New money for major capital projects

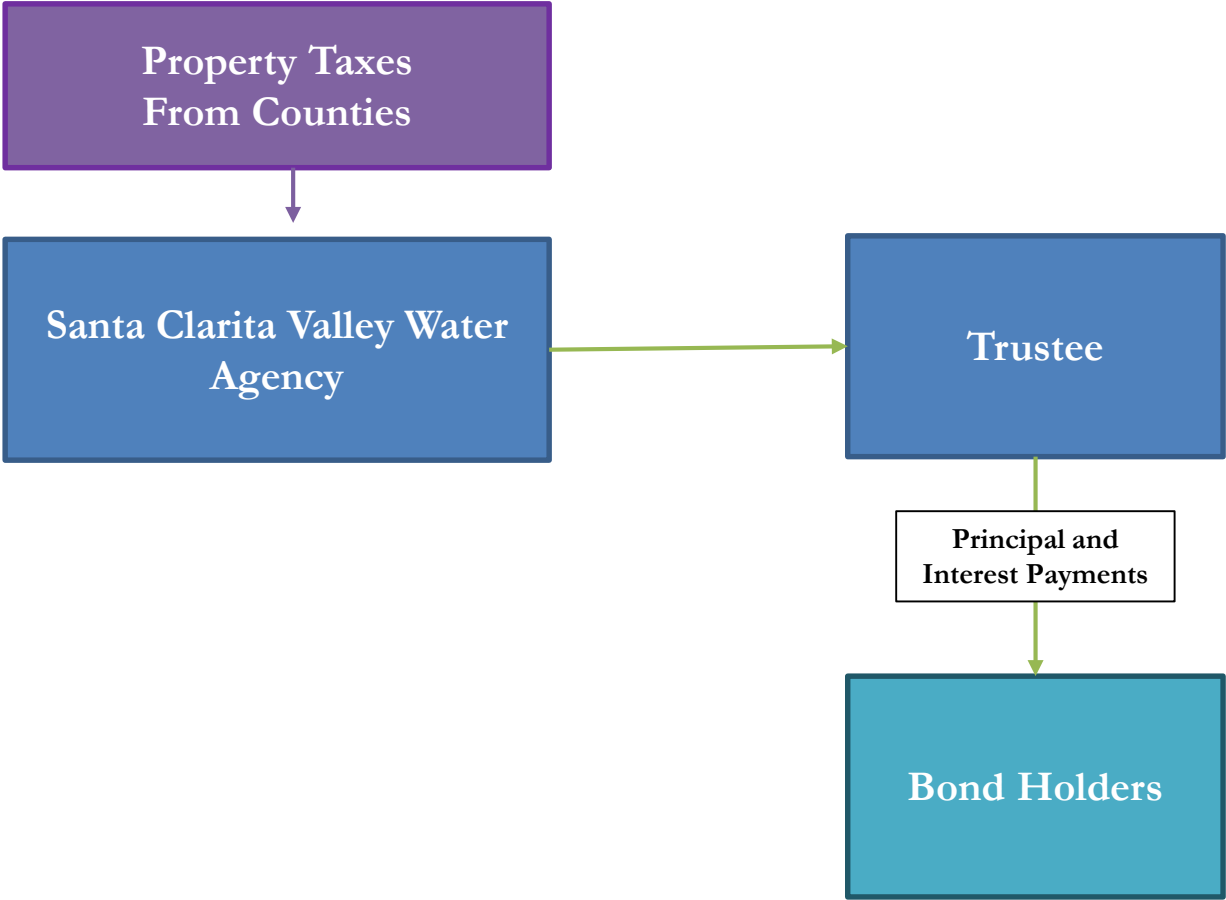
INTERCEPT OF 1% PROPERTY TAXES

- Agency receives approximately \$27.3 million in its share of the Counties 1% property tax
- Agency's wholesale division debt service is close to \$25 million and expected to increase to \$26.8 million by FY 2024
 - A drop in property tax revenues of approximately 8.5% would put the Agency at risk of not having sufficient property tax revenues to pay debt service
- Assuming Series 2008 and Series 2014 are prepaid in full, the property taxes do not cover all existing wholesale system debt



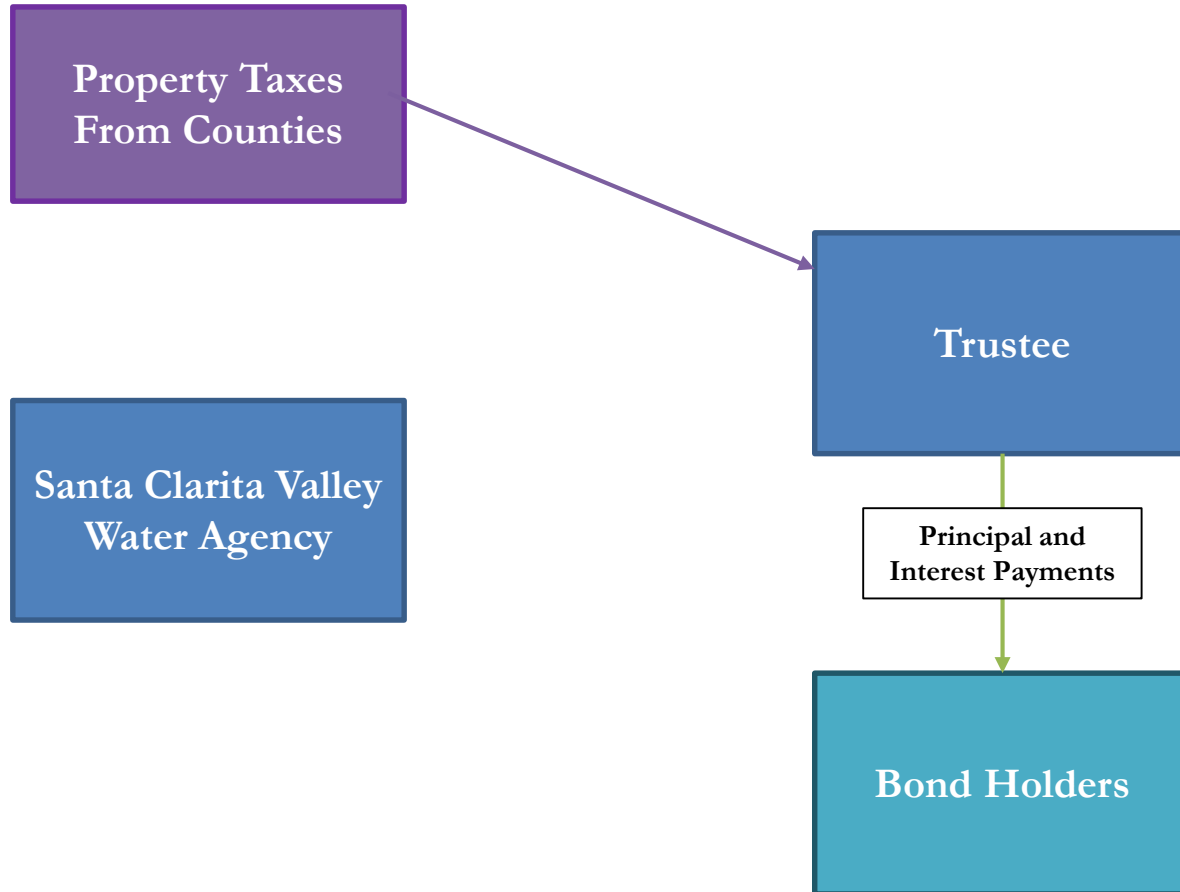
*Assumes Newhall debt is prepaid in full.

CURRENT FLOW OF SHARE OF 1% PROPERTY TAXES



PROPOSED FOR 1999 COPs AND 2018A BONDS ONLY

FLOW OF SHARE OF 1% PROPERTY TAXES



CURRENT FINANCE PLAN

1. Direct 1% property tax revenues directly to trustee to secure and make payments on Series 1999A and Series 2018A
2. Pay final debt service payment due on Series 2008A and 2014A on August 1st, 2020, from cash reserves at closing in July
 1. Approximately \$9.2 million
3. Pre-pay NCWD debt from cash reserves of NCWD
 1. Approximately \$2.4 million
4. Refinance wholesale debt Series 2010A with tax-exempt debt and Series 2015A, and 2016A with taxable bonds to be secured by Retail Revenues to enable elimination of wholesale rate
5. Refinance SCV Division debt, Series 2017A; use approximately \$1.55 million from SCV cash to reduce debt issuance
 1. Reduces retail debt expense and prevents the need to continue maintaining separate retail accounting books

AGGREGATE SAVINGS

- Refunding of Series 2010A, 2015A, 2016A and 2017A generates net present value savings of approximately \$9.7 million (or 4.9% of refunded bonds)

Date	Prior Debt Service	Refunding Debt Service	Gross Savings
6/30/2021	20,154,656.26	18,666,078.98	1,488,577.28
6/30/2022	20,259,306.26	18,749,232.25	1,510,074.01
6/30/2023	20,365,806.26	18,849,491.50	1,516,314.76
6/30/2024	20,477,431.26	18,959,357.00	1,518,074.26
6/30/2025	20,625,056.26	19,105,308.00	1,519,748.26
6/30/2026	20,723,906.26	19,211,845.50	1,512,060.76
6/30/2027	20,879,975.01	19,359,461.25	1,520,513.76
6/30/2028	21,428,646.88	19,906,533.25	1,522,113.63
6/30/2029	15,521,450.00	14,010,871.75	1,510,578.25
6/30/2030	15,509,225.00	13,988,439.50	1,520,785.50
6/30/2031	15,484,275.00	13,964,091.50	1,520,183.50
6/30/2032	7,764,150.00	7,556,380.25	207,769.75
6/30/2033	7,753,900.00	7,548,902.75	204,997.25
6/30/2034	7,748,025.00	7,536,217.50	211,807.50
6/30/2035	7,744,350.00	7,534,309.50	210,040.50
6/30/2036	7,734,450.00	7,524,294.00	210,156.00
6/30/2037	2,796,000.00	2,736,617.50	59,382.50
6/30/2038	2,794,500.00	2,734,337.50	60,162.50
6/30/2039	2,784,006.25	2,720,137.50	63,868.75
6/30/2040	2,780,912.50	2,723,857.50	57,055.00
6/30/2041	2,783,081.25	2,720,257.50	62,823.75
6/30/2042	1,967,125.00	1,911,265.00	55,860.00
6/30/2043	1,965,500.00	1,912,078.75	53,421.25
6/30/2044	1,965,000.00	1,911,050.00	53,950.00
6/30/2045	1,965,375.00	1,908,178.75	57,196.25
6/30/2046	1,966,375.00	1,913,297.50	53,077.50
6/30/2047	1,962,875.00	1,906,406.25	56,468.75
Total	\$275,905,359.45	\$257,568,298.23	\$18,337,061.22

NPV Savings (\$)

\$9,724,704

NPV Savings (%)

4.96%

FINANCING PROJECT CALENDAR

Timeline	Milestones
November 2019	<ul style="list-style-type: none">• F&A Committee recommended approval of financing plan• Worked on legal documentation and POS
December 2019	<ul style="list-style-type: none">• Board approval of financing plan• Updates to legal documents and POS
January 2020	<ul style="list-style-type: none">• F&A Committee recommended approval of legal documents
February 2020	<ul style="list-style-type: none">• Board considers approval of legal documents
February – April 2020	<ul style="list-style-type: none">• Work on Agency credit review and updating POS
May 2020	<ul style="list-style-type: none">• Credit Rating Presentations• Receive credit ratings• Board considers approval of POS
June 2020	<ul style="list-style-type: none">• Post Preliminary Official Statement• Pricing
July 2020	<ul style="list-style-type: none">• Closing



LEGAL DOCUMENTS

SCVWA RESOLUTION

- The Santa Clarita Valley Water Agency (Agency) Resolution authorizes the following:
 1. Approves the Installment Purchase Agreement, which contains the financial covenants (such as a rate covenant, an additional debt test, etc.), these covenants are the same as prior transactions, except that the covenants now apply to the Agency as a whole rather than as individual divisions.
 2. Approves the Continuing Disclosure Certificate which is substantially similar to other Continuing Disclosure Certificates entered into by the Agency, (most recently in 2018).
 3. Approves the Purchase Contract with the underwriting team of Citigroup, Goldman Sachs and Morgan Stanley.
 4. Approves Escrow Agreement for Series 2010A.
 5. Approves the Depository Agreement which contains the “intercept” provision used to directly deposit the Agency’s share of the 1% Property Tax moneys from Los Angeles and Ventura Counties into a special bank account
 6. Approves Amendments to the 1999A Trust Agreement and 2018A Indenture and Installment Purchase Agreement to implement the intercept provision as described in 5 above
 7. Authorizes the Agency to take the required steps to execute and deliver all documents necessary to consummate the sale and delivery of bonds

USCVJPA RESOLUTION

- The Upper Santa Clara Valley Joint Powers Authority Resolution authorizes the following:
 1. Approves the Installment Purchase Agreement, which contains the financial covenants (such as a rate covenant, an additional debt test, etc.), these covenants are the same as prior transactions, except that the covenants now apply to the Agency as a whole rather than as individual divisions.
 2. Approves the Indenture of Trust, which governs the actual issuance by the Authority of the Bonds
 3. Approves the Purchase Contract with the underwriting team of Citigroup, Goldman Sachs and Morgan Stanley.
 4. Approves Escrow Agreements for Series 2015A, 2016A and 2017A.
 5. Approves Amendments to the 2018A Indenture and Installment Purchase Agreement, which contains intercept provisions as discussed previously
 6. Authorizes the Agency to take the required steps to execute and deliver all documents necessary to consummate the sale and delivery of bonds

FINANCING CORPORATION RESOLUTION

- The Santa Clarita Valley Water Agency Financing Corporation Resolution authorizes the following:
 1. Approves Amendment No. 1 to the 1999A Trust Agreement which contains the intercept provision used to directly deposit the Agency's share of the 1% Property Tax moneys from Los Angeles and Ventura Counties into a special bank account

RECOMMENDATION

1. Move approval of the Authority, Agency, and Financing Corporation resolutions authorizing the legal documents

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