



# SANTA CLARITA VALLEY WATER AGENCY

Finance and Administration Committee Meeting

Preliminary, subject to change

January 23, 2023

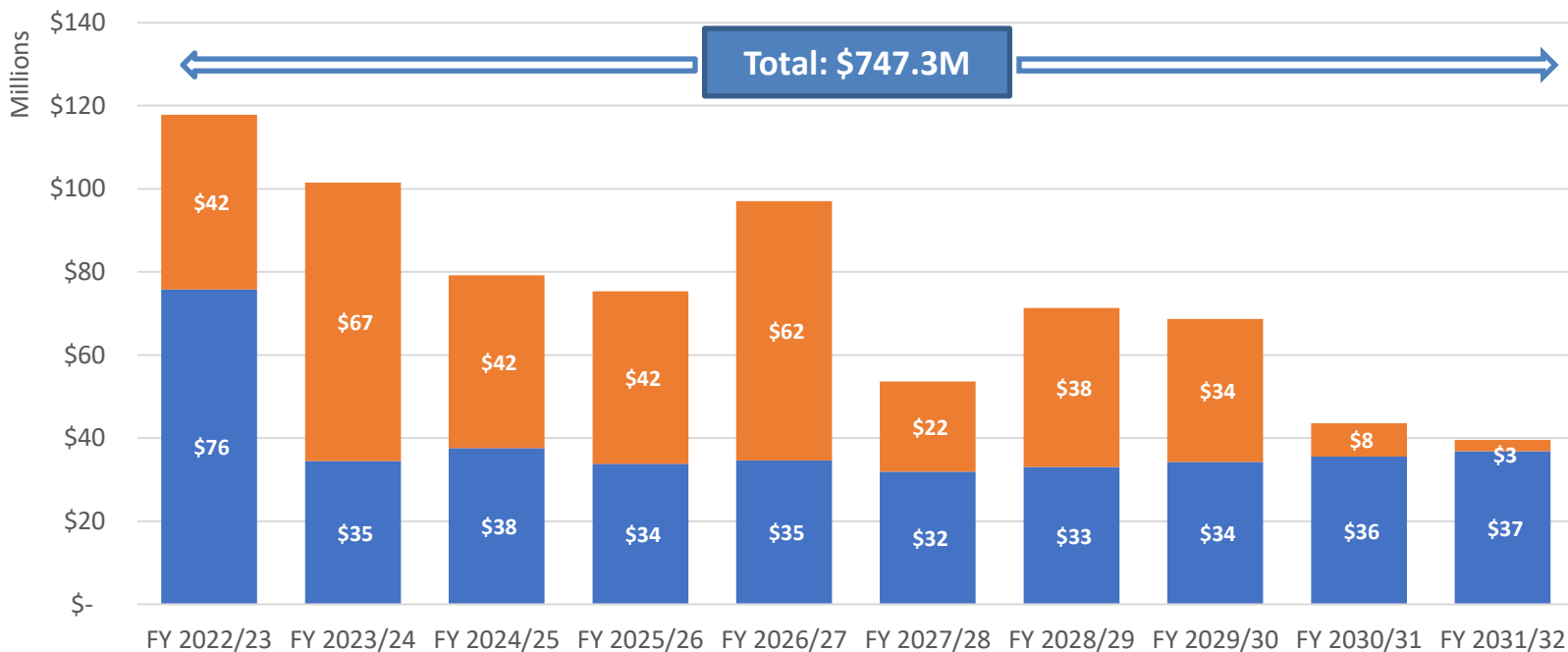
# DISCLAIMER

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- These materials include an assessment of current market conditions, and include Fieldman, Rolapp & Associates, Inc. assumptions about interest rates, execution costs, and other matters related to municipal securities issuance or municipal financial products. These assumptions may change at any time subsequent to the date these materials were provided. The scenarios presented herein are not intended to be inclusive of every feasible or suitable financing alternative.
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# OVERVIEW OF SCVWA PROJECT NEEDS

Projected CIP Needs\*



Source: SCVWA

■ Pay-go Forecast ■ Debt Funded Project Forecast

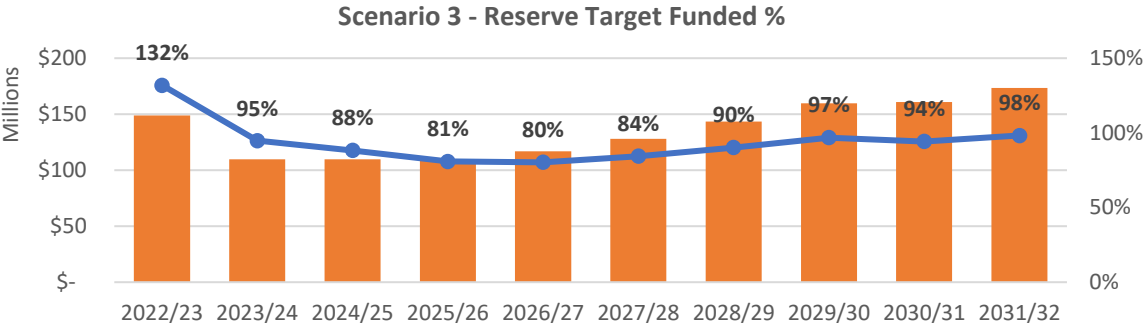
**Assumptions:**

1. Based upon Agency CIP from the revised FY 2022-23 Budget.
2. Debt-funded CIP project costs include inflationary adjustments from engineering and Pay-go funded CIP projects assumes 3.5% - 6.5% inflationary increases annually, following consultation with the Ratepayer Advocate.
3. CIP needs for FY 2030/31 and FY 2031/32 are subject to change based on engineering estimates from the Master Plan for additional debt-funded projects which are not included in the existing CIP.

# CIP FUNDING SCENARIOS

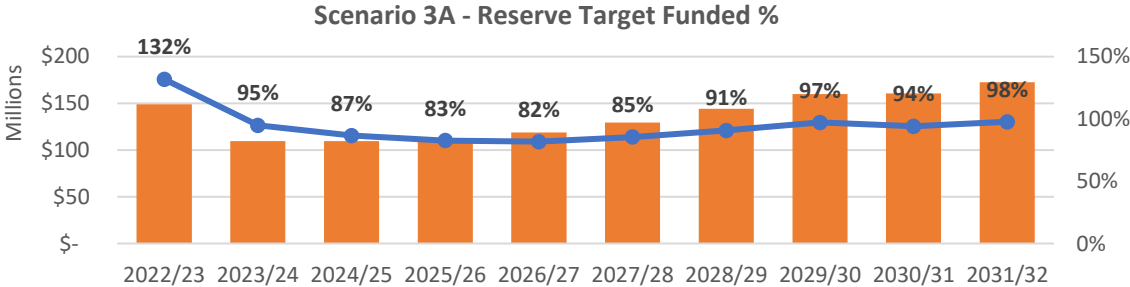
## Scenario 3 – WIFIA + upfront bond in FY 2023

This scenario assumes Agency will be approved for the WIFIA loan program for current round of funding (\$196MM Loan in FY 2025 and \$125MM loan in FY 2028). Assumes a bond issue in FY 2023 for \$75M. No early rate action. New Debt: \$396MM; Pay-Go/Rates/Reserves: \$333MM\*



## Scenario 3A – WIFIA + upfront bond in FY 2023

This scenario assumes Agency will be approved for the WIFIA loan program for current round of funding (\$196MM Loan in FY 2025 and \$125MM loan in FY 2028). Assumes a bond issue in FY 2023 for \$75M. Revise rates in FY 2026. New Debt: \$396MM; Pay-Go/Rates/Reserves: \$333MM\*



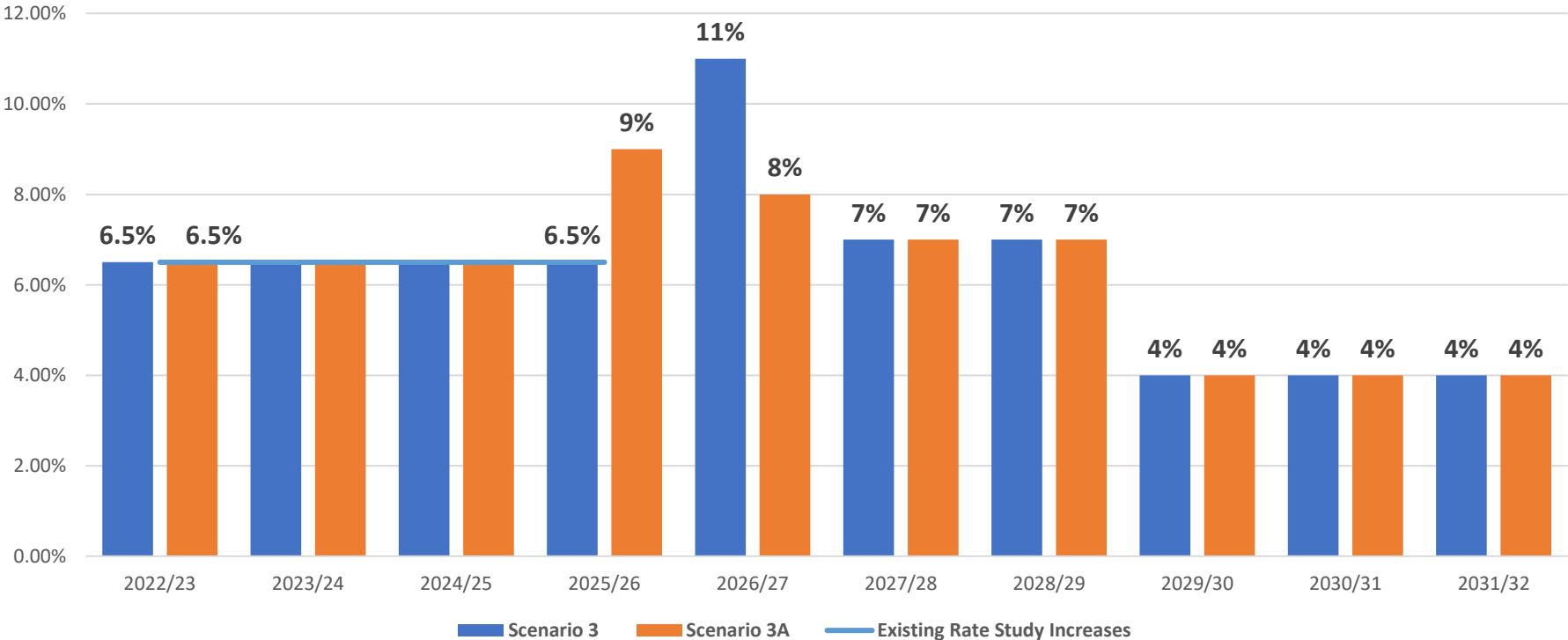
\*Does not include available bond proceeds. See the Appendix for further details on assumptions. Draws from reserves are taken first from the capital, revenue rate stabilization, and water supply reliability reserves before the emergency and operating reserve.

# RATE SUMMARY ANALYSIS

## Monthly Change to Customer Bill\*

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Avg. Monthly Bill	Avg. Ann. % Rate Increase
Scenario 3	NA	\$3.87	\$4.12	\$4.39	\$7.91	\$5.59	\$5.98	\$3.66	\$3.80	\$3.95	\$4.81	6.21%
Scenario 3A	NA	\$3.87	\$4.12	\$6.08	\$5.89	\$5.57	\$5.96	\$3.64	\$3.79	\$3.94	\$4.76	6.14%

## Rate Increases Per Scenario



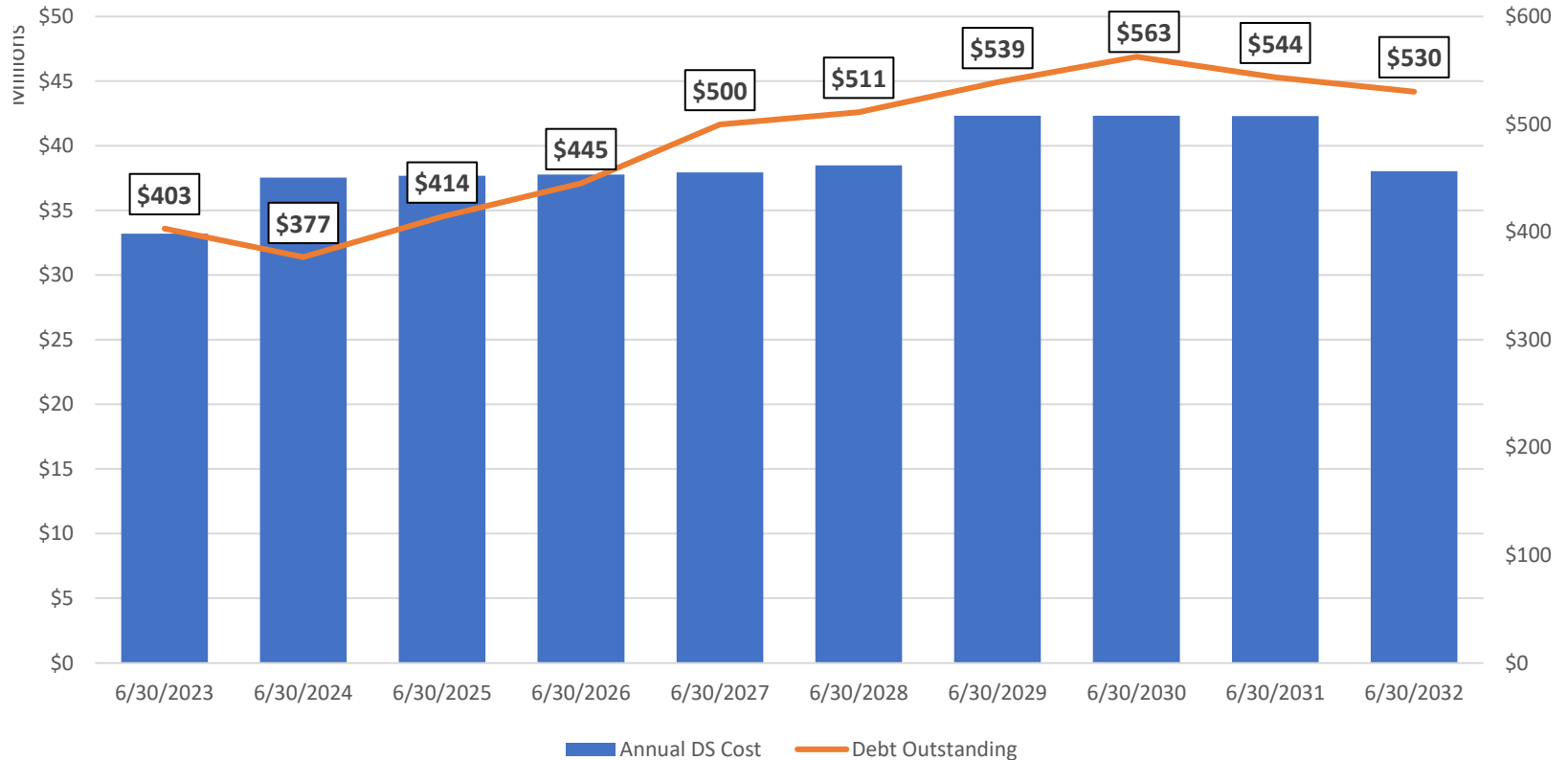
\*Reflects monthly increases in customer bills for 3/4" meters and usage of 18 ccf. See the Appendix for further details on assumptions.

# DEBT SUMMARY ANALYSIS\*

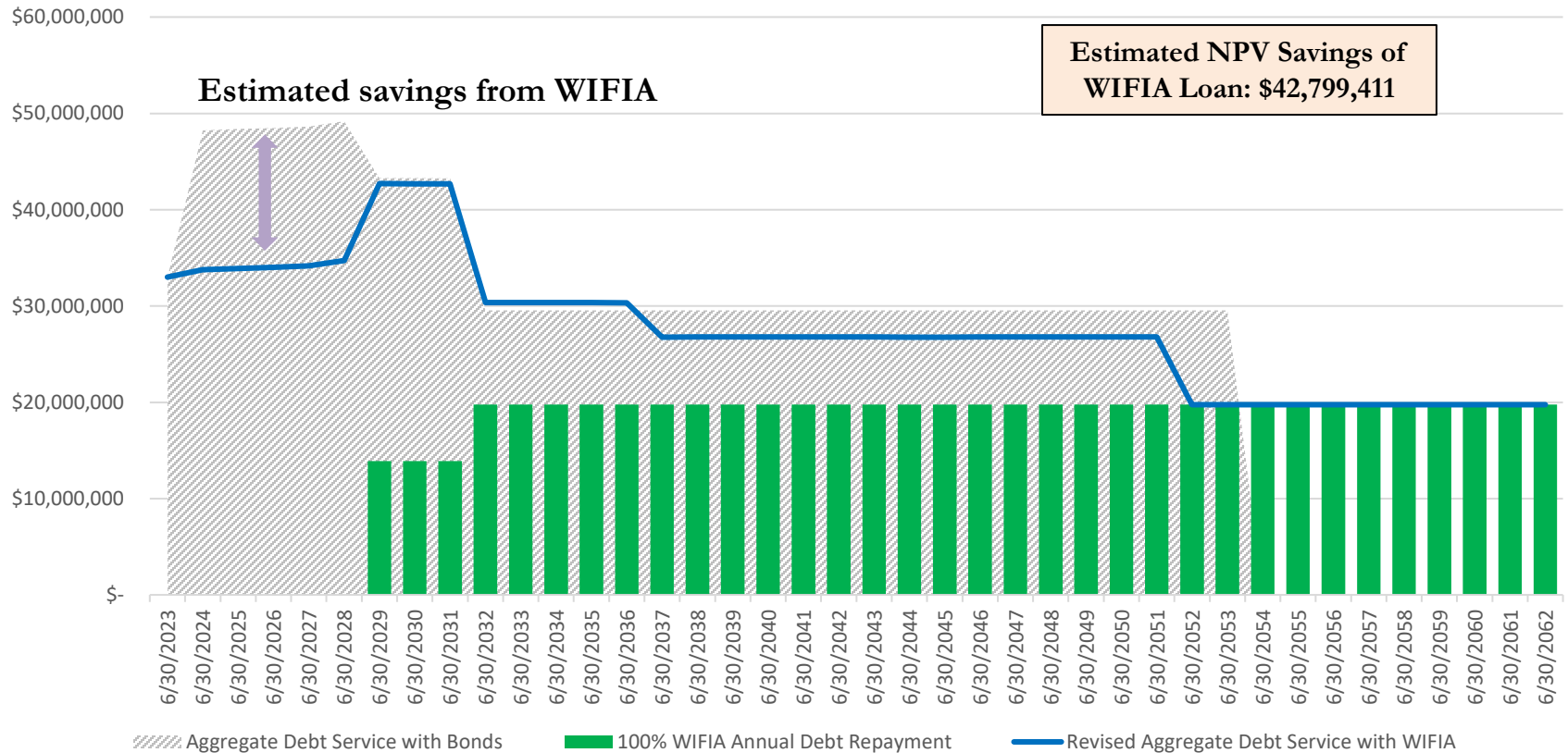
## WIFIA + upfront bonds in FY 2023

### Debt Service Coverage Ratios

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
<b>Scenario 3</b>	<b>1.64</b>	<b>1.30</b>	<b>1.41</b>	<b>1.53</b>	<b>1.72</b>	<b>1.87</b>	<b>1.87</b>	<b>1.96</b>	<b>2.06</b>	<b>2.37</b>
<b>Scenario 3A</b>	<b>1.64</b>	<b>1.30</b>	<b>1.41</b>	<b>1.59</b>	<b>1.71</b>	<b>1.85</b>	<b>1.86</b>	<b>1.95</b>	<b>2.04</b>	<b>2.35</b>



# BONDS VS. WIFIA



## Assumptions

- Assumes Market conditions as of December 27, 2022
- Assumes new debt service wrapped around existing debt
- WIFIA Loan: interest rate 4.00% over 35 year term
- Bond: All-in TIC 4.22% over 30 year term
- Estimated Project Needs: \$321 million (funded with either WIFIA or Bonds to analyze potential savings) and \$333 million pay-go; excludes \$75 million additional debt funding
- NPV savings discounted at 4.11%
- WIFIA Loan assumes three-year construction draw for the entire \$321 million financing need

# RECOMMENDATION

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- Proceed with Scenario 3 or 3A and begin necessary steps to complete a bond issuance and work to complete a WIFIA Loan with the EPA, if selected
  - Authorize staff to send out Underwriter RFP for bond issuance
  - Reimbursement Resolution and legal documents will go before the Agency and Authority Boards in March



# QUESTIONS AND FURTHER DISCUSSION

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# APPENDIX

# SCENARIOS OVERVIEW

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
<b>Scenario #3 – WIFIA + upfront bond in FY 2023</b>										
<i>Rate Increase Required</i> %	6.50%	6.50%	6.50%	6.50%	11.00%	7.00%	7.00%	4.00%	4.00%	4.00%
<i>Debt Issuance</i>	\$ 75,000,000		\$ 196,360,275			\$ 125,291,276				
<i>Reserve Target Funded</i> %	132%	95%	88%	81%	80%	84%	90%	97%	94%	98%
<i>Principal Debt Outstanding</i>	\$ 403,256,566	\$ 376,555,626	\$ 414,147,986	\$ 445,146,110	\$ 499,877,581	\$ 511,286,435	\$ 538,896,571	\$ 562,694,663	\$ 543,624,726	\$ 530,350,783
<i>Revised Debt Service Coverage</i>	1.64	1.30	1.41	1.53	1.72	1.87	1.87	1.96	2.06	2.37
<i>Actual &amp; Projected Annual Debt Service</i>	\$ 33,214,071	\$ 37,540,749	\$ 37,685,430	\$ 37,784,344	\$ 37,940,211	\$ 38,493,786	\$ 42,328,222	\$ 42,315,839	\$ 42,296,053	\$ 38,043,207
<i>Monthly Impact 3/4" Meter, 18ccf's (PY)</i>		\$ 3.87	\$ 4.12	\$ 4.39	\$ 7.91	\$ 5.59	\$ 5.98	\$ 3.66	\$ 3.80	\$ 3.95
<i>Average Monthly Bill (3/4" Meter, 18ccf's)<sup>2</sup></i>	\$ 59.54	\$ 63.41	\$ 67.53	\$ 71.92	\$ 79.83	\$ 85.42	\$ 91.40	\$ 95.06	\$ 98.86	\$ 102.81

<sup>2</sup> Excluding Legacy Debt Charge

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
<b>Scenario #3A – WIFIA + upfront bond in FY 2023</b>										
<i>Rate Increase Required</i> %	6.50%	6.50%	6.50%	9.00%	8.00%	7.00%	7.00%	4.00%	4.00%	4.00%
<i>Debt Issuance</i>	\$ 75,000,000		\$ 196,360,275			\$ 125,291,276				
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<i>Average Monthly Bill (3/4" Meter, 18ccf's)<sup>2</sup></i>	\$ 59.54	\$ 63.41	\$ 67.53	\$ 73.61	\$ 79.50	\$ 85.07	\$ 91.03	\$ 94.67	\$ 98.46	\$ 102.40

<sup>2</sup> Excluding Legacy Debt Charge

# DEBT ISSUANCE ASSUMPTIONS

For planning purposes, all long-term public debt assumes traditional fixed rate bonds over 30-year terms. Additional structures are available to the Agency, including but not limited to variable bonds. Each bond issuance includes assumptions regarding underwriter fees and cost of issuance. The long-term forecast of revenues and expenses was provided by the Agency.

## Scenarios 3 and 3A – WIFIA + upfront bond in FY 2023

Bond Issuance #1: Issuance of \$75 million in proceeds at 5.0% in FY 2023 for a 30-year term (interest only thru FY 2031)

WIFIA Loan #1: Issuance of \$196 million in proceeds at 4.5% in FY 2025 for a 35-year term

WIFIA Loan #2: Issuance of \$125 million in proceeds at 5.0% in FY 2028 for a 35-year term

Debt Service Costs

