

Capital Project Financing

Marina Coast Water District
Board Meeting

July 30, 2019

MCWD Capital Program Financing

Capital Projects

- Estimating ~\$23 million in capital project needs over the next three years
 - Pipeline replacements and lift station and pump station improvements
 - Well installations and rehabilitation and gravity main improvements
 - Approximately \$1.5 million for electric generators
 - Approximately \$1 million for a vector truck and equipment

Capital Funding Options

- District has the option to fund capital projects with the following sources:
 - Available cash/reserves (pay-as-you-go)
 - Current year revenue
 - Long term debt
 - Public sale or private placement
 - Proceeds of capital financings issued with tax-exempt debt must be 85% spent within three years of closing
 - Government subsidized loans
 - Grants
 - Interim Financing
 - Line of Credit
 - Commercial Paper

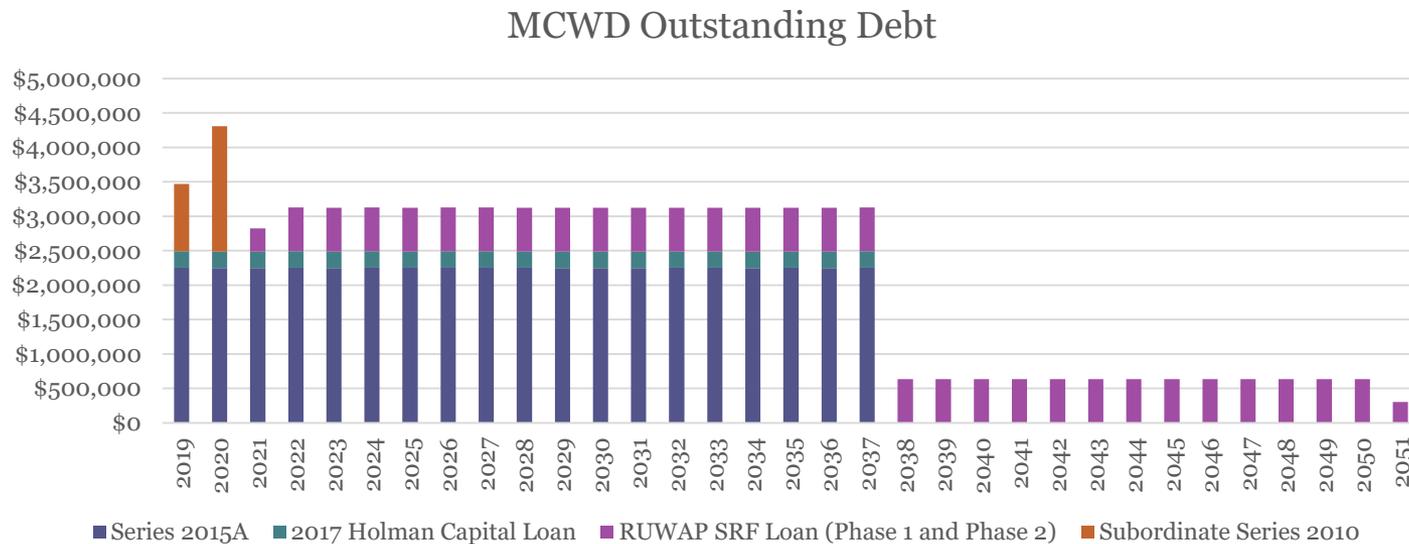
MCWD Outstanding Debt

➤ Senior Lien Debt

- Series 2015A Bonds
 - Refunded Series 2006 COPs
- 2017 Holman Capital Loan (taxable)
 - Refinance the BLM building construction loan
- RUWAP SRF Loans (Phase 1 and Phase 2)
 - Provide funds for the Regional Urban Water Augmentation Project

➤ Subordinate Lien Debt

- Series 2010 Bonds (final maturity in June 2020)
 - Refinanced Promissory Note



Additional Bonds Test (Series 2015)

	Parity Test FYE 2018	Parity Test Plus Additional Debt FYE 2018
Gross Revenues		
Water Services	\$10,844,656	\$10,844,656
Wastewater Services	3,828,160	3,828,160
Capacity and Connection Fees	16,364,028	16,364,028
Other Services and Fees	1,345,278	1,345,278
Other Revenue/Rental Income	404,839	404,839
Interest Earned	132,982	132,982
Total Gross Revenues	\$32,919,943	\$32,919,943
Operation and Maintenance Costs		
General and Administrative	\$4,907,644	\$4,907,644
Operations and Maintenance	3,181,860	3,181,860
Laboratory	251,818	251,818
Conservation	301,155	301,155
Engineering	1,822,501	1,822,501
Total Operation and Maintenance Costs	\$10,464,978	\$10,464,978
Net Revenues	\$22,454,965	\$22,454,965
Senior Debt Service		
2015 Revenue Bonds	\$2,250,450	\$2,250,450
2017 Taxable IPA (Holman Capital)	237,388	237,388
RUWAP SRF Loans	-	636,168
Potential 2019 Bonds	-	1,264,850
Total Senior Debt Service	\$2,487,838	\$4,388,857
Senior Debt Service Coverage	9.03	5.12
Net Revenues Available for Subordinate Debt Service	\$19,967,127	\$18,066,108
Subordinate Debt Service		
2010 Subordinate Bonds	990,250	990,250
Total Debt Service	\$990,250	\$990,250
Total Debt Service Coverage	6.46	4.17
Cash Available for Capital Projects or Other Purposes	\$18,976,877	\$17,075,858

Additional Bonds Test

- A. No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing;
- B. The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or Fiscal Consultant or shown in the audited financial statements of the District plus at the option of the District any or all of the Additional Revenues are at least equal to 125% of the Debt Service for such Fiscal Year; and
- C. The District shall deliver to the Trustee a written certificate of the District certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing provisions have been satisfied

“Additional Revenues” means, with respect to the issuance of Parity Debt, any of all of the following amounts:

- A. An allowance for Gross Revenues from any additions or improvements to or extensions of either Enterprise to be made from the proceeds of such Parity Debt in an amount equal to 100% of the estimated additional average annual Gross Revenues to be derived from such additions, improvements or extensions for the 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Fiscal Consultant.
- B. An allowance for Gross Revenues arising from an increase in the charges made for service from either Enterprise which has become effective prior to the incurring of such Parity Debt but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District pursuant to the Indenture, was not in effect, in an amount equal to the total amount by which the Gross Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Fiscal Consultant.

Additional Bonds Test (SRF Loan)

RUWAP SRF Loans	
Parity Test	
FYE 2018	
Gross Revenues	
Water Services	\$10,844,656
Wastewater Services	3,828,160
Capacity and Connection Fees	16,364,028
Other Services and Fees	1,345,278
Other Revenue/Rental Income	404,839
Interest Earned	132,982
Total Gross Revenues	<u>\$32,919,943</u>
Operation and Maintenance Costs	
General and Administrative	\$4,907,644
Operations and Maintenance	3,181,860
Laboratory	251,818
Conservation	301,155
Engineering	1,822,501
Total Operation and Maintenance Costs	<u>\$10,464,978</u>
Net Revenues	\$22,454,965
Senior Debt Service (Maximum Annual Debt Service)	
2015 Revenue Bonds	2,252,150
2017 Taxable IPA (Holman Capital)	237,388
RUWAP SRF Loans	636,168
Potential 2019 Bonds	1,268,850
Total Senior Debt Service	<u>\$4,394,907</u>
Senior Debt Service Coverage	5.11
Net Revenues Available for Subordinate Debt Service	\$18,060,058
Subordinate Debt Service	
2010 Subordinate Bonds	990,250
Total Debt Service	<u>\$990,250</u>
Total Debt Service Coverage	4.17
Cash Available for Capital Projects or Other Purposes	\$17,069,808

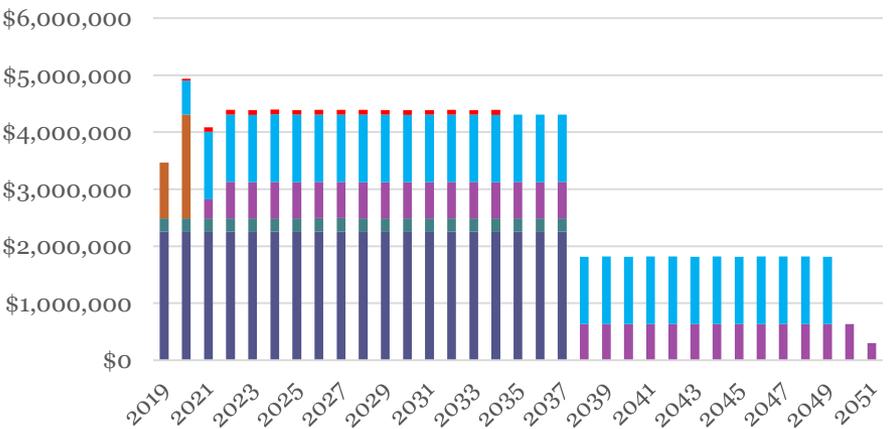
The Recipient may issue additional parity or subordinate debt only if:

- A. Net Revenues in the most recent Fiscal Year, excluding transfers from a rate stabilization fund, if any, meet the ratio for rate covenants (Net Revenues equal to at least 125% of the maximum annual debt service) with respect to all outstanding and proposed additional obligations;
- B. The Recipient is in compliance with any reserve fund requirement of the Obligation.

Estimated Debt Service*

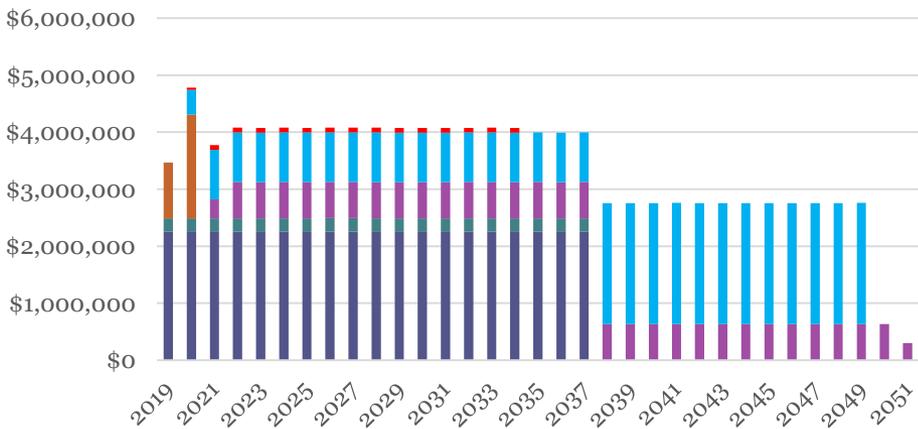
Financial Data	Level 2019 Bonds	Wrapped 2019 Bonds
True Interest Cost	3.24%	3.55%
Maximum Annual DS	\$1,268,850	\$2,121,600
Average Annual DS	\$1,222,250	\$1,418,444
Total DS	\$36,056,375	\$41,844,125
Total DS through Call Date	\$12,017,075	\$9,039,675

MCWD Outstanding Debt
(Estimated Level 2019 Debt)



- Estimated Series 2019 (Equipment Financing)
- Estimated Series 2019 (Capital Financing)
- Subordinate Series 2010
- Estimated RUWAP SRF Loans
- 2017 Holman Capital Loan
- Series 2015A

MCWD Outstanding Debt
(Estimated Wrapped 2019 Debt)



- Estimated Series 2019 (Equipment Financing)
- Estimated Series 2019 (Capital Financing)
- Subordinate Series 2010
- Estimated RUWAP SRF Loans
- 2017 Holman Capital Loan
- Series 2015A

*Based on market conditions as of June 2019.

MCWD Projected Operating Results (Level)

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
<u>Gross Revenues</u>				
Water Sales	\$ 11,694,914	\$ 12,162,711	\$ 12,649,219	\$ 13,155,188
Wastewater Sales	4,404,860	4,551,424	4,702,961	4,859,644
Capacity Charge	3,418,533	3,965,478	3,965,478	3,965,478
Flat Rate Customers	-	-	-	-
Fire System Charge	340,653	354,279	368,450	383,188
Fees & Permits	863,500	902,400	933,496	965,836
Non-Operating Revenues	1,814,000	1,696,665	1,571,083	1,599,459
Total Revenues	\$ 22,536,460	\$ 23,632,957	\$ 24,190,687	\$ 24,928,793
<u>Operations and Maintenance Costs</u>				
General Administration	\$ 5,501,964	\$ 4,985,612	\$ 5,135,180	\$ 5,289,236
Operations and Maintenance	4,522,745	5,493,337	5,659,807	5,831,325
Laboratory	368,694	379,755	391,147	402,882
Conservation	447,158	460,573	474,390	488,622
Engineering	1,828,818	1,883,683	1,940,193	1,998,399
GSA Project & Desal	1,664,867	2,214,813	2,266,257	2,319,245
Total Operations and Maintenance Costs	\$ 14,334,246	\$ 15,417,772	\$ 15,866,975	\$ 16,329,708
Net Revenues	\$ 8,202,214	\$ 8,215,184	\$ 8,323,712	\$ 8,599,085
<u>Senior Debt Service</u>				
2015 Bonds	\$ 2,249,150	\$ 2,249,350	\$ 2,252,600	\$ 2,249,000
2017 Taxable IPA (Holman Capital)	237,388	237,388	237,388	237,388
RUWAP SRF Loan	-	335,735	636,168	636,168
Potential 2019 Bonds	629,175	1,264,850	1,267,100	1,263,350
Total Senior Debt Service	\$ 3,115,713	\$ 4,087,323	\$ 4,393,257	\$ 4,385,907
Debt Service Coverage	2.63	2.01	1.89	1.96
Net Revenue Available for Subordinate Debt Service	\$ 5,086,501	\$ 4,127,861	\$ 3,930,455	\$ 4,213,179
Subordinate Debt Service				
2010 Bonds	\$ 1,821,750	\$ -	\$ -	\$ -
Total Debt Service Coverage	1.66	2.01	1.89	1.96
Cash Available for Capital Projects or Other Purposes	\$ 3,264,751	\$ 4,127,861	\$ 3,930,455	\$ 4,213,179

MCWD Projected Operating Results (Wrapped)

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Gross Revenues				
Water Sales	\$ 11,694,914	\$ 12,162,711	\$ 12,649,219	\$ 13,155,188
Wastewater Sales	4,404,860	4,551,424	4,702,961	4,859,644
Capacity Charge	3,418,533	3,965,478	3,965,478	3,965,478
Flat Rate Customers	-	-	-	-
Fire System Charge	340,653	354,279	368,450	383,188
Fees & Permits	863,500	902,400	933,496	965,836
Non-Operating Revenues	1,814,000	1,696,665	1,571,083	1,599,459
Total Revenues	\$ 22,536,460	\$ 23,632,957	\$ 24,190,687	\$ 24,928,793
Operations and Maintenance Costs				
General Administration	\$ 5,501,964	\$ 4,985,612	\$ 5,135,180	\$ 5,289,236
Operations and Maintenance	4,522,745	5,493,337	5,659,807	5,831,325
Laboratory	368,694	379,755	391,147	402,882
Conservation	447,158	460,573	474,390	488,622
Engineering	1,828,818	1,883,683	1,940,193	1,998,399
GSA Project & Desal	1,664,867	2,214,813	2,266,257	2,319,245
Total Operations and Maintenance Costs	\$ 14,334,246	\$ 15,417,772	\$ 15,866,975	\$ 16,329,708
Net Revenues	\$ 8,202,214	\$ 8,215,184	\$ 8,323,712	\$ 8,599,085
Senior Debt Service				
2015 Bonds	\$ 2,249,150	\$ 2,249,350	\$ 2,252,600	\$ 2,249,000
2017 Taxable IPA (Holman Capital)	237,388	237,388	237,388	237,388
RUWAP SRF Loan	-	335,735	636,168	636,168
Potential 2019 Bonds	470,575	950,400	953,400	951,150
Total Senior Debt Service	\$ 2,957,113	\$ 3,772,873	\$ 4,079,557	\$ 4,073,707
Debt Service Coverage	2.77	2.18	2.04	2.11
Net Revenue Available for Subordinate Debt Service	\$ 5,245,101	\$ 4,442,311	\$ 4,244,155	\$ 4,525,379
Subordinate Debt Service				
2010 Bonds	\$ 1,821,750	\$ -	\$ -	\$ -
Total Debt Service Coverage	1.72	2.18	2.04	2.11
Cash Available for Capital Projects or Other Purposes	\$ 3,423,351	\$ 4,442,311	\$ 4,244,155	\$ 4,525,379

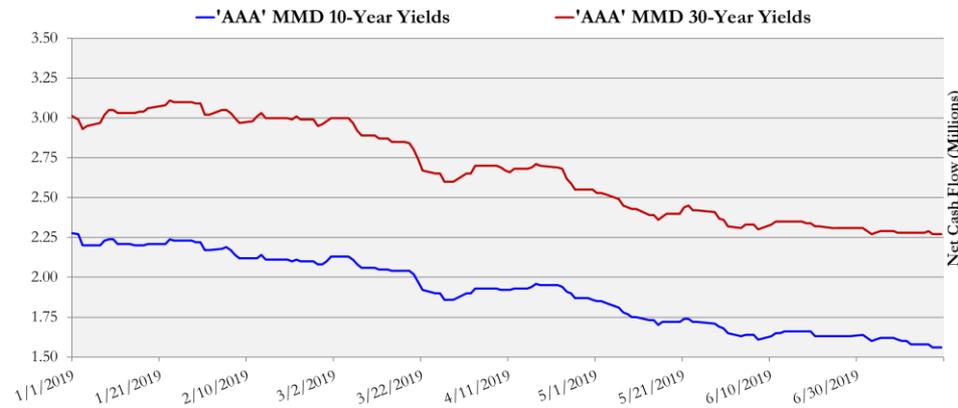
Municipal Market Update

As of July 22, 2019

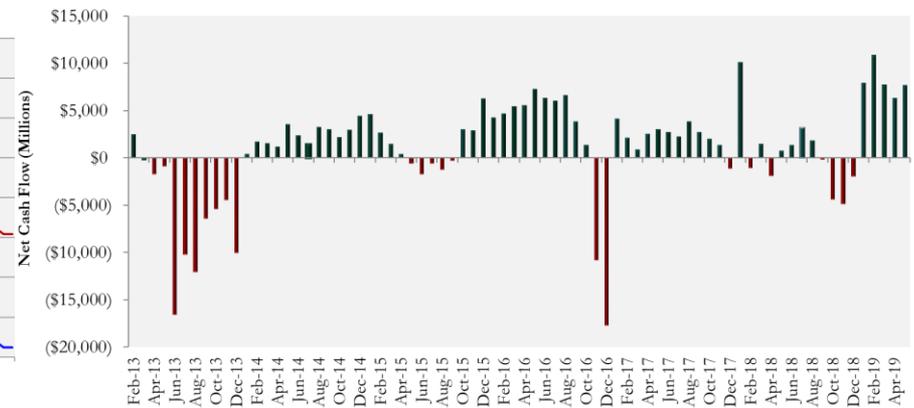
Municipal Market Update

- Debt financing can be used to provide an equitable funding source for new infrastructure and capital improvement projects
- Tax-exempt municipal market is currently near historically low interest yields

Historic Change in 'AAA' MMD Yields
(January 1, 2019 through July 19, 2019)



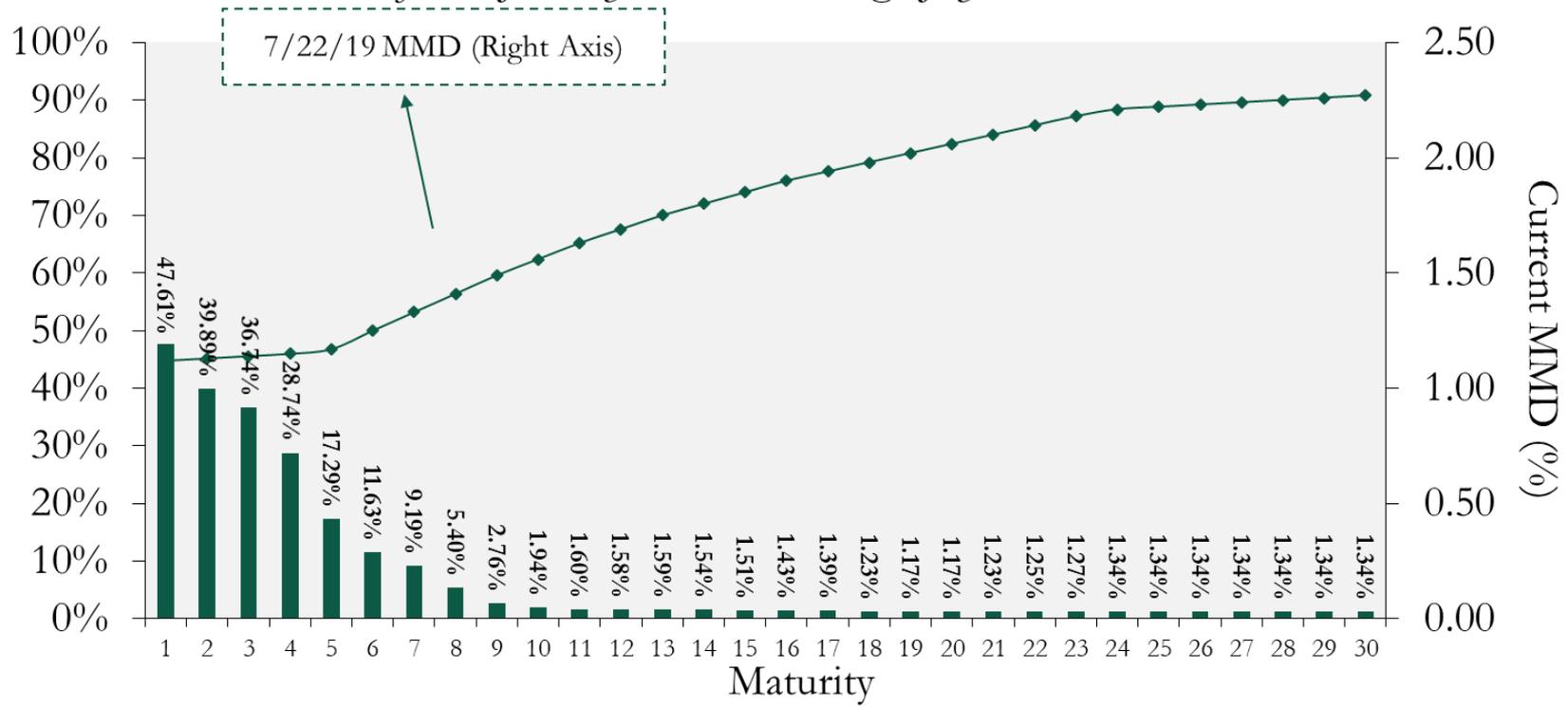
Monthly Flow of Funds
Municipal Bond Mutual Funds



Note: Far right column is for the month of May 2019

Rates are still at Historic Lows

Current "AAA" MMD and Percentage of Time Historical "AAA" MMD has been Lower than Current "AAA" MMD
from January 2, 1998 through July 22, 2019



Tentative Financing Schedule

- Overall timeframe required for debt issuance is (4 – 6 months)
 - Primary finance team includes Municipal Advisor, Bond and Disclosure Counsel and the Underwriter

Timeline	Milestones
August	<ul style="list-style-type: none"> • Bond Counsel develops disclosure document with the assistance of staff and Financial Advisor • Competitive RFP for selection of underwriter
September	<ul style="list-style-type: none"> • Work on legal documents and updates to disclosure document
October	<ul style="list-style-type: none"> • Work with staff to review financial results for FY 2019 • Credit rating presentation • Board approval of legal documentation and POS
November	<ul style="list-style-type: none"> • Finalize audit at special board meeting in early November • Receive credit ratings • Post Preliminary Official Statement • Price Bonds • Close Bonds

Recommendation and Next Steps

- Approve financing plan for bond issuance
- Recommend staff to proceed with the following:
 - Implementation of financial plan
 - Work with financial advisor to review and provide updates to debt management policy and reserve policy, if needed
- Approve reimbursement resolution

Questions and Discussion

Disclaimer

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 financing scenarios presented herein are not intended to be inclusive of every feasible or suitable refinancing alternative.

Fieldman, Rolapp & Associates, Inc. is an SEC-registered Municipal Advisor, undertaking a fiduciary duty in providing financial advice to public agencies. Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for a transaction is contingent on successful completion of the transaction, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the public agency. However, Fieldman, Rolapp & Associates, Inc. undertakes a fiduciary duty in advising public agencies regardless of compensation structure.