

FINANCE COMMITTEE NOTES

April 9, 2018

Attendees:

Committee members: Randall Reed (Chair) and Luis Cetina

Staff members: Marty Zvirbulis, Carrie Corder, Chad Brantley, Frank Chu, Robert Kalarsarinis, Agnes Boros, and Jennifer Fillinger

Members of the Public: Robert Porr and Lora Carpenter, Fieldman Rolapp & Associates; Jack Tsang, Bank of America Merrill Lynch; and Brian Forbath, Stradling Yocca Carlson & Rauth, P.C.

Call to Order: 5:00 p.m.

Public Comment: None

Additions/Deletions to the Agenda: None

1. 2018 Water Refunding Bonds

- Staff introduced Robert Porr and Lora Carpenter who made a presentation to the Committee on the proposed 2018 financing. The District currently has one outstanding bond issuance that is eligible for refunding (refinancing) as follows. The savings presented reflect the current market conditions as of mid-April.
 - 2011 Water Refunding Bonds (WRB)
 - \$99 million outstanding, \$71.5 million allocable to Series 2000 COP's
 - Estimated savings of \$3.4 million NPV (net present value)
 - Proposed 2018 issuance will be composed of two series
 - 2018A tax-exempt to fund \$10.3 million in capital projects in the next two fiscal years
 - 2018B taxable refunding \$64 million for flexibility of operations
 - Utilize \$14.3 million cash to reduce taxable issuance
- Jack Tsang explained current market conditions and outlook for the Revenue Bond sale.
- The District's Debt Management Policy 1.5 has established a minimum refunding savings threshold of 3% NPV. The possible NPV savings of refunding of the 2011 Refunding Bonds amounts to 4.76%.
- The bond team will continually monitor the financial markets and make a determination in early May to ensure that the savings continue to exceed the District's policy parameters.
- The Committee endorsed staff's recommendation to bring the proposed issuance of the 2018 Revenue Bonds with the purpose of refunding the 2011 WRB's to the full Board of Directors of the Financing Authority and the District on April 24, 2018.

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2. Staff explained the timeline for the upcoming rate studies for Water, Sewer, and Recycled Water.
 - The rate study work will be completed during calendar year 2018
 - The Proposition 218 notice will be sent out in early 2019
 - The new rates will be effective 7/1/2019
 - The District will retain Raftelis Financial Consultants to perform the cost of service study for the Water fund and provide independent analysis.
 - District staff will perform the Sewer and Recycled Water cost of service studies.

Meeting Adjourned at 5:50 p.m.