



Cambria Community Services District



Wastewater Revenue Certificates of Participation, Series 2022A

Financing Overview

July 11, 2022



Presentation Overview

- Financing Team
- Wastewater Project
- Recommended Financing Being Pursued
- Debt Financing Overview
- Legal Structure
- Key Legal Covenants
- Key Parties & Roles
- Legal Documents
- Draft Schedule
- Questions / Discussion





Financing Team

- **Brandis Tallman, a Division of Oppenheimer & Co. Inc.** *Underwriter*

- Rick Brandis, Managing Director, Public Finance Investment Banking
- 35+ Years of Experience
- California Special Districts Association (CSDA) Finance Corporation



CSDA
Finance Corporation

- **Kutak Rock LLP** *Bond Counsel & Disclosure Counsel*

- Albert Reyes, Partner
- 20+ Years of Experience
- California Special Districts Association (CSDA) Finance Corporation



CSDA
Finance Corporation

- **Bartle Wells Associates** *Municipal Advisor*

- Alex Handlers, Principal
- 20+ Years of Experience
- MSRB-Registered MA & Board Member of the National Association of Municipal Advisors



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS





The Project

- District has a lot of aging infrastructure and equipment that need to be replaced and upgraded
- Improvements honed & prioritized based on a multi-year collaborative assessment process involving the District, PG&E and its subcontractor partners Southland Energy and MKN & Assoc
- Projects and benefits detailed in an *Investment Grade Audit Report* dated November 18, 2021
- Wastewater system capital improvements to be financed include:
 - Wastewater Treatment Plant Upgrades
 - Improvements to 5 Sewer Collection System Lift Stations
 - Other Related Wastewater System Improvements
- Projects designed to address existing deficiencies, improve reliability and operational efficiency, replace and upgrade aging equipment, improve ability to meet future regulatory requirements
- Prior cost estimates were based on bids solicited by PG&E for completing each improvement
- Selected projects from the IGA report total approximately \$12.1 million based on initial costs provided by PG&E
- District is currently working with PG&E to obtain updated project costs





List of Prioritized Capital Projects

Final IGA Audit Report - 11/18/2021 Board Meeting, Agenda Item 7D		
ECMs		
ECM #	Description	Costs
1.0	Flow equalization (incl tank refurbishment)	\$ 1,534,421
2.0	Influent lift station, baffle plate only	\$ 18,261
3.0	Modified Ludzak, - Ettinger upgrade	\$ 1,223,778
4.0	Blower consolidation/replacement	\$ 258,372
5.0	RAS/WAS improvements	\$ 637,716
6.0	Not in this ECM/\$ listing from the presentation	\$ -
7.0	Replace Transformer, new Y series breaker	\$ 293,783
8.0	Generator replcmt (now incl civil scope for elec work)	\$ 423,327
9.0	SCADA	\$ 551,012
10.0	Secondary Water (3W) improvement	\$ 318,202
	Subtotal	\$ 5,258,872
	Pads for Electrical ECMs	\$ 313,893
	Final Design	\$ 308,394
	Project Duration/General conditions costs	\$ 1,117,904
	Project Development - Sewer Fund	\$ 528,000
	Subtotal	\$ 2,268,191
	TOTAL	\$ 7,527,063
	LIFT STATIONS (In Appendix 1, Sewer Fund Measures NOT included in IGA Base Project)	
	North storage improvements (North Tank Rehab)	\$ 1,393,341
	Tertiary treatment	\$ 889,436
	Lift stations (Pricing is for A, B4, 4, 8 only)	\$ 2,128,564
	Storm Drain	\$ 130,521
	Demolish old tanks (\$567,815)	\$ -
	TOTAL	\$ 4,541,862
	Total Sum of Projects Considered for Loan	\$ 12,068,925

See Note 1

See Note 2

See Note 3

See Note 4

See note 5

NOTES : Spreadsheet preparation date: 3/6/2022

1 See Page 175 of IGA Final Report (11/18/2021), Section 5.1.2 for discussion of "Base Project" vs downline modifications

2 See Page 176 of IGA Final Report (11/18/2021), Section 5.2

3 See Page 180 of IGA Final Report (11/18/2021). Although not considered in base for IGA Report, CCSD added to base as considered high priority.

4 See Pages 177-180 of IGA Final Report (11/18/2021) for discussion relative to Lift Stations

5 It was determined by District that these tanks (below ground) could be abandoned (without risk) and left in ground and removed by WW staff at a later date.



Recommended Financing Being Pursued

- Wastewater Revenue Certificates of Participation
 - Commonly called “Certificates” or “COPs”
 - Very similar to “Bonds” with same legal covenants for CCSD
 - Widely used by California agencies and special districts
- Benefits of using COPs
 - Lowest-cost financing option for District
 - Access to tax-exempt municipal bond market
 - Allows for repayment terms of 30 years (or more)
- Structured as an “Installment Purchase Contract”
 - Cambria CSD technically purchases the Project from CSDA Finance Corp. via a series of installment payments (aka debt service)
- CSDA Finance Corp. serves as temporary intermediary to legally facilitate the debt issuance process, and simultaneously signs away its rights

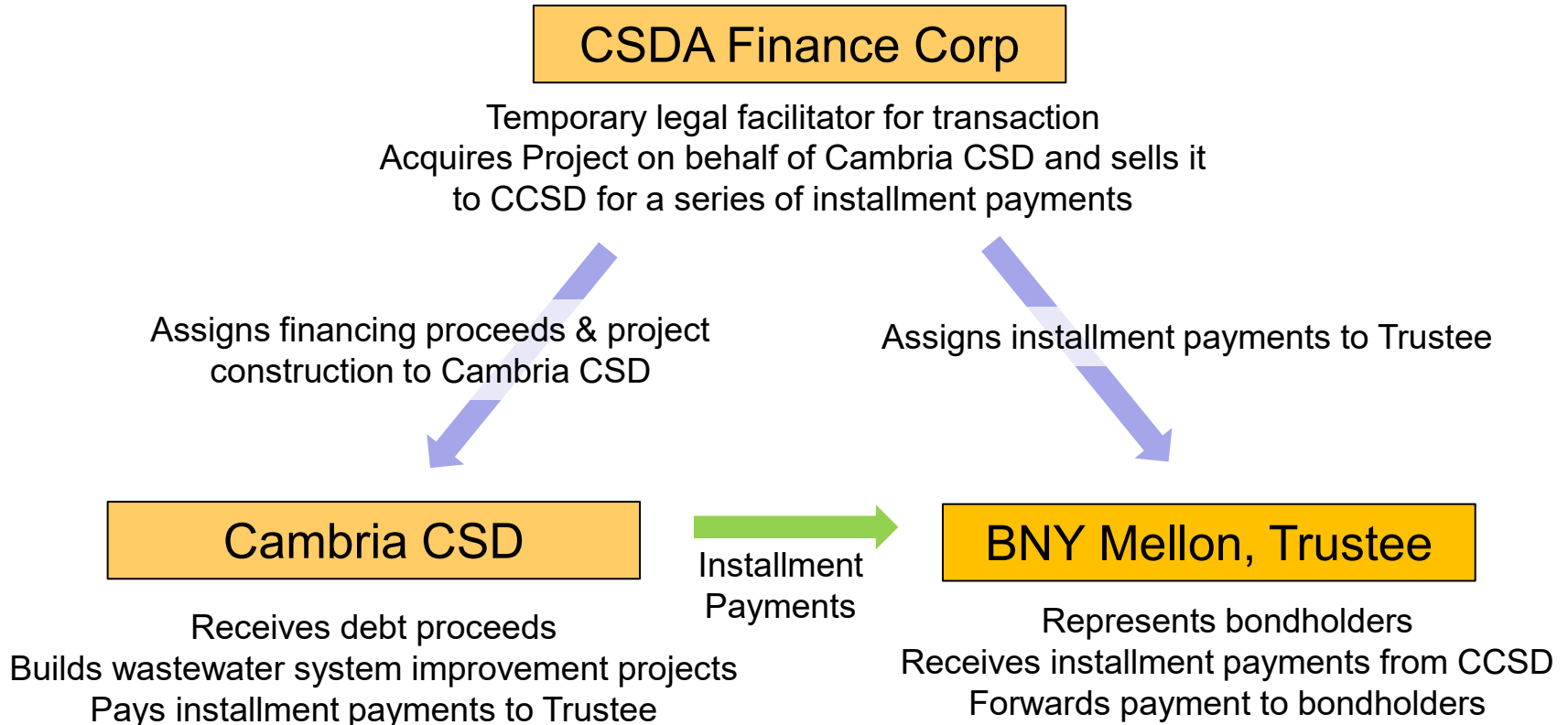


Debt Financing Overview

- Debt to fund approx. \$12.1 million Project + costs of issuance
- 30-year repayment term
- Tax-exempt fixed interest rates (rates will be locked in)
- 1st year interest-only payments to accommodate phase-in of sewer rate increases
- Level annual debt service payments in future years
- Structured as a series of annual maturities with principal amounts due each year and separate interest rates for each principal maturity
- 2 semi-annual interest payments and 1 annual principal payment
- Debt can be refinanced on a tax-exempt basis after approx. 8-10 years (tbd)
- Anticipate use of bond insurance & a reserve surety bond to reduce debt pymts
- CCSD can use project funds for any eligible wastewater system capital improvements & can revise which prioritized improvements are funded if needed



Legal Structure





Key Legal Covenants

- Secured by a lien solely on the Net Revenues of District's wastewater system
 - Net Revenues = Total Revenues – Operating & Maintenance Expenses
 - Net Revenues must be adequate to pay debt service and provide a small additional buffer to provide a little financial cushion to investors

- Rate Covenant: CCSD covenants to adopt & levy wastewater rates & charges as needed to generate Net Revenues \geq 120% of annual debt service
 - Net Revenues must be adequate to pay debt service and provide a small additional buffer for debt repayment to investors
 - Legal documents allow for a *Rate Stabilization Fund* to help meet the 120% debt service coverage requirement (if needed)

- Additional Debt Test: CCSD cannot issue additional parity debt for the wastewater system unless it has the financial security to repay outstanding debt plus new debt
 - Net Revenues from prior year + Additional Revenues must be \geq 1.20x Maximum Annual Debt Service (accounting for outstanding and new debt)
 - Additional Revenues can include revenues from rate increases and growth
 - No legal limitations on issuing “subordinate” debt (e.g. vehicle lease)



Key Parties & Roles

■ Cambria CSD

- Issuer, receives debt proceeds and is legally responsible for debt repayment
- District counsel reviews documents and provides a legal opinion at closing

■ Bond Counsel & Disclosure Counsel: Kutak Rock (Albert Reyes)

- Drafts legal documents & official statement
- Provide legal opinions that a) debt meets requirements tax-exempt debt issuance, and b) debt is issued in compliance with legal requirements

■ Underwriter: Brandis Tallman / Oppenheimer (Rick Brandis)

- Markets debt to potential investors & establishes prices & interest rates
- Provides debt proceeds to Trustee on behalf of District

■ Municipal Advisor: Bartle Wells Associates (Alex Handlers)

- Coordinates financing process, provides advice regarding debt issuance to help ensure debt is issued on favorable terms and conditions
- Has a fiduciary responsibility to represent CCSD's interests throughout the process

■ Trustee: The Bank of New York Mellon Trust

- Represents bondholders; receives payments and forwards to investors
- Holds project fund and disburses funds to CCSD as requested



Key Parties & Roles

■ CSDA Financing Authority

- Serves as “seller” of the Project to the District for installment payments
- Temporary intermediary needed to legally facilitate the debt issuance process

■ Standard & Poor’s Rating Agency

- Provides a bond rating indicating risk of payment default to investors
- Ratings may include a) an underlying rating of the District’s ability to repay debt, as well as b) a rating reflecting the repayment ability of the bond insurer

■ Bond Insurer

- Insures debt repayment (in case CCSD ever fails to make a payment)
- May also provide a “surety bond” to meet debt service reserve fund requirements
- Only used if bond insurance results in net savings to the District
- Savings is achieved if lower interest rates associated with the bond insurer’s higher credit rating results in debt savings that exceeds the cost of bond insurance



Legal Documents

- **Resolution** *To be adopted by CCSD Board*
 - Authorizes CCSD to issue debt subject to max amount & various parameters
 - Approves of the “form of” other legal documents subject to final revisions authorized by designated Officers of the District with approval of District counsel

- **Preliminary & Final Official Statements (POS & OS)**
 - Offering document provided by Underwriter to investors describing the Certificates, legal covenants, the District and its wastewater system and finances
 - Must include all material information for investors to make an informed decision
 - POS is circulated to prospective investors prior to sale; Final OS is completed after pricing and incorporates final interest rates, debt service & other info

- **Installment Purchase Contract** *Between CSDA Finance Corp. & Cambria CSD*
 - Authorizes debt proceeds to be used by Cambria CSD to build the Project
 - Details Cambria CSD’s requirements to make installment payments
 - Details key terms and legal covenants of Cambria CSD



Legal Documents

- **Assignment Agreement** *Between CSDA Finance Corp & Trustee*
 - Assigns and transfers CSDA Finance Corp’s rights and interests under the Installment Purchase Contract to the Trustee for the benefit of the bondholders

- **Trust Agreement** *Between Trustee, CSDA Finance Corp & Cambria CSD*
 - Authorizes Trustee to issue “Certificates” & details Trustee obligations

- **Purchase Contract** *Between Underwriter & Cambria CSD*
 - Details final terms under which Underwriter purchases the Certificates and provides funding to Cambria CSD (via the Trustee); signed soon after pricing

- **Continuing Disclosure Certificate** *Issued by Cambria CSD*
 - Details updated financial information that CCSD must provide to MSRB each year so future investors will have access to updated information

- **Resolution to Adopt a Debt Management Policy & Disclosure Policies**
 - California Government Code requires adoption of a Debt Management Policy in compliance with CDIAC requirements prior to issuing new debt
 - Disclosure policies help ensure compliance with federal and state securities laws



Draft Schedule with Target Dates

- July 11** Joint Meeting of Resources & Infrastructure Committee and Finance Committee
- July 20** Target date to receive a bond rating from Standard & Poor's
- July 21** Board Meeting: Consider adoption of financing resolution and approval of form of legal documents, and resolution adopting a debt management & disclosure policies
- July 25** Target date to receive bond insurance bids
- July 27** Finalize and post POS for investors; begin bond marketing period
- Aug 3 or 4** Bond pricing, finalize debt amount and interest rates (date tbd)
- Aug 19** Target date to get closing documents finalized and signed
- Aug 23** Closing and receipt of funds

Questions & Discussion

