

**SCOTTS VALLEY WATER DISTRICT
FINANCE COMMITTEE
SEPTEMBER 20, 2016**

PLAN OF REFUNDING AND SAVINGS ANALYSIS



Outstanding Indebtedness

	2004 Refunding COPs	2011 Loan Agreement
Original Amount	4,010,000	5,120,000
Outstanding Amount	2,355,000	4,220,000
Final Maturity	July 1, 2027	January 1, 2027
Reserve Fund	Surety	Cash
Redemption Dates	AID @ 100%	Any Date @ 101%
Range of Interest Rates	3.90-4.75%	3.25%
Series Notes	Refunded 97-1 COPs Costs of Issuance	Refunded 2002-1 COPs Cash Reserve Fund Costs of Issuance

Refunding Options

- Outstanding obligations total \$6.575 million

2004 COPs \$2.355 million

2011 Loan \$4.220 million

Total \$6.575 million

- Options for discussion:
 - Refund only the 2004
 - Refund only the 2011
 - Refund both of the outstanding obligations on a combined basis

Net Present Value Savings (2004 COPs) (*)

Savings Calculation Scotts Valley Water District 2016 Refunding Water Revenue Bonds (2004 COPs)

FY	Prior Issue Debt Service	Less: Prior Receipts	Prior Issue Net Debt Service	Refunding Issue Debt Service	Net Annual Savings	Present Value Savings
2017	52,111.25	52,111.25	-	-	-	-
2018	275,810.00	-	275,810.00	253,751.16	22,058.84	21,514.44
2019	273,752.50	-	273,752.50	251,692.88	22,059.62	21,001.02
2020	271,268.75	-	271,268.75	249,209.94	22,058.81	20,500.25
2021	273,286.25	-	273,286.25	251,227.16	22,059.09	20,014.83
2022	269,792.50	-	269,792.50	247,733.29	22,059.21	19,542.78
2023	270,822.50	-	270,822.50	248,763.01	22,059.49	19,084.05
2024	276,140.00	-	276,140.00	254,081.19	22,058.81	18,638.45
2025	270,787.50	-	270,787.50	248,728.19	22,059.31	18,206.51
2026	269,917.50	-	269,917.50	247,857.79	22,059.71	17,786.74
2027	268,462.50	-	268,462.50	246,402.99	22,059.51	17,378.47
2028	271,293.75	-	271,293.75	249,234.98	22,058.77	16,982.04
	<u>3,043,445.00</u>	<u>52,111.25</u>	<u>2,991,333.75</u>	<u>2,748,682.58</u>	<u>242,651.17</u>	<u>210,649.58</u>

PV of Savings from Cash Flow	210,649.58
Plus: Refunding Funds On Hand	0.61
Net PV Savings	<u>210,650.19</u>

Net PV Savings % (Prior Issue) 8.945%

(*) Estimated results, subject to change

Net Present Value Savings (2011 Loan) (*)

Savings Calculation Scotts Valley Water District 2016 Refunding Water Revenue Bonds (2011 Loan)

FY	Prior Issue Debt Service	Less: Prior Receipts	Prior Issue Net Debt Service	Refunding Issue Debt Service	Net Annual Savings	Present Value Savings
2017	178,575.00	178,647.22	(72.22)	-	(72.22)	(72.17)
2018	356,787.50	2,600.00	354,187.50	339,223.61	14,963.89	14,633.26
2019	354,393.75	2,600.00	351,793.75	336,475.00	15,318.75	14,658.92
2020	356,837.50	2,600.00	354,237.50	339,125.00	15,112.50	14,112.69
2021	443,956.25	2,600.00	441,356.25	422,025.00	19,331.25	17,112.52
2022	531,606.25	2,600.00	529,006.25	504,687.50	24,318.75	21,579.24
2023	527,387.50	2,600.00	524,787.50	501,550.00	23,237.50	20,102.38
2024	522,843.75	2,600.00	520,243.75	497,237.50	23,006.25	19,419.17
2025	527,893.75	2,600.00	525,293.75	501,687.50	23,606.25	19,437.56
2026	532,293.75	2,600.00	529,693.75	505,737.50	23,956.25	19,242.34
2027	796,043.75	522,600.00	273,443.75	265,275.00	8,168.75	6,377.28
	<u>5,128,618.75</u>	<u>724,647.22</u>	<u>4,403,971.53</u>	<u>4,213,023.61</u>	<u>190,947.92</u>	<u>166,603.19</u>

PV of Savings from Cash Flow	166,603.19
Plus: Refunding Funds On Hand	933.88
Net PV Savings	<u>167,537.07</u>

Net PV Savings % (Prior Issue) 3.970%

(*) Estimated results, subject to change

Net Present Value Savings (Combined Series) (*)

Savings Calculation Scotts Valley Water District 2016 Refunding Water Revenue Bonds (Combined Series)

FY	Prior Issue Debt Service	Less: Prior Receipts	Prior Issue Net Debt Service	Refunding Issue Debt Service	Net Annual Savings	Present Value Savings
2017	230,686.25	230,758.47	(72.22)	-	(72.22)	(72.17)
2018	632,597.50	2,600.00	629,997.50	585,452.46	44,545.04	42,050.33
2019	628,146.25	2,600.00	625,546.25	581,001.00	44,545.25	41,040.18
2020	628,106.25	2,600.00	625,506.25	580,960.81	44,545.44	39,997.85
2021	717,242.50	2,600.00	714,642.50	670,096.98	44,545.52	38,011.47
2022	801,398.75	2,600.00	798,798.75	754,252.93	44,545.82	37,002.06
2023	798,210.00	2,600.00	795,610.00	751,064.65	44,545.35	36,076.16
2024	798,983.75	2,600.00	796,383.75	751,837.93	44,545.82	35,178.23
2025	798,681.25	2,600.00	796,081.25	751,535.34	44,545.91	34,253.77
2026	802,211.25	2,600.00	799,611.25	755,065.92	44,545.33	33,356.41
2027	1,064,506.25	522,600.00	541,906.25	494,572.02	47,334.23	37,253.12
2028	271,293.75	-	271,293.75	224,148.26	47,145.49	36,295.16
	<u>8,172,063.75</u>	<u>776,758.47</u>	<u>7,395,305.28</u>	<u>6,899,988.30</u>	<u>495,316.98</u>	<u>410,442.57</u>

PV of Savings from Cash Flow	410,442.57
Plus: Refunding Funds On Hand	0.47
Net PV Savings	<u>410,443.04</u>

Net PV Savings % (Prior Issue) 6.242%

(*) Estimated results, subject to change

Summary Savings Results (*)

Stand-Alone Series	Prior Issue Outstanding	New Issue Par Amount	Original Final Maturity	Revised Final Maturity	Costs of Issuance	Total Savings	NPV Savings	Avg Ann Savings	NPV % Prior Issue
2004 Refunding COPs	2,355,000	2,402,611	7/1/2027	7/1/2027	47,610	242,651	210,650	22,059	8.945%
2011 Loan Agreement	4,220,000	3,688,000	1/1/2027	7/1/2026	47,803	190,948	167,537	19,095	3.970%
Total	6,575,000	6,090,611			95,413	433,599	378,187	30,971	5.752%

Combined Series	Prior Issue Outstanding	New Issue Par Amount	Original Final Maturity	Revised Final Maturity	Costs of Issuance	Total Savings	NPV Savings	Avg Ann Savings	NPV % Prior Issue
2004 and 2011	6,575,000	6,057,422	**	**	63,159	495,317	410,443	45,029	6.242%
Total	6,575,000	6,057,422			63,159	495,317	410,443	45,029	6.242%

Notes

(**) Varies by Underlying Series

Estimated Costs of Issuance (*)

Item	Stand-Alone 2004 COPs	Stand-Alone 2011 Loan	Stand-Alone Total	Combined Series
Bond Counsel	21,000	21,000	42,000	23,000
Placement Agent	10,000	10,000	20,000	15,000
Municipal Advisor	9,750	9,750	19,500	14,750
Trustee	2,500	2,500	5,000	3,500
Trustee Counsel	1,000	1,000	2,000	1,500
Verification Agent	1,500	1,500	3,000	2,500
Miscellaneous	1,500	1,500	3,000	2,000
CDIAC	360	553	914	909
Total	47,610	47,803	95,414	63,159

(*) Could vary depending on direct placement lender bids and use of lender counsel

Refunding Discussion and Recommendations

Notes and Discussion

- Refunding interest rate assumed at 2.50%
- All refunding bonds will pay principal and interest on July 1 and January 1
- **Security: pledge of net water revenues**
- Refunding all outstanding obligations gives the District an ability to structure new covenants with a clean set of documents
 - Rate Covenant
 - Additional Bonds Test
 - Rate Stabilization Fund
- New Proposition 218 rates must be in place to close the refunding

Recommendations

- Bid out the prospective refunding to a large group of direct placement lenders
 - Placement Agent will provide detailed summary of all bids
 - Expected lender recommendation to the District on or around November 1
- Depending on the results, consider doing both deals together to share in the costs of issuance
 - Ability to restructure covenants
 - Pay debt service on one issue moving forward
- No annual continuing disclosure other than any bank required financial reporting

Outstanding Issues

- Interest Rates are subject to change
- Some lenders will provide a rate lock
- Termination of CDs on 2011 Reserve Fund
- Time schedule: effective date of rate implementation
- Conditional call notices
 - 2004 COPs on or around December 1
 - 2011 COPs 30 day escrow but may also serve conditional call
- If 30 day challenge of approved and adopted rates
 - 2004 COPs must close prior to January 1 since bonds are callable on any interest payment date or must wait until April 1, 2017 for next opportunity
 - 2011 Loan can be redeemed on any date with 30 days notice

Financing Team

Role	Firm
Bond Counsel	Kronick Moskowitz Tiedemann & Girard
Municipal Advisor	Del Rio Advisors, LLC
Placement Agent	Brandis Tallman LLC
Lender	TBD
Trustee / Escrow Agent	U.S. Bank, N.A.

Tentative Financing Schedule

Task	Date
Select Recommended Team	September
Finance Committee Meeting	September 20
Draft Term Sheet Released	Week of September 26
Winning Bidder Notified	Week of October 10
Bidder Due Diligence	October / November
District Board Meeting Seeking Approval	November 10
Execute Final Documents	Week of Nov 14 th
Mail Conditional Call Notice	Wed November 30
District Board Meeting (New Proposition 218 Rates Adopted)	Thursday December 8
Closing and Transfer of Funds	December 21
Prior Issues Redeemed	January

Questions and Discussion