



Monterey County Water Resources Agency

2018 Revenue Refunding Bonds

Water Resources Agency Board of Supervisors Presentation

Monterey County Financing Authority

Tuesday, May 22, 2018

Financing Team



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Refunding Overview

- The Series 2008 Revenue Bonds, Series A (Salinas Valley Water Project) were issued with an original par amount of \$32.855 million, of which \$27.78 million is currently outstanding.
 - Currently rated “AA-” by Standard & Poor’s (affirmed November 2017)
- Current tax-exempt rates provide a refunding opportunity for debt service savings.
- The Bonds are callable on September 1, 2018 at a redemption price of 100% and can be current refunded on a tax-exempt basis anytime after June 1, 2018 – 90 days before the call date.
- All outstanding maturities will be refunded (September 1, 2018 – September 1, 2038).

Historical 10-Year Tax-Exempt Rates

10-Year AAA MMD Interest Rates (July 2008 – Present)



2018 Revenue Refunding Bonds*

- Simple high-to-low refunding with no extension of term.
- Level debt service savings.
- Net present value (“PV”) savings are approximately \$3.8 million, or 13.7% of refunded bonds.

Sources and Uses

Par Amount	\$24,510,000
Premium	\$2,210,189
Prior Debt Service Reserve Fund	\$2,194,358
<u>Contribution of Redemption Fund</u>	\$50,346
Total Sources	\$28,964,893

Refunding Escrow Deposits	\$28,396,080
Cost of Issuance	\$300,000
Underwriter's Discount	\$122,550
Surety Reserve (3%)	\$54,857
Bond Insurance (25bps)	\$91,158
<u>Additional Proceeds</u>	\$248
Total Uses	\$28,964,893

Summary of Refunding Results

Delivery Date	7/3/2018
Bond Par Amount	\$24,510,000
True Interest Cost	3.461%
Arbitrage yield	3.351%

Par amount of refunded bonds	\$27,780,000
Net PV Savings	\$3,799,379
Percentage savings of refunded bonds	13.677%



Annual Debt Service and Cash Flow Savings*

Estimated Savings Schedule

Period Ending	Prior Series		Net Debt Service	2018 Refunding		PV to 7/3/2018 @ Arb. Yield
	A	DSRF Earnings ⁽¹⁾		Debt Service	Savings	
	Debt Service					
6/30/2019	\$2,134,875	\$83,664	\$2,051,211	\$1,791,121	\$260,090	\$256,606
6/30/2020	2,135,625	50,251	2,085,374	1,824,050	261,324	249,472
6/30/2021	2,134,375	50,251	2,084,124	1,821,650	262,474	242,458
6/30/2022	2,136,000	50,251	2,085,749	1,822,950	262,799	234,899
6/30/2023	2,135,375	50,251	2,085,124	1,822,850	262,274	226,842
6/30/2024	2,137,375	50,251	2,087,124	1,826,250	260,874	218,329
6/30/2025	2,136,875	50,251	2,086,624	1,823,175	263,449	213,310
6/30/2026	2,138,750	50,251	2,088,499	1,828,050	260,449	203,992
6/30/2027	2,137,875	50,251	2,087,624	1,825,300	262,324	198,773
6/30/2028	2,134,250	50,251	2,083,999	1,824,925	259,074	189,898
6/30/2029	2,137,625	50,251	2,087,374	1,826,675	260,699	184,870
6/30/2030	2,137,750	50,251	2,087,499	1,825,425	262,074	179,797
6/30/2031	2,134,625	50,251	2,084,374	1,821,175	263,199	174,692
6/30/2032	2,138,000	50,251	2,087,749	1,828,550	259,199	166,420
6/30/2033	2,137,625	50,251	2,087,374	1,827,300	260,074	161,548
6/30/2034	2,138,375	50,251	2,088,124	1,825,300	262,824	158,029
6/30/2035	2,135,125	50,251	2,084,874	1,823,100	261,774	152,354
6/30/2036	2,137,625	50,251	2,087,374	1,823,400	263,974	148,728
6/30/2037	2,135,625	50,251	2,085,374	1,826,000	259,374	141,465
6/30/2038	2,138,875	50,251	2,088,624	1,825,800	262,824	138,786
6/30/2039	2,137,125	2,219,483	-82,358	0	-82,358	-42,140
Total	\$44,869,750	\$3,257,913	\$41,611,837	\$36,463,046	\$5,148,792	\$3,799,130

(1) Redemption fund applied to prior 9/1/2018 debt service. DSRF estimated earnings of 2.29%, which is the current 1-year UST yield.



Pledged Revenues and Security Features

- The 2018 Bonds will be secured by Installment Payments from the Agency to the Authority, under the Installment Purchase Agreement.
- Installment Payments will be paid from the same Pledged Revenues that currently secure the 2008 Series A Bonds:
 - Pledged Ad Valorem Taxes
 - Hydroelectric Facility Net Revenues
 - Zone 2C Benefit Assessments (Pledged Assessments)
 - Annexation Fees (none currently levied)
- The Indenture provides that a Reserve Fund be maintained in amount equal to the lesser of i) 10% of the original issue price of the Bonds; ii) Maximum Annual Debt Service; iii) 125% of Average Annual Debt Service.
 - The Reserve Requirement may be satisfied by a Qualified Reserve Surety.



Debt Service Coverage*

- Assuming no growth in pledged revenues, debt service coverage is 2 times.
- Assuming Zone 2C Pledged Assessments are not available, debt service coverage is 1.4 times.

Historical and Projected Revenues and Debt Service Coverage

Fiscal Year	Pledged Ad Valorem	Hydro. Net Revenues	Pledged Assessments	Total Pledged Revenues ⁽¹⁾	Prior Series A		2018 Bonds		
					Debt Service ⁽²⁾	Coverage	Debt Service ⁽²⁾	Coverage	Coverage w/out Z2C
	(A)	(B)	(C)	(D=A+B+C)	(E)	(D/E)	(F)	(D/F)	((A+B)/F)
2008-09	2,159,486	465,658	1,092,220	3,717,364	\$936,554	3.97x			
2009-10	1,946,839	194,987	1,115,295	3,257,121	1,597,913	2.04x			
2010-11	1,872,942	304,395	1,120,271	3,297,608	2,136,913	1.54x			
2011-12	1,847,600	191,564	1,107,985	3,147,149	2,134,513	1.47x			
2012-13	1,891,580	13,329	1,142,185	3,047,094	2,139,188	1.42x			
2013-14	2,037,127	10,895	1,123,360	3,171,382	2,137,963	1.48x			
2014-15	2,008,083	0 ⁽³⁾	1,119,623	3,127,706	2,137,863	1.46x			
2015-16	2,286,246	0 ⁽³⁾	1,107,650	3,393,896	2,138,313	1.59x			
2016-17	2,369,455	182,155	1,102,230	3,653,840	2,134,063	1.71x			
2017-18	2,369,455	182,155	1,102,230	3,653,840	2,137,781	1.71x			
2018-19	2,369,455	182,155	1,102,230	3,653,840			\$1,791,121	2.04x	1.42x

*Subject to Change.

(1) Projected pledged revenues assume no growth from Fiscal Year 2016-17 actuals.

(2) Gross debt service.

(3) Reflects Hydroelectric Facility Net Revenues available for debt service. In Fiscal Years 2014-15 and 2015-16 were -\$51,703 and -\$121,072, respectively.



Zone 2C Litigation

- The Salinas Valley Water Coalition has sued the Agency in *Salinas Valley Water Coalition v. Monterey County Water Resources Agency, et al.* (the “Complaint”) seeking mandamus, declaratory and injunctive relief from certain Agency actions, including the assessment of Pledged Assessments, that form a portion of the Revenues pledged under the Installment Purchase Agreement.
- The Agency reasonably believes that some of the assessments at issue in the litigation include Pledged Assessments.
- The Agency intends to vigorously contest the claims made in the Complaint.
- Although the Agency believes there are viable defenses to each claim made in the Complaint, no assurance can be provided by the Agency that all or any portion of the Pledged Assessments will not be reassessed, enjoined or declared invalid as a result of the litigation when finally adjudicated.
- No summary judgment motions have been filed and the litigation remains in the early stages.



Zone 2C Litigation

Specifically, the Complaint, among other things:

- Requests a writ of mandate ordering the Agency to operate the Salinas Valley Water Project in a manner consistent with providing the water supply “special benefits” contemplated by the Proposition 218 special ballot assessment proceeding and the Engineer’s Report prepared in connection with the proceeding;
- Requests a writ of mandate ordering the Agency to perform a reassessment of the costs and benefits of the Salinas Valley Water Project to reflect actual construction costs and operation of the Salinas Valley Water Project, to recalculate the special assessment on Zone 2C landowners to reflect the proportional special benefits they actually receive and to relieve these landowners of the obligation to pay for general public benefits that are not special and proportional to the parcels in Zone 2C;
- Seeks to declare the portion of the use of the Salinas Valley Water Project that is properly allocable to providing general public benefits (as opposed to special benefits to landowners) to be declared invalid under Proposition 218 (Art. XIII D), as a “tax” not approved by the voters and in violation of the due process rights of the Zone 2C property owners;
- Seeks to enjoin the collection of the special assessment that exceeds the “special benefits” conferred on the Zone 2C property owners;
- Seeks to prohibit the Agency from diverting natural flow to which Coalition members assert a right; and
- Seeks a writ of mandate ordering the Agency to operate the Nacimiento and San Antonio reservoirs in compliance with water rights licenses and permits.



Financing Schedule

Monday, May 21, 2018	MCWRA Board of Directors Meeting - financing approval
Tuesday, May 22, 2018	Monterey County Financing Authority Meeting - financing approval
Tuesday, May 22, 2018	MCWRA Board of Supervisors Meeting - financing approval
Thursday, May 24, 2018	Post Preliminary Official Statement
Tuesday, June 05, 2018	Pricing
Tuesday, July 03, 2018	Closing
September 1, 2018	Series 2008 Bonds redeemed

