



**STAFF REPORT**  
**1/26/2022**

**TO:** Honorable Mayor/President and City Council/Board Members

**FROM:** Nathan Statham, Finance Director

**SUBJECT:** Adopt Resolutions WA-2022-01 and 2022-05 approving the form and authorizing the execution of an official statement and other agreements for the issuance of water revenue refunding bonds and approving additional actions related thereto

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**STAFF RECOMMENDATION:**

Staff recommends that the Board of Directors of the Coachella Water Authority and City Council adopt resolutions WA-2022-01 and 2022-05 respectively, authorizing the issuance of 2022 Water Revenue Refunding Bonds Series A & B (“new bonds”) for a total not to exceed amount of \$13,000,000 by authorizing the execution of an indenture of trust, continuing disclosure agreement, escrow agreement, bond purchase contract and a preliminary official statement.

**BACKGROUND:**

The Authority identified significant cost savings opportunities as interest rates have significantly decrease over the past couple of years. With borrowing costs near all-time lows, Authority staff recommended to the Board that a finance team be assembled and the preliminary steps be taken to begin refunding the Authority’s 2008 and 2012 outstanding bonds in September of 2021. The Board approved the recommendation. Current market conditions remain favorable, with Board approval, the finance team anticipates the sale of the new bonds will take place in February of 2022.

The finance team has gone through the rating process with S&P Global Ratings. S&P has issued an A+ rating for the new bonds.

**DISCUSSION/ANALYSIS:**

**Bond Sizing**

The intent of issuing the new bonds was to obtain interest savings to benefit the financial position of the Authority. As a result, the structure of the new bonds was substantially unchanged from the combined structures of the 2008 and 2012 outstanding bonds. The maturity and payments of the

new bonds mirrors that of the outstanding bonds. This structure results in net present value savings of \$1.3 million due to interest savings. This savings will result in \$1.2 million of additional funds to be used for capital improvement projects.

### **Legal Documents**

The legal documents subject to approval with this item are as follows:

- **Indenture of Trust:** The Indenture of Trust lays out the terms and operating requirements to be followed by the trustee Wilmington Trust. The trustee is responsible for receiving and remitting debt service payments between the Authority and bond investors.
- **Continuing Disclosure Agreement:** Executed for the benefit of bondholders, the Continuing Disclosure Agreement obligates the Authority to file its most recent audited financial statements. The Authority is also required to report certain events which are significant to bondholders if and when they occur. Urban Futures Inc. is the dissemination agent under the agreement and is responsible for preparing and posting the required disclosures.
- **Escrow Agreement:** Under the Escrow Agreement, US Bank will hold funds on behalf of the Authority from the new bonds for the repayment of the outstanding 2012 bonds until the earliest allowed redemption date.
- **Bond Purchase Contract:** Stifel, Nicolas & Company is the Authority's underwriter for the new bonds. The bond purchase contract allows for the sale of the new bonds to the underwriter.
- **Preliminary Official Statement:** The Preliminary Official Statement ("POS") is the offering document with respect to the new bonds and contains all operating and financial information about the Authority that would be considered material to a prospective investor's decision on whether to purchase the bonds. While the financing team has participated in preparing the POS, Board and staff are ultimately responsible for ensuring the POS is accurate, contains no misleading information and does not omit any information necessary to make the POS not misleading to investors.

If this item is approved, the POS will be made available to the rating agency and prospective investors some time over the next week and the new bonds will be sold to investors.

### **ALTERNATIVES:**

1. Approve resolutions WA-2022-01 and 2022-05 as recommended.
2. Refer the matter back to Authority staff for further analysis or the development of alternative debt structures.
3. Retain existing bond debt with higher interest costs.

**FISCAL IMPACT:**

Based on current market conditions, total savings are estimated to be \$1.3 million over the term of the bonds. This will make additional cash available to the Authority to finance already budgeted capital improvements.

Costs associated with all the actions surrounding the issuance of the new bonds will be paid from bond proceeds. Not-to-exceed fees for the financing team have been previously approved by the Board. All costs, except those of Standard & Poor's as the credit rating agency will be contingent upon the successful sale of the bonds.

Good Faith Estimates (required by SB 450) are attached to this item and provided to the Board assuming the new bonds will be issued at the \$13 million not-to-exceed amount. These amounts are still preliminary and are subject to prevailing market conditions at the time of bond pricing.

**ATTACHMENTS:**

1. Resolution WA-2022-01
2. Resolution 2022-05
3. Indenture of Trust
4. Continuing Disclosure Agreement
5. Escrow Agreement
6. Bond Purchase Contract 2022A
7. Bond Purchase Contract 2022B (forward delivery)
8. Preliminary Official Statement (POS)
9. Good Faith Estimates