



**STAFF REPORT**  
**9/8/2021**

**TO:** Honorable Mayor and City Council Members

**FROM:** Nathan Statham, Finance Director

**SUBJECT:** Resolution No. WA-2021-09, Authorizing Authority staff to undertake the bond issuance process to refinance the outstanding bonds of the Coachella Water Authority (Authority) and procure new financing with the expected interest savings for needed capital improvements.

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**STAFF RECOMMENDATION:**

It is recommended that the Board approve Resolution No. WA-2021-09 approving the following actions:

- 1) Authorize Authority staff to begin the process of issuing water revenue bonds to refund existing Authority bonds and procure additional capital project funding;
- 2) Authorize the Executive Director or designee to engage Urban Futures as the Authority's Municipal Advisor for this transaction;
- 3) Authorize the Executive Director or designee to engage Nixon Peabody as Bond and Disclosure Counsel for this transaction;
- 4) Authorize the Executive Director or designee to engage the services of and enter into an underwriter agreement with a dully licensed bond underwriter that is vetted and selected as the best qualified and/or lowest priced firm through a competitive RFP process as required under the Authority's purchasing ordinance.

**BACKGROUND:**

U.S. and global credit markets have seen unprecedented low interest rates. The Authority has outstanding balances for its 2008 Water Revenue (USDA) Bonds (2008 Bonds) and 2012 Water Bonds (2012 Bonds). The two outstanding bond issues have remaining debt services of \$7.2 million and \$8.3 million respectively for a total outstanding debt service of \$15.5 million.

In July 2021, Authority staff entered into discussions with the Authority's Municipal Advisor Urban Futures and Wells Fargo Bank to determine the feasibility of refunding the Authority's 2008 and 2012 outstanding bond issues. Based on those discussions and good faith estimates, the Authority expects to obtain significant saving by refinancing both bond issues into a single new bond issue. Net present value saving of \$1.8 million is expected from the refinancing if market conditions remain favorable.

Given the Authority's current capital project needs, the savings would be best utilized to procure additional capital project financing. The Authority currently has \$5.5 million in capital projects scheduled for funding in fiscal 2021/22 from rate payer generated water charges. These capital project costs will be included in future rates, however financing them will allow for smoothing of the costs and allow for more stable rates over time.

Capital improvement project selection has not been finalized and will be considered in conjunction with American Rescue Plan Act funds available through the City of Coachella. The Authority currently has a need for a new well (CIP W-46, well 20, zone 150) that is identified in the fiscal 2021/22 approved budget and was identified as a need in the Authority's 2017 Water Master Plan. Rate payer related costs are budgeted at \$1,500,000. This project has been preliminarily identified as the principal project that would be funded with the new financing should this item be approved.

If the Board approves this Resolution to move forward with the refinancing and to engage the financing team, staff will return with financing documents for approval at a future meeting.

**FISCAL IMPACT:**

The lead underwriter, financial advisor, and bond and disclosure counsel along with other costs of issuance (such as bond insurance and surety premium, rating agency fees, printing costs, etc.), are paid from the proceeds of the bonds with costs estimated at \$380,000; the financing team is not paid unless the bonds are issued.

The issuance of these bonds refinances outstanding debt with Net Present Value savings of \$1.8 million. The proposed debt structure would retain the current maturity and debt service payments (the new bonds will not extend the term or increase annual payments). This structure will allow the Authority to obtain roughly \$1.6 million in new financing for capital improvement projects, if market conditions remain favorable.

**ATTACHMENTS:**

- Attachment No. 1 – Resolution No. WA-2021-09
- Attachment No. 2 – Draft Municipal Advisor Engagement Letter
- Attachment No. 3 – Draft Bond Counsel Engagement Letter
- Attachment No. 4 – Good Faith Estimate