



Johnstown  
Colorado

Anticipated Wastewater Revenue Bonds, Series 2021

April 2021

- For significant capital projects with long useful lives, debt financing may be a good alternative to “pay-as-you-go”
- Most water/wastewater revenue bonds are secured by the net revenues of a system (i.e., revenues less operations and maintenance expenses)
  - Revenues principally consist of the income from revenue sources (i.e., rates and charges, connection fees, other income, etc.)
    - Most are additionally secured with a debt service reserve fund
- The Town’s Wastewater Bonds will have two main revenue requirements/considerations:
  - Maintain rates and charges to meet debt service
    - $(\text{total revenues} - \text{operating expenses}) / \text{annual bond payment} > \text{rate maintenance requirement}$
  - Must meet an additional bonds test for any new debt
    - $(\text{total revenues} - \text{operating expenses}) / \text{annual bond payment} + \text{new bond payment} > \text{additional bonds test}$
- Rates may be increased overtime, subject to Town Council approval, in order to generate enough revenue to support current or future needs

*The financing team needs to be thoughtful about how this first bond issue is structured in anticipation of additional bond issues in the future.*

## Issuer

- Selects financing team
- Determines borrowing needs and key parameters of debt
- Authorizes issuance of bonds

## Bond/Disclosure Counsel

- Drafts Authorizing Ordinance, Legal Opinion, offering document and closing documents
- Provides legal advice to issuer based on existing federal, State and local legislation and arbitrage/tax law

## Underwriter

- Structures financing
- Prepares all rating agency materials
- Provides financing schedule
- Provides underwriting and markets bonds, sets prices, and sells bonds to investors

## District Counsel

- Advises Issuer on legal issues and provides opinion

## Paying Agent

- Commercial bank that maintains list of bondholders
- Pays principal and interest to bondholders

## Underwriter's Counsel

- Reviews documents
- Manages Due Diligence call and prepares Bond Purchase Agreement
- Advises Underwriter on legal issues

## Rating Agency

- Provides credit rating on Issuer's bonds and existing obligations

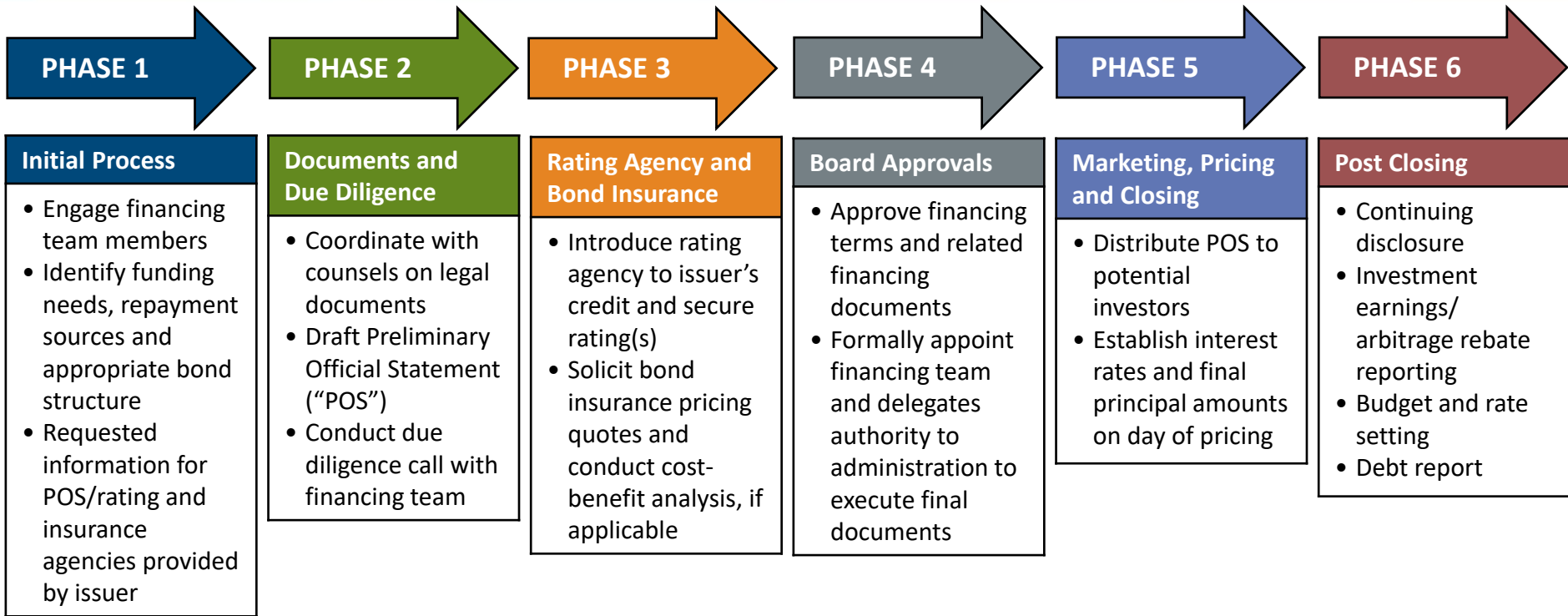
## District Water Counsel

- Provides water information for the bond issue and advises the District on water matters

## Engineer/Other Consultants

- Provides water system and financial information to District and for bond issue

# Overview of the Financing Process

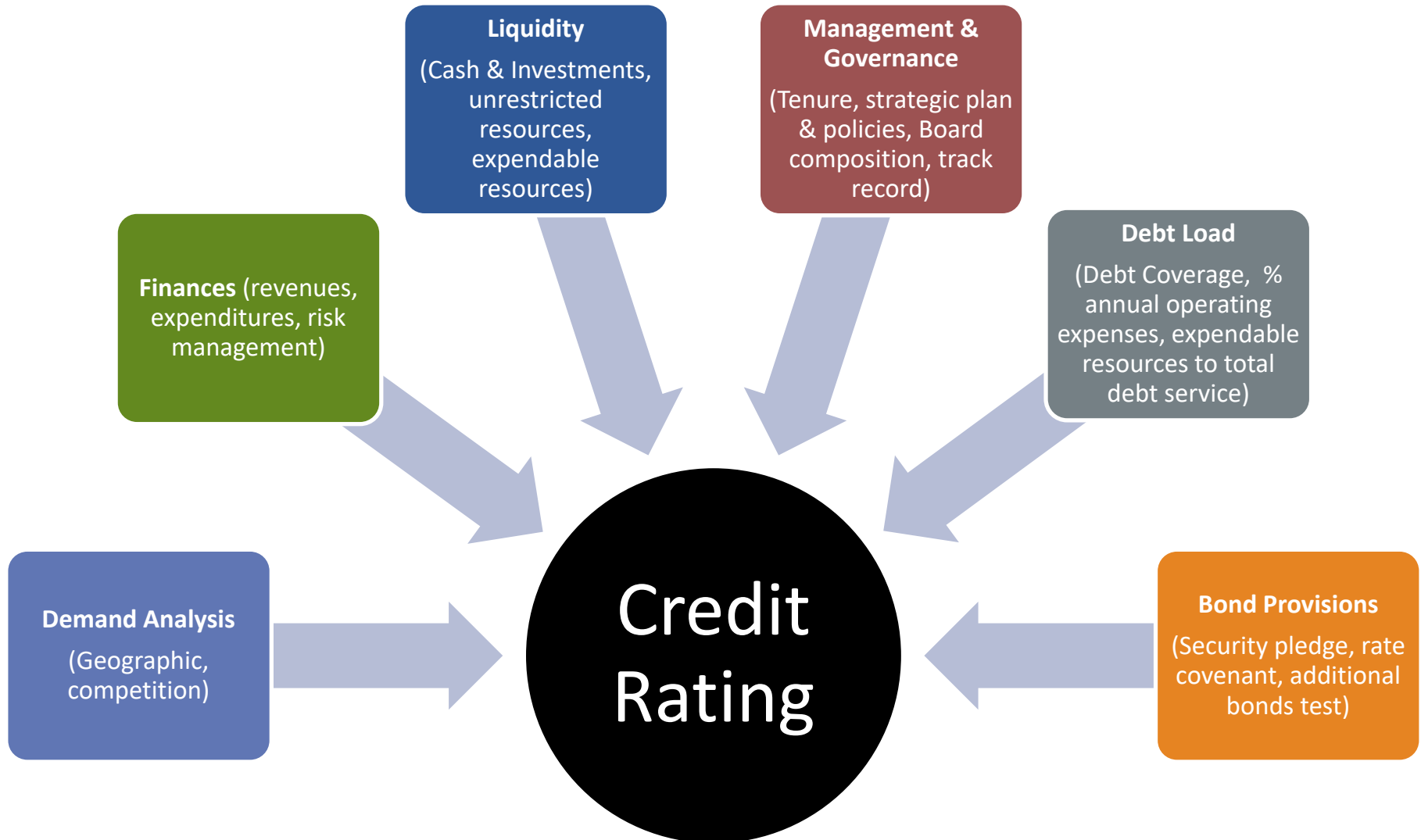


*The actual timeline for conducting a bond sale depends upon Town objectives, the ability to coordinate other required efforts and market forces.*

# Tentative Financing Schedule

DATE	EVENT
April 5	Stifel provides overview of transaction to Town Council
April 14	First draft of POS and financing documents distributed
April 21	Document review call
April 28	Second draft of POS and financing documents distributed to working group, rating agency and insurance providers
May 3	First reading of Ordinance at Town Council Meeting
May 4	Rating prep call
May 5	Rating call
May 14	Receive Rating
May 17	Receive responses bank from insurance companies
May 17	Second reading of Ordinance at Town Council Meeting
May 18	Receive near final draft of financing documents
May 19	Due Diligence Call
May 21	Final comments due on POS
May 25	Post POS
June 8	Pricing
June 11	Official Statement is posted and distributed
<b>June 22</b>	<b>Closing</b>

- Vary based on security type – all rating agencies provide information on their Rating Criteria



- **Standard and Poor’s (S&P) assigns ratings based on a framework that considers a enterprise risk profile and a financial risk profile:**

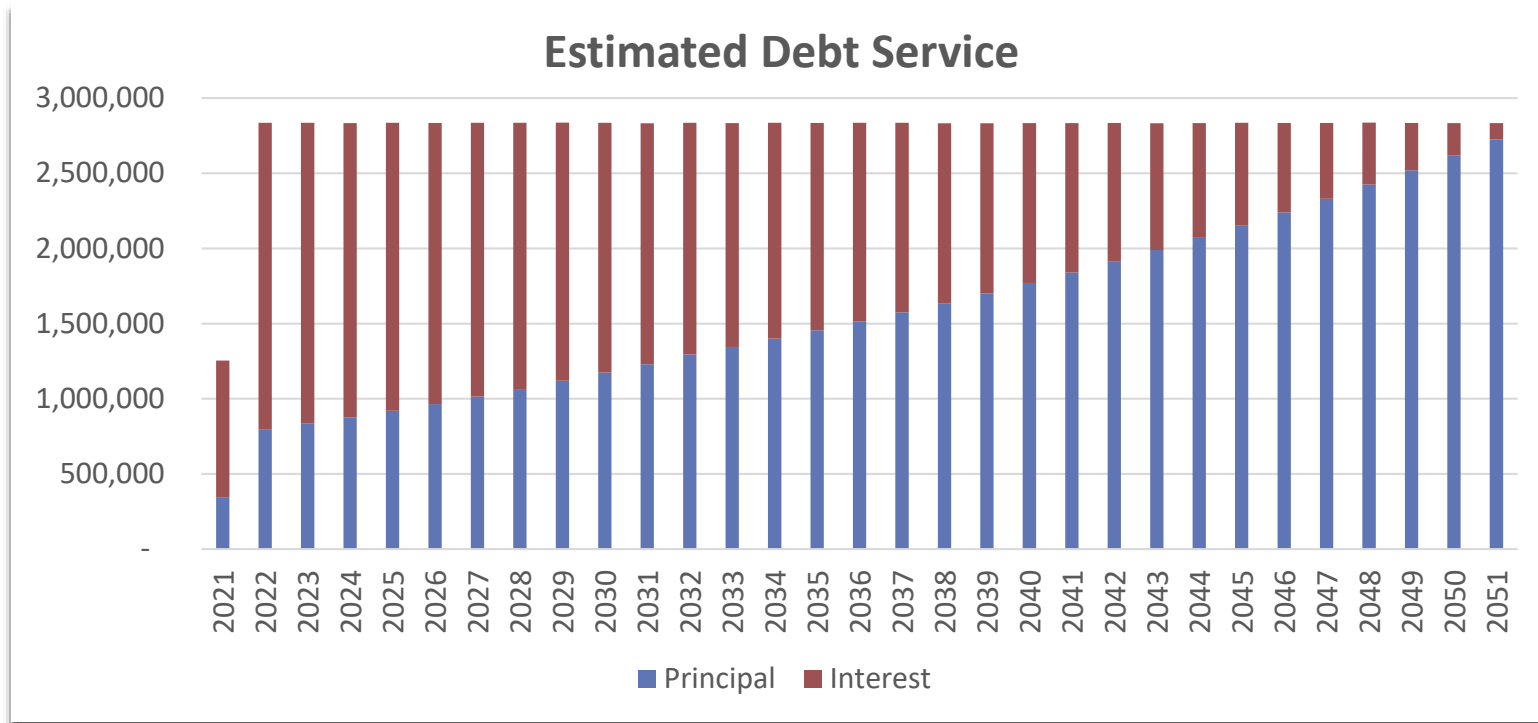
Enterprise Risk Profile	
Economic fundamentals (45%):	<ul style="list-style-type: none"> <li>• The strength of the utility’s service area economy, including the demographics, characteristics and trends about the customer base, and how crucial the utility’s principal customers are to operating revenues</li> </ul>
Industry risk (20%):	<ul style="list-style-type: none"> <li>• Evaluates the external environment in which municipal utilities operate and its relevant characteristics including cyclical, competitive risk and growth environment</li> </ul>
Market position (25%):	<ul style="list-style-type: none"> <li>• Measures the relative affordability of utility rates given the income indicators and relative poverty of the service area, as well as comparability of rates with those peers in the region or state</li> </ul>
Operational management (10%):	<ul style="list-style-type: none"> <li>• Evaluates S&amp;P’s view of the effectiveness of utility management in ensuring that there is alignment of operational, environmental, strategic, and financial goals to support the system’s success</li> </ul>

Financial Risk Profile	
All-in coverage (40%):	<ul style="list-style-type: none"> <li>• Examination of historical results, the current financial condition of the utility, and projected scenarios for the next one to three fiscal years. The focus is on total financial capacity versus total revenue requirements.</li> </ul>
Liquidity and reserves (40%):	<ul style="list-style-type: none"> <li>• Incorporates all lawfully available cash reserves and external working capital or liquidity sources, including bank lines in force within the life of any short-term obligations.</li> </ul>
Debt and liabilities (10%):	<ul style="list-style-type: none"> <li>• This factor incorporates mainly quantitative, but also qualitative, analyses about not just the absolute measure of the utility’s indebtedness but also the capacity to incur and support additional debt, especially in relation to maintaining any minimum financial metrics as covenanted to bondholders. Measurable liabilities such as pension and postemployment benefits can lead to adjustments to this initial factor.</li> </ul>
Financial management assessment (10%):	<ul style="list-style-type: none"> <li>• An evaluation of ongoing management practices and policies that can be supportive of financial performance and continuity, as well as internal controls and reporting.</li> </ul>

# Estimated Bond Statistics for \$55 Million of Project Funds

## Bond Statistics\* (Interest rates as of March 22, 2021)

Delivery Date	June 22, 2021
Net Proceeds (\$)	55,000,000
True Interest Cost (%)	3.07%
Final Maturity	December 1, 2051
Average Life (years)	18.828
Average Annual Debt Service	2,834,687
Total Debt Service	86,292,612



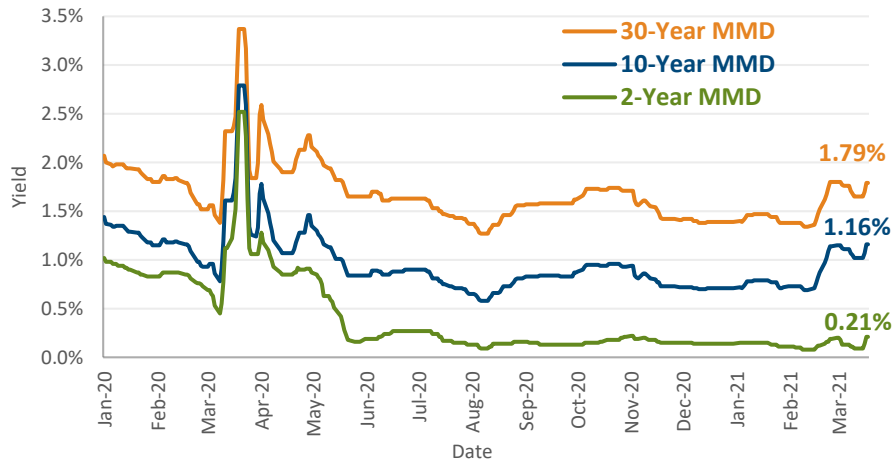
\*Preliminary, for discussion purposes only, subject to change. Market rates as of March 22, 2021. Stifel has assumed an 'A' underlying rating and bond insurance. Actual results may differ, and Stifel makes no commitment to underwrite at these levels.



## AAA MMD Yields Observe Notable Volatility Across Most Maturities

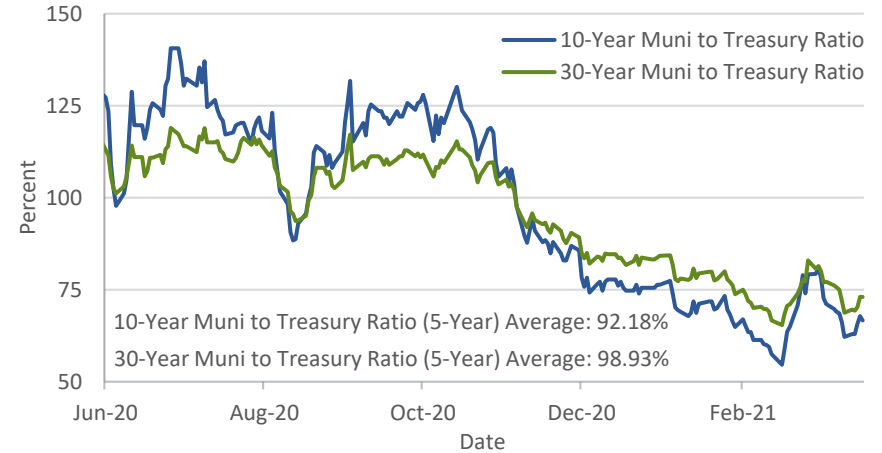
### MMD Yields Increase, Continuing Recent Volatility

Comparing 2, 10 and 30-Year AAA MMD since January 1, 2020



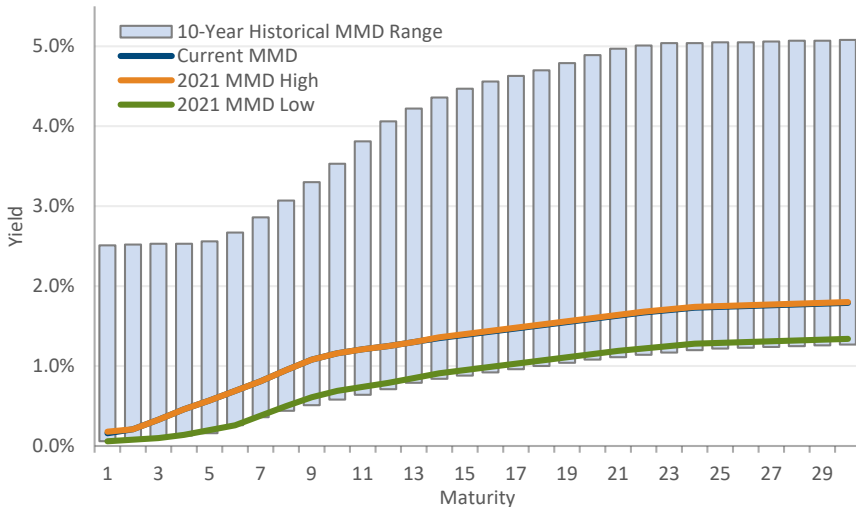
### Last Week, Muni to Treasury Ratios Recorded Modest Increases

10-Year and 30-Year Ratios Since June 2020



### Current MMD Yields Are Covered by 2021 UST High Yields in Most Maturities

10-Year Historical AAA MMD Range vs. Current AAA MMD



### AAA MMD Summary Statistics

	5-Year	10-Year	30-Year
Current	0.57%	1.16%	1.79%

2021 Year-to-Date			
Weekly Change	+14 bps	+14 bps	+14 bps
YTD Change	+35 bps	+44 bps	+39 bps
High	0.57%	1.16%	1.80%
Low	0.20%	0.69%	1.34%
Average	0.34%	0.88%	1.53%
Year Ending 2020	0.22%	0.72%	1.40%

Since January 1, 2018			
High	2.56%	2.79%	3.46%
Low	0.16%	0.58%	1.27%
Average	1.26%	1.66%	2.33%

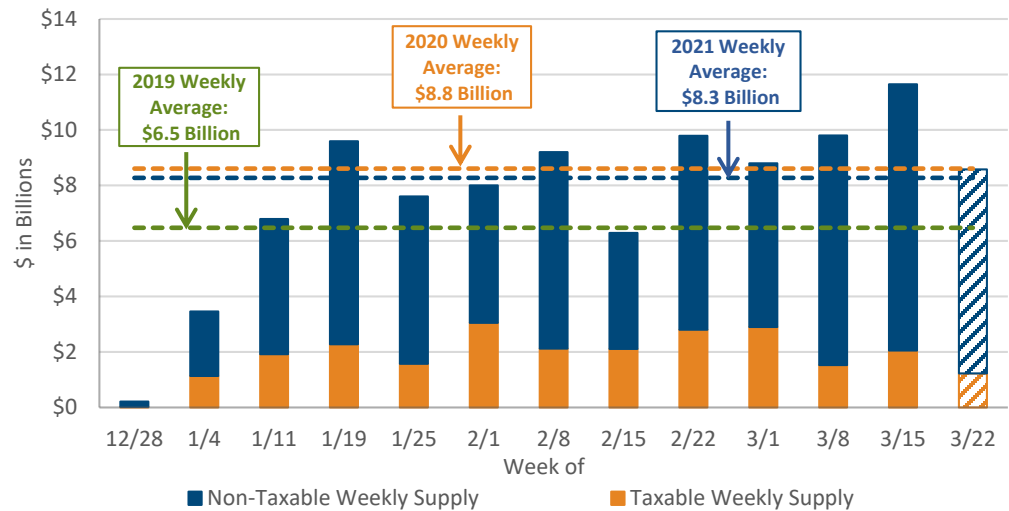
- Supply Figures Mostly Remain Near the Historical Weekly Average, After 2020 Observed a Majority of Weeks Exceeding The Historical Average**

- The week of March 15 recorded approximately \$11.7 billion of weekly municipal supply. Approximately \$2.1 billion, or 17.6%, of the transactions were taxable.
- The week of March 22 is forecasted to observe a new issue supply of approximately \$8.6 billion. \$1.2 billion, or 14.3%, of the anticipated transactions are taxable.
- With the most recent reporting week recording a supply notably greater than the historical average, the 2021 YTD weekly average jumped to \$8.3 billion.

- Municipal Bond Funds Observe Weekly Net Inflows**

- The week of March 15 observed \$1.3 billion of net inflows into municipal bond funds, following a weekly net inflow of \$1.1 billion during the week of March 8.
- Despite the recent net outflow, during the week of March 1, 42 of the past 45 weeks have recorded net inflows into muni bond funds, and the four week average sits at \$451 million of net inflows.
- The 2021 average weekly net inflow into muni bond funds currently sits at an impressive \$1.5 billion, compared to the 2019 and 2020 averages of \$1.2 and \$434 million, respectively.

## Early 2021 Weekly Supply Remains Near Historic Average Levels Previous 12 Weeks of New Issue Supply and Forecast of Current Week



## Municipal Bond Funds Return to Historically Average Weekly Net Inflows Recent Weekly Municipal Bond Fund Flows

