ANALYSIS

The Mission Springs Water District ("District") and the Mission Springs Water District Improvement Corporation ("Corporation") intend to enter into an Installment Purchase Agreement in order to finance the costs of a new administration building for the District, as well as the acquisition and construction of two water booster stations for the Water system. The installment payments received by the Trustee as the assignee of the Corporation will be used to secure the issuance of the District's Revenue Certificates of Participation, Series 2026A ("2026 COPs"). The District's obligation to make installment payments are secured by a pledge and lien on Revenues of the District's water and wastewater systems.

It is expected that 70% of the debt will be paid from the water system and 30% from the wastewater system.

The proposed 2026 COPs are estimated to be issued in the principal amount of approximately $26.82 million with a final maturity of February 1, 2056 (30-year term). Based on market conditions as of July 6, 2026 and assuming an "A+" underlying rating from Standard & Poor's, the 2026 COPs are expected to have average annual debt service payments of $1.72 million and a true interest cost of 4.51%. The final interest cost and debt service payments will be determined when the 2026 COPs are priced, which is currently expected in early August 2026.

As required under Section 5852.1 of the California Government Code (Code), good faith estimates as provided by the District's Municipal Advisor and Underwriter are provided as an attachment to the authorizing Resolution.

As part of tonight's agenda item, staff is also recommending the transfer of $350,000 and $150,000 into the Water and Wastewater Rate Stabilization Funds from prior Fiscal Year water and wastewater revenues, respectively. The initial deposit amounts are equal to roughly 30% of annual debt service on the 2026 COPs. The District is establishing the Water and Wastewater Rate Stabilization Funds to provide flexibility to the Board when setting Water and Wastewater rates. Moneys withdrawn from the Rate Stabilization Funds are considered Revenues for purposes of the District's financial covenants and can be included in the calculation of Net Revenues for purposes of meeting debt service coverage requirements.

SUMMARY OF FINANCING DOCUMENTS TO BE APPROVED:

The subject Resolution approves all documents and actions needed to authorize the issuance and sale of the 2026 COPs, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the District:

- **Installment Purchase Agreement** - Agreement by and between the District and the Corporation pursuant to which the District agrees to make installment payments to the Corporation to secure the issuance of the 2026 COPs. The installment payments are secured by a pledge and lien on Revenues of the Water and Wastewater systems. This agreement contains all of the required financial covenants of the District.

- **Trust Agreement** - Agreement by and among the District, the Corporation, and the Trustee, pursuant to which the installment payments are pledged to the repayment of the 2026 COPs. The Agreement sets forth the relevant terms of the 2026 COPs and the rights and remedies of the 2026 COPs Owners.
- **Assignment Agreement** – Agreement pursuant to which the Corporation will assign the District's installment payments to the Trustee on behalf of the 2026 COPs Owners.
- **Certificate Purchase Agreement** - Agreement between the District and Wells Fargo Bank, N.A., as underwriter, pursuant to which the underwriter agrees to purchase the 2026 COPs and sell them to investors on behalf of the District.
- **Preliminary Official Statement** - Document pursuant to which the 2026 COPs will be offered for purchase by the public. This document must contain all facts material to the 2026 COPs, the District and the Corporation, the water system and the wastewater system (with certain permitted exceptions to be completed in the final Official Statement) and must not omit any such material facts.
- **Continuing Disclosure Certificate** - Agreement to provide certain annual reports to investors in order to allow the underwriter to comply with federal securities laws.

If the Board approves the Resolution, staff and the financing team (Urban Futures, Inc. as Municipal Advisor; Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel; and U.S. Bank National Association as Trustee) will continue with the next steps in the process to prepare to bring the financing to market. As previously mentioned, pricing of the 2026 COPs is anticipated to occur in early August 2026, with closing scheduled for two weeks after.

FISCAL IMPACT & STRATEGIC PLAN IMPLEMENTATION

Based on current interest rates, the 2026 COPs are expected to have average annual debt service payments of approximately $1.72 million and a true interest cost of 4.51%. The source of repayment for the debt service on the 2026 COPs is net revenues of the District's Water and Wastewater systems.

The debt issuance costs are expected to be $350,000, with an additional $40,000 for municipal advisement services.

The establishment and initial deposits into the Water and Wastewater Rate Stabilization Funds of $350,000 and $150,000, respectively, are equal to roughly 30% of annual debt service on the 2026 COPs.